

## IMPORTANT NOTICE

**NOT FOR DISTRIBUTION IN OR INTO OR TO (I) ANY PERSON LOCATED OR RESIDENT IN THE UNITED STATES OF AMERICA, ITS TERRITORIES AND POSSESSIONS, ANY STATE OF THE UNITED STATES OR THE DISTRICT OF COLUMBIA (THE “UNITED STATES”), OTHER THAN PURSUANT TO “OFFSHORE TRANSACTIONS” CONDUCTED IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT (“REGULATION S”), (II) UNLESS OTHERWISE EXEMPTED, ANY RESIDENT OF JAPAN, (III) RETAIL INVESTORS IN THE EEA OR (IV) RESIDENTS OF CANADA.**

**You must read the following disclaimer before continuing.** The following disclaimer applies to the attached Exchange Offer Memorandum (the “Exchange Offer Memorandum”) and you are, therefore, advised to read this disclaimer page carefully before reading, accessing or making any other use of the Exchange Offer Memorandum. In accessing the Exchange Offer 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.

NOTHING IN THE EXCHANGE OFFER MEMORANDUM OR ANY DISTRIBUTION THEREOF CONSTITUTES AN OFFER OF, OR THE SOLICITATION OF AN OFFER TO BUY OR SUBSCRIBE FOR, SECURITIES TO ANY PERSON IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE EXCHANGE OFFER MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT 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 New Notes and the related Note Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any other jurisdiction and are being offered only to persons (“Eligible Offerees”) who satisfy all of the following criteria: (A) non-U.S. persons located outside the United States or dealers or other professional fiduciaries in the United States acting only on a discretionary basis for the benefit or account of non-U.S. persons located outside the United States, in each case, in offshore transactions conducted in accordance with Regulation S (B) persons other than retail investors in the European Economic Area, defined as a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “Prospectus Directive”), (C) persons (i) who are beneficial owners that are, for Japanese tax purposes, neither individual residents of Japan or Japanese corporations, nor individual non-residents of Japan or non-Japanese corporations that in either case are specially related persons of the Company as described in Article 6, Paragraph (4) of the Special Taxation Measures Act; and (ii) who are not residents in Japan for Japanese securities law purposes (including a natural person having his/her place of domicile or residence in Japan, a legal person having its main office in Japan or any branch, agency or other office in Japan of a non-resident (irrespective of whether it is legally authorized to represent its principal or not and even if its main office is located in a country other than Japan)), (D) non-residents of Canada, provided that a discretionary account held for the benefit or account of a person or company resident in Canada by an investment manager or similar fiduciary outside Canada is not a resident of Canada for this purpose, and (E) persons into whose possession the Exchange Offer Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which they are located. Accordingly, the New Notes will be subject to restrictions on transferability and resale and may not be transferred or resold (i) in 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, and (ii) in any other jurisdiction except as permitted under the applicable securities laws of such jurisdiction.

The Exchange Offer is being made, and the Exchange Notes and related Note Guarantees are being offered and issued, only to Eligible Offerees who hold Existing Notes through the Clearing Systems (“Eligible Holders”) and who have certified to the Company that they are eligible to participate in the Exchange Offer. Only Eligible Holders are authorized to receive or review this Exchange Offer Memorandum or to participate in the Exchange Offer. The Exchange Offer and the Concurrent New Money Issuance are not being made to any U.S. person (as defined in Regulation S) or within the United States, other than pursuant to offshore transactions with non-U.S. persons conducted in accordance with Regulation S.

Solely for the purposes of the product approval process of each Dealer Manager (each, a “manufacturer”), the target market assessment in respect of the New Notes described in this Exchange Offer Memorandum has led to the conclusion that: (i) the target market for such New Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “MiFID II”); and (ii) all channels for distribution of such New Notes to eligible counterparties and professional clients are appropriate. The target market and distribution channel(s) may vary in relation to sales outside the EEA in light of local regulatory regimes in force in the relevant jurisdiction. Any person subsequently offering, selling or recommending such New Notes (a “distributor”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such New Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

You are reminded that the Exchange Offer Memorandum has been delivered to you on the basis that you are a person into whose possession the Exchange Offer 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 the Exchange Offer Memorandum to any other person. You will not transmit the Exchange Offer Memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Company (as defined in the Exchange Offer Memorandum).

The materials relating to the Exchange Offer and the Concurrent New Money Issuance described in the Exchange Offer Memorandum do not constitute, and may not be used in connection with, an offer in any place where offers are not permitted by law. If a jurisdiction requires that an exchange offer be made by a licensed broker or dealer and any of the Dealer Managers (as defined in the Exchange Offer Memorandum) or any affiliates of such Dealer Managers are a licensed broker or dealer in that jurisdiction, the Exchange Offer shall be deemed to be made by such Dealer Manager(s) and such affiliate(s) on behalf of the Company in such jurisdiction.

The Exchange Offer Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, none of the Company, the Initial Note Guarantor, the Dealer Managers, the Trustees (as defined therein), any person who controls them, any director, officer, employee or agent of any Dealer Manager and any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Exchange Offer Memorandum distributed to Holders in electronic format and the hard copy version available to Holders on request from D.F. King Ltd., in its capacity as Information Agent (as defined in the Exchange Offer Memorandum).

**NONE OF THE EXCHANGE OFFER MEMORANDUM OR ANY RELATED DOCUMENT HAS BEEN FILED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION, OR FILED WITH OR REVIEWED BY ANY U.S. STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY OF ANY COUNTRY. NO AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF ANY SUCH DOCUMENTS AND IT IS UNLAWFUL AND A CRIMINAL OFFENSE TO MAKE ANY REPRESENTATION TO THE CONTRARY.**

The distribution of the Exchange Offer Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession the Exchange Offer Memorandum comes are required by the Company, the Dealer Managers and the Information Agent to inform themselves about, and to observe, any such restrictions.

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent adviser (financial or otherwise).**

**EXCHANGE OFFER MEMORANDUM**



**SoftBank Group Corp.**

*Offer to Exchange and Solicitation of Consents to Approve Amendments to the Indenture Governing the Following Debt Securities (the "Existing Notes"):*

Description of Existing Notes	ISIN	Common Code	Exchange Price (per \$1,000 or €1,000 principal amount)	Consent Fee (per \$1,000 or €1,000 principal amount)
\$1,000,000,000 5.375% Senior Notes due 2022 ("2022 Dollar Notes")	XS1266660635	126666063	\$1,047.50	\$10
\$1,000,000,000 6% Senior Notes due 2025 ("2025 Dollar Notes")	XS1266660122	126666012	\$1,075.00	\$10
€500,000,000 4% Senior Notes due 2022 ("2022 Euro Notes")	XS1266662763	126666276	€1,098.75	€10
€1,250,000,000 4.75% Senior Notes due 2025 ("2025 Euro Notes")	XS1266662334	126666233	€1,093.75	€10
€500,000,000 5.25% Senior Notes due 2027 ("2027 Euro Notes")	XS1266661013	126666101	€1,126.25	€10

*The Following Debt Securities Are Being Offered to Eligible Holders Pursuant to the Exchange Offer (the "Exchange Notes"):*

Description of Exchange Notes	Exchange Notes Principal Amount	Exchange Notes Minimum Coupon Rate	Exchange Notes Maturity Date
U.S. dollar-denominated Senior Notes due 2028 ("Dollar Exchange Notes")	No less than \$350,000,000	No less than 6.000%	April 15, 2028
Euro-denominated Senior Notes due 2028 ("Euro Exchange Notes")	No less than €350,000,000	No less than 4.625%	April 15, 2028

**THIS EXCHANGE OFFER AND CONSENT SOLICITATION COMMENCES ON MARCH 7, 2018 AND WILL EXPIRE AT 4:00 P.M., LONDON TIME, ON MARCH 21, 2018 UNLESS EXTENDED (SUCH TIME AND DATE, AS MAY BE EXTENDED, THE "EXPIRATION DATE"). WE RESERVE THE RIGHT TO EXTEND, AMEND OR TERMINATE THIS EXCHANGE OFFER OR CONSENT SOLICITATION AT ANY TIME.**

**THE DEADLINES SET BY ANY CUSTODIAN, DIRECT PARTICIPANT, INTERMEDIARY OR CLEARING SYSTEM WILL BE EARLIER THAN THIS DEADLINE AND HOLDERS OF EXISTING NOTES ("HOLDERS") SHOULD CONTACT THE INTERMEDIARY THROUGH WHICH THEY HOLD THEIR NOTES TO ENSURE PROPER AND TIMELY DELIVERY OF TENDERS FOR EXCHANGE AND CONSENTS.**

SoftBank Group Corp. (the "Company") is hereby offering to Eligible Holders (as defined below), upon the terms and subject to the conditions set forth in this exchange offer memorandum (this "Exchange Offer Memorandum"), (i) to exchange any and all outstanding 2022 Dollar Notes and 2025 Dollar Notes (collectively, the "Existing Dollar Notes") for newly issued USD-denominated fixed-rate senior notes to be issued by the Company (the "Dollar Exchange Notes") at the relevant Exchange Ratio and (ii) to exchange any and all outstanding 2022 Euro Notes, 2025 Euro Notes and 2027 Euro Notes for newly issued Euro-denominated fixed-rate senior notes to be issued by the Company at the relevant Exchange Ratio (the "Euro Exchange Notes", and collectively with the Dollar Exchange Notes, the "Exchange Notes"). The offer to exchange Existing Notes for the Exchange Notes is referred to as the "Exchange Offer." All Eligible Holders whose Existing Notes are validly tendered and accepted will also receive a cash payment equal to the Consent Fee (as defined below) and the accrued and unpaid interest on their Existing Notes accepted for exchange from January 30, 2018, the last applicable interest payment date of the Existing Notes, up to but excluding the Settlement Date (as defined below).

Concurrent with the Exchange Offer, the Company is soliciting (the "Consent Solicitation") consents ("Consents") from all Holders to amend the terms of the indenture governing the Existing Notes (the "Existing Notes Indenture"). The proposed amendments (the "Proposed Amendments") would amend certain provisions of the Existing Notes Indenture to conform them to the corresponding provisions of the indenture governing our senior notes issued on September 19, 2017. The Proposed Amendments together constitute a single proposal and a consenting Holder must consent to the Proposed Amendments as an entirety and may not consent selectively with respect to certain of the Proposed Amendments, but not others. The Consents of the Holders of at least a majority of the outstanding aggregate principal amount of the Existing Notes voting as a single class is required in order for the Proposed Amendments to be adopted. For a description of the Proposed Amendments, see "Description of the Proposed Amendments." Eligible Holders who tender their Existing Notes for exchange in the Exchange Offer will be deemed to have provided their consent to the Proposed Amendments ("Deemed Consent"). All Holders (including non-Eligible Holders (as defined below) to whom no Exchange Offer is made) have the option with respect to any particular holding of Existing Notes to participate in the Consent Solicitation without participating in the Exchange Offer, but Eligible Holders may not participate in the Exchange Offer without consenting to the Proposed Amendments. Holders who are not Eligible Holders may not participate in the Exchange Offer or otherwise rely on the information provided in the Exchange Offer Memorandum. Such non-Eligible Holders should find information with respect to the terms of the Consent Solicitation at the Information Agent's Consent Only Website: <https://sites.dfkingltd.com/softbank/consent/>.

Concurrent with the Exchange Offer and Consent Solicitation, the Company may offer for cash consideration (the "Concurrent New Money Issuance") (i) additional U.S. dollar-denominated fixed-rate senior notes under the indenture governing the Exchange Notes (the "New Notes Indenture"), having the same terms as and constituting a single class of debt securities with the Dollar Exchange Notes for all purposes under the New Notes Indenture (the "New Money Dollar Notes"), and (ii) additional Euro-denominated fixed-rate senior notes under the New Notes Indenture, having the same terms as the Euro Exchange Notes and constituting a single class of debt securities with the Euro Exchange Notes for all purposes under the New Notes Indenture (the "New Money Euro Notes"). The Company retains the right in its sole discretion to increase the aggregate principal amount of each series of New Money Notes which may be offered in the Concurrent New Money Issuance. The Company intends to apply the proceeds of the Concurrent New Money Issuance to fund the payment of the consent fee and other related transaction costs in connection with the Exchange Offer, the Consent Solicitation and the Concurrent New Money Issuance and to use any remaining proceeds for general corporate purposes. References in this Exchange Offer Memorandum to (i) "New Money Notes" shall mean, collectively, the New Money Dollar Notes and the New Money Euro Notes; (ii) "Exchange Notes" shall mean, collectively, the Dollar Exchange Notes and the Euro Exchange Notes; and (iii) "New Notes" shall mean, collectively, the New Money Notes and the Exchange Notes.

The table above sets out the amount of Exchange Notes ("Exchange Price") offered in exchange for each US\$1,000 or €1,000 in principal amount of Existing Notes tendered and accepted for exchange, as applicable, and the amount of consent fee, to be paid in cash, (the "Consent Fee") for each US\$1,000 or €1,000 in principal amount of Existing Notes, as applicable, for which the Eligible Holder validly delivers (and does not validly revoke) a consent on or prior to the Expiration Date. It is expected that any Exchange Price and Consent Fee due will be paid after the Expiration Date and the conditions precedent described under "Description of the Exchange Offer and Consent Solicitation" are met (the "Settlement Date"). The Company will not be obligated to pay any Exchange Price or Consent Fee if the conditions precedent described under "Description of the Exchange Offer and Consent Solicitation" are not met (or not waived by the Company).

*Dealer Managers*

**Deutsche Bank**

**Merrill Lynch International**

**Morgan Stanley**

The date of this Exchange Offer Memorandum is March 7, 2018.

You should rely only on the information contained in this Exchange Offer Memorandum. None of the Company, the Initial Note Guarantor or any Dealer Manager has authorized anyone to provide you with different information. None of the Company, the Initial Note Guarantor or any Dealer Manager is making an offer of the New Notes or a Consent Solicitation in any jurisdiction where this offer or solicitation is not permitted. You should not assume that the information contained in this Exchange Offer Memorandum is accurate at any date other than the date indicated above.

The New Notes and the related Note Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any other jurisdiction and are being offered only to persons (“Eligible Offerees”) who satisfy all of the following criteria: (A) non-U.S. persons located outside the United States or dealers or other professional fiduciaries in the United States acting only on a discretionary basis for the benefit or account of non-U.S. persons located outside the United States, in each case, in offshore transactions conducted in accordance with Regulation S under the Securities Act (“Regulation S”), (B) persons other than retail investors in the European Economic Area, defined as a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “Prospectus Directive”), (C) persons (i) who are beneficial owners that are, for Japanese tax purposes, neither individual residents of Japan or Japanese corporations, nor individual non-residents of Japan or non-Japanese corporations that in either case are specially related persons of the Company as described in Article 6, Paragraph (4) of the Special Taxation Measures Act; and (ii) who are not residents in Japan for Japanese securities law purposes (including a natural person having his/her place of domicile or residence in Japan, a legal person having its main office in Japan or any branch, agency or other office in Japan of a non-resident (irrespective of whether it is legally authorized to represent its principal or not and even if its main office is located in a country other than Japan)), (D) non-residents of Canada; *provided that* a discretionary account held for the benefit or account of a person or company resident in Canada by an investment manager or similar fiduciary outside Canada is not a resident of Canada for this purpose, and (E) persons into whose possession the Exchange Offer Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which they are located. The New Notes and the related Note Guarantees have not been and will not be registered under the securities laws of any jurisdiction. The Exchange Offer is being made, and the New Notes and related Note Guarantees are being offered and issued, only to eligible offerees to whom debt securities may be lawfully offered and sold without any such registration in accordance with the securities laws of the jurisdiction in which they are located. Accordingly, the New Notes will be subject to restrictions on transferability and resale and may not be transferred or resold (i) in 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, or (ii) in any other jurisdiction except as permitted under the applicable securities laws of such jurisdiction.

The Exchange Offer is being made, and the Exchange Notes and related Note Guarantees are being offered and issued, only to Eligible Offerees who hold Existing Notes through the Clearing Systems (“Eligible Holders”) and who have represented to the Company pursuant to the deemed representations described in “Description of the Exchange Offer and Consent Solicitation—Additional Terms of the Exchange Offer—Representations, Warranties and Covenants of Eligible Holders Tendering Existing Notes” that they are eligible to participate in the Exchange Offer. Only Eligible Holders are authorized to receive or review this Exchange Offer Memorandum or to participate in the Exchange Offer. The Exchange Offer and the Concurrent New Money Issuance are not being made to any U.S. person (as defined in Regulation S) or within the United States, other than pursuant to offshore transactions with non-U.S. persons conducted in accordance with Regulation S. See “Notice to Investors” and “Offer and Distribution Restrictions” for additional information about eligibility requirements and transfer restrictions.

Investing in the New Notes involves a high degree of risk. See “Risk Factors” beginning on page 27.

The Exchange Notes and the New Money 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”) or Clearstream S.A. (“Clearstream”) on or about April 3, 2018 (the “Settlement Date”). Upon issuance, we expect the New Money Dollar Notes to be fungible with the Dollar Exchange Notes and the New Money Euro Notes to be fungible with the Euro Exchange Notes, in each case, to the extent held in book-entry form through Euroclear and Clearstream.

The Exchange Offer and the Consent Solicitation are conditioned upon the satisfaction or waiver of certain conditions described in “Description of the Exchange Offer and the Consent Solicitation”. Among others conditions precedent, the Exchange Offer is conditioned upon, (i) with respect to the exchange of Existing Dollar Notes, the aggregate principal amount of New Notes to be issued by the Company on the Settlement Date being no less than \$350,000,000 (the “Dollar Notes Minimum Notes Condition”), and, (ii) with respect to the exchange of Existing Euro Notes, the aggregate principal amount of New Notes to be issued by the Company on the Settlement Date being no less than €350,000,000 (the “Euro Notes Minimum Notes Condition” and, together with the Dollar Notes Minimum Notes Condition, the “Minimum Notes Condition”). Among other conditions precedent, the Consent Solicitation is conditioned upon (i) there being validly delivered (and not validly revoked) Consents from the Holders (with the Existing Dollar Notes and Existing Euro Notes voting together as a single class) of at least a majority in aggregate principal amount of the outstanding Existing Notes (the “Requisite Consents”), and (ii) the consummation of the Exchange Offer, unless the Exchange Offer with respect to any or any series of Existing Notes is not consummated due to failure to satisfy the Minimum Notes Condition (the “Exchange Consummation Condition”). These conditions are for the Company’s benefit and may be asserted or waived by the Company at any time and in its sole discretion without extending the Expiration Date or granting withdrawal rights (except as required by law), except that the Company may not waive the Exchange Consummation Condition with respect to the Consent Solicitation. In addition, the Company has the right to terminate or withdraw the Exchange Offer or the Consent Solicitation at any time and for any reason.

The New Notes will mature on April 15, 2028. The Company will pay interest on the New Dollar Notes and the New Euro Notes semi-annually on each April 15 and October 15, commencing October 15, 2018 at a rate of no less than 6.000% per annum and no less than 4.625% per annum, respectively. Interest on the New Notes will accrue from the Settlement Date. The New Notes will be guaranteed (the “Note Guarantee”) by SoftBank Corp. (the “Initial Note Guarantor”). 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 New 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 New Notes, including SoftBank Corp. if its Note Guarantee is released in future. The New 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 New 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 New Notes. The New 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.

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 New 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 New Notes at par. We may also redeem the New 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 New Notes at a redemption price equal to 100% of the principal amount thereof. See “Description of the New Notes.” Approval in-principle has been received for the listing and quotation of the New 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 Exchange Offer Memorandum. Approval in-principle for the listing and quotation of the New 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 New Notes. Currently, there is no public market for the New Notes.

As soon as practicable following the receipt of the Requisite Consents by the Information Agent, who will then certify to the Existing Notes Trustee and us that the Requisite Consents have been received and not validly revoked as of such time, and in compliance with the conditions contained in the Existing Notes Indenture, we will execute and deliver to the Existing Notes Trustee a supplemental indenture (the “Supplemental Indenture”) giving effect to the Proposed Amendments (such time, the “Consent Effective Time”). The Consent Effective Time may fall before or on



the Expiration Date. We will make a public announcement of the Consent Effective Time as soon as possible after the Consent Effective Time. The Supplemental Indenture will provide that the Proposed Amendments shall not become operative unless and until we pay the Consent Fee pursuant to the Consent Solicitation. From and after the Consent Effective Time, each present and future Holder of the Existing Notes will be bound by the terms of the Existing Notes Indenture, as amended by the Supplemental Indenture, whether or not such Holder delivered a Consent.

Eligible Holders may not withdraw valid tenders of Existing Notes in the Exchange Offer, or revoke their Deemed Consents in connection with such tenders, except under the limited circumstances set forth in this Exchange Offer Memorandum. Holders who are participating in the Consent Solicitation only may revoke valid Consents at any time prior to the earlier of the Consent Effective Time and the Expiration Date. Any notice of revocation of Consents received on or after such date will not be valid.

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In making your investment decision, you should rely only on the information contained in this Exchange Offer Memorandum. We have not, and Deutsche Bank AG, London Branch, Merrill Lynch International and Morgan Stanley & Co. International plc (together, the “Dealer Managers”) and the Information Agent (as defined below) have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We, the Dealer Managers and the Information Agent are not making an offer to sell or exchange securities, and we are not soliciting an offer to buy or exchange securities, in any jurisdiction where the offer, sale or exchange is not permitted.

### NOTICE TO INVESTORS

Each holder of Existing Notes (as defined in the Exchange Offer Memorandum), by giving Instructions, will be deemed to have made certain acknowledgments, representations and agreements as set forth under “Description of the Exchange Offer and Consent Solicitation.” Each person acquiring Exchange Notes (as defined in the Exchange Offer Memorandum) in the Exchange should be aware that it may be required to bear the financial risks of this investment for an extended period of time.

None of the Dealer Managers, Deutsche Trustee Company Limited, being the trustee of the Existing Notes (the “Existing Notes Trustee”), The Bank of New York Mellon, London Branch, being the trustee of the New Notes (the “New Notes Trustee” and, together with the Existing Notes Trustee, the “Trustees”), or D.F. King Ltd., being the Information Agent (the “Information Agent”) makes any representation or warranty, express or implied, as to the accuracy or completeness of any of the information in this Exchange Offer Memorandum. Furthermore, none of the Dealer Managers, the Trustees or the Information Agent is making any recommendation as to whether or not you should tender your Existing Notes or deliver a Consent in connection with the Exchange Offer and Consent Solicitation. Each person receiving this Exchange Offer Memorandum acknowledges that such person has not relied on the Dealer Managers, the Trustees or the Information Agent in connection with its investigation of the accuracy of such information or its investment decision. Each person contemplating accepting the Exchange Offer as providing its consent and making an investment in the New Notes must make its own investigation and analysis of the creditworthiness of the Company and its own determination of the suitability of such investment, with particular reference to its own investment objectives and experience, and any other factors that may be relevant to it in connection with such investment.

None of the Company, the Initial Note Guarantor, the Dealer Managers, the Trustees, the Information Agent or any of their respective affiliates or agents makes any representation about the legality of the acceptance of the Exchange Offer or the acquisition of the New Notes by an investor under applicable investment or similar laws. None of the Company, the Initial Note Guarantor, the Dealer Managers, the Trustees, the Information Agent and any of their respective affiliates or agents makes any recommendation as to whether Eligible Holders of Existing Notes should tender Existing Notes pursuant to the Exchange Offer and, if given or made, any such recommendation may not be relied upon as authorized by the Company, the Initial Note Guarantor, the Dealer Managers, the Trustees, the Information Agent or any of their respective affiliates or agents. Each prospective investor is advised to consult its own counsel and business adviser as to legal, business and related matters concerning the acceptance of the Exchange Offer and the New Notes. The contents of this Exchange Offer Memorandum are not to be construed as legal, business or tax advice.

The delivery of this Exchange Offer Memorandum shall not in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Company or the Initial Note Guarantor since the date of this Exchange Offer Memorandum. Unless otherwise indicated, all information in this Exchange Offer Memorandum is given as of the date hereof. The Company does not undertake any obligation to update or review this Exchange Offer Memorandum, whether as a result of new information, future events or otherwise.

This Exchange Offer Memorandum does not constitute an offer of, or the solicitation of an offer to exchange, the Exchange Notes in any jurisdiction where it is unlawful to make such an offer or solicitation. The distribution of this Exchange Offer Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession this Exchange Offer Memorandum comes are required by the Company, the Dealer Managers and the Trustees to inform themselves about and to observe any such restrictions. This Exchange Offer Memorandum may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorized or is unlawful.

We expressly reserve the absolute right, in our sole discretion, from time to time to purchase or redeem any Existing Notes that remain outstanding after the Expiration Date, or any other outstanding debt, through open market or privately negotiated transactions, one or more additional tender or exchange offers or otherwise, on terms that may differ from those of this Exchange Offer Memorandum and could be for cash or other consideration, or to exercise any of our rights under the indenture of the Existing Notes.



This Exchange Offer Memorandum is not an offer of securities for sale in the United States or to U.S. persons. The New Notes and the related Note Guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any state or jurisdiction of the United States, and may not be offered, sold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Exchange Offer and the Concurrent New Money Issuance is not being made to any U.S. person (as defined in Regulation S) or within the United States, other than pursuant to offshore transactions with non-U.S. persons conducted in accordance with Regulation S. Accordingly, the New Notes and the related Note Guarantees are only being offered and sold to non-U.S. persons outside the United States or certain dealers or other professional fiduciaries in the United States acting only on a discretionary basis for the benefit or account of non-U.S. persons located outside the United States in each case, in offshore transactions conducted in reliance on Regulation S under the Securities Act. The purpose of this Exchange Offer Memorandum is limited to the Exchange Offer, the Consent Solicitation and the Concurrent New Money Issuance, and this Exchange Offer Memorandum may not be sent or given other than in an offshore transaction in accordance with Regulation S under the Securities Act. Each Eligible Holder of Existing Notes participating in the Exchange Offer will represent that it is offering its Existing Notes in an offshore transaction in accordance with Regulation S under the Securities Act and that it is not a U.S. person or an agent, fiduciary or other intermediary acting on a non-discretionary basis for a principal giving instructions from within the United States or for a U.S. person.

The New Notes and the related Note Guarantees are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The New 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 New 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 a natural person having his/her place of domicile or residence in Japan, a legal person having its main office in Japan or any branch, agency or other office in Japan of a non-resident (irrespective of whether it is legally authorized to represent its principal or not and even if its main office is located in a country other than 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 New Notes are not, as part of the initial distribution 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. 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 New 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 28 of the Cabinet Order (Cabinet Order No. 43 of 1957, as amended) relating to the Special Taxation Measures Act that will hold New Notes for its own proprietary account or (iii) an individual resident of Japan or a Japanese corporation whose receipt of interest on the New Notes will be made through a payment-handling agent in Japan as defined in Article 2-2, Paragraph 2 of the Cabinet Order. **By exchanging the Existing Notes with the New Notes, an investor will be deemed to have represented that it 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 us as described in Article 6, Paragraph 4 of the Special Taxation Measures Act, or a specially-related person of ours and (ii) not a resident in Japan for Japanese securities law purposes (including a natural person having his/her place of domicile or residence in Japan, a legal person having its main office in Japan or any branch, agency or other office in Japan of a non-resident (irrespective of whether it is legally authorized to represent its principal or not and even if its main office is located in a country other than Japan)).**

Interest payments on the New Notes will be subject to Japanese withholding tax unless the holder establishes that the New 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.

Each person who may acquire the Exchange Notes issued pursuant to the Exchange Offer must comply with all applicable laws and regulations in force in any jurisdiction in which it acquires, purchases, offers or sells the Exchange Notes and must obtain any consent, approval or permission required of it for the acquisition, purchase, offer or sale by it of the Exchange Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such acquisitions, purchases, offers or sales, and none of the Company, the Dealer Managers, the Trustees and the Information Agent or any of their respective affiliates or agents shall have any responsibility therefor.

To the fullest extent permitted by law, none of the Dealer Managers and the Information Agent accepts any responsibility for the contents of this Exchange Offer Memorandum or for any statement made or purported to be made therein. The Dealer Managers, the Trustees and the Information Agent accordingly disclaim all and any liability, whether arising in tort or contract or otherwise which they might otherwise have in respect of this Exchange Offer Memorandum or any such statement. Neither the Dealer Managers, nor any of their affiliates, agents, directors, officers and employees accepts any responsibility to any person for any acts or omissions of the Company, the Initial Note Guarantor or any of their affiliates, agents, directors, officers or employees relating to the Exchange Offer, the Consent Solicitation or the execution of the Supplemental Indenture, the New Notes Indenture, the New Notes or any other document executed in connection with the Exchange Offer, the Consent Solicitation or the Concurrent New Money Issuance, if any.

The Dealer Managers are only acting for the Company and the Initial Note Guarantor in connection with the Transactions referred to in this Exchange Offer Memorandum and no one else and will not be responsible to anyone other than the Company and the Initial Note Guarantor for providing the protections offered to clients of the Dealer Managers or for providing advice in relation to the Transactions, this Exchange Offer Memorandum or any arrangement or other matter referred to herein.

This Exchange Offer Memorandum contains summaries intended to be accurate with respect to certain terms of the New Notes and the indenture relating to such New Notes, but reference is made to the actual documents, certain of which will be made available free of charge to Holders upon request to us or at the office of the Information Agent, for complete information with respect thereto, and all summaries are qualified in their entirety by such reference.

## DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This Exchange Offer 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.

These forward-looking statements relate to events that are subject to known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include but are not limited to those listed in “Appendix A—Preliminary Offering Memorandum regarding the New Notes—Forward-Looking Statements.” Additional factors that could cause actual results, performance or achievements to differ materially include those discussed under “Risk Factors” and “Appendix A—Preliminary Offering Memorandum regarding the New Notes—Risk Factors.” We caution you not to place undue reliance on these forward-looking statements which reflect our management’s view only as of the date of this Exchange Offer Memorandum. We undertake no obligation to update, revise or publicly announce any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Exchange Offer Memorandum might not occur.

## CONVENTIONS

In this Exchange Offer Memorandum:

- A. “¥” or “yen” means the lawful currency of Japan;
- B. “\$,” “U.S. dollars” or “dollars” means the lawful currency of the United States;
- C. “€” 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;

Solely for your convenience, this Exchange Offer 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 ¥113.00 = \$1.00 and from euros at the rate of ¥134.94 = €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 December 31, 2017. 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. In this Exchange Offer Memorandum, when we use the terms “we,” “us,” “our” and words of similar import, we are referring to the Company unless the context otherwise requires.

## OFFER AND DISTRIBUTION RESTRICTIONS

### PROHIBITION OF OFFERS TO EEA RETAIL INVESTORS

The New Notes and the related Note Guarantees have not been and will not be registered under the laws of any member state of the European Economic Area (“EEA”). The Exchange Offer is being made, and the New Notes and the related Note Guarantees are being offered and issued, only to persons other than retail investors in the EEA, each defined as a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. No key information document required by the PRIIPs Regulation for offering or selling the New Notes or otherwise making them available to retail investors in the EEA has been prepared. Offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

### PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

Solely for the purposes of the product approval process of each Dealer Manager (each, a “manufacturer”), the target market assessment in respect of the New Notes described in this Exchange Offer Memorandum has led

to the conclusion that: (i) the target market for such New Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of such New Notes to eligible counterparties and professional clients are appropriate. The target market and distribution channel(s) may vary in relation to sales outside the EEA in light of local regulatory regimes in force in the relevant jurisdiction. Any person subsequently offering, selling or recommending such New Notes (a “distributor”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such New Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

#### **NOTICE TO INVESTORS IN THE KINGDOM OF BAHRAIN**

This Exchange Offer Memorandum does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Exchange Offer Memorandum and related offering documents have not been and will not be registered as a prospectus with the Central Bank of Bahrain (“CBB”). Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Exchange Offer 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 the Kingdom of Bahrain, other than to ‘accredited investors’, as such term is defined by the CBB.

The CBB has not reviewed, approved or registered this Exchange Offer Memorandum or any related offering documents and it has not in any way considered the merits of the New Notes to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Exchange Offer 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 Exchange Offer Memorandum. No offer of securities will be made to the public in the Kingdom of Bahrain and this Exchange Offer 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**

This Exchange Offer Memorandum has not been and will not be registered with the Registrar of Companies in Hong Kong. Accordingly, except as mentioned below, this Exchange Offer Memorandum may not be issued, circulated or distributed in Hong Kong. A copy of this Exchange Offer Memorandum may, however, be issued to a limited number of prospective applicants for the New Notes and the related Note Guarantees in Hong Kong in a manner which does not constitute an offer of the New Notes and the related Note Guarantees to the public in Hong Kong or an issue, circulation or distribution in Hong Kong of a prospectus for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). No advertisement, invitation or document relating to the New Notes and the related Note Guarantees may be issued or may be in the possession of any person other than with respect to the New Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any rules made thereunder.

#### **NOTICE TO INVESTORS IN ITALY**

This Exchange Offer Memorandum has not been registered with the Italian Securities and Exchange Commission (*Commissione Nazionale per le Società e la Borsa*, the “CONSOB”) pursuant to Italian securities legislation and, accordingly, does not constitute an offer of securities and cannot be distributed to the public nor may copies of this document or of any other document relating to the Exchange Offer be distributed in the Republic of Italy (“Italy”), except where an express exemption from compliance with the restrictions on offers to the public applies, as provided under Article 100 of the Italian Legislative Decree No. 58 of February 24, 1998, as amended from time to time, (the “Financial Services Act”) and Article 34-ter of CONSOB Regulation No. 11971 of May 14, 1999.

Moreover, and subject to the foregoing, any offer or delivery of the New Notes and the related Note Guarantees or distribution of copies of this Exchange Offer Memorandum or any other document relating to the Exchange Offer in Italy under (i) or (ii) above must be and will be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations, and, in particular, will be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018, as amended from time to time, and Legislative Decree No. 385 of 1 September 1993, as amended from time to time (the “Banking Act”);

- (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy request information on the issue or the offer of securities in Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by the Bank of Italy, CONSOB or other Italian authority.

Any investor receiving the Exchange Notes in the Exchange Offer is solely responsible for ensuring that any offer or resale of the Exchange Notes it received in the Exchange Offer occurs in compliance with applicable Italian laws and regulations.

#### **NOTICE TO INVESTORS IN FRANCE**

This Exchange Offer Memorandum has not been prepared and is not being distributed in the context of a public offering of financial securities in France (*offre au public de titres financiers*) within the meaning of Article L. 411 1 of the French Code monétaire et financier and Title I of Book II of the *Règlement général of the Autorité des marchés financiers* (the French financial markets authority) (the “AMF”). Consequently, the New Notes and the related Note Guarantees may not be, directly or indirectly, offered or sold to the public in France, and neither this Exchange Offer Memorandum nor any offering or marketing materials relating to the New Notes and the related Note Guarantees may be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in France.

The New Notes and the related Note Guarantees may only be offered or sold in France to qualified investors (*investisseurs qualifiés*) acting for their own account and/or to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d’investissement de gestion de portefeuille pour le compte de tiers*), all as defined in and in accordance with Articles L. 411 1, L. 411 2, D. 411 1, D. 744 1, D. 754 1 and D. 764 1 of the French Code *monétaire et financier* and applicable regulations thereunder.

Prospective investors are informed that:

- (i) this Exchange Offer Memorandum has not been and will not be submitted for clearance to the AMF;
- (ii) in compliance with Articles L. 411 2, D. 411 1, D. 744 1, D. 754 1 and D. 764 1 of the French Code *monétaire et financier*, any qualified investors subscribing for the New Notes should be acting for their own account; and
- (iii) the direct and indirect distribution or sale to the public of the New Notes and the related Note Guarantees acquired by them may only be made in compliance with Articles L. 411 1, L. 411 2, L. 412 1 and L. 621 8 through L. 621 8 3 of the French Code *monétaire et financier*.

#### **NOTICE TO INVESTORS IN BELGIUM**

This Exchange Offer Memorandum relates to a private placement of the New Notes and the related Note Guarantees and does not constitute an offer or solicitation to the public in Belgium to subscribe for or acquire the New Notes and the related Note Guarantees. This offering of the New Notes and the related Note Guarantees has not been and will not be notified to, and this Exchange Offer Memorandum has not been, and will not be, approved by the Belgian Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten/Autorité des Services et Marchés Financiers*) pursuant to the Belgian laws and regulations applicable to the public offering of investment instruments. Accordingly, the offering of the New Notes and the related Note Guarantees, as well as any other materials relating to the offering may not be advertised, the New Notes and the related Note Guarantees may not be offered or sold, and this Exchange Offer Memorandum or any other information circular, brochure or similar document may not be distributed, directly or indirectly, (i) to any person located and/or resident in Belgium other than a “qualified investor” within the meaning of Article 10 of the Belgian Act of June 16, 2006 on the public offering of investment instruments and the admission of investment instruments to trading on a regulated market (the “Prospectus Act”) or (ii) to any person qualifying as a consumer (*consument/ consommateur*) within the meaning of Book VI of the Belgian Code of Economic Law (*Wetboek economisch recht/Code de droit économique*) of February 28, 2013, as amended from time to time. This Exchange Offer Memorandum has been issued to the intended recipient for personal use only and exclusively for the purpose of the offer. Therefore it may not be used for any other purpose, nor passed on to any other person in Belgium. Any resale of the New Notes in Belgium may only be made in accordance with the Prospectus Act and other applicable laws.

#### **NOTICE TO INVESTORS IN NORWAY**

This Exchange Offer Memorandum has not been and will not be filed with or approved by the Norwegian Financial Supervisory Authority, the Oslo Stock Exchange or any regulatory authority in Norway. The New



Notes and the related Note Guarantees have not been offered or sold and may not be offered, sold or delivered, directly or indirectly, in Norway, unless in compliance with Chapter 7 of the Norwegian Securities Trading Act 2007 and secondary regulations issued pursuant thereto, as amended from time to time (the “Securities Trading Act”). Accordingly, this Exchange Offer Memorandum may not be made available nor may the New Notes and the related Note Guarantees otherwise be marketed and offered for sale in Norway other than in circumstances that are deemed not to be a marketing of an offer to the public in Norway in accordance with the Securities Trading Act.

### **NOTICE TO INVESTORS IN THE KINGDOM OF SAUDI ARABIA**

This Exchange Offer 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 Exchange Offer Memorandum, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Exchange Offer Memorandum. Prospective purchasers of the New Notes and the related Note Guarantees should conduct their own due diligence on the accuracy of the information relating to the New Notes and the related Note Guarantees. If a prospective purchaser does not understand the contents of this Exchange Offer Memorandum, he or she should consult an authorized financial advisor.

### **NOTICE TO INVESTORS IN JAPAN**

The New 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. The New Notes (i) will not, directly or indirectly, be offered or sold, in Japan or to any person resident in Japan for Japanese securities law purposes (including a natural person having his/her place of domicile or residence in Japan, a legal person having its main office in Japan or any branch, agency or other office in Japan of a non-resident (irrespective of whether it is legally authorized to represent its principal or not and even if its main office is located in a country other than 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; and (ii) will not, as part of its initial distribution, directly or indirectly be offered or sold 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 28 of the Cabinet Order relating to the Special Taxation Measures Act (Cabinet Order No. 43 of 1957, as amended) that will hold New Notes for its own proprietary account or (iii) an individual resident of Japan or a Japanese corporation whose receipt of interest on the New Notes will be made through a payment-handling agent in Japan as defined in Article 2-2 paragraph 2 of the Cabinet Order.

### **NOTICE TO INVESTORS IN SINGAPORE**

This Exchange Offer Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Exchange Offer Memorandum or any document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New Notes and the related Note Guarantees may not be circulated or distributed, nor may the New Notes and the related Note Guarantees 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 “Securities and Futures Act”) (ii) to a relevant person pursuant to Section 275(1), or to any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the Securities and Futures Act, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the New Notes and the related Note Guarantees are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) 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 Securities and Futures Act) 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 New Notes and the related Note Guarantees pursuant to an offer made under Section 275 of the Securities and Futures Act except:

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

#### **NOTICE TO INVESTORS IN SWITZERLAND**

The New Notes and the related Note Guarantees are being offered in Switzerland on the basis of a private placement only. This Exchange Offer Memorandum does not constitute a prospectus within the meaning of Art. 652A of the Swiss Federal Code of Obligations.

#### **NOTICE TO INVESTORS IN THE UNITED KINGDOM**

The communication of this Exchange Offer Memorandum and any other documents or materials relating to the Exchange Offer is not being made and such documents and/or materials have not been approved by an authorized person for the purposes of section 21 of the Financial Services and Markets Act 2000. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. Such documents are only directed at and are only for circulation to (i) persons within the United Kingdom falling within the definition of Investment Professional (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order")), (ii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"), or (iii) persons falling within Article 43 of the Order, or other persons to whom it may lawfully be communicated in accordance with the Order.

Insofar as the communication in this Exchange Offer Memorandum and such documents and/or materials is made to or directed at relevant persons, any investment or investment activity to which it relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

#### **NOTICE TO INVESTORS IN QATAR**

This Exchange Offer 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 the State of Qatar and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority or the Qatar Central Bank. The New Notes are not and will not be traded on the Qatar Exchange.

#### **NOTICE TO INVESTORS IN AUSTRALIA**

Neither this Exchange Offer Memorandum nor any disclosure document (as defined in the Corporations Act 2001 of the Commonwealth of Australia (the "Australian Corporations Act")) in relation to the Additional Notes has been or will be lodged with the Australian Securities and Investments Commission ("ASIC") or ASX Limited (ABN 98 008 624 691) (the "ASX") and the New Notes and the related Note Guarantees may not be offered for sale, nor may applications for the issue, sale, purchase or subscription of any New Notes or Note Guarantees be invited, in, to or from Australia (including an offer or invitation which is received by a person in Australia) and neither this Exchange Offer Memorandum nor any advertisement or other offering material relating to the Additional Notes may be distributed or published in Australia unless:

- i. (A) the aggregate consideration payable by each offeree or invitee for the New Notes is at least AU\$500,000 (or its equivalent in other currencies) (disregarding moneys lent by the offeror or its associates); or (B) the offer otherwise does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Australian Corporations Act;

- ii. the offer or invitation is not made to a person who is a “retail client” within the meaning of section 761G of the Australian Corporations Act;
- iii. such action complies with all applicable laws, regulations or directives in Australia; and
- iv. such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

This Exchange Offer Memorandum was prepared for “wholesale clients” only within the meaning of section 761G of the Australian Corporations Act. This Exchange Offer Memorandum is not directed at persons who are “retail clients” as defined in the Australian Corporations Act.

#### **NOTICE TO INVESTORS IN CANADA**

This Exchange Offer Memorandum does not constitute an offer of securities to residents of Canada. Residents of Canada are not Eligible Holders and may not tender their Existing Notes for exchange in the Exchange Offer. A discretionary account held for the benefit or account of a person or company resident in Canada by an investment manager or similar fiduciary outside Canada is not a resident in Canada for this purpose.

#### **NOTICE TO INVESTORS IN OTHER JURISDICTIONS**

The distribution of this Exchange Offer Memorandum may be restricted by law in certain jurisdictions. Persons into whose possession this Exchange Offer Memorandum (or any part hereof) comes are required by us and the Dealer Managers to inform themselves about, and to observe, any such restrictions.

## TIMETABLE

The following summarizes the key dates for the Exchange Offer and the Consent Solicitation. This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this Exchange Offer Memorandum.

In relation to the times and dates indicated herein, Holders holding the Existing Notes through one of the Clearing Systems should note the particular practices and policies of the relevant Clearing System regarding their communication deadlines, which will determine the latest time at which tenders of the Existing Notes for exchange and consents may be delivered to the relevant Clearing System (which may be earlier than the deadlines herein) so that they are received by us within the deadlines set forth herein.

All notices to Holders will be released (a) by posting a press release on the Company's website, (b) through publication of a notice on Bloomberg, (c) via SGXNET, (d) by the delivery of notices to the Clearing Systems for communication to direct participants and/or (e) on the Exchange and Consent Website: <https://sites.dfkingltd.com/softbank/exchange/>.

Event	Date	Description
<b>Launch Date</b>	March 7, 2018	<p>The Company makes an announcement to commence the Exchange Offer and the Consent Solicitation.</p> <p>The Exchange Offer Memorandum is made available to Eligible Holders.</p>
<b>Consent Effective Time</b>	On or prior to the Expiration Date	<p>Subject to the prior receipt of the Requisite Consents, the time that the Company, the Initial Note Guarantor and the Existing Notes Trustee execute the Supplemental Indenture with respect to the Proposed Amendments, which may be on or prior to the Expiration Date.</p> <p>Holders who have not tendered their Existing Notes (in whole or in part) in the Exchange Offer but have validly delivered their Consents with respect to such Existing Notes in the Consent Solicitation prior to the Consent Effective Time no longer have the right to revoke their Consents.</p> <p>Holders who have not tendered their Existing Notes (in whole or in part) in the Exchange Offer but deliver their Consents with respect to such Existing Notes in the Consent Solicitation on or after the Consent Effective Time, and before the Expiration Date, do not have the right to revoke their Consents.</p>
<b>Expiration Date</b>	March 21, 2018 (4:00 p.m., London time)	<p>Deadline for the receipt of all valid tenders of Existing Notes in the Exchange Offer.</p> <p>Deadline for the receipt of all valid Consents pursuant to the Consent Solicitation.</p> <p>To the extent not previously executed, the Supplemental Indenture is executed by the Company, the Initial Note Guarantor and the Existing Notes Trustee.</p>
<b>Time of Pricing</b>	On March 22, 2018 Expected to be one business day following the Expiration Date	<p>The point in time on the business day following the Expiration Date when the Concurrent New Money Issuance is priced and the final coupon rates of the New Money Notes and the Exchange Notes are determined.</p> <p>If no Concurrent New Money Issuance is priced, the Time of Pricing will be the point in time on the business day following the Expiration Date when the final coupon rates for the Dollar Exchange Notes and Euro Exchange Notes are determined by the Company.</p>

<b>Event</b>	<b>Date</b>	<b>Description</b>
		In either case, the final coupon rates of the Exchange Notes will be set forth in an announcement to be made promptly after the Time of Pricing.
<b>Announcement of Results</b>	March 22, 2018 or as soon as reasonably practical following the Time of Pricing	An announcement is made to notify Holders of the results of the Exchange Offer and the Consent Solicitation and of the final coupon rates of the Exchange Notes.
<b>Settlement Date</b>	April 3, 2018	<p>Subject to the conditions set forth in this exchange offer memorandum, payment of the Consent Fee (including any Deemed Consent Payment) to: (i) Holders who have delivered their Consents in respect of the Consent Solicitation on or prior to the Expiration Date; and (ii) Eligible Holders whose Existing Notes have been validly tendered for exchange in the Exchange Offer on or prior to the Expiration Date and accepted by the Company.</p> <p>The Proposed Amendments become operative. The Proposed Amendments become operative immediately prior to the settlement in full of the Exchange Offer.</p> <p>The Exchange Offer is settled as follows: (i) Exchange Notes are issued and delivered to the Eligible Holders of Existing Notes that have been validly tendered for exchange and accepted by the Company, (ii) the remainder of the Exchange Consideration (in addition to the Exchange Notes and the Deemed Consent Payment) is delivered to such Eligible Holders, (iii) Existing Notes exchanged in the Exchange Offer are delivered to the Existing Notes Trustee for cancellation.</p> <p>The Concurrent New Money Issuance, if any, is also settled on this date.</p>
<b>Listing Date</b>	April 4, 2018	Listing of the New Notes on the SGX-ST.

All references in this Exchange Offer Memorandum to times are to London time unless stated otherwise. The above dates are indicative only.

The Company reserves the right to extend any of the dates and times set forth above in its sole discretion, and may extend the Expiration Date with respect to the Consent Solicitation without extending the Expiration Date with respect to the Exchange Offer, and *vice versa*. In such a case, the date on which the notice of the results of this Exchange Offer and the Consent Solicitation will be delivered and the Settlement Date will be adjusted accordingly. The Holders should inform themselves of any earlier deadlines that may be imposed by the Clearing Systems and/or any intermediaries, which may affect the timing of the submission of a notice of exchange.

All documentation relating to the Exchange Offer and Consent Solicitation, and any updates, will be available via the following website: <https://sites.dfkingltd.com/softbank/exchange/>.

## OVERVIEW OF THE TRANSACTIONS

The summary below describes the principal terms relevant to the Exchange Offer, the Consent Solicitation and the Concurrent New Money Issuance. The terms and conditions described below are subject to important limitations and exceptions. We urge you to read the detailed descriptions in the sections of this Exchange Offer Memorandum entitled “Description of the Exchange Offer and the Consent Solicitation”, “Description of the New Notes” and “Description of the Proposed Amendments”, which include the definitions of certain terms used in this summary.

<b>Issuer</b> .....	SoftBank Group Corp.
<b>Initial Note Guarantor</b> .....	SoftBank Corp.
<b>Existing Notes</b> .....	The Existing Dollar Notes and the Existing Euro Notes, collectively.
<b>Existing Dollar Notes</b> .....	<p>The following outstanding tranches of senior notes issued by SoftBank Group Corp., collectively:</p> <ul style="list-style-type: none"><li>• \$1,000,000,000 aggregate principal amount of 5.375% Senior Notes due 2022 denominated in U.S. dollars (the “2022 Dollar Notes”) ISIN No.: XS1266660635 Common Code: 126666063</li><li>• \$1,000,000,000 aggregate principal amount of 6.000% Senior Notes due 2025 denominated in U.S. dollars (the “2025 Dollar Notes”) ISIN No.: XS1266660122 Common Code: 126666012</li></ul>
<b>Existing Euro Notes</b> .....	<p>The following outstanding tranches of senior notes issued by SoftBank Group Corp., collectively:</p> <ul style="list-style-type: none"><li>• €500,000,000 aggregate principal amount of its 4.000% Senior Notes due 2022 denominated in euro (the “2022 Euro Notes”) ISIN No.: XS1266662763 Common Code: 126666276</li><li>• €1,250,000,000 aggregate principal amount of 4.750% Senior Notes due 2025 denominated in euro (the “2025 Euro Notes”) ISIN No.: XS1266662334 Common Code: 126666233</li><li>• €500,000,000 aggregate principal amount of 5.250% Senior Notes due 2027 denominated in euro (the “2027 Euro Notes”) ISIN No.: XS1266661013 Common Code: 126666101</li></ul>
<b>Transactions Overview</b> .....	<p>Subject to the terms set forth herein, the Company is offering to exchange (the “Exchange Offer”) the Existing Notes for Exchange Notes. The purpose of the Exchange Offer is to extend the average maturity of the Company’s obligations under the Existing Notes by refinancing those obligations with Exchange Notes having a longer tenor.</p> <p>Concurrently with the Exchange Offer, the Company is soliciting consents from Holders to adopt the Proposed Amendments, which will amend certain provisions of the Existing Notes Indenture to conform them to the corresponding provisions of the 2017 Notes Indenture and the New Notes Indenture (the “Consent Solicitation”). The purpose of the Consent Solicitation is to streamline and align the obligations of the Company and the Initial Note Guarantor under the Existing Notes Indenture to the 2017 Notes Indenture and to provide the Company with the corresponding flexibility to pursue its strategic objectives under the Existing Notes Indenture.</p>

Concurrent with the Exchange Offer and Consent Solicitation, the Company may offer for cash consideration (the “Concurrent New Money Issuance”) (i) additional U.S. dollar-denominated fixed-rate senior notes under the indenture governing the Exchange Notes (the “New Notes Indenture”), having the same terms as and constituting a single class of debt securities with the Dollar Exchange Notes for all purposes under the New Notes Indenture (the “New Money Dollar Notes”), and (ii) additional Euro-denominated fixed-rate senior notes under the New Notes Indenture, having the same terms as the Euro Exchange Notes and constituting a single class of debt securities with the Euro Exchange Notes for all purposes under the New Notes Indenture (the “New Money Euro Notes”). The Concurrent New Money Issuance, if any, of New Money Notes will proceed and be on terms and conditions acceptable to the Company in its sole discretion. Although the Exchange Notes will be issued at a price that is equal to 100% of the principal amount of such Exchange Notes, any New Money Notes sold in the Concurrent New Money Issuance will be issued, if at all, at a price that is equal to or above 100% of the principal amount of such New Money Notes. The coupon rate for the New Money Dollar Notes and the New Money Euro Notes, determined upon the pricing of the Concurrent New Money Issuance, if any, will be the same as the final coupon rate set for the Dollar Exchange Notes and the Euro Exchange Notes, respectively.

We regularly monitor debt capital markets and continually evaluate the financing options available to us with a view to actively managing our capital structure. We may decide to enter into new credit facilities, access the debt capital markets or incur other indebtedness from time to time (including prior to, or within a short time period following, the pricing of the Exchange Notes and the Concurrent New Money Issuance) to refinance certain of our existing indebtedness, including the 2013 Notes.

**Use of Proceeds** ..... We will not receive any cash proceeds from the Exchange Offer or the Consent Solicitation. Any Existing Notes exchanged in the Exchange Offer will be delivered to the Existing Notes Trustee for cancellation.

We intend to apply the proceeds of the Concurrent New Money Issuance, if any, to fund the payment of the consent fee and other related transaction costs in connection with the Exchange Offer, the Consent Solicitation and the Concurrent New Money Issuance and to use any remaining proceeds for general corporate purposes. To the extent the proceeds of the Concurrent New Money Issuance, if any, are insufficient, we expect to pay the consent fee and related transaction costs for the Exchange Offer and Consent Solicitation using cash on hand.

**Taxation** ..... For a discussion of certain Japanese tax consequences of the Exchange Offer and Consent Solicitation, see “Taxation.”

**Brokerage Commissions** ..... No brokerage commissions are payable by Holders to the Company, the Dealer Managers or the Information Agent.

**Trustees** ..... Deutsche Trustee Company Limited is the trustee of the Existing Notes (the “Existing Notes Trustee”).

The Bank of New York Mellon, London Branch is the trustee of the New Notes (the “New Notes Trustee”).

**Announcements** ..... All announcements in connection with the Exchange Offer or the Consent Solicitation may be made (a) by posting a press release on the Company’s website, (b) through publication of a notice on Bloomberg, (c) via SGXNET and/or (d) by the delivery of notices to the Clearing Systems for communication to direct participants. Each of these means shall be deemed to constitute effective notice to the Holders of the events described in such announcement.



**Transactions** ..... The Exchange Offer, the Consent Solicitation, the execution of the Supplemental Indenture and the Concurrent New Money Issuance, if any, taken together.

**Exchange and Consent**

**Website** ..... The Exchange Offer Memorandum and any update will be available via the following Exchange and Consent Website: <https://sites.dfkingltd.com/softbank/exchange/>.

**Further Information** ..... Questions about the terms of the Exchange Offer or the Consent Solicitation should be directed to the Dealer Managers and the Information Agent.

If you have questions regarding exchange or consent procedures or require additional copies of this Exchange Offer Memorandum, please contact the Information Agent.

Beneficial owners of Existing Notes may also contact their brokers, dealers, commercial banks, trust companies or other nominee for assistance concerning the Exchange Offer and the Consent Solicitation.

## SUMMARY OF THE EXCHANGE OFFER

The summary below describes the principal terms of the Exchange Offer. The terms and conditions described below are subject to important limitations and exceptions. We urge you to read the detailed descriptions in the sections of this Exchange Offer Memorandum entitled “Description of the Exchange Offer and the Consent Solicitation”, “Description of the New Notes” and “Description of the Proposed Amendments”, which include the definitions of certain terms used in this summary.

**The Exchange Offer** . . . . . Upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum, the Company is offering to exchange the outstanding Existing Dollar Notes for Dollar Exchange Notes and the outstanding Existing Euro Notes for Euro Exchange Notes.

Eligible Holders who tender their Existing Notes for exchange in the Exchange Offer will be deemed to have provided their consent to the Proposed Amendments (“Deemed Consents”).

**Exchange Notes** . . . . . The Exchange Notes will consist of either or both of (i) the Dollar Exchange Notes or (ii) the Euro Exchange Notes. The Exchange Notes will accrue interest from the Settlement Date.

**Dollar Exchange Notes** . . . . . Fixed-rate senior notes denominated in U.S. dollars to be issued by the Company under the New Notes Indenture on the same terms and form a single class of notes with any New Money Dollar Notes issued as part of the Concurrent New Money Issuance, if any. The Dollar Exchange Notes will mature on April 15, 2028. For a detailed description of the Dollar Exchange Notes, refer to “Appendix A—Preliminary Offering Memorandum regarding the New Notes—Description of the Notes.”

**Euro Exchange Notes** . . . . . Fixed-rate senior notes denominated in Euro to be issued by the Company under the New Notes Indenture on the same terms and form a single class of notes with any New Money Euro Notes issued as part of the Concurrent New Money Issuance, if any. The Euro Exchange Notes will mature on April 15, 2028. For a detailed description of the Euro Exchange Notes, refer to “Appendix A—Preliminary Offering Memorandum regarding the New Notes—Description of the Notes.”

### **Coupon Rate of the Exchange**

**Notes** . . . . . The coupon rate for the Euro Exchange Notes, paid semi-annually, will be, no less than 4.625% per year.

The coupon rate for the Dollar Exchange Notes, paid semi-annually, will be no less than 6.000% per year.

The final coupon rate of each of the Dollar Exchange Notes and the Euro Exchange Notes will be set forth in an announcement to be released promptly after the Time of Pricing. If the Concurrent New Money Issuance is consummated, the final coupon rate of each of the Dollar Exchange Notes and the Euro Exchange Notes will be equal to the coupon rate set for the New Money Dollar Notes or the New Money Euro Notes, as applicable. If the Concurrent New Money Issuance is not consummated with respect to any or both of the New Money Dollar Notes and the New Money Euro Notes, the final coupon rate of the Dollar Exchange Notes and/or the Euro Exchange Notes, as the case may be, will be determined by the Company at the Time of Pricing and will be equal to or greater than the applicable minimum coupon rate indicated above.

We expect to announce the pricing terms of the Concurrent New Money Issuance on the business day following the Expiration Date and, if we decide not to proceed with the Concurrent New Money Issuance (or any portion thereof), we will announce such decision as soon as practicable following such decision being made. However, there can be no assurance that the Concurrent New Money Issuance will price at all, and, if it does

price, whether it will price with respect to the New Money Dollar Notes or the New Money Euro Notes or both.

**Exchange Consideration . . . . .** For each \$1,000 or €1,000 of principal amount, as the case may be, of outstanding Existing Notes that are validly tendered and accepted for exchange, Eligible Holders will receive consideration (the “Exchange Consideration”) comprised of the following:

- (i) Dollar Exchange Notes (for Existing Dollar Notes tendered) or Euro Exchange Notes (for Existing Euro Notes tendered), as the case may be, in a principal amount equal to the exchange price (the “Exchange Price”) set forth on the cover of this Exchange Offer Memorandum. References to the “Exchange Ratio” in this Exchange Offer Memorandum are to the ratio of the applicable Exchange Price to each \$1,000 or €1,000, as the case may be, of principal amount of Existing Notes validly tendered and accepted for exchange, expressed as a percentage and rounded to three decimal places. Eligible Holders of Existing Notes validly tendered and accepted for exchange will receive Exchange Notes in a principal amount (rounded down to the nearest \$1,000 or €1,000, as applicable) equal to the product of (x) the aggregate principal amount of each series of such Existing Notes and (y) the Exchange Ratio for the relevant series of Existing Notes.
- (ii) if, as a result of the application of the relevant Exchange Ratio, a Holder would be entitled to receive an aggregate principal amount of Exchange Notes that is not an integral multiple of \$1,000 or €1,000, as applicable, the Company will pay in cash (in the currency of the relevant Exchange Notes) to that Holder on the Settlement Date an amount (the “Fractional Note Cash Payment”) equal to the fractional portion of such aggregate principal amount that is not such an integral multiple;
- (iii) a Consent Fee (the “Deemed Consent Payment”) of \$10 or €10, for each \$1,000 or €1,000 of principal amount of Existing Notes tendered, paid in cash. The Company will make the Deemed Consent Payment in respect of Existing Notes validly tendered and accepted for exchange even if the Company does not obtain the Requisite Consents or otherwise terminates the Consent Solicitation; and
- (iv) a cash payment (the “Accrued Interest Cash Payment”) equal to the accrued and unpaid interest on the Existing Notes tendered and accepted for exchange from January 30, 2018, the last applicable interest payment date of the Existing Notes, up to but excluding the Settlement Date.

If the Company terminates the Exchange Offer for failure to satisfy the applicable Minimum Notes Condition, the Deemed Consents of Eligible Holders who have validly tendered Existing Notes will nonetheless be retained by the Company and counted toward the Requisite Consents for the purposes of the Consent Solicitation. In this case, such Eligible Holders will receive the Deemed Consent Payment upon the settlement of the Consent Solicitation, but will not receive any other part of the Exchange Consideration.

If the Company terminates the Exchange Offer for any other reason, the Deemed Consents of Eligible Holders who have validly tendered Existing Notes will lapse and be deemed revoked. In this case, such Eligible Holders will receive no Exchange Consideration at all and the Company will no longer be able to settle the Consent Solicitation owing to failure to satisfy the non-waivable Exchange Consummation Condition.

**Holders Eligible to Participate  
in the Exchange Offer . . . . .**

The Exchange Offer is being made, and the Exchange Notes and related Note Guarantees are being offered and issued, only to Eligible Offerees who hold Existing Notes through the Clearing Systems (“Eligible Holders”) and who have represented to the Company pursuant to the deemed representations described in “Description of the Exchange Offer and Consent Solicitation—Additional Terms of the Exchange Offer—Representations, Warranties and Covenants of Eligible Holders Tendering Existing Notes” that they are eligible to participate in the Exchange Offer. “Eligible Offerees” are defined as persons who satisfy all of the following criteria:

- (i) non-U.S. persons located outside the United States or dealers or other professional fiduciaries in the United States acting on a discretionary basis for the benefit or account of non-U.S. persons located outside the United States, as those terms are defined in Regulation S under the Securities Act (“Regulation S”),
- (ii) persons other than retail investors in the European Economic Area, defined as a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive,
- (iii) persons (i) who are beneficial owners that are, for Japanese tax purposes, neither individual residents of Japan or Japanese corporations, nor individual non-residents of Japan or non-Japanese corporations that in either case are specially related persons of the Company as described in Article 6, Paragraph (4) of the Special Taxation Measures Act; and (ii) who are not residents in Japan for Japanese securities law purposes (including a natural person having his/her place of domicile or residence in Japan, a legal person having its main office in Japan or any branch, agency or other office in Japan of a non-resident (irrespective of whether it is legally authorized to represent its principal or not and even if its main office is located in a country other than Japan)),
- (iv) non-residents of Canada; *provided that* a discretionary account held for the benefit or account of a person or company resident in Canada by an investment manager or similar fiduciary outside Canada is not a resident of Canada for this purpose; and
- (v) persons into whose possession the Exchange Offer Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which they are located.

**Only Eligible Holders who have, or on whose behalf their brokers, dealers, custodians, trust companies or other nominees have, completed the procedures described in this Exchange Offer Memorandum are eligible to participate in the Exchange Offer. Eligible Holders may not tender their Existing Notes for exchange in the Exchange Offer without being deemed to have delivered Deemed Consents with respect to such Existing Notes. However, Eligible Holders may, at their discretion, decide not to participate in the Exchange Offer and participate in the Consent Solicitation only.**

**Both Eligible Holders who choose not participate in the Exchange Offer and Non-Eligible Holders are eligible to participate in the Consent Solicitation and receive the applicable Consent Fee by**

**providing their Consents with respect to Existing Notes held by them without tendering such Existing Notes for exchange in the Exchange Offer. Holders who are not Eligible Holders may not participate in the Exchange Offer or otherwise rely on the information provided in the Exchange Offer Memorandum. Such non-Eligible Holders should find information with respect to the terms of the Consent Solicitation at the Information Agent's Consent Only Website: <https://sites.dfkingltd.com/softbank/consent/>.**

For a description of restrictions on resale or transfer of the New Notes, see "Appendix A—Preliminary Offering Memorandum regarding the New Notes—Notice to Investors."

**Conditions to the Exchange**

**Offer. ....**

The Exchange Offer is subject to the satisfaction or waiver of certain conditions described in "Description of the Exchange Offer and the Consent Solicitation—Additional Terms of the Exchange Offer—Conditions to the Exchange Offer."

Among other conditions precedent, the Exchange Offer is conditioned upon:

- (i) with respect to the exchange of Existing Dollar Notes, the aggregate principal amount of New Notes to be issued by the Company on the Settlement Date (including Dollar Exchange Notes issuable in exchange for Existing Dollar Notes tendered in the Exchange Offer and New Money Dollar Notes to be issued pursuant to the Concurrent New Money Issuance, if any) being no less than \$350,000,000 (the "Dollar Notes Minimum Notes Condition");
- (ii) with respect to the exchange of Existing Euro Notes, the aggregate principal amount of New Notes to be issued by the Company on the Settlement Date (including Euro Exchange Notes issuable in exchange for Existing Euro Notes tendered in the Exchange Offer and New Money Euro Notes to be issued pursuant to the Concurrent New Money Issuance, if any) being no less than €350,000,000 (the "Euro Notes Minimum Notes Condition" and, together with the Dollar Notes Minimum Notes Condition, the "Minimum Notes Condition"); and
- (iii) certain other conditions described in "Description of the Exchange Offer and the Consent Solicitation—Additional Terms of the Exchange Offer—Conditions to the Exchange Offer."

The foregoing conditions precedent are for the Company's sole benefit and may be asserted or waived by the Company, in whole or in part, at any time and in its absolute discretion without extending the Expiration Date or granting withdrawal rights (except as required by law).

If the Supplemental Indenture is executed prior to the Expiration Date at a time when the Exchange Offer has not been terminated, all conditions precedent to the Exchange Offer other than the Minimum Notes Condition will be deemed irrevocably waived by the Company and the Company will be deemed to have foregone its right to terminate the Exchange Offer for any reason other than failure to satisfy the Minimum Notes Condition with respect to either the Existing Dollar Notes or the Existing Euro Notes.

The Exchange Offer is not conditioned upon the consummation of the Consent Solicitation. As such, the Company may consummate the Exchange Offer even if the Requisite Consents are not obtained or if the Consent Solicitation is otherwise terminated for any reason.

**Minimum Denominations for**

**Exchange** ..... Any Tender Instruction to tender Existing Dollar Notes for exchange must be given with respect to Existing Dollar Notes in a minimum principal amount of \$200,000 or integral multiples of \$1,000 in excess thereof. Any Tender Instruction to tender Existing Euro Notes for exchange must be given with respect to Existing Euro Notes in a minimum principal amount of €100,000 or integral multiples of €1,000 in excess thereof.

**Consequences of Failure to**

**Exchange Notes** ..... For a description of the consequences of failing to exchange your Existing Notes, see “Risk Factors” and “Description of the Exchange Offer and the Consent Solicitation—Certain Consequences to Holders of Existing Notes Not Participating in the Exchange Offer and the Consent Solicitation.”

**Expiration Date** ..... 4:00 p.m. London time, on March 21, 2018, unless extended at the Company’s sole discretion. The Company may at its sole discretion extend the Expiration Date with respect to the Consent Solicitation without extending the Expiration Date with respect to the Exchange Offer, and *vice versa*.

**Settlement** ..... Subject to the terms and conditions described herein, the Company will accept any and all Existing Notes that are validly tendered prior to the Expiration Date. Upon the Company’s determination that the conditions to the Exchange Offer have been satisfied or waived, the Exchange Offer will be settled as follows: (i) Exchange Notes will be issued and delivered to the Eligible Holders of Existing Notes that have been validly tendered for exchange and accepted by the Company, (ii) the remainder of the Exchange Consideration (other than the Deemed Consent Payment, to the extent already made upon the settlement of the concurrent Consent Solicitation) is delivered to such Eligible Holders, (iii) Existing Notes exchanged in the Exchange Offer will be delivered to the Existing Notes Trustee for cancellation and both the Company and the Initial Note Guarantor will be released and discharged from any and all claims of such Eligible Holders that may arise out of, or be related to, such Existing Notes.

Settlement will occur on the Settlement Date, expected to be on or around April 3, 2018 or the seventh business day following the Expiration Date (according to the calendar of public and bank holidays of England & Wales).

**Amendment of Exchange Offer**

**Terms; Termination** ..... Subject to applicable law, the Company may terminate or withdraw the Exchange Offer in its sole discretion at any time and for any reason, including if the conditions precedent are not met or waived by the Expiration Date. In any such event, any Existing Notes previously tendered pursuant to the Exchange Offer will be promptly returned to the tendering Eligible Holders.

The Company reserves the right subject to applicable law to waive any or all of the conditions precedent at any time or amend any terms of the Exchange Offer.

The Company will notify Eligible Holders of any amendment to the terms of the Exchange Offer, waiver of conditions precedent or termination of the Exchange Offer.

**Withdrawal of Tenders** ..... Tenders of Existing Notes in the Exchange Offer may not be withdrawn, and the Deemed Consents in connection with such tenders may not be revoked, except under certain limited circumstances described below.

The Company will grant withdrawal rights to Eligible Holders who have validly tendered their Existing Notes in the Exchange Offer only to the extent (i) required by applicable law or (ii) that any amendments to the



terms of the Exchange Offer are materially prejudicial to Eligible Holders in the Company's opinion (following consultation with the Dealer Managers). The Company will not grant withdrawal rights in the event that the Company, among other things, (a) extends the Expiration Date of the Exchange Offer with respect to all or some of the Existing Notes, (b) terminates all or any part of the Exchange Offer or the Consent Solicitation, (c) waives any conditions precedent to the Exchange Offer, (d) waives any conditions precedent to the Consent Solicitation, other than the non-waivable Exchange Consummation Condition or (e) makes any other change to the terms of the Exchange Offer or the Consent Solicitation set out in this Exchange Offer Memorandum which are not materially prejudicial to Eligible Holders or Holders, as applicable, in the Company's opinion after consultation with the Dealer Managers.

The valid withdrawal of tendered Existing Notes from the Exchange Offer will be deemed a valid revocation of the related Deemed Consents. Eligible Holders may not validly revoke Deemed Consents unless they validly withdraw their previously tendered Existing Notes.

#### **Procedures for Tendering**

##### **Existing Notes . . . . .**

**To participate in the Exchange Offer, an Eligible Holder must validly tender its Existing Notes prior to the Expiration Date pursuant to the procedures described herein.**

**An Eligible Holder that validly tenders its Existing Notes will be deemed to have delivered a Deemed Consent with respect to such Existing Notes in the Consent Solicitation.**

Eligible Holders who wish to participate in the Exchange Offer and deliver their Deemed Consents must tender their Existing Notes pursuant to the procedures described herein by way of an electronic instruction (the "Tender Instruction"), which must be submitted or delivered through Euroclear Bank SA/NV ("Euroclear") or Clearstream Banking S.A. ("Clearstream", and, together with Euroclear, the "Clearing Systems"), authorizing delivery of their Existing Notes for exchange and their Deemed Consent attributable to such Existing Notes. See "Description of the Exchange Offer and the Consent Solicitation—Additional Terms of the Exchange Offer—Procedures for Tendering Existing Notes."

No guaranteed delivery procedures are being offered in connection with the Exchange Offer. Eligible Holders must tender their Existing Notes for exchange on or prior to the Expiration Date in order to participate and receive the Exchange Consideration.

Only direct participants in Euroclear or Clearstream may submit Tender Instructions. Eligible Holders who are not direct participants in Euroclear or Clearstream, must contact their broker, dealer, bank, custodian, trust company or other nominee to arrange for their direct participant through which they hold Existing Notes to submit a Tender Instruction on their behalf to the relevant Clearing System prior to the deadline specified by the relevant Clearing System.

Eligible Holders that give Tender Instructions on behalf of beneficial holders must provide separate Tender Instructions with respect to each such beneficial holder.

Eligible Holders who intend to make different elections with respect to different portions of their holding of Existing Notes must deliver separate Tender Instructions with respect to each such portion.

For further information, Eligible Holders should contact the Dealer Managers or the Information Agent at their respective telephone numbers and addresses set forth on the back cover page of this Exchange Offer

Memorandum or consult their broker, dealer, commercial bank, trust company or nominee for assistance.

**Governing Law** ..... The New Notes Indenture (as defined herein), the Exchange Notes and the Note Guarantees will be governed by the laws of the State of New York.

**Non-Eligible Holders** ..... All Holders other than Eligible Holders.

**Dealer Managers** ..... Deutsche Bank AG, London Branch, Merrill Lynch International and Morgan Stanley & Co. International plc.

**Information Agent** ..... D.F. King Ltd. has been appointed as the Information Agent for the Exchange Offer. You can find the address and telephone number for the Information Agent on the back cover of this Exchange Offer Memorandum.

**Further Information** ..... Questions about the terms of the Exchange Offer should be directed to the Dealer Managers and the Information Agent.

If you have questions regarding exchange procedures or require additional copies of this Exchange Offer Memorandum, please contact the Information Agent.

Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominee for assistance concerning the Exchange Offer.

## SUMMARY OF THE CONSENT SOLICITATION

The summary below describes the principal terms of the Consent Solicitation. The terms and conditions described below are subject to important limitations and exceptions. We urge you to read the detailed descriptions in the sections of this Exchange Offer Memorandum entitled “Description of the Exchange Offer and the Consent Solicitation”, and “Description of the Proposed Amendments”, which include the definitions of certain terms used in this summary.

**The Consent Solicitation** . . . . . Concurrently with the Exchange Offer, the Company is soliciting consents (“Consents”), upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum, from Holders of a majority of the outstanding aggregate principal amount of the Existing Notes to amend certain provisions of the Existing Notes Indenture to conform them to the corresponding provisions of the 2017 Notes Indenture and the New Notes Indenture (the “Proposed Amendments”). The Consents of the Holders of at least a majority of the outstanding aggregate principal amount of the Existing Notes voting as a single class is required in order for the Proposed Amendments to be adopted.

Eligible Holders who validly tender any Existing Notes in the Exchange Offer will be deemed to have delivered a Consent (“Deemed Consent”) to the Proposed Amendments with respect to such Existing Notes. Eligible Holders may not tender Existing Notes without delivering Deemed Consents with respect to such Existing Notes. All Holders (including non-Eligible Holders to whom no Exchange Offer is made) have the option with respect to any particular holding of Existing Notes to participate in the Consent Solicitation without participating in the Exchange Offer, but no Eligible Holder may participate in the Exchange Offer without being deemed to have delivered its Deemed Consent to the Proposed Amendments.

If the Company terminates the Exchange Offer for failure to satisfy the applicable Minimum Notes Condition, the Deemed Consents of Eligible Holders who have validly tendered Existing Notes will nonetheless be retained by the Company and counted toward the Requisite Consents for the purposes of the Consent Solicitation. In this case, such Eligible Holders will receive the Deemed Consent Payment upon the settlement of the Consent Solicitation, but will not receive any other part of the Exchange Consideration.

All Consents delivered (or Deemed Consents deemed to have been delivered in connection with the Exchange Offer) will be deemed to be consents to the Proposed Amendments as a whole.

The Proposed Amendments will become effective upon the execution of a supplemental indenture (the “Supplemental Indenture”) to the Existing Notes Indenture but will not become operative until the Consent Fee is paid in accordance with the terms of the Consent Solicitation. The Proposed Amendments will become operative immediately prior to the settlement of the Exchange Offer. The Company may enter into such Supplemental Indenture and the Proposed Amendments may become effective even if the Exchange Offer is not consummated with respect to the Existing Dollar Notes or the Existing Euro Notes due to failure to satisfy the applicable Minimum Notes Condition.

**Requisite Consents** . . . . . Properly delivered Consents by Holders of at least a majority in aggregate principal amount of Existing Notes outstanding, voting as a single class, are required to approve the Proposed Amendments. For the purposes of determining whether the Holders of the requisite principal amount of Existing Notes have consented to the Proposed Amendments, the principal amount of Existing Euro Notes shall be deemed to be the Dollar

Equivalent of such principal amount of the Existing Euro Notes, calculated at a spot rate for the purchase of U.S. dollars with euro as published by Bloomberg two business days prior to the Consent Effective Time.

**Existing Notes Indenture** . . . . . Indenture, dated July 28, 2015, among, *inter alia*, the Company, the Initial Note Guarantor and Deutsche Trustee Company Limited as Trustee governing Existing Notes (as amended by the supplemental indenture thereto dated December 9, 2016).

**2017 Notes** . . . . . The Company’s \$1,350,000,000 4.75% Senior Notes due 2024, \$2,000,000,000 5.125% Senior Notes due 2027, €1,500,000,000 3.125% Senior Notes due 2025, and €750,000,000 4.00% Senior Notes due 2029.

**2017 Notes Indenture** . . . . . Indenture, dated September 19, 2017, among, *inter alia*, the Company, the Initial Note Guarantor, and The Bank of New York Mellon, London Branch as Trustee and Paying Agent, governing the 2017 Notes.

**Dollar Consent Fee** . . . . . Holders of the Existing Dollar Notes who (i) validly tender Existing Dollar Notes in the Exchange Offer, and are thereby deemed to have delivered a Deemed Consent, or (ii) validly deliver a Consent in the Consent Solicitation, in each case, prior to the Expiration Date, will receive, as consideration for providing such Consent, \$10 (the “Dollar Consent Fee”) for each \$1,000 in principal amount of outstanding Existing Dollar Notes tendered in the Exchange Offer or for which a Consent is delivered by such Holder, subject to the conditions referred to in “Description of the Exchange Offer and the Consent Solicitation—Additional Terms of the Consent Solicitation—Conditions to the Consent Solicitation.”

**Euro Consent Fee** . . . . . Holders of the Existing Euro Notes who (i) validly tender Existing Euro Notes in the Exchange Offer, and thereby deliver a Deemed Consent, or (ii) validly deliver a Consent in the Consent Solicitation, in each case, prior to the Expiration Date, will receive, as consideration for providing such Consent, €10 (the “Euro Consent Fee”, and, together with the Dollar Consent Fee, the “Consent Fee”) for each €1,000 in principal amount of outstanding Existing Euro Notes tendered in the Exchange Offer or for which a Consent is delivered by such Holder, subject to the conditions referred to in “Description of the Exchange Offer and the Consent Solicitation—Additional Terms of the Consent Solicitation—Conditions to the Consent Solicitation.”

**Proposed Amendments** . . . . . The Company is seeking the consent of the Holders to, among other things:

- (i) amend the “Repurchase at the Option of Holders upon a Change of Control Triggering Event” covenant and related definitions to conform to the terms of the corresponding covenant in the 2017 Notes Indenture and New Notes Indenture;
- (ii) amend the “Negative Pledge” covenant and related definitions to conform to the terms of the corresponding covenant in the 2017 Notes Indenture and the New Notes Indenture;
- (iii) amend the “Permitted Third Party Guarantees” covenant and related definitions to conform it to the terms of the corresponding covenant in the 2017 Notes Indenture and the New Notes Indenture;
- (iv) amend the “Subsidiary Guarantees of Indebtedness” covenant and related definitions to conform to the terms of the corresponding covenant in the 2017 Notes Indenture and the New Notes Indenture;
- (v) amend the “Distribution of Proceeds of Asset Sales” covenant and related definitions to conform to the terms of the corresponding covenant in the 2017 Notes Indenture and the New Notes Indenture;

- (vi) amend the “Merger or Consolidation” covenant to conform to the terms of the corresponding covenant in the 2017 Notes Indenture and the New Notes Indenture; and
- (vii) make certain other amendments to conform certain language in the Existing Notes Indenture with the corresponding language in the 2017 Notes Indenture and the New Notes Indenture.

For further details, see “Description of the Proposed Amendments.”

**Conditions to the Consent**

**Solicitation** .....

The Consent Solicitation is subject to the satisfaction or waiver of certain conditions described in “Description of the Exchange Offer and the Consent Solicitation.”

In particular, our obligation to consummate the Consent Solicitation is conditioned upon:

- (i) the receipt of valid Consents from Holders of at least a majority of the outstanding principal amount of the Existing Notes (the “Requisite Consents”);
- (ii) the consummation of the Exchange Offer (the “Exchange Consummation Condition”), unless the Company terminates the Exchange Offer with respect to the Existing Dollar Notes or the Existing Euro Notes due to failure to satisfy the Minimum Notes Condition to the Exchange Offer, in which case the Exchange Consummation Condition will not apply; and
- (iii) certain other conditions described in “Description of the Exchange Offer and the Consent Solicitation—Additional Terms of the Consent Solicitation—Conditions to the Consent Solicitation.”

The foregoing conditions precedent are for the Company’s sole benefit and may be asserted or waived by the Company, in whole or in part, at any time and in its absolute discretion without extending the Expiration Date, except for the Exchange Consummation Condition, which cannot be waived by the Company.

**Consent Effective Time** .....

Subject to the prior receipt of the Requisite Consents, the time that the Company, the Initial Note Guarantor and the Existing Notes Trustee execute the Supplemental Indenture with respect to the Proposed Amendments, which may be on or prior to the Expiration Date.

Holders who have not tendered their Existing Notes (in whole or in part) in the Exchange Offer but have validly delivered their Consents with respect to such Existing Notes in the Consent Solicitation prior to the Consent Effective Time no longer have the right to revoke their Consents.

Holders who have not tendered their Existing Notes (in whole or in part) in the Exchange Offer but deliver their Consents with respect to such Existing Notes in the Consent Solicitation on or after the Consent Effective Time, and before the Expiration Date, do not have the right to revoke their Consents.

**Expiration Date** .....

4:00 p.m. London time, on March 21, 2018, unless extended at the Company’s sole discretion. The Company may at its sole discretion extend the Expiration Date with respect to the Consent Solicitation without extending the Expiration Date with respect to the Exchange Offer, and *vice versa*.

To the extent not previously executed, and subject to the receipt of the Requisite Consents, the Supplemental Indenture is executed by the Company, the Initial Note Guarantor and the Existing Notes Trustee.

**Settlement** . . . . . Subject to the terms and conditions described herein, the Company will accept any and all Consents and Deemed Consents that are validly delivered prior to the Expiration Date.

Upon the Company’s determination that the conditions to the Consent Solicitation have been satisfied or waived, the Exchange Offer will be settled as follows. The Company will pay the Consent Fee (including any Deemed Consent Payment) to all Holders who have validly delivered their Consents in respect of the Consent Solicitation on or prior to the Expiration Date and to all Eligible Holders whose Existing Notes have been validly tendered for exchange in the Exchange Offer on or prior to the Expiration Date and accepted by the Company.

The Proposed Amendments will only become operative upon the payment of the Consent Fee (including any Deemed Consent Payment) to Holders who have validly delivered (and not validly revoked) their Consents or validly tendered (and not validly withdrawn) their Existing Notes for exchange in the Exchange Offer (thereby providing their Deemed Consents with respect to such Existing Notes) on or prior to the Expiration Date. The Proposed Amendments become operative immediately prior to the settlement in full of the Exchange Offer.

**Amendment of Consent Solicitation Terms;**

**Termination** . . . . . Subject to applicable law, the Company may terminate or withdraw the Consent Solicitation in its sole discretion at any time and for any reason, including if the conditions precedent are not met or waived by the Expiration Date. In any such event, all Consents and Deemed Consents received in respect of the Existing Notes will automatically terminate and not be effective and no Consent Fee will be paid, except that the Company will make the Deemed Consent Payment in respect of Existing Notes validly tendered and accepted for exchange in the Exchange Offer even if the Company does not obtain the Requisite Consents or otherwise terminates the Consent Solicitation.

The Company reserves the right subject to applicable law to waive any or all of the conditions precedent at any time or amend any terms of the Consent Solicitation, except that the Company may not waive the Exchange Consummation Condition in respect of the Consent Solicitation.

The Company will notify Holders of any amendment to the terms of the Consent Solicitation, waiver of conditions precedent or termination of the Consent Solicitation.

**Revocation of Consents** . . . . . Consents may be revoked by a Holder participating in the Consent Solicitation at any time prior to, but not after, the earlier of the Consent Effective Time and the Expiration Date.

Deemed Consents provided in connection with Existing Notes tendered in the Exchange Offer may not be withdrawn at any time, except under certain limited circumstances described in “Description of the Exchange Offer and the Consent Solicitation—Additional Terms of the Exchange Offer—Withdrawal of Tenders.”

**Procedures for Delivering Consents** . . . . .

**To deliver a Deemed Consent or a Consent with respect to Existing Notes, a Holder must either (i) validly tender its Existing Notes prior to the Expiration Date pursuant to the procedures described herein, if an Eligible Holder choosing to participate in the Exchange Offer; or (ii) otherwise validly deliver a Consent prior to the Expiration Date pursuant to the procedures described herein.**



**An Eligible Holder that validly tenders its Existing Notes on or prior to the Expiration Date will be deemed to have delivered a Consent with respect to such Existing Notes.**

Holders who wish to participate in the Consent Solicitation and deliver their Consent must submit their Consent pursuant to the procedures described herein by way of an electronic instruction, which must be submitted or delivered through the applicable Clearing System, authorizing delivery of their Consent attributable to the Existing Notes that are the subject of such electronic instruction (the “Consent Instruction”). See “Description of the Exchange Offer and the Consent Solicitation—Additional Terms of the Consent Solicitation—Procedures for Delivering Consents.” Eligible Holders who wish to participate in the Exchange Offer and deliver their Deemed Consents must tender their Existing Notes pursuant to the procedures described herein by way of a Tender Instruction (Tender Instructions, together with the Consent Instructions, the “Instructions”), which must be submitted or delivered through the applicable Clearing System, authorizing delivery of their Existing Notes for exchange and their Deemed Consent attributable to such Existing Notes. See “Description of the Exchange Offer and the Consent Solicitation—Additional Terms of the Exchange Offer—Procedures for Tendering Existing Notes.”

No guaranteed delivery procedures are being offered in connection with the Exchange Offer and the Consent Solicitation. Holders must deliver their Consent respect of the Consent Solicitation or tender their Existing Notes for exchange in the Exchange Offer prior to the Expiration Date in order to receive the Consent Fee or the Deemed Consent Payment.

Only direct participants in Euroclear or Clearstream may submit Instructions. Holders who are not direct participants in Euroclear or Clearstream, must contact their broker, dealer, bank, custodian, trust company or other nominee to arrange for their direct participant through which they hold Existing Notes to submit an Instruction on their behalf to the relevant Clearing System prior to the deadline specified by the relevant Clearing System.

Holders who intend to make different elections with respect to different portions of their holding of Existing Notes must deliver separate Instructions with respect to each such portion.

For further information, Holders should contact the Dealer Managers or the Information Agent at their respective telephone numbers and addresses set forth on the back cover page of this Exchange Offer Memorandum or consult their broker, dealer, commercial bank, trust company or nominee for assistance.

**Consequences of Failure to Provide Consent . . . . .**

Holders who do not consent to the Proposed Amendments or tender their Existing Notes in the Exchange Offer and the Holders whose Consents or tenders are validly revoked or withdrawn before the Consent Effective Time or the Expiration Date will not receive a Consent Fee or a Deemed Consent Payment even though the Proposed Amendments, if they become effective and operative, will be binding on them and any transferee of the Existing Notes. Failure to deliver a Consent or a Deemed Consent will have the same effect as if a Holder had voted “No” to the Proposed Amendments. For a description of the consequences of failing to provide Consent with respect to your Existing Notes, see “Risk Factors” and “Description of the Exchange Offer and the Consent Solicitation—Certain Consequences to Holders of Existing Notes Not Participating in the Exchange Offer and the Consent Solicitation.”

**Governing Law** . . . . . The Supplemental Indenture will be governed by the laws of the State of New York.

**Solicitation Agents** . . . . . The Dealer Managers are acting as the solicitation agents for the Consent Solicitation. You can find the addresses and telephone numbers for the Dealer Managers on the back cover of this Exchange Offer Memorandum.

**Information Agent** . . . . . D.F. King Ltd. has been appointed as the Information Agent for the Consent Solicitation. You can find the address and telephone number for the Information Agent on the back cover of this Exchange Offer Memorandum.

**Further Information** . . . . . Questions about the terms of the Exchange Offer or the Consent Solicitation should be directed to the Dealer Managers and the Information Agent.

If you have questions regarding exchange or consent procedures or require additional copies of this Exchange Offer Memorandum, please contact the Information Agent.

Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominee for assistance concerning the Exchange Offer and the Consent Solicitation.

Holders who are not Eligible Holders may not participate in the Exchange Offer or otherwise rely on the information provided in the Exchange Offer Memorandum. Such non-Eligible Holders should find information with respect to the terms of the Consent Solicitation at the Information Agent's Consent Only Website: <https://sites.dfkingltd.com/softbank/consent/>.

## SUMMARY OF THE EXCHANGE NOTES

The summary below describes the principal terms of the Exchange Notes. The terms and conditions described therein are subject to important limitations and exceptions. For a more detailed description of the terms and conditions of the Notes, see “Appendix A—Preliminary Offering Memorandum regarding the New Notes—Description of the Notes.”

<b>Issuer</b> .....	SoftBank Group Corp.
<b>Initial Note Guarantor</b> .....	SoftBank Corp.
<b>Exchange Notes Offered</b> .....	Senior Notes due 2028 denominated in U.S. dollars; and Senior Notes due 2028 denominated in euro.
<b>Minimum Interest Rate</b> .....	The coupon rate for the Euro Exchange Notes, paid semi-annually, will be, no less than 4.625% per year.  The coupon rate for the Dollar Exchange Notes, paid semi-annually, will be no less than 6.000% per year.
<b>Issue Date</b> .....	On or about April 3, 2018.
<b>Offering Price</b> .....	100% of the principal amount of the Exchange Notes. (Any New Money Notes sold in the Concurrent New Money Issuance will be issued, if at all, at a price that is equal to or above 100% of the principal amount of such New Money Notes.)
<b>Maturity Date</b> .....	Dollar Notes: April 15, 2028.  Euro Notes: April 15, 2028.
<b>Interest Payment Dates</b> .....	We will pay interest on the Exchange Notes on each April 15 and October 15, commencing October 15, 2018.
<b>Form and Denominations</b> .....	The Company will issue the Exchange Notes on the Settlement Date in global registered form. Dollar Exchange Notes will be issued in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof and Euro Exchange Notes will be issued in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.
<b>Ranking of the Exchange Notes</b> .....	The Exchange Notes will:  (i) be general unsecured obligations of the Company;  (ii) 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 syndicated loan from several Japanese and international financial institutions in the principal amount of ¥2,650 billion, under which ¥2,605 billion (\$23,056 million) of indebtedness remains outstanding (the “Senior Term Loan”); the two series of senior notes in the form of \$2,485 million 4.5% Senior Notes due 2020 and €625 million 4.675% Senior Notes due 2020 (the “2013 Notes”); the Existing Notes; the four series of senior notes in the form of \$1,350 million 4.75% Senior Notes due 2024, \$2,000 million 5.175% Senior Notes due 2027, €1,500 million 3.175% Senior Notes due 2025, and the €750 million 4% Senior Notes due 2029 (the “2017 Notes”); and the Company’s senior unsecured yen-denominated bonds), except that the Notes will:  (a) rank senior in right of payment to all existing and future Indebtedness of the Company that is contractually subordinated in right of payment (including the Company’s yen-denominated hybrid loan, yen-denominated subordinated

bonds and yen-denominated and dollar-denominated hybrid bonds) and all existing and future Indebtedness of the Company that is subordinated in right of payment by operation of law; and

- (b) be subordinated in right of payment to all existing and future Indebtedness of the Company that is preferred by operation of law;
- (iii) 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;
- (iv) be structurally subordinated to all existing and future Indebtedness or other obligations, including the Sprint 2024 Secured Term Loan, Sprint Spectrum Financing, Sprint bonds, Yahoo Japan bonds and any trade payables, of any Subsidiary of the Company that does not Guarantee the Notes (including any Indebtedness of Initial Note Guarantor if its Note Guarantee is released in future); and
- (v) be guaranteed, as of the Settlement Date, by the Note Guarantor as set forth under “Appendix A—Preliminary Offering Memorandum regarding the New Notes—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 the future incur substantial amounts of secured debt,” “Risk Factors—Risks Relating to the Notes—The Notes and the Note Guarantees thereof 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” in “Appendix A—Preliminary Offering Memorandum regarding the New Notes”.

**Ranking of the Note**

**Guarantees .....**

The Note Guarantees will:

- (i) be a general unsecured obligation of a Note Guarantor;
- (ii) in insolvency proceedings of the Note Guarantor, rank *pari passu* in right of payment with all existing and future Indebtedness of such Note Guarantor (including the Initial Note Guarantor’s obligations under the Senior Term Loan, the 2013 Notes, the Existing Notes, the 2017 Notes, and the Company’s yen-denominated senior unsecured bonds), except that the Note Guarantee will:
  - (a) 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
  - (b) be subordinated in right of payment to all existing and future Indebtedness of the Note Guarantor that is preferred by operation of law;

- (iii) 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, (including the Initial Note Guarantor’s obligations with respect to ¥1,099 billion (\$9,722 million) outstanding under finance leases), 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
- (iv) 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.

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 the 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” in “Appendix A—Preliminary Offering Memorandum regarding the New Notes”.

**Optional Redemption** . . . . .

With respect to each series of Exchange Notes, at any time prior to the date that is 90 days prior to the final maturity date of such Exchange Notes 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 “Appendix A—Preliminary Offering Memorandum regarding the New Notes—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 “Appendix A—Preliminary Offering Memorandum regarding the New Notes—Description of the 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 “Appendix A—Preliminary Offering Memorandum regarding the New Notes—Description of the Notes—Repurchase at the Option of Holders upon a Change of Control Triggering Event”.

**Covenants** . . . . .

We will issue the Exchange Notes under the New Notes Indenture, which will limit, among other things, the Company’s and each Note Guarantor’s ability to:

- (i) layer debt;
- (ii) create or incur certain liens;
- (iii) pay dividends or make distributions in respect of certain net proceeds from asset sales;
- (iv) consolidate or merge with other entities;

- (v) have certain of their Indebtedness guaranteed by non-guarantor subsidiaries of the Company without the same subsidiaries guaranteeing the Exchange Notes too;
- (vi) provide certain guarantees or collateral in support of indebtedness of non-guarantor subsidiaries and certain affiliates and associates of the Company;
- (vii) transfer to excluded subsidiaries certain businesses owned by the Initial Note Guarantor that would be material to its operations at the time of transfer.

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 “Appendix A—Preliminary Offering Memorandum regarding the New Notes—Description of the Notes—Certain Covenants”.

**No Prior Market** . . . . . The Exchange Notes will be new securities for which there is currently no market. Although the Dealer Managers have informed us that they intend to make a market in the New 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 Exchange Notes will develop or be maintained.

**Listing** . . . . . Approval in-principle has been received for the listing and quotation of the New Notes on the SGX-ST. The New 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 for so long as the Notes are listed on the SGX-ST.

For so long as the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a Paying Agent in Singapore, where the definitive New Notes may be presented or surrendered for payment or redemption in the event that a Global Note is exchanged for definitive New Notes. In addition, in the event that a Global New Note is exchanged for definitive New Notes, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive New Notes, including details of the Paying Agent in Singapore.

**Governing Law** . . . . . The New Notes Indenture, the Exchange Notes and the Note Guarantees will be governed by the laws of the State of New York.

**Transfer Restrictions** . . . . . **The Exchange Offer is being made, and the Exchange Notes and related Note Guarantees are being offered and issued, only to Eligible Offerees who hold Existing Notes through the Clearing Systems (“Eligible Holders”) and who have represented to the Company pursuant to the deemed representations described in “Description of the Exchange Offer and Consent Solicitation—Additional Terms of the Exchange Offer—Representations, Warranties and Covenants of Eligible Holders Tendering Existing Notes” that they are eligible to participate in the Exchange Offer. Only Eligible Holders are authorized to receive or review this Exchange Offer Memorandum or to participate in the Exchange Offer. The Exchange Offer is not being made to any U.S. person (as defined in Regulation S) or within the United States, other than pursuant to offshore transactions with non-U.S. persons conducted in accordance with Regulation S. The Notes are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the European**



**Economic Area.** See “Notice to Investors” for additional information about eligible offerees and transfer restrictions. We have not agreed to, or otherwise undertaken to, register the Exchange Notes and the Note Guarantees (including by way of an exchange offer).

**Additional Amounts** . . . . . All payments made by the Company or the Initial 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 Exchange Notes or a Note Guarantee, subject to certain exceptions, the Company or the Initial 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 “Appendix A—Preliminary Offering Memorandum regarding the New Notes—Description of the Notes—Additional Amounts”.

**Trustee and Paying Agent** . . . . . The Bank of New York Mellon, London Branch

**Transfer Agent and Registrar** . . . The Bank of New York Mellon SA/NV, Luxembourg Branch

**Risk Factors** . . . . . Investing in the Exchange 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.

## OVERVIEW OF SOFTBANK GROUP CORP.

*The following summary is provided simply as a convenient reference for the Holders and is not intended to be complete.*

We are a leading global technology company that aspires to drive the Information Revolution. We are a holding company, SoftBank Group Corp., and its global portfolio of subsidiaries and associates, which include advanced telecommunications, internet services, robotics, Internet of Things and clean energy technology providers.

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 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. We have two mobile service brands, *SoftBank* and *Y!mobile*. Our flagship *SoftBank* brand focuses on the high-end of the market, including the most profitable segment of the mobile market, which we believe to be data-intensive smartphone users (mostly from the latest *iPhones*). We also offer the *Y!mobile* brand, targeting the budget-conscious market to capture first-time, younger customers.

We combine our stable and profitable domestic telecommunications operations in Japan with selected strategic investments in global internet, technology and communications companies, differentiating us from other mobile operators and providing opportunities for mutually advantageous growth among our group companies. Our leadership team is led by Japan's technology and business innovator, Masayoshi Son, our founder, Chairman and CEO.

We control SoftBank Corp., one of the largest telecommunications operators in Japan and the main contributor to our Domestic Telecommunications business, which comprises 35.3% of our consolidated net sales, and 46.9% of our consolidated Adjusted EBITDA and a primary source of our cash flow, in each case for the nine months ended December 31, 2017, and it is one of Japan's leading mobile communications providers with approximately 42.5 million subscribers, as of December 31, 2017, and approximately 25% subscriber market share, according to TCA and Company data.

We control Sprint Corporation ("Sprint"), one of the four largest telecommunications operators in the United States, which had a market capitalization of ¥2,664 billion (\$23,572 million) as of December 31, 2017.

We control Yahoo Japan Corporation ("Yahoo Japan"), which operates Japan's most frequently visited portal site offering a wide range of internet services, which had a market capitalization of ¥2,944 billion (\$26,051 million) as of December 31, 2017.

We own Arm Holdings plc ("Arm"), a British company specializing in the design of microprocessor intellectual property.

We invest in the SoftBank Vision Fund and Delta Fund, unique investment funds intended to make investments in a wide range of technology sectors globally, managed by SB Investment Advisers (UK) Limited ("SBIA"), our wholly owned subsidiary in the U.K. As of December 31, 2017, total committed capital to the SoftBank Vision Fund was \$91.7 billion. We completed the final closing of Delta Fund on September 27, 2017 with \$6.0 billion in committed capital.

We hold a significant minority stake in one of the world's largest e-commerce companies, Alibaba Group Holding Limited ("Alibaba"), with a market value of our owned shares of ¥12,878 billion (\$113,965 million) (excluding shares subject to sale pursuant to a variable prepaid forward contract) as of December 31, 2017.

We hold a 15% ownership interest in Uber Technologies, Inc. (as of January 18, 2018), one of the world's largest ride sharing operators by number of daily rides.

We generated net sales of ¥8,901 billion (\$78,770 million) for the fiscal year ended March 31, 2017 and ¥6,811 billion (\$60,277 million) for the nine months ended December 31, 2017, of which ¥3,194 billion (\$28,264 million) (35.9%) and ¥2,407 billion (\$21,300 million) (35.3%) were contributed by our Domestic Telecommunications segment, respectively. We generated Adjusted EBITDA of ¥2,564 billion (\$22,694 million) for the fiscal year ended March 31, 2017 and ¥2,056 billion (\$18,197 million) for the nine months ended December 31, 2017, of which ¥1,209 billion (\$10,699 million) (47.1%) and ¥964 billion (\$8,531 million) (46.9%) were contributed by our Domestic Telecommunications segment, respectively. We have a long-term corporate credit rating of BB+ (negative outlook) from Standard & Poor's Financial Services LLC ("S&P"), Ba1 (stable outlook) from Moody's Japan K.K. ("Moody's") and A- (stable outlook) from Japan Credit Agency ("JCR"). We are listed on the Tokyo Stock Exchange with a market capitalization of ¥9,718 billion (\$86,003 million) as of December 31, 2017.

## RECENT DEVELOPMENTS

Investment in Uber. In January 2018, we invested \$7.7 billion to acquire a 15% ownership interest in Uber Technologies, Inc. (as of January 18, 2018), one of the largest ride sharing operators by number of daily rides, making us the single largest shareholder. We may offer all or a portion of this investment to the SoftBank Vision Fund in the future (subject to approval requirements at the SoftBank Vision Fund level and certain other necessary conditions).

Further Investments in DiDi. In January and February 2018, we made further investments in an aggregate amount of \$4.6 billion in Xiaoju Kuaizhi Inc. (“DiDi”), one of the largest ride sharing operators in China by number of daily rides. In addition, we have announced a partnership with DiDi to provide trial platform services for the taxi industry in major cities in Japan to improve ride hailing for taxis, which such platform would be available to each of Japan’s taxi operators. We further expect to form a joint venture with DiDi in Japan.

Potential listing of SoftBank Corp. In February 2018, the Company and SoftBank Corp. jointly announced that they have commenced preparations for listing of SoftBank Corp.’s shares. Through the listing of SoftBank Corp. shares, we expect that the respective roles of the Company and SoftBank Corp. will become clearer, with the Company pursuing a growth strategy based on accelerating investments on a global scale, and SoftBank Corp. as the core operating company in our telecommunications business. Through a listing, SoftBank Corp. intends to pursue growth in a wide range of sectors and pursue synergies with SoftBank Group companies in Japan and abroad, as well as further strengthen its management foundations as an operating company. We expect that a monetization of a portion of our holding of SoftBank Corp. would contribute to our overall financial soundness and enable us to pursue our strategy of growth through investments. There is a possibility that a decision not to list SoftBank Corp. shares could be made following reviews and studies conducted during the preparation process. For further information on this and other related matters, see “Risk Factors—The potential listing of the shares of SoftBank Corp. would involve several risks to our business, financial condition and results of operations.”

Capital Calls for SoftBank Vision Fund. As of December 31, 2017, we were in the process of delivering 276 million shares of Arm, representing 19.29% of the total outstanding shares, to satisfy Capital Calls through such date. Such shares have been pledged in favor of the SoftBank Vision Fund pending delivery upon completion of regulatory approvals. Upon completion of such contribution of Arm shares and assuming no additional contributions by us, based on our relative pro rata commitment to the SoftBank Vision Fund, we would expect that the SoftBank Vision Fund would have aggregate contributed investor capital in excess of \$26.8 billion out of the total committed amount of \$91.7 billion. The outstanding Capital Calls to other investors have been or will be settled by cash pursuant to the terms of the definitive documentation for the SoftBank Vision Fund. The SoftBank Vision Fund has made additional Capital Calls since January 2018, the proceeds of which have been or will be applied towards investments in Ping An Good Doctor, Ping An HealthKonnnect, Compass, Auto1.com, Wag! and Katterra and other future investments. With respect to future Capital Calls, we expect to contribute shares of Arm up to an aggregate of 24.99% of the total outstanding shares (representing an aggregate of approximately \$8.2 billion of capital contributions).

Consolidation of Japan Net Bank. Since April 2014, Yahoo Japan and Sumitomo Mitsui Banking Corporation have each held 41.16% of the voting rights in Japan Net Bank. Under a modified agreement with Sumitomo Mitsui Banking Corporation, while Yahoo Japan’s voting rights will remain unchanged, it has obtained majority representation on the board of directors of Japan Net Bank. As a result, on February 1, 2018 we completed the consolidation of Japan Net Bank under the Yahoo Japan segment, with such consolidation reflected in Yahoo Japan’s financial statements commencing the fiscal year ended March 31, 2018. The consolidation of Japan Net Bank under the Yahoo Japan segment was due to the aforementioned change in effective control of the board of directors of Japan Net Bank, and involved no cash outlays or other change in the voting rights held by Yahoo Japan in such entity. As of December 31, 2017, Japan Net Bank reported total assets of ¥825 billion (\$7,300 million), including ¥296 billion (\$2,616 million) of cash and due from banks and ¥130 billion (\$1,150 million) of call loans, and total liabilities of ¥764 billion (\$6,763 million), including ¥747 billion (\$6,613 million) of deposits.

Margin Loan Secured by ADS of Alibaba. On or around March 7, 2018, a wholly-owned subsidiary of the Company (the “Borrower”) is expected to enter into a margin loan agreement (the “Margin Loan Agreement”) with lenders (collectively referred to, along with other financial institutions that may become party to the Margin Loan Agreement as lenders from time to time, the “Lenders”). The Lenders are expected to provide \$8 billion in aggregate commitments, including \$4 billion in the form of a term loan facility (the “Term Margin Loan Facility”) and \$4 billion in the form of a revolving credit facility (the “Revolving Margin Loan Facility”), each of

which the Borrower expects to draw down in full on or around March 13, 2018. The Borrower's obligations under the Margin Loan Agreement are not guaranteed by or subject to any recourse to the Company or the Initial Note Guarantor. Loans under the Term Margin Loan Facility and the Revolving Margin Loan Facility will have a maturity of three years. The Borrower expects to loan the proceeds of the loans under the Margin Loan Agreement to the Company, which expects to apply such proceeds for general corporate purposes including improving its liquidity. The loans under the Margin Loan Agreement will be secured by a combination of Alibaba American Depositary Shares ("ADS") and cash pledged to the Lenders. In connection with the initial drawdown under the Margin Loan Agreement, we expect to pledge ADS representing approximately 6% of Alibaba's outstanding share capital for the benefit of the Lenders.

## RISK FACTORS

*Before deciding whether to participate in the Exchange Offer or Consent Solicitation, you should read carefully this Exchange Offer Memorandum and, in particular, the risks described below, prior to making an investment decision with respect to the Existing Notes and the New Notes. The risks described below are not the only ones that may affect you, the Company, the Existing Notes or the New Notes. For further risks, among others, see “Appendix A—Preliminary Offering Memorandum regarding the New Notes—Risk Factors.” Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of the risks described below occurs, our business, financial condition and results of operations could be materially and adversely affected. The risks described below also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements. See “Forward-Looking Statements.”*

### **Risks Related to the Transactions Generally**

*There is uncertainty as to our existing long-term corporate credit ratings and the instruments ratings of the Existing Notes and the New Notes.*

Our long-term corporate credit rating is BB+ (negative outlook) from S&P, Ba1 (stable outlook) from Moody’s and A- (stable outlook) from JCR. The ratings assigned to the Existing Notes and the New Notes as well as the instrument ratings assigned to the Existing Notes or the New Notes may be lowered or withdrawn entirely in the future. Specifically, we cannot assure you that, as a result of the Exchange Offer or the Consent Solicitation, the rating agencies will not downgrade or negatively comment upon the ratings for Existing Notes which are not exchanged and cannot predict the effect of any of the Proposed Amendments or any of our future actions on our credit ratings.

In the event that SoftBank Corp. is released from its guarantees of our Indebtedness in connection with its listing (should any such listing take place in future) and incurs substantial amounts of additional Indebtedness, the structurally junior position of our unsecured and unguaranteed Indebtedness (including, in this case, the Existing Notes and the New Notes) relative to SoftBank Corp.’s own Indebtedness and our other subsidiaries’ Indebtedness would be exacerbated, which could lead one or more rating agencies to assign our unsecured and unguaranteed Indebtedness a lower instrument rating than our long-term issuer credit rating. We could also be susceptible to future credit downgrades if our net leverage increases or otherwise if we pursue an aggressive investment strategy at the expense of key financial metrics, if we experience a significant decline in the value of our investments or if we suffer negative impacts from the acquisition of other companies, businesses or technologies. On February 26, 2018, S&P revised its outlook on our long term issuer corporate credit rating from stable to negative.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. No assurances can be given that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform the Holders of any such revision, downgrade or withdrawal. A suspension, reduction, notching down from our long-term issuer credit rating or withdrawal at any time of the ratings assigned to the Existing Notes and the New Notes may adversely affect the market price of the Existing Notes and the New Notes and 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.

*The Exchange Offer and Consent Solicitation may be cancelled, delayed or amended.*

We are not obligated to complete the Exchange Offer or the Consent Solicitation under certain circumstances and unless and until certain conditions are satisfied, as described more fully below in “Description of the Exchange Offer and the Consent Solicitation.” We may terminate or withdraw the Exchange Offer or the Consent Solicitation if any of the applicable conditions precedent are not satisfied or waived by the Expiration Date or Effective Date, as applicable.

In addition, subject to certain limitations, we have the right to amend the terms of the Exchange Offer or the Consent Solicitation prior to the Expiration Date. We may choose to terminate or amend certain parts of the Exchange Offer or the Consent Solicitation, but retain other aspects unchanged. In particular, we may terminate the Consent Solicitation or amend terms affecting the Consent Solicitation while retaining the current terms for the Exchange Offer or we may terminate the Exchange Offer or amend the terms of the Exchange Offer while

retaining the current terms of the Consent Solicitation, including the relevant timing of the Exchange Offer or the Consent Solicitation. Depending on the materiality of the change, we may not be required to extend withdrawal or revocation rights following the announcement of such change.

Even if the Exchange Offer and the Consent Solicitation are completed, they may not be completed on the schedule described in this Exchange Offer Memorandum. Accordingly, Eligible Holders who tender Existing Notes for exchange may not withdraw such tenders later and may have to wait longer than expected to receive their Exchange Notes or other Exchange Consideration (or to have their Existing Notes returned to them in the event that we terminate the Exchange Offer), during which time those Eligible Holders will not be able to effect transfers of their Existing Notes tendered in the Exchange Offer. Similarly, during the period between the Consent Effective Time and the Settlement Date, Holders who deliver Consents in respect of Existing Notes will not be able to revoke such Consents or effect transfers in such Existing Notes.

***Your Existing Notes will be blocked from the date of instruction until the earlier of (i) consummation and (ii) termination.***

When considering whether to tender the Existing Notes in the Exchange Offer or deliver a consent in the Consent Solicitation, Holders should take into account that restrictions on the transfer of the Existing Notes by Holders will apply from the time of such tender or delivery. A Holder will, on tendering the Existing Notes in the Exchange Offer or delivering consents in the Consent Solicitation, agree that the relevant Existing Notes will be blocked in the relevant account at the relevant Clearing System, from the date the tender of Existing Notes is made, or the consent is delivered, until such Instructions are validly withdrawn or the Exchange Offer or Consent Solicitation are modified or terminated so as to result in a cancellation of such Instructions. Upon blocking of the securities account where Existing Notes are held, Holders should be aware that they may not transfer title to such Existing Notes to other persons and may suffer losses if the market price of the Existing Notes changes and the Exchange Offer or Consent Solicitation, in respect of that Holder or generally, is not completed for whatever reason. See “Description of the Exchange Offer and the Consent Solicitation.”

***You are responsible for complying with the procedures and applicable restrictions of the Exchange Offer and Consent Solicitation.***

Holders of the Existing Notes are responsible for complying with all of the procedures to exchange the Existing Notes. None of us, the Initial Note Guarantor, the Dealer Managers or the Information Agent assume any responsibility for informing the Holders of the Existing Notes of any agent’s message or with respect to the acceptance of offers to exchange. Prior to the Settlement Date, no assurance can be given that the Exchange Offer or the Consent Solicitation will be completed. This may depend upon the satisfaction or waiver of the conditions of the Exchange Offer and the Consent Solicitation.

Beneficial owners of Existing Notes who hold such Existing Notes through Euroclear or Clearstream should note the particular practices and policies of the relevant Clearing System regarding their communications deadlines, which will determine the latest time at which tenders of the Existing Notes for exchange and consents may be delivered to the relevant Clearing System (which may be earlier than the deadlines set forth in this Exchange Offer Memorandum) so that they are received by the Information Agent in respect of Exchange Offer or the Consent Solicitation within the deadlines set forth in this Exchange Offer Memorandum. Additionally it is important to note that all references in this Exchange Offer Memorandum to times, are to London time unless we state otherwise.

Each Holder is referred to the offer restrictions herein. Non-compliance with these could result in, among other things, the unwinding of trades and/or heavy penalties. See “Description of the Exchange Offer and the Consent Solicitation.”

### **Risks Related to Tendering in the Exchange Offer**

***We are not under any obligation to accept offers to exchange.***

We are not under any obligation to accept, and shall have no liability to any person for any non-acceptance of, any offer of Existing Notes for exchange pursuant to the Exchange Offer.

Offers of Existing Notes for exchange may be rejected in our sole discretion for any reason and we are not under any obligation to Eligible Holders to furnish any reason or justification for refusing to accept an offer of Existing Notes for exchange. For example, offers of Existing Notes for exchange may be rejected if the Exchange Offer is terminated, if the Exchange Offer does not comply with the relevant requirements of a particular jurisdiction or for any other reason.



***The Exchange Consideration to be received in the Exchange Offer does not reflect any market valuation of the Existing Notes or the New Notes.***

We have made no determination that the consideration to be received in the Exchange Offer represents a fair valuation of either the Existing Notes or the Exchange Notes. The Exchange Ratios should not be construed as assurance or an indication of, and may not accurately reflect, the current or future market value of the relevant Existing Notes or the Exchange Notes. We have not obtained a fairness opinion from any financial advisor about the fairness to us or to you of the consideration to be received by Holders. Accordingly, none of us, our board of directors, the Initial Note Guarantor, the Dealer Managers and the Information Agent or any other person is making any recommendation as to whether you should tender Existing Notes for exchange in the Exchange Offer or deliver a Consent pursuant to the Consent Solicitation.

***Your decision to tender your Existing Notes for Exchange Notes exposes you to the risk of non-payment for a longer period of time.***

The Existing Notes will mature on July 30, 2022, 2025 or 2027, depending on the tranche. The New Notes will mature on April 15, 2028. If, following the maturity date of a tranche of the Existing Notes but prior to the maturity date of the Exchange Notes, we were to become subject to a bankruptcy or similar proceeding, the Holders who did not exchange such Existing Notes for Exchange Notes could have been paid in full and there would exist a risk that Holders of such Existing Notes who exchanged their Existing Notes for Exchange Notes would not be paid in full, if at all. Your decision to tender your Existing Notes of any such tranche should be made with the understanding that the lengthened maturity of the Exchange Notes exposes you to the risk of non-payment for a longer period of time.

***There are material differences between the Existing Notes and the New Notes which could expose you to additional risks if you tender your Existing Notes.***

There are material differences between the terms of the Existing Notes and the New Notes, in addition to the later maturity date of the New Notes as discussed above. For example, the 2022 Dollar Notes accrue interest at a rate of 5.375%, the 2025 Dollar Notes accrue interest at a rate of 6%, the 2022 Euro Notes accrue interest at a rate of 4%, the 2025 Euro Notes accrue interest at a rate of 4.75% and the 2027 Euro Notes accrue interest at a rate of 5.25%, whereas the New Money Dollar Notes and Exchange Dollar Notes will accrue interest at a coupon rate of no less than 6.000% per year and the New Money Euro Notes and Exchange Euro Notes will accrue interest at a coupon rate of no less than 4.625% per year. Additionally, if the Proposed Amendments do not become operative, the Existing Notes and New Notes will differ materially in respect of certain covenants. Among such differences, in connection with the “Subsidiary Guarantees of Indebtedness” covenant, unlike the Existing Notes, the Exchange Notes (i) do not require that the Exchange Notes be rated Investment Grade as a prerequisite to releasing the guarantee of the Exchange Notes provided by the Initial Note Guarantor where the Initial Note Guarantor will thereafter guarantee no other Indebtedness of the Company or any Note Guarantor and (ii) do not require the Initial Note Guarantor to execute a supplemental indenture guaranteeing the Exchange Notes if, after releasing its guarantee, such notes are no longer rated Investment Grade.

These and other material differences could expose you to additional risks if you tender your Existing Notes. For further information on the New Notes and Proposed Amendments see “Appendix A—Preliminary Offering Memorandum regarding the New Notes—Description of the Notes” and “Description of the Proposed Amendments.” See “—If the Proposed Amendments become operative, Holders will no longer benefit from the protections provided by certain provisions of the Existing Notes Indenture.”

***You may generally not withdraw any Existing Notes tendered in the Exchange Offer.***

Eligible Holders of Existing Notes may not withdraw their Instructions with respect to tenders of Existing Dollar Notes or Existing Euro Notes except in certain limited circumstances. See “Description of the Exchange Offer and Consent Solicitation.” Therefore, Eligible Holders that tender Existing Notes may be required to wait for an extended period of time before receiving payment and may not have the ability to withdraw or trade such tendered Existing Notes during that time. As a result, there may be a significant period of time during which participating Eligible Holders may be unable to effect transfers or sales of their Existing Notes.

***You may not receive Exchange Notes in the Exchange Offer if the procedures for the Exchange Offer are not followed.***

We will issue Exchange Notes in exchange for your Existing Notes only if you tender the Existing Notes pursuant to the procedures and requirements of the relevant Clearing System. You should allow sufficient time to ensure timely delivery of the necessary documents. None of the Dealer Managers, the Information Agent nor we

are under any duty to give notification of defects or irregularities with respect to the tenders of Existing Notes for exchange. If you are the beneficial owner of Existing Notes that are registered in the name of your broker, dealer, commercial bank, trust company or other nominee, and you wish to tender in the Exchange Offer, you should promptly contact the person in whose name your Existing Notes are registered and instruct that person to tender on your behalf.

***To participate in the Exchange Offer, Eligible Holders must tender Existing Dollar Notes or Existing Euro Notes in an aggregate amount of at least \$200,000 and €100,000, respectively.***

The Dollar Exchange Notes will be issued with a minimum denomination of \$200,000 and integral multiples of \$1,000 in excess thereof and the Euro Exchange Notes will be issued with a minimum denomination of €100,000 and integral multiples of €1,000. Accordingly, to participate in the Exchange Offer, Eligible Holders must validly offer for exchange Existing Dollar Notes and Existing Euro Notes with an aggregate principal amount of at least \$200,000 and €100,000, respectively. In order to be able to participate in the Exchange Offer, a Holder that holds fewer Existing Dollar Notes or Existing Euro Notes than \$200,000 or €100,000, respectively, must first acquire such further number of Existing Dollar Notes or Existing Euro Notes, as applicable, as is necessary for that Eligible Holder to be able to offer for exchange its Existing Notes.

***There may be a less liquid market for the Existing Notes.***

The trading market for Existing Notes that are not exchanged could become more limited than the existing trading market for the Existing Notes and could cease to exist altogether due to the reduction in the principal amount of the Existing Notes outstanding upon consummation of the Exchange Offer. A more limited trading market might adversely affect the liquidity, market price and price volatility of the Existing Notes. If a market for Existing Notes that are not exchanged exists or develops, the Existing Notes may trade at a discount to the price at which they would trade if the principal amount outstanding were not reduced. There can be, however, no assurance that an active market in the Existing Notes will exist, develop or be maintained, or as to the prices at which the Existing Notes may trade, after the Exchange Offer is consummated.

***Holders of Existing Notes should consult their own tax, accounting, financial and legal advisers regarding their specific tax or accounting consequences of participating or declining to participate in the Exchange Offer and an investment in the Exchange Notes.***

Holders of Existing Notes should consult their own tax, accounting, financial and legal advisers regarding their specific tax or accounting consequences of participating or declining to participate in the Exchange Offer or an investment in the Exchange Notes. None of the Issuer, the Dealer Managers or the Exchange Agent makes any recommendation to any Eligible Holder of Existing Notes as to whether such Eligible Holder should tender its Existing Notes or refrain from tendering in the Exchange Offer, and none of the aforementioned parties has authorized any person to make any such recommendation on their behalf.

Holders are notified that we have not provided any tax analysis in the Exchange Offer Memorandum that is intended or written to be used or relied upon or that can be used or relied upon by any taxpayer for the purpose of avoiding penalties. Holders should seek advice based on their particular circumstances in connection with any decision to tender their Existing Notes for exchange in the Exchange Offer from a tax advisor.

***We may repurchase any Existing Notes that are not tendered in the Exchange Offer on terms that are more favorable to the Holders than the terms of the Exchange Offer.***

We may, to the extent permitted by applicable law, purchase or redeem Existing Notes from time to time in the open market, in privately negotiated transactions, through subsequent tender or exchange offers, through the exercise of our optional redemption rights under the Existing Notes Indenture or otherwise. These other purchases or redemptions may be made on the same terms or on terms that are more or less favorable to Holders than the terms of this Exchange Offer. We also reserve the right to repurchase or redeem any Existing Notes not tendered in the Exchange Offer. If we decide to repurchase or redeem Existing Notes on terms that are more favorable than the terms of the Exchange Offer, those Holders who decide not to participate in the Exchange Offer could ultimately receive consideration in cash or other form that represents greater value for their respective Existing Notes than the value received by Eligible Holders that participate in the Exchange Offer.

***The Exchange Offer is subject to conditions and certain parts thereof are subject to separate conditions.***

The Exchange Offer is subject to the conditions specified herein and if such conditions are not satisfied or waived, the Exchange Offer will be terminated.

Additionally, certain parts of the Exchange Offer are subject to separate, specific conditions. If those specific conditions are not satisfied or waived, certain parts of the Exchange Offer may be consummated, while other parts are not consummated, in particular (i) if the Dollar Minimum Notes Condition is not met, we may accept tendered Existing Euro Notes in exchange for Euro Exchange Notes but not accept any tendered Existing Dollar Notes in exchange for Dollar Exchange Notes and (ii) if the Euro Minimum Notes Condition is not met, we may accept tendered Existing Dollar Notes in exchange for Dollar Exchange Notes but not accept any tendered Existing Euro Notes in exchange for Euro Exchange Notes.

#### **Risks Related to the Consent Solicitation**

***If the Proposed Amendments become operative, Holders will no longer benefit from the protections provided by certain provisions of the Existing Notes Indenture.***

The Proposed Amendments would amend certain provisions of the Existing Notes Indenture to conform them to the corresponding provisions of the 2017 Notes Indenture and New Notes Indenture. If the Proposed Amendments become operative, Holders of Existing Notes that remain outstanding after the completion of the Exchange Offer and the Consent Solicitation will no longer be entitled to the benefit of those covenants and certain other provisions.

The modifications contemplated by the Proposed Amendments of certain of the covenants and other provisions contained in the Indenture may be adverse to the interests of Holders of the Existing Notes generally and to the interest of individual Holders. The principal effect of these amendments is (1) to provide greater flexibility for us to release the guarantee of the Existing Notes provided by the Initial Note Guarantor while such Existing Notes are not rated Investment Grade (if we are able to satisfy the other conditions for such release); (2) to provide greater flexibility for us in making Asset Sales and making restricted payments with the proceeds thereof, including with respect to the SoftBank Vision Fund and its assets; (3) to provide greater flexibility for us and Note Guarantors to guarantee the Indebtedness of Non-Guarantor Subsidiaries and to provide security in respect of certain Indebtedness.

The modification of these provisions and others will permit us to take certain actions previously prohibited without needing to obtain the consent of any Holder, which could be materially adverse to the interest of the Holders generally and to the interest of the individual Holders. Those actions could increase the credit risks associated with an investment in the Existing Notes, as well as adversely affect the market price and credit rating of the Existing Notes that remain outstanding. See “Description of the Proposed Amendments.”

***If the Proposed Amendments sought in the Consent Solicitation become effective and operative, all Notes issued under the Existing Notes Indenture will be subject to the terms of, and bound by, all such Proposed Amendments.***

If the Proposed Amendments become effective and operative, all Holders of the Existing Notes will be bound by the Proposed Amendments in respect of which the Supplemental Indenture has been executed, whether or not such Holder delivered a Consent or otherwise affirmatively objected to the Proposed Amendments. Non-consenting Holders, although bound by the Proposed Amendments in respect of which the Supplemental Indenture has been executed, will not be entitled to any Consent Fee. Non-consenting Holders (whether or not they affirmatively objected to the Proposed Amendments) will not be entitled to any rights of appraisal or similar rights of dissenters (whether pursuant to the Indenture or the Company’s or the Initial Note Guarantor’s organizational instruments) with respect to the adoption of the Proposed Amendments and the execution of the Supplemental Indenture.

***The ability of Holders to revoke Consents in the Consent Solicitation is limited.***

Consents in respect of Existing Notes not tendered for exchange in the Exchange Offer may be validly revoked only prior to the earlier of the Consent Effective Time and the Expiration Date as in effect at the time the Holder provided a valid Consent, and thereafter may not be withdrawn, unless required by applicable law. Deemed Consents in respect of Existing Notes tendered for exchange in the Exchange Offer may not be withdrawn, except under certain limited circumstances described in “Description of the Exchange Offer and the Consent Solicitation—Additional Terms of the Exchange Offer—Withdrawal of Tenders.”

#### **Certain Risks Related to the Company and the Existing Notes**

***The potential listing of the shares of SoftBank Corp. would involve several risks to our business, financial condition and results of operations.***

In February 2018, we and SoftBank Corp. announced we had commenced preparations to list the shares of SoftBank Corp. However, neither we nor SoftBank Corp.’s board of directors have made any formal decision

to pursue a listing, and the listing may or may not occur in the near term or at all depending on various factors affecting the favorability of any such listing, many of which are outside of our control. For instance, we may determine that the current market for the shares would not permit us to obtain sufficient value for them. In addition, we are currently reviewing the potential effects of a listing on our cash flows and creditworthiness. These and other such factors may cause us to temporarily or indefinitely postpone listing preparations.

While we expect SoftBank Corp. would remain consolidated on our balance sheet after any such listing, SoftBank Corp. is currently our most significant source of cash flows, and our potential cash flows via the future dividends we expect to receive from SoftBank Corp., as well as our share of SoftBank Corp.'s future earnings, would be directly reduced to the extent of any such disposal and listing. Such dilution of our share of SoftBank Corp.'s future earnings and dividends could have a material adverse effect on our business, financial condition and results of operations.

***If we decide to pursue a listing of the shares of SoftBank Corp. in the future, we may release all of SoftBank Corp.'s outstanding guarantees of the Company's Indebtedness.***

Currently, no formal decision to pursue a listing has been made, and the listing may or may not occur depending on various factors affecting the favorability of any such listing, many of which are outside of our control. Should we decide to go forward with such a listing, and subject to the satisfaction of the requisite conditions, we may release all of SoftBank Corp.'s outstanding guarantees of the Company's Indebtedness (including our Existing Notes, the New Notes, the 2013 Notes, the 2017 Notes, our Yen-denominated Senior Bonds, the Commitment Line and our Senior Term Loan) prior to launching a listing of SoftBank Corp. The indentures governing the 2013 Notes and the Existing Notes would permit us to release SoftBank Corp.'s guarantees of such notes upon (or substantially concurrently with) the release of SoftBank Corp.'s other guarantees of the Company's Indebtedness only if the 2013 Notes and the 2015 Notes have an investment grade rating at the time of release. We are hereby soliciting the Consents of holders of the Existing Notes to the Proposed Amendments, which include, among other conforming changes, aligning the guarantee release provisions of the Existing Notes to the guarantee provisions of the 2017 Notes and thus allowing us to release SoftBank Corp.'s guarantee of the Existing Notes regardless of whether the Existing Notes have an investment grade rating at the time of release. In future, we may also consider seeking the requisite consents of lenders under the Senior Term Loan to release SoftBank Corp.'s guarantee of such loan pursuant to the applicable provisions thereof in the event of a listing of SoftBank Corp. See “—There are circumstances other than repayment or discharge of the Existing Notes and the New Notes under which the respective Note Guarantees thereof may be released, without your consent or the consent of the relevant Trustee.”

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

As of December 31, 2017, structurally senior total interest-bearing debt of Non-Guarantor Subsidiaries of the Company was ¥5,025 billion (\$44,468 million) or 33% of the total interest-bearing debt of the Company on a consolidated basis, excluding financial liabilities relating to the sale of Alibaba shares by variable prepaid forward contract, which, however, also constitute structurally senior Indebtedness of the Company on a consolidated basis. Our Non-Guarantor Subsidiaries include Sprint, Yahoo Japan, Arm, Brightstar, the SoftBank Vision Fund and Delta Fund as of the issue date, among others, and our structurally senior debt as of the same date is expected to include the loans made to our relevant subsidiary upon the funding of the expected Margin Loan Agreement.

The holders of the Existing Notes and the New 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 Existing Notes and the New Notes and the respective Note Guarantees thereof are structurally subordinated to the preferred securities, outstanding debt and other obligations of our Non-Guarantor Subsidiaries and the amount of such preferred securities, debt and obligations and may be significant.

The Note Guarantee of any Note Guarantor may be released under certain circumstances, as well, at which point any Indebtedness of such former Note Guarantor would also be structurally senior to the obligations of the Company under the Existing Notes and the New Notes. See “—There are circumstances other than repayment or discharge of the Existing Notes and the New Notes under which the respective Note Guarantees thereof may be released, without your consent or the consent of the relevant Trustee” and “—Risks Related to the



Transactions Generally—There is uncertainty as to our existing long-term corporate credit ratings and the instruments ratings of the Existing Notes and the New Notes.”

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

Under various circumstances, the Note Guarantees of the Existing Notes and the New Notes 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 but 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 no longer guaranteeing any Indebtedness of the Company or a Note Guarantor (other than pursuant to the Note Guarantees to be released).

Should we decide to proceed with a listing of the shares of SoftBank Corp., we may release all of SoftBank Corp.’s outstanding guarantees of our Indebtedness. Furthermore, we cannot assure you that SoftBank Corp.’s guarantee or guarantees of other Note Guarantors will not be discharged due to other reasons, including future refinancings or amendments of the underlying indebtedness or pursuant to automatic release provisions such as those contained in the Existing Notes Indenture.

Once the guarantee of a subsidiary has been released, such a subsidiary would not be subject to any restriction on the incurrence of additional debt that is non-recourse to the Company pursuant to the terms of the Existing Notes Indenture and the New Notes Indenture and would cease to be subject to the covenants of the Existing Notes Indenture or the New Notes Indenture that apply to Note Guarantors only in their capacity as such, including the “Anti-Layering” covenant, the “Permitted Third Party Guarantees” covenant, “Repurchase at the Option of Holders upon a Change of Control Triggering Event” covenant and the “Negative Pledge” covenant. As a result, there would be no covenant in the Existing Notes Indenture or the New Notes Indenture that would restrict such a subsidiary from incurring Indebtedness ranking structurally senior to the Existing Notes or the New Notes, incurring secured Indebtedness ranking effectively senior to the Existing Notes or the New Notes or pledging its creditworthiness to other of our subsidiaries by guaranteeing such other subsidiaries’ Indebtedness.

***We may raise additional debt against our holdings in our listed and unlisted subsidiaries, strategic associates or other investment assets or otherwise be adversely affected by declines in their respective valuations.***

As part of our long-term strategy to become a strategic holding company, we expect to rely increasingly on the value of our investments in listed and unlisted subsidiaries and strategic associates to meet our financing requirements and support our growth. We concentrate a high percentage of our investments in a relatively small number of listed and unlisted subsidiaries and strategic associates, including SoftBank Corp. Sprint, Arm, Yahoo Japan and Alibaba, especially in the telecommunications and technology industries. The equity value of these investments may be affected by fluctuations in general market conditions, the industries in which they operate, their specific operating performance, and extrinsic events such as significant resales by other major shareholders. Similarly, we have a large number of portfolio investments in unlisted companies, which can be illiquid and subject to substantial uncertainty and instability regarding valuation.

In the past, we have on several occasions sought to monetize the value of portions of our strategic investments by raising significant amounts of Indebtedness directly or indirectly secured over these assets and may continue to do so in future. Similarly, we expect one of our wholly-owned subsidiaries to enter into the Margin Loan Agreement with Lenders to borrow on or around March 13, 2018, \$8 billion in aggregate commitments, including \$4 billion in the form of a term loan facility and \$4 billion in the form of a revolving credit facility. The borrower’s obligations under the Margin Loan Agreement will not be guaranteed by or subject to any recourse to the Company or SoftBank Corp., will have a maturity of three years and will be secured by a combination of Alibaba American Depositary Shares and cash pledged to the lenders. See “Recent Developments—Margin Loan Secured by ADS of Alibaba”.

Additionally, loans under our expected Margin Loan Agreement secured by ADSs of Alibaba are subject to customary collateral valuation requirements, some of which could be triggered by a significant decline in the trading price of Alibaba ADSs. Failure to satisfy such requirements could result in additional collateral being pledged by the borrower of the Margin Loan Agreement or the maturity of the loans under the Margin Loan Agreement being accelerated and the lenders exercising foreclosure remedies against such collateral. Any sustained, precipitous decline in the value of our key listed subsidiaries or other portfolio assets, or in the

valuations of global equity markets generally, could also substantially reduce the overall value of our investment portfolio, which could in turn impair our ability to monetize those investments to repay or refinance our outstanding indebtedness or meet our financing requirements for future growth.

***The acquisition of other companies, businesses or technologies, such as the acquisition of Arm, and the making of large concentrated investments, such as our investment in Uber Technologies, Inc., could result in operating difficulties, dilution or other harmful consequences.***

In order to set up new businesses, or expand 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 e-commerce and taxi booking platforms for mobile devices. In September 2016, we acquired all of the issued and outstanding shares of Arm, a British microprocessor intellectual property design firm, for approximately £24.0 billion. See “Appendix A—Preliminary Offering Memorandum regarding the New Notes—Risk Factors—Our business development may be significantly affected by risks relating to Arm’s operations.” In December 2017, we completed the acquisition of 100% of the outstanding shares of Fortress for approximately \$3.3 billion. Also, in May 2017, we completed the first closing of the SoftBank Vision Fund with a diverse group of institutional investors, and as of December 31, 2017, total committed capital to the SoftBank Vision Fund was \$91.7 billion. In January 2018, we made a total investment of \$7.7 billion pursuant to which we acquired a 15% ownership interest in Uber Technologies, Inc. (as of January 18, 2018), one of the largest ride sharing operators by number of daily rides. As part of our SoftBank Synergy Group strategy, we expect to continue to make minority investments in a large number of investees with the aim of fostering synergies between and among them, but we will have limited ability to control the management of any investees in which we take a minority position, and accordingly, such investees may not necessarily pursue the strategic initiatives that would be most beneficial to us. Furthermore, even if such investees do pursue our preferred strategic initiatives, there can be no assurance that the synergies we expect will ever be realized. See “Recent Developments” and “Appendix A—Preliminary Offering Memorandum regarding the New Notes—Business—Strategies—Strategic Investments: Continue to make growth investments and manage portfolio strategically with the aim to realize our SoftBank Synergy Group vision.” If an investee is included in our scope of consolidation in conjunction with these investment activities, this could positively or negatively affect our consolidated results of operations and financial position.

In addition, we carry significant amounts of goodwill and other intangible assets on our balance sheet as a result of our corporate acquisitions and investments. If a company in which we invest is unable to conduct its business as anticipated at the time of investment, our results of operations and financial position could be impacted, for example, through write-downs on assets recognized in conjunction with the investment activities including goodwill, property, plant and equipment, intangible assets or financial assets such as shares. In addition, any decline in the value of assets that were obtained through these investment activities, including investment equities, could cause us to recognize a valuation loss which could have an attendant impact on our results of operations and distributable amounts in our non-consolidated financial statements. Under IFRS, goodwill is tested for impairment whenever there is any indication of 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. For example, we recorded a loss from financial instruments carried at fair value through profit or loss (“FVTPL,” the fair value of which is required to be measured at the end of each quarter under IFRS, with changes to be recognized as net income or loss) of ¥160 billion in our consolidated financial statements for the fiscal year ended March 31, 2017 and a gain from financial instruments carried at FVTPL of ¥8 billion for the nine months ended December 31, 2017. Financial instruments at FVTPL includes preferred shares of Jasper Infotech Private Limited, which operates “snapdeal.com,” an e-commerce site in India, and ANI Technologies Private Limited, which operates Ola, a taxi booking platform also in India. Furthermore, we recognized a loss on valuation of shares of subsidiaries and associates of ¥114 billion as special losses in our non-consolidated financial statements for the fiscal year ended March 31, 2017. The losses represented impairments of our investments in subsidiaries and associates, including STARFISH I PTE LTD, an intermediate holding company that owns preferred shares in Jasper Infotech Private Limited. In addition, our debt burden may increase if we borrow funds to finance any future acquisition or investment, which could have a negative impact on our cash flows and our ability to finance our overall operations. An 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 investments or fully integrating previously acquired companies.

If the companies we acquire or in which we invest 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.

In certain cases we may consolidate or de-consolidate these investments from our consolidated financial results and doing so may affect our results negatively. 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, 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 that conditions are imposed and we fail to meet them in a timely manner, the relevant government 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. Finally, we could be susceptible to future credit downgrades if we pursue an aggressive investment strategy at the expense of key financial metrics. See “—Risks Related to the Transactions Generally—There is uncertainty as to our existing long-term corporate credit ratings and the instruments ratings of the Existing Notes and the New Notes.”

Any of the above factors could have a material adverse effect on our business, financial condition, credit ratings 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.

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

One of our primary business domains is the information industry, particularly the Japanese mobile communications industry, where we compete for consumer spending with other domestic 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 (including but not limited to mobile communications operators and mobile virtual network operators (“MVNOs”)) 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, brand awareness or public recognition.

As of the date hereof, the Ministry of Internal Affairs and Communications is evaluating applications for additional spectrum allocation of 1.7 GHz and 3.4 GHz bands, and the outcome is expected to be made public by or around the end of March 2018. It is reported that Rakuten, Inc., an existing MVNO, has applied for allocation to become a new MNO, so it is possible that the new radio frequency bands will be allocated to them. See “Appendix A—Preliminary Offering Memorandum regarding the New Notes—Regulation—Radio Act of Japan—Allocation of Radio Frequency Spectrum. Going forward, the competition among existing operators and new entrants 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 September 2017, we introduced the Half Price Support program, which enables customers to purchase eligible smartphones in 48 monthly installments, with the remaining monthly payments waived if the customer trades in their used handset to upgrade to a designated new model after 24 monthly installments. However, we cannot be certain that this program will enable us to acquire new and maintain existing subscribers. Additionally, the participation rate for this program may exceed our expectations and may thus result in a larger decline in revenues than expected.

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.

In addition, the Japanese population, which represents the primary market of our domestic telecommunications products and services, is both aging and declining. According to Ovum, the total number of

domestic mobile communications service subscribers in Japan reached 168 million, as of December, 2017, and according to BMI Research the penetration rate for mobile phones in Japan is estimated to have reached approximately 131%, as of December, 2017, 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.

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 the SoftBank Vision Fund and Delta Fund segment, its operations and financial performance.***

The SoftBank Vision Fund, which was established outside of Japan, started its operations in May 2017. The SoftBank Vision Fund seeks to acquire minority interests in many cases in both private and public companies, ranging from emerging technology businesses to established companies requiring substantial growth funding across a wide range of technology sectors, as long as the investments fall within the SoftBank Vision Fund's investment strategy. Investment opportunities of the Company of \$100 million or more that fall within the SoftBank Vision Fund's investment strategy are generally required to be carried out through the SoftBank Vision Fund or its associated vehicles. Subject to certain circumstances, the Company can make certain other investments, including (but not limited to) investments not meeting the \$100 million threshold, strategic investments at the operating company level, and/or other investments that do not fall within the SoftBank Vision Fund's investment strategy and criteria. We subsequently established the Delta Fund as a separate and distinct fund from the SoftBank Vision Fund in order to make investments in DiDi with one of the other limited partners of the SoftBank Vision Fund, and its final closing was completed on September 27, 2017. SoftBank Vision Fund and Delta Fund are each separately managed by SBIA which is regulated by the UK Financial Conduct Authority. Investment decisions for the various entities comprising SoftBank Vision Fund and Delta Fund are each separately made by their respective Investment Committees established as committees of SBIA. SBIA is a wholly owned subsidiary of the Company. Furthermore, we invest in the SoftBank Vision Fund and Delta Fund as a limited partner of each. Total committed capital to the SoftBank Vision Fund was \$91.7 billion as of December 31, 2017, with total committed capital from us of \$28.1 billion, including contribution of shares of Arm by in-kind contribution in satisfaction of approximately \$8.2 billion. Subject to certain consents, the final closing of the SoftBank Vision Fund is anticipated to occur no later than the three months ending June 30, 2018. Total committed capital to the Delta Fund is \$6.0 billion, with total committed capital from us of \$4.4 billion, including contribution of shares of DiDi. For further information, including the current status of our contributions to each fund, see "Appendix A—Preliminary Offering Memorandum regarding the New Notes—Business—SoftBank Vision Fund and Delta Fund." The SoftBank Vision Fund and Delta Fund segment may not realize the anticipated return on its investments, which may negatively affect our performance or financial condition.

As the SoftBank Vision Fund and Delta Fund are controlled by us for accounting purposes, the results of operations, assets and liabilities of the SoftBank Vision Fund and Delta Fund are included in our consolidated financial statements. The portfolio companies of the SoftBank Vision Fund and Delta Fund that we are deemed to control from an IFRS perspective are treated as our subsidiaries and their results of operations, assets and liabilities are included in our consolidated financial statements. Therefore, the poor financial performance of companies in the SoftBank Vision Fund and Delta Fund may negatively affect our financial condition and results of operations. In particular, the SoftBank Vision Fund and Delta Fund may seek to incur Indebtedness to fund their investments in whole or in part, which would add to our overall consolidated leverage. Also, in the event that the SoftBank Vision Fund and Delta Fund's targets for investment do not become subsidiaries on our consolidated financial statements, as a basic rule, they are measured at fair value at the end of every quarter, and changes in the value are recognized as a net gain or loss. In the event that the fair value of these investments decreases, it may negatively affect our group's performance or financial condition.

**Further Risks**

For risks relating to our business and the New Notes, see "Appendix A—Preliminary Offering Memorandum regarding the New Notes—Risk Factors."

## QUESTIONS AND ANSWERS ABOUT THE EXCHANGE OFFER AND THE CONSENT SOLICITATION

*The following are some of the questions that Holders may have, and answers to those questions. These questions and answers, as well as the following summary, are not a substitute for the information contained elsewhere in this Exchange Offer Memorandum, and this information is qualified in its entirety by the more detailed descriptions and explanations contained elsewhere in this Exchange Offer Memorandum. You are urged to read the Exchange Offer Memorandum in its entirety prior to making any decision.*

### **Why is the Exchange Offer and the Consent Solicitation being made?**

The purpose of the Exchange Offer is to extend the average maturity of our obligations under the Existing Notes by refinancing those obligations with Exchange Notes having a longer tenor.

The purpose of the Consent Solicitation is to streamline and align our obligations under the Existing Notes Indenture to the 2017 Notes Indenture and to obtain the corresponding flexibility to pursue our strategic objectives under the Existing Notes Indenture.

### **Who may participate in the Exchange Offer?**

The Exchange Offer is being made, and the Exchange Notes and related Note Guarantees are being offered and issued, only to Eligible Offerees who hold Existing Notes through the Clearing Systems (“Eligible Holders”) and who have represented to the Company pursuant to the deemed representations described in “Description of the Exchange Offer and Consent Solicitation—Additional Terms of the Exchange Offer—Representations, Warranties and Covenants of Eligible Holders Tendering Existing Notes” that they are eligible to participate in the Exchange Offer. “Eligible Offerees” are defined as persons who satisfy all the following criteria:

- i. non-U.S. persons located outside the United States or dealers or other professional fiduciaries in the United States acting on a discretionary basis for the benefit or account of non-U.S. persons located outside the United States, as those terms are defined in Regulation S,
- ii. persons other than retail investors in the European Economic Area, defined as a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive,
- iii. persons (i) who are beneficial owners that are, for Japanese tax purposes, neither individual residents of Japan or Japanese corporations, nor individual non-residents of Japan or non-Japanese corporations that in either case are specially related persons of the Company as described in Article 6, Paragraph (4) of the Special Taxation Measures Act; and (ii) who are not residents in Japan for Japanese securities law purposes (including a natural person having his/her place of domicile or residence in Japan, a legal person having its main office in Japan or any branch, agency or other office in Japan of a non-resident (irrespective of whether it is legally authorized to represent its principal or not and even if its main office is located in a country other than Japan)),
- iv. non-residents of Canada; *provided that* a discretionary account held for the benefit or account of a person or company resident in Canada by an investment manager or similar fiduciary outside Canada is not a resident of Canada for this purpose; and
- v. persons into whose possession the Exchange Offer Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which they are located.

Only Eligible Holders who have, or on whose behalf their brokers, dealers, custodians, trust companies or other nominees have, completed the procedures described in this Exchange Offer Memorandum are eligible to participate in the Exchange Offer.

### **Who may participate in the Consent Solicitation?**

Any Holder is eligible to participate in the Consent Solicitation with respect to Existing Notes that such Holder has not tendered in the Exchange Offer.

Both Eligible Holders who choose not to participate in the Exchange Offer and Non-eligible Holders are eligible to participate in the Consent Solicitation and receive the applicable Consent Fee by providing their Consents with respect to Existing Notes held by them without tendering such Existing Notes for exchange.

### **What will I receive if I tender my Existing Notes in the Exchange Offer?**

Subject to the minimum denomination requirements for tendering Existing Notes and the terms of conditions of this Exchange Offer Memorandum, for each \$1,000 or €1,000 of principal amount, as the case may be, of outstanding Existing Notes that are validly tendered and accepted for exchange, Eligible Holders will receive Exchange Consideration comprised of the following:

- i. Dollar Exchange Notes (for Existing Dollar Notes tendered) or Euro Exchange Notes (for Existing Euro Notes tendered), as the case may be, in a principal amount equal to the Exchange Price set forth on the cover of this Exchange Offer Memorandum.
- ii. if, as a result of the application of the relevant Exchange Ratio, a Holder would be entitled to receive an aggregate principal amount of Exchange Notes that is not an integral multiple of \$1,000 or €1,000, as applicable, we will make to that Holder on the Settlement Date a Fractional Note Cash Payment equal to the fractional portion of such aggregate principal amount that is not such an integral multiple;
- iii. a Deemed Consent Payment of \$10 or €10, for each \$1,000 or €1,000 of principal amount of Existing Notes tendered, paid in cash. We will make the Deemed Consent Payment in respect of Existing Notes validly tendered and accepted for exchange even if we do not obtain the Requisite Consents or otherwise terminate the Consent Solicitation; and
- iv. an Accrued Interest Cash Payment equal to the accrued and unpaid interest on the Existing Notes tendered and accepted for exchange from January 30, 2018, the last applicable interest payment date of the Existing Notes, up to but excluding the Settlement Date.

If we terminate the Exchange Offer for failure to satisfy the applicable Minimum Notes Condition, we will nonetheless retain Deemed Consents of Eligible Holders who have validly tendered Existing Notes will nonetheless be retained by the Company and counted toward the Requisite Consents for the purposes of the Consent Solicitation. In this case, such Eligible Holders will receive the Deemed Consent Payment upon the settlement of the Consent Solicitation, but will not receive any other part of the Exchange Consideration.

If the Company terminates the Exchange Offer for any other reason, the Deemed Consents of Eligible Holders who have validly tendered Existing Notes will lapse and be deemed revoked. In this case, such Eligible Holders will receive no Exchange Consideration at all and the Company will no longer be able to settle the Consent Solicitation owing to failure to satisfy the non-waivable Exchange Consummation Condition.

### **What will I receive if I deliver consents in the Consent Solicitation?**

Holders of the Existing Dollar Notes who (i) validly tender Existing Dollar Notes in the Exchange Offer, and are thereby deemed to have delivered a Deemed Consent, or (ii) validly deliver a Consent in the Consent Solicitation, in each case, prior to the Expiration Date, will receive, as consideration for providing such Consent, \$10 for each \$1,000 in principal amount of outstanding Existing Dollar Notes tendered in the Exchange Offer or for which a Consent is delivered by such Holder.

Holders of the Existing Euro Notes who (i) validly tender Existing Euro Notes in the Exchange Offer, and thereby deliver a Deemed Consent, or (ii) validly deliver a Consent in the Consent Solicitation, in each case, prior to the Expiration Date, will receive, as consideration for providing such Consent, €10 for each €1,000 in principal amount of outstanding Existing Euro Notes tendered in the Exchange Offer or for which a Consent is delivered by such Holder.

The Company will pay the Deemed Consent Payment in respect of Existing Notes validly tendered and accepted for exchange even if the Company does not obtain the Requisite Consents or otherwise terminates the Consent Solicitation.

Your right to receive the Consent Fee or a Deemed Consent Payment as described above is subject to all the conditions set forth in this Exchange Offer Memorandum.

### **What amendments to the Indenture is the Company seeking?**

- We are seeking the consent of the Holders to, among other things:
- amend the “Repurchase at the Option of Holders upon a Change of Control Triggering Event” covenant and related definitions to conform to the terms of the corresponding covenant in the 2017 Notes Indenture and New Notes Indenture;
- amend the “Negative Pledge” covenant and related definitions to conform to the terms of the corresponding covenant in the 2017 Notes Indenture and the New Notes Indenture;

- amend the “Permitted Third Party Guarantees” covenant and related definitions to conform it to the terms of the corresponding covenant in the 2017 Notes Indenture and the New Notes Indenture;
- amend the “Subsidiary Guarantees of Indebtedness” covenant and related definitions to conform to the terms of the corresponding covenant in the 2017 Notes Indenture and the New Notes Indenture;
- amend the “Distribution of Proceeds of Asset Sales” covenant and related definitions to conform to the terms of the corresponding covenant in the 2017 Notes Indenture and the New Notes Indenture;
- amend the “Merger or Consolidation” covenant to conform to the terms of the corresponding covenant in the 2017 Notes Indenture and the New Notes Indenture; and
- make certain other amendments to conform certain language in the Existing Notes Indenture with the corresponding language in the 2017 Notes Indenture and the New Notes Indenture.

The Proposed Amendments will not alter the interest rate or maturity date of the Existing Notes, our obligation to make principal and interest payments on the Existing Notes or, except as described in “Description of the Proposed Amendments,” the substantive effect of any other covenant or provision of the Existing Notes. For further details, see “Description of the Proposed Amendments.”

### **What consents are required to effect the Proposed Amendments to the Existing Notes Indenture?**

For the Proposed Amendments to the Existing Notes to be adopted, we must receive valid consents from valid consents from Holders of at least a majority in aggregate principal amount of Existing Notes, voting as a single class. For the purposes of determining whether the Holders of the requisite principal amount of Existing Notes have consented to the Proposed Amendments, the principal amount of Existing Euro Notes shall be deemed to be the Dollar Equivalent of such principal amount of the Existing Euro Notes, calculated at a spot rate for the purchase of U.S. dollars with euro as published by Bloomberg two business days prior to the Consent Effective Time.

As of the date of this Exchange Offer Memorandum, the aggregate outstanding principal amount of the Existing Dollar Notes is \$2,000,000,000 and the aggregate outstanding principal amount of the Existing Euro Notes is €2,250,000,000. The Dollar Equivalent of the Existing Euro Notes as of March 5, 2018 is \$2,775,150,000, calculated at an exchange rate of \$1.2334 = €1.00, the spot rate for the purchase of U.S. dollars with euro as published by Bloomberg two business days prior to the date hereof.

### **What are the consequences of not tendering in the Exchange Offer or delivering Consents in the Consent Solicitation?**

Consummation of the Exchange Offer and the Consent Solicitation may have adverse consequences to you if you elect not to participate. In particular, the trading market for Existing Notes that are not exchanged could become more limited than the existing trading market for the Existing Notes and could cease to exist altogether due to the reduction in the amount of the Existing Notes outstanding upon consummation of the Exchange Offer. A more limited trading market might adversely affect the liquidity, market price and price volatility of your Existing Notes.

The Proposed Amendments would amend certain provisions of the Existing Notes Indenture to conform them to the corresponding provisions of the 2017 Notes Indenture and the New Notes Indenture. If you do not consent to the Proposed Amendments or tender your Existing Notes in the Exchange Offer, revoke your Consents or withdraw your tenders before the Consent Effective Time or the Expiration Date, you will not receive the Consent Fee or the Deemed Consent Payment even though the Proposed Amendments, if they become effective and operative, will be binding on you. Failure to deliver a Consent or a Deemed Consent will have the same effect as if you had voted “No” to the Proposed Amendments. If the Proposed Amendments become operative, Holders of Existing Notes that remain outstanding after the completion of the Exchange Offer and the Consent Solicitation will no longer be entitled to the benefits of the previously effective and operative provisions of the Existing Notes Indenture that are modified by the Proposed Amendments. The amendment of these provisions will permit us to take certain actions previously prohibited without needing to obtain the consent of any Holder, which could be materially adverse to your interests. Those actions could increase the credit risks associated with us, as well as adversely affect the market price and credit rating of the Existing Notes that remain outstanding.

### **What if the Requisite Consents are not obtained?**

If the Requisite Consents are not received on or prior to the Expiration Date or if we have not accepted any Consents, (i) none of the Proposed Amendments will be effected and (ii) no Consent Fee will be paid to any Holder.



## **Are there any conditions to the consummation of the Exchange Offer and the Consent Solicitation?**

Among other conditions precedent, the Exchange Offer is conditioned upon:

- i. with respect to the exchange of Existing Dollar Notes, the aggregate principal amount of New Notes to be issued by the Company on the Settlement Date (including Dollar Exchange Notes issuable in exchange for Existing Dollar Notes tendered in the Exchange Offer and New Money Dollar Notes to be issued pursuant to the Concurrent New Money Issuance, if any) being no less than \$350,000,000;
- ii. with respect to the exchange of Existing Euro Notes, the aggregate principal amount of New Notes to be issued by the Company on the Settlement Date (including Euro Exchange Notes issuable in exchange for Existing Euro Notes tendered in the Exchange Offer and New Money Euro Notes to be issued pursuant to the Concurrent New Money Issuance, if any) being no less than €350,000,000; and
- iii. certain other conditions described in “Description of the Exchange Offer and the Consent Solicitation—Additional Terms of the Exchange Offer—Conditions to the Exchange Offer.”

The foregoing conditions precedent are for our sole benefit and may be asserted or waived by us, in whole or in part, at any time and in our absolute discretion without extending the Expiration Date or granting withdrawal rights (except as required by law).

In particular, our obligation to consummate the Consent Solicitation is conditioned upon:

- i. the receipt of valid Consents from Holders of at least a majority of the outstanding principal amount of the Existing Notes, voting as a single class;
- ii. the consummation of the Exchange Offer, unless the Company terminates the Exchange Offer with respect to the Existing Dollar Notes or the Existing Euro Notes due to failure to satisfy the Minimum Notes Condition to the Exchange Offer, in which case the Exchange Consummation Condition will not apply; and
- iii. certain other conditions described in “Description of the Exchange Offer and the Consent Solicitation—Additional Terms of the Consent Solicitation—Conditions to the Consent Solicitation.”

The foregoing conditions precedent are for our sole benefit and may be asserted or waived by us, in whole or in part, at any time and in our absolute discretion without extending the Expiration Date, except for the Exchange Consummation Condition, which cannot be waived by the Company.

Subject to applicable law, we may terminate or withdraw the Exchange Offer if any of the conditions are not satisfied or waived on or prior to the earlier of the Expiration Date. We may also extend the Exchange Offer and the Consent Solicitation from time to time until the conditions are satisfied or waived.

## **When will the Exchange Offer and Consent Solicitation expire?**

The Exchange Offer and Consent Solicitation will expire at 4:00 p.m., London time, on March 21, 2018, subject to our right to extend that time and date in our absolute discretion or terminate earlier. We may at our sole discretion extend the Expiration Date with respect to the Consent Solicitation without extending the Expiration Date with respect to the Exchange Offer, and *vice versa*.

## **When will the interest on the New Notes be determined?**

The coupon rate for the New Money Dollar Notes, paid semi-annually, will be no less than 6.000% per year.

The coupon rate for the New Money Euro Notes, paid semi-annually, will be no less than 4.625% per year.

The New Money Dollar Notes and the New Money Euro Notes will be sold at or above par. The final coupon rate of each of the Dollar Exchange Notes and the Euro Exchange Notes will be set forth in an announcement to be released promptly after the Time of Pricing. If the Concurrent New Money Issuance is consummated, the final coupon rate of each of the Dollar Exchange Notes and the Euro Exchange Notes will be equal to the coupon rate set for the New Money Dollar Notes or the New Money Euro Notes, as applicable, at the Time of Pricing. If the Concurrent New Money Issuance is not consummated with respect to any or both of the New Money Dollar Notes or the New Money Euro Notes, the final coupon rate of the Dollar Exchange Notes and/or the Euro Exchange Notes, as the case may be, will be determined by the Company at the Time of Pricing and will be equal to or greater than the minimum coupon rate set forth on the cover page of this Exchange Offer Memorandum with respect to the relevant Exchange Notes.



We expect to price and announce the pricing terms of the Concurrent New Money Issuance on the business day following the Expiration Date or as soon as reasonably practicable thereafter or, if we decide not to proceed with the Concurrent New Money Issuance (or any portion thereof), we will announce such decision as soon as practicable following such decision being made. There can be no assurance that the Concurrent New Money Issuance will price at all, and, if it does price, whether it will price with respect to the New Money Dollar Notes or the New Money Euro Notes or both.

**Under what circumstances can the Exchange Offer and the Consent Solicitation be extended, amended or terminated?**

We reserve the right to extend the Expiration Date in our absolute discretion and regardless of whether any events preventing satisfaction of the conditions precedent to the Exchange Offer or the Consent Solicitation shall have occurred or shall have been determined by us to have occurred, in which case the Expiration Date will be the latest time and date to which such time and date is extended. During any extension of the Exchange Offer and the Consent Solicitation, all Existing Notes previously validly tendered and not validly withdrawn, and Consents previously validly delivered and not validly revoked, will remain subject to the Exchange Offer and the Consent Solicitation.

We will announce any extension of the Exchange Offer or the Consent Solicitation (a) by posting a press release on our website, (b) through publication of a notice on Bloomberg, (c) via SGXNET and/or (d) by the delivery of notices to the Clearing Systems for communication to direct participants, no later than 9:00 a.m., London time, on the first business day after the previously scheduled Expiration Date, as applicable. Each of these means shall be deemed to constitute effective notice to the Holders of extension of the Expiration Date as described in such announcement. We reserve the right, in our absolute discretion to:

- i. terminate the Exchange Offer or Consent Solicitation, including if a condition to our obligation to exchange Existing Notes for Exchange Notes or to accept the related Deemed Consents is not satisfied or waived prior to the Expiration Date; and
- ii. amend or modify the Exchange Offer or the Consent Solicitation, or waive any condition precedent to the Exchange Offer or Consent Solicitation, except for the Exchange Consummation Condition to the Consent Solicitation, which we cannot waive.

Any waiver, amendment or modification of the Exchange Offer and the Consent Solicitation, including any change in the consideration, will apply to all Existing Notes previously validly tendered and to all consents previously validly delivered.

We will announce any extension of, termination of, amendment of or waiver of a condition precedent to the Exchange Offer or the Consent Solicitation (a) by posting a press release on our website, (b) through publication of a notice on Bloomberg, (c) via SGXNET and/or (d) by the delivery of notices to the Clearing Systems for communication to direct participants, no later than 9:00 a.m., London time, on the first business day after the our decision to extend, terminate, amend or waive, as applicable. Each of these means shall be deemed to constitute effective notice to the Holders of extension, the termination, amendment or waived described in such announcement.

If we amend the terms of or waive conditions precedent to the Exchange Offer or the Consent Solicitation or change the information concerning the Exchange Offer or the Consent Solicitation, in ways that are materially prejudicial to Holders in the Company's opinion (following consultation with the Dealer Managers), or as otherwise required by law, we will promptly disseminate disclosure regarding such amendment, waiver or change in information and extend the Exchange Offer or the Consent Solicitation to the extent described in "Description of the Exchange Offer and the Consent Solicitation—Additional Terms of the Exchange Offer—Withdrawal of Tenders" or "Description of the Exchange Offer and the Consent Solicitation—Additional Terms of the Consent Solicitation—Revocation of Consents".

**When will the Company issue the Exchange Notes?**

Assuming the conditions to the Exchange Offer are satisfied or waived, we will issue the Exchange Notes on the Settlement Date. We expect that the settlement of the Exchange Offer, including the delivery and payment of the Exchange Consideration, will occur will occur on or about the seventh business day following the Expiration Date (according to the calendar of public and bank holidays of England & Wales), such Settlement Date being April 3, 2018, unless the Exchange Offer is extended or terminated earlier. The Settlement Date may be modified at our sole discretion after the Expiration Date.

### **What happens if some or all of my Existing Notes and the related Consents are rejected?**

We will return any Existing Notes that we do not accept for exchange for any reason without expense to their tendering Eligible Holder promptly after the expiration or termination of the Exchange Offer.

### **Will I have to pay any fees or commissions if I tender my Existing Notes and deliver related consents in the Exchange Offer and the Consent Solicitation?**

If your Existing Notes are held through a broker or other nominee who tenders the Existing Notes on your behalf, your broker may charge you a commission for doing so. You should consult with your broker or nominee to determine whether any charges apply. Otherwise, you will not be required to pay any fees or commissions to us, the Dealer Managers or the Information Agent in connection with the Exchange Offer and the Consent Solicitation.

### **How do I tender my Existing Notes for exchange in the Exchange Offer?**

If you are an Eligible Holder holding the Existing Notes through Euroclear and Clearstream or through fiduciary holding accounts and you wish to participate in the Exchange Offer, you must tender your Existing Notes pursuant to the procedures described herein by way of an electronic instruction, which must be submitted or delivered through the relevant Clearing System by each Eligible Holder of the Existing Notes who is shown in the records of such Clearing System as a Holder of an interest in the Existing Notes, authorizing delivery of your tender to exchange the Existing Notes that are the subject of such electronic instruction (the "Tender Instruction").

Only direct participants in Euroclear or Clearstream may submit Tender Instructions. If you are not a direct participant in Euroclear or Clearstream, you must contact your broker, dealer, bank, custodian, trust company or other nominee to arrange for its direct participant through which you hold Existing Notes to submit a Tender Instruction on your behalf to the relevant Clearing System prior to the deadline specified by the relevant Clearing System.

Eligible Holders are advised to check with any broker, dealer, bank, custodian, trust company or other nominee or other intermediary through which they hold Existing Notes whether such intermediary needs to receive instructions from an Eligible Holder before the deadlines specified in this Exchange Offer Memorandum in order for that Eligible Holder to be able to participate in, or withdraw Tender Instruction to participate in, the Exchange Offer and Consent Solicitation before the deadlines specified in this Exchange Offer Memorandum. The deadlines set by each Clearing System for the submission and withdrawal of Tender Instructions will be earlier than the relevant deadlines specified in this Exchange Offer Memorandum.

Any Eligible Holder that gives Tender Instructions on behalf of a beneficial holder must give separate Tender Instructions with respect to each of its beneficial holders. Eligible Holders who intend to make different elections with respect to portions of their or their beneficial holder's holding of Existing Notes must deliver separate Tender Instructions with respect to each such portion.

Any Tender Instruction must be given with respect to Existing Dollar Notes in a minimum principal amount of \$200,000 or integral multiples of \$1,000 in excess thereof. Any Tender Instruction must be given with respect to Existing Euro Notes in a minimum principal amount of €100,000 or integral multiples of €1,000 in excess thereof.

Upon giving Tender Instructions with respect to any Existing Notes, those Existing Notes will be blocked and may not be transferred until such Instructions are validly withdrawn or the Exchange Offer is modified or terminated so as to result in a cancellation of such Instructions.

Each Tender Instruction, by which Eligible Holders are to effect the tender of their Existing Notes and thereby deliver Deemed Consents with respect to such Existing Notes, should include (a) the name of the direct participant in Euroclear or Clearstream and the securities account number for the Euroclear or Clearstream in which the tendered Existing Notes are held, as the case may be, (b) the aggregate principal amount of Existing Notes which the Eligible Holder wishes to tender and thereby deliver Deemed Consents with respect to, (c) an authorization of Euroclear or Clearstream, as the case may be, to block the Existing Notes properly tendered so that no transfers may be effected in relation to such Existing Notes at any time from and including the date on which such Eligible Holder submits its Tender Instruction until the earlier of the termination or withdrawal of the Exchange Offer and the settlement of the Exchange Offer on the Settlement Date, all in accordance with the normal procedures of Euroclear or Clearstream and after taking into account the deadlines imposed by Euroclear or Clearstream, as the case may be, and (e) the Existing Notes (including international securities identification number ("ISIN") to which the Tender Instruction refers.

The tendering of Existing Notes, and delivery thereby of the Deemed Consents with respect to such Existing Notes, in the Exchange Offer will be deemed to have occurred upon receipt by the Information Agent from Euroclear or Clearstream of a valid Tender Instruction submitted in accordance with the requirements of Euroclear or Clearstream, as the case may be. The receipt of such Tender Instruction by Euroclear or Clearstream may be acknowledged in accordance with the standard practices of Euroclear or Clearstream, as the case may be.

### **How do I deliver Consents pursuant to the Consent Solicitation?**

If you are a Holder (including Eligible Holders who do not elect to tender their Existing Notes in the Exchange Offer) and you wish to deliver consents pursuant to the Consent Solicitation, you must validly deliver a Consent Instruction on or prior to the Expiration Date and before the deadlines set by Euroclear and Clearstream (unless this Consent Solicitation is terminated earlier). Holders must indicate the aggregate principal amount of such Existing Notes to which the Consent relates. The Holder will receive the applicable Consent Fee for only that portion of such Existing Notes to which the Consent relates. Holders must also indicate (i) whether the Holder wishes to consent to the Proposed Amendments, and (ii) the name and securities account number for Euroclear or Clearstream in which the Existing Notes are held.

Notwithstanding that the Consents are delivered by each Holder by means of a Consent Instruction, each Holder thereby agrees that such Consent Instruction constitutes a written consent to the Proposed Amendments.

The receipt of such Consent Instruction by Euroclear or Clearstream may be acknowledged in accordance with the standard practices of Euroclear or Clearstream. For the avoidance of doubt, any such acknowledgement does not constitute an acceptance of the Consent by or on behalf of the Company. A Holder may consent by submitting a valid Instruction to the relevant Clearing System in accordance with the requirements of the relevant Clearing System.

The Consent by a Holder will, on acceptance of the Consent by the Company, constitute a binding agreement between such Holder and the Company in accordance with the terms, and subject to the conditions, set forth in this Exchange Offer Memorandum and in the Consent Instruction, as the case may be.

All Consents will be made on the basis of the terms set out in this Exchange Offer Memorandum and, once made in the manner described above, will be irrevocable and binding on the relevant Holder at or after the Consent Effective Time. Consents may only be made by submission of a valid Consent Instruction to the relevant Clearing System no later than the Expiration Date. The Consent Instruction must contain:

- the aggregate principal amount of the Existing Notes with respect to which the Holder wishes to deliver a Consent, such amount of Existing Notes, in order to be valid, being in minimum denominations of \$200,000 and multiples of \$1,000 in excess thereof or €100,000 and multiples of €1,000 in excess thereof, as applicable; and
- the name of the direct participant, the securities account number for Euroclear or Clearstream in which the Existing Notes are held.

All of this information in the Consent Instruction will be disclosed to us, the Solicitation Agents, the Existing Notes Trustee and the Information Agent.

Upon giving Consent Instructions with respect to any Existing Notes, those Existing Notes will be blocked and may not be transferred until such Consent Instructions are validly withdrawn or the Consent Solicitation is modified or terminated so as to result in a cancellation of such Consent Instructions.

### **Will the Exchange Notes be freely tradable?**

The transfer of the Exchange Notes is restricted. The Exchange Notes will not be registered under, and the Company is not obligated to register the Exchange Notes under, the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See “Appendix A—Preliminary Offering Memorandum regarding the New Notes—Notice to Investors.” We have not agreed to or otherwise undertaken to register the New Notes, and we have no intention to do so. Furthermore, During the 40-day “distribution compliance period” (as such term is defined in Rule 902 of Regulation S under the Securities Act) following the Settlement Date, book-entry interests in the Notes may be transferred only to non-U.S. persons as defined under Regulation S. There can be no assurance as to the development or liquidity of any market for the New Notes. See “Risk Factors.”

### **May I withdraw my tender of, and revoke my Deemed Consent with respect to, Existing Notes?**

All Exchange Offer Instructions will be irrevocable except under certain limited circumstances described below. Tenders of Existing Notes in the Exchange Offer may not be withdrawn, and the Deemed Consents in connection with such tenders may not be revoked, except under certain limited circumstances below.

We will grant withdrawal rights to Eligible Holders who have validly tendered their Existing Notes in the Exchange Offer only to the extent (i) required by applicable law or (ii) that any amendments to the terms of the Exchange Offer are materially prejudicial to Eligible Holders in our opinion (following consultation with the Dealer Managers). We will not grant withdrawal rights in the event that we, among other things, (a) extend the Expiration Date of the Exchange Offer with respect to all or some of the Existing Notes, (b) terminate all or any part of the Exchange Offer or the Consent Solicitation, (c) waive any conditions precedent to the Exchange Offer, (d) waive any conditions precedent to the Consent Solicitation, other than the non-waivable Exchange Consummation Condition or (e) make any other change to the terms of the Exchange Offer or the Consent Solicitation set out in this Exchange Offer Memorandum which are not materially prejudicial to Eligible Holders or Holders, as applicable, in our opinion after consultation with the Dealer Managers.

The valid withdrawal of tendered Existing Notes from the Exchange Offer will be deemed valid revocation of the related Deemed Consents. Eligible Holders may not validly revoke Deemed Consents unless such they validly withdraw their previously tendered Existing Notes.

Eligible Holders may not validly revoke Deemed Consents unless such Holders validly withdraw such Holders' previously tendered Existing Notes. The valid withdrawal of Eligible Holders' tenders of Existing Notes will constitute the concurrent valid revocation of such Holders' Deemed Consents. As result, Eligible Holders who validly withdraw previously tendered Existing Notes will not receive any part of the Exchange Consideration Any withdrawal of previously tendered Existing Notes otherwise than in accordance with the provisions described in this Exchange Offer Memorandum will not constitute valid revocation of such Eligible Holders' Deemed Consents.

### **May I revoke my consent with respect to Existing Notes?**

Consents may be revoked by a Holder participating in the Consent Solicitation at any time prior to, but not after, the earlier of the Consent Effective Time and the Expiration Date.

Deemed Consents provided in connection with Existing Notes tendered in the Exchange Offer may not be withdrawn at any time, except under certain limited circumstances described in "Description of the Exchange Offer and the Consent Solicitation—Additional Terms of the Exchange Offer—Withdrawal of Tenders."

### **If I am not an Eligible Holder, may I participate in the Consent Solicitation based on this Exchange Offer Memorandum?**

No. All documentation relating to the Consent Solicitation and any updates is available via the following Consent Only Website: <https://sites.dfkingltd.com/softbank/consent/>.

### **To whom should I direct any questions?**

Questions about the terms of the Exchange Offer or Consent Solicitation should be directed to the Dealer Managers and the Information Agent. If you have questions regarding tender or consent procedures or require additional copies of this Exchange Offer Memorandum, please contact the Information Agent. Contact information for Dealer Managers and the Information Agent is set forth on the back cover of this Exchange Offer Memorandum. Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominee for assistance concerning the Exchange Offer and the Consent Solicitation.

## **USE OF PROCEEDS**

We will not receive any cash proceeds from the Exchange Offer or the Consent Solicitation. Any Existing Notes exchanged in connection with the Exchange Offer will be delivered to the Existing Notes Trustee for cancellation.

We intend to apply the proceeds of the Concurrent New Money Issuance, if any, to fund the payment of the consent fee and other related transaction costs in connection with the Exchange Offer, the Consent Solicitation and the Concurrent New Money Issuance and to use any remaining proceeds for general corporate purposes. To the extent the proceeds of the Concurrent New Money Issuance, if any, are insufficient, we expect to pay the consent fee and related transaction costs for the Exchange Offer and Consent Solicitation using cash on hand.



## DESCRIPTION OF THE EXCHANGE OFFER AND THE CONSENT SOLICITATION

### General

Upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum, we are offering to Eligible Holders (i) to exchange any and all outstanding Existing Dollar Notes for newly issued Dollar Exchange Notes at the relevant Exchange Ratio and (ii) to exchange any and all outstanding Existing Euro Notes for newly issued Euro Exchange Notes at the relevant Exchange Ratio. All Eligible Holders whose Existing Notes are validly tendered and accepted will (if applicable) also receive a Fractional Note Cash Payment equal to the fractional portion of the aggregate principal amount of Exchange Notes that each such Holder would be entitled to receive as a result of the application of the relevant Exchange Ratio that is not an integral multiple of \$1,000 or €1,000, a Deemed Consent Payment of \$10 or €10, for each \$1,000 or €1,000 of principal amount of Existing Notes tendered and an Accrued Interest Cash Payment equal to the accrued and unpaid interest on the Existing Notes tendered and accepted for exchange from January 30, 2018, the last applicable interest payment date of the Existing Notes, up to but excluding the Settlement Date.

Concurrent with the Exchange Offer, we are soliciting consents from all Holders to amend the terms of the Existing Notes Indenture. The Proposed Amendments would amend certain provisions of the Existing Notes Indenture to conform them to the corresponding provisions of the indenture governing our senior notes issued on September 19, 2017. The Proposed Amendments together constitute a single proposal and a consenting Holder must consent to the Proposed Amendments as an entirety and may not consent selectively with respect to certain of the Proposed Amendments, but not others. For a description of the Proposed Amendments, see “Description of the Proposed Amendments.” Eligible Holders who tender their Existing Notes for exchange in the Exchange Offer will be deemed to have provided their Deemed Consent to the Proposed Amendments. All Holders (including non-Eligible Holders (as defined below) to whom no Exchange Offer is made) have the option with respect to any particular holding of Existing Notes to participate in the Consent Solicitation without participating in the Exchange Offer, but Eligible Holders may not participate in the Exchange Offer without consenting to the Proposed Amendments.

Concurrent with the Exchange Offer and the Consent Solicitation, we may offer New Notes in the Concurrent New Money Issuance, consisting of (i) New Money Dollar Notes, having the same terms as and constituting a single class of debt securities with the Dollar Exchange Notes for all purposes under the New Notes Indenture, and (ii) New Money Euro Notes, having the same terms as the Euro Exchange Notes and constituting a single class of debt securities with the Euro Exchange Notes for all purposes under the New Notes Indenture. We retain the right in its sole discretion to increase the aggregate principal amount of each series of New Money Notes offered in the Concurrent New Money Issuance. We intend to apply the proceeds of the Concurrent New Money Issuance, if any, to fund the payment of the consent fee and other related transaction costs in connection with the Exchange Offer, the Consent Solicitation and the Concurrent New Money Issuance and to use any remaining proceeds for general corporate purposes. To the extent the proceeds of the Concurrent New Money Issuance, if any, are insufficient, we expect to pay the consent fee and related transaction costs for the Exchange Offer and Consent Solicitation using cash on hand.

The table below sets out the Exchange Price offered in exchange for each US\$1,000 or €1,000 in principal amount of Existing Notes tendered and accepted for exchange, as applicable, and the amount of Consent Fee offered for each US\$1,000 or €1,000 in principal amount of Existing Notes, as applicable, for which the Eligible Holder validly delivers (and does not validly revoke) a Consent or Deemed Consent on or prior to the Expiration Date. It is expected that any Exchange Price and Consent Fee due will be paid on the Settlement Date if the conditions precedent described below are met or waived. We will not be obligated to pay any Exchange Price or Consent Fee if the conditions precedent below are not met (or not waived by us).

Description of Existing Notes	ISIN	Common Code	Exchange Price (per \$1,000 or €1,000 principal amount)	Consent Fee (per \$1,000 or €1,000 principal amount)
<i>\$1,000,000,000 5.375% Senior Notes due 2022 (“2022 Dollar Notes”) . . .</i>	XS1266660635	126666063	\$1,047.50	\$10
<i>\$1,000,000,000 6% Senior Notes due 2025 (“2025 Dollar Notes”) . . . . .</i>	XS1266660122	126666012	\$1,075.00	\$10
<i>€500,000,000 4% Senior Notes due 2022 (“2022 Euro Notes”) . . . . .</i>	XS1266662763	126666276	€1,098.75	€10
<i>€1,250,000,000 4.75% Senior Notes due 2025 (“2025 Euro Notes”) . . . .</i>	XS1266662334	126666233	€1,093.75	€10
<i>€500,000,000 5.25% Senior Notes due 2027 (“2027 Euro Notes”) . . . . .</i>	XS1266661013	126666101	€1,126.25	€10



## **Purpose of the Exchange Offer and the Consent Solicitation**

The purpose of the Exchange Offer is to extend the average maturity of our obligations under the Existing Notes by refinancing those obligations with Exchange Notes having a longer tenor.

The purpose of the Consent Solicitation is to streamline and align our and the Initial Note Guarantor's obligations under the Existing Notes Indenture to the 2017 Notes Indenture and to provide ourselves with the corresponding flexibility to pursue our strategic objectives under the Existing Notes Indenture.

## **Terms of the Exchange Offer and the Consent Solicitation**

Upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum, we are offering to exchange the outstanding Existing Dollar Notes for Exchange Dollar Notes, and the outstanding Existing Euro Notes for Exchange Euro Notes. Exchange Dollar Notes will be issued on the same terms and form a single class of notes under the New Notes Indenture with any New Money Dollar Notes issued as part of the Concurrent New Money Issuance, if any. Exchange Euro Notes will be issued on the same terms and form a single class of notes under the New Notes Indenture with any New Money Euro Notes issued as part of the Concurrent New Money Issuance, if any. For a detailed description of the Exchange Notes, refer to "Appendix A—Preliminary Offering Memorandum regarding the New Notes—Description of the Notes." Upon the terms and subject to the conditions set forth in this Exchange Offer Memorandum, we will accept all Existing Notes validly tendered in accordance with the procedures set forth under "—Additional Terms of the Exchange Offer—Procedures for Tendering Existing Notes" and not properly withdrawn in accordance with the procedures set forth under "—Additional Terms of the Exchange Offer—Withdrawal of Tenders". The settlement of the Exchange Offer and our acceptance of Existing Notes that are so tendered is subject to, among other things, the conditions precedent described under "—Additional Terms of the Exchange Offer—Conditions to the Exchange Offer".

Tenders of Existing Dollar Notes will be accepted only in principal amounts equal to a minimum of \$200,000 and whole multiples of \$1,000 in excess thereof and tenders of Existing Euro Notes will be accepted only in principal amounts equal to a minimum of €100,000 and whole multiples of €1,000 in excess thereof. Exchange Dollar Notes will be issued in minimum denominations of \$200,000 and whole multiples of \$1,000 in excess thereof and Exchange Euro Notes will be issued in minimum denominations of €100,000 and whole multiples of €1,000 in excess thereof. We will not accept any tender that would result in the issuance of Exchange Dollar Notes having a principal amount of less than \$200,000 or of Exchange Euro Notes having a principal amount of less than €100,000. The principal amount of Exchange Notes issued to each tendering Eligible Holder for all Existing Notes validly tendered and accepted for exchange will be rounded down, if necessary, to \$200,000 or the nearest whole multiple of \$1,000 in excess thereof or €100,000 or the nearest whole multiple of €1,000 in excess thereof, as applicable.

Eligible Holders of Existing Notes validly tendered in the Exchange Offer and accepted by us will waive any and all rights with respect to such Existing Notes (other than the right to receive all of the relevant components of the Exchange Consideration) and will release and discharge us from any and all claims such Holder may have, now or in the future, arising out of or related to such Existing Notes.

Concurrently with the Exchange Offer, we are soliciting the consent (each, a "Consent") of Holders of the Existing Notes to amend certain provisions of the Existing Notes Indenture to conform them to the corresponding provisions of the 2017 Notes Indenture and the New Notes Indenture (the "Proposed Amendments"). For a description of the Proposed Amendments, see "Description of the Proposed Amendments." Consents of Holders of at least a majority of the outstanding aggregate principal amount of the Existing Notes voting as a single class is required in order for the Proposed Amendments to be adopted (the "Requisite Consents"). Eligible Holders who validly tender any Existing Notes prior to the Expiration Date will be deemed to have delivered a Consent (each, a "Deemed Consent") in respect of such Existing Notes.

**In order to receive the Consent Fee (including any Deemed Consent Payment), (i) Eligible Holders must validly tender their Existing Notes in the Exchange Offer or (ii) Holders must validly deliver their Consents to the Proposed Amendments, in each case, prior to the Expiration Date. Any Eligible Holder of Existing Notes who tenders Existing Notes prior to the Expiration Date will be deemed to have consented to the Proposed Amendments with respect to such tendered Existing Notes. Eligible Holders, however, may deliver Consents to the Proposed Amendments in the Consent Solicitation without tendering their Existing Notes in the Exchange Offer prior to the Expiration Date. Eligible Holders who deliver Consents only in respect of the Consent Solicitation are unable to subsequently tender their Existing Notes for exchange, unless such Consent Instruction is first withdrawn and tender is provided prior to the Expiration Date.**

The Proposed Amendments will become effective upon receipt of the Requisite Consents and the execution of a supplemental indenture (the “Supplemental Indenture”), but will not become operative until the Consent Fee (including any Deemed Consent Payment) is paid in accordance with the terms of the Consent Solicitation. The Proposed Amendments constitute a single proposal. A consenting Holder must deliver a Consent to the Proposed Amendments in their entirety, a tendering Eligible Holder will be deemed to have delivered a Deemed Consent to the Proposed Amendments in their entirety and they may not deliver a Consent or Deemed Consent selectively with respect to certain portions of the Proposed Amendments, but not others. If the Requisite Consents are received, upon the execution of the Supplemental Indenture and satisfaction of the other conditions described herein, the Proposed Amendments will bind all Holders, including those that did not give their Consent or Deemed Consent. If the Consent Solicitation is terminated for any reason, or if the Requisite Consents have not been delivered prior to the Expiration Date, all Consents and Deemed Consents will be voided and the Proposed Amendments will not be effective.

Upon receipt of the Requisite Consents, we intend to (a) deliver an Officers’ Certificate to the Existing Notes Trustee confirming that we have obtained the Requisite Consents; (b) instruct the Information Agent to deliver written confirmation of the Requisite Consents to the Existing Notes Trustee as soon as practicable after the Expiration Date; and (c) direct the Existing Notes Trustee to execute and deliver a supplemental indenture to the Existing Notes Indenture to give effect to the Proposed Amendments and to do all other things necessary or desirable in order to give effect thereto.

### **Expiration Date; Extensions; Settlement Date**

The Expiration Date, being the deadline for the receipt of all valid tenders of Existing Notes in the Exchange Offer and the receipt of all valid Consents pursuant to the Consent Solicitation, will be 4:00 p.m., London time, on March 21, 2018. We reserve the right to extend that time and date with respect to either or both of the Exchange Offer and Consent Solicitation in our absolute discretion and regardless of whether any events preventing satisfaction of the conditions precedent to the Exchange Offer or the Consent Solicitation shall have occurred or shall have been determined by us to have occurred, in which case the Expiration Date will be the latest time and date to which such time and date is extended. During any extension of the Exchange Offer and the Consent Solicitation, all Existing Notes previously validly tendered and not validly withdrawn, and Consents previously validly delivered and not validly revoked, will remain subject to the Exchange Offer and the Consent Solicitation.

We will announce any extension of the Exchange Offer or the Consent Solicitation (a) by posting a press release on our website, (b) through publication of a notice on Bloomberg, (c) via SGXNET and/or (d) by the delivery of notices to the Clearing Systems for communication to direct participants, no later than 9:00 a.m., London time, on the first business day after the previously scheduled Expiration Date, as applicable. Each of these means shall be deemed to constitute effective notice to the Holders of extension of the Expiration Date as described in such announcement.

To the extent not previously executed, and subject to the receipt of the Requisite Consents, we, the Initial Note Guarantor and the Existing Notes Trustee will execute the Supplemental Indenture on the Expiration Date.

We expect that the Settlement Date will be the seventh business day following the Expiration Date (according to the calendar of public and bank holidays of England & Wales), being April 3, 2018, unless the Exchange Offer and the Consent Solicitation are extended or terminated earlier. The Settlement Date may be modified at our sole discretion after the Expiration Date.

### **Amendments; Waivers; Termination**

We reserve the right, in our absolute discretion to:

- terminate the Exchange Offer or Consent Solicitation, including if a condition to our obligation to exchange Existing Notes for Exchange Notes or to accept the related Deemed Consents is not satisfied or waived prior to the Expiration Date; and
- amend or modify the Exchange Offer or the Consent Solicitation, or waive any condition precedent to the Exchange Offer or Consent Solicitation, except for the Exchange Consummation Condition to the Consent Solicitation, which we cannot waive.

Any waiver, amendment or modification of the Exchange Offer and the Consent Solicitation, including any change in the consideration, will apply to all Existing Notes previously validly tendered and to all consents previously validly delivered.

We will announce any termination of, amendment of or waiver of a condition precedent to the Exchange Offer or the Consent Solicitation (a) by posting a press release on our website, (b) through publication of a notice

on Bloomberg, (c) via SGXNET and/or (d) by the delivery of notices to the Clearing Systems for communication to direct participants, no later than 9:00 a.m., London time, on the first business day after the our decision to terminate, amend or waive, as applicable. Each of these means shall be deemed to constitute effective notice to the Holders of the termination, amendment or waived described in such announcement.

If we amend the terms of or waive conditions precedent to the Exchange Offer or the Consent Solicitation or change the information concerning the Exchange Offer or the Consent Solicitation, in ways that are materially prejudicial to Holders in the Company's opinion (following consultation with the Dealer Managers), or as otherwise required by law, we will promptly disseminate disclosure regarding such amendment, waiver or change in information and extend the Exchange Offer or the Consent Solicitation to the extent described in "—Additional Terms of the Exchange Offer—Withdrawal of Tenders" or "—Additional Terms of the Consent Solicitation—Revocation of Consents".

We will return any Existing Notes that we do not accept for exchange for any reason without expense to their tendering Eligible Holder promptly after the expiration or termination of the Exchange Offer.

### **Determination of Validity**

All questions as to the validity, form, eligibility (including time of receipt) and acceptance for exchange of any tendered Existing Notes or of Consents delivered pursuant to any of the procedures described below, and the form and validity (including time of receipt of notices of withdrawal) of all documents will be determined by us in our sole discretion, which determination will be final and binding. We reserve the absolute right to reject any or all such tenders of any Existing Notes in the Exchange Offer and delivery thereby of Deemed Consents or any or all such Consents delivered pursuant to the Consent Solicitation, as we determine in our opinion not to be in proper form or to be unlawful.

Tenders of Existing Notes or Consents delivered will not be deemed to have been validly made until we have cured or waived all defects or irregularities in such tenders or Consents. Neither we, the Dealer Managers, the Information Agent or any other person or entity is under any duty to give notification of any defects or irregularities in any tender or withdrawal of any Existing Notes or delivery or revocation of any Consent, or will incur any liability for failure to give any such notification.

### **Information Agent**

D.F. King Ltd. has been appointed as the Information Agent for the Exchange Offer and the Consent Solicitation. Questions concerning tender procedures and requests for additional copies of this Exchange Offer Memorandum should be directed to the Information Agent at the address and telephone numbers listed on the back cover of this Exchange Offer Memorandum. Holders of Existing Notes may also contact their broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Exchange Offer and the Consent Solicitation. We will pay the Information Agent reasonable and customary fees for its services and will reimburse it for its reasonable out-of-pocket expenses. We have agreed to indemnify the Information Agent against certain liabilities, including liabilities arising under the federal securities laws.

### **Dealer Managers**

We have retained Deutsche Bank AG, London Branch, Merrill Lynch International and Morgan Stanley & Co. International plc to act as the Dealer Managers for the Exchange Offer and Solicitation Agents for the Consent Solicitation. We will pay a fee to the Dealer Managers for soliciting acceptances of the Exchange Offer. We will reimburse the Dealer Managers for their reasonable out-of-pocket expenses, including the reasonable expenses and disbursements of their legal counsel. The obligations of the Dealer Managers to perform their functions are subject to various conditions. We have agreed to indemnify the Dealer Managers against various liabilities, including various liabilities under the federal securities laws. Questions regarding the terms of the Exchange Offer and the Consent Solicitation may be directed to Dealer Managers at their applicable address and telephone number listed on the back cover of this Exchange Offer Memorandum.

Some of the Dealer Managers and their affiliates have from time to time performed, and may in the future perform, various investment banking, financial advisory, commercial banking, agency and trustee and other commercial services for us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these services. Some of the Dealer Managers and their respective affiliates are lenders under the Senior Term Loan, expect to be lenders under the Margin Loan Agreement, have made loans to certain of our affiliates and have entered into various hedging arrangements with us or our affiliates.

In addition, in the ordinary course of their business activities, the Dealer Managers 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. The Dealer Managers 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 Dealer Managers 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 New Notes. Any such short positions could adversely affect future trading prices of the New Notes. The Dealer Managers 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.

Solely for the purposes of the product approval process of each Dealer Manager (each, a “manufacturer”), the target market assessment in respect of the New Notes described in this Exchange Offer Memorandum has led to the conclusion that: (i) the target market for such New Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of such New Notes to eligible counterparties and professional clients are appropriate. The target market and distribution channel(s) may vary in relation to sales outside the EEA in light of local regulatory regimes in force in the relevant jurisdiction. Any person subsequently offering, selling or recommending such New Notes (a “distributor”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of such New Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

None of the Dealer Managers makes any representation or warranty, express or implied, as to the accuracy or completeness of any of the information in this Exchange Offer Memorandum. Furthermore, none of the Dealer Managers is making any recommendation as to whether or not you should tender your Existing Notes or deliver a Consent in connection with the Exchange Offer and Consent Solicitation. Each person receiving this Exchange Offer Memorandum acknowledges that such person has not relied on the Dealer Managers in connection with its investigation of the accuracy of such information or its investment decision. Each person contemplating accepting the Exchange Offer as providing its consent and making an investment in the New Notes must make its own investigation and analysis of the creditworthiness of the Company and its own determination of the suitability of such investment, with particular reference to its own investment objectives and experience, and any other factors that may be relevant to it in connection with such investment.

None of the Dealer Managers or any of their respective affiliates or agents makes any representation about the legality of the acceptance of the Exchange Offer or the acquisition of the New Notes by an investor under applicable investment or similar laws. None of the Dealer Managers or any of their respective affiliates or agents makes any recommendation as to whether Eligible Holders of Existing Notes should tender Existing Notes pursuant to the Exchange Offer and, if given or made, any such recommendation may not be relied upon as authorized by the Dealer Managers or any of their respective affiliates or agents. Each prospective investor is advised to consult its own counsel and business adviser as to legal, business and related matters concerning the acceptance of the Exchange Offer and the New Notes. The contents of this Exchange Offer Memorandum are not to be construed as legal, business or tax advice.

To the fullest extent permitted by law, none of the Dealer Managers accepts any responsibility for the contents of this Exchange Offer Memorandum or for any statement made or purported to be made therein. The Dealer Managers accordingly disclaim all and any liability, whether arising in tort or contract or otherwise which they might otherwise have in respect of this Exchange Offer Memorandum or any such statement. Neither the Dealer Managers, nor any of their affiliates, agents, directors, officers and employees accepts any responsibility to any person for any acts or omissions of the Company, the Initial Note Guarantor or any of their affiliates, agents, directors, officers or employees relating to the Exchange Offer, the Consent Solicitation or the execution of the Supplemental Indenture, the New Notes Indenture, the New Notes or any other document executed in connection with the Exchange Offer, the Consent Solicitation or the Concurrent New Money Issuance, if any.

The Dealer Managers are only acting for SoftBank Group Corp. and SoftBank Corp. in connection with the Transactions referred to in this Exchange Offer Memorandum and no one else and will not be responsible to anyone other than SoftBank Group Corp. and SoftBank Corp. for providing the protections offered to clients of the Dealer Managers or for providing advice in relation to the Transactions, this document or any arrangement or other matter referred to herein.

#### **Certain Consequences to Holders of Existing Notes Not Participating in the Exchange Offer or the Consent Solicitation**

Consummation of the Exchange Offer and the Consent Solicitation may have adverse consequences to Holders who elect not to participate. In particular, the trading market for Existing Notes that are not exchanged



could become more limited than the existing trading market for the Existing Notes and could cease to exist altogether due to the reduction in the amount of the Existing Notes outstanding upon consummation of the Exchange Offer. A more limited trading market might adversely affect the liquidity, market price and price volatility of the Existing Notes. We cannot assure you that ratings on the Existing Notes will be maintained.

The Proposed Amendments would amend certain provisions of the Existing Notes Indenture to conform them to the corresponding provisions of the 2017 Notes Indenture and the New Notes Indenture. Holders who do not consent to the Proposed Amendments or tender their Existing Notes in the Exchange Offer and the Holders whose Consents or tenders are validly revoked or withdrawn before the Consent Effective Time or the Expiration Date will not receive a Consent Fee or a Deemed Consent Payment even though the Proposed Amendments, if they become effective and operative, will be binding on them and any transferee of the Existing Notes. Failure to deliver a Consent or a Deemed Consent will have the same effect as if a Holder had voted “No” to the Proposed Amendments. If the Proposed Amendments become operative, holders of Existing Notes that remain outstanding after the completion of the Exchange Offer and the Consent Solicitation will no longer be entitled to the benefits of the previously effective and operative provisions of the Existing Notes Indenture that are modified by the Proposed Amendments. The amendment of these provisions will permit us to take certain actions previously prohibited without needing to obtain the consent of any Holder, which could be materially adverse to the interest of the Holders. Those actions could increase the credit risks associated with us, as well as adversely affect the market price and credit rating of the Existing Notes that remain outstanding. See “Risk Factors.”

### **Future Purchases and Exchanges of Existing Notes by the Company**

Following the consummation of the Exchange Offer and the Consent Solicitation, we may acquire additional Existing Notes that remain outstanding in the open market, or any other outstanding debt, in privately negotiated transactions, in new exchange offers, by optional redemption under the terms of the Existing Notes Indenture or otherwise. Future purchases, exchanges or redemptions of Existing Notes that remain outstanding after the Exchange Offer may be on terms that are more or less favorable than the Exchange Offer. Future purchases, exchanges and redemptions, if any, will depend on many factors, which include market conditions and the condition of our business.

### **Announcements**

The announcement of the commencement of the Exchange Offer and the Consent Solicitation, the final aggregate principal amount of Existing Notes tendered and accepted for exchange, the final aggregate principal amount of Existing Notes with respect to which the Holders have given Consents, the final total aggregate principal amount of the Exchange Notes to be issued, and the settlement of the Exchange Offer and the Consent Solicitation and all other announcements in connection with the Exchange Offer or the Consent Solicitation may be made (a) by posting a press release on the Company’s website, (b) through publication of a notice on Bloomberg, (c) via SGXNET and/or (d) by the delivery of notices to the Clearing Systems for communication to direct participants. Each of these means shall be deemed to constitute effective notice to the Holders of the events described in such announcement. Significant delays may be experienced in publishing notices through the Clearing Systems and the Holders are urged therefore to contact the Information Agent for the relevant announcements.

The Company and the Information Agent will announce the outcome of the Exchange Offer and the Company and the Information Agent will announce the outcome of the Consent Solicitation on the dates set out above and in “Timetable.”

### **Other Fees and Expenses**

We will bear the fees and expenses of soliciting tenders and consents for the Exchange Offer and the Consent Solicitation. Tendering Holders will not be required to pay any fee or commission to the Dealer Managers or the Information Agent. If, however, a tendering Holder handles the transaction through its broker, dealer, commercial bank, trust company or other nominee, that Holder may be required to pay brokerage fees or commissions. No brokerage commissions are payable by Holders to the Company, the Dealer Managers or the Information Agent.

## **Transfer Taxes**

We will pay all transfer taxes, if any, applicable to the exchange of Existing Notes pursuant to the Exchange Offer. The tendering Holder, however, will be required to pay any transfer taxes, whether imposed on the registered Holder or any other person, if:

- certificates representing Existing Notes for principal amounts not tendered or accepted for exchange are to be delivered to, or are to be issued in the name of, any person other than the registered Holder of Existing Notes tendered;
- tendered Existing Notes are registered in the name of any person other than the person signing the consent; or
- a transfer tax is imposed for any reason other than the exchange of Existing Notes under the Exchange Offer.

If satisfactory evidence of payment of transfer taxes is not submitted with tendered Existing Notes or the consent, the amount of any transfer taxes will be billed to the tendering Eligible Holder.

## **Source of Funds for the Exchange Offer and Consent Solicitation**

We intend to fund all cash payments to Holders pursuant to the Exchange Offer and the Consent Solicitation, represented by the Exchange Consideration and the Consent Fee, as well as any transaction costs associated with the Transactions, with net cash proceeds from the Concurrent New Money Issuance.

## **Additional Terms of the Exchange Offer**

### ***Eligibility to Participate in the Exchange Offer***

The Exchange Offer is being made, and the Exchange Notes and related Note Guarantees are being offered and issued, only to Eligible Offerees who hold Existing Notes through the Clearing Systems (“Eligible Holders”) and who have represented to the Company pursuant to the deemed representations described in “—Representations, Warranties and Covenants of Eligible Holders Tendering Existing Notes” that they are eligible to participate in the Exchange Offer. “Eligible Offerees” are herein defined as persons who satisfy all of the following criteria:

- non-U.S. persons located outside the United States or dealers or other professional fiduciaries in the United States acting on a discretionary basis for the benefit or account of non-U.S. persons located outside the United States, as those terms are defined in Regulation S under the Securities Act (“Regulation S”),
- persons other than retail investors in the European Economic Area, defined as a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive,
- persons (i) who are beneficial owners that are, for Japanese tax purposes, neither individual residents of Japan or Japanese corporations, nor individual non-residents of Japan or non-Japanese corporations that in either case are specially related persons of the Company as described in Article 6, Paragraph (4) of the Special Taxation Measures Act; and (ii) who are not residents in Japan for Japanese securities law purposes (including a natural person having his/her place of domicile or residence in Japan, a legal person having its main office in Japan or any branch, agency or other office in Japan of a non-resident (irrespective of whether it is legally authorized to represent its principal or not and even if its main office is located in a country other than Japan)),
- non-residents of Canada; *provided that* a discretionary account held for the benefit or account of a person or company resident in Canada by an investment manager or similar fiduciary outside Canada is not a resident of Canada for this purpose; and
- persons into whose possession the Exchange Offer Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which they are located.

By giving Tender Instructions, Holders will be deemed to make a series of representations, warranties and undertakings, which are set out in “—Representations, Warranties and Covenants of Eligible Holders Tendering Existing Notes.” Only Eligible Holders who have, or on whose behalf their brokers, dealers, custodians, trust companies or other nominees have, completed the procedures described in this Exchange Offer Memorandum are eligible to participate in the offers.



For a description of restrictions on resale or transfer of the New Notes, see “Appendix A—Preliminary Offering Memorandum regarding the New Notes—Notice to Investors.”

### ***Exchange Consideration***

For each \$1,000 or €1,000 principal amount, as the case may be, of outstanding Existing Notes that is validly tendered and accepted for exchange, Eligible Holders will receive consideration (the “Exchange Consideration”) comprised of:

- Dollar Exchange Notes (for Existing Dollar Notes tendered) or Euro Exchange Notes (for Existing Euro Notes tendered), as the case may be, in a principal amount equal to the exchange price (the “Exchange Price”) set forth on the cover of this Exchange Offer Memorandum. References to the “Exchange Ratio” in this Exchange Offer Memorandum are to the ratio of the applicable Exchange Price for each \$1,000 or €1,000, as the case may be, of principal amount of Existing Notes validly tendered and accepted for exchange, expressed as a percentage and rounded to three decimal places. Eligible Holders of Existing Notes validly tendered and accepted for exchange will receive Exchange Notes in a principal amount (rounded down to the nearest \$1,000 or €1,000, as applicable) equal to the product of (x) the aggregate principal amount of each series of such Existing Notes validly tendered and accepted and (y) the Exchange Ratio for the relevant series of Existing Notes.
- if, as a result of the application of the relevant Exchange Ratio, a Holder would be entitled to receive an aggregate principal amount of Exchange Notes that is not an integral multiple of \$1,000 or €1,000, as applicable, the Company will pay in cash (in the currency of the relevant Exchange Notes) to that Holder on the Settlement Date an amount (the “Fractional Note Cash Payment”) equal to the fractional portion of such aggregate principal amount that is not such an integral multiple;
- a Consent Fee (the “Deemed Consent Payment”) of \$10 or €10, for each \$1,000 or €1,000 of principal amount of Existing Notes tendered, paid in cash. The Company will make the Deemed Consent Payment in respect of Existing Notes validly tendered and accepted for exchange even if the Company does not obtain the Requisite Consents or otherwise terminates the Consent Solicitation; and
- a cash payment (the “Accrued Interest Cash Payment”) equal to the accrued and unpaid interest on the Existing Notes tendered and accepted for exchange from January 30, 2018, the last applicable interest payment date of the Existing Notes, up to but excluding the Settlement Date.

If we terminate the Exchange Offer for failure to satisfy the applicable Minimum Notes Condition, we will nonetheless retain the Deemed Consents of Eligible Holders who have validly tendered Existing Notes and will count such Deemed Consents toward the Requisite Consents for the purposes of the Consent Solicitation. In this case, such Eligible Holders will receive the Deemed Consent Payment upon the settlement of the Consent Solicitation, but will not receive any other part of the Exchange Consideration.

If we terminate the Exchange Offer for any other reason, the Deemed Consents of Eligible Holders who have validly tendered Existing Notes will lapse and be deemed revoked. In this case, such Eligible Holders will receive no Exchange Consideration at all and the Company will no longer be able to settle the Consent Solicitation owing to failure to satisfy the non-waivable Exchange Consummation Condition.

No other Holders will be entitled to receive the Exchange Consideration.

### ***Conditions to the Exchange Offer***

Notwithstanding any other provisions of the Exchange Offer, or any extension of the Exchange Offer, and without limiting our right to otherwise extend, terminate or amend the Exchange Offer in our sole discretion and at any time, we will not be required to accept for exchange or to exchange any Existing Notes validly tendered (and not validly withdrawn) or to deliver any Exchange Consideration if any of the following conditions precedent, which we refer to as the “exchange offer conditions”, is not satisfied or waived by us prior to our acceptance for exchange of Existing Notes validly tendered in the Exchange Offer (and not validly withdrawn):

- (1) with respect to the exchange of Existing Dollar Notes, the aggregate principal amount of New Notes to be issued by us on the Settlement Date (including Dollar Exchange Notes issuable in exchange for Existing Dollar Notes tendered in the Exchange Offer and New Money Dollar Notes to be issued pursuant to the Concurrent New Money Issuance, if any) being no less than \$350,000,000 (the “Dollar Notes Minimum Notes Condition”);
- (2) with respect to the exchange of Existing Euro Notes, the aggregate principal amount of New Notes to be issued by the Company on the Settlement Date (including Euro Exchange Notes issuable in

- exchange for Existing Euro Notes tendered in the Exchange Offer and New Money Euro Notes to be issued pursuant to the Concurrent New Money Issuance, if any) being no less than €350,000,000 (the “Euro Notes Minimum Notes Condition” and, together with the Dollar Notes Minimum Notes Condition, the “Minimum Notes Condition”);
- (3) no action or event shall have occurred or been threatened (including a default under any agreement or obligation to which we or any of our affiliates is a party or by which we or any of our affiliates is bound), nor shall any action, proceeding, claim or investigation (whether formal or informal) be pending or have been taken or threatened, nor shall any statute, rule, regulation, judgment, order, stay, decree or injunction have been proposed, promulgated, enacted, entered, enforced or deemed to be applicable to the Exchange Offer or the exchange of Existing Notes under the Exchange Offer by or before any court or governmental, regulatory or administrative agency or instrumentality, domestic or foreign, authority or tribunal, or by any other person, domestic or foreign, that either:
    - (a) challenges the Exchange Offer or might, directly or indirectly, prohibit, prevent, restrict or delay consummation of, or might otherwise adversely affect in any material manner, the Exchange Offer; or
    - (b) in our reasonable judgment, could materially affect the business, operations, condition (financial or otherwise) or prospects of the Company and our affiliates and subsidiaries, taken as a whole, or materially impair the contemplated benefits to us of the Exchange Offer or the exchange of Existing Notes under the Exchange Offer or might be material to Holders in deciding whether to accept the Exchange Offer;
  - (4) there shall not have occurred or be likely to occur any event affecting the business, operations, condition (financial or otherwise) or prospects of the Company, our affiliates or subsidiaries that, in our sole judgment, either (i) is, or is reasonably likely to be, materially adverse to the business, operations, condition (financial or otherwise) or prospects of the Company, our affiliates and subsidiaries, or (ii) would or might prohibit, prevent, restrict or delay consummation of the Exchange Offer;
  - (5) none of the following has occurred:
    - (a) trading generally shall have been suspended or materially limited on the Tokyo Stock Exchange, the New York Stock Exchange, the Nasdaq Global Market, The Hong Kong Stock Exchange, the London Stock Exchange, or the SGX-ST;
    - (b) trading of any securities issued or guaranteed by any of the Company or the Initial Note Guarantor shall have been suspended on any exchange or in any over-the-counter market;
    - (c) a general moratorium on commercial banking activities shall have been declared by U.S. Federal or New York State authorities or by the competent governmental or regulatory authorities in Singapore, Hong Kong, United Kingdom or Japan;
    - (d) a material disruption in securities settlement with respect to Clearstream or Euroclear;
    - (e) any outbreak or escalation of hostilities involving the United States, the United Kingdom, Hong Kong, any member of the European Economic Area or Japan or any other calamity, crisis, or emergency or any change in the financial markets either within or outside the United States that, in our judgment, is material and adverse and makes it impracticable or inadvisable to proceed with the Exchange Offer on the terms and in the manner contemplated in this Exchange Offer Memorandum; or
    - (f) exchange controls shall have been imposed by the United States, United Kingdom any member of the European Economic Area, Hong Kong, Singapore or Japan;
  - (6) the Existing Notes Trustee shall not have objected in any respect to, nor have taken any action that could in our reasonable judgment adversely affect the consummation of, the Exchange Offer;
  - (7) approval in principle shall not have been received for the listing and quotation of the Exchange Notes on the SGX-ST;
  - (8) the Exchange Notes shall not be eligible for clearance and settlement through Euroclear and Clearstream; and
  - (9) there exists, in our sole judgment, any actual or threatened legal impediment to the acceptance for exchange of, or exchange of, the Existing Notes, or the consummation of the Exchange Offer.

These conditions precedent are for our benefit only and may be asserted or waived by us in our sole discretion (including any action or inaction by us giving rise to any such condition precedent in whole or in part at any time and from time to time in our sole discretion) without extending the Expiration Date, except as required by law. We have not made any decision as to what circumstances would lead us to waive any such condition precedent and any such waiver would depend on circumstances prevailing at the time of such waiver. We may additionally terminate the Exchange Offer if any of the exchange offer conditions described above are not satisfied at or prior to the Expiration Date. Any determination made by us concerning an event, development or circumstance described or referred to above will be conclusive and binding. Our failure at any time to exercise any of our rights will not be deemed a waiver of any other right, and each right will be deemed an ongoing right which may be asserted by us at any time and from time to time.

If the Supplemental Indenture is executed prior to the Expiration Date at a time when the Exchange Offer has not been terminated, all conditions precedent to the Exchange Offer other than the Minimum Notes Condition will be deemed irrevocably waived by us and we will be deemed to have foregone our right to terminate the Exchange Offer for any reason other than failure to satisfy the Minimum Notes Condition with respect to either the Existing Dollar Notes or the Existing Euro Notes.

If any of the exchange offer conditions are not satisfied, we may, at any time on or prior to the Settlement Date, subject to applicable law:

- terminate the Exchange Offer, return all tendered Existing Notes to participating Eligible Holders and consider all Deemed Consents delivered as part of such tenders as having been revoked; *provided* that, if we terminate the Exchange Offer for failure to satisfy the applicable Minimum Notes Condition, we will nonetheless retain the Deemed Consents of Eligible Holders who have validly tendered Existing Notes and will count such Deemed Consents toward the Requisite Consents for the purposes of the Consent Solicitation (in which case, such Eligible Holders will receive the Deemed Consent Payment upon the settlement of the Consent Solicitation, but will not receive any other part of the Exchange Consideration);
- modify, extend or otherwise amend the Exchange Offer and retain all tendered Existing Notes and the Deemed Consents delivered thereby until the Expiration Date; or
- waive any unsatisfied conditions precedent with respect to the Exchange Offer and accept all Existing Notes tendered.

#### ***Effect of decision to participate in the Exchange Offer***

Any tender by an Eligible Holder of Existing Notes (and our subsequent acceptance of such tender) will constitute a binding agreement between that Eligible Holder and the Company, upon the terms and subject to the conditions of the Exchange Offer and the Consent Solicitation described in this Exchange Offer Memorandum. The acceptance of the Exchange Offer and the Consent Solicitation by a tendering Eligible Holder will constitute the agreement by that Holder to the covenants and the making of the representations and warranties contained in the following section.

#### ***Representations, Warranties and Covenants of Eligible Holders Tendering Existing Notes***

Upon tender of the Existing Notes through a Clearing System in accordance with the procedures and requirement of the relevant Clearing System, and subject to the terms and conditions of the Exchange Offer generally, each Eligible Holder will be deemed to:

- (1) irrevocably sell, assign and transfer to or upon our order or the order of our nominee, all right, title and interest in and to, and any and all claims in respect of or arising or having arisen as a result of such holder's status as a holder of, all Existing Notes tendered thereby, such that thereafter it shall have no contractual or other rights or claims in law or in equity against the Company, the Initial Note Guarantor, the Existing Notes Trustee or any fiduciary, trustee, fiscal agent, security agent or other person connected with the Existing Notes arising under, from or in connection with such Existing Notes;
- (2) waive any and all rights with respect to the Existing Notes tendered thereby (including, without limitation, any existing or past defaults and their consequences in respect of such Existing Notes); and
- (3) release and discharge the Company, the Initial Note Guarantor, the Existing Notes Trustee or any fiduciary, trustee, fiscal agent, security agent or other person connected with the Existing Notes from any and all claims such holder may have (now or in the future), arising out of or relating to the

Existing Notes tendered thereby, including, without limitation, any claims that such holder is entitled to receive additional principal or interest payments with respect to the Existing Notes tendered thereby (other than as expressly provided in this Exchange Offer Memorandum) or to participate in any redemption or defeasance of the Existing Notes tendered thereby.

In addition, such Eligible Holder of Existing Notes will be deemed to represent, warrant and undertake that:

- (1) it has received and reviewed this Exchange Offer Memorandum and agrees to be bound by its terms and conditions;
- (2) it acknowledges and agrees that by tendering the Existing Notes for exchange, (i) it consents to the Proposed Amendments described and defined in this Exchange Offer Memorandum and all terms and conditions regarding the Consent Solicitation set forth herein, (ii) it authorizes, directs and requests the execution and delivery of the Supplemental Indenture to the Existing Notes Indenture by the relevant parties, including the Existing Notes Trustee, subject to the terms and conditions of this Exchange Offer Memorandum and (iii) that submission of a valid consent constitutes its written consent to the Proposed Amendments in respect of the Existing Notes in its account in the relevant Clearing System participant;
- (3) it is the beneficial owner (as defined below) of, or a duly authorized representative of one or more such beneficial owners of, the Existing Notes tendered thereby and it has full power and authority to provide the instruction through the relevant Clearing System and that its tender of Existing Notes is irrevocable and may not be withdrawn, except under certain limited circumstances described in “—Withdrawal of Tenders”;
- (4) it is, or in the event that such holder is acting on behalf of a beneficial owner of the Existing Notes tendered thereby, such holder has received a written certification from such beneficial owner (dated as of a specific date no earlier than the close of such beneficial owner’s most recent fiscal year) to the effect that such beneficial owner is a non-U.S. person located outside the United States or a dealer or other professional fiduciary organized, incorporated, or (if an individual) resident in the United States holding a discretionary account or similar account (other than an estate or trust) for the benefit or account of such non-U.S. persons, and is acquiring Exchange Notes in an offshore transaction in accordance with Regulation S;
- (5) the Existing Notes being tendered thereby were owned as of the date of tender, free and clear of any liens, charges, claims, encumbrances, interests and restrictions of any kind, and we will acquire good, indefeasible and unencumbered title to such Existing Notes, free and clear of all liens charges, claims, encumbrances, interests and restrictions of any kind, when we accept the same;
- (6) it will not sell, pledge, hypothecate or otherwise encumber or transfer any Existing Notes tendered thereby and agrees that any purported sale, pledge, hypothecation or other encumbrance or transfer will be void and of no effect;
- (7) in evaluating the Exchange Offer and the Consent Solicitation and in making its decision whether to participate therein by tendering its Existing Notes, such holder has made its own independent evaluation of the matters referred to herein and in any related communications and is not relying on any statement, representation or warranty, express or implied, made to such holder by the Company, the Initial Note Guarantor, the Dealer Managers or the Information Agent than those contained in or incorporated by reference into this Exchange Offer Memorandum (as amended or supplemented to the Expiration Date);
- (8) it is not a Sanctioned Person, it is not acting on behalf, or for the benefit of a Sanctioned person, and it will not use, directly or indirectly, the Exchange Consideration or Consent Fee received by it for the purpose of financing or making funds available directly or indirectly to or for the benefit of a Sanctioned Person;

“Sanctioned Person” means an individual or entity (a “Person”) (i) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (a) the most current “Specially Designated Nationals and Blocked Persons” list (which as of the date hereof can be found at: <https://www.treasury.gov/ofac/downloads/sdnlist.pdf>) or (b) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: <https://www.treasury.gov/ofac/downloads/fse/fselist.pdf>) or (c) the most current “Consolidated list of persons, groups and entities subject to EU financial sanctions” (which as of the date hereof can be found at: [http://eeas.europa.eu/cfsp/sanctions/consol-list/index\\_en.htm](http://eeas.europa.eu/cfsp/sanctions/consol-list/index_en.htm));

- (9) it (i) is able to act on its own behalf for itself in the transactions contemplated by the Exchange Offer Memorandum, (ii) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its prospective investment in the Exchange Notes, and (iii) (or the account for which it is acting) has the ability to bear the economic risks of its prospective investment in the Exchange Notes and can afford the complete loss of such investment;
- (10) it acknowledges that (i) none of the Company, the Initial Note Guarantor, the Information Agent or the Dealer Managers, or any person acting on behalf of any of the foregoing, has made any statement, representation or warranty, express or implied, to it with respect to the Company, the Initial Note Guarantor or the offer or sale of any Exchange Notes, other than the information included in the Exchange Offer Memorandum (as supplemented to the Expiration Date), and (ii) any information it desires concerning the Company, the Initial Note Guarantor and the New Notes or any other matter relevant to its decision to exchange for the Existing Notes (including a copy of the Exchange Offer Memorandum) is or has been made available to it;
- (11) the delivery of tenders through the procedures of the relevant Clearing System shall constitute (subject to the terms and conditions of the Exchange Offer generally) the appointment of Information Agent or, in respect of the delivery of a consent in respect of the Consent Solicitation, the Information Agent, as its attorney and agent, and an instruction to such attorney and agent (such appointment and instruction to be irrevocable) to complete and execute all or any form(s) of transfer and other document(s) at the discretion of such attorney and agent in relation to the Existing Notes tendered thereby in favor of the Company or such other person or persons as the Company may direct, and to deliver such form(s) of transfer and other document(s) in the attorney's and agent's discretion and/or the certificate(s) and other documents of title relating to such Existing Notes' registration and to execute all such other documents and to do all such other acts and things as may be in the opinion of such attorney or agent necessary or expedient for the purpose of, or in connection with, the acceptance of the Exchange Offer and the Consent Solicitation, and to vest in the Company or its nominees such Existing Notes;
- (12) the Holder does hereby release and forever discharge the Existing Notes Trustee, the Dealer Managers, their respective employees, officers, directors, affiliates, and agents, predecessors and successors, of and from any and all manner of actions, causes of actions, suits, debts, dues, accounts, bonds, covenants, contracts, agreements, judgments, claims and demands whatsoever in law or in equity arising from and relating to the execution of the Supplemental Indenture to give effect to the Proposed Amendments and any transactions contemplated in connection with the Consent Solicitation;
- (13) that the terms and conditions of the Exchange Offer and Consent Solicitation shall be deemed to be incorporated in, and form a part of, the Tender Instruction, which shall be read and construed accordingly;
- (14) it is not a person to whom it is unlawful to make an invitation under the Exchange Offer and the Consent Solicitation under applicable laws;
- (15) it has observed the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control or other required consents, complied with all requisite formalities and paid any issue, transfer or other taxes or requisite payments due from it in each respect in connection with any offer or acceptance in any jurisdiction, and it has not taken or omitted to take any action in breach of the terms of the Exchange Offer and the Consent Solicitation or which will or may result in the Company or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Exchange Offer or the tender of Existing Notes and the Consent Solicitation or delivery of Deemed Consents in connection therewith;
- (16) except as set forth herein, no information has been provided to it by the Company, the Initial Note Guarantor, the Dealer Managers or the Information Agent with regard to the tax consequences to holders of Existing Notes arising from the Exchange Offer and the Consent Solicitation, and you hereby acknowledge that it is solely liable for any taxes and similar or related payments imposed on you under the laws of any applicable jurisdiction as a result of its participation in the Exchange Offer and the Consent Solicitation and it will not and does not have any right of recourse (whether by way of reimbursement, indemnity or otherwise) against the Company, the Initial Note Guarantor, the Dealer Managers or the Information Agent or any other person in respect of such taxes and payments; and
- (17) it is not acting on behalf of any person who could not truthfully make the foregoing representations, warranties and undertakings or those set forth in the Tender Instruction.



Such Eligible Holder of Existing Notes will be deemed to further represent, warrant and undertake that:

- (1) it is not a person who is one (or more) of: (A) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (B) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (C) not a qualified investor as defined in the Prospectus Directive, in each case, in the European Economic Area;
- (2) it is not resident and/or located in any Member State of the European Economic Area which has implemented provisions of the Prospectus Directive (a “Relevant Member State”) or, if it is resident and/or located in a Relevant Member State, it is a “Qualified Investor” as defined in Article 2.1 (e) of the Prospectus Directive;
- (3) it is not located in the Kingdom of Bahrain or, if it is located in the Kingdom of Bahrain, it is an “accredited investor”, as such term is defined by the CBB;
- (4) it is not located in Hong Kong or, if it is located in Hong Kong, it is a “professional investor” within the meaning as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any rules made thereunder;
- (5) it is not located in Italy or, if it is located in Italy, it is a person to whom the Exchange Offer Memorandum may lawfully be communicated under an express exemption to restrictions on offers to the public under Article 100 of the Financial Services Act and Article 34-ter of CONSOB Regulation No. 11971 of May 14, 1999;
- (6) it is not located in France or, if it is located in France, it is a qualified investor (*investisseurs qualifiés*) acting for its own account and/or a provider of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d’investissement de gestion de portefeuille pour le compte de tiers*), all as defined in and in accordance with Articles L. 411 1, L. 411 2, D. 411 1, D. 744 1, D. 754 1 and D. 764 1 of the French Code *monétaire et financier* and applicable regulations thereunder;
- (7) it is not located or resident in Belgium or, if it is located or resident in Belgium, it is (i) a “qualified investor” within the meaning of Article 10 of the Belgian Act of June 16, 2006 on the public offering of investment instruments and the admission of investment instruments to trading on a regulated market or (ii) a person qualifying as a consumer (*consument/consommateur*) within the meaning of Book VI of the Belgian Code of Economic Law (*Wetboek economisch recht/Code de droit économique*) of February 28, 2013, as amended from time to time;
- (8) it is not located in Norway or, if it is located in Norway, it is being offered or sold the New Notes and the related Note Guarantees in compliance with Chapter 7 of the Norwegian Securities Trading Act 2007 and secondary regulations issued pursuant thereto;
- (9) it is not located in the Kingdom of Saudi Arabia or, if it is located in the Kingdom of Saudi Arabia, it is a person to whom the Exchange Offer Memorandum may lawfully be communicated under the Offers of Securities Regulations issued by the Capital Market Authority;
- (10) it is not either (i) a beneficial owner that is, for Japanese tax purposes, either an individual resident of Japan or Japanese corporation, or an individual non-resident of Japan or non-Japanese corporation that in either case is specially related persons of the Company as described in Article 6, Paragraph (4) of the Special Taxation Measures Act; or (ii) a resident in Japan for Japanese securities law purposes, including a natural person having his/her place of domicile or residence in Japan, a legal person having its main office in Japan or any branch, agency or other office in Japan of a non-resident (irrespective of whether it is legally authorized to represent its principal or not and even if its main office is located in a country other than Japan);
- (11) it is not located in Singapore or, if it is located in Singapore, it is being offered or sold the New Notes and related Note Guarantees, or is being made the subject of an invitation for subscription or purchase, whether directly or indirectly, (i) as an institutional investor under Section 274 of the Securities and Futures Act, (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 Securities and Futures Act or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act;
- (12) it acknowledges and agrees that (i) this Exchange Offer Memorandum and any other offering or marketing document relating to the New Notes does not constitute a prospectus as such term is

- understood pursuant to article 652a of the Swiss Federal Code of Obligations, and (ii) the New Notes and the related Note Guarantees may only be distributed or otherwise be made available in or from Switzerland on a private placement basis only;
- (13) it agrees and undertakes not to (i) publicly distribute (or otherwise make publicly available) this Exchange Offer Memorandum or any other offering or marketing document relating to the New Notes and the related Note Guarantees in or from Switzerland, or (ii) publicly offer, sell or advertise the New Notes and the related Note Guarantees, directly or indirectly, in or from Switzerland;
  - (14) it is not located in the United Kingdom or, if it is located in the United Kingdom, it is (i) a person falling within the definition of investment professionals (as defined in Article 19(5) of the Order), (ii) a high net worth company or other person to whom this Exchange Offer Memorandum may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order or (iii) a person falling within Article 43 of the Order, or to whom this Exchange Offer Memorandum may lawfully be communicated in accordance with the Order;
  - (15) it is not located in Qatar or, if it is located in Qatar, it acknowledges and understands that offering of the New Notes and the related Note Guarantees, does not and is not intended to constitute an offer, sale or delivery of bonds or other debt-financing instruments under the laws of the State of Qatar and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority or the Qatar Central Bank. Further, you acknowledge that the New Notes are not and will not be traded on the Qatar Exchange;
  - (16) it is not located in Australia, or if it is located in Australia, it is (i) a “wholesale client” only and not a “retail client”, each defined within the meaning of section 761G of the Australian Corporations Act and acknowledges that with respect to the offer or sale of the New Notes and related Note Guarantees (A) the aggregate consideration payable by each offeree or invitee for the New Notes is required to be at least AU\$500,000 (or its equivalent in other currencies) (disregarding moneys lent by the Company or its associates); (B) it otherwise does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Australian Corporations Act; (C) it complies with all applicable laws, regulations or directives in Australia and (D) it does not require any document to be lodged with ASIC or any other regulatory authority in Australia;
  - (17) it is not resident in Canada, provided that a discretionary account held for the benefit or account of a person or company resident in Canada by an investment manager or similar fiduciary outside Canada is not a resident in Canada for this purpose;
  - (18) it understands that the New Notes and the related Note Guarantees have not been and will not be registered under the Securities Act or any state securities laws in the United States. It understands that subject to certain exceptions, the New Notes and the related Note Guarantees may not be offered or sold within the United States or to any national, resident or citizen of the United States;
  - (19) it (i) is not a U.S. person, (ii) is not located or resident in the United States and (iii) is offering to exchange the Existing Notes from outside the United States, except as a dealer or other professional fiduciary acting only on a discretionary basis for the benefit or account of non-U.S. persons located outside the United States, in each case, in offshore transactions conducted in accordance with Regulation S; and
  - (20) it understands and acknowledges the criteria for which Eligible Offerees are determined in this Exchange Offer Memorandum and agrees that it meets such criteria to participate in the Exchange Offer and related Consent Solicitation.

Each direct participant in Euroclear or Clearstream, by tendering their Existing Notes, will be deemed to have given authority to the relevant Clearing System to provide details concerning such direct participant’s identity to the Information Agent.

Each Eligible Holder of Existing Notes that executes tenders pursuant to the procedures of the relevant Clearing System will also be deemed to represent, warrant and agree as set forth under “Appendix A—Preliminary Offering Memorandum regarding the New Notes—Notice to Investors.”

The representations and warranties and agreements of an Eligible Holder tendering Existing Notes shall be deemed to be repeated and reconfirmed on and as of the Expiration Date and the Settlement Date. For the purposes of this Exchange Offer Memorandum, the “beneficial owner” of any Existing Notes shall mean any Holder that exercises sole investment discretion with respect to such Existing Notes.

### ***Procedures for Tendering Existing Notes***

To participate in the Exchange Offer, an Eligible Holder must validly tender its Existing Notes for exchange pursuant to the Exchange Offer prior to the Expiration Date pursuant to the procedures described herein. It is the Eligible Holder's responsibility to properly tender its Existing Notes. We have the right to waive any defects. However, we are not required to waive defects and are not required to notify any Eligible Holder of defects in its tender.

If you are an Eligible Holder holding the Existing Notes through Euroclear and Clearstream or through fiduciary holding accounts and you wish to participate in the Exchange Offer, you must tender your Existing Notes pursuant to the procedures described herein by way of an electronic instruction, which must be submitted or delivered through the relevant Clearing System by each Eligible Holder of the Existing Notes who is shown in the records of such Clearing System as a Holder of an interest in the Existing Notes, authorizing delivery of your tender to exchange the Existing Notes that are the subject of such electronic instruction (the "Tender Instruction").

Only direct participants in Euroclear or Clearstream may submit Tender Instructions. If you are not a direct participant in Euroclear or Clearstream, you must contact your broker, dealer, bank, custodian, trust company or other nominee to arrange for its direct participant through which you hold Existing Notes to submit a Tender Instruction on your behalf to the relevant Clearing System prior to the deadline specified by the relevant Clearing System.

Eligible Holders are advised to check with any broker, dealer, bank, custodian, trust company or other nominee or other intermediary through which they hold Existing Notes whether such intermediary needs to receive instructions from an Eligible Holder before the deadlines specified in this Exchange Offer Memorandum in order for that Eligible Holder to be able to participate in, or withdraw Tender Instruction to participate in, the Exchange Offer and Consent Solicitation before the deadlines specified in this Exchange Offer Memorandum. The deadlines set by each Clearing System for the submission and withdrawal of Tender Instructions will be earlier than the relevant deadlines specified in this Exchange Offer Memorandum.

Any Eligible Holder that gives Tender Instructions on behalf of a beneficial holder must give separate Tender Instructions with respect to each of its beneficial holders. Eligible Holders who intend to make different elections with respect to portions of their or their beneficial holder's holding of Existing Notes must deliver separate Tender Instructions with respect to each such portion.

Any Tender Instruction must be given with respect to Existing Dollar Notes in a minimum principal amount of \$200,000 or integral multiples of \$1,000 in excess thereof. Any Tender Instruction must be given with respect to Existing Euro Notes in a minimum principal amount of €100,000 or integral multiples of €1,000 in excess thereof.

Upon giving Tender Instructions with respect to any Existing Notes, those Existing Notes will be blocked and may not be transferred until such Instructions are validly withdrawn or the Exchange Offer is modified or terminated so as to result in a cancellation of such Instructions.

Each Tender Instruction, by which Eligible Holders are to effect the tender of their Existing Notes and thereby deliver Deemed Consents with respect to such Existing Notes, should include (a) the name of the direct participant in Euroclear or Clearstream and the securities account number for the Euroclear or Clearstream in which the tendered Existing Notes are held, as the case may be, (b) the aggregate principal amount of Existing Notes which the Eligible Holder wishes to tender and thereby deliver Deemed Consents with respect to, (c) an authorization of Euroclear or Clearstream, as the case may be, to block the Existing Notes properly tendered so that no transfers may be effected in relation to such Existing Notes at any time from and including the date on which such Eligible Holder submits its Tender Instruction until the earlier of the termination or withdrawal of the Exchange Offer and the settlement of the Exchange Offer on the Settlement Date, all in accordance with the normal procedures of Euroclear or Clearstream and after taking into account the deadlines imposed by Euroclear or Clearstream, as the case may be, and (e) the Existing Notes (including international securities identification number ("ISIN") to which the Tender Instruction refers.

The tendering of Existing Notes, and delivery thereby of the Deemed Consents with respect to such Existing Notes, in the Exchange Offer will be deemed to have occurred upon receipt by the Information Agent from Euroclear or Clearstream of a valid Tender Instruction submitted in accordance with the requirements of Euroclear or Clearstream, as the case may be. The receipt of such Tender Instruction by Euroclear or Clearstream may be acknowledged in accordance with the standard practices of Euroclear or Clearstream, as the case may be.

### *No Letter of Transmittal or Consent for Existing Notes*

No letter of transmittal or consent need be executed in relation to this Exchange Offer and Consent Solicitation with respect to Existing Notes.

### ***Withdrawal of Tenders***

All Exchange Offer Instructions will be irrevocable except under certain limited circumstances described below. Tenders of Existing Notes in the Exchange Offer may not be withdrawn, and the Deemed Consents in connection with such tenders may not be revoked, except under certain limited circumstances below.

We will grant withdrawal rights to Eligible Holders who have validly tendered their Existing Notes in the Exchange Offer only to the extent (i) required by applicable law or (ii) that any amendments to the terms of the Exchange Offer are materially prejudicial to Eligible Holders in our opinion (following consultation with the Dealer Managers). We will not grant withdrawal rights in the event that we, among other things, (a) extend the Expiration Date of the Exchange Offer with respect to all or some of the Existing Notes, (b) terminate all or any part of the Exchange Offer or the Consent Solicitation, (c) waive any conditions precedent to the Exchange Offer, (d) waive any conditions precedent to the Consent Solicitation, other than the non-waivable Exchange Consummation Condition, or (e) make any other change to the terms of the Exchange Offer or the Consent Solicitation set out in this Exchange Offer Memorandum which are not materially prejudicial to Eligible Holders or Holders, as applicable, in our opinion after consultation with the Dealer Managers.

The valid withdrawal of tendered Existing Notes from the Exchange Offer will be deemed valid revocation of the related Deemed Consents. Eligible Holders may not validly revoke Deemed Consents unless such they validly withdraw their previously tendered Existing Notes.

Eligible Holders may not validly revoke Deemed Consents unless such Holders validly withdraw such Holders' previously tendered Existing Notes. The valid withdrawal of Eligible Holders' tenders of Existing Notes will constitute the concurrent valid revocation of such Holders' Deemed Consents. As result, Eligible Holders who validly withdraw previously tendered Existing Notes will not receive any part of the Exchange Consideration Any withdrawal of previously tendered Existing Notes otherwise than in accordance with the provisions described below will not constitute valid revocation of such Eligible Holders' Deemed Consents.

We will announce the availability of withdrawal rights to Eligible Holders who have submitted Tender Instructions (a) by posting a press release on our website, (b) through publication of a notice on Bloomberg, (c) via SGXNET and/or (d) by the delivery of notices to the Clearing Systems for communication to direct participants, no later than 9:00 a.m., London time, on the first business day after our decision to grant withdrawal rights. In such announcement, we will specify the deadline by which valid withdrawal instructions must be received, which we will determine in our discretion and expect to be 4:00 p.m., London time, on the business day following the date of such announcement.

To be effective, a Tender Instruction validly submitted may only be withdrawn by an Eligible Holder, or the relevant direct participant of the relevant Clearing System on its behalf, by submitting a valid electronic withdrawal instruction in accordance with the requirements of the relevant Clearing System. To be valid, such instruction must specify the Existing Notes to which the original Tender Instruction related, the securities account to which such Existing Notes are credited and any other information required by the relevant Clearing System. A withdrawal of previously properly tendered Existing Notes and a revocation of related Deemed Consents can be accomplished only in accordance with the foregoing procedures. We reserve the right, which may be waived, to reject the defective withdrawal of Existing Notes and revocation of related Deemed Consents as invalid and ineffective.

If an Eligible Holder withdraws tendered Existing Notes, such Eligible Holder may re-tender Existing Notes or deliver Consents pursuant to the Consent Solicitation at or prior to the Expiration Time in accordance with the procedures described above for tendering Existing Notes or below for delivering Consents pursuant to the Consent Solicitation.

### ***Acceptance of Existing Notes***

Subject to the terms and conditions of the Exchange Offer, and assuming we do not otherwise terminate the Exchange Offer, we will accept validly tendered Existing Notes on or prior to the Expiration Date will accept for exchange as soon as practicable after the Expiration Date (and in any event prior to the Settlement Date), any and all of the Existing Notes validly tendered in the Exchange Offer and not validly withdrawn, by notifying the Exchange Agent of our acceptance. We will give such notice in writing.

If any tendered Existing Notes are not accepted for any reason described in the terms and conditions of the Exchange Offer, such rejected Existing Notes will be returned to the tendering Holder at our expense



promptly after the expiration or termination of the Exchange Offer. Under no circumstances will we be required to accept Existing Notes for exchange that have not been validly tendered on or prior to the Expiration Date in accordance with the procedures set forth in this Exchange Offer Memorandum. We reserve the absolute right to reject any and all tenders of Existing Notes and deliveries of related consents not in proper form or any Existing Notes the acceptance for exchange of which may, in the opinion of counsel, be unlawful. See “—Procedures for Tendering Existing Notes.”

Subject to the terms and conditions of the Exchange Offer and the Consent Solicitation, and assuming that the Exchange Offer or Consent Solicitation are not otherwise terminated by us, on the Settlement Date Eligible Holders of Existing Notes validly tendered in accordance with the procedures set forth in this Exchange Offer Memorandum prior to the Expiration Date that are accepted by us will receive the Exchange Consideration.

Exchange Notes issued in exchange for Existing Notes in the Exchange Offer will be delivered in book-entry form through the Clearing Systems. The Deemed Consent Payment, the Accrued Interest Cash Payment and the Fractional Note Cash Payment will be made by deposit of funds with the Clearing Systems. Depositing funds with the Clearing Systems will fulfil our obligation. Any delay from the Clearing Systems in crediting these amounts to Eligible Holders will not result in Eligible Holders being eligible for any additional amounts. The Clearing Systems will credit on their respective book-entry registration and transfer systems the relevant participants’ accounts with the interest in the Exchange Notes beneficially owned by such participant on behalf of the tendering Eligible Holders. The Clearing Systems will transmit the cash payments to Eligible Holders.

Holders of the Existing Notes who do not tender their Existing Notes for exchange but provide a valid consent prior to the Expiration Date in accordance with the procedures set forth in this Exchange Offer Memorandum will receive the Consent Fee on the Settlement Date.

#### ***No Guaranteed Delivery***

There are no guaranteed delivery procedures provided by us or any other entity making payments on behalf of the Company in connection with the Exchange Offer and the Consent Solicitation. Eligible Holders must tender their Existing Notes in accordance with the procedures set forth herein.

#### **Additional Terms of the Consent Solicitation**

##### ***Eligibility for Participation in the Consent Solicitation***

Any Holder is eligible to participate in the Consent Solicitation with respect to Existing Notes that such Holder has not tendered in the Exchange Offer.

Both Eligible Holders who choose not to participate in the Exchange Offer and Non-eligible Holders are eligible to participate in the Consent Solicitation and receive the applicable Consent Fee by providing their Consents with respect to Existing Notes held by them without tendering such Existing Notes for exchange.

##### ***Consent Fee***

Holders of the Existing Dollar Notes who (i) validly tender Existing Dollar Notes in the Exchange Offer, and are thereby deemed to have delivered a Deemed Consent, or (ii) validly deliver a Consent in the Consent Solicitation, in each case, prior to the Expiration Date, will receive, as consideration for providing such Consent, \$10 (the “Dollar Consent Fee”) for each \$1,000 in principal amount of outstanding Existing Dollar Notes tendered in the Exchange Offer or for which a Consent is delivered by such Holder.

Holders of the Existing Euro Notes who (i) validly tender Existing Euro Notes in the Exchange Offer, and thereby deliver a Deemed Consent, or (ii) validly deliver a Consent in the Consent Solicitation, in each case, prior to the Expiration Date, will receive, as consideration for providing such Consent, €10 (the “Euro Consent Fee”, and, together with the Dollar Consent Fee, the “Consent Fee”) for each €1,000 in principal amount of outstanding Existing Euro Notes tendered in the Exchange Offer or for which a Consent is delivered by such Holder.

The Company will pay the Deemed Consent Payment in respect of Existing Notes validly tendered and accepted for exchange even if the Company does not obtain the Requisite Consents or otherwise terminates the Consent Solicitation.

The Consent Fees (including any Deemed Consent Payment) will be paid on the Settlement Date by deposit of funds with the Clearing Systems. Depositing funds with the Clearing Systems will fulfil our obligation. Any delay from the Clearing Systems in crediting these amounts to Holders will not result in Holders being eligible for any additional amounts. The Clearing Systems will credit on their respective book-entry



registration and transfer systems the relevant participants' accounts with the interest in the Exchange Notes beneficially owned by such participant on behalf of the tendering Holders. The Clearing Systems will transmit the cash payments to Holders.

Your right to receive the Consent Fee described above is subject to all the conditions precedent set forth in this Exchange Offer Memorandum. For details of such conditions, see “—Conditions to the Consent Solicitation.”

### ***Conditions to the Consent Solicitation***

The settlement of the Consent Solicitation is conditioned on the satisfaction or waiver by us, to the extent permitted, of the following conditions precedent, which we refer to as the “consent solicitation conditions”:

- (1) our receipt of valid consents from Holders of at least a majority in aggregate principal amount of Existing Notes, voting as a single class, which is the consent required to effect the Proposed Amendments to the Existing Notes Indenture (the “Requisite Consents”). For the purposes of determining whether the Holders of the requisite principal amount of Existing Notes have consented to the Proposed Amendments, the principal amount of Existing Euro Notes shall be deemed to be the Dollar Equivalent of such principal amount of the Existing Euro Notes, calculated at a spot rate for the purchase of U.S. dollars with euro as published by Bloomberg two business days prior to the Consent Effective Time;
- (2) the consummation of the Exchange Offer (the “Exchange Consummation Condition”), unless we terminate the Exchange Offer with respect to the Existing Dollar Notes and/or the Existing Euro Notes due to failure to satisfy the applicable Minimum Notes Condition to the Exchange Offer, in which case the Exchange Consummation Condition will not apply;
- (3) no action or event shall have occurred or been threatened (including a default under any agreement or obligation to which we or any of our affiliates is a party or by which we or any of our affiliates is bound), nor shall any action, proceeding, claim or investigation (whether formal or informal) be pending or have been taken or threatened, nor shall any statute, rule, regulation, judgment, order, stay, decree or injunction have been proposed, promulgated, enacted, entered, enforced or deemed to be applicable to the Consent Solicitation, the Proposed Amendments or the execution of the Supplemental Indenture by or before any court or governmental, regulatory or administrative agency or instrumentality, domestic or foreign, authority or tribunal, or by any other person, domestic or foreign, that either:
  - (a) challenges the Consent Solicitation, the Proposed Amendments or the execution of the Supplemental Indenture or might, directly or indirectly, prohibit, prevent, restrict or delay consummation of, or might otherwise adversely affect in any material manner, the Consent Solicitation, the Proposed Amendments or the execution of the Supplemental Indenture; or
  - (b) in our reasonable judgment, could materially affect the business, operations, condition (financial or otherwise) or prospects of the Company and our affiliates and subsidiaries, taken as a whole, or materially impair the contemplated benefits to us of the Consent Solicitation, the Proposed Amendments or the execution of the Supplemental Indenture or might be material to Holders in deciding whether to deliver their Consents pursuant to the Consent Solicitation;
- (4) the Existing Notes Trustee shall have executed and delivered the Supplemental Indenture relating to the Proposed Amendments;
- (5) the Existing Notes Trustee shall not have objected in any respect to, nor have taken any action that could in our reasonable judgment adversely affect, the consummation of the Consent Solicitation the operation of the Proposed Amendments or the execution of the Supplemental Indenture, nor shall the Existing Notes Trustee have taken any action that challenges the validity or effectiveness of the procedures used by us in soliciting Consents (including the form thereof) or in making the Consent Solicitation; and
- (6) there exists, in our sole judgment, any actual or threatened legal impediment to the Consent Solicitation, the Proposed Amendments or the execution of the Supplemental Indenture.

These conditions precedent are for our benefit only and may be asserted or waived by us in our sole discretion (including any action or inaction by us giving rise to any such condition precedent in whole or in part at any time and from time to time in our sole discretion) without extending the Expiration Date, except as

required by law and except for the Exchange Consummation Condition, which we cannot waive. We have not made any decision as to what circumstances would lead us to waive any such condition precedent and any such waiver would depend on circumstances prevailing at the time of such waiver. We may additionally terminate the Consent Solicitation if any of the consent solicitation conditions described above are not satisfied at or prior to the Expiration Date. Any determination made by us concerning an event, development or circumstance described or referred to above will be conclusive and binding. Our failure at any time to exercise any of our rights will not be deemed a waiver of any other right, and each right will be deemed an ongoing right which may be asserted by us at any time and from time to time.

If any of the consent solicitation conditions are not satisfied, we may, at any time on or prior to the date on which the Supplemental Indenture is operative:

- terminate the Consent Solicitation, in which case the delivered Consents will be of no further force or effect; or
- waive the unsatisfied conditions with respect to the Consent Solicitation, except for the non-waivable Exchange Consummation Condition, in which case the Supplemental Indenture setting forth the Proposed Amendments to the Existing Notes Indenture will be executed on the Consent Effective Time and become operative on the Settlement Date.

In the event that the Required Consents are not obtained prior to the Expiration Date, any other condition set forth in this Exchange Offer Memorandum is not satisfied and/or waived, or the Consent Solicitation is terminated, none of the Proposed Amendments will become operative and no Consent Fee will be paid to Holders of such Notes. However, if we terminate the Consent Solicitation but consummate the Exchange Offer, the Exchange Consideration received by tendering Eligible Holders in the Exchange Offer will not be reduced or otherwise affected.

It is expected that the Supplemental Indenture will be executed by us, the Initial Note Guarantor and the Existing Notes Trustee promptly following receipt of the Requisite Consents and on or prior to the Expiration Date. The Proposed Amendments will become operative with respect to the Existing Notes Indenture upon payment in full of the Consent Fee (including any Deemed Consent Payment) in accordance with the terms of the Consent Solicitation. The Proposed Amendments will become operative with respect to Existing Notes validly tendered and accepted for exchange immediately prior to the settlement in full of the Exchange Offer.

***Representations, warranties and covenants of Holders providing a consent only***

By submitting a valid Consent or a valid tender of Existing Notes in the Exchange Offer through the procedures of the relevant Clearing System, and subject to the terms and conditions of the Consent Solicitation generally, each Holder will be deemed to represent, warrant and undertake that:

- (1) the Holder of the Existing Notes has received, reviewed, understood and accepted the terms of this Exchange Offer Memorandum;
- (2) the Existing Notes are, at the time of acceptance, and will continue to be, held by it at the relevant Clearing System participant, until the completion or termination of the Consent Solicitation;
- (3) the consenting or tendering Holder of the Existing Notes acknowledges that it consents to the Proposed Amendments as described in this Exchange Offer Memorandum and all terms and conditions set forth in this Exchange Offer Memorandum and authorizes, directs and requests the execution and delivery of the Supplemental Indenture to the Existing Notes Indenture by the relevant parties, including the Existing Notes Trustee, subject to the terms of this Exchange Offer Memorandum;
- (4) the Holder empowers, authorizes, and requests the Existing Notes Trustee to do all such other things as may be necessary or expedient to carry out and give effect to the Consent, the Deemed Consent or the Consent Solicitation Statement;
- (5) submission of a valid Consent or a valid tender of Existing Notes in the Exchange Offer pursuant to the procedures of the relevant Clearing System constitutes the consenting or tendering holder's written consent to the Proposed Amendments in respect of all of the Existing Notes in its account in the relevant Clearing System;
- (6) the consenting or tendering Holder of the Existing Notes acknowledges that all authority conferred or agreed to be conferred pursuant to these representations, warranties and undertakings and every obligation of the consenting or tendering holder of the Existing Notes and the Consents or Deemed Consents given by the consenting or tendering Holder of the Existing Notes shall be binding (to the

extent applicable in law) upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the consenting or tendering Holder of the Existing Notes and shall not be affected by, and shall survive, the death or incapacity of the consenting or tendering Holder of the Existing Notes;

- (7) the consenting or tendering Holder of the Existing Notes acknowledges that the consenting or tendering holder of the Existing Notes reviewed the offering restrictions set forth in this Exchange Offer Memorandum and that such consenting or tendering Holder of the Existing Notes' participation in the Consent Solicitation does not conflict with such restrictions;
- (8) no information has been provided to the holder of the Existing Notes by the Dealer Managers, the Information Agent or the Existing Notes Trustee with regard to the tax consequences to the holders of the Existing Notes arising from the receipt of the Consent Fee, and the Holder of the Existing Notes acknowledges that such Holder of the Existing Notes is solely liable for any taxes and similar or related payments imposed on the holder of the Existing Notes under the laws of any applicable jurisdiction as a result of its participation in the Consent Solicitation and agrees that the Holder of the Existing Notes will not and does not have any right of recourse (whether by way of reimbursements, indemnity or otherwise) against the Dealer Managers, the Information Agent or the Trustees or any other person in respect of such taxes and payments;
- (9) it is not a Sanctioned Person;
- (10) none of the Company, the Dealer Managers, the Information Agent or the Trustees has given the holder of the Existing Notes any information with respect to the Consent Solicitation save as expressly set forth in this Exchange Offer Memorandum, nor has any of them made any recommendation to it as to whether it should participate in the Consent Solicitation and the Holder of the Existing Notes has made its own decision with regard to participating in the Consent Solicitation based on any legal, tax or financial advice it has deemed necessary to seek;
- (11) the Holder does hereby release and forever discharge the Existing Notes Trustee, the Dealer Managers, their respective employees, officers, directors, affiliates, and agents, predecessors and successors, of and from any and all manner of actions, causes of actions, suits, debts, dues, accounts, bonds, covenants, contracts, agreements, judgments, claims and demands whatsoever in law or in equity arising from and relating to the execution of the Supplemental Indenture to give effect to the Proposed Amendments and any transactions contemplated in connection with the Consent Solicitation;
- (12) the Holder declares and acknowledges that the Existing Notes Trustee will not be held responsible for any liabilities or consequences arising as a result of acts taken by it or pursuant to the terms of the Consent, the Deemed Consent or the Consent Solicitation Statement and the Holder further declares that the Existing Notes Trustee has no responsibility for the terms of the Consent or the Consent Solicitation Statement nor the payment of any Consent Fee or Deemed Consent Payment; and
- (13) the Holder of the Existing Notes has not distributed or forwarded this Exchange Offer Memorandum or any other documents or materials relating to the Consent Solicitation to any person(s), and it has complied with all laws and regulations applicable to it for the purposes of its participation in the Consent Solicitation.

If the relevant Holder is unable to give the representations and warranties described above, such Holder of any of the Existing Notes should contact the Information Agent.

Each direct participant in Euroclear or Clearstream, by delivering the consents, will be deemed to have given authority to the relevant Clearing System to provide details concerning such direct participant's identity to the Information Agent.

### ***Procedures for Delivering Consent***

If you are a Holder (including Eligible Holders who do not elect to tender their Existing Notes in the Exchange Offer) and you wish to deliver consents pursuant to the Consent Solicitation, you must validly deliver a Consent Instruction on or prior to the Expiration Date and before the deadlines set by Euroclear and Clearstream (unless this Consent Solicitation is terminated earlier). Holders must indicate the aggregate principal amount of such Existing Notes to which the Consent relates. The Holder will receive the applicable Consent Fee for only that portion of such Existing Notes to which the Consent relates. Holders must also indicate (i) whether the Holder wishes to consent to the Proposed Amendments, and (ii) the name and securities account number for Euroclear or Clearstream in which the Existing Notes are held.

Notwithstanding that the Consents are delivered by each Holder by means of a Consent Instruction, each Holder thereby agrees that such Consent Instruction constitutes a written consent to the Proposed Amendments.

The receipt of such Consent Instruction by Euroclear or Clearstream may be acknowledged in accordance with the standard practices of Euroclear or Clearstream. For the avoidance of doubt, any such acknowledgement does not constitute an acceptance of the Consent by or on behalf of the Company. A Holder may consent by submitting a valid Instruction to the relevant Clearing System in accordance with the requirements of the relevant Clearing System.

The Consent by a Holder will, on acceptance of the Consent by the Company, constitute a binding agreement between such Holder and the Company in accordance with the terms, and subject to the conditions, set forth in this Exchange Offer Memorandum and in the Consent Instruction, as the case may be.

All Consents will be made on the basis of the terms set out in this Exchange Offer Memorandum and, once made in the manner described above, will be irrevocable and binding on the relevant Holder at or after the Consent Effective Time. Consents may only be made by submission of a valid Consent Instruction to the relevant Clearing System no later than the Expiration Date. The Consent Instruction must contain:

- the aggregate principal amount of the Existing Notes with respect to which the Holder wishes to deliver a Consent, such amount of Existing Notes, in order to be valid, being in minimum denominations of \$200,000 and multiples of \$1,000 in excess thereof or €100,000 and multiples of €1,000 in excess thereof, as applicable; and
- the name of the direct participant, the securities account number for Euroclear or Clearstream in which the Existing Notes are held.

All of this information in the Consent Instruction will be disclosed to us, the Solicitation Agents, the Existing Notes Trustee and the Information Agent.

Upon giving Consent Instructions with respect to any Existing Notes, those Existing Notes will be blocked and may not be transferred until such Consent Instructions are validly withdrawn or the Consent Solicitation is modified or terminated so as to result in a cancellation of such Consent Instructions.

#### *No Letter of Transmittal or Consent for Existing Notes*

No letter of transmittal or consent need be executed in relation to this Exchange Offer and Consent Solicitation with respect to Existing Notes.

#### ***Revocation of Consents***

Consents may be revoked by a Holder participating in the Consent Solicitation at any time prior to, but not after, the earlier of the Consent Effective Time and the Expiration Date.

Deemed Consents provided in connection with Existing Notes tendered in the Exchange Offer may not be withdrawn at any time, except under certain limited circumstances described in “Description of the Exchange Offer and the Consent Solicitation—Additional Terms of the Exchange Offer—Withdrawal of Tenders.”

#### ***No Guaranteed Delivery***

There are no guaranteed delivery procedures provided by us or any other entity making payments on behalf of the Company in connection with the in connection with the Consent Solicitation. Holders must deliver consents in accordance with the procedures set forth herein.

## DESCRIPTION OF THE PROPOSED AMENDMENTS

*The description of the terms of the Existing Notes Indenture and the Proposed Amendments set forth below is only a summary and is qualified in its entirety by reference to (i) the terms and conditions of the Existing Notes Indenture and the Existing Notes as currently in effect and (ii) the relevant terms of the Existing Notes as proposed to be amended by the Supplemental Indenture. Each Holder should carefully review this entire Exchange Offer Memorandum before providing a consent. Holders may obtain copies of the Existing Notes Indenture without charge from the Information Agent.*

Set forth below is a description of the Proposed Amendments. The Proposed Amendments will become effective upon receipt of the Requisite Consents and the execution of a supplemental indenture (the "Supplemental Indenture"), but will not become operative until the Consent Fee (including any Deemed Consent Payment) is paid in accordance with the terms of the Consent Solicitation. The Proposed Amendments constitute a single proposal. A consenting Holder must deliver a Consent to the Proposed Amendments in their entirety, a tendering Eligible Holder will be deemed to have delivered a Deemed Consent to the Proposed Amendments in their entirety and they may not deliver a Consent or Deemed Consent selectively with respect to certain portions of the Proposed Amendments, but not others. If the Requisite Consents are received, upon the execution of the Supplemental Indenture and satisfaction of the other conditions described herein, the Proposed Amendments will bind all Holders, including those that did not give their Consent or Deemed Consent. If the Consent Solicitation is terminated for any reason, or if the Requisite Consents have not been delivered prior to the Expiration Date, all Consents and Deemed Consents will be voided and the Proposed Amendments will not be effective.

The Company is soliciting consents from the Holders to conform certain provisions of the Existing Notes Indenture to the corresponding provisions of the 2017 Notes Indenture. The Existing Notes Indenture provides that the Company may amend the Existing Notes Indenture with the consent of a majority of the Holders in aggregate principal amount of the outstanding Existing Notes, voting as a single class, with certain exceptions not relevant to this Consent Solicitation.

The Proposed Amendments will not alter the maturity date of the Notes or the Company's obligation to make principal and interest payments on the Notes.

The Company is seeking the following amendments to the Existing Notes Indenture (deletions are marked in ~~strike through~~ and additions are underlined). Capitalized terms used herein, unless otherwise defined, shall have the meanings assigned to them in the Existing Notes Indenture.

### ***Repurchase at the Option of Holders upon a Change of Control Triggering Event***

The Proposed Amendments would conform the terms of the Existing Notes to those of the 2017 Notes by:

- (1) adding a clarifying exclusion providing that, for the purposes of the Repurchase at the Option of Holders upon a Change of Control Triggering Event covenant, 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 (i) interests in the SoftBank Vision Fund limited partnerships or any portfolio assets thereof; or (ii) any investment assets controlled by the Company or a Subsidiary of the Company in its capacity as general partner of any fund or interests in any such fund, in each case, 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, and accordingly, would not trigger a "Change of Control" potentially obligating the Company and the Note Guarantors to offer to repurchase Existing Notes; and
- (2) amending clause (3) of the definition of "Change of Control" to increase the beneficial ownership threshold at which non-Permitted Holders cause a "Change of Control" by acquiring Voting Stock of the Company to 50.0% under the Proposed Amendments, whereas the Existing Notes Indenture currently requires that such non-Permitted Holders acquire both (i) 33⅓% of the Voting Stock of the Company and (ii) more Voting Stock of the Company than held at such time by the Permitted Holders before triggering the occurrence of a "Change of Control" under such clause.

The Company believes the changes in 1. above are appropriate to accommodate the nature of the investment business conducted by the SoftBank Vision Fund, which is a fixed-term fund that may involve the potential future monetization of significant investment assets. The Company believes the changes in 2. above are consistent with the terms of bonds issued by other comparable issuers, in addition to being consistent with the terms of our 2017 Notes Indenture.



If the Requisite Consents are received, upon the execution of the Supplemental Indenture, Section 4.11(j) will provide as follows:

(j) 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 (i) any Capital Stock of, or other Equity Interests or securities issued by, any member of the Alibaba Group; (ii) interests in the SoftBank Vision Fund limited partnerships or any portfolio assets thereof; or (iii) any investment assets controlled by the Company or a Subsidiary of the Company in its capacity as general partner of any fund or interests in any such fund, in each case, 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.

Upon execution of the Supplemental Indenture, the following definitions will be inserted or amended and restated, as applicable, in alphabetical order into Section 1.01 of the Existing Notes Indenture:

“*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 (other than by way of merger or consolidation), 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; *provided* that, 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 (a) any Capital Stock of, or other Equity Interests or securities issued by, any member of the Alibaba Group, (b) interests in the SoftBank Vision Fund limited partnerships or any portfolio assets thereof or (c) any investment assets controlled by the Company or its Subsidiary in its capacity as general partner of any fund or interests in any such fund will not be deemed to be a Change of Control;
- (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 33-1/350.0%~~ 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, subject to the Company surviving, 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~~ which the Company is a Subsidiary immediately following such transaction and (y) immediately following such transaction:
  - (a) no Person other than the Permitted Holders or such other Person Beneficially Owns, directly or indirectly, more than 50.0% of the Voting Stock of the Company (or its Successor Entity), and
  - (b) no Person other than the Permitted Holders Beneficially Owns, directly or indirectly, more than 50.0% of the 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.~~

“*SoftBank Vision Fund*” means (i) SoftBank Vision Fund L.P. and each associated investment vehicle, the general partner, advisor or manager of which is a Subsidiary of the Company (including SoftBank Vision Fund (AIV M1) L.P., SoftBank Vision Fund (AIV M2) L.P., and SoftBank Vision Fund (AIV S1) L.P.), each associated general partner of the aforementioned limited partnerships, and each Subsidiary of the Company acting in an advisory capacity to the foregoing entities (including SB Investment Advisers (UK) Limited), collectively with such aggregate capital contribution committed by the Company not to exceed the SoftBank Vision Fund Original Commitment, and (ii) any successor funds to the foregoing to the extent

capitalized with respect to any capital contribution made by the Company with the proceeds of liquidation of the foregoing funds or the rollover of investment portfolio assets therefrom, in each case, other than from Fund Asset Disposal Gains (and any successor fund to a fund as described in this clause (ii)).

“SoftBank Vision Fund Original Commitment” means the aggregate capital contribution amount committed by the Company as described in the Offering Memorandum of the Company dated September 12, 2017 under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Cash and Capital Requirements—Commitment to the SVF.”

### ***Negative Pledge***

The Proposed Amendments would conform the terms of the Existing Notes to those of the 2017 Notes by:

- (1) expanding the definition of “Permitted Lien” to include an additional category of Permitted Lien not present in the terms of the Existing Notes for Liens on the Capital Stock or other Equity Interests issued by certain project companies that secure Project Finance Indebtedness or Designated Project Finance Indebtedness;
- (2) expanding the definition of “Project Finance Indebtedness” to include, among other things, (i) equity contribution undertakings or similar arrangements providing for the injection of capital or similar support by the Company, a Note Guarantor or a Sponsor to facilitate the achievement of designated project milestones and (ii) certain guarantees by Company or a Note Guarantor that are intended to be released or discharged if completion of the relevant construction or development occurs in accordance with the terms thereof, in each case where such Indebtedness provides for only limited recourse against the Company, such Note Guarantor or such Sponsor, as applicable, and does not expressly obligate such party to make or procure direct payments of principal or interest in respect of such Indebtedness; and
- (3) implementing a new definition for “Designated Project Finance Indebtedness” which means up to \$2.0 billion of Indebtedness that (i) is incurred with respect to the ownership, acquisition, construction, development, operation and/or improvement of tangible assets related to renewable electricity generation projects and (ii) allows for no greater recourse to the Company or any Note Guarantor for the payment of any sum relating to such Indebtedness than would, in the good faith determination of the Company, be customary for financings of a similar nature in the jurisdiction where such assets are located.

The Company believes that the amendments in 1.—3. above will increase our financial flexibility and facilitate value creation for investors through the expansion with funding from customary project financings of our energy and telecommunications businesses.

Upon execution of the Supplemental Indenture, the following definitions will be inserted or amended and restated, as applicable, in alphabetical order into Section 1.01 of the Existing Notes Indenture:

“Designated Project Finance Indebtedness” means Indebtedness incurred by a Person other than the Company or a Note Guarantor in an aggregate principal amount not to exceed \$2.0 billion; provided that such Indebtedness (i) is incurred with respect to the ownership, acquisition, construction, development, operation and/or improvement of tangible assets related to renewable electricity generation projects; and (ii) allows for no greater recourse to the Company or any Note Guarantor for the payment of any sum relating to such Indebtedness than would, in the good faith determination of the Company, be customary for financings of a similar nature in the jurisdiction where such assets are located.

“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; or
- (7) Liens on Capital Stock of, or other Equity Interests or securities issued by, any Person that incurs Project Finance Indebtedness or Designated Project Finance Indebtedness, and shareholder loans made to such Person, securing such Project Finance Indebtedness or such Designated Project Finance Indebtedness, as applicable; *provided* that such Person has been established specifically for the purpose of ownership, acquisition, construction, development, operation and/or improvement of the relevant tangible assets and such Person owns no other significant assets and carries on no other business.

“*Project Finance Indebtedness*” means Indebtedness incurred by any Person (a “*Debtor*”) other than the Company or a Note Guarantor for the purpose of financing the ownership, acquisition, construction, development, operation and/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 or any Subsidiary of such Debtor for amounts limited to such assets and/or the cash flows from such assets;
- (2) recourse to such Debtor generally, or to the Company or any Subsidiary of the Company or any joint venture in which the Company or any its Subsidiaries participate (as applicable, the “*Sponsor*”), which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specific way) 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 Sponsor or for gross negligence, wilful misconduct or fraud by such Debtor or Sponsor or similar cause on such Debtor’s or Sponsor’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 or any part of the assets and ~~undertaking~~ undertakings of such Debtor and the shares in the capital of such ~~debtor~~ 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*”)~~ Sponsor pursuant to any form of assurance, undertaking or support, including 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*”); Support Agreement”); *provided* that such Sponsor ~~Keepwell~~ Support Agreement (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~~ holders thereof; ~~or~~
- (5) recourse to the Company or any Note Guarantor pursuant to any form of assurance, undertaking or support, including 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 Support Agreement 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 Support Agreement) 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 Support Agreement (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 Holdersholders thereof;

- (6) recourse to the Company or any Note Guarantor or any Sponsor pursuant to or in respect of an equity contribution undertaking or similar arrangement providing for the injection of capital or similar support by the Company or such Note Guarantor or Sponsor to facilitate the achievement of designated milestones (or contingent upon the failure to achieve such milestones) with respect to the tangible assets in respect of which the Project Finance Indebtedness is incurred; provided that such undertaking or arrangement (i) does not expressly provide for legal recourse to the Company or such Note Guarantor or Sponsor beyond seeking specific performance or damages in respect of obligations of the Company or such Note Guarantor or Sponsor to make such equity contribution 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 or Sponsor's side, and (ii) does not expressly obligate the Company or such Note Guarantor or 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; and/or
- (7) recourse under any guarantee and/or indemnity of such Indebtedness for completion of construction or development of an asset, provided that in any case the guarantee and/or indemnity is or is intended to be released or discharged if completion of the relevant construction or development occurs in accordance with the terms governing such Indebtedness and/or the guarantee and/or indemnity and/or any agreement relating thereto; provided that such guarantee and/or indemnity (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 complete construction or development of the relevant assets 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.

### ***Permitted Third Party Guarantees***

The Proposed Amendments would conform the terms of the Existing Notes to those of the 2017 Notes by:

- (1) establishing for the New Notes a floor of ¥800 billion for the limit on aggregate outstanding Third Party Guarantees under the covenant, in addition to the existing 10% of the Company's Net Tangible Assets threshold applicable for the Existing Notes;
- (2) expanding the existing carve-out for Guarantees of Project Finance Indebtedness, including to allow the Company or any Note Guarantor to undertake to contribute equity to project companies pursuant to such obligations;
- (3) establishing a \$2 billion permitted Designated Project Finance Indebtedness basket for guarantees by the Company or any Note Guarantor of certain renewable energy-related project finance indebtedness; and



- (4) establishing a permitted Designated Satellite Capacity Offtake Obligations basket for certain guarantees by the Company or any Guarantor of certain obligations under satellite capacity offtake agreements undertaken to the OneWeb Group.

The Company believes the amendments in 1. above will enable it to obtain more diverse and competitive sources of capital, which would expand the Company's liquidity options and improve financial stability, each of which may benefit the Holders. The Company believes the amendments in 2.—4. above will facilitate value creation for investors through the expansion with funding from customary project financings of our energy and telecommunications businesses.

If the Requisite Consents are received, upon the execution of the Supplemental Indenture, Section 4.08(a) will provide as follows:

(a) ~~The None of the Company and the~~ any Note Guarantors ~~Guarantor~~ 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 the greater of ¥800 billion or 10.0% of the Company's Consolidated Net Tangible Assets.

Upon execution of the Supplemental Indenture, the respective definitions of "Designated Project Finance Indebtedness" and "Project Finance Indebtedness" under Section 1.01 of the Existing Notes Indenture will be inserted or amended and restated, as applicable, as described under "*Negative Pledge*," and the following definitions will further be inserted or amended and restated, as applicable, in alphabetical order into Section 1.01 of the Existing Notes Indenture:

"Designated Satellite Capacity Offtake Obligations" means all conditional purchase obligations of the Company or a Note Guarantor relating to commitments between the Company or a Subsidiary of the Company to offtake, purchase or otherwise acquire satellite communication service capacity from the OneWeb Group in an aggregate amount not to exceed the aggregate amount of such commitments currently provided for pursuant to agreements between the Company and OneWeb Group in effect as of September 12, 2017 as described in the Company's offering memorandum dated September 12, 2017 in respect of the original offering of the 2017 Senior Notes under "*Business—Strategically Important Companies—Other Strategically Important Associates and Investees*" therein.

"OneWeb Group" means WorldVu Satellite Limited and its affiliates.

"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 guarantees, sponsor support agreements or *keiei shido nensho* and other agreements, in each case as specified in clauses (1) to (7) of the definition of "Project Finance Indebtedness") 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;
- (3) Guarantees with respect to Designated Satellite Capacity Offtake Agreements;
- (4) Guarantees with respect to Designated Project Finance Indebtedness; and
- (4)(5) Guarantees by the Company or any Note Guarantor of Indebtedness issued by a Finance Subsidiary.

#### ***Subsidiary Guarantees of Indebtedness covenant and related definitions***

The Company is seeking an amendment to Section 4.10 of the Existing Notes Indenture to align the Existing Notes Indenture with the 2017 Notes Indenture and the New Notes Indenture with respect to the conditions for the release of guarantees of the Existing Notes provided by Note Guarantors. In particular, the Proposed Amendments would remove the requirement that the Existing Notes be rated Investment Grade as a precondition to releasing the guarantee of the Existing Notes provided by the Initial Note Guarantor. Subject to



certain other conditions, this amendment would permit the release of the guarantee provided by the Initial Note Guarantor upon the Initial Note Guarantor ceasing to guarantee any other Indebtedness of the Company of any Note Guarantor. Upon such a release, SoftBank Corp. would cease to be subject to the covenants of the Existing Notes Indenture that apply to Note Guarantors only in their capacity as such, including Section 4.07 (*Anti-Layering*), Section 4.08 (*Permitted Third Party Guarantees*) and Section 4.09 (*Negative Pledge*). Additionally, the Proposed Amendments would remove the obligation for SoftBank Corp. to provide a new guarantee of the Existing Notes in the event that (its Note Guarantee having previously been released and the Existing Notes having previously achieved an Investment Grade rating) the Existing Notes cease to be rated Investment Grade, except as otherwise required under clauses (a) and (b) of Section 4.10 (*Subsidiary Guarantees of Indebtedness*). We expect that, even following its potential listing, SoftBank Corp. would remain the core operating subsidiary in our telecommunications business, continue to support our creditworthiness through its earnings and pursue a financial policy broadly in line with that of other major listed telecommunications companies. In addition, we believe that monetizing a portion of our holding in SoftBank Corp. would enhance our flexibility to pursue our global growth through investments and improve our balance sheet. However, any future decision by SoftBank Corp., following its potential listing, to incur substantial amounts of additional Indebtedness may exacerbate the structurally junior position of our unsecured and unguaranteed Indebtedness (including the Existing Notes) relative to SoftBank Corp.'s own and our other subsidiaries' Indebtedness and may result in the notching down of the ratings of our unsecured and unguaranteed Indebtedness (including the Existing Notes). See "Risk Factors—Risks Related to the Transactions Generally—There is uncertainty as to our existing long-term corporate credit ratings and the instruments ratings of the Existing Notes and the New Notes," and "Risk Factors—Certain Risks Related to the Company and the Existing Notes—The Existing Notes, the New Notes and the respective Note Guarantees thereof will be structurally subordinated to any existing or future indebtedness, preferred stock and other liabilities of our Non-Guarantor Subsidiaries."

In February 2018, we and SoftBank Corp. announced we had commenced preparations to list the shares of SoftBank Corp. However, neither our nor SoftBank Corp.'s board of directors has made any formal decision to pursue a listing, and the listing may or may not occur in the near term or at all depending on various factors affecting the favorability of any such listing, many of which are outside of our control. If we go ahead with such listing, we anticipate releasing SoftBank Corp.'s Note Guarantee of the 2015 Notes prior to launching the listing. The Existing Notes Indenture, as amended by the Proposed Amendments, and in keeping with the provisions of the 2017 Notes Indenture, would not allow us to release SoftBank Corp.'s guarantee of the 2015 Notes until all other guarantees provided by SoftBank Corp. in support of our other Indebtedness (including, among others, the 2013 Notes and the Senior Term Loan) remain outstanding. See "Risk Factors—Certain Risks Related to the Company and the Existing Notes—The potential listing of the shares of SoftBank Corp. would involve several risks to our business, financial condition and results of operations."

If the Requisite Consents are received, upon the execution of the Supplemental Indenture, Section 4.10 will provide as follows:

(a) 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.

(b) 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.

(c) 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 this Indenture as provided in Article 8 and Article 11; or
- (4) as a result of a transaction permitted by Article 5.

(d) 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~~any Existing Senior Notes outstanding at such time will be released in accordance with the ~~2013~~relevant Existing Senior Notes Indenture/Indentures substantially concurrently with the release of its Note Guarantee and (b) that, upon the release of such Note Guarantor's Guarantee of ~~the 2013~~any outstanding Existing Senior Notes and the Note Guarantee, such Note Guarantor ~~would~~will no longer Guarantee any Indebtedness of the Company or any 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 under Section 4.08; 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 under Section 4.14;

*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.

~~(e) 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 the Successor Entity thereof) must execute and deliver a supplemental indenture within 30 Business Days after such ratings decline.~~

Upon execution of the Supplemental Indenture, the following definitions will be inserted or amended and restated, as applicable, in alphabetical order into Section 1.01 of the Existing Notes Indenture:

"2017 Senior Notes" means the Company's \$1,350,000,000 4¾% Senior Notes due 2024, \$2,000,000,000 5⅛% Senior Notes due 2027, €1,500,000,000 3⅛% Senior Notes due 2025, and €750,000,000 4% Senior Notes due 2029.

"2017 Senior Notes Indenture" means that certain indenture, dated as of dated September 19, 2017, among the Company, the Initial Note Guarantor and The Bank of New York Mellon, London Branch as Trustee and Paying Agent and The Bank of New York Mellon SA/NV, Luxembourg Branch, as transfer agent and registrar.

"Existing Senior Notes" means the 2013 Senior Notes and the 2017 Senior Notes.

"Existing Senior Notes Indentures" means the 2013 Senior Notes Indenture and the 2017 Senior Notes Indenture.

### ***Distribution of Proceeds of Asset Sales***

The Proposed Amendments would conform the terms of the Existing Notes to those of the 2017 Notes by:

- (1) increasing the basket for the distribution of the proceeds of Asset Sales from \$15 billion to \$20 billion;
- (2) amending the definitions of "Consolidated Net Leverage Ratio" and "Consolidated EBITDA" to be inclusive of the New Sprint Group, unlike in the Existing Notes which exclude these entities; and
- (3) creating a new carve-out from the definition of "Asset Sale" for distributions to shareholders with net proceeds from dispositions of assets of and interests in the SoftBank Vision Fund up to the amount of the Company's initial capital commitment plus pro rata gains on SoftBank Vision Fund investments.

The Company believes the amendment in 1. above will enhance its ability to monetize non-core assets and strategic investments and that this change is appropriate in light of the growth of the Company's business and due to the substantial increase in the value of the shares of its listed subsidiaries. The Company believes that the amendment in 2. above is consistent with the role of the New Sprint Group as an integrated entity within our business strategy on the same basis as our other core subsidiaries. The Company believes the amendments in 3. above are appropriate to accommodate the nature of the investment business conducted by the SoftBank Vision Fund, which is a fixed-term fund that may involve the potential future monetization of significant investment assets.

If the Requisite Consents are received, upon the execution of the Supplemental Indenture, Section 4.12 will be amended and restated as follows:

The Company will not, and will not permit any of its Subsidiaries to:

- (1) 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
- (2) 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) of Section 6.01 has occurred and is continuing and either:

(x) after giving *pro forma* effect to such Restricted Payment, the Consolidated Net Leverage Ratio would not exceed 4.0 to 1.0; or

(y) such Restricted Payment, individually or when aggregated with all other Restricted Payments made since the Issue Date under this clause (y), does not exceed the Dollar Equivalent of ~~\$15.0~~20.0 billion.

Upon execution of the Supplemental Indenture, the respective definitions of "SoftBank Vision Fund" and "SoftBank Vision Fund Original Commitment" under Section 1.01 of the Existing Notes Indenture will be inserted as described under "*—Repurchase at the Option of Holders upon a Change of Control Triggering Event,*" above, and the following definitions will further be inserted or amended and restated, as applicable, in alphabetical order into Section 1.01 of the Existing Notes Indenture:

"*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 Section 4.11 or Article 5 and not by Section 4.12;
- (2) any single transaction or series of related transactions that involves assets having a fair market value of less than ¥10.0 billion (or foreign currency equivalent);
- (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 Section 4.09 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 this 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; or
- (16) any sale or disposition of interests in the SoftBank Vision Fund or of portfolio assets of the SoftBank Vision Fund; provided that Restricted Payments with Fund Asset Proceeds and Fund Interest Proceeds will only be permitted (a) to the extent made pursuant to Section 4.12(1) or Section 4.12(2); (b) to the extent the amount of such Restricted Payment, individually or when aggregated with all other Restricted Payments made since the Issue Date with Net Proceeds from Asset Sales exempted from Section 4.12 pursuant to this subclause (b), does not exceed the SoftBank Vision Fund Original Commitment; or (c) to the extent made with Fund Asset Disposal Gains (or any combination of the foregoing).

“*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.

“*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 Section 4.03.

“*Fund Asset Disposal Gains*” means the portion of any Fund Asset Proceeds that are distributed as a Restricted Payment pursuant to Section 4.12, corresponding to the excess of such Fund Asset Proceeds over the aggregate cash investment (or, with respect to portfolio assets originally contributed in kind to the SoftBank Vision Fund, the deemed value of such assets under the terms of such contribution) made by the SoftBank Vision Fund in the portfolio asset that has been disposed of, including initial cost of acquisition and any subsequent capital contributions.

“*Fund Asset Proceeds*” means the Net Proceeds (other than distributed or otherwise paid to the Company and its Subsidiaries) arising from a sale or disposition of portfolio assets by the SoftBank Vision Fund.

“*Fund Interest Proceeds*” means the Net Proceeds from any sale or disposition of interests held by the Company or its Subsidiaries in the SoftBank Vision Fund.

### ***Merger or Consolidation***

The Proposed Amendments would conform the terms of the Existing Notes to those of the 2017 Notes by:

- (1) clarifying that sale, lease, conveyance, assignment, transfer, or other disposition by the Company or any of its Subsidiaries of (i) interests in the SoftBank Vision Fund limited partnerships or any portfolio assets thereof or (ii) any investment assets controlled by the Company or its Subsidiary in its capacity as general partner of any fund or interests in any such fund 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, as applicable; and
- (2) clarifying that transactions involving (i) the Company consolidating with, merging into or selling, assigning, transferring, leasing, conveying or otherwise disposing of all or part of its properties and assets to any Subsidiary that is not an Excluded Subsidiary and (ii) the Company consolidating or otherwise combining with or merging into an Affiliate incorporated or organized for the purpose of changing its legal domicile, reincorporating in another jurisdiction or changing its legal form are excluded from the requirement to deliver Officer’s Certificates or Opinions of Counsel pursuant to this covenant.

The Company believes the amendments in 1. above are appropriate to accommodate the nature of the investment business conducted by the SoftBank Vision Fund, which is a fixed-term fund that may involve the potential future monetization of significant investment assets. The Company believes the amendments in 2. above are appropriate clarifications that are not detrimental to the interests of Holders of the Existing Notes.

If the Requisite Consents are received, upon the execution of the Supplemental Indenture, Section 5.01 will be amended and restated as follows:

(a) 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 this 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 Section 4.09 (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 this 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 (ii) and (iii) above; and provided, further, that no such certificate and opinion of counsel shall be required in connection with (i) the Company consolidating with, merging into or selling, assigning, transferring, leasing, conveying or otherwise disposing of all or part of its properties and assets to any Subsidiary that is not an Excluded Subsidiary, or (ii) the Company consolidating or otherwise combining with or merging into an Affiliate incorporated or organized for the purpose of changing its legal domicile, reincorporating in another jurisdiction or changing its legal form.

(b) 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.

~~(e) Notwithstanding Section 5.01(a)(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.~~

~~(c) (d)~~ 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 this 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 Section 4.09 (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 this Indenture; and

(2) immediately after giving effect to such transaction, no Default or Event of Default exists.

~~(d) (e)~~ The provisions of this Section 5.01 shall not restrict (and shall not apply to): (x) 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; (y) any Note Guarantor from liquidating into the Company or another Note Guarantor; or (z) 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 this Indenture pursuant to a supplemental indenture reasonably satisfactory to the Trustee.

(e) ~~(f)~~ For the avoidance of doubt, for all purposes under this 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 (a) any Capital Stock of, or other Equity Interests or securities issued by, any member of the Alibaba Group, (b) interests in the SoftBank Vision Fund limited partnerships or any portfolio assets thereof or (c) any investment assets controlled by the Company or its Subsidiary in its capacity as general partner of any fund or interests in any such fund 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, as applicable.

#### ***Other Proposed Amendment***

The Company is seeking certain technical and other conforming amendments in order to accommodate the aforementioned changes and to align the Existing Notes Indenture to the terms of the 2017 Notes. These changes include amending the definition of “GAAP” to provide that the impact of IFRS 16 (Leases) and any successor standard thereto (or any equivalent measure under JGAAP or US GAAP) shall be disregarded with respect to all ratios, calculations and determinations based upon IFRS under the Existing Notes Indenture.

Upon execution of the Supplemental Indenture, the following definition will be amended and restated into Section 1.01 of the Existing Notes Indenture:

“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 this Indenture. Notwithstanding the foregoing, the impact of IFRS 16 (Leases) and any successor standard thereto (or any equivalent measure under JGAAP or US GAAP) shall be disregarded with respect to all ratios, calculations and determinations based upon IFRS to be calculated or made, as the case may be, pursuant to the Indenture and (without limitation) any lease, concession or license of property that would be considered an operating lease under IFRS (or, as applicable, JGAAP or US GAAP) as of the Issue Date shall be accounted for in accordance with IFRS (or, as applicable, JGAAP or US GAAP) as in effect on the Issue Date.

## **DESCRIPTION OF THE NEW NOTES**

For information regarding the New Notes, see “Appendix A—Preliminary Offering Memorandum regarding the New Notes—Description of the Notes.”

## TAXATION

### **Japanese Taxation**

The following discussion summarizes certain Japanese tax consequences to Holders arising from the payments made pursuant to the Exchange Offer Memorandum and Consent Solicitation Statement, and certain Japanese tax consequences to Holders as a result of the Exchange Offer and the ownership and disposition of the New 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 give Consents and a decision to participate in the Exchange Offer, 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.

Holders should consult their own tax advisors regarding the Japanese or other tax consequences, 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 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. Holders should note that the following description of Japanese taxation is not exhaustive.

#### ***Japanese Taxation with Respect to the Consent Solicitation***

Although Japanese tax treatment (limited to national taxes) of the Consent Fee is not entirely clear, the payment of the Consent Fee by the Company to Holders who are individual non-residents of Japan or non-Japanese corporations, having no permanent establishment in Japan, should not be subject to tax in Japan.

#### ***Japanese Taxation with Respect to the Exchange Offers and the Ownership and Disposition of the New Notes***

The following description is a summary of Japanese tax consequences (limited to national taxes) to the Holders as a result of the Exchange Offer and the ownership and disposition of the New 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 Redemption Gains (as defined below) with respect to New 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 New Notes bearing no interest that fall under “discounted bonds” as prescribed by the Special Taxation Measures Act or any New 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).

#### ***Exchange Offer***

If the Holder is an individual non-resident of Japan or a non-Japanese corporation with no permanent establishment in Japan, the holder is not subject to any Japanese income tax or corporate tax with respect to exchange of Existing Notes in the Exchange Offer.

#### ***New Notes***

##### ***Representation***

The New Notes are not, as part of the initial distribution 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. By exchanging the Existing Notes with the New Notes, an investor will be deemed to have represented that it is 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.

##### ***Interest and Redemption Gains***

Interest payments on the New Notes will be subject to Japanese withholding tax unless the holder establishes that the New 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 New 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 15.315% 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 New 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 New 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 New 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 New 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 New Notes ceases to be so exempted (including the case where the holder became a specially-related person of ours); and
- (y) if the relevant New Notes are not held through a Participant, the requirement to submit to the relevant paying agent that makes payment of interest on the New 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 New 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 acquisition cost of the New Notes and the redemption price of the New Notes as referred to in Article 41-13, Paragraph 3 and Article 67-17, Paragraph 3 of the Special Taxation Measures Act (the “Redemption Gains”) 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 Redemption Gains.



*Capital Gains, Inheritance and Gift Taxes*

Gains derived from the sale of the New 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 New 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 New Notes in connection with the issue of the New Notes outside Japan.

## **DOCUMENTS AVAILABLE**

The information relating to the Company contained in this Exchange Offer Memorandum should be read together with the Existing Notes Indenture. Copies of the Existing Notes Indenture are available at the corporate trust office of the Existing Notes Trustee at Winchester House, 1 Great Winchester Street, London EC2N 2DB.

## **FEES AND EXPENSES**

We will bear the fees and expenses of soliciting tenders and consents for the Exchange Offer and the Consent Solicitation. Tendering and consenting Holders will not be required to pay any fee or commission to the Dealer Managers or the Information Agent. If, however, a tendering Holder handles the transaction through its broker, dealer, commercial bank, trust company or other nominee, that Holder may be required to pay brokerage fees or commissions.

We have agreed to pay the Dealer Managers customary fees for their services and will reimburse them for their reasonable out-of-pocket expenses in connection therewith. We have agreed to indemnify the Dealer Managers against certain liabilities.

## **LEGAL MATTERS**

Certain legal matters in connection with this Exchange Offer will be passed upon for us by Morrison & Foerster LLP, with respect to matters of English, U.S. federal and New York state law, and by Mori Hamada & Matsumoto, with respect to certain matters of Japanese law, and for the Dealer Managers 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.

**APPENDIX A—PRELIMINARY OFFERING MEMORANDUM REGARDING THE NEW NOTES**



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The information in this preliminary offering memorandum is not complete and may be changed. This preliminary offering memorandum is not an offer to sell the securities described herein and is not a solicitation of an offer to buy these securities in any jurisdiction in which such offer, solicitation or sale is not permitted.

SUBJECT TO COMPLETION DATED MARCH 7, 2018

PRELIMINARY OFFERING MEMORANDUM

STRICTLY CONFIDENTIAL  
NOT FOR DISTRIBUTION IN THE UNITED  
STATES OF AMERICA OR TO U.S. PERSONS



## SoftBank Group Corp.

\$ % Senior Notes due 2028 € % Senior Notes due 2028

SoftBank Group Corp. (the “Company”) is offering \$ aggregate principal amount of its % Senior Notes due 2028 denominated in U.S. dollars (the “Dollar Notes”) and € aggregate principal amount of its % Senior Notes due 2028 denominated in euro (the “Euro Notes,” and, together with the Dollar Notes, the “Notes”). The maturity date of the Dollar Notes is April 15, 2028, and the maturity date of the Euro Notes is April 15, 2028. We will pay interest on the Notes semi-annually in arrears on April 15 and October 15 of each year, commencing October 15, 2018.

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. 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.”

The Company is concurrently conducting an exchange offer and consent solicitation (the “Exchange Offer and Consent Solicitation”) for its outstanding \$1,000,000,000 6% Senior Notes due 2025 (the “2025 Dollar Notes”), \$1,000,000,000 aggregate principal amount of 5<sup>3</sup>/<sub>8</sub>% Senior Notes due 2022 (the “2022 Dollar Notes” and, collectively with the 2025 Dollar Notes, the “Existing Dollar Notes”), €500,000,000 5<sup>1</sup>/<sub>4</sub>% Senior Notes due 2027 (the “2027 Euro Notes”), €1,250,000,000 4<sup>3</sup>/<sub>4</sub>% Senior Notes due 2025 (the “2025 Euro Notes”), and €500,000,000 4% Senior Notes due 2022 (the “2022 Euro Notes” and, collectively with the 2027 Euro Notes and the 2025 Euro Notes, the “Existing Euro Notes”, and the Existing Dollar Notes and Existing Euro Notes, collectively, the “2015 Notes”). Pursuant to the Exchange Offer, the Company expects to issue \$ in aggregate principal amount of additional Dollar Notes (“Dollar Exchange Notes”) in exchange for Existing Dollar Notes and € in aggregate principal amount of additional Euro Notes (“Euro Exchange Notes” and, collectively with the Dollar Exchange Notes, “Exchange Notes”) in exchange for Existing Euro Notes. Any Exchange Notes issued in connection with the Exchange Offer will have the same terms and form a single class with the corresponding tranche of Notes issued in this offering.

The Company plans to use up to \$ of the proceeds of the offering to fund the payment of the consent fee and other related costs in connection with the Exchange Offer and Consent Solicitation and use any remaining funds for general corporate purposes.

Approval-in-principle has been received for the listing and quotation 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 for the listing and quotation 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 13.

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

Dollar Notes: % Euro Notes: %

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 S.A. (“Clearstream”) on or about April 3, 2018 (the “Issue Date”).

Joint Global Coordinators

Deutsche Bank

Merrill Lynch International

Morgan Stanley

The date of this offering memorandum is , 2018.

## 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, Merrill Lynch International, and Morgan Stanley & Co. International plc (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 the listing and quotation 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 or the Trustee represents or warrants that the information herein is accurate or complete. By receiving this offering memorandum you acknowledge that (i) you have not relied on the Initial Purchasers, the Trustee, any selling agent or any of their affiliates in connection with your investigation of the accuracy of the information in this offering memorandum 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 not be relied upon as having been authorized by us, any Initial Purchaser, the Trustee 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.

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**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 and the related Note Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or jurisdiction of the United States, and may not be offered, sold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The offering of the Notes and the related Note Guarantees are not being made to any U.S. person (as defined in Regulation S) or within the United States, other than pursuant to offshore transactions with non-U.S. persons conducted in accordance with Regulation S. Accordingly, the Notes and the related Note Guarantees are only being offered and sold to non-U.S. persons outside the United States or certain dealers or other professional fiduciaries in the United States acting only on a discretionary basis for the benefit or account of non-U.S. persons located outside the United States in each case, in offshore transactions conducted in reliance on Regulation S under the 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 a natural person having his/her place of domicile or residence in Japan, a legal person having its main office in Japan or any branch, agency or other office in Japan of a non-resident (irrespective of whether it is legally authorized to represent its principal or not and even if its main office is located in a country other than 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 28 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.**

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.

## **NOTICE TO CERTAIN INVESTORS**

### **PROHIBITION OF SALES TO EEA RETAIL INVESTORS**

The Notes and the related Note Guarantees have not been and will not be registered under the laws of any member state of the European Economic Area (“EEA”). This offering of the Notes and the related Note Guarantees is being made, and the Notes and the related Note Guarantees are being offered and issued, only to persons other than retail investors in the EEA, each defined as a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “Prospectus Directive”). Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared. Therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

## MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND EPCs ONLY TARGET MARKET

Solely for the purposes of each of the Company, the Note Guarantor and the Initial Purchasers' (each a "Manufacturer") product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. The target market and distribution channel(s) may vary in relation to sales outside the EEA in light of local regulatory regimes in force in the relevant jurisdiction. Any person subsequently offering, selling or recommending the Notes (a "Distributor") should take into consideration the Manufacturers' target market assessment; however, a Distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

### *Accidental Customer*

The Initial Purchasers are only acting for the Company and the Note Guarantor in connection with the transaction referred to in this offering memorandum and no one else and will not be responsible to anyone other than the Company and the Note Guarantor for providing the protections offered to clients of the Initial Purchasers nor for providing advice in relation to the transaction, this offering memorandum or any arrangement or other matter referred to herein.

### NOTICE TO INVESTORS IN THE KINGDOM OF BAHRAIN

This offering memorandum does not constitute an offer of securities in the Kingdom of 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 Central Bank of Bahrain ("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 the Kingdom of Bahrain, other than to 'accredited investors', as such term is defined by the CBB.

The CBB has not reviewed, approved or registered this offering memorandum or any 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 the Kingdom of 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 the Kingdom of 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

This offering memorandum has not been and will not be registered with the Registrar of Companies in Hong Kong. Accordingly, except as mentioned below, this offering memorandum may not be issued, circulated or distributed in Hong Kong. A copy of this offering memorandum may, however, be issued to a limited number of prospective applicants for the Notes and the related Note Guarantees in Hong Kong in a manner which does not constitute an offer of the Notes and the related Note Guarantees to the public in Hong Kong or an issue, circulation or distribution in Hong Kong of a prospectus for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). No advertisement, invitation or document relating to the Notes and the related Note Guarantees may be issued or may be in the possession of any person 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 as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any rules made thereunder.

### NOTICE TO INVESTORS IN ITALY

This offering memorandum has not been registered with the Italian Securities and Exchange Commission (*Commissione Nazionale per le Società e la Borsa*, the "CONSOB") pursuant to Italian securities legislation and, accordingly, does not constitute an offer of securities and cannot be distributed to the public nor may copies of this document or of any other document relating to the offering of the Notes and the related Note Guarantees be distributed in the Republic of Italy ("Italy"), except where an express exemption from compliance with the



restrictions on offers to the public applies, as provided under Article 100 of the Italian Legislative Decree No. 58 of February 24, 1998, as amended from time to time, (the “Financial Services Act”) and Article 34-ter of CONSOB Regulation No. 11971 of May 14, 1999.

Moreover, and subject to the foregoing, any offer or delivery of the Notes and the related Note Guarantees or distribution of copies of this offering memorandum or any other document relating to this offering in Italy under (i) or (ii) above must be and will be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations, and, in particular, will be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018, as amended from time to time, and Legislative Decree No. 385 of 1 September 1993, as amended from time to time (the “Banking Act”);
- (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy request information on the issue or the offer of securities in Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by the Bank of Italy, CONSOB or other Italian authority.

Any investor receiving the Notes in this offering is solely responsible for ensuring that any offer or resale of the Notes it received in this offering occurs in compliance with applicable Italian laws and regulations.

#### NOTICE TO INVESTORS IN FRANCE

This offering memorandum has not been prepared and is not being distributed in the context of a public offering of financial securities in France (*offre au public de titres financiers*) within the meaning of Article L. 411 1 of the French Code *monétaire et financier* and Title I of Book II of the *Règlement général of the Autorité des marchés financiers* (the French financial markets authority) (the “AMF”). Consequently, the Notes and the related Note Guarantees may not be, directly or indirectly, offered or sold to the public in France, and neither this offering memorandum nor any offering or marketing materials relating to the Notes and the related Note Guarantees may be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in France.

The Notes and the related Note Guarantees may only be offered or sold in France to qualified investors (*investisseurs qualifiés*) acting for their own account and/or to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d’investissement de gestion de portefeuille pour le compte de tiers*), all as defined in and in accordance with Articles L. 411 1, L. 411 2, D. 411 1, D. 744 1, D. 754 1 and D. 764 1 of the French Code *monétaire et financier* and applicable regulations thereunder.

Prospective investors are informed that:

- (i) this offering memorandum has not been and will not be submitted for clearance to the AMF;
- (ii) in compliance with Articles L. 411 2, D. 411 1, D. 744 1, D. 754 1 and D. 764 1 of the French Code *monétaire et financier*, any qualified investors subscribing for the Notes should be acting for their own account; and
- (iii) the direct and indirect distribution or sale to the public of the Notes and the related Note Guarantees acquired by them may only be made in compliance with Articles L. 411 1, L. 411 2, L. 412 1 and L. 621 8 through L. 621 8 3 of the French Code *monétaire et financier*.

#### NOTICE TO INVESTORS IN BELGIUM

This offering memorandum relates to a private placement of the Notes and the related Note Guarantees and does not constitute an offer or solicitation to the public in Belgium to subscribe for or acquire the Notes and the related Note Guarantees. This offering of the Notes and the related Note Guarantees has not been and will not be notified to, and this offering memorandum has not been, and will not be, approved by the Belgian Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten/Autorité des Services et Marchés Financiers*) pursuant to the Belgian laws and regulations applicable to the public offering of investment instruments. Accordingly, this offering of the Notes and the related Note Guarantees, as well as any other materials relating to the offering may not be advertised, the Notes and the related Note Guarantees may not be offered or sold, and this offering memorandum or any other information circular, brochure or similar document may not be distributed, directly or indirectly, (i) to any person located and/or resident in Belgium other than a “qualified investor” within the meaning of Article 10 of the Belgian Act of June 16, 2006 on the public offering

of investment instruments and the admission of investment instruments to trading on a regulated market (the “Prospectus Act”) or (ii) to any person qualifying as a consumer (*consument/ consommateur*) within the meaning of Book VI of the Belgian Code of Economic Law (*Wetboek economisch recht/Code de droit économique*) of February 28, 2013, as amended from time to time. This offering memorandum has been issued to the intended recipient for personal use only and exclusively for the purpose of the offer. Therefore it may not be used for any other purpose, nor passed on to any other person in Belgium. Any resale of the Notes in Belgium may only be made in accordance with the Prospectus Act and other applicable laws.

#### NOTICE TO INVESTORS IN NORWAY

This offering memorandum has not been and will not be filed with or approved by the Norwegian Financial Supervisory Authority, the Oslo Stock Exchange or any regulatory authority in Norway. The Notes and the related Note Guarantees have not been offered or sold and may not be offered, sold or delivered, directly or indirectly, in Norway, unless in compliance with Chapter 7 of the Norwegian Securities Trading Act 2007 and secondary regulations issued pursuant thereto, as amended from time to time (the “Securities Trading Act”). Accordingly, this offering memorandum may not be made available nor may the Notes and the related Note Guarantees otherwise be marketed and offered for sale in Norway other than in circumstances that are deemed not to be a marketing of an offer to the public in Norway in accordance with the Securities Trading Act.

#### NOTICE TO INVESTORS IN THE KINGDOM OF 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 and the related Note Guarantees should conduct their own due diligence on the accuracy of the information relating to the Notes and the related Note Guarantees. If a prospective purchaser does not understand the contents of this offering memorandum, he or she should consult an authorized financial advisor.

#### NOTICE TO INVESTORS IN 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. The Notes (i) will not, directly or indirectly, be offered or sold, in Japan or to any person resident in Japan for Japanese securities law purposes (including a natural person having his/her place of domicile or residence in Japan, a legal person having its main office in Japan or any branch, agency or other office in Japan of a non-resident (irrespective of whether it is legally authorized to represent its principal or not and even if its main office is located in a country other than 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; and (ii) will not, as part of its initial distribution, directly or indirectly be offered or sold 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 28 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.

#### NOTICE TO INVESTORS IN SINGAPORE

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum or any document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes and the related Note Guarantees may not be circulated or distributed, nor may the Notes and the related Note Guarantees 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 “Securities and Futures Act”) (ii) to a relevant person pursuant to Section 275(1), or to any person pursuant

to Section 275(1A), and in accordance with the conditions specified in Section 275, of the Securities and Futures Act, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes and the related Note Guarantees are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) 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 Securities and Futures Act) 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 and the related Note Guarantees pursuant to an offer made under Section 275 of the Securities and Futures Act except:

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

#### NOTICE TO INVESTORS IN SWITZERLAND

The Notes and the related Note Guarantees are being offered in Switzerland on the basis of a private placement only. This offering memorandum does not constitute a prospectus within the meaning of Art. 652A of the Swiss Federal Code of Obligations.

#### NOTICE TO INVESTORS IN THE UNITED KINGDOM

The communication of this offering memorandum and any other documents or materials relating to this offering of the Notes and the related Note Guarantees is not being made and such documents and/or materials have not been approved by an authorized person for the purposes of section 21 of the Financial Services and Markets Act 2000. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. Such documents are only directed at and are only for circulation to (i) persons within the United Kingdom falling within the definition of Investment Professional (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order")), (ii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"), or (iii) persons falling within Article 43 of the Order, or other persons to whom it may lawfully be communicated in accordance with the Order.

Insofar as the communication in this offering memorandum and such documents and/or materials is made to or directed at relevant persons, any investment or investment activity to which it relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

#### 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 the State of Qatar and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority or the Qatar Central Bank. The Notes are not and will not be traded on the Qatar Exchange.

#### NOTICE TO INVESTORS IN CANADA

The Notes may be sold only to purchasers in the provinces of Canada purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus*

*Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

#### NOTICE TO INVESTORS IN AUSTRALIA

Neither this offering memorandum nor any disclosure document (as defined in the Corporations Act 2001 of the Commonwealth of Australia (the "Australian Corporations Act")) in relation to the Notes has been or will be lodged with the Australian Securities and Investments Commission ("ASIC") or ASX Limited (ABN 98 008 624 691) (the "ASX") and the Notes and the related Note Guarantees may not be offered for sale, nor may applications for the issue, sale, purchase or subscription of any Notes or Note Guarantees be invited, in, to or from Australia (including an offer or invitation which is received by a person in Australia) and neither this offering memorandum nor any advertisement or other offering material relating to the Notes may be distributed or published in Australia unless:

- i. (A) the aggregate consideration payable by each offeree or invitee for the Notes is at least AU\$500,000 (or its equivalent in other currencies) (disregarding moneys lent by the offeror or its associates); or (B) the offer otherwise does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Australian Corporations Act;
- ii. the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Australian Corporations Act;
- iii. such action complies with all applicable laws, regulations or directives in Australia; and
- iv. such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

This offering memorandum was prepared for "wholesale clients" only within the meaning of section 761G of the Australian Corporations Act. This offering memorandum is not directed at persons who are "retail clients" as defined in the Australian Corporations Act.

#### NOTICE TO INVESTORS IN OTHER JURISDICTIONS

The distribution of this offering memorandum 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:

- Any adverse conditions in the economy could adversely affect us.
- Fluctuations in currency exchange rates may have a negative impact on our results of operations presented in Japanese yen.
- We face risks associated with operation and investment in multiple markets, and if we are unable to manage these risks effectively, it 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.
- Fast-paced innovations in technology and business models, as well as alternative telecommunication technologies may make our services, technology or business models obsolete.
- We face intense competition, including from other large and established competitors and well-funded entrants, and such competition may intensify.
- The potential listing of the shares of SoftBank Corp. would involve several risks to our business, financial conditions and results of operations.
- We depend on the satisfactory performance of our network systems and sufficient spectrum to operate our telecommunications services.
- 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 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 rely on subcontractors and other third parties for certain of our operations.
- Our financial results may be significantly affected by cost of fund procurement and leasing.
- There is uncertainty as to our existing long-term corporate credit ratings and the instruments ratings of the Notes.
- The acquisition of other companies, businesses or technologies, such as the acquisition of Arm, and the making of large concentrated investments, such as investments in Uber Technologies, Inc., could result in operating difficulties, dilution or other harmful consequences.
- Our financial condition may be significantly affected by risks relating to Sprint, its operations and financial performance.
- Our business development may be significantly affected by risks relating to Arm's operations.
- Our financial results may be significantly affected by risks relating to the SoftBank Vision Fund and Delta Fund segment, its operations and financial performance.
- Our holdings in Sprint, Yahoo Japan and our strategic associates such as Alibaba will not necessarily generate cash that can be used to pay principal or interest on the Notes or our other indebtedness.
- We may raise additional debt against our holdings in our listed and unlisted subsidiaries, strategic associates or other investment assets or otherwise be adversely affected by declines in their respective valuations.
- Other factors discussed in this offering memorandum.

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 its equity-method non-consolidated subsidiaries and associates, as the context requires. 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 “Arm” are to Arm Holdings plc and its consolidated subsidiaries, as the context requires. References to the “SoftBank Vision Fund” are to SoftBank’s private equity fund, SoftBank Vision Fund L.P. and other funds (other than the Delta Fund) consolidated into our SoftBank Vision Fund and Delta Fund segment, as the context requires. References to the “Delta Fund” are to SoftBank’s private equity fund, SB Delta Fund (Jersey) L.P. References to “Brightstar” are to Brightstar Corp. 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 Limited and its consolidated subsidiaries as the context requires.

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

## CURRENCY PRESENTATION

In this offering memorandum:

- “¥” or “yen” means the lawful currency of Japan;
- “\$,” “U.S. dollars” or “dollars” means the lawful currency of the United States;
- “€” 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;
- “£” or “pounds” means the lawful currency of the United Kingdom;
- “RMB” or “renminbi” means the lawful currency of the People’s Republic of China; and
- “KRW” or “won” means the lawful currency of South Korea.

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 ¥113.00 = \$1.00 and from euros at the rate of ¥134.94 = €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 December 31, 2017. 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 and selected historical financial information for the fiscal years ended March 31, 2015, 2016 and 2017 and for the nine months ended December 31, 2016 and 2017 included in this offering memorandum are presented in accordance with International Financial Reporting Standards (“IFRS”) and, with respect to the financial information for the nine months ended December 31, 2016 and 2017, International Accounting Standards (“IAS”) 34 “Interim Financial Reporting.” Financial information of Sprint is also presented in IFRS unless otherwise specified as presented in accordance with accounting principles generally accepted in the United States (“US-GAAP”). Our annual consolidated financial statements as of and for the fiscal year ended March 31, 2017 with the corresponding figures presented as comparative information as of and for the fiscal year ended March 31, 2016 and, as of and for the fiscal year ended March 31, 2016 with the corresponding figures presented as comparative information as of and for the fiscal year ended March 31, 2015 included elsewhere in this offering memorandum are audited by our independent auditor, Deloitte Touche Tohmatsu LLC, and the unaudited condensed interim consolidated financial statements as of and for the nine months ended December 31, 2017 with the corresponding figures presented as comparative information for the nine months ended December 31, 2016 included elsewhere in this offering memorandum have been subjected to quarterly review procedures by our independent auditor in accordance with standards generally accepted in Japan.

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.

With respect to the presentation of historical financial information, in our consolidated financial statements for the fiscal year ended March 31, 2017, we have presented prior period financial information for the fiscal year ended March 31, 2016 on the same basis of presentation adopted for fiscal year ended March 31, 2017, and have therefore reclassified certain accounting items as originally reported in the previously issued consolidated financial statements for the fiscal year ended March 31, 2016. For more information, see Note 2(4) to our audited consolidated financial statements for the fiscal year ended March 31, 2017, which are included elsewhere in this offering memorandum. We have not retrospectively revised and re-issued our financial statements for the fiscal year ended March 31, 2015 to reflect the same changes in accounting policies adopted for the fiscal year ended March 31, 2017.

In our consolidated financial statements for the fiscal year ended March 31, 2016, we have presented prior period financial information for the fiscal year ended March 31, 2015 on the same basis of presentation adopted for the fiscal year ended March 31, 2016, and have therefore reclassified certain accounting items as originally reported the same in the previously issued consolidated financial statements for the fiscal year ended March 31, 2015. For more information, see Note 2(4) to our audited consolidated financial statements for the fiscal year ended March 31, 2016, which are included elsewhere in this offering memorandum.

### *Segment Information*

Our reportable segments are the components of our business activities for which separate resource allocation and performance assessments are made. We currently have six reportable segments: Domestic Telecommunications, Sprint, Yahoo Japan, Distribution, Arm and SoftBank Vision Fund and Delta Fund, as well as an “Other” categorization for other sources of revenue and costs not otherwise allocated.

During the fiscal year ended March 31, 2016, we revised our segment classifications and changed our reportable segments to better align with our strategic goals. Following this revision, our segments included Domestic Telecommunications, Sprint, Yahoo Japan, Distribution and Other. The segment financial information for the fiscal year ended March 31, 2015 presented in this offering memorandum was extracted from the comparative segment financial information included in our consolidated financial report for the fiscal year ended March 31, 2016. The segment information for the fiscal year ended March 31, 2015 appearing therein was revised to reflect the changes made to our reportable segments during the fiscal year ended March 31, 2016. For more information about the changes made to reportable segments in the fiscal year ended March 31, 2016, see Section 1.1(b) “Results by Segment” of our consolidated financial report as of and for the fiscal year ended March 31, 2016 presented elsewhere in this offering memorandum.

We acquired Arm on September 5, 2016 and began consolidating its financial results on September 6, 2016. Following Arm’s acquisition, we revised our segment classifications to include Arm as a reportable segment. See our consolidated financial report for the fiscal year ended March 31, 2017 presented elsewhere in this offering memorandum for further discussion.

We completed the initial closing for the SoftBank Vision Fund on May 20, 2017 and revised our segment classifications to include SoftBank Vision Fund and Delta Fund as a reportable segment (then called the “SVF segment”). We completed the final closing of Delta Fund on September 27, 2017 and assigned it to the SoftBank Vision Fund and Delta Fund segment. See our consolidated financial report for the nine months ended December 31, 2017 presented elsewhere in this offering memorandum for further discussion.

On February 1, 2018 we completed the consolidation of The Japan Net Bank Limited (“Japan Net Bank”) under the Yahoo Japan segment. Although each of Yahoo Japan and Sumitomo Mitsui Banking Corporation maintains 41.16% of the voting rights in Japan Net Bank, under a modified agreement with Sumitomo Mitsui Banking Corporation, Yahoo Japan has obtained majority representation on the board of directors of Japan Net Bank. Consolidation of Japan Net Bank will be reflected in Yahoo Japan’s financial statements commencing the fiscal year ended March 31, 2018. See “Summary—Recent Developments—Consolidation of Japan Net Bank.”

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

We present in this offering memorandum certain unaudited adjusted financial data (on a consolidated basis) that reflects certain adjustments. Under IFRS, the yen-denominated hybrid bonds that we issued in September 2016 are considered debt and the Hybrid Notes that we issued in July 2017 are considered equity. With respect to the adjusted financial information presented in this offering memorandum, we have treated 50% of the carrying amount of our yen-denominated hybrid bonds issued in September 2016 and yen-denominated hybrid loan borrowed in November 2017 as equity and 50% of the carrying amount of the Hybrid Notes as debt for the purposes of consistency and to align with the treatment presently applied for such securities for ratings purposes by S&P and JCR. See “Summary—Adjusted Financial Data” and “Capitalization.” Such adjusted financial data has not been adjusted for (i) the investment of \$7.7 billion in Uber Technologies, Inc. completed in January 2018; (ii) the further investment of an aggregate amount of \$4.6 billion in DiDi completed in January and February 2018; (iii) the consolidation of Japan Net Bank from February 2018; (iv) Sprint’s issuance of ¥170 billion (\$1,500 million) in senior unsecured notes on February 22, 2018; or (v) our subsidiary’s expected entry into a borrowings under a margin loan secured by ADS of Alibaba under the Margin Loan Agreement. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments” and “Presentation of Financial Information.”

Our historical results may not be indicative of our future results following consummation of this offering. The 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 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 “Adjusted EBITDA,” “Capital Expenditure (acceptance basis),” “Cash Position,” “Free Cash Flow” and “Net Interest-Bearing Debt” 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.

#### ***Adjusted EBITDA***

Adjusted EBITDA is defined as operating income and loss after addition of depreciation and amortization, deduction of gain from remeasurement relating to business combination in our Yahoo Japan and Arm segments, excluding addition or deduction of unrealized gain and loss on valuation of investments in our SoftBank Vision Fund and Delta Fund segment, and other adjustments (gains are deducted). Other adjustments are special items such as acquisition-related costs and impairment loss mainly included in other operating income and loss. These adjustments include gain on spectrum license exchange and loss on contract termination in our Sprint segment, loss on disaster in our Yahoo Japan segment, impairment loss on goodwill in the distribution segment and acquisition-related costs in our Arm segment. Pro Forma Adjusted EBITDA, which does not reflect the SoftBank Vision Fund and Delta Fund segment EBITDA, for the 12 months ended December 31, 2017 is

calculated as the sum of Adjusted EBITDA for the fiscal year ended March 31, 2017 (¥2,564 billion) and Adjusted EBITDA for the nine months ended December 31, 2017 (¥2,056 billion), *minus* Adjusted EBITDA for the nine months ended December 31, 2016 (¥1,992 billion), *minus* SoftBank Vision Fund and Delta Fund segment Adjusted EBITDA (negative ¥15 billion).

Adjusted EBITDA should not be considered in isolation or as substitutes for measures of our operating performance or liquidity reported in accordance with IFRS. Adjusted EBITDA has limitations as do any analytical tools, some of which are as follows:

- Adjusted 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 Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Adjusted 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 Adjusted EBITDA differently than we do, limiting their usefulness as comparative measures; and
- our calculation and presentation of Adjusted EBITDA in this offering memorandum is similar to, but different from, the calculation of Adjusted EBITDA under certain of the agreements and instruments governing our indebtedness. Accordingly, Adjusted 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 Adjusted EBITDA only to supplement such information. You are encouraged to evaluate each of the adjustments reflected in our presentation of Adjusted 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 or reviewed 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 months) and other recorded as current assets. Cash and cash equivalents of SoftBank Vision Fund and Delta Fund, and short-term investments of SoftBank Vision Fund and Delta Fund are excluded from cash position.

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

This offering memorandum presents certain financial information presented under accounting principles generally accepted in Japan (“JGAAP”) for SoftBank Corp. JGAAP differs materially in certain respects from IFRS as applied in the preparation of the consolidated financial statements contained elsewhere in this 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 SoftBank Corp. included elsewhere in this 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 results of the Domestic Telecommunications segment include contributions from entities other than the Note Guarantor, including Wireless City Planning. Material reconciliations and eliminations of intra-group transactions, which have not been applied, are necessary to calculate the Note Guarantor's historical financial information.

***Net Interest-Bearing Debt***

Net interest-bearing debt refers to interest-bearing debt (excluding SoftBank Vision Fund and Delta Fund and financial liabilities relating to the sale of Alibaba shares by variable prepaid forward contract) *minus* cash position.

***Free Cash Flow***

Free cash flow for our Domestic Telecommunications segment refers to the sum of net cash provided by operating activities and net cash used in investing activities adjusted to exclude certain intra-group brand licensing fee payments and cash flows from intra-group financing transactions.



## 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 Research”), a provider of economic, industry and financial market analysis. BMI Research provides historical information and forecasts about the U.S. and Japanese telecommunications markets—both fixed and mobile—for the calendar year ended December 31, 2017.
- International Data Corporation (“IDC”) Worldwide Telecommunications Markets, 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.
- 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.
- 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.
- Telecommunications Carriers Association (“TCA”), a Japanese telecommunications industry trade group that researches and tracks matters of importance in the telecommunications industry. This source provides historical subscriber information on a quarterly basis for Japanese mobile telecommunications firms, by group, carrier and firm.
- Ovum Ltd. (“Ovum”), a provider of analysis covering the IT and telecommunications industries. Ovum provides historical information and forecasts about international and Japanese mobile telecommunications markets.
- World Semiconductor Trade Statistics (“WSTS”), an independent nonprofit organization of semiconductor product companies, providing worldwide semiconductor market data and forecasts.

Additionally, certain market data contained in this offering memorandum is from Agoop Corp., our subsidiary that produces and operates a mobile application that aggregates data connectivity 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 and *Wireless Home Phones*). Subscriber data for our competitors, NTT DOCOMO and KDDI, is derived from TCA.

### *Key Performance Indicators*

#### *Domestic Telecommunications Segment*

We utilize number of subscribers, ARPU, 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.

*Subscribers.* The number of mobile service subscribers is based on the cumulative number of assigned telephone numbers, including telephone numbers assigned to tablets, modules, *Wireless Home Phones* (launched in July 2017) and PHS. The number of *SoftBank Hikari* subscribers is based on the cumulative number of users

for which the physical connection of a fiber-optic line at the central office of Nippon Telegraph and Telephone East Corporation (“NTT East”) or Nippon Telegraph and Telephone West Corporation (“NTT West”) has been completed and includes the number of subscribers to *SoftBank Air*.

*Main mobile subscribers.* Subscribers of smartphones, feature phones, tablets, mobile data communications devices, *Wireless Home Phones* and others, such as voice call SIMs. These are all sources of revenue and profit and we have concentrated its efforts on acquiring and maintaining such subscribers.

*ARPU.* We measure the average monthly revenue generated per customer, or ARPU, in our Domestic Telecommunications segment. ARPU for our main mobile subscribers (excluding *Wireless Home Phones*) for a given month is calculated as (i) data-related revenue, basic monthly charge, voice-related revenues, device warranty services, content-related revenues and advertising revenues, etc., for the month, *divided by* (ii) the number of active main mobile subscribers at the beginning of the month, *plus* the number of active main mobile subscribers at the end of the month, *divided by* two and rounded to the nearest ¥10. 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.

*Churn.* The number of main mobile subscribers (excluding *Wireless Home Phones*) 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 (excluding subscribers who switch between *SoftBank* and *Y!mobile* using mobile number portability (“MNP”)), or churn, relative to the total main mobile subscriber base for a given period. We calculate churn rate by *dividing* the total number of main mobile subscribers who terminated their service in the relevant period by the average number of main mobile subscribers for the same period. The average number of main mobile subscribers for a given month is the average of the number of main mobile subscribers at the beginning of the month and the number of main mobile 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 main mobile subscribers who terminated their service in the relevant months by the sum of the average number of main subscribers for each month in the period.

### ***Sprint Segment***

Sprint utilizes subscribers, ARPU, ABPU and churn rate to analyze and develop strategies for its sales channels and mobile services as these measures are important in understanding the performance of Sprint’s mobile operations and facilitate operating performance comparisons.

*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. Additionally, the number of subscribers may be affected by regulatory changes. For example, as a result of the recent tightening of restrictions on the *Lifeline Program* (which 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), Sprint no longer reports Lifeline connections in its customer base. This resulted in the removal of 6.1 million connections at the end of the fiscal year ended March 31, 2017.

*ARPU.* 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, and 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.* Sprint tracks and discloses average billings per customer (“ABPU”) in addition to ARPU. ABPU is calculated by *dividing* service revenue and equipment billings (representing installment billings under its 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.

*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 rate 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. During the three months ended June 30, 2017, Sprint enhanced subscriber reporting to better align certain early-life gross activations and deactivations. Prior to this enhancement, a newly acquired customer who discontinued service shortly after activation would have contributed to both gross additions and deactivations. Following the enhancement, such a customer would be deducted from gross additions. This enhancement had no impact to net additions, but did result in reporting lower gross additions and lower deactivations as well as lower churn rates in the quarter. Without this enhancement, postpaid phone churn for the three months ended June 30, 2017 would have been 1.73% versus 1.65%.

## **TRADEMARKS**

We own or have rights to use the trademarks, service marks and trade names that we use in conjunction with the operation of our business. One of the more important trademarks that we own 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.

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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 Information,” “Risk Factors” and all other information in this offering memorandum, prior to making an investment in the Notes.*

### The Company

#### Overview

We are a leading global technology company that aspires to drive the Information Revolution. We are a holding company, SoftBank Group Corp., and its global portfolio of subsidiaries and associates, which include advanced telecommunications, internet services, Internet of Things (“IoT”), robotics and clean energy technology providers.

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 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. We have two domestic mobile service brands, *SoftBank* and *Y!mobile*. Our flagship *SoftBank* brand focuses on the high-end of the market, including the most profitable segment of the mobile market, which we believe to be data-intensive smartphone users (mostly *iPhones*). We also offer the *Y!mobile* brand, targeting the budget-conscious market to capture first-time, younger customers.

We combine our stable and profitable domestic telecommunications operations in Japan with selected strategic investments in global internet, technology and communications companies, differentiating us from other mobile operators and providing opportunities for mutually advantageous growth among our group companies. Our leadership team is led by Japan’s technology and business innovator, Masayoshi Son, our founder, Chairman and CEO.

- We control SoftBank Corp., one of the largest telecommunications operators in Japan and the main contributor to our Domestic Telecommunications business, which comprises 35.3% of our consolidated net sales, and 46.9% of our consolidated Adjusted EBITDA and a primary source of our cash flow, in each case for the nine months ended December 31, 2017, and it is one of Japan’s leading mobile communications providers with approximately 42.5 million subscribers, as of December 31, 2017, and approximately 25% subscriber market share, according to TCA and Company data.
- We control Sprint, one of the four largest telecommunications operators in the United States, which had a market capitalization of ¥2,664 billion (\$23,572 million) as of December 31, 2017.
- We control Yahoo Japan, which operates Japan’s most frequently visited portal site offering a wide range of internet services, which had a market capitalization of ¥2,944 billion (\$26,051 million) as of December 31, 2017.
- We own Arm, a British company specializing in the design of microprocessor intellectual property.
- We invest in the SoftBank Vision Fund and Delta Fund, unique investment funds intended to make investments in a wide range of technology sectors globally, managed by SB Investment Advisers (UK) Limited (“SBIA”), our wholly owned subsidiary in the U.K. As of December 31, 2017, total committed capital to the SoftBank Vision Fund was \$91.7 billion. We completed the final closing of Delta Fund on September 27, 2017 with \$6.0 billion in committed capital.
- 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 ¥12,878 billion (\$113,965 million) (excluding shares subject to sale pursuant to a variable prepaid forward contract) as of December 31, 2017.
- We hold a 15% ownership interest in Uber Technologies, Inc. (as of January 18, 2018), one of the world’s largest ride sharing operators by number of daily rides.

We generated net sales of ¥8,901 billion (\$78,770 million) for the fiscal year ended March 31, 2017 and ¥6,811 billion (\$60,277 million) for the nine months ended December 31, 2017, of which ¥3,194 billion (\$28,264 million) (35.9%) and ¥2,407 billion (\$21,300 million) (35.3%) were contributed by our Domestic



Telecommunications segment, respectively. We generated Adjusted EBITDA of ¥2,564 billion (\$22,694 million) for the fiscal year ended March 31, 2017 and ¥2,056 billion (\$18,197 million) for the nine months ended December 31, 2017, of which ¥1,209 billion (\$10,699 million) (47.1%) and ¥964 billion (\$8,531 million) (46.9%) were contributed by our Domestic Telecommunications segment, respectively. We have a long-term corporate credit rating of BB+ (negative outlook) from Standard & Poor's Financial Services LLC ("S&P"), Ba1 (stable outlook) from Moody's Japan K.K. ("Moody's") and A- (stable outlook) from Japan Credit Agency ("JCR"). We are listed on the Tokyo Stock Exchange with a market capitalization of ¥9,718 billion (\$86,003 million) as of December 31, 2017.

### **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, through our well-invested, high-quality network that provides clear and stable communication services
  - One of the wealthiest and most technologically advanced countries in the world, supporting stable and high levels of mobile spending
  - A well-established and stable competitive environment, which benefits from a regulatory stance that discourages excessive competition among major operators
  - Stable customer base backed by large postpaid subscribers with low churn rate
  - Growth opportunities from potential to increase penetration of smartphones and increasing data usage
- Strong cash flow generation and prudent financial management
- Broad range of strategic assets providing significant value, sufficient liquidity and financial flexibility to our group
- 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

### **Strategies**

- Domestic Telecommunications: Leverage our leading market position in the attractive Japanese telecommunications market to enhance revenue generation
  - Concentrate efforts on acquiring and maintaining higher margin smartphone subscribers by intensifying our dual-brand strategy
  - Offer higher-value, data-intensive pricing plans
  - Continue to expand our discount bundle services which combine mobile services and fixed-broadband services
  - Continue to pursue operating efficiencies and extract synergies from our investments, especially Yahoo Japan
  - Maintain our current level of capital expenditures and generate sustainable free cash flow
- Sprint: Further enhance the operational and financial performance of Sprint through a compelling value proposition
- Arm: Capture IoT opportunities by leveraging Arm
- Strategic Investments: Continue to make growth investments and manage portfolio strategically with the aim to realize our SoftBank Synergy Group vision

### **Concurrent Transactions**

The Company is concurrently conducting the Exchange Offer and Consent Solicitation with respect to its outstanding 2015 Notes. Pursuant to the Exchange Offer, the Company expects to issue \$ \_\_\_\_\_ in aggregate principal amount of Dollar Exchange Notes in exchange for Existing Dollar Notes and € \_\_\_\_\_ in aggregate principal amount of Euro Exchange Notes in exchange for Existing Euro Notes. Any Exchange Notes issued will have the same terms and form a single class with the corresponding tranche of Notes issued in this offering.

The Company will not receive any cash proceeds from the Exchange Offer and Consent Solicitation.

We regularly monitor debt capital markets and continually evaluate the financing options available to us with a view to actively managing our capital structure. We may decide to enter into new credit facilities, access the debt capital markets or incur other indebtedness from time to time (including prior to, or within a short time period following, the pricing of the Exchange Notes and the Concurrent New Money Issuance) to refinance certain of our existing indebtedness, including the 2013 Notes.

### Recent Developments

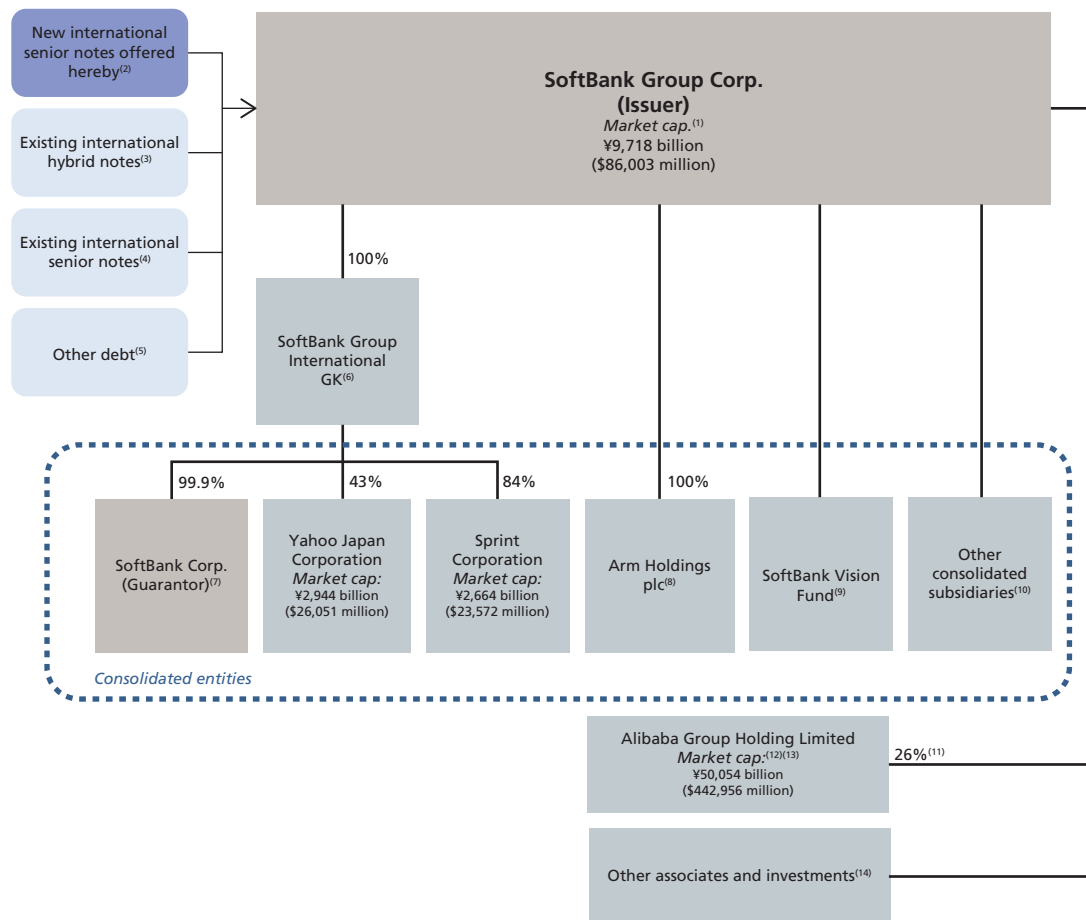
- *Investment in Uber.* In January 2018, we invested \$7.7 billion to acquire a 15% ownership interest in Uber Technologies, Inc. (as of January 18, 2018), one of the largest ride sharing operators by number of daily rides, making us the single largest shareholder. We may offer all or a portion of this investment to the SoftBank Vision Fund in the future (subject to approval requirements at the SoftBank Vision Fund level and certain other necessary conditions).
- *Further investments in DiDi.* In January and February 2018, we made further investments in an aggregate amount of \$4.6 billion in Xiaoju Kuaizhi Inc. (“DiDi”), one of the largest ride sharing operators in China by number of daily rides. In addition, we have announced a partnership with DiDi to provide trial platform services for the taxi industry in major cities in Japan to improve ride hailing for taxis, which such platform would be available to each of Japan’s taxi operators. We further expect to form a joint venture with DiDi in Japan.
- *Potential listing of SoftBank Corp.* In February 2018, the Company and SoftBank Corp. jointly announced that they have commenced preparations for listing of SoftBank Corp.’s shares. Through the listing of SoftBank Corp. shares, we expect that the respective roles of the Company and SoftBank Corp. will become clearer, with the Company pursuing a growth strategy based on accelerating investments on a global scale, and SoftBank Corp. as the core operating company in our telecommunications business. Through a listing, SoftBank Corp. intends to pursue growth in a wide range of sectors and pursue synergies with SoftBank Group companies in Japan and abroad, as well as further strengthen its management foundations as an operating company. We expect that a monetization of a portion of our holding of SoftBank Corp. would contribute to our overall financial soundness and enable us to pursue our strategy of growth through investments. There is a possibility that a decision not to list SoftBank Corp. shares could be made following reviews and studies conducted during the preparation process. For further information on this and other related matters, see “Risk Factors—The potential listing of the shares of SoftBank Corp. would involve several risks to our business, financial condition and results of operations.”
- *Capital Calls for SoftBank Vision Fund.* As of December 31, 2017, we were in the process of delivering 276 million shares of Arm, representing 19.29% of the total outstanding shares, to satisfy Capital Calls through such date. Such shares have been pledged in favor of the SoftBank Vision Fund pending delivery upon completion of regulatory approvals. Upon completion of such contribution of Arm shares and assuming no additional contributions by us, based on our relative pro rata commitment to the SoftBank Vision Fund, we would expect that the SoftBank Vision Fund would have aggregate contributed investor capital in excess of \$26.8 billion out of the total committed amount of \$91.7 billion. The outstanding Capital Calls to other investors have been or will be settled by cash pursuant to the terms of the definitive documentation for the SoftBank Vision Fund. The SoftBank Vision Fund has made additional Capital Calls since January 2018, the proceeds of which have been or will be applied towards investments in Ping An Good Doctor, Ping An HealthKconnect, Compass, Auto1.com, Wag! and Katterra and other future investments. With respect to future Capital Calls, we expect to contribute shares of Arm up to an aggregate of 24.99% of the total outstanding shares (representing an aggregate of approximately \$8.2 billion of capital contributions).
- *Consolidation of Japan Net Bank.* Since April 2014, Yahoo Japan and Sumitomo Mitsui Banking Corporation have each held 41.16% of the voting rights in Japan Net Bank. Under a modified agreement with Sumitomo Mitsui Banking Corporation, while Yahoo Japan’s voting rights will remain unchanged, it has obtained majority representation on the board of directors of Japan Net Bank. As a result, on February 1, 2018 we completed the consolidation of Japan Net Bank under the Yahoo Japan segment, with such consolidation reflected in Yahoo Japan’s financial statements commencing the fiscal year ended March 31, 2018. The consolidation of Japan Net Bank under the Yahoo Japan segment was due to the aforementioned change in effective control of the board of directors of Japan Net Bank, and involved no cash outlays or other change in the voting rights held by Yahoo Japan in such entity. As of

December 31, 2017, Japan Net Bank reported total assets of ¥825 billion (\$7,300 million), including ¥296 billion (\$2,616 million) of cash and due from banks and ¥130 billion (\$1,150 million) of call loans, and total liabilities of ¥764 billion (\$6,763 million), including ¥747 billion (\$6,613 million) of deposits.

- *Margin Loan Secured by ADS of Alibaba.* On or around March 7, 2018, a wholly-owned subsidiary of the Company (the “Borrower”) is expected to enter into a margin loan agreement (the “Margin Loan Agreement”) with lenders (collectively referred to, along with other financial institutions that may become party to the Margin Loan Agreement as lenders from time to time, the “Lenders”). The Lenders are expected to provide \$8 billion in aggregate commitments, including \$4 billion in the form of a term loan facility (the “Term Margin Loan Facility”) and \$4 billion in the form of a revolving credit facility (the “Revolving Margin Loan Facility”), each of which the Borrower expects to draw down in full on or around March 13, 2018. The Borrower’s obligations under the Margin Loan Agreement are not guaranteed by or subject to any recourse to the Company or the Note Guarantor. Loans under the Term Margin Loan Facility and the Revolving Margin Loan Facility will have a maturity of three years. The Borrower expects to loan the proceeds of the loans under the Margin Loan Agreement to the Company, which expects to apply such proceeds for general corporate purposes including improving its liquidity. The loans under the Margin Loan Agreement will be secured by a combination of Alibaba American Depositary Shares (“ADS”) and cash pledged to the Lenders. In connection with the initial drawdown under the Margin Loan Agreement, we expect to pledge ADS representing approximately 6% of Alibaba’s outstanding share capital for the benefit of the Lenders.

## Organizational Structure as of December 31, 2017

The following is a simplified summary of the corporate and financing structure of the Company as of December 31, 2017, adjusted to reflect this offering. The chart does not include all of our subsidiaries or all of our financings and certain groups of subsidiaries are represented collectively, such as the entities comprising the SoftBank Vision Fund and Delta Fund. For more detail on these segments, see “Business—Our Business Segments.” Unless otherwise indicated, the subsidiaries included in the simplified structure below are directly or indirectly owned by the Company.



- (1) The shares of the Company trade on the Tokyo Stock Exchange. As of September 30, 2017, our principal shareholder is our founder, Chairman, and CEO, Masayoshi Son (21%).
- (2) The Notes offered hereby will be general senior obligations of the Company and will rank *pari passu* in right of payment with any existing and future indebtedness of the Company that is not subordinated to the Notes (including the existing international senior notes, the Senior Term Loan and the Company’s unsubordinated yen-denominated bonds). See “Summary—The Offering.” As of the Issue Date, the Notes will be guaranteed on a senior basis by SoftBank Corp. and will not be secured.
- (3) The existing international hybrid notes comprise the Company’s \$2.75 billion 6.000% Undated Subordinated NC6 Resettable Notes (the “NC6 Hybrid Notes”) and \$1.75 billion 6.875% Undated Subordinated NC 10 Resettable Notes (the “NC10 Hybrid Notes”) and, together with the NC6 Hybrid Notes, the “Hybrid Notes”), in each case issued on July 19, 2017. The Hybrid Notes have no maturity date and interest payments under the Hybrid Notes may be deferred at the option of the Company. The obligations of the Company under the Hybrid Notes rank junior to the senior obligations of the Company, including the obligations of the Company under the Notes. See “Description of Other Indebtedness—Bonds.”
- (4) The existing international senior notes comprise (i) the 2013 Notes; (ii) the 2015 Notes; and (iii) the four series of senior notes in the form of \$1,350 million 4¾% Senior Notes due 2024, \$2,000 million 5⅞% Senior Notes due 2027, €1,500 million 3⅞% Senior Notes due 2025, and the €750 million 4% Senior Notes due 2029 (the “2017 Notes”). The existing international senior notes are guaranteed by SoftBank Corp. and are unsecured. See “Description of Other Indebtedness—Bonds.” The Company is concurrently conducting the Exchange Offer and Consent Solicitation with respect for its outstanding 2015 Notes. Pursuant to the Exchange Offer, the Company expects to issue Dollar Exchange Notes in exchange for Existing Dollar Notes and Euro Exchange Notes in exchange for Existing Euro Notes. Any Exchange Notes issued will have the same terms and form a single class with the corresponding tranche of Notes issued in this offering.
- (5) The Company’s other debt consists principally of senior, subordinated and hybrid yen-denominated corporate bonds, and the Senior Term Loan. See “Description of Other Indebtedness.”
- (6) SoftBank Group International GK (“SBGK”), a wholly owned subsidiary of the Company, was established as a holding company for certain of the Company’s assets in 2016.

- (7) SoftBank Corp. will guarantee the Notes offered hereby on a senior unsecured basis. The Note Guarantee of SoftBank Corp. will rank *pari passu* with SoftBank Corp.'s obligations under SoftBank Corp.'s guarantee of the existing international senior notes, and senior loans including the Senior Term Loan and will be effectively subordinated to SoftBank Corp.'s obligations under its finance leases.
- (8) In September 2016, we acquired all of the issued and outstanding shares of Arm for approximately £24.0 billion. The operations of Arm are conducted through the subsidiaries of Arm and collectively comprise the Arm segment reported in our consolidated results. We are in the process of contributing a portion of the shares of Arm valued at approximately \$8.2 billion (approximately 24.99% of the total number of issued shares) to the SoftBank Vision Fund upon the SoftBank Vision Fund exercising its capital call options.
- (9) The SoftBank Vision Fund and Delta Fund segment is comprised of a wholly owned management company, SB Investment Advisers (UK) Limited, several general partnerships, including principally SVF GP (Jersey) Limited and SB Delta Fund GP (Jersey) Limited, and several limited partnerships, including primarily SoftBank Vision Fund L.P. Investments will be held through several portfolio holding companies.
- (10) For a list of the Company's major subsidiaries, their reportable segment, location and voting percentage, see Note 15 to our audited financial statements for the fiscal year ended March 31, 2017. Major subsidiaries include the core companies of our Distribution segment (Brightstar Corp. and SoftBank Commerce & Service Corp.) as well as the core companies in "Other" (Fortress and Fukuoka SoftBank HAWKS Corp.). Information on business segments which are not included in the reportable segments is classified in "Other".
- (11) Excludes shares held by WRH LLC. See "Business—Strategically Important Companies—Alibaba." As of December 31, 2017, our share of Alibaba had a market value of ¥12,878 billion (\$113,965 million) (excluding shares subject to a variable prepaid forward contract). We do not consolidate Alibaba's results.
- (12) On June 10, 2016, West Raptor Holdings, LLC ("WRH LLC"), a wholly owned subsidiary of the Company, entered into a variable prepaid forward contract to sell Alibaba shares with a newly formed trust, which in turn issued mandatorily exchangeable securities to third-party investors. Alibaba shares held by WRH LLC are pledged as collateral for the forward contract. ¥729 billion (\$6,453 million) is recognized as financial liabilities relating to the sale of shares by variable prepaid forward contract in interest-bearing debt (non-current liabilities) and ¥662 billion (\$5,859 million) is recognized as derivative liabilities in other financial liabilities (non-current liabilities) in the consolidated statement of financial position as of December 31, 2017. For further detail, see Note 11(2) to our unaudited condensed interim financial statements as of and for the nine months ended December 31, 2017.
- (13) On or around March 7, 2018, a wholly-owned subsidiary of the Company (the "Borrower") is expected to enter into a margin loan agreement (the "Margin Loan Agreement") with lenders (collectively referred to, along with other financial institutions that may become party to the Margin Loan Agreement as lenders from time to time, the "Lenders"). The Lenders are expected to provide \$8 billion in aggregate commitments, including \$4 billion in the form of a term loan facility and \$4 billion in the form of a revolving credit facility, each of which the Borrower expects to draw down in full on or around March 13, 2018. The loans under the Margin Loan Agreement will be secured by a combination of Alibaba American Depositary Shares ("ADS") and cash pledged to the Lenders. In connection with the initial drawdown under the Margin Loan Agreement, we expect to pledge ADS representing approximately 6% of Alibaba's outstanding share capital for the benefit of the Lenders.
- (14) Following the investments in DiDi and Uber Technologies, Inc., our respective positions in DiDi and Uber Technologies, Inc. are expected to be recorded as investment securities on our consolidated balance sheet and DiDi and Uber Technologies, Inc. have not been and are not classified as a subsidiary or an associate of the Company.



## Adjusted Financial Data

The following table shows certain additional metrics on an actual historical basis and adjusted to (1) exclude the cash and cash equivalents, short-term investment, short-term borrowings, current portion of long-term borrowings and long-term borrowings of the SoftBank Vision Fund and Delta Fund segment, each as of December 31, 2017, and give effect to (2) \$189 million (¥21 billion) that we expect to receive in connection with our sale of Supercell as if it had occurred on December 31, 2017, and (3) exclude the financial liabilities relating to the sale of shares by variable prepaid forward contract. The metrics presented below have not been adjusted for (i) the investment of \$7.7 billion in Uber Technologies, Inc. completed in January 2018; (ii) the further investment of an aggregate amount of \$4.6 billion in DiDi completed in January and February 2018; (iii) the consolidation of Japan Net Bank from February 2018; (iv) Sprint's issuance of ¥170 billion (\$1,500 million) in senior unsecured notes on February 22, 2018; or (v) our subsidiary's expected entry into a borrowings secured by ADS of Alibaba under the Margin Loan Agreement.

	As of and for the 12 months ended December 31, 2017	
	Consolidated	
	(billions of yen and millions of dollars except for ratios)	
Pro Forma Adjusted EBITDA <sup>(1)</sup> .....	¥ 2,644	\$ 23,396
Pro Forma Adjusted EBITDA by segment:		
Domestic telecommunications .....	1,178	10,428
Sprint .....	1,231	10,829
Yahoo Japan .....	227	2,009
Distribution .....	18	159
Arm .....	42	368
Other .....	(52)	(461)
Adjusted total interest-bearing debt <sup>(2)</sup> .....	14,679	129,899
Adjusted cash position .....	3,199	28,311
Adjusted net interest-bearing debt <sup>(3)</sup> .....	11,479	101,587
Adjusted net interest-bearing debt/Pro Forma Adjusted EBITDA .....		4.3x

(1) Pro Forma Adjusted EBITDA for the 12 months ended December 31, 2017 is calculated as the sum of Adjusted EBITDA for the fiscal year ended March 31, 2017 (¥2,564 billion) and Adjusted EBITDA for the nine months ended December 31, 2017 (¥2,056 billion), *minus* Adjusted EBITDA for the nine months ended December 31, 2016 (¥1,992 billion), *minus* SoftBank Vision Fund and Delta Fund segment Adjusted EBITDA (negative ¥15 billion).

(2) In calculating Adjusted total interest-bearing debt, we classify (i) 50% of the carrying amount of ¥463 billion (\$4,098 million) of our yen-denominated hybrid bonds and 50% of the carrying amount of ¥83 billion (\$732 million) of our yen-denominated hybrid loan and (ii) 50% of the carrying amount of ¥497 billion (\$4,397 million) of our Hybrid Notes as interest-bearing debt. Under IFRS, the entire carrying amount of the yen-denominated hybrid bonds and hybrid loan is recorded as a liability and the entire net proceeds of the Hybrid Notes is recorded as equity. Does not include financial liabilities relating to sale of shares by variable prepaid forward contract.

(3) Reflects Adjusted total interest-bearing debt *minus* Adjusted cash position.

See “Presentation of Financial Information—Adjusted Financial Information” and “Capitalization.” Our historical results may not be indicative of our future results following consummation of this offering. The 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 adjusted financial data have been audited or reviewed in accordance with any generally accepted auditing standards.

## 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. For a more detailed description of the terms and conditions of the Notes, including the definitions of certain terms used in this summary, see “Risk Factors.”

<b>Issuer</b> .....	SoftBank Group Corp.
<b>Note Guarantor</b> .....	SoftBank Corp.
<b>Notes Offered</b> .....	\$ aggregate principal amount of its % Senior Notes due 2028 denominated in U.S. dollars (the “Dollar Notes”); and € aggregate principal amount of its % Senior Notes due 2028 denominated in euro (the “Euro Notes,” together with the 2028 Euro Notes, the “Euro Notes,” and, together with the Dollar Notes, the “Notes”).
<b>Issue Date</b> .....	On or about April 3, 2018.
<b>Offering Price</b> .....	100% of the principal amount of the Notes <i>plus</i> accrued interest, if any, from the Issue Date.
<b>Maturity Date</b> .....	Dollar Notes: April 15, 2028. Euro Notes: April 15, 2028.
<b>Interest Payment Dates</b> .....	We will pay interest on the Notes on each April 15 and October 15, commencing October 15, 2018.
<b>Concurrent Transactions</b> .....	<p>The Company is concurrently conducting the Exchange Offer and Consent Solicitation with respect to its outstanding 2015 Notes. Pursuant to the Exchange Offer, the Company expects to issue \$ in aggregate principal amount of Dollar Exchange Notes in exchange for Existing Dollar Notes and € in aggregate principal amount of Euro Exchange Notes in exchange for Existing Euro Notes. Any Exchange Notes issued will have the same terms and form a single class with the corresponding tranche of Notes issued in this offering.</p> <p>The Company will not receive any cash proceeds from the Exchange Offer and Consent Solicitation.</p> <p>We regularly monitor debt capital markets and continually evaluate the financing options available to us with a view to actively managing our capital structure. We may decide to enter into new credit facilities, access the debt capital markets or incur other indebtedness from time to time (including prior to, or within a short time period following, the pricing of the Exchange Notes and the Concurrent New Money Issuance) to refinance certain of our existing indebtedness, including the 2013 Notes.</p>
<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 syndicated loan from several Japanese and international financial institutions in the principal amount of ¥2,650 billion, under which ¥2,605 billion (\$23,056 million) of indebtedness remains outstanding (the “Senior Term Loan”); the two series of senior notes</li></ul>

in the form of \$2,485 million 4½% Senior Notes due 2020 and €625 million 4⅝% Senior Notes due 2020 (the “2013 Notes”); the 2015 Notes; the four series of senior notes in the form of \$1,350 million 4¾% Senior Notes due 2024, \$2,000 million 5⅛% Senior Notes due 2027, €1,500 million 3⅛% Senior Notes due 2025, and the €750 million 4% Senior Notes due 2029 (the “2017 Notes”); and the Company’s senior unsecured 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 (including the Company’s yen-denominated hybrid loan, yen-denominated subordinated bonds and yen-denominated and dollar-denominated hybrid bonds) 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 structurally subordinated to all existing and future Indebtedness or other obligations, including the Sprint 2024 Secured Term Loan, Sprint Spectrum Financing, Sprint bonds, Yahoo Japan bonds 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 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 the future incur substantial amounts of secured debt,” “Risk Factors—Risks Relating to the Notes—The Notes and the Note Guarantee thereof 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 Senior Term Loan, the 2013 Notes, the 2015 Notes, the 2017 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, including the Note Guarantor's obligations with respect to ¥1,242 billion (\$10,989 million) outstanding under finance leases, 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 payables and trade payables, of any Subsidiary of the Note Guarantor that does not Guarantee the Notes.

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 the 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 the 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 and quotation 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-principle for the listing and quotation 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. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we will appoint and maintain a Paying Agent in Singapore, where the definitive Notes may be presented or surrendered for payment or redemption in the event that a Global Note is exchanged for definitive Notes. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the Paying Agent in Singapore.

**Governing Law** . . . . . The Indenture, the Notes and the Note Guarantees will be governed by the laws of the State of New York.

**Transfer Restrictions** . . . . . 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. The Notes are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the European Economic Area. 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 \$            million (equivalent) in net proceeds from this offering, comprising approximately \$            million from the Dollar Notes and €            million from the Euro Notes, after deducting underwriting discounts and commissions. We intend to apply the proceeds of the offering, to fund the payment of the consent fee and other related costs in connection with the Exchange Offer and Consent Solicitation and to use any remaining proceeds 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 the Notes—Additional Amounts.”
<b>Trustee and Paying Agent</b> .....	The Bank of New York Mellon, London Branch.
<b>Transfer Agent and Registrar</b> ....	The Bank of New York Mellon SA/NV, Luxembourg Branch.
<b>Security Codes</b> .....	Dollar Notes: ISIN: Common Code:  Euro Notes: ISIN: Common Code:
<b>Risk Factors</b> .....	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.

## RISK FACTORS

An investment in the 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**

#### ***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, United States', 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, the United States, China or globally could adversely affect us or diminish our ability to procure funds. Our business and results of operations could be adversely affected under difficult economic or market conditions. In addition, the Japanese population, which represents the primary market of our domestic telecommunications 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.

#### ***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 is conducted in currencies other than Japanese yen, most significantly, U.S. dollars. 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 the yen-U.S. dollar exchange rate, 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 yen could have the effect of exacerbating losses incurred by our foreign subsidiaries 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.

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

We conduct business and invest in multiple regions including the United States, China, India, Europe and Central and South America as well as other regions and countries and may continue expanding our operations outside of Japan. We do not have a history of successfully operating in these regions, which in some cases have a different level of economic development or different economic structure from 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 the occurrence of political, social, or economic turbulence in such countries and regions, due to the outbreak of wars, conflicts, and terror attacks, the enactment of economic sanctions and the outbreak of communicable diseases.

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 to remain in their positions with us, 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 founder, Chairman and CEO, especially for identifying new business and investment opportunities and creating new business models. Mr. Son's reputation and personal contacts in the industries in which we operate have provided 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.

***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, financial condition and results of operations.

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

One of our primary business domains is the information industry, particularly the Japanese mobile communications industry, where we compete for consumer spending with other domestic 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 (including but not limited to mobile communications operators and mobile virtual network operators ("MVNOs")) 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, brand awareness or public recognition.

As of the date hereof, the Ministry of Internal Affairs and Communications is evaluating applications for additional spectrum allocation of 1.7 GHz and 3.4 GHz bands, and the outcome is expected to be made public by or around the end of March 2018. It is reported that Rakuten, Inc., an existing MVNO, has applied for allocation

to become a new MNO, so it is possible that the new radio frequency bands will be allocated to them. See “Regulation—Radio Act of Japan—Allocation of Radio Frequency Spectrum. Going forward, the competition among existing operators and new entrants 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 September 2017, we introduced the Half Price Support program, which enables customers to purchase eligible smartphones in 48 monthly installments, with the remaining monthly payments waived if the customer trades in their used handset to upgrade to a designated new model after 24 monthly installments. However, we cannot be certain that this program will enable us to acquire new and maintain existing subscribers. Additionally, the participation rate for this program may exceed our expectations and may thus result in a larger decline in revenues than expected.

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.

In addition, the Japanese population, which represents the primary market of our domestic telecommunications products and services, is both aging and declining. According to Ovum, the total number of domestic mobile communications service subscribers in Japan reached 168 million, as of December, 2017, and according to BMI Research the penetration rate for mobile phones in Japan is estimated to have reached approximately 131%, as of December, 2017, 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.

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

***The potential listing of the shares of SoftBank Corp. would involve several risks to our business, financial condition and results of operations.***

In February 2018, we and SoftBank Corp. announced we had commenced preparations to list the shares of SoftBank Corp. However, neither we nor SoftBank Corp.’s board of directors have made any formal decision to pursue a listing, and the listing may or may not occur in the near term or at all depending on various factors affecting the favorability of any such listing, many of which are outside of our control. For instance, we may determine that the current market for the shares would not permit us to obtain sufficient value for them. In addition, we are currently reviewing the potential effects of a listing on our cash flows and creditworthiness. These and other such factors may cause us to temporarily or indefinitely postpone listing preparations.

While we expect SoftBank Corp. would remain consolidated on our balance sheet after any such listing, SoftBank Corp. is currently our most significant source of cash flows, and our potential cash flows via the future dividends we expect to receive from SoftBank Corp., as well as our share of SoftBank Corp.’s future earnings, would be directly reduced to the extent of any such disposal and listing. Such dilution of our share of SoftBank Corp.’s future earnings and dividends could have a material adverse effect on our business, financial condition and results of operations.

***If we decide to pursue a listing of the shares of SoftBank Corp. in the future, we may release all of SoftBank Corp.’s outstanding guarantees of the Company’s Indebtedness.***

Currently, no formal decision to pursue a listing has been made, and the listing may or may not occur depending on various factors affecting the favorability of any such listing, many of which are outside of our control. Should we decide to go forward with such a listing, and subject to the satisfaction of the requisite conditions, we may release all of SoftBank Corp.’s outstanding guarantees of our Indebtedness (including our the Notes, the 2013 Notes, the 2015 Notes, the 2017 Notes, our Yen-denominated Senior Bonds, the Commitment Line and our Senior Term Loan) prior to launching a listing of SoftBank Corp. The indentures governing the 2013 Notes and the Notes would permit us to release SoftBank Corp.’s guarantees of such notes upon (or substantially concurrently with) the release of SoftBank Corp.’s other guarantees of our Indebtedness only if the 2013 Notes and the 2015 Notes have an investment grade rating at the time of release. Concurrently with the offering of the Notes, we are soliciting the Consents of holders of the 2015 Notes to certain proposed amendments to conform covenants governing the 2015 Notes to corresponding covenants governing the 2017 Notes, including aligning the guarantee release provisions of the 2015 Notes to the guarantee release provisions of the 2017 Notes and thus allowing us to release SoftBank Corp.’s guarantee of the 2015 Notes regardless of whether the 2015 Notes have an investment grade rating at the time of release. In the future, we may also consider seeking the requisite consents of lenders under the Senior Term Loan to release SoftBank Corp.’s

guarantee of such loan pursuant to the applicable provisions thereof in the event of a listing of SoftBank Corp. See “—There are circumstances other than repayment or discharge of the Notes under which the Note Guarantees thereof may be released, without your consent or the consent of the relevant Trustee.”

***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 of the telecommunications markets in which we operate, we will need to undertake continuous maintenance and upgrades to our mobile and fixed-line 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.

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 and/or brand 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 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 “Regulation—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 expenses and could enable new competitors to enter the market.

***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 utilize 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 Nippon Telegraph and Telephone Corporation (“NTT”) group companies. See “Business—Important Relationships—Nippon Telegraph and Telephone Corp.” 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 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, Nokia 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 time frames 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.

***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.

***Our financial results may be significantly affected by cost of fund procurement and leasing.***

We procure the funds required to develop our business by borrowing from financial institutions, issuing corporate bonds and other sources. We also execute capital expenditure utilizing leases. The cost of procuring funds could increase because of rising interest rates or a decline in our creditworthiness stemming mainly from a downgrading of our credit ratings. An increase in fund procurement costs could impact our results of operations. Furthermore, depending on the financial market conditions and our credit standings, we may be unable to procure funds or structure leases as planned. This could impact our business development, results of operations and financial position. In addition, various covenants are attached to our borrowings from financial institutions, corporate bonds and other transactions. If the potential arises for any of these covenants to be breached and we are unable to take steps to avoid breaching them, we could forfeit the benefit of terms relating to the obligation concerned, and in conjunction with this loss we could be requested to repay or redeem other borrowings in one lump sum as well. As a result, our financial position could be adversely affected.

We may sell some of our assets or take other measures to secure resources for repaying the procured funds (excluding the debts non-recourse to SoftBank Group Corp.). This could impact the Group's results of operations and business development.

***There is uncertainty as to our existing long-term corporate credit ratings and the instruments ratings of the Notes.***

Our long-term corporate credit rating is BB+ (negative outlook) from Standard & Poor's Financial Services LLC ("S&P"), Ba1 (stable outlook) from Moody's Japan K.K. and A- (stable outlook) from JCR. The ratings assigned to the Notes as well as the instrument ratings assigned to the Notes may be lowered or withdrawn entirely in the future.

In the event that SoftBank Corp. is released from its guarantees of our Indebtedness in connection with its listing (should any such listing take place in future) and incurs substantial amounts of additional Indebtedness, the structurally junior position of our unsecured and unguaranteed Indebtedness (including the Notes) relative to

SoftBank Corp.'s own Indebtedness and our other subsidiaries' Indebtedness would be exacerbated, which could lead one or more rating agencies to assign our unsecured and unguaranteed Indebtedness a lower instrument rating than our long-term issuer credit rating. We could also be susceptible to future credit downgrades if our net leverage increases or otherwise if we pursue an aggressive investment strategy at the expense of key financial metrics, if we experience a significant decline in the value of our investments or if we suffer negative impacts from the acquisition of other companies, businesses or technologies. On February 26, 2018, S&P revised its outlook on our long term issuer corporate credit rating from stable to negative.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. No assurances can be given that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform the Holders of any such revision, downgrade or withdrawal. A suspension, reduction, notching down from our long-term issuer credit rating or withdrawal at any time of the ratings assigned to the Notes may adversely affect the market price of the Notes and 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.

***The acquisition of other companies, businesses or technologies, such as the acquisition of Arm, and the making of large concentrated investments, such as our investment in Uber Technologies, Inc., could result in operating difficulties, dilution or other harmful consequences.***

In order to set up new businesses, or expand 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 e-commerce and taxi booking platforms for mobile devices. In September 2016, we acquired all of the issued and outstanding shares of Arm, a British microprocessor intellectual property design firm, for approximately £24.0 billion. See “—Our business development may be significantly affected by risks relating to Arm’s operations.” In December 2017, we completed the acquisition of 100% of the outstanding shares of Fortress for approximately \$3.3 billion. Also, in May 2017, we completed the first closing of the SoftBank Vision Fund with a diverse group of institutional investors, and as of December 31, 2017, total committed capital to the SoftBank Vision Fund was \$91.7 billion. In January 2018, we made a total investment of \$7.7 billion pursuant to which we acquired a 15% ownership interest in Uber Technologies, Inc. (as of January 18, 2018), one of the largest ride sharing operators by number of daily rides. As part of our SoftBank Synergy Group strategy, we expect to continue to make minority investments in a large number of investees with the aim of fostering synergies between and among them, but we will have limited ability to control the management of any investees in which we take a minority position, and accordingly, such investees may not necessarily pursue the strategic initiatives that would be most beneficial to us. Furthermore, even if such investees do pursue our preferred strategic initiatives, there can be no assurance that the synergies we expect will ever be realized. See “Summary—Recent Developments” and “Business—Strategies—Strategic Investments: Continue to make growth investments and manage portfolio strategically with the aim to realize our SoftBank Synergy Group vision.” If an investee is included in our scope of consolidation in conjunction with these investment activities, this could positively or negatively affect our consolidated results of operations and financial position.

In addition, we carry significant amounts of goodwill and other intangible assets on our balance sheet as a result of our corporate acquisitions and investments. If a company in which we invest is unable to conduct its business as anticipated at the time of investment, our results of operations and financial position could be impacted, for example, through write-downs on assets recognized in conjunction with the investment activities including goodwill, property, plant and equipment, intangible assets or financial assets such as shares. In addition, any decline in the value of assets that were obtained through these investment activities, including investment equities, could cause us to recognize a valuation loss which could have an attendant impact on our results of operations and distributable amounts in our non-consolidated financial statements. Under IFRS, goodwill is tested for impairment whenever there is any indication of 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. For example, we recorded a loss from financial instruments carried at fair value through profit or loss (“FVTPL,” the fair value of which is required to be measured at the end of each quarter under IFRS, with changes to be recognized as net income or loss) of ¥160 billion in our consolidated financial statements for the fiscal year ended March 31, 2017 and a gain from financial instruments carried at FVTPL of ¥8 billion for the nine months ended December 31, 2017. Financial instruments at FVTPL includes preferred shares of Jasper Infotech Private Limited, which operates “snapdeal.com,” an e-commerce site in India, and ANI Technologies Private Limited, which operates Ola, a taxi booking platform also in India. Furthermore, we recognized a loss on valuation of shares of subsidiaries and associates of ¥114 billion as special losses in our nonconsolidated financial statements for the fiscal year ended March 31, 2017. The losses represented impairments of our investments in subsidiaries and associates, including STARFISH I PTE LTD, an intermediate holding company that owns preferred shares in Jasper Infotech Private Limited. In addition, our debt burden may increase if we borrow funds to finance any future acquisition or investment, which could have a negative impact on our cash flows and our ability to finance our overall operations. An 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 investments or fully integrating previously acquired companies.

If the companies we acquire or in which we invest 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.

In certain cases we may consolidate or de-consolidate these investments from our consolidated financial results and doing so may affect our results negatively. 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, 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 that conditions are imposed and we fail to meet them in a timely manner, the relevant government authority may impose fines and, in connection with a merger transaction, may require restorative measures, such as a mandatory disposition of assets or divestiture of operations. Finally, we could be susceptible to future credit downgrades if we pursue an aggressive investment strategy at the expense of key financial metrics. See “—There is uncertainty as to our existing long-term corporate credit ratings and the instruments ratings of the Notes.”

Any of the above factors could have a material adverse effect on our business, financial condition, credit ratings 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 may be significantly affected by risks relating to Sprint, its operations and financial performance.***

Our consolidated subsidiary, Sprint, accounted for 43.6% and 40.7% of our net sales for the fiscal years ended March 31, 2016 and 2017 and 40.3% and 40.0% for the nine months ended December 31, 2016 and 2017, respectively. Sprint is in the business of selling communications 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; the acceptance of its value proposition; service delivery and customer care activities, including new account set-up and billing; and execution under credit and collection policies;
- The actual or perceived quality and coverage of Sprint’s network;
- Public perception about Sprint’s brand;
- Sprint’s ability to anticipate, develop and deploy new or enhanced technologies, products and services that are attractive to existing or potential subscribers;

- Sprint’s ability to continue to access spectrum and acquire additional spectrum capacity; 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. Sprint has seen aggressive customer acquisition efforts by its competitors. For example, most service providers, including Sprint, 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, which could adversely affect its operating results.

We expect Sprint to continue to incur expenses, such as the reimbursement of subscriber termination fees and other subscriber acquisition and retention expenses, to attract and retain subscribers, 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 and its competitors continue to gain a greater proportion of new subscribers from each other’s existing subscriber bases rather than from first-time purchasers. 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’s service plans allow certain subscribers to purchase or finance the use of an eligible device under an installment or lease contract payable generally over a period of up to 24 months. Subscribers who take advantage of these plans are not required to sign a fixed-term service contract to obtain postpaid service. Sprint could experience a higher churn rate than it expects, due to the ability of subscribers to more easily change service providers, which could adversely affect its results of operations. In addition, because Sprint’s lease and installment billing contracts permit customers to pay for devices over time, Sprint maintains a certain level of debt to support its investment in these contracts.

Sprint’s installment billing program subjects it to increased risks relating to consumer credit issues, which could result in increased costs, including increases to its bad debt expense and write-offs of installment billing receivables. Sprint also leases devices to certain of its subscribers. Its financial condition and results of operations depend, in part, on its ability to appropriately assess the credit risk of its lease subscribers and the ability of its lease subscribers to perform under its device leases.

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 other things, capital markets issuances, securitization of receivables and vendor finance and improvements in cash from operations. However, if Sprint is unable to conduct its 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.

We continue to explore various options involving potential transactions involving Sprint. As of the date hereof no agreements regarding the terms of any potential transaction have been reached with any party. It is our current intention to continue exploring alternatives. There can be no assurance that any agreement will be reached or that a transaction will ultimately be consummated. In addition, there can be no assurance regarding the structure of any such transaction, and there can be no assurance that such a transaction would not involve Sprint or any resulting entity ceasing to be a consolidated subsidiary of ours, or that such a transaction would not involve further investments by us in Sprint or any other entity. See also “—The acquisition of other companies, businesses or technologies, such as the acquisition of Arm, and the making of large concentrated investments, such as our investment in Uber Technologies, Inc., could result in operating difficulties, dilution or other harmful consequences.”

***Our business development may be significantly affected by risks relating to Arm’s operations.***

The operations of Arm could substantially affect our business development. Arm’s business is subject to risks, including:

- *Competition in and changes to the semiconductor industry.* Arm operates in the semiconductor market, which is highly competitive and has been characterized by rapid technological changes, short



product lifecycles, high capital expenditures and intense pricing pressure. Arm currently competes with both large semiconductor companies and smaller semiconductor intellectual property companies. For example, Intel Corporation is currently developing an x86-based processor for tablets, mobile phones and IoT, which would compete with Arm's products. In growing markets, such as the IoT market, there are low barriers to entry, which allows many small-sized semiconductor intellectual property companies to compete with Arm. The success of the products of Arm's competitors could negatively impact Arm's market share and the value of its intellectual property.

- *Risks associated with international sales.* Arm's customers are located in many locations around the world, including in countries and locations (such as Russia, South America and Africa) where Arm has little knowledge or experience with the political culture or regulatory environment. In addition, the proportion of Arm's sales to customers in China is increasing and it is expected that this trend will continue, and Arm believes that the share will continue to increase. The semiconductor industry has been the subject of repeated disputes over government assistance to domestic manufacturers and fair trading policies, the outcomes of which could materially and adversely affect Arm's access to particular markets or Arm's competitive position generally.
- *Changes in customer needs.* The semiconductor market is characterized by rapidly changing technology that affects industry standards and the types of products that Arm's customers demand. The changing needs of Arm's customers may result in Arm's products no longer meeting customer specifications or being otherwise incompatible with customer-intended end uses. If we are unable to invest sufficient resources to meet the needs of Arm's customers, if we do so in an inefficient or untimely manner or if Arm's customers develop the capability to design semiconductors internally, Arm may lose market share and the value of its intellectual property could decrease.
- *Customer concentration risk.* Due to changes in technological trends and economic conditions, merger activities in the semiconductor industry may increase, resulting in a smaller number of customers to which Arm sells its products and increasing Arm's reliance on orders from a smaller number of larger customers, increasing the impact on sales of a reduction of orders by individual customers. For example, if a key customer's products incorporating Arm's products fail to achieve success in the market, or if a key customer foresees such failure, the relevant customer may reduce purchases of Arm's products. This risk is especially acute for customers that compete in the highly competitive, rapidly evolving mobile device market. Also, a smaller number of key customers could increase product development costs, as key customers could require Arm to develop or modify its products more frequently than expected.
- *Inability to retain and motivate qualified personnel.* The number of Arm's employees has increased rapidly in the last few years, as it has accelerated the hiring of engineers to develop the next-generation of processors that will meet customer demands. We plan to double the number of Arm's employees since the acquisition. There is no assurance that we will be able to adapt Arm's organizational structure, corporate culture and infrastructure to accommodate this increase in employees, particularly if the increase in employees continues at the current rate.
- *Reputational risk.* Arm's technologies are incorporated into products that are used around the globe by numerous individuals and companies. These products, in turn, are used to accumulate, manage and transmit massive amounts of private, personal and proprietary information. As a result, if issues arise with these products, as a result of problems or defects with Arm's technologies, Arm could suffer significant reputational harm and the value of Arm's brand and intellectual property could be negatively affected. As Arm's technologies are becoming increasingly complex, the risk of problems or defects arising may also increase.
- *Risk of infringing on the intellectual property rights of others.* Although Arm pays considerable attention to establishing and maintaining its products' integrity, if Arm is involved in a dispute with another company for infringement of intellectual property, it may become necessary for Arm to defend its intellectual property and its technologies. Occasionally, a third party asserts patent rights, copyrights or other intellectual property rights against Arm's technologies. Such assertion against Arm or a licensee of Arm's technologies may cause Arm to incur a significant amount of expenses, and Arm may become obligated to compensate its licensee pursuant to license agreements.
- *Dependence on intellectual property licensees.* Arm is dependent on its licensees to manufacture and market microprocessors and other intellectual property based on Arm's architecture in order to receive royalties in the future. Arm is also dependent on licensees to add value to its license architecture by providing complete Arm-based microprocessor solutions to meet specific application



needs of systems companies. If one or more of Arm's licensees stops licensing microprocessors or other intellectual property, reduces its orders, fails to pay license or royalty fees due or does not produce products containing Arm microprocessors or other intellectual property, Arm's operating results could be materially and negatively affected.

- *Arm and its customers fail to invest in the ecosystem of developers who build Arm-based products and services.* Arm processors often run software created by independent software vendors ("ISVs") or through consortiums of companies working together. Each end market has its own ecosystem of consortia and ISVs. These ecosystems need to be supported by engineers from Arm and its customers and through direct monetary investment. Insufficient investment may result in the ecosystems providing better support for products based on non-Arm-based technology, leading to equipment manufacturers not choosing Arm-based chips, leading to a reduction in Arm's revenues.

***Our financial results may be significantly affected by risks relating to the SoftBank Vision Fund and Delta Fund segment, its operations and financial performance.***

The SoftBank Vision Fund, which was established outside of Japan, started its operations in May 2017. The SoftBank Vision Fund seeks to acquire minority interests in many cases in both private and public companies, ranging from emerging technology businesses to established companies requiring substantial growth funding across a wide range of technology sectors, as long as the investments fall within the SoftBank Vision Fund's investment strategy. Investment opportunities of the Company of \$100 million or more that fall within the SoftBank Vision Fund's investment strategy are generally required to be carried out through the SoftBank Vision Fund or its associated vehicles. Subject to certain circumstances, the Company can make certain other investments, including (but not limited to) investments not meeting the \$100 million threshold, strategic investments at the operating company level, and/or other investments that do not fall within the SoftBank Vision Fund's investment strategy and criteria. We subsequently established the Delta Fund as a separate and distinct fund in order to make investments in DiDi with one of the other limited partners of the SoftBank Vision Fund, and its final closing was completed on September 27, 2017. SoftBank Vision Fund and Delta Fund are each separately managed by SBIA which is regulated by the UK Financial Conduct Authority. Investment decisions for the various entities comprising SoftBank Vision Fund and Delta Fund are each separately made by their respective Investment Committees established as committees of SBIA. SBIA is a wholly owned subsidiary of the Company. Furthermore, we invest in the SoftBank Vision Fund and Delta Fund as a limited partner of each. Total committed capital to the SoftBank Vision Fund was \$91.7 billion as of December 31, 2017, with total committed capital from us of \$28.1 billion, including contribution of shares of Arm by in-kind contribution in satisfaction of approximately \$8.2 billion. Subject to certain consent requirements, the final closing of the SoftBank Vision Fund is anticipated to occur no later than the three months ending June 30, 2018. Total committed capital to the Delta Fund is \$6.0 billion, with total committed capital from us of \$4.4 billion, including contribution of shares of DiDi. For further information, including the current status of our contributions to each fund, see "Business—SoftBank Vision Fund and Delta Fund." The SoftBank Vision Fund and Delta Fund segment may not realize the anticipated return on its investments, which may negatively affect our performance or financial condition.

As the SoftBank Vision Fund and Delta Fund are controlled by us for accounting purposes, the results of operations, assets and liabilities of the SoftBank Vision Fund and Delta Fund are included in our consolidated financial statements. The portfolio companies of the SoftBank Vision Fund and Delta Fund that we are deemed to control from an IFRS perspective are treated as our subsidiaries and their results of operations, assets and liabilities are included in our consolidated financial statements. Therefore, the poor financial performance of companies in the SoftBank Vision Fund and Delta Fund may negatively affect our financial condition and results of operations. In particular, the SoftBank Vision Fund and Delta Fund may seek to incur Indebtedness to fund their investments in whole or in part, which would add to our overall consolidated leverage. Also, in the event that the SoftBank Vision Fund and Delta Fund's targets for investment do not become subsidiaries on our consolidated financial statements, as a basic rule, they are measured at fair value at the end of every quarter, and changes in the value are recognized as a net gain or loss. In the event that the fair value of these investments decreases, it may negatively affect our group's performance or financial condition.

***Our holdings in Sprint, Yahoo Japan and our strategic associates such as 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 and Alibaba has equity securities listed on public exchanges and therefore operates with varying degrees of independence from us. To a varying extent, we are able to exercise some control over these companies through our control of certain voting stock and pursuant to shareholders' agreements. However, 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 distribution payments to us.

The ability of Sprint, Yahoo Japan, Arm and our strategic associates such as 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 they 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 their infrastructure and services.

For further discussion on the risks facing Sprint, see “—Our financial condition may be significantly affected by risks relating to Sprint, its operations and financial performance.” For further discussion on the risks facing Arm, see “—Our business development may be significantly affected by risks relating to Arm's operations.”

In the event we attempt to exit any of our investments, there is no assurance that we would be able to do so successfully, or at all. We have significant unrealized gains in the equity of certain affiliates, which we may be unable to recognize.

***Support for subsidiaries and others may not produce the anticipated results.***

We occasionally provide subsidiaries and others with financial assistance through loans, guarantees, and other means, when we deem such assistance to be necessary. For example, if Sprint or Brightstar is unable to conduct business as anticipated at the time of acquisition, or is unable to create sufficient synergies with other subsidiaries and associates, or requires more funds than anticipated to develop its business, we may provide either with financial assistance such as loans. If the supported subsidiaries and others are unable to conduct business as we expect, it could impact our financial position and results of operations.

***We may raise additional debt against our holdings in our listed and unlisted subsidiaries, strategic associates or other investment assets or otherwise be adversely affected by declines in their respective valuations.***

As part of our long-term strategy to become a strategic holding company, we expect to rely increasingly on the value of our investments in listed and unlisted subsidiaries and strategic associates to meet our financing requirements and support our growth. We concentrate a high percentage of our investments in a relatively small number of listed and unlisted subsidiaries and strategic associates, including SoftBank Corp., Sprint, Arm, Yahoo Japan and Alibaba, especially in the telecommunications and technology industries. The equity value of these investments may be affected by fluctuations in general market conditions, the industries in which they operate, their specific operating performance, and extrinsic events such as significant resales by other major shareholders. Similarly, we have a large number of portfolio investments in unlisted companies, which can be illiquid and subject to substantial uncertainty and instability regarding valuation.

In the past, we have on several occasions sought to monetize the value of portions of our strategic investments by raising significant amounts of Indebtedness directly or indirectly secured over these assets and may continue to do so in future. Similarly, we expect one of our wholly-owned subsidiaries to enter into the Margin Loan Agreement with Lenders to borrow on or around March 13, 2018, \$8 billion in aggregate commitments, including \$4 billion in the form of a term loan facility and \$4 billion in the form of a revolving credit facility. The borrower's obligations under the Margin Loan Agreement will not be guaranteed by or subject to any recourse to the Company or SoftBank Corp., will have a maturity of three years and will be secured by a combination of Alibaba American Depositary Shares and cash pledged to the lenders. See “Summary—Recent Developments—Margin Loan Secured by ADS of Alibaba.”

Additionally, loans under our expected Margin Loan Agreement secured by ADSs of Alibaba are subject to customary collateral valuation requirements, some of which could be triggered by a significant decline in the

trading price of Alibaba ADSs. Failure to satisfy such requirements could result in additional collateral being pledged by the borrower of the Margin Loan Agreement or the maturity of the loans under the Margin Loan Agreement being accelerated and the lenders exercising foreclosure remedies against such collateral. Any sustained, precipitous decline in the value of our key listed subsidiaries or other portfolio assets, or in the valuations of global equity markets generally, could also substantially reduce the overall value of our investment portfolio, which could in turn impair our ability to monetize those investments to repay or refinance our outstanding indebtedness or meet our financing requirements for future growth.

***We depend on management resources of other companies.***

We develop our business in Japan and overseas through business alliances, joint ventures and similar arrangements with other companies. If an alliance partner or joint venture partner has a significant change of business strategy or experiences deterioration in its results of operations or financial position, it is possible that adequate results may not be obtained from the business alliances, joint ventures and similar arrangements or that it may become difficult to continue such business alliances or joint ventures. In addition, it is also possible that execution of a business alliance or joint venture with a particular third party could preclude the execution of business alliances, joint ventures and similar arrangements with other parties. Such events could impact our business development 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 a subsidiary of Verizon Communications Inc. (“Verizon”). The licensing agreement with the subsidiary of Verizon is critical to our business and is used in certain service names such as *Yahoo! JAPAN*, *Y!mobile* and *Yahoo! BB*. We have benefited from the strong brand recognition and existing user base of a wide range of internet services offered by Yahoo Japan and its 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 *Y!mobile* and *Yahoo! BB* subscriber base. If our current relationship with such subsidiary of Verizon 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.

***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. Our financial condition or results of operations may be adversely affected by any of the above.

***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 to take steps to ensure the security of our services.

Any 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.

***Our operations may be subject to service disruptions or decline in quality due to human error and other factors.***

In our provision of various services, including telecommunications services, there is a possibility that a major problem could occur if we became unable to continuously provide the services, or suffer a decline in the quality of the services, due to human error, serious problems with equipment or systems, or other causes. If such disruptions or decline in quality were to become widespread and/or significant time were required to restore services, our credibility or corporate image could deteriorate, making it difficult to acquire and retain customers. This could impact our business, financial condition and results of operations.

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

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, unauthorized access to our system or servers 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. Therefore, the possibility 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, with policy specifications and insured limits that we believe are adequate and appropriate for our business.

***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 our business operations, including laws regulating telecommunications, internet advertising, e-commerce, energy, robots, semiconductors, IoT, financial or payment business or other corporate activities. For example, the Telecommunications Business Act and Radio Act, which govern our telecommunications business in Japan, and the regimes that govern the spectrum allocated to us by the MIC, allow us to conduct our mobile communications operations. Our businesses are also subject to laws and regulations relating to the environment, product liability, unfair competition, consumer protection, privacy protection, prohibition of bribery, labor, intellectual property rights, prevention of money laundering, taxes, currency exchange, business and investment permits and the import and export of goods. 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, including the allocations of spectrum to potential new MNOs proposing to enter the Japanese mobile telecommunications market. See “Business—Our Business Segments—Domestic Telecommunications Segment—Mobile Network” and “—we face intense competition including from other large and established competitors and well-funded entrants, and such competition may intensify.”

In the United States, over the past few years, the U.S. Federal Trade Commission (the “FCC”) and other federal and state agencies have engaged in increased regulatory and enforcement activity as well as investigations of the U.S. telecommunications industry generally. Enforcement activities or investigations could make it more difficult and expensive to operate Sprint’s business, and could increase the costs of its wireless operations. In addition, Sprint may offer products that include highly regulated financial services, which subject it to additional state and federal regulations. The costs to comply with such regulations and failure to remain compliant with such regulations could adversely affect its results of 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 conducting our current businesses or developing new businesses as anticipated. For example, in recent years, we have made several investments in companies such as Uber Technologies, Inc., DiDi, Grab and Ola Cabs, which provide ride sharing services in a large number of jurisdictions globally. The taxi and ride-sharing industries are increasingly subject to significant regulation, and these businesses have each experienced challenges complying with the laws and regulations applicable to them. In some cases, these businesses have chosen to withdraw from jurisdictions where they determined it was impracticable or impossible to comply with such regulations.

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.

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. In addition, decisions by regulators and competent authorities regarding the granting, amendment or renewal of licenses to the Company or to third parties, could materially adversely affect the Company’s businesses, financial condition and results of operations.

***We are subject to changes in accounting and taxation systems.***

The introduction of new accounting or taxation systems, or changes to existing systems, and the occurrence of an additional tax burden due to differences of views with the tax authorities could adversely affect our financial position and results of operations.

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

Mobile communications 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.

***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 liabilities. 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 or 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.

**Risks Relating to the Notes**

***There are no prior markets for the Notes and any markets that do develop may not be liquid.***

Although approval in-principle has been received for the listing and quotation of the Notes on the SGX ST, 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 and quotation 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 any Note Guarantors, to the extent of the value of the collateral securing such indebtedness. As of December 31, 2017, neither the Company nor the Note Guarantor had any secured indebtedness except for ¥399 billion (\$3,530 million) outstanding under securities lending arrangements whereby we loan shares that we own to a major Japanese lender and receive cash as collateral, ¥776 billion (\$6,863 million) in securitization of receivables and ¥1,242 billion (\$10,989 million) outstanding under finance lease. See “Description of Other Indebtedness.”

Additionally, the Indenture will not prohibit (other than in certain limited cases) the Company, the Note Guarantor or the Company’s other 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 “Description of the Notes”) or person other than a subsidiary to secure indebtedness that does not provide for recourse to the assets of the Company or Note Guarantor beyond the pledged collateral. 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, SBGK (the direct subsidiary of the Company and parent of the Note Guarantor), Sprint, Arm, the SoftBank Vision Fund and Delta Fund (and any assets held thereby) or any other Excluded Subsidiary or person other than a subsidiary and (ii) 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 “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 thereof will be structurally subordinated to any existing or future indebtedness, preferred stock and other liabilities of our Non-Guarantor Subsidiaries.***

As of December 31, 2017, structurally senior total interest-bearing debt of Non-Guarantor Subsidiaries of the Company was ¥5,025 billion (\$44,468 million) or 33% of the total interest-bearing debt of the Company on a consolidated basis, excluding financial liabilities relating to the sale of Alibaba shares by variable prepaid forward contract, which, however, also constitute structurally senior Indebtedness of the Company on a consolidated basis. Our Non-Guarantor Subsidiaries include Sprint, Yahoo Japan, Arm, Brightstar, the SoftBank Vision Fund and Delta Fund as of the issue date, among others, and our structurally senior debt as of the same

date is expected to include the loans made to our relevant subsidiary upon the funding of the expected Margin Loan Agreement.

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 thereof are structurally subordinated to the preferred securities, outstanding debt and other obligations of our Non-Guarantor Subsidiaries and the amount of such preferred securities, debt and obligations and may be significant.

The Note Guarantee of any Note Guarantor may be released under certain circumstances, as well, at which point any Indebtedness of such former Note Guarantor would also be structurally senior to the obligations of the Company under the Notes. See “—There are circumstances other than repayment or discharge of the Notes under which the respective Note Guarantees thereof may be released, without your consent or the consent of the Trustee” and “—There is uncertainty as to existing long-term corporate credit ratings and the instruments ratings of the Notes.”

***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, the 2015 Notes, the 2017 Notes and our senior unsecured yen-denominated bonds), the Senior Term Loan and outstanding amounts under our commitment line facility, all of which will 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, the 2015 Notes, the 2017 Notes and the Company’s senior unsecured yen-denominated bonds), the Senior Term Loan and outstanding amounts under the commitment line facility, 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, the 2015 Notes, the 2017 Notes and the Company’s senior unsecured yen-denominated bonds), the Senior Term 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 December 31, 2017, after giving effect to the offering of the Notes and the expected use of proceeds thereof and the Exchange Offer, the Company and the Note Guarantor would have had further adjusted total interest-bearing debt of ¥ billion (\$ billion). 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), invest cash and assets into the SoftBank Vision Fund (to which we have committed to invest \$28 billion in cash and in-kind contributions of investments), 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 indebtedness that does not provide for recourse to the assets of the Company or the Note Guarantor beyond the pledged collateral; 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, including secured indebtedness that does not provide for recourse to the assets of the Company or the Note Guarantor beyond the pledged collateral, 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 from or make a distribution or issue dividends to our equity holders only if such repurchases, distributions or dividends exceed \$20 billion in the aggregate since the issue date and our Consolidated Net Leverage Ratio (calculated as set forth in the Indenture) exceeds 4.0 to 1.0 at the time of the proposed repurchase, distribution or dividend (after giving *pro forma* effect thereof). The scope of this covenant is subject to certain material exceptions, including with respect to assets comprising interests in the SoftBank Vision Fund or our investments of the SoftBank Vision Fund. 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, the 2015 Notes and the 2017 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 or the SoftBank Vision Fund and Delta Fund (or the portfolio companies thereof)), 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. The change of control would only be triggered due to a change in beneficial ownership of our shares if, among other things, a person other than Mr. Masayoshi Son, our Chairman and CEO, beneficially owned more than 50% of our voting shares. The change of control would not be triggered if a person other than Mr. Masayoshi Son became our controlling shareholder, unless such other person obtains more than 50% of our voting shares. Strategic transactions such as the foregoing 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 21 to our audited consolidated financial statements for the fiscal year ended March 31, 2017 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 Notes, the 2015 Notes, the 2017 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 excluding financial liabilities relating to the sale of Alibaba shares by variable prepaid forward contract was ¥15,076 billion (\$133,413 million) as of December 31, 2017.

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, the indenture governing the 2015 Notes, the indenture governing the 2017 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 a 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.”

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

Under various circumstances, the Note Guarantees of the Notes 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 but 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 no longer guaranteeing any Indebtedness of the Company or a Note Guarantor (other than pursuant to the Note Guarantees to be released).

Should we decide to proceed with a listing of the shares of SoftBank Corp., we may release all of SoftBank Corp.’s outstanding guarantees of the Company’s Indebtedness. Furthermore, we cannot assure you that SoftBank Corp.’s guarantee or guarantees of other Note Guarantors will not be discharged due to other reasons, including future refinancings or amendments of the underlying indebtedness or pursuant to automatic release provisions such as those contained in the Existing Indenture.

Once the guarantee of a subsidiary has been released, such a subsidiary would not be subject to any restriction on the incurrence of additional debt that is non-recourse to the Company pursuant to the terms of the Indenture and would cease to be subject to the covenants of the Indenture that apply to Note Guarantors only in their capacity as such, including the “Anti-Layering” covenant, the “Permitted Third Party Guarantees” covenant,

“Repurchase at the Option of Holders upon a Change of Control Triggering Event” covenant and the “Negative Pledge” covenant. As a result, there would be no covenant in the Indenture that would restrict such a subsidiary from incurring Indebtedness ranking structurally senior to the Notes, incurring secured Indebtedness ranking effectively senior to the Notes or pledging its creditworthiness to other of our subsidiaries by guaranteeing such other subsidiaries’ Indebtedness.

***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 21% of the Company’s issued share capital as of September 30, 2017. 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 S&P.***

Many of the covenants in the Indenture will be suspended if the Notes are rated Baa3 or better by Moody's and BBB- or better by S&P, a division of the S&P Global 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, and 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 \$            million (equivalent) in net proceeds from this offering, comprising approximately \$            million from the Dollar Notes and €            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 fund the payment of the consent fee and other related costs in connection with the Exchange Offer and Consent Solicitation and to use any remaining funds 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 ¥134.94 = €1.00 and translating such yen amount into dollars at the rate of ¥113.00 = \$1.00. Due to differences 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 March 5, 2018, the relevant exchange rates were ¥130.16 = €1.00 and ¥105.55 = \$1.00.

## CAPITALIZATION

The following table sets forth our (i) available Cash Position and capitalization on an actual historical basis as of December 31, 2017 under IFRS, (ii) available Cash Position and capitalization adjusted to (1) exclude the cash and cash equivalents, short-term investment, short-term borrowings, current portion of long-term borrowings and long-term borrowings of the SoftBank Vision Fund and Delta Fund segment, each as of December 31, 2017, and give effect to (2) \$189 million (¥21 billion) that we expect to receive in connection with our sale of Supercell as if it had occurred on December 31, 2017, and (iii) available Cash Position and capitalization as further adjusted to give effect to the offering of the Notes and the expected use of proceeds thereof and the Exchange Offer as if each had occurred on December 31, 2017. Under IFRS, the yen-denominated hybrid bonds that we issued in September 2016 and the yen-denominated hybrid loan that we borrowed in November 2017 are considered debt and the Hybrid Notes that we issued in July 2017 are considered equity. With respect to the adjusted capitalization information below and adjusted financial information presented elsewhere in this offering memorandum, we have treated 50% of the carrying amount of our yen-denominated hybrid bonds issued in September 2016 and the yen-denominated hybrid loan that we borrowed in November 2017 as equity and 50% of the carrying amount of the Hybrid Notes as debt for the purposes of consistency and to align with the treatment presently applied for such securities for ratings purposes by S&P and JCR. See “Summary—Adjusted Financial Data.”

The financial data presented below has not been adjusted for (i) the investment of \$7.7 billion in Uber Technologies, Inc. completed in January 2018; (ii) the further investment of an aggregate amount of \$4.6 billion in DiDi completed in January and February 2018; (iii) the consolidation of Japan Net Bank from February 2018; (iv) Sprint’s issuance of ¥170 billion (\$1,500 million) in senior unsecured notes on February 22, 2018; or (v) our subsidiary’s expected entry into a borrowings under a margin loan secured by ADS of Alibaba under the Margin Loan Agreement. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments” and “Presentation of Financial Information.” The adjusted and further adjusted financial data presented below also excludes financial liabilities relating to the sale of Alibaba shares by variable prepaid forward contract.

The historical financial information has been derived from the unaudited condensed interim consolidated financial statements, which were prepared in accordance with IAS 34, 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 “Selected Historical Financial Information,” “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Description of Other Indebtedness,” “Description of the Notes” and with our consolidated financial statements and the notes related thereto included elsewhere in this offering memorandum.

	As of December 31, 2017		
	Actual	Adjusted	Further Adjusted
	(billions of yen)		
<b>Cash Position<sup>(1)</sup></b>			
Cash and cash equivalents . . . . .	¥3,340	¥3,062	¥3,062
Short-term investment <sup>(2)</sup> . . . . .	138	137	137
<b>Total Cash Position</b> . . . . .	<b>¥3,478</b>	<b>¥3,199</b>	<b>¥3,199</b>
<b>Current interest-bearing debt</b>			
Short-term borrowings . . . . .	866	656	656
Commercial paper . . . . .	100	100	100
Current portion of long-term borrowings . . . . .	927	828	828
Current portion of corporate bonds . . . . .	619	619	619
Current portion of lease obligations . . . . .	459	459	459
Current portion of installment payable . . . . .	20	20	20
<b>Total current interest-bearing debt</b> . . . . .	<b>¥2,991</b>	<b>¥2,683</b>	<b>¥2,683</b>

	As of December 31, 2017		
	Actual	Adjusted	Further Adjusted
	(billions of yen)		
<b>Non-current interest-bearing debt</b>			
Notes offered hereby <sup>(3)</sup> .....	—	—	
Exchange Notes <sup>(4)</sup> .....	—	—	
Long-term borrowings .....	3,994	3,888	3,888
Corporate bonds <sup>(5)</sup> .....	7,290	7,059	
Lease obligations .....	783	783	783
Installment payables .....	18	18	18
Financial liabilities relating to the sale of Alibaba shares by variable prepaid forward contract .....	729	—	—
50% of 2017 hybrid notes (treated as debt) <sup>(6)</sup> .....	—	248	248
<b>Total non-current interest-bearing debt</b> .....	<u>¥12,814</u>	<u>¥11,996</u>	<u>¥</u>
<b>Total interest-bearing debt</b> .....	15,805	14,679	
<b>Equity</b>			
2017 hybrid notes .....	497	248	248
Other equity .....	5,008	5,008	5,008
50% of 2016 hybrid notes and 50% of 2017 hybrid loan (treated as equity) <sup>(7)</sup> .....	—	273	273
<b>Total equity</b> .....	<u>¥ 5,505</u>	<u>¥ 5,529</u>	<u>¥ 5,529</u>
<b>Total capitalization</b> .....	<u>¥21,311</u>	<u>¥20,209</u>	<u>¥</u>

- (1) Cash Position is cash and cash equivalents *plus* Short-term investments.
- (2) Short-term investments consist of marketable securities, time deposits (maturities of over three months) and other recorded as current assets.
- (3) Represents the net proceeds from the Dollar Notes translated into Japanese yen at the rate of ¥113.0 = \$1.00 and of the Euro Notes translated into Japanese yen at the rate of ¥134.94 = €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 March 5, 2018, the relevant exchange rates were ¥105.55 = \$1.00 and ¥130.16 = €1.00.
- (4) Represents the aggregate principal amount of the Exchange Notes expected to be issued in connection with the Exchange Offer. See “Summary—Concurrent Transaction.”
- (5) Corporate bonds in the “Further Adjusted” column gives effect to the Exchange Offer as if it had occurred on December 31, 2017.
- (6) 50% of 2017 hybrid notes (treated as debt) in the “Adjusted” column is 50% of the carrying amount of ¥497 billion (\$4,397 million) of our Hybrid Notes issued in July 2017.
- (7) 50% of 2016 hybrid notes and 50% of 2017 hybrid loan (treated as equity) in the “Adjusted” column is (1) 50% of the carrying amount of our ¥463 billion (\$4,096 million) yen-denominated hybrid bonds issued in September 2016 and (2) 50% of the carrying amount of ¥83 billion (\$732 million) of our yen-denominated hybrid loan that we borrowed in November 2017. As a result, Corporate bonds in the “Adjusted” column excludes 50% of the carrying amount of ¥463 billion (\$4,096 million) of our yen-denominated hybrid bonds issued in September 2016, and Long-term borrowings in the “Adjusted” column excludes 50% of the carrying amount of ¥83 billion (\$732 million) of our yen-denominated hybrid loan that we borrowed in November 2017.

## SELECTED HISTORICAL FINANCIAL INFORMATION

### *Historical Financial Information of the Company*

The following tables show selected information of SoftBank Group as of and for the fiscal years ended March 31, 2015, 2016 and 2017 as well as the nine months ended December 31, 2016 and 2017. The selected consolidated financial information as of and for the fiscal years ended March 31, 2015, 2016 and 2017 is derived from our audited consolidated financial statements included elsewhere in this offering memorandum that were prepared in accordance with IFRS. The selected consolidated financial information for the nine months ended December 31, 2016 and as of and for the nine months ended December 31, 2017 is derived from our unaudited condensed interim consolidated financial statements included elsewhere in this offering memorandum that were prepared in accordance with IFRS and IAS 34 “Interim Financial Reporting.”

For further information regarding the impact of certain disposals during the fiscal year ended March 31, 2017, see Note 42 to our audited financial statements for fiscal year ended March 31, 2017 and Note 23 to our unaudited condensed interim financial statements as of and for the nine months ended December 31, 2017.

	As of and for the fiscal year ended March 31,				As of and for the nine months ended December 31,	
	2015 Revised <sup>(1)</sup>	2016 Revised <sup>(1)</sup>	2017 <sup>(2)</sup>	2017 <sup>(2)</sup>	2016 Revised <sup>(2)</sup>	2017 Reclassified <sup>(1)</sup>
	(billions of yen and millions of dollars)					
<b>Statement of Income:</b>						
<b>Continuing Operations</b>						
Net sales <sup>(3)</sup> . . . . .	¥ 8,504	¥ 8,882	¥ 8,901	\$ 78,770	¥ 6,581	¥ 6,811
Cost of sales . . . . .	<u>(5,248)</u>	<u>(5,518)</u>	<u>(5,472)</u>	<u>(48,427)</u>	<u>(3,990)</u>	<u>(4,044)</u>
<b>Gross profit</b> . . . . .	3,256	3,364	3,429	30,343	2,591	2,767
Selling, general and administrative expenses . . . . .	(2,310)	(2,375)	(2,277)	(20,153)	(1,613)	(1,827)
Gain from remeasurement relating to business combination . . . . .	—	59	18	161	18	—
Other operating income (loss) . . . . .	<u>(27)</u>	<u>(139)</u>	<u>(144)</u>	<u>(1,271)</u>	<u>(67)</u>	<u>209</u>
<b>Operating income</b> <sup>(3)(4)</sup> . . . . .	919	909	1,026	9,080	929	1,149
Finance cost . . . . .	(367)	(441)	(467)	(4,135)	(343)	(383)
Income on equity method investments <sup>(5)</sup> . . . . .	77	375	322	2,846	206	320
Gain on sales of shares of associates . . . . .	2	12	238	2,107	238	2
Derivative gain (loss) <sup>(6)</sup> . . . . .	—	13	(253)	(2,237)	(96)	(485)
Change in third-party interests in SoftBank Vision Fund and Delta Fund . . . . .	—	—	—	—	—	(108)
Gain (loss) from financial instruments at FVTPL <sup>(7)</sup> . . . . .	—	114	(160)	(1,420)	(39)	8
Other non-operating income (loss) <sup>(8)</sup> . . . . .	<u>582</u>	<u>(63)</u>	<u>7</u>	<u>66</u>	<u>60</u>	<u>61</u>
<b>Income before income taxes</b> . . . . .	1,213	919	713	6,306	955	564
Income taxes . . . . .	<u>(470)</u>	<u>(423)</u>	<u>207</u>	<u>1,832</u>	<u>(616)</u>	<u>639</u>
<b>Net income from continuing operations</b> . . . . .	<u>743</u>	<u>496</u>	<u>920</u>	<u>8,138</u>	<u>339</u>	<u>1,203</u>
<b>Discontinued Operations</b>						
<b>Net income from discontinued operations</b> <sup>(5)(9)</sup> . . . . .	<u>21</u>	<u>62</u>	<u>554</u>	<u>4,910</u>	<u>553</u>	<u>—</u>
<b>Net income</b> . . . . .	<u>¥ 764</u>	<u>¥ 558</u>	<u>¥ 1,474</u>	<u>\$ 13,048</u>	<u>¥ 892</u>	<u>¥ 1,203</u>
<b>Net income attributable to</b>						
Owners of the parent . . . . .	668	474	1,426	12,622	846	1,015
Non-controlling interests . . . . .	96	84	48	426	46	188

	As of and for the fiscal year ended March 31,				As of and for the nine months ended December 31,	
	2015 Revised <sup>(1)</sup>	2016 Revised <sup>(1)</sup>	2017 <sup>(2)</sup>	2017 <sup>(2)</sup>	2016 Revised <sup>(2)</sup>	2017 Reclassified <sup>(1)</sup>
	(billions of yen and millions of dollars)					
<b>Balance Sheet Data:</b>						
Total assets	¥21,034	¥20,707	¥24,634	\$218,002	¥24,977	¥29,413
Cash and cash equivalents	3,259	2,570	2,183	19,319	2,499	3,340
Total liabilities	17,181	17,202	20,164	178,447	20,885	22,844
Total interest-bearing debt <sup>(10)</sup>	11,607	11,922	14,858	131,490	14,916	15,805
Total equity	3,853	3,505	4,470	39,555	4,091	6,569
<b>Total liabilities and equity</b>	<b>¥21,034</b>	<b>¥20,707</b>	<b>¥24,634</b>	<b>\$218,002</b>	<b>¥24,977</b>	<b>¥29,413</b>

**Cash Flow Data:**

Net cash provided by operating activities	1,155	940	1,501	13,281	1,127	884
Net cash used in investing activities	(1,667)	(1,652)	(4,214)	(37,288)	(3,381)	(2,728)
Net cash provided by (used in) financing activities	1,720	43	2,381	21,069	2,210	2,975

- (1) We have not retrospectively revised and re-issued our financial statements for the fiscal year ended March 31, 2015 to reflect certain changes in accounting policies adopted for the fiscal year ended March 31, 2017 described in “Presentation of Financial Information—General”, other than Gain on sales of shares of associates and dilution gain from changes in equity interest. Gain on sales of shares of associates, which was included within Other non-operating income (loss) for the fiscal year ended March 31, 2015, is separately presented. Also, dilution gain from changes in equity interest, which was separately presented for the fiscal year ended March 31, 2015, is included within Other non-operating income (loss). For more information, see Note 2(4) to our audited consolidated financial statements for the fiscal year ended March 31, 2017, which are included elsewhere in this offering memorandum. The financial data for the fiscal year ended March 31, 2015 presented in this table was extracted from the consolidated financial statements as of and for the fiscal year ended March 31, 2016. The financial data for the fiscal year ended March 31, 2016 presented in this table was extracted from the consolidated financial statements as of and for the fiscal year ended March 31, 2017 and reflects certain reclassification due to changes in accounting policy adopted for the fiscal year ended March 31, 2017. Additionally, we have reclassified certain accounting items as originally reported in the previously issued condensed interim consolidated financial statements for the nine months ended December 31, 2016 and 2017 on the same basis of presentation adopted for the fiscal year ended March 31, 2017. See “Presentation of Financial Information—General” for further discussion.
- (2) We have retrospectively revised our financial statements for the nine months ended December 31, 2016 to reflect certain changes resulting from the completion of the purchase price allocation related to the acquisition of Arm in September 2016 during the three-month period ended June 30, 2017. However, we have not retrospectively revised our financial statements for the fiscal year ended March 31, 2017.
- (3) The following shows our net sales by segment:

	For the fiscal year ended March 31,				For the nine months ended December 31,	
	2015 Revised <sup>(a)</sup>	2016 Revised <sup>(b)</sup>	2017	2017	2016	2017
	(billions of yen and millions of dollars)					
<b>Net Sales by segment</b>						
Domestic Telecommunications	¥3,019	¥3,145	¥3,194	\$28,264	¥2,401	¥2,407
Sprint	3,800	3,872	3,623	32,065	2,652	2,722
Yahoo Japan	427	652	853	7,553	631	652
Distribution	1,225	1,420	1,295	11,463	940	1,025
Arm	—	—	113	999	69	152
SoftBank Vision Fund and Delta Fund	—	—	—	—	—	—
Other	356	119	128	1,135	93	104
Reconciliations <sup>(c)</sup>	(323)	(326)	(305)	(2,709)	(205)	(251)
<b>Total net sales<sup>(d)</sup></b>	<b>¥8,504</b>	<b>¥8,882</b>	<b>¥8,901</b>	<b>\$78,770</b>	<b>¥6,581</b>	<b>¥6,811</b>

- (a) During the fiscal year ended March 31, 2016, we changed our reportable segments to better align with our strategic goals. The revised segment information for the fiscal year ended March 31, 2015 presented in this table was extracted from comparative information included in our consolidated financial statements for the fiscal year ended March 31, 2016 and therefore reflects the changes made to our reportable segments during that fiscal year. See “Presentation of Financial Information—Segment Information.” In addition, the segment information for the fiscal year ended March 31, 2015 presented in this table gives retroactive effect to the reclassification of GungHo as an equity method associate as a result of the completion of a tender offer by GungHo for its own shares during the fiscal year ended March 31, 2016. See “(1) Analysis of Results or Operations” in our consolidated financial reports as of and for the fiscal year ended March 31, 2016 for further details.
- (b) Following its sale during the fiscal year ended March 31, 2017, Supercell, which had been previously assigned to “Other”, was reclassified as a discontinued operation. Information on business segments which are not included in the reportable segments is



classified in “Other”. For our consolidated financial statements for the fiscal year ended March 31, 2017, we revised the comparative information presented for the fiscal year ended March 31, 2016 to give retroactive effect to the reclassification of Supercell. The revised segment information for the fiscal year ended March 31, 2016 presented in this table was extracted from comparative information included in our consolidated financial statements for the fiscal year ended March 31, 2017 and therefore reflects this retroactive reclassification.

(c) Reconciliations include an elimination of intersegment transaction and the corporate general expenses unallocated to each reportable segment. Corporate general expenses include expenses arising mainly from the Company and SB Group US, Inc., which manages and supervises investment activities in the internet, communication and media fields overseas.

(d) Excludes discontinued operations.

(4) The following shows our segment income, defined as net sales, minus cost of sales, minus general and administrative expenses of that segment in the relevant period:

	For the fiscal year ended March 31,				For the nine months ended December 31,	
	2015 Revised <sup>(a)</sup>	2016 Revised <sup>(b)</sup>	2017 <sup>(c)</sup>	2017 <sup>(c)</sup>	2016 Revised <sup>(c)</sup>	2017
	(billions of yen and millions of dollars)					
<b>Segment Income</b>						
Domestic Telecommunications . .	¥640	¥688	¥ 720	\$6,368	¥651	¥ 613
Sprint . . . . .	67	61	186	1,650	145	292
Yahoo Japan . . . . .	194	223	190	1,680	151	143
Distribution . . . . .	5	(1)	(10)	(89)	19	(41)
Arm . . . . .	—	—	13	114	10	(22)
SoftBank Vision Fund and Delta Fund . . . . .	—	—	—	—	—	236
Other . . . . .	54	(17)	(17)	(146)	(8)	(35)
Reconciliations <sup>(c)</sup> . . . . .	(41)	(45)	(56)	(497)	(39)	(37)
<b>Consolidated segment income<sup>(d)</sup> . . . . .</b>	<u>¥919</u>	<u>¥909</u>	<u>¥1,026</u>	<u>\$9,080</u>	<u>¥929</u>	<u>¥1,149</u>

(a) During the fiscal year ended March 31, 2016, we changed our reportable segments to better align with our strategic goals. The revised segment information for the fiscal year ended March 31, 2015 presented in this table was extracted from comparative information included in our consolidated financial statements for the fiscal year ended March 31, 2016 and therefore reflects the changes made to our reportable segments during that fiscal year. See “Presentation of Financial Information—Segment Information.” In addition, the segment information for the fiscal year ended March 31, 2015 presented in this table gives retroactive effect to the reclassification of GungHo as an equity method associate as a result of the completion of a tender offer by GungHo for its own shares during the fiscal year ended March 31, 2016. See “(1) Analysis of Results or Operations” in our consolidated financial reports as of and for the fiscal year ended March 31, 2016 for further details.

(b) Following its sale during the fiscal year ended March 31, 2017, Supercell, which had been previously assigned to “Other”, was reclassified as a discontinued operation. Information on business segments which are not included in the reportable segments is classified in “Other.” For our consolidated financial statements for the fiscal year ended March 31, 2017, we revised the comparative information presented for the fiscal year ended March 31, 2016 to give retroactive effect to the reclassification of Supercell. The revised segment information for the fiscal year ended March 31, 2016 presented in this table was extracted from comparative information included in our consolidated financial statements for the fiscal year ended March 31, 2017 and therefore reflects this retroactive reclassification.

(c) We have retrospectively revised our financial statements for the nine months ended December 31, 2016 to reflect certain changes resulting from the completion of the purchase price allocation related to the acquisition of Arm in September 2016 during the three-month period ended June 30, 2017. However, we have not retrospectively revised our financial statements for the fiscal year ended March 31, 2017.

(d) Reconciliations include an elimination of intersegment transactions and corporate general expenses unallocated to each reportable segment. Corporate general expenses include expenses arising mainly from the Company and SB Group US, Inc., which manages and supervises investment activities in the internet, communication and media fields overseas.

(e) Excludes discontinued operations.

(5) For the nine months ended December 31, 2017, Operating income (excluding income from SoftBank Vision Fund and Delta Fund) was ¥912 billion and Operating income from SoftBank Vision Fund and Delta Fund was ¥236 billion.

(6) In the fiscal year ended March 31, 2016, GungHo no longer qualified as a subsidiary and became an equity method associate as a result of the completion of a tender offer by GungHo for its own shares. Accordingly, GungHo’s net income and loss up until June 1, 2015, when GungHo became an equity method associate, are presented as discontinued operations separately from continuing operations. The Company’s equity in the net income and loss of GungHo following its transition to an equity method associate is recognized as income and loss on equity method investments as part of continuing operations. Net income and loss of GungHo for the fiscal year ended March 31, 2015 has been revised retrospectively and presented as part of discontinued operations.

(7) For the fiscal year ended March 31, 2016, Derivative gain (loss) was included within Other non-operating income (loss). Derivative loss in the fiscal year ended March 31, 2017 resulted from the collar transaction included in a variable prepaid forward contract. For further information, see Note 38 to our audited financial statements for the fiscal year ended March 31, 2017 and Note 21 to our unaudited condensed interim financial statements for the nine months ended December 31, 2017.

(8) For the fiscal year ended March 31, 2016 and the nine months ended December 31, 2016 and 2017, Gain (loss) from financial instruments at FVTPL was included within Other non-operating income (loss). Loss from financial instruments at FVTPL in the fiscal year ended March 31, 2017 resulted from changes in fair value of preferred stock investments, including embedded derivatives such as ANI Technologies Pvt. Ltd. and Jasper Infotech Private Limited in India, designated as financial assets at FVTPL. For further information, see Note 39 to our audited financial statements for the fiscal year ended March 31, 2017 and Note 22 to our unaudited condensed interim financial statements for the nine months ended December 31, 2017.

- (9) Dilution gain from changes in equity interest, which was separately presented for the fiscal year ended March 31, 2016, is included within Other non-operating income (loss) for the fiscal year ended March 31, 2017 due to the decrease in the significance of the amount. For further information, see Note 40 to our audited financial statements for the fiscal year ended March 31, 2017.
- (10) In the fiscal year ended March 31, 2017, the Company sold all of its shares in Supercell to an affiliate of Tencent Holdings Limited. Accordingly, Supercell's net income until July 29, 2016 is presented as discontinued operations, separately from continuing operations. Net income of Supercell for the fiscal year ended March 31, 2016 has been revised retrospectively and presented under discontinued operations. Supercell ceased to qualify as the Company's subsidiary and was therefore excluded from the scope of consolidation on July 29, 2016 when the shares were transferred. Net income for the fiscal year ended March 31, 2015 has not been revised to account for the eventual disposal of Supercell, and Net income from continuing operations for the fiscal year ended March 31, 2015 therefore includes net income from this business. See Note 23 to our unaudited condensed interim financial statements for the nine months ended December 31, 2017.
- (11) 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, installment payables (current and non-current) and financial liabilities relating to the sale of Alibaba shares by variable prepaid forward contract.

### ***Historical Financial Information of the Note Guarantor***

The table below shows net sales, operating income, net income, total assets and total equity of SoftBank Corp. 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 this offering memorandum, and line items under JGAAP cannot be compared to similar line items under IFRS. See "Presentation of Financial Information—Note Guarantor Financial Information." The JGAAP financial information of SoftBank Corp. 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.

	<b>As of and for the fiscal year ended March 31,</b>		
	<b>2016</b>	<b>2017</b>	<b>2017</b>
	<b>(billions of yen and millions of dollars)</b>		
SoftBank Corp.			
Net sales	¥3,151	¥3,195	\$28,274
Operating income	606	612	5,414
Net income	424	396	3,503
Total assets	3,842	3,702	32,759
Total equity	1,392	1,371	12,131

The table below shows consolidated net interest-bearing debt at SoftBank Corp. as of December 31, 2017. The below information was prepared under IFRS and is net of intra-group reconciliations and eliminations.

	<b>Total interest-bearing debt<sup>(1)</sup></b>	<b>Cash position<sup>(2)</sup></b>	<b>Net interest-bearing debt<sup>(3)</sup></b>
	<b>(billions of yen)</b>		
SoftBank Group Corp.	¥ 8,331	¥1,371	¥ 6,960
SoftBank Corp.	1,719	39	1,680
Other subsidiaries	5,026	2,068	2,958
Consolidated	<u>¥15,076</u>	<u>¥3,478</u>	<u>¥11,598</u>

(1) Excludes ¥729 billion (\$6,453 million) financial liabilities related to sale of shares by variable prepaid forward contract.

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

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

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

Financial data presented for the fiscal years ended March 31, 2016 and 2017 is derived from our audited consolidated financial statements and financial data presented for the nine months ended December 31, 2016 and 2017 is derived from our unaudited condensed interim 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 a leading global technology company that aspires to drive the Information Revolution. We are a holding company and its global portfolio of subsidiaries and associates, which include advanced telecommunications, internet services, robotics, IoT and clean energy technology providers. For more details regarding our business, see "Business."

We generated net sales of ¥8,901 billion (\$78,770 million) for the fiscal year ended March 31, 2017 and ¥6,811 billion (\$60,277 million) for the nine months ended December 31, 2017, of which ¥3,194 billion (\$28,264 million) (35.9%) and ¥2,407 billion (\$21,300 million) (35.3%) were contributed by our Domestic Telecommunications segment, respectively. We generated Adjusted EBITDA of ¥2,564 billion (\$22,694 million) for the fiscal year ended March 31, 2017 and ¥2,056 billion (\$18,197 million) for the nine months ended December 31, 2017, of which ¥1,209 billion (\$10,699 million) (47.1%) and ¥964 billion (\$8,531 million) (46.9%) were contributed by our Domestic Telecommunications segment, respectively. We have a long-term corporate credit rating of BB+ (negative outlook) from S&P, Ba1 (stable outlook) from Moody's and A- (stable outlook) from JCR. We are listed on the Tokyo Stock Exchange with a market capitalization of ¥9,718 billion (\$86,003 million), as of December 31, 2017.

Our business segments are:

- *Domestic Telecommunications.* SoftBank Corp. and Wireless City Planning Inc. provide mobile communications services, sell mobile devices and accessories, and provide consumer broadband services and corporate fixed-line telecom services in Japan;
- *Sprint.* Sprint operates both a wireless and wireline business, providing mobile communications services, mobile devices, mobile handsets and accessories, and fixed-line telecommunications services primarily in the United States, where it competes as one of the "big four" established nationwide wireless carriers;
- *Yahoo Japan.* Yahoo Japan provides internet-based advertising, e-commerce services and other services;
- *Distribution.* Through Brightstar Corp., we provide services, including mobile device and accessory wholesaling, and mobile device distribution. Through SoftBank Commerce & Service Corp., we sell mobile device accessories and IT-related software and hardware in Japan;
- *Arm.* Arm is a UK-based semiconductor company that designs and licenses technologies used in microprocessors used in mobile devices, enterprise infrastructure and embedded intelligence in automobiles and home appliances;
- *SoftBank Vision Fund and Delta Fund.* The Company established the SoftBank Vision Fund and Delta Fund segment as a new reportable segment during the three months ended June 30, 2017 upon the SoftBank Vision Fund having completed its initial closing on May 20, 2017. The SoftBank Vision Fund and Delta Fund segment covers the investment activities of the SoftBank Vision Fund and Delta Fund. The purpose of the SoftBank Vision Fund and Delta Fund is to invest in companies across a wide range of technology sectors; and
- *Other.* Various businesses including Fortress, an alternative investment management business, businesses related to the Fukuoka SoftBank HAWKS, a Japanese professional baseball team, renewable energy- and robotics-related businesses 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, Adjusted EBITDA and segment income for the nine months ended December 31, 2017 attributable to each of our then existing segments:

For the nine months ended December 31, 2017									
	Domestic Telecommunications	Sprint	Yahoo Japan	Distribution	Arm	SoftBank Vision Fund and Delta Fund	Other	Reconciliations <sup>(1)</sup>	Consolidated
Net sales <sup>(2)</sup> . . . . .	35.3%	40.0%	9.6%	15.0%	2.2%	0.0%	1.5%	(3.6)%	100.0%
Adjusted EBITDA <sup>(3)</sup> . . . . .	46.9%	45.7%	8.1%	0.7%	1.2%	(0.7)%	(0.2)%	(1.7)%	100.0%
Segment income . . . . .	53.3%	25.4%	12.4%	(3.5)%	(1.9)%	20.6%	(3.1)%	(3.2)%	100.0%

(1) Reconciliations include an elimination of intersegment transaction and corporate general expenses unallocated to each reportable segment. Expenses arising mainly from SoftBank Group Corp. and SB Group US, Inc., which manages and supervises investment activities in the internet, communication and media fields overseas, are included in the corporate general expenses.

(2) Excludes discontinued operations.

(3) Adjusted EBITDA is defined as operating income and loss after addition of depreciation and amortization, deduction of gain from remeasurement relating to business combination and addition or deduction of other adjustments (gains are deducted). Adjusted EBITDA of the SoftBank Vision Fund and Delta Fund segment is obtained by adding or deducting unrealized gain and loss on valuation of investments (gains are deducted). See “Presentation of Financial Information—Non-IFRS Financial Measures—Adjusted EBITDA.”

The following table shows the percentage of our net sales, Adjusted EBITDA and segment income for the fiscal year ended March 31, 2017 attributable to each of our segments:

For the fiscal year ended March 31, 2017									
	Domestic Telecommunications	Sprint	Yahoo Japan	Distribution	Arm	Other	Reconciliations <sup>(1)</sup>	Consolidated	
Net sales <sup>(2)</sup> . . . . .	35.9%	40.7%	9.6%	14.6%	1.3%	1.3%	(3.4)%	100.0%	
Adjusted EBITDA <sup>(3)</sup> . . . . .	47.1%	42.1%	9.3%	1.1%	2.1%	0.1%	(1.8)%	100.0%	
Segment income . . . . .	70.1%	18.2%	18.5%	(1.0)%	1.3%	(1.6)%	(5.5)%	100.0%	

(1) Reconciliations include an elimination of intersegment transaction and corporate general expenses unallocated to each reportable segment. Expenses arising mainly from SoftBank Group Corp. and SB Group US, Inc., which manages and supervises investment activities in the internet, communication and media fields overseas, are included in the corporate general expenses.

(2) Excludes discontinued operations.

(3) Adjusted EBITDA is defined as operating income and loss after addition of depreciation and amortization, deduction of gain from remeasurement relating to business combination and addition or deduction of other adjustments (gains are deducted). See “Presentation of Operational Information—Key Performance Indicators—General—Adjusted EBITDA.”

## Recent Developments

Since December 31, 2017, we have continued to pursue our business and investment strategies. The following are some recent developments and investments:

- *Investment in Uber.* In January 2018, we invested \$7.7 billion to acquire a 15% ownership interest in Uber Technologies, Inc. (as of January 18, 2018), one of the largest ride sharing operators by number of daily rides, making us the single largest shareholder. We may offer all or a portion of this investment to the SoftBank Vision Fund in the future (subject to approval requirements at the SoftBank Vision Fund level and certain other necessary conditions).
- *Further investments in DiDi.* In January and February 2018, we made further investments in an aggregate amount of \$4.6 billion in Xiaoju Kuaizhi Inc. (“DiDi”), one of the largest ride sharing operators in China by number of daily rides. In addition, we have announced a partnership with DiDi to provide trial platform services for the taxi industry in major cities in Japan to improve ride hailing for taxis, which such platform would be available to each of Japan’s taxi operators. We further expect to form a joint venture with DiDi in Japan.
- *Potential listing of SoftBank Corp.* In February 2018, the Company and SoftBank Corp. jointly announced that they have commenced preparations for listing of SoftBank Corp.’s shares. Through the listing of SoftBank Corp. shares, we expect that the respective roles of the Company and SoftBank Corp. will become clearer, with the Company pursuing a growth strategy based on accelerating investments on a global scale, and SoftBank Corp. as the core operating company in our

telecommunications business. Through a listing, SoftBank Corp. intends to pursue growth in a wide range of sectors and pursue synergies with SoftBank Group companies in Japan and abroad, as well as further strengthen its management foundations as an operating company. We expect that a monetization of a portion of our holding of SoftBank Corp. would contribute to our overall financial soundness and enable us to pursue our strategy of growth through investments. There is a possibility that a decision not to list SoftBank Corp. shares could be made following reviews and studies conducted during the preparation process. For further information on this and other related matters, see “Risk Factors—The potential listing of the shares of SoftBank Corp. would involve several risks to our business, financial condition and results of operations.”

- *Capital Calls for SoftBank Vision Fund.* As of December 31, 2017, we were in the process of delivering 276 million shares of Arm, representing 19.29% of the total outstanding shares, to satisfy Capital Calls through such date. Such shares have been pledged in favor of the SoftBank Vision Fund pending delivery upon completion of regulatory approvals. Upon completion of such contribution of Arm shares and assuming no additional contributions by us, based on our relative pro rata commitment to the SoftBank Vision Fund, we would expect that the SoftBank Vision Fund would have aggregate contributed investor capital in excess of \$26.8 billion out of the total committed amount of \$91.7 billion. The outstanding Capital Calls to other investors have been or will be settled by cash pursuant to the terms of the definitive documentation for the SoftBank Vision Fund. The SoftBank Vision Fund has made additional Capital Calls since January 2018, the proceeds of which have been or will be applied towards investments in Ping An Good Doctor, Ping An HealthKonnect, Compass, Auto1.com, Wag! and Katterra and other future investments. With respect to future Capital Calls, we expect to contribute shares of Arm up to an aggregate of 24.99% of the total outstanding shares (representing an aggregate of approximately \$8.2 billion of capital contributions).
- *Consolidation of Japan Net Bank.* Since April 2014, Yahoo Japan and Sumitomo Mitsui Banking Corporation have each held 41.16% of the voting rights in Japan Net Bank. Under a modified agreement with Sumitomo Mitsui Banking Corporation, while Yahoo Japan’s voting rights will remain unchanged, it has obtained majority representation on the board of directors of Japan Net Bank. As a result, on February 1, 2018 we completed the consolidation of Japan Net Bank under the Yahoo Japan segment, with such consolidation reflected in Yahoo Japan’s financial statements commencing the fiscal year ended March 31, 2018. The consolidation of Japan Net Bank under the Yahoo Japan segment was due to the aforementioned change in effective control of the board of directors of Japan Net Bank, and involved no cash outlays or other change in the voting rights held by Yahoo Japan in such entity. As of December 31, 2017, Japan Net Bank reported total assets of ¥825 billion (\$7,300 million), including ¥296 billion (\$2,616 million) of cash and due from banks and ¥130 billion (\$1,150 million) of call loans, and total liabilities of ¥764 billion (\$6,763 million), including ¥747 billion (\$6,613 million) of deposits.
- *Margin Loan Secured by ADS of Alibaba.* On or around March 7, 2018, a wholly-owned subsidiary of the Company (the “Borrower”) is expected to enter into a margin loan agreement (the “Margin Loan Agreement”) with lenders (collectively referred to, along with other financial institutions that may become party to the Margin Loan Agreement as lenders from time to time, the “Lenders”). The Lenders are expected to provide \$8 billion in aggregate commitments, including \$4 billion in the form of a term loan facility (the “Term Margin Loan Facility”) and \$4 billion in the form of a revolving credit facility (the “Revolving Margin Loan Facility”), each of which the Borrower expects to draw down in full on or around March 13, 2018. The Borrower’s obligations under the Margin Loan Agreement are not guaranteed by or subject to any recourse to the Company or the Note Guarantor. Loans under the Term Margin Loan Facility and the Revolving Margin Loan Facility will have a maturity of three years. The Borrower expects to loan the proceeds of the loans under the Margin Loan Agreement to the Company, which expects to apply such proceeds for general corporate purposes including improving its liquidity. The loans under the Margin Loan Agreement will be secured by a combination of Alibaba American Depositary Shares (“ADS”) and cash pledged to the Lenders. In connection with the initial drawdown under the Margin Loan Agreement, we expect to pledge ADS representing approximately 6% of Alibaba’s outstanding share capital for the benefit of the Lenders.

## Results of Operations

### *Comparison of the nine Months Ended December 31, 2017 with the nine Months Ended December 31, 2016*

The following table shows selected statement of income data for the nine months ended December 31, 2016 and 2017. The comparisons below are with respect to the financial information derived from our unaudited



condensed interim consolidated financial statements for the nine months ended December 31, 2017 and the financial information for the nine months ended December 31, 2016 is presented as comparative information therein.

	For the nine months ended December 31	
	2016	2017
	Revised <sup>(1)</sup>	—
	(billions of yen)	
Net sales	¥ 6,581	¥ 6,811
Cost of sales	(3,990)	(4,044)
Gross profit	2,591	2,767
Selling, general and administrative expenses	(1,613)	(1,827)
Gain from remeasurement relating to business combination	18	—
Other operating loss	(67)	(27)
Operating income (excluding income from SoftBank Vision Fund and Delta Fund)	929	913
Operating income from SoftBank Vision Fund and Delta Fund	—	236
Operating income	929	1,149
Finance cost	(343)	(383)
Income on equity method investments	206	320
Gain on sales of shares of associates	238	2
Foreign exchange gain	34	20
Derivative loss	(96)	(485)
Change in third-party interests in SoftBank Vision Fund and Delta Fund	—	(108)
Other non-operating income (loss)	(13)	49
Income before income tax	955	564
Income taxes	(616)	639
Net income from continuing operations	339	1,203
Net income from discontinued operations <sup>(2)</sup>	553	—
Net income	892	1,203
Net income attributable to owners of the parent	¥ 846	¥ 1,015
Adjusted EBITDA <sup>(3)</sup>	¥ 1,992	¥ 2,056

(1) In our consolidated financial statements for the nine months ended December 31, 2017, we have presented prior period financial information for the nine months ended December 31, 2016 on the same basis of presentation adopted for the nine months ended December 31, 2017, and have therefore reclassified certain accounting items as originally reported in the previously issued consolidated financial statements for the nine months ended December 31, 2016. The financial data for the nine months ended December 31, 2016 presented in this table was extracted from the Company's consolidated financial statements as of and for the nine months ended December 31, 2017 and therefore reflect these reclassifications. We have retrospectively revised our financial statements for the nine months ended December 31, 2016 to reflect certain changes resulting from the completion of the purchase price allocation related to the acquisition of Arm in September 2016 during the three-month period ended June 30, 2017. However, we have not retrospectively revised our financial statements for the fiscal year ended March 31, 2017.

(2) We sold all of our shares in Supercell to an affiliate of Tencent Holdings Limited on July 29, 2016. Accordingly, Supercell's net income for the nine months ended December 31, 2016 is presented as discontinued operations separately from continuing operations. Supercell ceased to qualify as our subsidiary and was therefore excluded from the scope of consolidation on July 29, 2016 when the shares were transferred. See Note 23 to our unaudited condensed interim financial statements for the nine months ended December 31, 2017.

(3) Adjusted EBITDA is defined as operating income and loss after addition of depreciation and amortization, addition or deduction of unrealized gain and loss on valuation of investments in the SoftBank Vision Fund and Delta Fund and addition or deduction of other adjustments (gains are deducted). A reconciliation of Adjusted EBITDA to operating income can be found at Note 5(2) of our unaudited condensed interim consolidated financial statements for the nine months ended December 31, 2017. See "Presentation of Financial Information—Non-IFRS Financial Measures—Adjusted EBITDA."

*Net sales.* Net sales increased by ¥230 billion (\$2,034 million), or 3.5%, from ¥6,581 billion (\$58,243 million) for the nine months ended December 31, 2016 to ¥6,811 billion (\$60,277 million) for the nine months ended December 31, 2017 mainly due to increases in the net sales of each of our reportable segments except for the SoftBank Vision Fund and Delta Fund segment (which has no net sales).

Net sales of the Domestic Telecommunications segment increased by ¥6 billion (\$55 million), or 0.3%, from ¥2,401 billion (\$21,245 million) for the nine months ended December 31, 2016 to ¥2,407 billion (\$21,300 million) for the nine months ended December 31, 2017. This was mainly due to increases in (i) broadband revenue of ¥45 billion (\$401 million), or 23.2%, in line with subscriber growth for the *SoftBank Hikari* fiber-optic service and (ii) product and other sales revenue of ¥32 billion (\$283 million), or 5.6%, mainly

due to an increase in sales of customer-premises equipment for broadband services and smartphones, the latter due to an increase in the average shipment price of smartphones despite a decline in the number of units shipped. These increases were largely offset by a decrease in mobile communications revenue of ¥72 billion (\$638 million), or 5%, year on year, reflecting a decrease in mobile data devices, an increase in the total amount of discounts (negative impact on revenue) associated with the growth in the cumulative number of applications of the *Home Bundle Discount Hikari Set*, and the introduction of the *Half Price Support* program that effectively enables customers to purchase high-end smartphones at half-price.

Net sales of the Sprint segment increased when denominated in Japanese yen (despite a decrease in U.S. dollar terms) by ¥70 billion (\$621 million), or 2.6%, from ¥2,652 billion (\$23,469 million) for the nine months ended December 31, 2016 to ¥2,722 billion (\$24,090 million) for the nine months ended December 31, 2017. U.S. dollar-based net sales of the Sprint segment decreased by \$485 million, or 2%, from \$24,808 million for the nine months ended December 31, 2016 to \$24,323 million for the nine months ended December 31, 2017. This was mainly due to a decline in telecom service revenue resulting from a change in the device insurance service and the introduction of sales promotions to acquire new customers.

Net sales of the Yahoo Japan segment increased by ¥21 billion (\$184 million), or 3.3%, from ¥631 billion (\$5,582 million) for the nine months ended December 31, 2016 to ¥652 billion (\$5,766 million) for the nine months ended December 31, 2017 mainly due to an increase in the advertising-related revenue.

Net sales of the Distribution segment increased by ¥85 billion (\$754 million), or 9.1%, from ¥940 billion (\$8,315 million) for the nine months ended December 31, 2016 to ¥1,025 billion (\$9,069 million) for the nine months ended December 31, 2017 mainly due to increase in net sales of the U.S. business.

The Arm segment was established after we consolidated Arm on September 5, 2016. Net sales of the Arm segment for the nine months ended December 31, 2017 were ¥152 billion (\$1,349 million).

*Cost of sales.* Cost of sales increased by ¥54 billion (\$479 million), or 1.4%, from ¥3,990 billion (\$35,310 million) for the nine months ended December 31, 2016 to ¥4,044 billion (\$35,789 million) for the nine months ended December 31, 2017 mainly attributable to increased costs associated with the Domestic Telecommunication segment.

*Gross profit.* Gross profit increased by ¥176 billion (\$1,555 million), or 6.8%, from ¥2,591 billion (\$22,933 million) for the nine months ended December 31, 2016 to ¥2,767 billion (\$24,488 million) for the nine months ended December 31, 2017.

*Selling, general and administrative expenses.* Selling, general and administrative expenses increased by ¥214 billion (\$1,898 million), or 13.3%, from ¥1,613 billion (\$14,271 million) for the nine months ended December 31, 2016 to ¥1,827 billion (\$16,169 million) for the nine months ended December 31, 2017 mainly attributable to increased costs associated with Arm segment.

*Other operating loss.* Other operating loss decreased by ¥40 billion (\$355 million), or 59.2%, from ¥67 billion (\$59.9 million) for the nine months ended December 31, 2016 to ¥27 billion (\$244 million) for the nine months ended December 31, 2017 mainly due to receiving settlements for certain patent infringement lawsuits and an increase in gain from spectrum license exchanges, despite an increase in loss on disposal of property plant and equipment and the recording of impairment loss for Brightstar.

*Operating income (excluding income from SoftBank Vision Fund and Delta Fund).* Operating income (excluding income from SoftBank Vision Fund and Delta Fund) decreased by ¥17 billion (\$150 million), or 1.8%, to ¥912 billion (\$8,074 million), due to a decrease in segment income from the Domestic Telecommunications and Yahoo Japan segments and segment losses in the Distribution and Arm segments despite an increase in segment income from the Sprint Segment.

*Operating income from SoftBank Vision Fund and Delta Fund.* Operating income from SoftBank Vision Fund and Delta Fund was ¥236 billion (\$2,092 million) for the nine months ended December 31, 2017. This line item was not reported for the nine months ended December 31, 2016, as the SoftBank Vision Fund and Delta Fund segment was established as a new reportable segment during the nine months ended December 31, 2017 upon the SoftBank Vision Fund having completed its initial closing on May 20, 2017. This included unrealized gain on valuation of investments of ¥251 billion (\$2,222 million) interest and dividend income from investments of ¥4 billion (\$33 million) and operating expenses of ¥18 billion (\$163 million). Unrealized gain on valuation of investments mainly reflected an increase in the fair value of NVIDIA Corporation shares held by the SoftBank Vision Fund and recorded as financial assets accounted for using FVTPL. See “—Significant Accounting Policies for the SoftBank Vision Fund and Delta Fund” for further discussion of how accounting policies concerning the results of the SoftBank Vision Fund and Delta Fund may affect our consolidated financial results.

*Operating income.* Operating income increased by ¥220 billion (\$1,943 million), or 23.6%, from ¥929 billion (\$8,224 million) for the nine months ended December 31, 2016 to ¥1,149 billion (\$10,167 million) for the nine months ended December 31, 2017 due to the reasons set forth above and due to the inclusion of operating income of ¥236 billion (\$2,092 million) from the SoftBank Vision Fund and Delta Fund.

*Finance cost.* Finance cost increased by ¥40 billion (\$353 million), or 11.6%, from ¥343 billion (\$3,039 million) for the nine months ended December 31, 2016 to ¥383 billion (\$3,392 million) for the nine months ended December 31, 2017 due to an increase in the interest expense at SoftBank Group Corp., as well as an increase in the interest expense at Sprint when denominated in Japanese yen (despite a decrease in U.S. dollar terms).

*Income on equity method investments.* Income on equity method investments increased by ¥114 billion (\$1,005 million), or 55.2%, from ¥206 billion (\$1,823 million) for the nine months ended December 31, 2016 to ¥320 billion (\$2,828 million) for the nine months ended December 31, 2017. This was mainly due to an increase in income on equity method investments related to Alibaba of ¥124 billion (\$1,094 million) (59%) year on year to ¥333 billion (\$2,949 million).

*Gain on sales of shares of associates.* Gain on sales of shares of associates for the nine months ended December 31, 2017 was ¥2 billion (\$16 million) compared to ¥238 billion (\$2,107 million) for the nine months ended December 31, 2016. This decrease was primarily the result of the sale of a portion of Alibaba shares to Alibaba, two Singaporean sovereign wealth funds and Alibaba Partnership (which is not an associate of Alibaba) during the nine months ended December 31, 2016.

*Derivative loss.* Derivative loss increased by ¥389 billion (\$3,446 million), or 406.1%, from ¥96 billion (\$848 million) for the nine months ended December 31, 2016 compared to ¥485 billion (\$4,294 million) for the nine months ended December 31, 2017. This was mainly attributable to derivative loss of ¥510 billion (\$4,516 million) recorded in relation to a collar transaction included in a variable prepaid forward contract for Alibaba shares. The collar transaction is measured at the end of each quarter based on fair value (primarily linked to the share price of Alibaba). The cumulative derivative gain and loss for the three years, from the conclusion of the variable prepaid forward contract on June 10, 2016 until the settlement date, will be a loss of \$900 million, equal to the amount of derivative assets initially recognized.

*Change in third-party interests in SoftBank Vision Fund and Delta Fund.* We recognized a loss of ¥108 billion (\$957 million) in changes in third-party interests in the SoftBank Vision Fund and Delta Fund for the nine months ended December 31, 2017, the fluctuations of which arose based on the results from the SoftBank Vision Fund and Delta Fund. This line item was not reported for the nine months ended December 31, 2016.

*Other non-operating income and loss.* Other non-operating loss was ¥13 billion (\$119 million) for the nine months ended December 31, 2016 compared to an income of ¥49 billion (\$444 million) for the nine months ended December 31, 2017. The primary components of this change were (i) an impairment loss on assets classified as held for sale of ¥43 billion (\$376 million) was recorded for the nine months ended December 31, 2016, which was primarily due to a difference between the valuation of the 248,300,000 GungHo shares we tendered in the same period of the previous fiscal year at the tender offer price of ¥294 per share and their carrying amount on a consolidated basis. (No loss was recorded for the nine months ended December 31, 2017), (ii) loss on financial instruments at FVTPL was ¥39 billion (\$348 million) for the nine months ended December 31, 2016 compared to a gain of ¥8 billion (\$71 million) for the nine months ended December 31, 2017, which was mainly due to the recognition of changes in the fair value of investments, primarily in Southeast Asia and India, and (iii) dilution gain from changes in equity interest was ¥75 billion (\$664 million) for the nine months ended December 31, 2016 compared to a gain of ¥39 billion (\$344 million) for the nine months ended December 31, 2017, which was mainly due to private placement of new shares by Alibaba in the previous fiscal year.

*Income before income tax.* As a result of the foregoing, income before income tax decreased by ¥391 billion (\$3,462 million), or 41.0%, from ¥955 billion (\$8,451 million) for the nine months ended December 31, 2016 to ¥564 billion (\$4,989 million) for the nine months ended December 31, 2017.

*Income taxes.* Income taxes reflected an expense of ¥616 billion (\$5,451 million) for the nine months ended December 31, 2016, compared to a profit of ¥639 billion (\$5,655 million) for the nine months ended December 31, 2017. This was mainly due to the reversal of deferred tax liabilities of ¥830 billion (\$7,343 million) at Sprint following the U.S. Tax Cuts and Jobs Act in December 2017, resulting in a decline in income taxes of ¥818 billion (\$7,242 million) and an increase in other comprehensive income of ¥8 billion (\$73 million). Key deferred tax liabilities that were reversed in connection with the foregoing include:

- *Reduction in the U.S. federal corporate tax rate.* From January 1, 2018, the U.S. federal corporate tax rate was reduced from 35% to 21%. This resulted in a partial reversal of deferred tax liabilities of ¥593 billion (\$5,249 million) related to FCC licenses and other assets of Sprint that were recognized based on the previous income tax rate at the time of its acquisition in 2013. Income taxes decreased by ¥592 billion (\$5,237 million).
- *Abolition of time limit on use of future loss carryforwards.* Net operating losses generated in tax years beginning after December 31, 2017 may now be carried forward indefinitely. As Sprint's tax year begins from April 1, net operating losses generated after April 1, 2018 may be carried forward indefinitely. Certain deductible temporary differences where deferred tax assets could not previously be realized have become likely to be recoverable because the taxable temporary differences from assets with indefinite lives, such as FCC licenses, may be a source of future taxable income. As a result of this change, ¥237 billion (\$2,094 million) of deferred tax assets was recognized (offset by deferred tax liabilities). Income taxes decreased by ¥227 billion (\$2,005 million), and other comprehensive income increased by ¥8 billion (\$73 million).

*Net income from continuing operations.* As a result of the foregoing, net income from continuing operations increased by ¥864 billion (\$7,644 million), or 254.8%, from ¥339 billion (\$3,000 million) for the nine months ended December 31, 2016 to ¥1,203 billion (\$10,644 million) for the nine months ended December 31, 2017.

*Net income from discontinued operations.* Net income from discontinued operations for the nine months ended December 31, 2016 was ¥553 billion (\$4,897 million). During the nine months ended December 31, 2016, income after income tax from Supercell (which was excluded from the scope of consolidation on July 29, 2016) of ¥28 billion (\$250 million) and after-tax gain on sale of ¥525 billion (\$4,647 million) were recorded. Net income from discontinued operations was not recorded for the nine months ended December 31, 2017.

*Net income.* As a result of the foregoing, net income increased by ¥311 billion (\$2,748 million), or 34.8%, from ¥892 billion (\$7,896 million) for the nine months ended December 31, 2016 to ¥1,203 billion (\$10,644 million) for the nine months ended December 31, 2017.

*Net income Attributable to Owners of the Parent.* As a result of the foregoing, net income attributable to owners of the parent increased by ¥169 billion (\$1,497 million), or 20.0%, from ¥846 billion (\$7,485 million) for the nine months ended December 31, 2016 to ¥1,015 billion (\$8,982 million) for the nine months ended December 31, 2017. Of Sprint's decrease in income taxes of ¥818 billion, ¥688 million was included in net income attributable to owners of the parent, corresponding to our 84.04% ownership stake in Sprint.

Segment income of the Domestic Telecommunications segment decreased by ¥38 billion (\$343 million), or 6%, from ¥651 billion (\$5,765 million) for the nine months ended December 31, 2016 to ¥613 billion (\$5,422 million) for the nine months ended December 31, 2017. This was due to an increase in operating expenses (cost of sales and selling, general and administrative expenses) of ¥45 billion (\$398 million) (2.6%) year on year, despite an increase in net sales. The main year-on-year fluctuations in operating expenses were an increase of ¥22 billion (\$195 million) in telecommunications network charges, which accompanied the growth in the number of SoftBank Hikari subscribers. Cost of products also increased by ¥10 billion (\$89 million) due to an increase in the average purchase price of smartphones, despite a decline in the number of units shipped. Depreciation and amortization expenses increased by ¥8 billion (\$72 million) due to accelerating the depreciation of equipment that had become necessary ahead of the termination of 3G on 1.7 GHz services planned in March 2018.

Segment income of the Sprint segment increased by ¥147 billion (\$1,298 million), or 101%, from ¥145 billion (\$1,285 million) for the nine months ended December 31, 2016 to ¥292 billion (\$2,583 million) for the nine months ended December 31, 2017. U.S. dollar-based segment income increased by \$1,243 million, or 91.1%, from \$1,365 million for the nine months ended December 31, 2016 to \$2,608 million for the nine months ended December 31, 2017. This was mainly due to a decrease in operating expenses (cost of sales and selling, general and administrative expenses) of \$1,069 million, or 4.6%, year on year due to a decline in expenses, mainly in relation to the network and the change in the device insurance service, more than offsetting the decrease in net sales. Other contributing factors included the receipt of settlements for certain patent infringement



lawsuits, an increase in gain from spectrum license exchanges, and a decrease in loss on contract termination, among other factors, despite an increase in loss on disposal of property, plant and equipment due to changes of network plans.

Segment income of the Yahoo Japan segment decreased by ¥8 billion (\$70 million), or 5.2%, from ¥151 billion (\$1,332 million) for the nine months ended December 31, 2016 to ¥143 billion (\$1,262 million) for the nine months ended December 31, 2017. This was mainly due to an increase in customer acquisition related costs, despite growth in net sales by 3.3%.

Segment income in the Distribution segment decreased by ¥60 billion (\$529 million) from ¥19 billion (\$169 million) for the nine months ended December 31, 2016 to a segment loss of ¥41 billion (\$360 million) for the nine months ended December 31, 2017. This was mainly due to impairment losses totaling ¥50 billion (\$447 million) recorded on Brightstar's goodwill, intangible assets, and property, plant and equipment as their recoverable amounts fell below their carrying amounts as a result of a revision to Brightstar's business plan during the period. However, results of operations of SoftBank Commerce & Service Corp. have been stable, mainly due to a contribution from sales of PCs and servers to corporate customers.

Segment loss of the Arm segment for the nine months ended December 31, 2017 was ¥22 billion (\$193 million), as compared with segment income of ¥10 billion (\$88 million) for the nine months ended December 31, 2016 (reflecting operations from September 6, 2016, the date we completed the consolidation of Arm). This was mainly due to an increase in research and development ("R&D") expenditure. During the nine months ended December 31, 2017, Arm increased its employee headcount, mainly engineers, by a net 856 people, up 17.6% overall from the previous fiscal year-end, aiming to further strengthen its R&D capability. Arm has also been enhancing its employee compensation system, including the introduction of a new performance-linked incentive program. Operating expenses also included ¥41 billion (\$360 million) of amortization expenses recorded for intangible assets recognized at the purchase price allocation for the Arm acquisition.

Segment income of the SoftBank Vision Fund and Delta Fund segment for the nine months ended December 31, 2017 was ¥236 billion (\$2,092 million). This was mainly due to recognition of unrealized gain on valuation of investments in NVIDIA Corporation as a result of a rise in its market price. See "—Recent Developments."

*Adjusted EBITDA.* Adjusted EBITDA increased by ¥64 billion (\$571 million), or 3.2%, from ¥1,992 billion (\$17,626 million) for the nine months ended December 31, 2016 to ¥2,056 billion (\$18,197 million) for the nine months ended December 31, 2017.

Adjusted EBITDA of the Domestic Telecommunications segment decreased by ¥31 billion (\$272 million), or 3.1%, from ¥995 billion (\$8,803 million) for the nine months ended December 31, 2016 to ¥964 billion (\$8,531 million) for the nine months ended December 31, 2017 mainly due to promotional activity, particularly in the six months ended September 30, 2017.

Adjusted EBITDA of the Sprint segment increased by ¥151 billion (\$1,337 million), or 19.2%, from ¥788 billion (\$6,971 million) in the nine months ended December 31, 2016 to ¥939 billion (\$8,308 million) for the nine months ended December 31, 2017. U.S. dollar-based Adjusted EBITDA increased by \$1,025 million, or 13.9% from \$7,365 million for the nine months ended December 31, 2016 to \$8,390 million for the nine months ended December 31, 2017.

Adjusted EBITDA of the Yahoo Japan segment decreased by ¥12 billion (\$110 million), or 6.9%, from ¥179 billion (\$1,585 million) for the nine months ended December 31, 2016 to ¥167 billion (\$1,475 million) for the nine months ended December 31, 2017.

Adjusted EBITDA of the Distribution segment decreased by ¥9 billion (\$83 million), or 38.6%, from ¥24 billion (\$216 million) for the nine months ended December 31, 2016 to ¥15 billion (\$133 million) for the nine months ended December 31, 2017.

Adjusted EBITDA of the Arm segment for the nine months ended December 31, 2017 was ¥24 billion (\$215 million).

Adjusted EBITDA of the SoftBank Vision Fund and Delta Fund segment for the nine months ended December 31, 2017 was negative ¥15 billion (\$130 million).

### ***Comparison of the Fiscal Year Ended March 31, 2017 with the Fiscal Year Ended March 31, 2016***

The following table shows selected statement of income data for the fiscal years ended March 31, 2016 and 2017. The comparisons below are with respect to the financial information derived from our audited financial statements for the fiscal year ended March 31, 2017 and the financial information for the fiscal year ended March 31, 2016 is presented as comparative information therein.



	For the fiscal year ended March 31,	
	2016 Revised <sup>(1)</sup>	2017
	(billions of yen)	
Net sales	¥ 8,882	¥ 8,901
Cost of sales	(5,518)	(5,472)
Gross profit	3,364	3,429
Selling, general and administrative expenses	(2,375)	(2,277)
Gain from remeasurement relating to business combination	59	18
Other operating loss	(139)	(144)
Operating income	909	1,026
Finance cost	(441)	(467)
Income on equity method investments	375	322
Gain on sales of shares of associates	12	238
Derivative gain (loss)	13	(253)
Gain (loss) from financial instruments at FVTPL	114	(160)
Other non-operating income (loss)	(63)	7
Income before income tax	919	713
Income taxes	(423)	207
Net income from continuing operations	496	920
Net income from discontinued operations <sup>(2)</sup>	62	554
Net income	558	1,474
Net income attributable to owners of the parent	¥ 474	¥ 1,426
Adjusted EBITDA <sup>(3)</sup>	¥ 2,325	¥ 2,564

- (1) In our consolidated financial statements for the fiscal year ended March 31, 2017, we have presented prior period financial information for the fiscal year ended March 31, 2016 on the same basis of presentation adopted for fiscal year ended March 31, 2017, and have therefore reclassified certain accounting items as originally reported in the previously issued consolidated financial statements for the fiscal year ended March 31, 2016. The financial data for the fiscal year ended March 31, 2016 presented in this table were extracted from the consolidated financial statements as of and for the fiscal year ended March 31, 2017 and therefore reflect these reclassifications.
- (2) We sold all of our shares in Supercell to an affiliate of Tencent Holdings Limited on July 29, 2016. Accordingly, Supercell's net income until July 29, 2016 is presented as discontinued operations separately from continuing operations. Net income of Supercell for the same period of the previous fiscal year has been revised retrospectively and presented under discontinued operations. See Note 42 to our audited financial statements for fiscal year ended March 31, 2017. Supercell ceased to qualify as our subsidiary and was therefore excluded from the scope of consolidation on July 29, 2016 when the shares were transferred.
- (3) Adjusted EBITDA is defined as operating income and loss after addition of depreciation and amortization, deduction of gain from remeasurement relating to business combination and addition or deduction of other adjustments (gains are deducted). See "Presentation of Financial Information—Non-IFRS Financial Measures—Adjusted EBITDA."

*Net sales.* Net sales increased by ¥19 billion (\$170 million), or 0.2%, from ¥8,882 billion (\$78,600 million) for the fiscal year ended March 31, 2016 to ¥8,901 billion (\$78,770 million) for the fiscal year ended March 31, 2017 mainly due to increases in net sales of the Domestic Telecommunications segment and the Yahoo Japan segment and the addition of the new Arm segment despite decreases in net sales of the Sprint segment and the Distribution segment.

Net sales of the Domestic Telecommunications segment increased by ¥49 billion (\$435 million), or 1.6%, from ¥3,145 billion (\$27,829 million) for the fiscal year ended March 31, 2016 to ¥3,194 billion (\$28,264 million) for the fiscal year ended March 31, 2017, mainly due to an increase in broadband revenue associated with a growth in fiber-optic service subscribers despite a decrease in mobile communication revenue associated with promotion of and increased number of customers subscribing to the *Home Bundle Discount Hikari Set*.

Net sales of the Sprint segment decreased by ¥248 billion (\$2,197 million), or 6.4%, from ¥3,872 billion (\$34,262 million) for the fiscal year ended March 31, 2016 to ¥3,623 billion (\$32,065 million) for the fiscal year ended March 31, 2017 mainly due to the negative impact of a stronger yen, which resulted in ¥388 billion less in net sales, despite an increase in segment net sales under U.S. dollar-based results. U.S. dollar-based net sales of the Sprint segment increased by \$1,167 million, or 3.6%, from \$32,180 million for the fiscal year ended March 31, 2016 to \$33,347 million for the fiscal year ended March 31, 2017 mainly due to an increase in device revenue which offset a decrease in telecom service revenue.

Net sales of the Yahoo Japan segment increased by ¥201 billion (\$1,783 million), or 30.9%, from ¥652 billion (\$5,770 million) for the fiscal year ended March 31, 2016 to ¥853 billion (\$7,553 million) for the

fiscal year ended March 31, 2017 as the consolidation of ASKUL Corporation from August 2015 affected the net sales of Yahoo Japan.

Net sales of the Distribution segment decreased by ¥125 billion (\$1,107 million), or 8.8%, from ¥1,420 billion (\$12,570 million) for the fiscal year ended March 31, 2016 to ¥1,295 billion (\$11,463 million) for the fiscal year ended March 31, 2017 mainly due to the stronger yen in the fiscal year ended March 31, 2016.

The Arm segment was established after we consolidated Arm on September 5, 2016. Net sales of the Arm segment from September 6, 2016 to March 31, 2017 were ¥113 billion (\$999 million).

*Cost of sales.* Cost of sales decreased by ¥46 billion (\$406 million), or 0.8%, from ¥5,518 billion (\$48,833 million) for the fiscal year ended March 31, 2016 to ¥5,472 billion (\$48,427 million) for the fiscal year ended March 31, 2017 mainly due to significant cost reductions in the Sprint segment.

*Gross profit.* As a result of the foregoing, gross profit increased by ¥65 billion (\$576 million), or 1.9%, from ¥3,364 billion (\$29,767 million) for the fiscal year ended March 31, 2016 to ¥3,429 billion (\$30,343 million) for the fiscal year ended March 31, 2017.

*Selling, general and administrative expenses.* Selling, general and administrative expenses decreased by ¥98 billion (\$864 million), or 4.1%, from ¥2,375 billion (\$21,017 million) for the fiscal year ended March 31, 2016 to ¥2,277 billion (\$20,153 million) for the fiscal year ended March 31, 2017 mainly due to lower costs in the Sprint and the Domestic Telecommunications segments.

*Gain from remeasurement relating to business combination.* Gain from remeasurement relating to business combination was ¥59 billion (\$526 million) for the fiscal year ended March 31, 2016 due to the consolidation of ASKUL Corporation, compared to ¥18 billion (\$161 million) for the fiscal year ended March 31, 2017.

*Other operating loss.* Other operating loss increased by ¥4 billion (\$38 million), or 3.2%, from ¥139 billion (\$1,233 million) for the fiscal year ended March 31, 2016 to ¥144 billion (\$1,271 million) for the fiscal year ended March 31, 2017 mainly due to loss on disposal of property, plant and equipment in the Sprint segment, impairment loss on goodwill of the Distribution segment and acquisition-related costs of the Arm segment.

*Operating income.* As a result of the foregoing, operating income increased by ¥117 billion (\$1,037 million), or 12.9%, from ¥909 billion (\$8,043 million) for the fiscal year ended March 31, 2016 to ¥1,026 billion (\$9,080 million) for the fiscal year ended March 31, 2017.

*Finance cost.* Finance cost increased by ¥27 billion (\$235 million), or 6.0 %, from ¥441 billion (\$3,900 million) for the fiscal year ended March 31, 2016 to ¥467 billion (\$4,135 million) for the fiscal year ended March 31, 2017 mainly due to an increase in interest expense at the Company.

*Income on equity method investments.* Income on equity method investments decreased by ¥54 billion (\$476 million), or 14.3%, from ¥375 billion (\$3,322 million) for the fiscal year ended March 31, 2016 to ¥322 billion (\$2,846 million) for the fiscal year ended March 31, 2017. This was mainly due to a decline in income on equity method investments related to Alibaba. Our income on equity method investments in Alibaba declined by ¥50 billion (\$447 million), or 13.3%, to ¥330 billion (\$2,922 million) for the fiscal year ended March 31, 2017 due to the stronger yen and a decrease in our interest ratio in Alibaba following the sale of a portion of our Alibaba shares despite Alibaba's IFRS-based adjusted net income for the 12 months ended December 31, 2016 increasing by RMB 4.7 billion, or 7.6%, to RMB 66.0 billion.

*Gain on sales of shares of associates.* Gain on sales of shares of associates increased by ¥226 billion (\$1,997 million) from ¥12 billion (\$110 million) for the fiscal year ended March 31, 2016 to ¥238 billion (\$2,107 million) for the fiscal year ended March 31, 2017 mainly due to the sale of a portion of Alibaba shares to Alibaba, two Singaporean sovereign wealth funds, and Alibaba Partnership (which is not an associate of Alibaba).

*Derivative gain and loss.* Derivative gain was ¥13 billion (\$113 million) for the fiscal year ended March 31, 2016 compared to a loss of ¥253 billion (\$2,237 million) for the fiscal year ended March 31, 2017. This was mainly attributable to loss on valuation of derivatives of ¥233 billion (\$2,060 million) that was recorded in relation to a collar transaction included in a variable prepaid forward contract for Alibaba shares. The collar transaction is measured at the end of each quarter based on fair value (primarily linked to the share price of Alibaba). The cumulative derivative gain and loss for the three years, from the conclusion of the variable prepaid forward contract on June 10, 2016 until the settlement date, will be a loss of \$900 million, equal to the amount of derivative assets initially recognized.

*Gain and loss from financial instruments at FVTPL.* Gain on financial instruments at FVTPL was ¥114 billion (\$1,012 million) for the fiscal year ended March 31, 2016 compared to a loss of ¥160 billion (\$1,420 million) for the fiscal year ended March 31, 2017. This was mainly due to recording a loss for the amount of changes in the fair value of the Company's financial instruments in India at FVTPL from the fiscal year ended March 31, 2016 to the fiscal year ended March 31, 2017.

*Other non-operating income and loss.* Other non-operating loss was ¥63 billion (\$566 million) for the fiscal year ended March 31, 2016 compared to income of ¥7 billion (\$66 million) for the fiscal year ended March 31, 2017. The primary components of this change were (i) dilution gain from changes in equity interest of ¥78 billion (\$686 million) mainly due to gain from private placement of new shares by Alibaba, (ii) foreign exchange gain of ¥53 billion (\$472 million) mainly due to settlement and translation of foreign currency-denominated borrowings from a foreign subsidiary, (iii) loss on loss of control of ¥79 billion (\$702 million) mainly due to SOFTBANK GROUP CAPITAL APAC PTE. LTD. ("APAC," currently Foxconn Ventures Pte. Ltd., a joint venture of Foxconn Technology Group of Taiwan and us) becoming an equity method associate and (iv) impairment loss on assets classified as held for sales of ¥43 billion (\$376 million) mainly due to a difference between the valuation and the carrying amount on a consolidated basis of the GungHo shares tendered by us.

*Income before income tax.* As a result of the foregoing, income before income tax decreased by ¥207 billion (\$1,828 million), or 22.5%, from ¥919 billion (\$8,134 million) for the fiscal year ended March 31, 2016 to ¥713 billion (\$6,306 million) for the fiscal year ended March 31, 2017.

*Income taxes.* Income taxes were ¥423 billion (\$3,740 million) for the fiscal year ended March 31, 2016 compared to a credit of ¥207 billion (\$1,832 million) for the fiscal year ended March 31, 2017.

The credited income taxes mainly accompanied a transaction (the "Transaction") from June to August 2016 in which the Company's then wholly owned subsidiary, APAC, sold a portion of its Alibaba shares to the Company, our wholly owned subsidiary West Raptor Holdings, LLC ("WRH LLC"), and third parties. As a consequence of the Transaction, the tax basis of Alibaba shares exceeded its consolidated carrying amount on an accounting basis. The Company therefore reversed deferred tax liabilities of ¥383 billion (\$3,386 million) previously recorded for the temporary differences (between the consolidated carrying amount on the accounting base and the tax base) in the investment in Alibaba. Also, because the Company plans to sell these shares in 2019, the Company recognized deferred tax assets of ¥179 billion (\$1,587 million) for the temporary difference between the carrying amount on the accounting base and the tax base of the Alibaba shares sold to WRH LLC.

For the nine-month period ended December 31, 2016, the Company had recognized deferred tax liabilities of ¥913 billion (\$8,080 million) on its expected taxable income for the next fiscal year (April 1, 2017 to March 31, 2018) out of the Transaction. The Company had also recorded deferred tax assets of ¥60 billion (\$535 million), as it was deemed probable that, in conjunction with the Transaction, taxable profit would be available against which carryforwards and deductible temporary differences could be utilized. However, because ownership of APAC's outstanding shares was below 50% on March 31, 2017 and taxable profit was not expected at the Company for the next fiscal year, we did not recognize any deferred tax liabilities relating to the Transaction for the fiscal year ended March 31, 2017. In addition, the Company did not recognize any deferred tax assets for the fiscal year ended March 31, 2017, as it was deemed probable that taxable profit would not be available against which carryforwards and deductible temporary differences could be utilized.

*Net income from continuing operations.* As a result of the foregoing, net income from continuing operations increased by ¥423 billion (\$3,744 million), or 85.2%, from ¥496 billion (\$4,394 million) for the fiscal year ended March 31, 2016 to ¥920 billion (\$8,138 million) for the fiscal year ended March 31, 2017.

*Net income from discontinued operations.* Net income from discontinued operations increased by ¥493 billion (\$4,363 million) from ¥62 billion (\$547 million) for the fiscal year ended March 31, 2016 to ¥554 billion (\$4,910 million) for the fiscal year ended March 31, 2017. This was mainly due to after-tax gain on sale of Supercell shares of ¥527 billion (\$4,660 million) recorded for the fiscal year ended March 31, 2017.

*Net income.* As a result of the foregoing, net income increased by ¥916 billion (\$8,108 million), or 164.1%, from ¥558 billion (\$4,940 million) for the fiscal year ended March 31, 2016 to ¥1,474 billion (\$13,048 million) for the fiscal year ended March 31, 2017.

*Net income attributable to owners of the parent.* As a result of the foregoing, net income attributable to owners of the parent increased by ¥952 billion (\$8,426 million), or 200.8%, from ¥474 billion (\$4,196 million) for the fiscal year ended March 31, 2016 to ¥1,426 billion (\$12,622 million) for the fiscal year ended March 31, 2017.

Segment income of the Domestic Telecommunications segment increased by ¥31 billion (\$276 million), or 4.5%, from ¥688 billion (\$6,092 million) for the fiscal year ended March 31, 2016 to ¥720 billion (\$6,368 million) for the fiscal year ended March 31, 2017 due to the small increase in operating expenses of 0.7% in relation to the increase in net sales of 1.6%.

Segment income of the Sprint segment increased by ¥125 billion (\$1,106 million), or 203.2%, from ¥61 billion (\$544 million) for the fiscal year ended March 31, 2016 to ¥186 billion (\$1,650 million) for the fiscal year ended March 31, 2017. U.S. dollar-based segment income increased by \$1,222 million, or 241.5%, from \$506 million for the fiscal year ended March 31, 2016 to \$1,728 million for the fiscal year ended March 31, 2017. This was mainly due to the small increase in operating expense in relation to the increased net sales and the decrease in other operating loss.

Segment income of the Yahoo Japan segment decreased by ¥33 billion (\$292 million), or 14.8%, from ¥223 billion (\$1,972 million) for the fiscal year ended March 31, 2016 to ¥190 billion (\$1,680 million) for the fiscal year ended March 31, 2017 mainly due to the inclusion of the ¥59 billion (\$526 million) of gain from remeasurement relating to business combination in the fiscal year ended March 31, 2016 for the consolidation of ASKUL Corporation.

Segment loss in the Distribution segment increased by ¥9 billion (\$78 million) from ¥1 billion (\$11 million) for the fiscal year ended March 31, 2016 to ¥10 billion (\$89 million) for the fiscal year ended March 31, 2017. This was mainly due to the ¥30 billion (\$268 million) of impairment loss on goodwill of Brightstar recorded for the fiscal year ended March 31, 2017.

Segment income of the Arm segment from September 6, 2016 to March 31, 2017 was ¥13 billion (\$114 million).

*Adjusted EBITDA.* Adjusted EBITDA increased by ¥239 billion (\$2,117 million), or 10.3%, from ¥2,325 billion (\$20,577 million) for the fiscal year ended March 31, 2016 to ¥2,564 billion (\$22,694 million) for the fiscal year ended March 31, 2017.

Adjusted EBITDA of the Domestic Telecommunications segment increased by ¥46 billion (\$404 million), or 3.9%, from ¥1,163 billion (\$10,295 million) for the fiscal year ended March 31, 2016 to ¥1,209 billion (\$10,699 million) for the fiscal year ended March 31, 2017.

Adjusted EBITDA of the Sprint segment increased by ¥96 billion (\$853 million), or 9.8%, from ¥983 billion (\$8,701 million) in the fiscal year ended March 31, 2016 to ¥1,080 billion (\$9,554 million) for the fiscal year ended March 31, 2017. U.S. dollar-based Adjusted EBITDA increased by \$1,759 million, or 21.5% from \$8,172 million for the fiscal year ended March 31, 2016 to \$9,931 million for the fiscal year ended March 31, 2017. Japanese yen-based Adjusted EBITDA saw a smaller increase due to the negative impact of a stronger yen, which resulted in ¥114.8 billion less in Japanese yen-based Adjusted EBITDA.

Adjusted EBITDA of the Yahoo Japan segment increased by ¥43 billion (\$385 million), or 22.2%, from ¥196 billion (\$1,735 million) for the fiscal year ended March 31, 2016 to ¥240 billion (\$2,120 million) for the fiscal year ended March 31, 2017.

Adjusted EBITDA of the Distribution segment increased by ¥2 billion (\$18 million), or 7.9%, from ¥25 billion (\$225 million) for the fiscal year ended March 31, 2016 to ¥27 billion (\$243 million) for the fiscal year ended March 31, 2017.

Adjusted EBITDA of the Arm segment from September 6, 2016 to March 31, 2017 was ¥53 billion (\$470 million).

## **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 as of December 31, 2017 that will affect our liquidity position through the fiscal year ending March 31, 2023. The following table does not include interest payments.

	Carrying amount	Contractual cash flows	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	Over 5 years
	(millions of yen)							
Non-derivative financial liabilities								
Interest-bearing debt								
Short-term borrowings . . .	¥ 865,892	¥ 889,721	¥ 889,721	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper . . . . .	100,000	100,000	100,000	—	—	—	—	—
Long-term borrowings (including current portion) . . . . .	4,920,032	4,993,169	927,515	802,949	501,091	404,218	494,372	1,863,024
Corporate bonds (including current portion) . . . . .	7,909,328	7,933,613	613,453	929,322	812,643	767,250	1,320,710	3,490,235
Lease obligations . . . . .	1,241,785	1,241,785	458,812	341,259	242,049	143,553	54,373	1,739
Financial liability for variable prepaid forward contract . . . . .	729,234	745,800	—	745,800	—	—	—	—
Installment payables . . . . .	38,682	39,313	20,400	12,644	3,364	2,376	529	—
<b>Total . . . . .</b>	<b>¥15,804,953</b>	<b>¥15,943,401</b>	<b>¥3,009,901</b>	<b>¥2,831,974</b>	<b>¥1,559,147</b>	<b>¥1,317,397</b>	<b>¥1,869,984</b>	<b>¥5,354,998</b>

(1) 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.

As of December 31, 2017, interest-bearing debt consisted of:

- Borrowings totaling ¥5,786 billion (\$51,203 million).
- Corporate bonds totaling ¥7,909 billion (\$69,994 million).
- Leases obligations totaling ¥1,242 billion (\$10,989 million), which we mainly use in sale and lease-back agreements in order to finance our network equipment purchases.
- Financial liabilities totaling ¥729 billion (\$6,453 million) relating to the sale of shares of Alibaba by variable prepaid forward contract. See “—Transaction for Sale of Alibaba Shares by Variable Prepaid Forward Contract.”

See “Description of Other Indebtedness.”

### 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.

### Transaction for Sale of Alibaba Shares by Variable Prepaid Forward Contract

On June 10, 2016, WRH LLC, our wholly owned subsidiary, entered into a variable prepaid forward contract to sell Alibaba shares with Mandatory Exchangeable Trust, a newly formed trust (the “Trust”), and received proceeds of \$5.4 billion as advances received for sale.

The Trust, on the other hand, utilized Alibaba shares scheduled to be transferred from WRH LLC at the time of settlement under the contract and issued \$6.6 billion of Mandatory Exchangeable Trust Securities (“Trust Securities”) which are mandatorily exchangeable into American depositary shares (“ADSs”) of Alibaba. WRH LLC received \$5.4 billion of the proceeds from the Trust, after a portion of the proceeds were used to purchase U.S. Treasury securities used to fund distributions on the Trust Securities and to pay expenses related to the issuance of the Trust Securities.

The settlement by Alibaba shares based on the variable prepaid forward contract will be conducted concurrently with the exchange of Trust Securities. At the exchange date, which is expected to be the first scheduled trading day after June 1, 2019, Trust Securities will be exchanged for a certain number of ADSs, determined by reference to the trading price of the ADSs at that time, and the number of Alibaba shares sold by



the variable prepaid forward contract is determined by this number of ADSs. A cap and a floor are set for the number of shares settled and the variable prepaid forward contract is classified as a hybrid financial instrument with embedded derivatives providing a protective collar.

WRH LLC has the option to settle the variable prepaid forward contract by either delivering cash or a combination of cash and Alibaba shares. Also, WRH LLC has the option to settle the variable prepaid forward contract prior to the scheduled exchange date.

We account for the variable prepaid forward contract by bifurcating the main contracts and embedded derivatives. We received ¥578 billion (\$5,119 million) in cash and initially recognized ¥674 billion (\$5,965 million) as financial liabilities relating to the sale of shares by variable prepaid forward contract and ¥96 billion (\$846 million) as derivative assets. Subsequent to initial recognition, financial liabilities relating to the sale of shares by variable prepaid forward contract are measured at amortized cost and embedded derivatives are measured at fair value. ¥729 billion (\$6,453 million) is recognized as financial liabilities relating to the sale of shares by variable prepaid forward contract in interest-bearing debt (non-current liabilities) and ¥662 billion (\$5,859 million) is recognized as derivative liabilities in other financial liabilities (non-current liabilities) in the consolidated statement of financial position as of December 31, 2017. ¥510 billion (\$4,516 million) is recognized as a derivative loss in the consolidated statements of income for the nine months ended December 31, 2017.

Alibaba shares held by WRH LLC are pledged as collateral pursuant to the variable prepaid forward contract. We apply the equity method of accounting to these shares and they are included in “Investments accounted for using the equity method” in our consolidated statements of financial position as of December 31, 2017. The carrying amount of Alibaba shares pledged as collateral as of December 31, 2017 is ¥209 billion (\$1,854 million).

#### ***Commitment to the SoftBank Vision Fund and Delta Fund***

On May 20, 2017, we completed the initial closing of the SoftBank Vision Fund and at that time we committed to invest a maximum of \$28.1 billion to the SoftBank Vision Fund by way of in-kind contributions and cash investments. On September 27, 2017, we completed the final closing of the Delta Fund and at that time we committed to invest a maximum of \$4.4 billion to the Delta Fund by way of in-kind contributions and cash investments. Since January 2018, the SoftBank Vision Fund has issued Capital Calls to us and the several other investors, a portion of which have been successfully settled. All of our obligations under such Capital Calls are to be satisfied by contribution of a portion of the shares of Arm. We are in the process of satisfying our obligations under such Capital Calls, and, combined with our obligations under prior Capital Calls as of December 31, 2017 expect to deliver an aggregate of 276 million shares of Arm, representing 19.3% of the total outstanding shares of Arm. See “—Recent Developments.”

Separate from our capital contribution, we are also in the process of transferring certain assets to the SoftBank Vision Fund and Delta Fund, respectively, in exchange for reimbursement. The timing and magnitude of future contributions to the SoftBank Vision Fund and Delta Fund will depend on the timing and capital required for the investments pursued by the SoftBank Vision Fund and Delta Fund, respectively.

#### ***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, 2015, 2016 and 2017 and the nine months ended December 31, 2016 and 2017.

	For the fiscal year ended March 31,			For the nine months ended December 31,	
	2015	2016	2017	2016	2017
	(billions of yen)				
Capital expenditures (acceptance basis) <sup>(1)</sup>					
Domestic Telecommunications . . . . .	¥ 584	¥ 413	¥321	¥183	¥217
Sprint . . . . .	700	622	478	303	454
Yahoo Japan . . . . .	30	52	65	49	65
Distribution . . . . .	14	9	7	4	6
Arm <sup>(2)</sup> . . . . .	—	—	5	3	12
SoftBank Vision Fund and Delta Fund <sup>(3)</sup> . . . . .	—	—	—	—	—
Other . . . . .	25	14	49	17	9
Consolidated total . . . . .	<u>¥1,353</u>	<u>¥1,110</u>	<u>¥925</u>	<u>¥559</u>	<u>¥763</u>
Capital expenditures (cash flow basis) <sup>(4)</sup> . . . . .	<u>¥1,398</u>	<u>¥1,361</u>	<u>¥924</u>	<u>¥672</u>	<u>¥792</u>

- (1) We recognize capital expenditures on an acceptance basis following our inspection and acceptance of new assets.
- (2) Reflected from September 6, 2016.
- (3) Reflected from May 20, 2017.
- (4) 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.

We made significant investments early on for the development of our LTE network in the fiscal years ended March 31, 2013 and 2014 of ¥716 billion and ¥739 billion, respectively. Our investment in the Domestic Telecommunications segment has gradually decreased since the fiscal year ended March 31, 2015 to ¥321 billion (\$2,837 million) in capital expenditure for the fiscal year ended March 31, 2017 because of the completion of LTE roll-out. Our 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 currently anticipate that capital expenditures (calculated on an acceptance basis) in our Domestic Telecommunications segment will be ¥392.5 billion (\$3,473 million) for the fiscal year ending March 31, 2018 (including life-cycle expenditures), in part so that we can maintain excess network capacity despite the expected increase in mobile data usage and improve our LTE network coverage in certain places.

In our Sprint segment, we are utilizing capital expenditure to steadily improve Sprint's telecommunications network. We expect cash capital expenditures of at least \$3.5 billion to \$4.0 billion (¥396 billion to ¥452 billion) (excluding devices leased through indirect channels) in our Sprint business in fiscal year ending March 31, 2018 and our aim is for Sprint to remain 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 Payment***

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. In June 2017 we paid a year-end dividend of ¥22.00 per share for the fiscal year ended March 31, 2017. Together with the interim dividend of ¥22.00 per share paid in December 2016, our annual dividend for the fiscal year ended March 31, 2017 was ¥44.00 per share, an increase of ¥3 per share from the prior fiscal year. Our total dividend payments during the fiscal year ended March 31, 2017 were ¥46 billion (\$409 million). We paid an interim dividend of ¥22.00 per share on December 11, 2017 for the fiscal year ending March 31, 2018.

## **Liquidity and Capital Resources**

### ***Liquidity***

The below table reflects the cash position of certain of our key subsidiaries, our consolidated cash position as of March 31, 2017 and December 31, 2017. See "Capitalization" for our Cash Position on an as adjusted basis.

	<u>As of</u> <u>March 31, 2017</u>	<u>As of</u> <u>December 31, 2017</u>
	(billions of yen)	
<b>Cash Position<sup>(1)</sup></b>		
SoftBank Group Corp. ....	¥1,122	¥1,371
SoftBank Corp. ....	23	39
Sprint .....	935	523
Yahoo Japan .....	539	589
Arm .....	143	156
SoftBank Vision Fund and Delta Fund .....	—	300
Other .....	173	500
<b>Total Cash Position .....</b>	<u>¥2,935</u>	<u>¥3,478</u>

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

Our operating cash flows, including cash generated from our business 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 December 31, 2017, our consolidated Cash Position (cash and cash equivalents *plus* short term investments) equaled ¥3,478 billion (\$30,779 million).

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, including sale of shares by variable prepaid forward contract. See “—Cash and Capital Requirements—Debt Repayments and Certain Other Contractual Commitments—Transaction for Sale of Alibaba Shares by Variable Prepaid Forward Contract.”
- 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, 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 Adjusted 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.

As of December 31, 2017, our consolidated liquidity, including cash, cash equivalents, short-term investments and available borrowing capacity under our commitment line was ¥3,656 billion (\$32,358 million), which was equal to our consolidated cash position as the commitment line was fully drawn. We expect our liquidity position, together with cash flows from operations, to be sufficient to cover our expected liquidity needs through the end of March 2018.

As of December 31, 2017, Sprint’s liquidity (including cash and cash equivalents), short-term investments, available borrowing capacity under our secured revolving bank credit facility and availability under its Receivables Facility was \$10.4 billion (¥1,175 billion). Sprint’s cash and cash equivalents and short-term investments totaled \$4.6 billion (¥520 billion) as of December 31, 2017 compared to \$8.3 billion (¥938 billion) as of March 31, 2017. 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.

#### ***Margin Loan Secured by ADS of Alibaba.***

On or around March 7, 2018, a wholly-owned subsidiary of the Company (the “Borrower”) is expected to enter into a margin loan agreement (the “Margin Loan Agreement”) with certain lenders. The lenders under the Margin Loan Agreement are expected to provide \$8 billion in aggregate commitments, including \$4 billion in the form of a term loan facility and \$4 billion in the form of a revolving credit facility, each of which the Borrower expects to draw down in full on or around March 13, 2018. See “—Recent Developments—Margin Loan Secured by ADS of Alibaba”. We expect that the drawdown of the commitments under the Margin Loan Agreement will further support our liquidity position.

#### ***Commitment Line***

In order to improve our liquidity position, we enter into commitment lines of credit and other credit facilities from time to time with various financial institutions. On August 5, 2016, we renewed one such commitment line of credit for borrowings up to ¥178.5 billion (\$1,580 million). On August 1, 2017, we renewed this commitment line, which was undrawn as of the date of this offering memorandum. See “Description of Other Indebtedness.”

## Cash Flow

### Cash Flows for the nine Months Ended December 31, 2016 and 2017

The following table shows our consolidated cash flow data for the nine months ended December 31, 2016 and 2017.

	For the nine months ended December 31,	
	2016	2017
	(billions of yen)	
Cash and cash equivalents at the beginning of the period	¥ 2,570	¥ 2,183
Net cash flows from operating activities	1,127	884
Net cash flows from investing activities	(3,381)	(2,728)
Net cash flows from financing activities	2,210	2,975
Effect of exchange rate changes	(27)	26
Increase in cash and cash equivalents	(71)	1,157
Cash and cash equivalents at the end of the period	¥ 2,499	¥ 3,340

Our cash flows from operating activities decreased by ¥243 billion (\$2,156 million) from ¥1,127 billion (\$9,977 million) for the nine months ended December 31, 2016 to ¥884 billion (\$7,821 million) for the nine months ended December 31, 2017. This mainly reflects the Company's receipt of a refund of ¥293 billion (\$2,597 million) for withholding income tax related to dividends within the group companies in the same period of the previous fiscal year. An additional factor was a year-on-year increase of ¥118 billion (\$1,040 million) in income taxes paid due to the payment in the period of income taxes mainly related to the sale of Supercell Oy shares in the previous fiscal year.

Our cash flows from investing activities for the nine months ended December 31, 2016 were a cash outflow of ¥3,381 billion (\$29,917 million) compared to a cash outflow of ¥2,728 billion (\$24,145 million) for the nine months ended December 31, 2017, representing decrease in cash outflow of ¥653 billion (\$5,772 million). This was mainly due to ¥3,653 billion (\$32,325 million) of payments for the acquisition of investments, which represent (i) equipment acquisitions by Sprint, (ii) investments executed by the Company as part of its plan of transferring such investments to the SoftBank Vision Fund, (iii) payments for the acquisition of investments by the SoftBank Vision Fund and Delta Fund, (iv) payments for the acquisition of subsidiaries, and (v) payments associated with Sprint's short-term trading.

Our cash flows from financing activities for the nine months ended December 31, 2016 were a cash flow of ¥2,210 billion (\$19,560 million) compared to a cash outflow of ¥2,975 billion (\$26,331 million) for the nine months ended December 31, 2017, representing an increase in cash flow of ¥765 billion (\$6,770 million). This was mainly due to net proceeds of long-term interest-bearing debt of ¥547 billion (\$4,838 million) for the nine months ended December 31, 2017. Net proceeds of long-term interest-bearing debt for the nine months ended December 31, 2016 were ¥2,340 billion (\$20,711 million)

### Cash Flows for the Fiscal Years Ended March 31, 2016 and 2017

The following table shows our consolidated cash flow data for the fiscal years ended March 31, 2016 and 2017.

	For the fiscal years ended March 31,	
	2016	2017
	(billions of yen)	
Cash and cash equivalents at the beginning of the period	¥ 3,259	¥ 2,570
Net cash flows from operating activities	940	1,501
Net cash flows from investing activities	(1,652)	(4,214)
Net cash flows from financing activities	43	2,381
Effect of exchange rate changes	(20)	(55)
Increase in cash and cash equivalents	(689)	(387)
Cash and cash equivalents at the end of the period	¥ 2,570	¥ 2,183

Our cash flows from operating activities increased by ¥561 billion (\$4,961 million) from ¥940 billion (\$8,320 million) for the fiscal year ended March 31, 2016 to ¥1,501 billion (\$13,281 million) for the fiscal year ended March 31, 2017 mainly due to a decrease of ¥543 billion (\$4,804 million) in income taxes paid (net of refund).

Our cash flows from investing activities for the fiscal year ended March 31, 2016 was a cash outflow of ¥1,652 billion (\$14,617 million) compared to a cash outflow of ¥4,214 billion (\$37,288 million) for the fiscal

year ended March 31, 2017, representing an increase in cash outflow of ¥2,562 billion (\$22,672 million). This was mainly due to our acquisition of Arm, which accounted for ¥3,249 billion (\$28,755 million) of cash outflow and was partially offset by cash inflow from our sales/redemption of our Alibaba, GungHo and Supercell shares.

Our cash flows from financing activities increased by ¥2,337 billion (\$20,686 million) from ¥43 billion (\$383 million) for the fiscal year ended March 31, 2016 to ¥2,381 billion (\$21,069 million) for the fiscal year ended March 31, 2017. The primary components of cash flows from financing activities were proceeds from long-term interest bearing debt.

## **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 25 to our audited consolidated financial statements for the fiscal year ended March 31, 2017 included elsewhere in this offering memorandum.

## **Significant Accounting Policies for the SoftBank Vision Fund and Delta Fund**

### ***Portfolio Company Investments Made by the SoftBank Vision Fund and Delta Fund***

The portfolio companies that the Company is deemed to control under IFRS are treated as subsidiaries of the Company and their results of operations, assets and liabilities are included in the Company's consolidated financial statements. Investments except for subsidiaries made by the SoftBank Vision Fund and Delta Fund, including investments in associates, are in principle treated as financial assets at FVTPL, and they are measured at fair value at the end of each quarter. The change during the reporting period is recognized in net profit or loss.

The recognition of changes in the value of investments held at FVTPL through the SoftBank Vision Fund and Delta Fund could impact the volatility of certain line items in our consolidated financial statements, including total non-current assets, operating income and net income. Moreover, both realized gain and loss on sales and unrealized valuation gain and loss in connection with these investments are recognized in our financial statements over the relevant quarter or fiscal year.

### ***Results from the SoftBank Vision Fund and Delta Fund***

Income and loss arising from the SoftBank Vision Fund and Delta Fund segment are separated from operating income and loss arising from other segments, recognized as a component of operating income, and presented as "Operating income from SoftBank Vision Fund and Delta Fund" in our consolidated statements of income. Gain and loss on investments at the SoftBank Vision Fund and Delta Fund (realized gain and loss on sales of investments, unrealized gain and loss on valuation of investments, interest and dividend income from investments, except for gain and loss on investments in subsidiaries) and operating expenses such as incorporation expenses of entities that comprise the SoftBank Vision Fund and Delta Fund, investment research expenses arising from SBIA and other advisory companies, and administrative expenses arising from each entity, are included in "Operating income and loss from SoftBank Vision Fund and Delta Fund." For more information, see Note 5 to our unaudited condensed interim financial statements for the nine months ended December 31, 2017.

### ***Contribution from Limited Partners to the SoftBank Vision Fund and Delta Fund***

The SoftBank Vision Fund and Delta Fund periodically draw down a portion of their committed capital from their respective limited partners (a "Capital Call"). Uncalled committed capital from third-party investors in the SoftBank Vision Fund and Delta Fund is deemed to be a loan commitment and not subject to IAS 39, "Financial Instruments: Recognition and Measurement," and therefore this amount is not recorded in our consolidated statements of financial position.

### ***Contribution from the Company to the SoftBank Vision Fund (Transfer of a portion of the shares of Arm)***

The Company may periodically satisfy its obligations to contribute capital to the SoftBank Vision Fund by making in-kind contributions of shares and other investment assets. For example, as of December 31, 2017 we were in the process of delivering 276 million shares of Arm, representing 19.29% of the outstanding shares (or an aggregate of approximately \$6.3 billion of capital contributions), to satisfy SoftBank Vision Fund Capital calls



through such date. In connection with any future contributions, we may record valuation gains or losses to reflect changes in fair value of shares of investees that are agreed to be transferred from the Company to the SoftBank Vision Fund.

***Contribution from Third-Party Investors to the SoftBank Vision Fund and Delta Fund***

The interests attributable to third party investors to the SoftBank Vision Fund and Delta Fund are classified as financial liabilities, “third-party interests in SoftBank Vision Fund and Delta Fund” in our consolidated statements of financial position, due to the predetermined finite life (at least 12 years from the final closing) and contractual payment provision to each of the limited partners within the limited partnership agreement. The amounts equivalent to the liabilities are recorded as “other financial liabilities” of non-current liabilities in the condensed interim consolidated statements of financial position as of December 31, 2017. The liabilities are classified as “financial liabilities measured at amortized cost” upon initial recognition. The amounts attributable to such third-party investors represent the amounts that would be distributed in accordance with the limited partnership agreement in a theoretical liquidation scenario, and are disclosed on the consolidated statements of financial position as a liability. Changes in the interests of such third-party investors are recognized through net profit or loss and presented as “changes in third-party interests in SoftBank Vision Fund and Delta Fund” in non-operating income and loss in the condensed interim consolidated statements of income.

Contributions from third-party investors to the SoftBank Vision Fund and Delta Fund are included in “contributions into SoftBank Vision Fund and Delta Fund from third-party investors” under cash flows from financing activities in the consolidated statements of cash flows. Distributions to third-party investors and the redemption of investments from third-party investors are included in “Distribution/redemption from SoftBank Vision Fund and Delta Fund to third-party investors” under cash flows from financing activities in the consolidated statements of cash flows.

***Intercompany Transactions***

Intercompany transactions, such as management fees and performance fees to SBIA paid or to be paid from SoftBank Vision Fund and Delta Fund, are eliminated in consolidation. The results of operations, assets, and liabilities of SoftBank Vision Fund and Delta Fund after eliminations are recorded in the Company’s consolidated financial statements.

## MARKET AND INDUSTRY

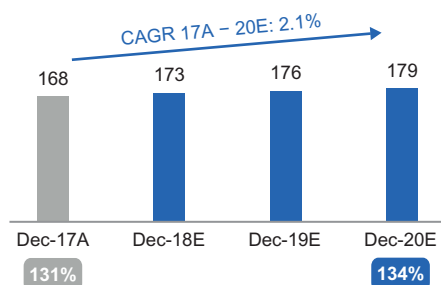
*Certain of the projections and other information set out in this section have been derived from external sources. Industry publications, surveys and forecasts generally state that the information contained therein were obtained from sources believed to be reliable, but that the accuracy and completeness 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 “Disclosure Regarding Forward Looking Statements.” For further discussion on the industry and market terms and the sources cited herein, see “Presentation of Operational Information.”*

### Japanese Market Overview

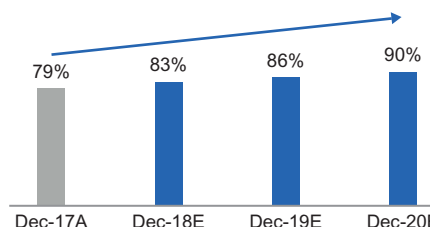
#### Mobile Market

Japan’s mobile telecommunications market is the world’s third-largest by revenue and was worth approximately \$66 billion in 2016 according to IDC. Japan is the third largest economy in the world by GDP and its GDP per capita was \$38,901, which was greater than that of the EU of \$32,242 in 2016 according to the World Bank. The number of mobile phone subscriptions has grown over the last few years and is expected to continue to grow at 2.1% CAGR between 2017 and 2020 to reach nearly 179 million in 2020 as a result of mobile penetration increase, according to Ovum. According to BMI Research, mobile penetration in Japan is estimated to have reached 131% at the end of 2017, but remains below other developed markets such as Germany (144%) or Italy (140%). The number of mobile subscriptions is greater than the resident population, because a single customer may own more than one device such as a mobile phone, a smartphone, a tablet or a mobile broadband modem. Smartphone penetration is expected to rapidly grow from 79% in 2017 to 90% in 2020, which we believe will be a key growth driver of the market together with the potential growth in mobile data traffic.

**Mobile subscribers (millions) and penetration<sup>(a)</sup>**



**Smartphone penetration<sup>(b)</sup>**



Source: Ovum (mobile subscribers and smartphone penetration), BMI Research (mobile penetration)

- (a) Calculated as mobile phone subscribers / population. Penetration as of December 2017 represents an estimated figure
- (b) Calculated as (smartphone connections) / (3G, 4G, and 5G connections)

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 market in a stable competitive environment dominated by three network operators**

The mobile market is primarily served by three firmly established mobile network operators (“MNOs”)—NTT DOCOMO, the mobile arm of NTT, KDDI and our group—with market shares of 45%, 30% and 25% (including resales of capacity to MVNOs), respectively, as of December 2017 according to Ovum, and these shares have been stable over the last few years. The market is characterized by rational competition. Each of these three companies has its own spectrum allocation 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. Given the current spectrum allocation and well-developed networks of the three established MNOs, combined with the capital intensive nature of the industry and licensing requirements and administrative restrictions for obtaining permits to build mobile sites, we believe there are high barriers to entry in MNO business, including the need to build out a nationwide network. See “Risk Factors—Risks Relating to

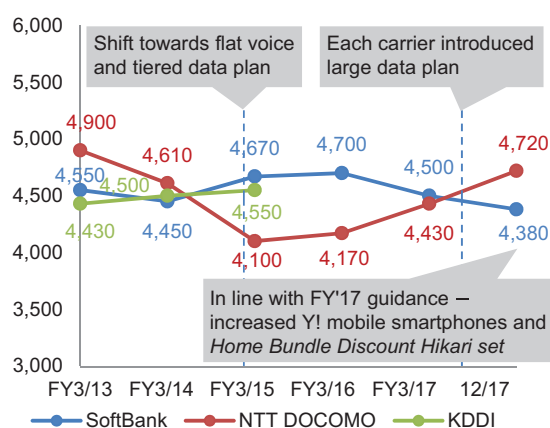
Our Business—We face intense competition, including from other large and established competitors, and such competition may intensify.”

As each operator offers similar pricing plans, which combine unlimited voice calling with a variety of flat-rate 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 with shifting focus on customer retention and operational efficiency. ARPU has been stable in recent years, with data ARPU growth driven by greater use of online, video and multimedia services offsetting the decline in voice ARPU through the introduction of unlimited voice plans as well as the rising threat of IP telecommunications and MVNOs.

### Current pricing structure comparison (JPY per month)

(¥ per month)		SoftBank	NTT DOCOMO	KDDI
Voice	unlimited	2,700	2,700	2,700
	5 min unlimited	1,700	1,700	1,700
Basic internet service fee		300	300	300
Data	1GB	2,900	n/a	2,900
	2GB	3,500	3,500	3,500
	3GB	n/a	n/a	4,200
	5GB	5,000	5,000	5,000
	20GB	6,000	6,000	6,000
	50GB	7,000	n/a	n/a
Bundling packages <sup>(a)</sup>	5GB /20GB	▲ 1,000	▲ 800 /▲ 1,400	▲ 1,410

### Historical ARPU (JPY per month)<sup>(b)</sup>



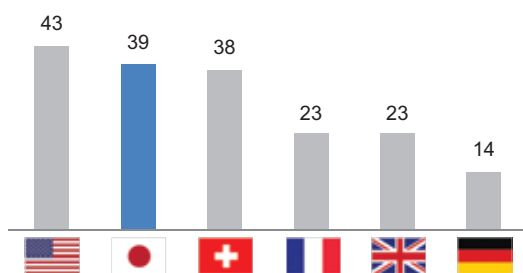
Source: Each company's information

- (a) Bundling with broadband service (FTTH). Discount for the first two years.  
 (b) NTT DOCOMO: including smart ARPU in FY3/13–3/14 and docomo Hikari ARPU in FY3/16 and thereafter, excluding modules, after discount for communication charge. KDDI: for Personal segment, including Value ARPU, excluding modules and MVNO subscriptions and tablets, in FY3/13–3/15 after discount for communication charge. From FY3/16, KDDI stopped ARPU disclosure. SoftBank: excluding modules, after discount for communication charge, including backup service package, etc.

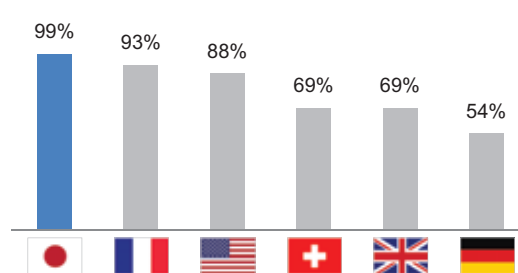
### High ARPU supported by high proportion of postpaid subscriptions and heavy mobile data usage

The Japanese mobile market is characterized by a high proportion of postpaid subscriptions, which results in one of the highest ARPU markets in the world. According to Ovum, more than 99% of mobile telecommunication service subscribers in Japan are postpaid subscribers as of December 2017, who accept multi-year contract commitments and display relatively low levels of churn. This compares favorably to other attractive markets such as Germany, where only 54% of the total subscription base was postpaid. Heavy mobile data usage also contributes to maintain high ARPU. Monthly mobile data usage increased to 1.9 times in March 2017 compared from March 2015 according to MIC. The offering of technologically advanced products and services including high-quality nationwide LTE network incentivizes users to subscribe to more expensive data packages. LTE population coverage in Japan reached more than 99% as of December 2017, according to public disclosures by the three established MNOs.

### ARPU (dollars) (December 2017)<sup>(a)</sup>



### Postpaid subscribers (% of total mobile subscribers) (December 2017)



Source: BMI Research (ARPU), Ovum (Postpaid subscribers)

- (a) Monthly blended mobile average revenue per user, including postpaid and prepaid subscribers for the relevant countries, as estimated by BMI Research

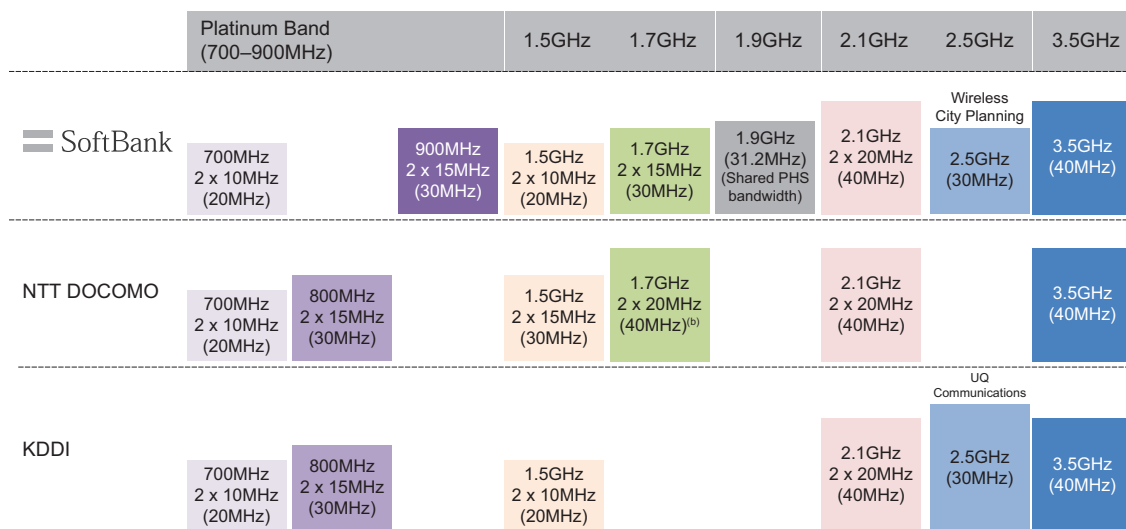
### Attractive regulatory environment

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.

Different 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.”

#### Current spectrum allocation<sup>(a)</sup>



(a) Based on published data as of August 1, 2016

As of the date hereof, the Ministry of Internal Affairs and Communications is currently evaluating applications for additional spectrum allocation of 1.7 GHz and 3.4 GHz bands, including applications from a prospective new MNO. See “Risk Factors—We face intense competition, including from other large and established competitors and well-funded entrants, and such competition may intensify.”

### Limited Presence of Mobile Virtual Network Operators (MVNO)

In addition to the three MNOs, there are branded wholesale resellers that deliver their services independently over the network of MNOs, referred to as MVNOs, including NTT Communications, IIJ, Rakuten, U-Next, UQ Communications and LINE MOBILE. MVNOs contract directly with customers, but rely on existing MNO networks. The MVNO market has grown in Japan since 2010, mainly driven by the decrease of line rental fees and the regulatory push for removing “SIM-lock” restrictions on handsets along with smartphone penetration. According to the MM Research Institute, the independent MVNO market, excluding MVNO services supplied by MNOs, accounted for 3.4% (5.4 million subscribers) and 5.0% (8.1 million subscribers) of the total mobile subscription as of March 2016 and 2017, respectively.

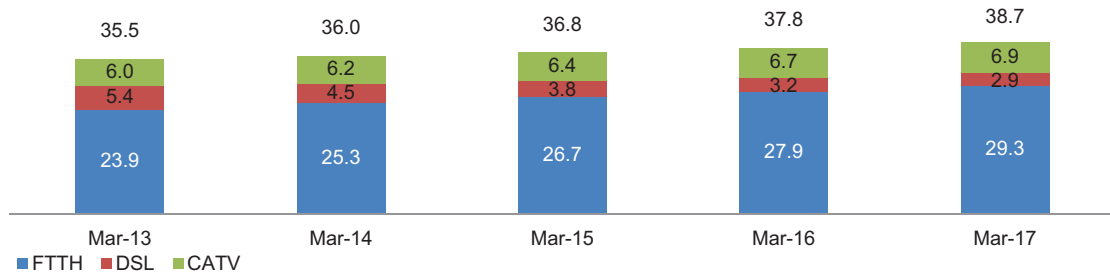
While the market is growing and increasing in competition due to the participation of new entrants, given the different target markets, MVNOs are generally not considered as a significant threat for MNOs including ourselves. Subscribers in Japan generally prefer comprehensive and value-added services, such as customer support over-the-counter and by phone and a full lineup of handsets, while MVNOs normally do not have their own physical stores and generally do not provide latest handsets. In addition, as MVNOs pay network access charges to MNOs, MNOs will partly benefit from the further growth of the MVNO market. MNOs also offer low-price handsets and services, such as our *Y!mobile* brand, KDDI’s *UQ mobile* brand or “au Pitatto Plan” and NTT DOCOMO’s “docomo with” to compete against MVNOs in the niche segment to capture first-time, younger or more cost-conscious customers.

### ***Fixed-line Broadband Market***

Japan's broadband market is established and growing, with approximately 38.7 million subscribers as of March 2017. Market growth is primarily driven by FTTH adoption and this trend is expected to continue in the near future.

In 2015, NTT started to offer fiber wholesale via NTT East and NTT West, which allowed a variety of service providers including MNOs such as ourselves to bundle their own mobile services and fiber services. The introduction of NTT's fiber wholesale has contributed to the further penetration of FTTH.

**Number of fixed-line broadband subscribers (millions)**



Source: MIC



## 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 Information,” “Risk Factors” and all other information in this offering memorandum prior to making an investment in the Notes.

### Overview

We are a leading global technology company that aspires to drive the Information Revolution. We are a holding company, SoftBank Group Corp., and its global portfolio of subsidiaries and associates, which include advanced telecommunications, internet services, IoT, robotics and clean energy technology providers.

We operate the following business segments:

- Domestic Telecommunications Segment, which includes our core operating subsidiary SoftBank Corp. and Wireless City Planning Inc.;
- Sprint Segment, which includes Sprint, one of the “big four” established nationwide wireless carriers in the United States;
- Yahoo Japan Segment, which, operating through Yahoo Japan, provides internet-based advertising, e-commerce services and other services;
- Distribution Segment, which provides services, including mobile device and accessory wholesaling, and mobile device distribution through Brightstar and SoftBank Commerce & Service Corp.;
- Arm Segment, under which Arm designs and licenses technologies used in semiconductor chips used in mobile devices, enterprise infrastructure and embedded intelligence in automobiles and home appliances;
- SoftBank Vision Fund and Delta Fund Segment, unique investment funds intended to make investments in a wide range of technology sectors globally; and
- Other, including, among other things, Fortress, an alternative investment management business, the Fukuoka SoftBank HAWKS and energy- and robotics-related businesses.

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 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. We have two domestic mobile service brands, *SoftBank* and *Y!mobile*. Our flagship *SoftBank* brand focuses on the high-end of the market, including the most profitable segment of the mobile market, which we believe to be data-intensive smartphone users (mostly *iPhones*). We also offer the *Y!mobile* brand, targeting the budget-conscious market to capture first-time, younger customers.

We combine our stable and profitable domestic telecommunications operations in Japan with selected strategic investments in global internet, technology and communications companies, differentiating us from other mobile operators and providing opportunities for mutually-advantageous growth among our group companies. Our leadership team is led by Japan’s technology and business innovator, Masayoshi Son, our founder, Chairman and CEO.

- We control SoftBank Corp., one of the largest telecommunications operators in Japan and the main contributor to our Domestic Telecommunications business, which comprises 35.3% of our consolidated net sales, and 46.9% of our consolidated Adjusted EBITDA and a primary source of our cash flow, in each case for the nine months ended December 31, 2017, and it is one of Japan’s leading mobile communications providers with approximately 42.5 million subscribers, as of December 31, 2017, and approximately 25% subscriber market share, according to TCA and Company data.
- We control Sprint, one of the four largest telecommunications operators in the United States, which had a market capitalization of ¥2,664 billion (\$23,572 million) as of December 31, 2017.
- We control Yahoo Japan, which operates Japan’s most frequently visited portal site offering a wide range of internet services, which had a market capitalization of ¥2,944 billion (\$26,051 million) as of December 31, 2017.

- We own Arm, a British company specializing in the design of microprocessor intellectual property.
- 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 ¥12,878 billion (\$113,965 million) (excluding shares subject to sale pursuant to a variable prepaid forward contract) as of December 31, 2017.
- We invest in the SoftBank Vision Fund and Delta Fund, unique investment funds intended to make investments in a wide range of technology sectors globally, managed by SBIA, our wholly owned subsidiary in the U.K. As of December 31, 2017, total committed capital to the SoftBank Vision Fund, one of the world's largest of its kind, was \$91.7 billion. We completed the final closing of Delta Fund on September 27, 2017 with \$6.0 billion in committed capital.

## 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, through our well-invested, high-quality network that provides clear and stable communication services***

We are one of Japan's leading mobile communications companies in terms of mobile subscribers. As of December 31, 2017, we had approximately 42.5 million subscribers (including PHS and *Wireless Home Phones*), which according to TCA and Company data, amounted to approximately 25% market share in the Japanese market. Japan is one of the most technologically advanced and attractive mobile communications markets in the world and is the third-largest globally, following the United States and China, with user-spending worth approximately \$66 billion in 2016, according to IDC. 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. As further described in "Market and Industry," the Japanese mobile market is supported by several attractive characteristics:

- One of the wealthiest and most technologically advanced countries in the world, supporting stable and high levels of mobile spending.
- A well-established and stable competitive environment, which benefits from a regulatory stance that discourages excessive competition among major operators.
- Stable customer base backed by large postpaid subscribers with low churn rate.
- Growth opportunities from potential to increase penetration of smartphones and increasing data usage.

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 in our domestic network, with ¥1,317 billion (\$11,654 million) invested in our Domestic Telecommunications segment over the last three fiscal years. We have 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, such as carrier aggregation.

Our investments have provided us with Japan's foremost network in terms of smartphone data connectivity. According to Agoop Corp., our industry data aggregator subsidiary, our smartphone data connectivity as of December 31, 2017 was 98.8%, compared to 98.8% and 98.6% for our primary competitors NTT DOCOMO and KDDI, respectively. 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 Domestic Telecommunications segment will run at a rate of approximately ¥392.5 billion (\$3,473 million) going for the fiscal year ending March 31, 2018 (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 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 Adjusted EBITDA growth, as well as a steady Adjusted EBITDA margin, both for our consolidated group and for our Domestic Telecommunications segment. For the fiscal years ended March 31, 2016 and 2017, our Domestic Telecommunications segment generated Adjusted EBITDA of ¥1,163 billion (\$10,295 million), and ¥1,209 billion (\$10,699 million), respectively and made capital expenditures of ¥413 billion (\$3,651 million), and ¥321 billion (\$2,837 million), respectively. As a result, our Domestic Telecommunications segment also generated free cash flow of ¥402 billion (\$3,559 million), and ¥562 billion (\$4,972 million), respectively, for the fiscal years ended March 31, 2016 and 2017.

Due to the impact of medium-term measures our Domestic Telecommunications segment has conducted with an aim to achieving future growth, such as the *Home Bundle Discount Hikari Set*, *Giga Monster*, and the strengthening of our collaboration with Yahoo Japan Corporation, as well as introduction of *Half Price Support*, our Domestic Telecommunications segment generated less Adjusted EBITDA of ¥964 billion (\$8,531 million) for the nine months ended December 31, 2017 than that of ¥ 995 billion (\$8,803 million) for the nine months ended December 31, 2016. For the nine months ended December 31, 2016 and 2017, our Domestic Telecommunications segment made capital expenditures of ¥183 billion (\$1,616 million), and ¥217 billion (\$1,920 million), respectively. As a result, our Domestic Telecommunications segment also generated free cash flow of ¥435 billion (\$3,849 million) and ¥400 billion (\$3,539 million), respectively, for the nine months ended December 31, 2016 and 2017.

For the fiscal year ending March 31, 2018, segment income could decrease up to 7% year on year due to the impact of medium-term growth measures mentioned above. Free cash flow for the fiscal year ended March 31, 2017 exceeded ¥560 billion and we expect strong cash flow to continue for the fiscal year ending March 31, 2018, even with expectations of a lower profit projection, an increase in income taxes paid, an increase in working capital associated with expansion of smartphone sales and an increase in investments for expanding earnings opportunities.

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. We believe that the strength 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. In addition, further improvement of Sprint Adjusted EBITDA leads to Adjusted EBITDA growth of our consolidated group, which contributes to our deleveraging. We have a proven track record of deleveraging and improving our credit profile over time. For example, we lowered our net interest-bearing debt and achieved 1.1x net interest-bearing debt-to-EBITDA ratio in the six years following the acquisition of Vodafone Japan in the fiscal year ended March 31, 2007. Subsequently, the net interest-bearing debt-to-EBITDA ratio of our Group increased to 3.6x as of March 31, 2014 as a result of the Sprint acquisition and 4.2x as of March 31, 2017 (excluding financial liabilities relating to the sale of Alibaba shares by variable prepaid forward contract) due to the Arm acquisition. We intend to continue deliberately managing our net leverage with an aim to improving our credit profile in the medium term.

We also have a proven track record of strategically managing and monetizing our investment portfolio. For example, between June and August 2016, we monetized a portion of our investment in Alibaba through the sale of shares to Alibaba and other investors, as well as entering into a variable prepaid forward contract to sell a variable amount of Alibaba shares. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Cash and Capital Requirements—Debt Repayments and Certain Other Contractual Commitments—Transaction for Sale of Alibaba Shares by Variable Prepaid Forward Contract.” Total proceeds from these transactions were approximately \$8.8 billion (¥994 billion). Also, in the summer of 2016, we successfully monetized our investments in Supercell and GungHo Online Entertainment, Inc. (“GungHo”), by selling our entire stake in Supercell and 90% of our stake in GungHo, for total proceeds of \$7.4 billion (¥832 billion) and ¥72 billion (\$639 million), respectively. Through these transactions in 2016, we successfully monetized an aggregate \$16.8 billion (¥1,898 billion) of portfolio assets. We intend to manage our investment portfolio strategically, to maximize the return and cash flows from our investments.

We have a prudent and conservative approach to financial management as reflected by the large liquidity position available to us. As of December 31, 2017, we held a cash position of ¥3,478 billion (\$30,779 million), including ¥1,112 billion (\$9,838 million) which was collectively held by Sprint and Yahoo Japan and to which we do not have ready access. Despite the expansion of our balance sheet in connection with the Arm acquisition, we experienced no changes in our credit ratings and continue to have ample access to multiple sources of funding and stakes in listed companies such as Alibaba, including through the regular issuance of debt securities in the Japanese domestic market. For example, in the fiscal year ended March 31, 2017, we issued ¥500 billion (\$4,425 million) of yen-denominated unsecured straight corporate bonds and ¥471 billion (\$4,168 million) of yen-denominated unsecured subordinated bonds with interest deferrable clauses and early redemption options. Additionally, on July 19, 2017, we issued \$2.75 billion of USD-denominated Undated Subordinated NC6 Resetable Notes and \$1.75 billion of USD-denominated Undated Subordinated NC10 Resetable Notes and on September 19, 2017, we issued \$3.35 billion USD-denominated Senior Notes and €2.25 billion euro-denominated Senior Notes, going forward, we expect that the SoftBank Vision Fund will be our primary vehicle for making investments in excess of \$100 million, which allow us to explore further investment opportunities through the fund while managing our group financial leverage.

***Broad range of strategic assets providing significant value, sufficient liquidity and financial flexibility to our group***

We own a variety of assets that provide strategic value and financial flexibility to our Group. As of December 31, 2017, we owned 43% of the voting rights in Yahoo Japan, the operator of the most popular internet portal site in Japan with a market value of our owned shares of ¥1,264 billion (\$11,189 million), and 26% of the voting rights in Alibaba (excluding shares subject to sale pursuant to a variable prepaid forward contract), one of the largest online and mobile commerce groups in China, with a market value of our owned shares of ¥12,878 billion (\$113,965 million) (excluding shares subject to sale pursuant to a variable prepaid forward contract). In addition to Yahoo Japan and Alibaba, we owned 84% of the voting rights in Sprint, a major provider of mobile communications services, mobile devices, mobile handsets and accessories and fixed-line telecommunications services in the United States with a market value of our owned shares of ¥2,239 billion (\$19,810 million) as of December 31, 2017.

As of December 31, 2017, we owned 99.99% of the voting rights in SoftBank Corp., a leading domestic telecommunications company and a primary source of our cash flow. We acquired Arm, a British company specializing in designing semiconductor intellectual property, in September 2016. We believe that Arm, which is a world leader in design of microprocessor intellectual property, is positioned to capture new business opportunities, particularly with the proliferation of IoT products that integrate Arm's technology. Our investments in Arm, as well as companies such as WorldVu Satellites Limited. ("OneWeb"), a global communications company and satellite operator, Social Finance, Inc. ("Social Finance"), provider of consumer finance services, Tokopedia, one of Indonesia's largest online marketplaces, Coupang, an e-commerce firm based in South Korea, and mobile ride-sharing service operators Uber Technologies, Inc., DiDi, Ola Cabs and Grab, will position us to seize the many business opportunities that we expect to accompany the widespread integration of artificial intelligence, and related technology, into daily life. As of December 31, 2017, investment securities held by SoftBank Group Corp. and its subsidiaries other than the SoftBank Vision Fund and Delta Fund (which do not reflect the investment in Uber Technologies, Inc. in January 2018 and further investment in DiDi in January and February 2018) had an aggregate book value of ¥1.1 trillion (\$9.9 billion).

In order to better facilitate investment in strategic assets, we established the SoftBank Vision Fund and Delta Fund, which will deploy capital from SoftBank Group Corp. and our investment partners. See "—Strategies—Strategic Investments: Continue to make growth investments and manage portfolio strategically with the aim to realize our SoftBank Synergy Group vision" and "—SoftBank Vision Fund and Delta Fund."

***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 ¥9,718 billion (\$86,003 million) as of December 31, 2017. 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 challenging circumstances. We acquired a controlling interest in Sprint in 2013 and our founder, Chairman and CEO Masayoshi Son, is part of the management team of Sprint. Due, in part, to management's focus on increasing the number of postpaid phone subscribers, which are its largest source of revenue and profit, and cost management, Sprint has recently seen a sharp recovery in profitability. U.S. dollar-based income of the Sprint segment increased from \$506 million for the fiscal year ended March 31, 2016 to \$1.7 billion for the fiscal year ended March 31, 2017, and it increased from \$1,365 million for the nine months ended December 31, 2016 to \$2,608 million for the nine months ended December 31, 2017. Also, its Adjusted EBITDA has steadily improved this year, nearly reaching \$10 billion for the fiscal year ended March 31, 2017. Before Sprint, we acquired Vodafone's Japanese operations in 2006 and through prudent investment transformed a below-average network into our market leading 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. Alibaba went public in 2014 and as of December 31, 2017 the market value of our stake in Alibaba was ¥12,878 billion (\$113,965 million) (excluding shares subject to sale pursuant to a variable prepaid forward contract). As of December 31, 2017, the market value of our shares in Alibaba, Sprint and Yahoo Japan totaled ¥16 trillion (\$145 billion). Other disruptive subsidiaries and strategic associates include British semiconductor firm Arm, DiDi and Uber Technologies, Inc., two of the world's largest ride-sharing operators by number of daily rides, and Social Finance, which provides consumer finance services such as student loan refinancing service in the United States.

Our disciplined portfolio management and prudent financial policy are demonstrated by the monetization of our investments in GungHo and Supercell and a portion of our investment in Alibaba. We will continue to balance strategic investments and prudent financial management.

## **Strategies**

We seek to leverage our strong position in our domestic market to maximize profitability in our Japanese business and to build from our successful development in Japan to become a global company with a strong presence in the United States, where we have successfully returned Sprint to profitability, the UK, China, India and other markets where we can profitably and sustainably build a synergistic corporate group. At the same time, we recognize the need, as a technology company, to keep flexibility and to adapt to changes in the market. We therefore aggressively invest in internet and technology-related companies that have the potential to drive innovation and the Information Revolution.

### ***Domestic Telecommunications: Leverage our leading market position in the attractive Japanese 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 by intensifying our dual-brand strategy***

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, such as the *Home Bundle Discount Hikari Set*, which offers a discount on the communication charges of mobile communications services to customers subscribing to both mobile communications services and broadband services, such as *SoftBank Hikari*. Our *SoftBank Hikari* services have seen brisk subscriber growth, with cumulative subscribers growing from 119 thousand as of March 31, 2015 to 4.7 million as of December 31, 2017. This growth helped increase broadband revenue by ¥45 billion (\$401 million), or 23.2%, from the nine months ended December 31, 2016 to the nine months ended December 31, 2017 and by ¥92 billion (\$814 million), or 51.9%, year-on-year during fiscal year ended March 31, 2017, which in turn contributed to an overall increase in the revenue of our Domestic Telecommunications segment.

While we concentrate on higher margin smartphone subscribers using our *SoftBank* brand, as the low cost smartphone market continues to expand, and with the recent increased presence of MVNOs in Japan, we are aggressively pursuing market share in the low cost smartphone market by promoting expansion of our mobile communications service sister brand *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.

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

Because mobile phone users are consuming increasingly large amounts of data-rich content such as video content, we introduced a high-data cap, fixed-rate “*Giga Monster*” data plan in September 2016. This plan has both 20GB and 30GB options. These plans allow subscribers to consume large amounts of data-rich content without worrying about running out of data or incurring large fees. To meet even higher data cap demands, we further introduced “*Ultra Giga Monster*,” a 50GB option, in September 2017. We believe that subscribers value the peace of mind that these high-data cap plans provide and that will discourage high-data usage subscribers from migrating to budget mobile phone services, such as MVNOs.

***Continue to expand our discount bundle services which combine mobile services and fixed-broadband services***

We greatly emphasize the acquisition of smartphone users and the improvement of the churn rate thereof by focusing on the promotion of the *Home Bundle Discount Hikari Set*, which offers a discount on the communication charges of mobile communications services to customers subscribing to both mobile communications services and broadband services such as *SoftBank Hikari*.

***Continue to pursue operating efficiencies and extract synergies from our investments, especially Yahoo Japan***

As we seek to improve margins, we intend to find ways of reducing our operating costs. One example of this is the cost savings we achieved in network operations, information systems, sales and marketing and personnel as part of the April 2015 merger of our domestic telecommunications companies into SoftBank Corp. We also aim to cooperate with and develop synergies with various group companies and associates, including investees of SoftBank Vision Fund and Delta Fund. For example, in collaboration with Yahoo Japan, we launched a mobile commerce service that enables customers to easily and conveniently use internet shopping and other Yahoo Japan services on their smartphones. In addition to improving the experience of our subscribers, through the introduction of features like “Smart Login,” “T Point” awards and “SoftBank Consolidated Billing,” in June 2017, we launched a partnership with Yahoo Japan whereby SoftBank smartphone users will be able to receive all the privileges of Yahoo! Premium membership and obtain ten times as many T Points than users normally would while conveniently purchasing products without registration on Yahoo Japan’s e-commerce platform. Through these activities, we aim to encourage smartphone subscribers to make even greater use of the services of Yahoo Japan, and to generally promote the mobile internet usage of our subscribers, in order to increase revenues from the use of data communications services and other services and content.

***Maintain our current level of capital expenditures and generate sustainable free cash flow***

In recent years, we made large-scale capital investments to improve our domestic network, with ¥1,317 billion (\$11,654 million) invested during the three-year period ended March 31, 2017. However, we have mostly finished building our steel towers for base stations throughout Japan, the most-costly aspect of our network revamp program, and have entered a period of expected moderate capital expenditure and stable free cash flows. In particular, we anticipate capital investment of ¥392.5 billion (\$3,473 million) for the fiscal year ending March 31, 2018 in our Domestic Telecommunications segment (including life-cycle expenditure), which, paired with our steady Adjusted EBITDA levels, is expected to generate strong cash flows.

***Sprint: Further enhance the operational and financial performance of Sprint through a compelling value proposition***

Sprint has achieved significant operation and financial improvement in the fiscal year ended March 31, 2017 and the nine months ended December 31, 2017. Due to continuous engagement in cost management across its business, which led to a cumulative reduction of \$3.4 billion in its cost of service and SG&A (US-GAAP) over the fiscal year ended March 31, 2016 and the fiscal year ended March 31, 2017, as well as management’s focus on increasing the number of postpaid phone subscribers, which are Sprint’s largest source of revenue and profit, Sprint has recently seen a sharp recovery in profitability. During the fiscal year ended March 31, 2017, Sprint’s consolidated net operating revenue (US-GAAP) increased for the first time in three years and Sprint’s adjusted free cash flow (US-GAAP) turned positive in the fiscal year ended March 31, 2017. Also, Sprint’s

Adjusted EBITDA (US-GAAP) has steadily improved over the last three years, from \$6.0 billion in the fiscal year ended March 31, 2015 to \$8.1 billion in the fiscal year ended March 31, 2016 and nearly \$10 billion for the fiscal year ended March 31, 2017 and from \$6.0 billion in the nine months ended December 31, 2015 to \$7.3 billion in the nine months ended December 31, 2016 and \$8.3 billion in the nine months ended December 31, 2017.

With the aim of continuing this momentum, we promote further improvements to the Sprint brand and the experience of Sprint customers. For example, Sprint is unlocking the value of the largest mobile broadband spectrum holdings in the U.S. and its network is designed to drive significant improvements to network performance and the customer experience. Network investment is focused mainly on upgrading existing towers to leverage all three of Sprint's spectrum bands, 800 MHz, 1.9GHz and 2.5 GHz, building thousands of new cell sites to expand its coverage, adding more small cells including "Sprint Magic Boxes" and leveraging the recent strategic agreements with Altice and Cox, and deploying 64T64R Massive MIMO 2.5 GHz radios to increase capacity. Sprint's network has already seen significant improvements. According to Ookla Speedtest Intelligence data, Sprint was the most improved operator in 2017 with a 60% year-over-year increase in its national average download speed (based on Ookla's analysis of Speedtest Intelligence data comparing December 2016 to December 2017 for all mobile results).

We believe these network improvements will allow us to further improve Sprint's profitability by steadily increasing postpaid phone customer base and undertaking cost-reduction initiatives. Demonstrating our success so far in these areas, Sprint's net additions of postpaid phone subscribers, a focus of their management, increased from a net loss of 1,526,000 for the fiscal year ended March 31, 2015 to net additions of 438,000 and 930,000 for the fiscal years ended March 31, 2016 and 2017, respectively, marking a nearly twofold increase over the last two fiscal years. Furthermore, Sprint had 551,000 postpaid phone net additions for the nine months ended December 31, 2017, marking ten consecutive quarters of net additions. Sprint's annual phone churn rate for postpaid phones also improved continuously, decreasing to 2.04%, 1.52% and 1.48% for the fiscal years ended March 31, 2015, 2016 and 2017, respectively. Postpaid phone churn rate was 1.44% and 1.60% for the nine months ended December 31, 2016 and 2017, respectively. See "Presentation of Operational Information—Key Performance Indicators—Sprint Segment" for further details.

While we will play an active role in Sprint's further improvement, we expect that Sprint will continue to act as an independent subsidiary with stand-alone funding capacity for its operations and capital requirements, including through the utilization of asset financing such as spectrum-back financing that was executed in October 2016.

***Arm: Capture new business opportunities by leveraging Arm and other portfolio companies that are well positioned to drive the paradigm shift to IoT***

We expect to see, in the near future, a paradigm shift to IoT and the widespread integration of artificial intelligence, and related technology, into daily life. We believe that this shift will present many business opportunities. For example, an increasing number of smart devices means demand for processors that drive these devices will increase. In September 2016, we acquired all the shares of Arm, one of the world's leading technology companies with strong capabilities in global microprocessor intellectual property design and licensing. Our investment in Arm positions us to participate in and help drive the paradigm shift to IoT and a widespread integration of artificial intelligence, and related technology, into daily life. Insight from over 100 billion Arm-based chips shipped to date and Arm partnership provides us with technology expertise to identify an industry trends. By accelerating our investment in new technologies and markets, expanding market share in markets with a growth potential such as network infrastructure, servers, automotive, IoT and AI, while also maintaining its share in smartphone microprocessor intellectual property design licensing, we aim to further grow Arm as a core business in the SoftBank Group and a leader in IoT.

***Strategic Investments: Continue to make growth investments and manage portfolio strategically with the aim to realize our SoftBank Synergy Group vision***

The information industry is characterized by rapid changes in technology, business models and market needs. To become a provider of the most essential technologies and services to people around the world, it is imperative that we are flexible with regard to specific technologies and business models, and cultivate the flexibility to transform our business, for example by expanding and adjusting the scope of our businesses, to adapt to changes in the market. To meet this challenge, we aggressively invest in internet and technology-related companies that are expected to achieve strong growth. We then leverage our cultivated knowledge base and business networks to support the growth of our portfolio companies. At the same time, we aim to continuously expand and change our business offerings by organically combining our own strengths with those of portfolio

companies to create synergies. These efforts are connected to our long-term “SoftBank Synergy Group” vision, which we aim to realize by further fostering communication and collaboration between our portfolio companies for the purpose of seeking synergistic strategic initiatives. As part of these efforts, we intend to continue to generally focus on making substantial, long-term minority investments into companies that are, or that we believe have strong potential to become, the leading companies in their respective industries or geographies, while providing founders and management the flexibility to grow their business free of undue interference. Through this process, we believe we can realize our own sustainable growth.

Also, we have a proven track record of monetizing our portfolio companies including a partial monetization of our Alibaba shares through a variable prepaid forward contract entered into in June 2016 and through sale of shares to Alibaba and other investors for a total of \$8.8 billion (¥994 billion) and disposition of our interest in Supercell in July 2016 for \$7.4 billion (¥832 billion). See “—Strengths—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.” We will continue to strategically manage our portfolio to monetize investments when appropriate, as part of our prudent group financial policy.

To facilitate strategic investment in technologies globally, we launched the SoftBank Vision Fund on May 20, 2017. This fund will deploy capital from SoftBank Group Corp. and our investment partners, and will allow us to step up investments in global technology. Over the next decade, we aim to make SoftBank Vision Fund the biggest investor in the technology sector, driving innovation in the sector and accelerating the Information Revolution. Through the SoftBank Vision Fund and the Delta Fund, we can maximize our ability to pursue investment opportunities up to an aggregate \$100 billion in scale with our committed capital of up to \$32.5 billion. The SoftBank Vision Fund and Delta Fund will enable a balanced new investment strategy accelerating enterprise value and balance sheet management toward credit improvement. While we consolidate the SoftBank Vision Fund and Delta Fund for accounting purposes, we do not intend to provide direct credit support for investments by the SoftBank Vision Fund and Delta Fund or for their respective portfolio companies.

## 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. (currently Altaba 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 for approximately ¥1.7 trillion (\$15.2 billion), or ¥1.8 trillion (\$16.4 billion) net of loans to and cash and cash equivalent held at 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. Since 2014, we have accelerated strategic and synergistic investments in innovative and disruptive companies, in particular in internet technologies where we anticipate future growth. In September 2016, we acquired all of the issued and outstanding shares of Arm, for approximately £24.0 billion. We now hold shares of Alibaba with a value of ¥12,878 billion (\$113,965 million) (excluding shares subject to sale pursuant to a variable prepaid forward contract), as of December 31, 2017, although the carrying amount of ¥209 billion (\$1,854 million) of Alibaba shares were pledged as collateral, as of December 31, 2017, in relation to a variable prepaid forward contract entered into in June 2016. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Cash and Capital Requirements—Debt Repayments and Certain Other Contractual Commitments—Transaction for Sale of Alibaba Shares by Variable Prepaid Forward Contract.”

In order to seek to enable the next age of innovation, in October 2016, we announced the intention to form the SoftBank Vision Fund. We announced the first major closing of this fund on May 20, 2017, and as of December 31, 2017, total committed capital to the SoftBank Vision Fund was \$91.7 billion. See “—SoftBank Vision Fund and Delta Fund.”

### **SoftBank Vision Fund and Delta Fund**

On October 14, 2016, we announced the intention to form the SoftBank Vision Fund, a unique investment fund established within the SoftBank Group in order to facilitate investment in the global technology sector and further our business strategy of investing in transformative technologies and disruptive entrepreneurs that we expect to achieve strong growth. See “—Strategies—Strategic Investments: Continue to make growth investments and manage portfolio strategically with the aim to realize our SoftBank Synergy Group vision.” As it is managed and held separately, the SoftBank Vision Fund maximizes investment opportunities while managing group financial leverage. On May 20, 2017, we announced the initial closing of the SoftBank Vision Fund and as of December 31, 2017, total committed capital to the SoftBank Vision Fund was \$91.7 billion. Our limited partners in the SoftBank Vision Fund include the Public Investment Fund of the Kingdom of Saudi Arabia, the Mubadala Investment Company of the United Arab Emirates, Apple, Foxconn Technology Group, Qualcomm Incorporated and Sharp Corporation, or their respective affiliates. Subject to certain consent requirements, the final closing of the SoftBank Vision Fund is anticipated to occur no later than the three months ending June 30, 2018. We completed the final closing of the Delta Fund on September 27, 2017 with \$6.0 billion in committed capital. The investment period for the SoftBank Vision Fund and Delta Fund, respectively, will be five years from the final closing of each fund and the fund period will last at least 12 years from the final closing of each fund.

We believe that the next stage of the Information Revolution is underway, and building the businesses that will make this possible will require unprecedented large-scale long-term investment. The SoftBank Vision Fund will make long-term investments in companies and foundational platform businesses that seek to enable the next age of innovation. We plan to achieve this by the SoftBank Vision Fund acquiring minority and majority interests in both private and public companies, from emerging technology businesses to established companies requiring substantial growth-funding. The SoftBank Vision Fund and its associated vehicles are expected to be active across a wide range of technology sectors, including but not limited to: IoT, artificial intelligence, robotics, mobile applications and computing, communications infrastructure and telecoms, computational biology and other data-driven business models, cloud technologies and software, consumer internet businesses and financial technology.

### **Our Business Segments**

We are a holding company, SoftBank Group Corp., with a global portfolio of 761 subsidiaries, 130 associates and 23 jointly controlled companies as of March 31, 2017. We operate in the following business segments: Domestic Telecommunications, Sprint, Yahoo Japan, Distribution, Arm, SoftBank Vision Fund and Delta Fund and Other. Our Domestic Telecommunications segment includes SoftBank Corp., our core operating subsidiary since we acquired Vodafone Japan in April 2006 and our 99.99% owned subsidiary as of March 31, 2017, and Wireless City Planning Inc. Our Sprint segment includes Sprint, one of the “big four” established nationwide wireless carriers in the United States, with approximately 54.6 million cumulative subscribers to its mobile communications services, as of December 31, 2017. Our Yahoo Japan segment, with Yahoo Japan as its main operating company, provides internet-based advertising, e-commerce services and other services. In our Distribution segment, we provide services, including mobile device and accessory wholesaling, and mobile device distribution through Brightstar. In the Arm segment, Arm designs and licenses technologies used in semiconductor chips used in mobile devices, enterprise infrastructure and embedded intelligence in automobiles and home appliances. In our SoftBank Vision Fund and Delta Fund segment, which was newly established during the nine months ended December 31, 2017, the SoftBank Vision Fund, Delta Fund and other entities invest in companies across a wide range of technology sectors. In Other, we are involved in various businesses, including energy-and robotics-related businesses, Fortress, an alternative investment management business and business related to the Fukuoka SoftBank HAWKS, a Japanese professional baseball team. Information on business segments which are not included in the reportable segments is classified in “Other.”

#### ***Domestic Telecommunications Segment***

The Domestic Telecommunications segment comprises the subsidiaries that operate domestic telecommunications businesses, such as SoftBank Corp. and Wireless City Planning. SoftBank Corp. provides (i) mobile communications services under the *SoftBank* and *Y!mobile* brands, (ii) broadband services for retail customers, such as *SoftBank Hikari* and *Yahoo! BB* and (iii) fixed-line telecommunications services for corporate



customers, such as data communications and fixed-line telephone services. Wireless City Planning provides broadband wireless access services using the 2.5 GHz band. According to TCA and Company data, total mobile subscribers attributable to our Domestic Telecommunications segment, which we count as the total number of subscribers under the *SoftBank* brand and *Y!mobile* brand, was approximately 42.5 million subscribers as of December 31, 2017 (including PHS and *Wireless Home Phones*), representing a subscriber market share of 25% as of December 31, 2017.

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 became 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.

Through our Domestic Telecommunications segment, we offer LTE mobile services on a variety of devices over our nationwide mobile communications network. Although we have experienced an increase in smartphone subscribers, we have seen a general decline in ARPU mainly due to the dilutive impact of an increase in the ratio of *Y!mobile* smartphone subscribers, which have a relatively low service charge, and further penetration of the *Home Bundle Discount Hikari Set* to the subscriber base also lowered ARPU by increasing the discount amount on telecom ARPU. These impacts were partially offset by an increase in the ratio of smartphone subscribers. For the fiscal years ended March 31, 2015, 2016 and 2017 and the nine months ended December 31, 2015, 2016 and 2017, main mobile subscribers generated ARPU in the amount of ¥4,670, ¥4,700 and ¥4,500 and ¥4,720, ¥4,530 and ¥4,380, respectively.

In February 2018, the Company and SoftBank Corp. jointly announced that they have commenced preparations for listing of SoftBank Corp.'s shares. Through a listing, SoftBank Corp. intends to pursue growth in a wide range of sectors and pursue synergies with SoftBank Group. Companies in Japan and abroad, as well as further strengthen its management foundations as an operating company. For further information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments" and "Risk Factors—The potential listing of the shares of SoftBank Corp. would involve several risks to our business, financial condition and results of operations."

### ***Our Products and Services***

The primary business within our Domestic Telecommunications segment is the provision of mobile voice and data services, broadband services for retail customers and fixed-line telecommunications services for corporate customers. Revenues from voice and data services for SoftBank Corp., the primary operating subsidiary in our Domestic Telecommunications segment, accounted for the vast majority of net sales for the segment. We offer subscribers mobile data services on most of our handsets as well as mobile voice services.

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 the most populated areas of Japan. Our Voice over LTE 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 December 31, 2017, almost all of our customers were subscribers to our postpaid service.

#### ***Data Flat-rate Plan***

Given that mobile phone users are consuming increasingly large amounts of data-rich content such as videos, we introduced the *data flat-rate* (20GB) for ¥6,000 per month and *data flat-rate* (30GB) for ¥8,000 per month (collectively known as "*Giga Monster*") data plans for smartphones in September 2016. We further introduced the *data flat-rate* (50GB) (known as "*Ultra Giga Monster*") for ¥7,000 per month, with termination of the 30GB plan in September 2017.

#### ***Content and Services***

We are collaborating with Yahoo Japan Corporation, aiming to encourage smartphone subscribers to make even greater use of *Yahoo!* Services. For example, we have offered award points to long-term users and awarded additional points to users of Yahoo Japan Corporation e-commerce services. In addition, SoftBank smartphone users enjoy all the privileges of *Yahoo!* Premium membership for free, encouraging our subscribers to use *Yahoo!* Japan's various internet services.



### *Discounts and Special Plans*

Additionally, we offer various discounts and special plans, including the *Home Bundle Discount Hikari Set* plans. Since March 2015, we have offered the *Home Bundle Discount Hikari Set* plan, a discount bundled service, which combines mobile services and optical broadband services, by utilizing optical fiber wholesale services of NTT East and NTT West. As of December 31, 2017, cumulative *Hikari Set* subscribers consisted of SoftBank Hikari subscribers corresponding to 7.6 million associated mobile subscribers taking advantage of the discount. A typical subscriber might pay approximately ¥8,000 per month for our mobile service opting for five-minute unlimited voice calling and data flat-rate (20GB) and ¥5,700 per month for our residential optical broadband services (including related mandatory service charges). When subscribers choose a data package for 20 GB of monthly usage, and also subscribe to our optical broadband services, they receive a monthly discount of ¥1,000 to their smartphone bill and the smartphone bill of up to ten family members.

### *Y!mobile Pricing Plans*

*Y!mobile* offers fixed-rate smartphone mobile subscription plans with a one-year discounted rate and a two-year double data bonus. Subscribers may choose from three different plans with (i) data cap of 2GB (1GB without a two-year double data bonus) and unlimited voice calls up to ten minutes, (ii) data cap of 6GB (3GB without a two-year double data bonus) and unlimited voice calls up to ten minutes or (iii) data cap of 14GB (7GB without a two-year double data bonus) and unlimited voice calls up to ten minutes. The monthly fee for the 2GB plan is at a discounted rate of ¥1,980 for the first 12 months of the subscription and ¥2,980 for the remaining subscription term. The monthly fees for the 6GB and 14GB plans for the first 12 months are ¥2,980 and ¥4,980, respectively and ¥3,980 and ¥5,980, respectively, for the remaining subscription term.

### *Handsets*

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 X, iPhone 8, iPhone 8 Plus, iPhone 7, iPhone 7 Plus and iPhone SE, we offer a range of Android smartphones including Sony Mobile's Xperia™ XZs, Sharp's AQUOS R and AQUOS ea, and Kyocera's DIGNO® G. We also offer a number of feature phones, including Sharp's AQUOS keitai2 and Panasonic Mobile Communication's COLOR LIFE 5 WATERPROOF and tablets such as Apple's iPad and iPad Pro.

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 Apple, LG Electronics and Kyocera, 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.

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 or 48-month with the *Half Price Support* program) to deduct all or a part of their installment payment from their monthly service fees. This program allows subscribers to purchase handsets practically for a significantly reduced price. The *Half Price Support* program, which was launched in September 2017, enables customers to purchase eligible smartphones in 48 monthly installments, with the remaining monthly payments waived if the customer trades in their used handset to upgrade to a designated new model after 24 monthly installments. 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 offerings depends on the applied price plan, our marketing strategy and the guideline issued by MIC. 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—Domestic Telecommunications: Leverage our leading market position in the attractive Japanese telecommunications market to enhance revenue generation” and “—Strategies—Concentrate efforts on acquiring and maintaining higher margin smartphone subscribers by intensifying our dual-brand strategy.”

### *Fixed-line Telecommunications 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. 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*

Our current marketing strategy is focused on the dual brand strategy of the *SoftBank* brand for premium service offering and the *Y!mobile* brand for competitive pricing against MVNO. 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, 2015 and 2017 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 SoftBank Robotics Europe. 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*

We offer a 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.

### *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 December 31, 2017, included dealers in approximately 2,500

*SoftBank*-branded stores and 1,000 *Y!mobile*-branded stores 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. and *Y!mobile* websites to market our products and services. The websites contain online shopping and detailed information on our products and services, such as product specifications, pricing plan details and service area coverage. Our websites are also increasingly focused on customer self-service in order to provide subscribers with greater convenience. Subscribers can access services related to their accounts through the websites 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.

#### *Fixed-line Telecommunications 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 “—Our Products and Services—Discounts and Special Plans.”

#### *Subscribers*

As of December 31, 2017, our Domestic Telecommunications business had 42.5 million subscribers of smartphones, feature phones, tablets and mobile communications devices representing a subscriber market share of approximately 25% according to TCA and Company data. 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. We have identified users of smartphones, feature phones, tablets, and mobile data communication devices, which are all sources of revenue and profit, as the “main mobile subscribers” and concentrated our efforts on acquiring and maintaining such subscribers. As of December 31, 2017, the cumulative number of main mobile subscribers of mobile communications services stood at 33.0 million, 766 thousand net additions from December 31, 2016 including 288 thousand of *Wireless Home Phones*. In addition, the churn rate in phone subscribers and main mobile subscribers both improved from 0.89% and 1.25% for the nine months ended December 31, 2016 to 0.83% and 1.10% for the nine months ended December 31, 2017, respectively.

As of December 31, 2017, our Domestic Telecommunications business had 6.8 million subscribers of fixed-broadband services. The number of *SoftBank Hikari* subscribers successfully increased by 1.5 million from 3.1 million as of December 31, 2016 to 4.7 million as for December 31, 2017 due to focused efforts to expand sales of the *Home Bundle Discount Hikari Set* and to encourage users to switch over from competing telecom carriers’ fiber-optic services.

#### *Mobile 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 December 31, 2017, was 98.8%, compared to 98.8% and 98.6% for our primary competitors NTT DOCOMO and KDDI, respectively. See “Market and Industry.”

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 investments 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 from prior periods, as the most costly aspects of our network improvement, such as setting up steel towers for base stations, are mostly 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 towards 5G.

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. 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, or cell size, served by base stations through coordinated control, thereby reducing interference between base stations. We believe this system and continuous upgrade of our network with advanced technology 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. iPhone X, iPhone 8, iPhone 8 Plus, iPhone 7, iPhone 7 Plus, iPhone 6s, iPhone 6s Plus and certain of the latest Android smartphones and certain data cards are also compatible with carrier aggregation technology. In addition, in September 2016, we launched an unprecedented commercial multiple-input and multiple-output (“Massive MIMO”) technology combined with beamforming technology, which is a signal processing technique that directs signals from antennas towards where our users are. Massive MIMO is one of the core technologies of 5G used to enhance network capacity and allows us to offer high-data cap rate plans to our smartphone subscribers. We continue to deploy advanced network technologies to provide better quality of network for smartphones as well as to provide optimized network service, such as NB-IoT for IoT devices and services, towards deployment of the 5G network. For example, on September 22, 2017, we, together with Wireless City Planning, introduced Massive MIMO 2.0 which is designed to further enhance our network capacity and provide faster service to our customers.

We have agreed with Qualcomm Technologies for the 2.5GHz band and Nokia Solutions and Networks Japan Corp., ZTE JAPAN K.K., Huawei Technologies Japan K.K. and Ericsson Japan K.K., respectively, for the 4.5GHz band to develop technologies for a future 5G network. We plan to provide commercial services and devices utilizing 5G networks around 2020.

### *Spectrum*

SoftBank Corp. has been allocated spectrum in the 700 MHz, 900 MHz, 1.5 GHz, 1.7 GHz, 2.1 GHz, 2.5 GHz and 3.5 GHz bands for operation of our mobile communications networks.

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.”

### *Sprint Segment*

The Sprint segment was established as a reportable segment in conjunction with the consolidation of Sprint in 2013. 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 54.6 million subscribers to its mobile communications services as of December 31, 2017.



## ***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 offers customized design, development, implementation and support for wireless services provided to large companies and government agencies.

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. Sprint currently offers the devices through leasing and installment billing programs, and within limited plan offerings devices may be subsidized in exchange for a service contract. Sprint's leasing and installment billing programs do not require a service contract. These programs offer devices tied to service plans at lower monthly rates when compared to subsidy plans, but require the subscriber to pay full or near full price for the device over the lease term or installment period. The leasing program allows the subscriber to either turn in the device, continue leasing the device or purchase the device at the end of the lease term. The terms of the lease and installment billing contracts require that customers maintain service otherwise the balance of the remaining contractual obligation on the device is due upon termination of their service. The subsidy program, which has been de-emphasized, requires a service contract and allows for a subscriber to purchase a device at a discount for a new line of service. The majority of Sprint's current handset activations occur on the leasing program.

Sprint's prepaid portfolio currently includes multiple brands, each designed to appeal to specific subscriber uses and demographics. *Sprint Forward* (formerly Sprint Prepaid) primarily serves as a complementary offer to Sprint Postpaid offer for those subscribers who want plans that are affordable, simple and flexible without a long-term commitment. *Boost Mobile* primarily serves subscribers that are looking for value without data limits. *Virgin Mobile* primarily serves subscribers that are looking to optimize spend but need solutions that offer control, flexibility and connectivity through various plans with high speed data options. *Virgin Mobile* is also designated as a Lifeline-only Eligible Telecommunications Carrier. Under the *Assurance Wireless* brand, *Virgin Mobile* provides service to Lifeline eligible subscribers (for whom it seeks reimbursement from the federal Universal Service Fund) and subscribers who have lost their Lifeline eligibility and retain *Assurance Wireless* retail service. The Lifeline program requires applicants to meet certain eligibility requirements and existing subscribers must recertify as to those requirements annually. While Sprint will continue to support its Lifeline subscribers through its *Assurance Wireless* prepaid brand, Sprint has excluded these subscribers from its reported prepaid customer base for all periods presented due to recent regulatory changes resulting in tighter program restrictions.

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.

Prior to commencing installment billing and leasing programs, Sprint historically sold devices below its cost in response to competition to attract new subscribers and as retention inducements for existing subscribers. Subscribers also have the option to purchase eligible devices through Sprint's installment billing program or to lease eligible devices through its leasing program.

Sprint offers lower monthly service fees without a traditional service contract as an incentive to attract subscribers to certain of its service plans. These lower rates for service are available whether subscribers bring their own device, pay the full or near full retail price of the device, purchase the device under Sprint's installment billing program, or leases their device through Sprint's leasing program. Sprint expects its postpaid ARPU to continue to decline primarily as a result of dilution from promotional activities and lower service fees associated with its price plans offered in conjunction with device financing options. However, Sprint expects higher equipment revenue associated with the leasing and installment billing programs to partially offset these declines. Since inception, the combination of lower-priced plans and its leasing and installment billing programs have been accretive to Sprint's wireless segment earnings. Sprint expects that trend to continue with the magnitude of the impact being dependent upon subscriber adoption rates.

### ***Subscribers***

The Sprint platform had approximately 54.6 million subscribers as of December 31, 2017. For the nine months ended December 31, 2017, Sprint added 824 thousand net subscribers, including 551 thousand postpaid phone subscribers.

### ***Network***

Sprint delivers wireless and wireline services to subscribers through its ownership of extensive wireless networks, an all-digital global wireline network and a Tier 1 Internet backbone. Sprint offers wireless services on its wireless networks utilizing various technologies including third generation (3G) code division multiple access (CDMA) and fourth generation (4G) services utilizing Long Term Evolution (LTE). Sprint utilizes these networks to offer its wireless subscribers differentiated products and services through the use of a single network or a combination of these networks.

Sprint continues to increase coverage and capacity by densifying and optimizing its existing network. Densification, which includes increasing the number of small cells and antennas, is intended to enhance coverage and capacity across the network. Sprint expects the densification efforts to cost significantly less than its historical macro cell site builds (i.e. adding traditional cell towers). Sprint is also deploying new technologies, such as carrier aggregation, which allows Sprint to move more data at faster speeds over the same spectrum. Additionally, Sprint's introduction of tri-band devices, which support each of its spectrum bands, allows Sprint to manage and operate its network more efficiently and at a lower cost. Sprint has continued to see positive results from these infrastructure upgrades in key U.S. markets.

The 2.5 GHz spectrum band carries the highest percentage of Sprint's LTE data traffic. Sprint has significant additional capacity to grow the use of its 2.5 GHz spectrum holdings into the future. Sprint believes it is well-positioned with spectrum holdings of more than 160 MHz of 2.5 GHz spectrum in the top 100 markets in the U.S. Sprint is making mobile 5G a priority, and expects to provide its commercial services and the devices by the first half of 2019. One of Sprint's focused areas of network investment includes Massive MIMO, a key 5G technology that significantly increases capacity to its macro network by simply exchanging the radio and antennas on cell sites. Massive MIMO provides a bridge as it allows Sprint to operate in LTE and 5G simultaneously. Sprint sees 2.5 GHz as foundational for nationwide 5G coverage due to the super-wide channels of more than 100 MHz and mid-band coverage characteristics.

### ***Yahoo Japan Segment***

Yahoo Japan, our primary subsidiary operating in the Yahoo Japan segment, was established in 1996 as a joint venture between Yahoo! Inc. (currently Altaba 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 December 31, 2017 reached over 68 billion. As of December 31, 2017, the SoftBank Group held 43% of the voting shares of Yahoo Japan, which is listed on the Tokyo Stock Exchange with a market capitalization of ¥2,944 billion (\$26,051 million) as of December 31, 2017.

### ***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. In *Yahoo! Shopping*, contributed by the continued increase in the number of product items, enhanced traffic referral from its own services and, in addition, the *T Point* reward measure for SoftBank smartphone users, the total merchandise volume of *Yahoo! Shopping*, *YAHUOKU!* and *LOHACO* for fiscal 2016 significantly expanded by 23.0% year-on-year to ¥1.8 trillion.

Yahoo Japan utilizes 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. Yahoo Japan focuses on multi-device compatibility to strengthen its response to the ongoing evolution of content, from text to images and video.

### ***Distribution Segment***

The Distribution segment comprises subsidiaries such as Brightstar and SoftBank Commerce & Service Corp. Brightstar's operations include a wholesaling business purchasing mobile devices from manufacturers and distributing them to telecommunications operators and retailers globally. We utilize Brightstar's world-wide distribution network to sell smartphone accessories to mobile carriers across the globe. SoftBank Commerce & Service Corp.'s operations include the sale of mobile device accessories and IT-related software and hardware in Japan.

SoftBank Commerce & Service Corp. offers accessories for *iPhone*, *iPad* and other smartphones under the *SoftBank SELECTION* brand.

### ***Arm Segment***

The Arm segment provides microprocessor intellectual property designs for use in mobile phones and other mobile devices, as well as software designs and software tools. Arm is seeing continued growth with 17.7 billion Arm-based chips shipped in the year ended December 31, 2016, compared to 20.6 billion chips for the last twelve months ended September 30, 2017. During the year ended December 31, 2015, Arm's technologies were used in over 95% of the primary microprocessors used in smartphones. In 2016, Arm had 34% worldwide market share, calculated by the number of Arm-based chips shipped *divided by* the number of semiconductors shipped (excluding memory and analog chips, which do not contain processor technology) according to WSTS. In July 2016, anticipating that Arm would be a key driver in the paradigm shift to IoT, we announced a long-term strategic agreement with Arm. Since September 2016, Arm has conducted its business as a member of the SoftBank Group. Arm technology is used in many leading-edge products, including those for mobile, enterprise infrastructure and embedded intelligence in automobiles and home appliances. These markets are expected to see expansion with the future adoption of IoT. By accelerating investment in new technologies and markets and by expanding market share in markets with growth potential and pursuing growth opportunities in network infrastructure, servers, automotive, IoT, and AI, Arm will aim for further growth as a core business in the SoftBank Group leading IoT.

### ***SoftBank Vision Fund and Delta Fund Segment***

We established the SoftBank Vision Fund and Delta Fund segment as a new reportable segment during the three months ended June 30, 2017 upon the SoftBank Vision Fund having completed its initial closing on May 20, 2017. The SoftBank Vision Fund and Delta Fund segment covers the investment activities of the SoftBank Vision Fund and Delta Fund. The purpose of the SoftBank Vision Fund and Delta Fund is to invest in companies across a wide range of technology sectors. The SoftBank Vision Fund and Delta Fund are organized as follows:

	<u>SoftBank Vision Fund</u>	<u>Delta Fund</u>
<b>Major limited partnership</b>	SoftBank Vision Fund L.P.	SB Delta Fund (Jersey) L.P.
<b>Limited partners</b>	SoftBank Group Corp. Public Investment Fund Mubadala Investment Company Apple Foxconn Technology Group Qualcomm Incorporated Sharp Corporation	SoftBank Group Corp. Mubadala Investment Company
<b>General Partners</b>	SVF GP (Jersey) Limited (our wholly owned overseas subsidiary)	SB Delta Fund GP (Jersey) Limited (our wholly owned overseas subsidiary)
<b>Advisory company</b>	Our wholly owned subsidiaries (in Japan and the U.S.)	
<b>Management company</b>	SB Investment Advisers (UK) Limited (“SBIA”) (our wholly owned subsidiary in the U.K.)	
<b>Investment period</b>	Five years from the final closing <sup>(1)</sup>	
<b>Minimum fund life</b>	12 years from the final closing	

(1) Subject to certain consent requirements, we anticipate the final closing of SoftBank Vision Fund to complete in the three month period ending June 30, 2018. The final closing of Delta Fund completed on September 27, 2017.

SoftBank Vision Fund and Delta Fund are each separately managed by SBIA, which is regulated by the UK Financial Conduct Authority. Investment decisions for the various entities comprising SoftBank Vision Fund and Delta Fund are separately made by their respective Investment Committees established as committees of SBIA.

The terms of the SoftBank Vision Fund partnership agreement generally require us to make investments and acquisitions of \$100 million or more, that fall within the SoftBank Vision Fund’s investment strategy, through the SoftBank Vision Fund or its associated vehicles, but subject to certain conditions in the SoftBank Vision Fund’s fund documentation, we will continue to make certain other investments and acquisitions, including (but not limited to) investments not meeting the \$100 million threshold, strategic investments at the operating company level and other investments that do not fall within the SoftBank Vision Fund’s investment strategy and criteria. Under certain circumstances, we may also make investments with certain of the limited partners of the SoftBank Vision Fund through existing or newly created funds outside the SoftBank Vision Fund, such as the Delta Fund.

Since July 2017, the SoftBank Vision Fund has issued initial Capital Calls to us and several other investors, a portion of which have been successfully settled. We are in the process of satisfying our obligations under such Capital Calls as of December 31, 2017, and expect to deliver an aggregate of 276 million shares of Arm, representing 19.29% of the total outstanding shares of Arm. When the SoftBank Vision Fund makes capital calls requiring us to contribute capital in a cumulative amount exceeding the value of the Arm shares contributed to the SoftBank Vision Fund, we will then contribute cash to the SoftBank Vision Fund to fulfill our capital contribution obligations. We do not plan to use the remaining shares in Arm or any other securities (including those we hold in Alibaba) for in-kind contributions to the SoftBank Vision Fund to satisfy Capital Calls. We expect to contribute shares of Arm up to an aggregate of 24.99% of the total outstanding shares (representing an aggregate of approximately \$8.2 billion of capital contributions) pursuant to future capital calls. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Significant Accounting Policies for the SoftBank Vision Fund and Delta Fund.” In addition, we have transferred investment securities of DiDi to the Delta Fund and contributed the proceeds thereof to satisfy a \$3.7 billion portion of our \$4.4 billion capital contribution obligations to the Delta Fund.

The following table summarizes the capital deployment of the SoftBank Vision Fund and Delta Fund as of December 31, 2017:

	<u>Total</u>	<u>The Company</u>	<u>Other limited partner(s)</u>
	(billions of dollars)		
<b>Committed capital</b>			
SoftBank Vision Fund .....	91.7 <sup>(1)</sup>	28.1 <sup>(2)</sup>	63.6 <sup>(1)</sup>
Delta Fund .....	6.0 <sup>(1)</sup>	4.4	1.6 <sup>(1)</sup>
<b>Contributions as of December 31, 2017</b>			
SoftBank Vision Fund .....	20.8	6.3	14.5
Delta Fund .....	5.0	3.7 <sup>(3)</sup>	1.3
<b>Remaining committed capital</b>			
SoftBank Vision Fund .....	70.9	21.8	49.1
Delta Fund .....	1.0	0.7	0.3

(1) A portion of the capital committed by Mubadala Investment Company in the SoftBank Vision Fund and Delta Fund has been committed in consideration of the total capital committed for both funds. Accordingly, the total committed capital and remaining committed capital for each fund will change according to the status of contribution by Mubadala Investment Company in each fund.

(2) The amount includes approximately \$8.2 billion of our in-kind contribution of Arm shares.

(3) We acquired investment securities in DiDi and then transferred them to the Delta Fund. The value of this transfer was offset against the amount of our capital obligation to the Delta Fund.

Separate from our capital contributions, we have transferred and are in the process of transferring certain assets to the SoftBank Vision Fund in exchange for reimbursement. These include investments in NVIDIA Corporation, Guardant Health, Inc. and OSISOFT LLC. The following are the respective investments acquired by SoftBank Vision Fund and Delta Fund or agreed to be transferred from the Company as of December 31, 2017, excluding investments subject to certain regulatory approvals.

	<u>Name (in alphabetical order)</u>	<u>Business</u>
<b>SoftBank Vision Fund<sup>(1)</sup></b>	Arm Holdings plc <sup>(2)</sup>	Semiconductor technology designer
	Brain Corporation	AI-based autonomous driving system developer
	Fanatics Holdings, Inc.	Online retailer of licensed sports merchandise
	Flipkart Limited	e-commerce
	Guardant Health, Inc.	Cancer diagnosis through genomic analysis
	Improbable Worlds Limited	VR/AR development tools
	MapBox Inc.	Geographical information platform
	Nauto, Inc.	AI-based safe-driving support services
	NVIDIA Corporation	GPU developer
	One97 Communications Limited	Online payment services (PayTM)
	Oravel Stays Private Limited	Hotel booking site (OYO Rooms)
	OSISOFT LLC	Industrial IoT solutions
	PingAn Health Cloud Co. Limited	Online healthcare portal
	Plenty United Inc.	Indoor farm plant
	Roivant Sciences Ltd.	Biopharmaceutical drug developer
	Slack Technologies, Inc.	Business chat tool
	Vir Biotechnology, Inc.	Pharmaceutical drug development for infectious diseases using AI
WeWork Companies Inc.	Co-working space services	
Zhongan Online P&C Insurance	Online insurance	
<b>Delta Fund</b>	Xiaoju Kuaizhi Inc.	Ridesharing services (DiDi)

(1) SoftBank Vision Fund made certain investments through investment holding entities that are subsidiaries, but not wholly owned subsidiaries, of SoftBank Vision Fund. Regardless of the ownership percentage of SoftBank Vision Fund, all investments made through the investment holding entities are presented as investments made by SoftBank Vision Fund.

(2) As of December 31, 2017, we were in the process of contributing shares of Arm up to an aggregate of 19.29% of the total outstanding shares (representing an aggregate of approximately \$6.3 billion of capital contributions). Such shares have been pledged in favor of the SoftBank Vision Fund pending delivery upon completion of regulatory approvals. We expect to contribute shares of Arm up to an aggregate of 24.99% of the total outstanding shares (representing an aggregate of approximately \$8.2 billion of capital contributions) pursuant to future capital calls.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments” for a description of SoftBank Vision Fund Capital Calls and related investments since January 1, 2018.

For information regarding accounting policies for the SoftBank Vision Fund and Delta Fund, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Significant Accounting Policies for the SoftBank Vision Fund and Delta Fund.”

### ***Other***

We are also involved in various businesses, including energy- and robotics-related businesses, Fortress, an alternative investment management business, businesses related to the Fukuoka SoftBank HAWKS, a Japanese professional baseball team, and other businesses.

### **Strategically Important Companies**

#### ***Alibaba***

Alibaba operates Taobao Marketplace, one of China’s largest mobile commerce destinations and Tmall, one of China’s largest third-party platforms 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 DiDi), a provider of one of China’s most popular ride sharing mobile applications. Furthermore, in May 2016, we announced the establishment of SB Cloud Corporation with Alibaba to launch cloud computing services in Japan that utilize technologies and solutions from Alibaba Cloud, the cloud computing arm of the Alibaba group. 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 rich experience to contribute to the growth of each company.

We are party to a voting agreement with Alibaba, Altaba Inc. (formerly 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.

#### **Social Finance, Inc.**

In October 2015, we participated in a \$1 billion Series E financing of Social Finance, a U.S. fintech company that focuses on individual financial services, such as student loan refinancing. In April 2017, we participated in a \$500 million Series F financing of Social Finance, the funds from which Social Finance plans to use to accelerate its expansion into new product areas and countries outside of the United States.

#### **OneWeb (WorldVu Satellites Limited)**

In December 2016, we announced that we entered into an agreement with OneWeb, which is building a constellation of satellites to enable global broadband access, whereby we have made a total investment of \$1 billion in OneWeb as of December 31, 2017. Additionally, we have a conditional purchase commitment of \$4 billion for satellite communication service capacity to the OneWeb group as of March 31, 2017. The minimum payment of



\$4 billion is subject to OneWeb achieving certain service levels, which are set forth in two stages and include, among other things, the positioning of a particular number of satellites on prescribed orbital planes in operation. An initial payment of \$0.5 billion will be made within 12 months of OneWeb completing the first service level, and the remaining \$3.5 billion will be paid within 48 months of OneWeb completing the second service level.

#### **DiDi**

In April and May 2017, we made a total investment of \$5 billion in DiDi, one of the largest ride sharing operators in China by number of daily rides. We subsequently transferred a \$5.0 billion portion of this investment to the Delta Fund. In January and February 2018, we made further investments in DiDi, in an aggregate amount of \$4.6 billion. In addition, we have announced a partnership with DiDi to provide trial platform services for the taxi industry in major cities in Japan to improve ride hailing for taxis, which platform would be available to each of Japan's taxi operators. We further expect to form a joint venture with DiDi in Japan.

#### **Uber**

In January 2018, we invested \$7.7 billion to acquire a 15% ownership interest in the shares of Uber Technologies, Inc. (as of January 18, 2018), one of the largest ride sharing operators by number of daily rides, making us the single largest shareholder. We may offer all or a portion of this investment to the SoftBank Vision Fund in the future (subject to approval requirements at the SoftBank Vision Fund level and certain other necessary conditions).

#### **WeWork**

In August 2017, we entered into an agreement with WeWork Companies Inc. ("WeWork"), which provides co-working space, community and services around the world for a \$4.4 billion investment from our subsidiaries and the SoftBank Vision Fund. This investment consists of a \$3 billion investment in WeWork and a \$1.4 billion investment in three newly created companies which will fund WeWork's expansion in China, Japan, and Southeast Asia and Korea, respectively.

### **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 and Telephone Corp.***

Maintaining our relationship with NTT is important to us. NTT, which is approximately one-third owned by the Japanese government, is the 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 offer fiber-optic connection services under the *SoftBank Hikari* brand, through which we re-offer optical broadband access obtained wholesale from NTT East and NTT West.

#### ***Altaba Inc. and Verizon Communications Inc.***

In 1996, we entered into a joint venture agreement with Yahoo! Inc. (currently Altaba 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. On June 13, 2017, Yahoo! Inc. completed a transaction in which it sold its core operating business to a subsidiary of Verizon; in connection with the transaction, the *Yahoo!* brand was transferred to Verizon, while Yahoo! Inc.'s interest in the Yahoo Japan joint venture remained with the former Yahoo! Inc., which was renamed Altaba Inc.

The Yahoo Joint Venture Agreement has a perpetual term under which either party may terminate for material breaches. However, Altaba 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 Altaba 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. As of September 31, 2017, as a group, we held 43.0% of the voting rights in Yahoo Japan, our consolidated subsidiary. As of September 31, 2017, Yahoo Japan reported that Altaba Inc. held 35.6% of the voting rights in Yahoo Japan. Altaba Inc. has publicly indicated an intention to sell its shares of Yahoo Japan.

Yahoo Japan has a license to the *Yahoo!* brand in Japan from Verizon, which succeeded Yahoo! Inc. as the licensor pursuant to the licensing agreement dated April 1, 1996 and as amended on September 17, 1997 (the “*Yahoo!* Licensing Agreement”) in connection with Verizon’s acquisition of Yahoo! Inc.’s internet business and brand. The *Yahoo!* Licensing Agreement is critical to our Yahoo Japan 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.

### **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 the *Yahoo!* Licensing Agreement.

### **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 are covered by our fire insurance policies.

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 is 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 December 31, 2017, the value of our consolidated outstanding leases was ¥1,242 billion (\$10,989 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 discretion purchase office space and other properties.

### **Employees**

As of March 31, 2017, we had 68,402 full-time employees.

The following table shows the aggregate number of our full-time employees. During the fiscal year ended March 31, 2017, we had an average of 12,924 part-time employees.

	<u>As of March 31,</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Domestic Telecommunications .....	17,986	17,834	17,899
Sprint .....	29,670	26,221	24,845
Yahoo Japan .....	6,949	9,010	11,013
Distribution .....	7,928	7,433	7,019
Arm .....	—	—	4,748
Other .....	3,407	2,840	2,611
Corporate .....	214	253	267
<b>Total</b> .....	<u>66,154</u>	<u>63,591</u>	<u>68,402</u>

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.

## 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 (the “JFTC”) 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.

We are also subject to various governmental regulations in connection with our investments, including through the SoftBank Vision Fund and Delta Fund. For example, the SoftBank Vision Fund and Delta Fund are each separately managed by SBIA, which is regulated by the UK Financial Conduct Authority. In addition, when we or our subsidiaries or associates make investments overseas, such investments may be subject to approval in multiple jurisdictions under various regulatory regimes, such as those relating to antitrust and national security.

### 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.

#### *Registration of Telecommunications Business Operations*

Under the TBA, 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,

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 telecommunications 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.

The SoftBank Group is subject to regulation of interconnection fees as applicable to operators of Category II-designated telecommunications facilities (mobile communication systems).

### ***Interconnection***

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 (local fixed-line systems) 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 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, the “Ordinance Relating to Interconnection Fees of the Category II-Designated Telecommunications Facilities” was promulgated on March 29, 2016 and became effective on May 21, 2016 which generally prescribes 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.

### ***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.

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.



## **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***

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.

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 is also currently available for the carriers' use.

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.

Further, currently the radio frequency bands using 1,805MHz to 1,845MHz, 3,400 MHz to 3,480 MHz and 1,860 MHz to 1,880 MHz (for areas other than Tokyo, Nagoya and Osaka) are in the process of allocation and it is expected that the MIC will approve plans submitted by operators to establish radio transmission stations using such frequency bands by around the end of March 2018.

See “Market and Industry—Japanese Market Overview—Established market in a stable competitive environment dominated by three network operators—High ARPU supported by high proportion of postpaid subscriptions and heavy mobile data usage” and “Market and Industry—Japanese Market Overview—Attractive regulatory environment” for a distribution of existing spectrum allocations between the SoftBank Group and our primary competitors.

## **Other Major Guidelines Concerning TBA and the Radio Act**

### ***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).

#### ***Guidelines Regarding Terms of Offering of Mobile Service and Handsets***

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. The “Guidelines Regarding Terms of Offering of Mobile Service and Handsets” (the “Mobile Service and Handsets Guidelines”) issued by the MIC in January 2017 intends to increase consumer convenience and enhance the international competitiveness of Japan’s mobile communications industry. Under the Mobile Service and Handsets 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.

Also, under the Mobile Service and Handsets Guidelines, MNOs are required to decrease the amount of discount on charges or purchase price of handsets.

#### ***Guidelines Regarding Encouragement of Competition in Telecommunication Business Area***

In May 2016, the MIC and the JFTC issued the “Guidelines Regarding Encouragement of Competition in Telecommunication Business Area,” which is composed of the following four chapters: necessity of such guidelines, problematic actions under the TBA and the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade of Japan (the “Antimonopoly Act”), desirable actions by carriers to further encourage competition, and organizational structure relating to reports, consultations and opinions. The guidelines state that, among other matters, the cancellation penalty for certain-period contracts by the carriers who have a relatively big share in the market could be problematic under the Antimonopoly Act. In August 2016, the JFTC separately announced that the cancellation penalty and automatic renewal system for two-year contracts is not desirable from the viewpoint of fair competition.

#### **U.S. Regulatory Framework**

Communications services in the U.S. are subject to regulation at the federal level by the FCC and in certain states by public utilities commissions. Since the SoftBank Merger, Sprint has 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. 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 and renew licenses in the 800 MHz, 1.9 GHz and 2.5 GHz bands;

- 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

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 10 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 four audit and supervisory board members, including three external audit and supervisory board members, two of which are full-time audit and supervisory board members. We have one full-time, non-external audit and supervisory board member, who formerly served as Corporate Officer, Head of Legal Unit and General Manager, Legal Department and Group Compliance Officer responsible for compliance issues of the Group as a whole. 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 auditing 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 (\$89 thousand) or an amount calculated as described above.

## Directors and Audit and Supervisory Board Members

The following table sets out certain information on our directors and audit and supervisory board members as of the date of this offering memorandum:

<u>Name</u>	<u>Date</u>	<u>Position/Action</u>
Masayoshi Son . . . . .	September 1981	Founded SOFTBANK Corp. Japan (currently SoftBank Group Corp.), Chairman & CEO
	April 1983	Chairman, SOFTBANK Corp. Japan (currently SoftBank Group Corp.)
	February 1986	Chairman & CEO, SOFTBANK Corp. Japan (currently SoftBank Group Corp.)
	January 1996	President & CEO, Yahoo Japan Corporation
	July 1996	Chairman of the Board, Yahoo Japan Corporation
	October 2005	Director, Alibaba.com Corporation (currently Alibaba Group Holding Limited; to present)
	April 2006	Chairman of the Board, President & CEO, Vodafone K.K. (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)
	September 2016	Chairman and Executive Director, ARM Holdings plc (currently Arm Holdings plc; to present)
	June 2017	Chairman & CEO, SoftBank Group Corp. (to present)
Ken Miyauchi . . . . .	February 1977	Joined Japan Management Association
	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 K.K. (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.
	April 2015	President & CEO, SoftBank Mobile Corp. (currently SoftBank Corp.; to present)
	June 2015	Director, SoftBank Corp. (currently SoftBank Group Corp.)
June 2016	Representative Director, President & COO, SoftBank Group Corp. (to present)	



<u>Name</u>	<u>Date</u>	<u>Position/Action</u>
Ronald D. Fisher . . . . .	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.)
	July 2013	Vice Chairman of the Board, Sprint Corporation (to present)
	January 2014	Director, Brightstar Global Group Inc.
	August 2014	Chairman, Brightstar Global Group Inc. (to present)
	September 2016	Director, ARM Holdings plc (currently Arm Holdings plc; to present)
	June 2017	Director, Vice Chairman, SoftBank Group Corp. (to present)
Marcelo Claure . . . . .	June 1995	Owner, USA Wireless, Inc
	October 1996	President, Small World Communications, Inc.
	September 1997	Founder, Chairman & CEO, Brightstar Corp.
	January 2005	Co-founder, One Laptop Per Child, Inc.
	September 2008	Owner, Bolivar Administracion, Inversiones Y Servicios Asociados S.R.L. (to present)
	January 2014	Member, Sprint Corporation Board of Directors
	February 2014	Founder, Miami Beckham United (to present)
	August 2014	President & CEO, Sprint Corporation
	January 2015	Member, CTIA Board of Directors
	May 2015	Member, My Brother's Keeper Alliance Board of Directors
	January 2016	Vice Chairman, CTIA Board of Directors
	January 2017	Chairman, CTIA Board of Directors (to present)
	June 2017	Director, SoftBank Group Corp. (to present)
	January 2018	CEO, Sprint Corporation (to present)
	Rajeev Misra . . . . .	December 1985
July 1986		Joined Realty Technologies Pty Ltd
August 1991		Joined Merrill Lynch (currently Bank of America Merrill Lynch)
May 1997		Joined Deutsche Bank AG as the Managing Director
May 2001		Global Head of Credit, Emerging Markets, Deutsche Bank AG
January 2006		Member of the Engineering Board of Overseers at the University of Pennsylvania (to present)
April 2009		Joined UBS Group AG
January 2010		Global Co-Head of Fixed Income, Currencies and Commodities, UBS Group AG
May 2014		Joined Fortress Investment Group LLC as the Senior Managing Director and Partner
November 2014		Joined SoftBank as the Head of Strategic Finance for the Group (to present)
May 2017		CEO, SoftBank Investment Advisers, which will advise the SoftBank Vision Fund (to present)
June 2017		Director, SoftBank Group Corp. (to present)

<b>Name</b>	<b>Date</b>	<b>Position/Action</b>
Simon Segars . . . . .	March 1991	Joined ARM Holdings plc (currently Arm Holdings plc)
	February 2001	Vice President Engineering, ARM Holdings plc (currently Arm Holdings plc)
	January 2004	Executive Vice President World Wide Sales, ARM Holdings plc (currently Arm Holdings plc)
	January 2005	Executive Director, ARM Holdings plc (currently Arm Holdings plc)
	September 2007	EVP and GM, Physical IP Division, ARM Holdings plc (currently Arm Holdings plc)
	January 2013	President, ARM Holdings plc (currently Arm Holdings plc)
	July 2013	Appointed CEO, ARM Holdings plc (currently Arm Holdings plc; to present)
	February 2015	Non-Executive Director, Dolby Laboratories, Inc. (to present)
	June 2017	Director, SoftBank Group Corp. (to present)
Yun Ma . . . . .	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)
Tadashi Yanai . . . . .	August 1972	Joined Ogori Shoji Co., Ltd. (currently FAST RETAILING CO., LTD.)
	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)
	September 2008	Chairman, GOV RETAILING CO., LTD. (currently G.U. CO., LTD.) (to present)
Mark Schwartz . . . . .	July 1979	Joined the Investment Banking Division, Goldman, Sachs & Co.
	November 1988	Partner, Goldman Sachs & Co.
	November 1996	Managing Director, Goldman Sachs & Co.
	June 1997	President, Goldman Sachs Japan Co., Ltd.

<b>Name</b>	<b>Date</b>	<b>Position/Action</b>
	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.)
	June 2012	Vice Chairman, The Goldman Sachs Group, Inc.
	June 2012	Chairman, Goldman Sachs Asia Pacific
	June 2016	Retired from the position of Director of SoftBank Group Corp.
	January 2017	Senior Director, The Goldman Sachs Group, Inc. (to present)
	January 2017	Senior Director, Goldman, Sachs & Co. (to present)
	June 2017	Director, SoftBank Group Corp. (to present)
Yasir O. Al-Rumayyan . . .	December 2010	CEO and Board Member, Saudi Fransi Capital LLC
	February 2014	Board Member, Saudi Stock Exchange (Tadawul)
	September 2015	Managing Director and Board Member, Public Investment Fund (PIF) of Saudi Arabia (to present)
	June 2016	Board Member, Uber Technologies Inc. (to present)
	June 2016	Board Member, Saudi Aramco (to present)
	August 2016	Board Member, Saudi Industrial Development Fund (to present)
	June 2017	Director, SoftBank Group Corp. (to present)
Masato Suzuki . . . . .	April 1975	Joined Mitsubishi Corporation
	December 1983	Master of Business Administration (MBA), School of Global Management (U.S.)
	February 2002	Joined SoftBank Corp. (currently SoftBank Group Corp.); General Manager of Legal department
	July 2012	Corporate Officer; General Manager of Legal department of SoftBank Corp. (currently SoftBank Group Corp.)
	October 2013	Corporate Officer; General Manager of Legal department of SoftBank Corp. (currently SoftBank Group Corp.); Group Compliance Officer
	September 2016	Corporate Officer, Head of Legal Unit; General Manager of Legal department of SoftBank Group Corp.; Group Compliance Officer
	June 2017	Full-time Audit & Supervisory Board Member, 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)

<u>Name</u>	<u>Date</u>	<u>Position/Action</u>
Soichiro Uno . . . . .	April 1988	Joined Nagashima & Ohno Law Office (currently Nagashima Ohno & Tsunematsu), admitted to practice law in Japan
	November 1993	Passed the bar examination of the State of New York, U.S.
	January 2000	Partner, Nagashima Ohno & Tsunematsu (to present)
	June 2004	Audit & Supervisory Board Member, SoftBank Corp. (currently SoftBank Group Corp.; to present)
Hidekazu Kubokawa . . . .	November 1976	Joined Chuo Accounting Corporation
	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)
	March 2000	Audit & Supervisory Board Member, Digital Arts Inc.
	June 2005	Corporate Auditor, KYORITSU PRINTING CO., LTD. (to present)
	June 2006	Auditor, Pado Corporation (to present)
	June 2016	Director (Audit & Supervisory Committee Member), Digital Arts Inc. (to present)

Among all directors, Messrs. Tadashi Yanai, Mark Schwartz and Yasir O. Al-Rumayyan 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 Atsushi Toyama, Soichiro Uno 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 specified 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 granting 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, 2017 was ¥425 million (\$3.8 million). During the fiscal year ended March 31, 2017, consolidated net compensation provided by the SoftBank consolidated group to Mr. Son, Mr. Miyauchi and Mr. Fisher was ¥139 million (\$1.2 million), ¥617 million (\$5.5 million) and ¥2,427 million (\$21.5 million) (including non-cash compensation, except for Mr. Son), respectively. In addition, Mr. Nikesh Arora received the equivalent of ¥10,346 million (\$92 million) (including non-cash compensation) during the same period.

## **Stock Option Plan**

Pursuant to resolutions at the general meeting of shareholders held on June 22, 2016 and meetings of the board of directors held on July 4, 2016 and July 26, 2016, we granted stock acquisition rights to purchase up to 4,269,000 shares, of our common stock to certain of our directors, employees and advisors and those of our subsidiaries. As of March 31, 2017, such stock acquisition rights to purchase up to 4,264,000 shares will be exercisable at an exercise price of ¥6,159 during the period from August 1, 2018 to July 31, 2022. As of December 31, 2017, we did not issue any new shares based upon the exercise of these options.

Pursuant to resolutions at the general meeting of shareholders held on June 22, 2016 and meetings of the board of directors held on January 25, 2017 and February 24, 2017, we granted stock acquisition rights to purchase up to 95,000 shares of our common stock to certain of our employees and those of our subsidiaries. As of December 31, 2017, such stock acquisition rights to purchase up to 95,000 shares will be exercisable at an exercise price of ¥8,891 during the period from March 1, 2019 to February 28, 2023. As of December 31, 2017, we did not issue any new shares based upon the exercise of these options.

Pursuant to resolutions at the general meeting of shareholders held on June 21, 2017 and meetings of the board of directors held on July 5, 2017 and July 28, 2017, we granted stock acquisition rights to purchase up to 5,002,000 shares of our common stock to certain of our directors, corporate officers and employees and those of our subsidiaries. As of December 31, 2017, such stock acquisition rights to purchase up to 4,960,000 shares will be exercisable at an exercise price of ¥9,582 per share during the period from August 1, 2019 to July 31, 2023. As of December 31, 2017, we did not issue any new shares based upon the exercise of these options.



## RELATED-PARTY TRANSACTIONS

The following discussion is a summary of the significant transactions with our associates in the fiscal years ended March 31, 2015, 2016 and 2017 and the nine months ended December 31, 2017. 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 45 to our audited consolidated financial statements for the fiscal year ended March 31, 2017, which are included elsewhere in this offering memorandum.

### For the fiscal year ended March 31, 2015

We received ¥0.3 billion (\$2.3 million) for temporary advances for expenses and ¥0.04 billion (\$0.4 million) for office facility usage by our Chairman and CEO, Mr. Masayoshi Son, and companies controlled by him ("Masayoshi Son Affiliates").

We paid dividends totaling ¥10 billion (\$89 million) and made a transfer of fixed assets of ¥5 billion (\$40 million) to Masayoshi Son Affiliates.

We paid dividends ¥0.3 billion (\$2.4 million) directly from us and ¥0.9 billion (\$8 million) through GungHo, our consolidated subsidiary, and outsourcing costs totaling ¥0.1 billion (\$0.8 million) to Mr. Taizo Son, the brother of Mr. Masayoshi Son, and companies controlled by him ("Taizo Son Affiliates").

We completed the acquisition of all of the shares of the parent company of Brightstar, held by Mr. Marcelo Claire, 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 \$297 million. Upon closing of the transaction, we indirectly controlled all of the voting rights of Brightstar.

A director of the Company exercised stock options totaling ¥0.2 billion (\$1.7 million).

### For the fiscal year ended March 31, 2016

We received ¥0.3 billion (\$2.2 million) for temporary advances for expenses and ¥0.04 billion (\$0.4 million) for office facility usage by Masayoshi Son Affiliates.

We paid dividends totaling ¥10 billion (\$89 million) to Masayoshi Son Affiliates and we paid dividends totaling ¥0.2 billion (\$2.0 million) and outsourcing costs totaling ¥0.1 billion (\$0.8 million) to Taizo Son Affiliates. We also paid outsourcing costs totaling ¥0.7 billion (\$6.4 million) to Yun Ma, a director of the Company and companies controlled by him ("Yun Ma Affiliates").

A director of the Company exercised stock options totaling ¥0.1 billion (\$0.9 million).

### For the fiscal year ended March 31, 2017

We received ¥0.2 billion (\$2.1 million) for temporary advances for expenses and ¥0.04 billion (\$0.4 million) for office facility usage by Masayoshi Son Affiliates. We have also received a guaranteed deposit of ¥4 million (\$0.04 million) from such persons.

We paid dividends totaling ¥11 billion (\$98 million) to Masayoshi Son Affiliates. We paid dividends totaling ¥43 million (\$0.4 million) and outsourcing costs totaling ¥14 million (\$0.1 million) to Taizo Son Affiliates.

We paid dividends totaling ¥0.2 billion (\$1.8 million) to Mr. Nikesh Arora, who retired from the position of Representative Director, President and COO of the Company as of June 22, 2016. At the time of retirement, we purchased shares of associate companies which were granted to him in December 2014 for a purchase price of ¥11 billion (\$95 million).

### For the nine months ended December 31, 2017

We lent ¥2.2 billion (\$20 million) to Dipchand Nishar who is a managing partner of a U.S. advisory company which supports SBIA and became a principal executive of SoftBank Group Corp. with the initial closing of SoftBank Vision Fund.

## SUBSIDIARIES AND ASSOCIATES

The following table provides information on our significant consolidated subsidiaries and associates as of March 31, 2017. 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 Yahoo Japan segment, may not be identical to our voting interests in such subsidiaries.

We acquired Fortress Investment Group, Inc. (“Fortress”) on December 27, 2017 and began consolidating its financial results on December 28, 2017, and assigned it to Other. See our consolidated financial report for the nine months ended December 31, 2017 presented elsewhere in this offering memorandum for further discussion.

Name <sup>(1)</sup>	Country	Issued Share Capital  (millions of yen and KRW/ thousands of dollars, pounds and RMB)	Percentage of voting interest owned (indirectly) by the Company	Principal business
<b>Domestic Telecommunications segment</b>				
<b>Subsidiaries</b>				
SoftBank Corp . . . . .	Japan	¥ 177,251	99.99 (99.99)	Provision of mobile communications services, sale of mobile devices, provision of fixed-line telecommunications and ISP services in Japan
Wireless City Planning Inc . . . . .	Japan	¥ 18,899	32.2	Planning and provision of mobile broadband services
SoftBank Payment Service Corp . . . . .	Japan	¥ 6,075	100.0 (100.0)	Settlement services, card services and related services
43 other subsidiaries, 14 other associates and two jointly controlled companies				
<b>Sprint Segment</b>				
<b>Subsidiaries</b>				
Sprint Corporation . . . . .	United States	\$ 39,892	83.0 (83.0)	Holding Company
Sprint Communications, Inc . . . . .	United States	\$1,180,954	100.0 (100.0)	Provision of mobile communications services, sale of mobile devices and accessories, provision of fixed-line telecommunications services in the U.S.
261 other subsidiaries and three other associates				
<b>Yahoo Japan segment</b>				
<b>Subsidiaries</b>				
Yahoo Japan Corporation . . . . .	Japan	¥ 8,428	43.0 (6.6)	Operation of the Yahoo! JAPAN portal, sale of internet advertising, operation of e-commerce sites, membership services

Name <sup>(1)</sup>	Country	Issued Share Capital	Percentage of voting interest owned (indirectly) by the Company	Principal business
		(millions of yen and KRW/ thousands of dollars, pounds and RMB)		
ValueCommerce Co., Ltd . . . . .	Japan	¥ 1,728	52.3 (52.3)	Ad affiliate marketing service, StoreMatch online advertising distribution service
ASKUL Corporation . . . . .	Japan	¥ 21,190	45.3 (45.3)	Mail order sales of stationery, office products, services, etc.
eBOOK Initiative Japan Co., Ltd . . . . .	Japan	¥ 846	44.6 (44.6)	E-book distribution
<b>Associates</b>				
The Japan Net Bank, Limited <sup>(2)</sup> . . . . .	Japan	¥ 37,250	41.2 (41.2)	Banking business
BOOKOFF CORPORATION LIMITED . . . . .	Japan	¥ 3,652	15.1 (15.1)	Reuse business
61 other subsidiaries, 30 other associates and three jointly controlled companies				
<b>Distribution Segment</b>				
<b>Subsidiaries</b>				
Brightstar Global Group Inc . . . .	United States	\$ 3	87.1	Holding company
Brightstar Corp . . . . .	United States	\$ 0	100.0 (100.0)	Mobile device distribution, supply chain solutions, handset protection and insurance, buy-back and trade-in, omnichannel solutions and financial services
SoftBank Commerce & Service Corp . . . . .	Japan	¥ 500	100.0 (100.0)	Manufacture, distribution, and sale of ICT-related products and ICT-related services
127 other subsidiaries and six other associates				
<b>Arm Segment</b>				
<b>Subsidiaries</b>				
Arm Holdings plc . . . . .	United Kingdom	£ 717	100.0 (1.4)	Holding company
Arm PIPD Holdings One, LLC . . . . .	United States	£ 500,167	100.0 (100.0)	Holding company
Arm PIPD Holdings Two, LLC . . . . .	United States	£ 343,203	100.0 (100.0)	Holding company

Name <sup>(1)</sup>	Country	Issued Share Capital (millions of yen and KRW/ thousands of dollars, pounds and RMB)	Percentage of voting interest owned (indirectly) by the Company	Principal business
Arm Limited . . . . .	United Kingdom	£ 1,015	100.0 (100.0)	Design of microprocessors, physical intellectual property and related technology and software, sale of development tools
44 other subsidiaries, one other associate and three jointly controlled companies				
<b>Corporate Segment</b>				
<b>Subsidiaries</b>				
SoftBank Group International				
GK <sup>(3)</sup> . . . . .	Japan	¥ 22	100.0	Holding company
SoftBank Group Japan GK <sup>(3)</sup> . . .	Japan	¥ 21	100.0	Holding company
SB Group US, Inc . . . . .	United States	\$ 0	100.0 (100.0)	Holding company
SoftBank Group Capital				
Limited . . . . .	United Kingdom	\$ 1,508	100.0	Holding company
10 other subsidiaries				
<b>Other</b>				
<b>Subsidiaries</b>				
SB Energy Corp . . . . .	Japan	¥ 2,589	100.0	Generation of electricity from renewable energy sources, supply and sale of electricity
Fukuoka SoftBank HAWKS				
Corp . . . . .	Japan	¥ 100	100.0	Ownership of professional baseball team, operation of baseball games, management and maintenance of baseball stadium and other sports facilities, distribution of video, voice and data content via media
SoftBank Robotics Group				
Corp . . . . .	Japan	¥ 28,507	60.0	Holding company
SoftBank Robotics Corp . . . . .	Japan	¥ 100	100.0 (100.0)	Development, sales and maintenance of humanoid robots and service robots
SBBM Corporation . . . . .	Japan	¥ 10	100.0	Holding company
ITmedia Inc . . . . .	Japan	¥ 1,700	58.0 (58.0)	Operation of comprehensive IT information site ITmedia, etc.
SoftBank Technology Corp . . . .	Japan	¥ 785	54.6 (54.6)	Solutions and services for online businesses

Name <sup>(1)</sup>	Country	Issued Share Capital (millions of yen and KRW/ thousands of dollars, pounds and RMB)	Percentage of voting interest owned (indirectly) by the Company	Principal business
Vector Inc . . . . .	Japan	¥ 1,017	52.1 (52.1)	Operation, sales, and marketing of online games, software downloads, advertising
SoftBank Ventures Korea Corp . . . . .	South Korea	KRW 18,000	100.0 (100.0)	Holding company
SoftBank Korea Corp . . . . .	South Korea	KRW 2,200	100.0 (100.0)	Holding company
Starburst I Inc . . . . .	United States	\$ 216	100.0 (70.4)	Holding company
SoftBank Holdings Inc . . . . .	United States	\$ 8	100.0	Holding company
SoftBank America Inc . . . . .	United States	\$ 0	100.0 (100.0)	Holding company
SoftBank Capital Fund '10 L.P. . . . .	United States	\$ 122,449	81.7 (81.7)	Venture capital fund
SoftBank Capital Fund '14 L.P. . . . .	United States	\$ 46,000	99.0 (99.0)	Venture capital fund
STARFISH I PTE. LTD . . . . .	Singapore	¥ 101,180	100.0	Holding company
SB Pan Pacific Corporation . . . . .	Micronesia	¥ 48,249	100.0	Holding company
Hayate Corporation . . . . .	Micronesia	¥ 77,843	100.0	Holding company
West Raptor Holdings, LLC . . . . .	United States	\$ 1,251,769	100.0 (100.0)	Holding company
<b>Associates</b>				
Foxconn Ventures Pte. Ltd . . . . .	Singapore	\$ 47	36.4	Holding company
Scigineer Inc . . . . .	Japan	¥ 777	32.9 (32.9)	Provision of internet marketing support services using the personalized engine deqwas for e-commerce business operators and retailers
SoftBank Capital Technology Fund III L.P. . . . .	United States	\$ 232,750	56.3 (56.3)	Venture capital fund
HIKE GLOBAL PTE. LTD . . . . .	Singapore	\$ 266,433	25.8 (1.7)	Holding company
Renren Inc . . . . .	Cayman	\$ 1,025	43.0 (43.0)	Investor company of company operating Renren.com SNS site in China
Alibaba Group Holding Limited . . . . .	Cayman	RMB 1,000	29.5 (4.0)	Investor company of companies operating e-commerce sites Alibaba.com, Taobao.com, and Tmall.com
InMobi Pte. Ltd . . . . .	Singapore	\$ 358	45.0 (45.0)	Mobile advertising services
178 other subsidiaries, 67 other associates and 15 jointly controlled companies				



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- (1) This list does not include any of the entities that comprise our SoftBank Vision Fund and Delta Fund segment, which was established as a reportable segment in May 2017, or other entities that became subsidiaries or associates after March 31, 2017.
  - (2) Following the modification of the shareholders agreement with Sumitomo Mitsui Banking Corporation on August 1, 2017, Yahoo Japan Corporation announced on February 1, 2018 the completion of consolidation of The Japan Net Bank, Limited as a subsidiary. See Note 28(3) to our unaudited condensed interim financial statements for the nine months ended December 31, 2017 and “Summary—Recent Developments” for further discussion.
  - (3) On April 24, 2017, SoftBank Group International GK and SoftBank Group Japan GK combined with SoftBank Group International GK as the surviving entity.

## 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 December 31, 2017:

	As of December 31, 2017	
	(billions of yen and millions of dollars)	
Short-term borrowings <sup>(1)</sup> . . . . .	¥ 1,793	\$ 15,863
Commercial paper . . . . .	100	885
Corporate bonds . . . . .	7,909	69,994
Lease obligations . . . . .	1,242	10,989
Long-term borrowings . . . . .	3,993	35,340
Installment payable . . . . .	39	342
<b>Total interest-bearing debt<sup>(2)</sup> . . . . .</b>	<b>15,076</b>	<b>133,413</b>
Short-term borrowings (SoftBank Vision Fund and Delta Fund segment) . . . . .	308	2,730
Long-term borrowings (SoftBank Vision Fund and Delta Fund segment) . . . . .	65	568
<b>Total interest-bearing debt (excluding SoftBank Vision Fund and Delta Fund segment)<sup>(3)</sup> . . . . .</b>	<b>14,703</b>	<b>130,115</b>

(1) Short-term borrowings include current position of long-term borrowings.

(2) Excludes ¥729 billion (\$6,453 million) financial liabilities related to sale of shares by variable prepaid forward contract.

(3) Excludes the Hybrid Notes offered in July 2017, which has been recorded as equity in our financial statements.

### Consolidated Net Interest-bearing Debt as of December 31, 2017

The table below shows consolidated net interest-bearing debt at the Company and its subsidiaries as of December 31, 2017. The below information was prepared under IFRS and is net of intra-group reconciliations and eliminations.

	Total interest-bearing debt <sup>(1)</sup>	Cash Position <sup>(2)</sup>	Net interest-bearing debt <sup>(3)</sup>
	(billions of yen)		
SoftBank Group Corp . . . . .	¥ 8,331	¥1,371	¥ 6,960
Senior debt . . . . .	6,944	—	—
Subordinated debt . . . . .	841	—	—
Deeply subordinated bond . . . . .	463	—	—
Deeply subordinated loan . . . . .	83		
SoftBank Corp . . . . .	1,719	39	1,680
Other subsidiaries . . . . .	5,026	2,068	2,958
<b>Consolidated . . . . .</b>	<b>15,076</b>	<b>3,478</b>	<b>11,598</b>
SoftBank Vision Fund and Delta Fund segment . . . . .	373	300	73
<b>Consolidated (excluding SoftBank Vision Fund and Delta Fund segment)<sup>(4)</sup> . . . . .</b>	<b>14,703</b>	<b>3,178</b>	<b>11,525</b>

(1) Excludes ¥729 billion (\$6,453 million) financial liabilities related to sale of shares by variable prepaid forward contract.

(2) Cash Position is cash and cash equivalents *plus* short-term investments.

(3) Net interest-bearing debt: total interest-bearing debt *minus* Cash Position.

(4) Excludes the Hybrid Notes offered in July 2017, which has been recorded as equity in our financial statements.

## Borrowings

The table below summarizes our loans outstanding as of December 31, 2017:

Loan	As of December, 2017	
	(billions of yen and millions of dollars)	
Senior Term Loan	¥2,605	\$23,056
Hybrid Loan	83	732
Commitment line	0	0
Securitization of receivables	776	6,863
Sprint 2024 Secured Term Loan	444	3,929
Sprint Spectrum Financing	363	3,216
Securities lending	399	3,530
Other Loans	1,116	9,877
<b>Total loans</b>	<b>5,786</b>	<b>51,203</b>
Loans (SoftBank Vision Fund and Delta Fund segment)	373	3,298
<b>Total loans (excluding SoftBank Vision Fund and Delta Fund segment)</b>	<b>5,413</b>	<b>47,905</b>

### ¥2,605 billion (\$23,056 million) of Indebtedness Outstanding under Senior Term Loan as of December 31, 2017

In November 2017, we procured a syndicated loan from several Japanese and international financial institutions in the principal amount of ¥2,650 billion (\$23,451 million), under which ¥2,605 billion (\$23,056 million) of indebtedness remains outstanding (measured at amortized costs pursuant to IFRS). We used the proceeds of this loan mainly to pay off certain debt, including but not limited to the loan facilities that refinanced debt incurred in connection with the Sprint acquisition, and the bridge loan in connection with the Arm acquisition, with the remainder of the proceeds applied for general corporate purposes.

The Senior Term Loan is a direct, unsecured obligation of the Company and ranks *pari passu* with all other outstanding unsecured, unsubordinated obligations of the Company. The Senior Term 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 SoftBank Corp.'s obligations under 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)
2018	¥107.7
2019	215.4
2020	215.4
2021	311.5
2022	300.0
2023	300.0
2024	350.0
2025	850.0

(1) Amounts correspond to the face amounts.

Each facility under the Senior Term 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 Senior Term 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, Arm and SoftBank Vision Fund and subject to certain other adjustments as of each cut-off date. 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 Company is also required to obtain the requisite approvals from the lenders in order to release the upstream guarantee.

The Senior Term 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 Senior Term 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 Senior Term Loan under certain conditions.

**¥83 billion (\$732 million) of Indebtedness Outstanding under Hybrid Loan as of December 31, 2017**

In November 2017, we procured a syndicated hybrid loan from several Japanese financial institutions in the principal amount of ¥84 billion (\$743 million), under which ¥83 billion (\$732 million) of indebtedness remains outstanding (measured at amortized costs pursuant to IFRS). The Hybrid Loan is an unsecured, subordinated obligation of the Company, which ranks *pari passu* with the Company's yen-denominated and dollar-denominated hybrid bonds, is subordinated to the yen-denominated subordinated bonds. The hybrid loan allows the Company an option to defer interest payments. The hybrid loan matures on November 8, 2044. The Hybrid Loan is eligible for 50% equity treatment from rating agencies (JCR and S&P), although it is recorded as a borrowing in the Company's consolidated financial statements.

**¥178.5 billion (\$1,580 million) Commitment Line**

On August 1, 2017, we renewed a commitment line agreement with several Japanese and international financial institutions for borrowings up to ¥178.5 billion (\$1,580 million) (the "Commitment Line"). As of the date of this offering memorandum, the Commitment Line was fully drawn. 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. 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.

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 Senior Term 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.

**¥776 billion (\$6,863 million) in Securitization of Receivables**

We have several continuous securitization programs of receivables of SoftBank Corp., Sprint and others. As of December 31, 2017, the balances were ¥593 billion (\$5,250 million), ¥175 billion (\$1,545 million) and ¥8 billion (\$68 million) for SoftBank Corp., Sprint and others, respectively.

Under the securitization programs, SoftBank Corp. (or the relevant subsidiary) entrusts the installment receivables to trust banks as special purpose vehicles for each program on a true-sale basis and the holders 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. (or the relevant subsidiary)

Under IFRS, however, most of these securitized receivables are still booked on our financial statements.

**\$4 billion Principal Amount Outstanding under 2024 Secured Term Loan of Sprint**

On February 3, 2017, Sprint entered into a new credit agreement for \$6.0 billion, consisting of a \$4.0 billion, seven-year secured term loan that matures in February 2024 and a \$2.0 billion secured revolving bank credit facility that expires in February 2021. As of December 31, 2017, approximately \$151 million in letters of credit were outstanding under the secured revolving bank credit facility, including the letter of credit required by the FCC's Report and Order issued in 2004 to reconfigure the 800 MHz band. As a result of the outstanding letters of credit, which directly reduce the availability of borrowings, Sprint had approximately \$1.8 billion of borrowing capacity available under the secured revolving bank credit facility as of December 31, 2017.

### ***\$3.5 billion Principal Amount of Spectrum Financing of Sprint***

In October 2016, Sprint transferred certain directly held and third-party leased spectrum licenses (collectively, the “Spectrum Portfolio”) to wholly owned bankruptcy-remote special purpose entities. The Spectrum Portfolio, which represents approximately 14% of Sprint’s total spectrum holdings on a MHz-pops basis, was used as collateral to raise an initial \$3.5 billion in senior secured notes at 3.36% per annum from external investors under a \$7.0 billion program. The notes will be repaid over a five-year term, with interest-only payments over the first four quarters and amortizing quarterly principal payments thereafter commencing in December 2017 through September 2021. We anticipate Sprint will draw down the remaining capacity under the program in the near future.

### ***¥399 billion (\$3,530 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 December 31, 2017, our securities lending totaled ¥399 billion (\$3,530 million).

### ***\$8 billion Margin Loan Facility Secured by ADS of Alibaba***

On or around March 7, 2018, a wholly-owned subsidiary of the Company (the “Borrower”) is expected to enter into a margin loan agreement (the “Margin Loan Agreement”) with lenders (collectively referred to, along with other financial institutions that may become party to the Margin Loan Agreement as lenders from time to time, the “Lenders”). The Lenders are expected to provide \$8 billion in aggregate commitments, including \$4 billion in the form of a term loan facility (the “Term Margin Loan Facility”) and \$4 billion in the form of a revolving credit facility (the “Revolving Margin Loan Facility”), each of which the Borrower expects to draw down in full on or around March 13, 2018. Loans under the Term Margin Loan Facility and the Revolving Margin Loan Facility will have a maturity of three years. The Borrower’s obligations under the Margin Loan Agreement are not guaranteed by or subject to any recourse to the Company or the Initial Note Guarantor. The loans under the Margin Loan Agreement will be secured by a combination of Alibaba American Depositary Shares (“ADS”) and cash pledged to the Lenders. In connection with the initial drawdown under the Margin Loan Agreement, we expect to pledge ADS representing approximately 6% of Alibaba’s outstanding share capital for the benefit of the Lenders.

### ***¥1,116 billion (\$9,877 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 December 31, 2017 was ¥1,116 billion (\$9,877 million) (measured at amortized costs pursuant to IFRS). Of these, (i) ¥163 billion (\$1,442 million) was borrowed by the Company, and (ii) ¥27 billion (\$243 million), ¥298 billion (\$2,642 million) and ¥628 billion (\$5,550 million) were borrowed by Brightstar, Sprint and others, respectively. These loan agreements contain terms that we believe are customary for these types of loans provided by financial institutions.



## Bonds

The table below summarizes all bonds which we have issued, outstanding as of December 31, 2017.

Bond	Interest Rate (% per annum)	Balance (billions of yen)	Balance (millions of \$)
<b>SoftBank Group Corp.</b>			
<b>Yen-denominated Senior Bonds</b>			
Institutional Bonds			
35th series Unsecured Straight Bond .....	1.66%	¥ 10	\$ 89
44th series Unsecured Straight Bond .....	1.69%	50	442
49th series Unsecured Straight Bond .....	1.94%	20	176
52nd series Unsecured Straight Bond .....	2.03%	50	441
50th series Unsecured Straight Bond .....	2.48%	30	264
<b>Subtotal</b> .....		160	1,412
Retail Bonds (Fukuoka SoftBank HAWKS bond)			
43rd series Unsecured Straight Bond .....	1.74%	400	3,536
45th series Unsecured Straight Bond .....	1.45%	299	2,646
46th series Unsecured Straight Bond .....	1.26%	398	3,525
47th series Unsecured Straight Bond .....	1.36%	98	879
48th series Unsecured Straight Bond .....	2.13%	367	3,245
51st series Unsecured Straight Bond .....	2.03%	396	3,500
<b>Subtotal</b> .....		1,958	17,331
<b>Subtotal</b> .....		2,118	18,743
<b>Foreign Currency-denominated Senior Notes</b>			
2020 USD-denominated Senior Notes .....	4.50%	279	2,472
2020 EUR-denominated Senior Notes .....	4.63%	84	742
2022 USD-denominated Senior Notes .....	5.38%	112	989
2022 EUR-denominated Senior Notes .....	4.00%	66	589
2024 USD-denominated Senior Notes .....	4.75%	151	1,333
2025 USD-denominated Senior Notes .....	6.00%	112	987
2025 EUR-denominated Senior Notes .....	3.13%	167	1,474
2025 EUR-denominated Senior Notes .....	4.75%	200	1,769
2027 USD-denominated Senior Notes .....	5.13%	223	1,975
2027 EUR-denominated Senior Notes .....	5.25%	66	589
2029 EUR-denominated Senior Notes .....	4.00%	100	884
<b>Subtotal</b> .....		1,560	13,803
<b>Yen-denominated Subordinated Bonds</b>			
1st series Unsecured Subordinated Corporate Bond .....	2.50%	396	3,502
2nd series Unsecured Subordinated Corporate Bond .....	2.50%	444	3,938
<b>Subtotal</b> .....		840	7,440
<b>Yen-denominated Subordinated Bonds with interest deferrable clause and early redeemable option</b>			
1st Unsecured Subordinated Bonds with interest deferrable clause and early redeemable option (with a subordination provision) (Hybrid Bond) .....	3.00%	55	488
3rd Unsecured Subordinated Bonds with interest deferrable clause and early redeemable option (with a subordination provision) (Hybrid Bond) .....	3.00%	393	3,475
2nd Unsecured Subordinated Bonds with interest deferrable clause and early redeemable option (with a subordination provision) (Hybrid Bond) .....	3.50%	15	135
<b>Subtotal</b> .....		463	4,098
<b>SoftBank Group Corp. Total</b> .....		4,981	44,084

Bond	Interest Rate (% per annum)	Balance (billions of yen)	Balance (millions of \$)
<b>Yahoo Japan Bonds</b>			
1st series Unsecured Straight Bond	0.04%	¥ 5	\$ 45
4th series Unsecured Straight Bond	0.07%	10	88
2nd series Unsecured Straight Bond	0.17%	15	133
5th series Unsecured Straight Bond	0.20%	25	221
3rd series Unsecured Straight Bond	0.37%	15	133
6th series Unsecured Straight Bond	0.35%	25	221
7th series Unsecured Straight Bond	0.40%	10	88
<b>Yahoo Japan total</b>		<u>105</u>	<u>929</u>
<b>Excluding Sprint Total</b>		<u>5,086</u>	<u>45,013</u>
<b>Sprint Corporation Notes</b>			
Sprint 2021 Notes	7.25%	252	2,234
Sprint 2023 Notes	7.88%	476	4,212
Sprint 2024 Notes	7.13%	280	2,476
Sprint 2025 Notes	7.63%	168	1,485
<b>Subtotal</b>		1,176	10,407
<b>Sprint Communications, Inc. Notes</b>			
Sprint Communications 2018 Guaranteed Notes	9.00%	210	1,855
Export Development Canada Facility (Tranche 3)	4.07% <sup>(1)</sup>	34	299
Sprint Communications 2020 Guaranteed Notes	7.00%	116	1,029
Sprint Communications 2020 Senior Notes	7.00%	172	1,526
Sprint Communications 2021 Senior Notes	11.50%	133	1,180
Sprint Communications 2022 Debentures	9.25%	26	224
Sprint Communications 2022 Senior Notes	6.00%	256	2,261
<b>Subtotal</b>		946	8,374
<b>Sprint Capital Corporation Notes</b>			
Sprint Capital 2019 Senior Notes	6.90%	198	1,744
Sprint Capital 2028 Senior Notes	6.88%	263	2,329
Sprint Capital 2032 Senior Notes	8.75%	241	2,127
<b>Subtotal</b>		701	6,200
<b>Sprint Total</b>		<u>2,823</u>	<u>24,981</u>
<b>Total</b>		7,909	69,994

(1) Floating interest rate. The interest rate stated is as of December 31, 2017.

The table below summarizes all bonds we have issued as of December 31, 2017 that are treated as equity pursuant to IFRS.

Bonds	Interest Rate (% per annum)	Balance (billions of yen)	Balance (millions of \$)
<b>SoftBank Group Corp.</b>			
<b>USD-denominated Perpetual Subordinated Hybrid Notes</b>			
Undated Subordinated NC6 Resettable Notes	6.000%	¥304 <sup>(1)</sup>	\$2,687 <sup>(1)</sup>
Undated Subordinated NC10 Resettable Notes	6.875%	193	1,710

(1) Carrying amount measured at amortized costs pursuant to IFRS.

The table below summarizes all bonds we have issued since December 31, 2017.

Bond	Interest Rate (% per annum)	Balance (billions of yen)	Balance (millions of \$)
<b>Sprint Corporation Notes</b>			
Sprint 2026 Notes	7.625%	¥170	\$1,500

The following table shows the scheduled redemptions for the total remaining bonds issued by the Company for the periods indicated:

<u>Fiscal year ending March 31,</u>	<u>Total Principal Amount Due<sup>(1)</sup></u>
	(billions of yen)
2018 .....	¥ 10
2019 .....	400
2020 .....	700
2021 <sup>(3)</sup> .....	474
2022 <sup>(2)</sup> .....	1,306
2023 <sup>(3)</sup> .....	562
2024 <sup>(2)(3)</sup> .....	796
2025 <sup>(3)</sup> .....	149
2026 <sup>(3)</sup> .....	491
2027 .....	30
2028 <sup>(2)(3)</sup> .....	486
2029 .....	0
2030 <sup>(3)</sup> .....	99

(1) Amounts correspond to the face amounts.

(2) In case of early redemption on the first call date of the Yen-denominated Hybrid Bonds and USD-denominated Hybrid Notes.

(3) Foreign Currency-denominated Bonds converted to JPY by each swap rate. USD-denominated Hybrid Notes converted to JPY by rate of ¥113.00 to \$1.

#### ***¥2,118 billion (\$18,743 million) of Indebtedness Outstanding under Domestic Yen-denominated Unsecured Straight Bonds***

We have issued domestic unsubordinated yen-denominated unsecured bonds (the “Yen-denominated Senior Bonds”), which are senior, unsecured obligations of the Company and rank *pari passu* with all other outstanding unsecured, unsubordinated obligations of the Company. 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.

These bonds contain terms that are customary for these types of securities issued by Japanese companies in Japan. However, we note the 43rd, 45th, 46th, 47th, 48th and 51st Yen-denominated Senior Bonds contain a financial covenant requiring that the Company’s net assets on a stand-alone basis must be at least ¥369.8 billion (\$3,273 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 December 31, 2017, the aggregate outstanding indebtedness under these bonds was ¥2,118 billion (\$18,743 million) (measured at amortized costs pursuant to IFRS).

#### ***¥1,560 billion (\$13,803 million) of Indebtedness Outstanding under Foreign Currency-denominated Unsecured Senior Notes***

We have issued foreign currency-denominated senior notes (the “Foreign Currency-denominated Bonds”), which are senior, unsecured obligations of the Company and rank *pari passu* with all other outstanding unsecured, unsubordinated obligations of the Company. 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.

The Foreign Currency-denominated Bonds contain restrictive covenants that limit our ability to, among other things: (i) incur secured indebtedness, (ii) guarantee the indebtedness of non-guarantor subsidiaries and other non-subsidiary affiliates and (iii) use proceeds from asset sales to make restricted payments in the event that aggregate restricted payments exceed specified amounts ranging from \$15 billion to \$20 billion since the original issuance date of the relevant Foreign Currency-denominated Bonds.

The Foreign Currency-denominated Bonds provide that the Company may release the guarantee of such bonds provided by SoftBank Corp. under certain circumstances. With respect to the 2013 Notes and 2015 Notes, such release requires, among other conditions, that (i) SoftBank Corp. not guarantee any other indebtedness of the Company at the time of such release and (ii) that such Notes be rated “investment grade” at the time of such release, as defined in the terms of such bonds. With respect to the 2017 Notes, such release requires, among other conditions, that SoftBank Corp. not guarantee any other indebtedness of the Company at the time of such release.

Upon the occurrence of a change of control triggering event, the Company would be required to make an offer to repurchase all outstanding Foreign Currency-denominated Bonds at a purchase price equal to 100% of their principal amount *plus* any accrued and unpaid interest.

The Foreign Currency-denominated Bonds 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.

Concurrently with the offering of the Notes, the Company is conducting the Exchange Offer and Consent Solicitation with respect to the outstanding 2015 Notes. Pursuant to the Exchange Offer, the Company expects to issue \$ \_\_\_\_\_ in aggregate principal amount of Dollar Exchange Notes in exchange for Existing Dollar Notes and € \_\_\_\_\_ in aggregate principal amount of Euro Exchange Notes in exchange for Existing Euro Notes. Any Exchange Notes issued will have the same terms and form a single class with the corresponding tranche of Notes offered hereby. In connection with the Exchange Offer and Consent Solicitation, the Company is seeking consents to amend the covenants of any remaining outstanding 2015 Notes to conform such covenants to those governing the 2017 Notes and the Notes offered hereby.

***¥840 billion (\$7,440 million) of Indebtedness Outstanding under Domestic Yen-denominated Unsecured Subordinated Bonds***

We have issued domestic yen-denominated unsecured subordinated bonds (the “Domestic 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 Domestic Subordinated Bonds. The Domestic Subordinated Bonds are not guaranteed by SoftBank Corp.

As of December 31, 2017, the aggregate outstanding indebtedness under these Domestic Subordinated Bonds was ¥840 billion (\$7,440 million) (measured at amortized costs pursuant to IFRS).

***¥463 billion (\$4,098 million) of Indebtedness Outstanding under Domestic Yen-denominated Unsecured Hybrid Bonds with Interest Deferral and Early Redemption Clauses***

In September 2016, we issued three series of unsecured subordinated bonds with interest deferral and early redemption clauses, with two series due 2041 and one series due 2043 (the “Yen-denominated Hybrid Bonds”). The Yen-denominated Hybrid Bonds are subordinated to all existing and future debt, including the Domestic Subordinated Bonds, except for debt equal or subordinated to the Yen-denominated Hybrid Bonds.

As of December 31, 2017, the aggregate outstanding indebtedness under these Yen-denominated Hybrid Bonds was ¥463 billion (\$4,098 million) (measured at amortized costs pursuant to IFRS). The Yen-denominated Hybrid Bonds have been assigned 50% equity credit from both S&P and JCR.

***¥497 billion (\$4,397 million) of Indebtedness Outstanding under USD-denominated Perpetual Subordinated Hybrid Notes***

On July 19, 2017, we issued the Hybrid Notes, which consisted of \$2.75 billion in USD-denominated Undated Subordinated NC6 Resettable Notes and \$1.75 billion in USD-denominated Undated Subordinated NC10 Resettable Notes. The Hybrid Notes are classified as equity instruments in accordance with IFRS because we have the option to defer interest payments, they have no maturity date, their payment priority in the event of bankruptcy is subordinated to senior indebtedness, and other factors. They will be recorded as equity in the Company’s consolidated financial statements. The Hybrid Notes have been assigned 50% equity credit from both S&P and JCR.

***¥2,823 billion (\$24,981 million) of Indebtedness Outstanding under Senior Notes issued by Sprint and Its Subsidiaries***

As of December 31, 2017, Sprint’s outstanding notes consisted of senior notes and guaranteed notes, all of which are unsecured, as well as secured senior notes associated with Sprint’s spectrum financing transaction and secured senior notes issued by Sprint Communications. Cash interest on all of the notes is generally payable semi-annually in arrears with the exception of the spectrum financing senior secured notes, for which interest is payable quarterly. As of December 31, 2017, \$27.6 billion aggregate principal amount of the notes was redeemable at the Sprint’s discretion at the then-applicable redemption prices *plus* accrued interest.

As of December 31, 2017, approximately \$21.4 billion aggregate principal amount of Sprint’s senior notes and guaranteed 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.

On December 1, 2017 Clearwire Communications LLC exchangeable notes were retired pursuant to the terms of the indenture which provided that the notes could be tendered at the holder's option or called at Sprint's option on or after that date in each case for 100% of the par value plus accrued interest.

On February 22, 2018, Sprint sold ¥170 billion (\$1,500 million) in senior unsecured notes, due March 1, 2026. The notes have a coupon rate of 7.625% per annum. Sprint expects to use the proceeds of the issuance of the notes for general corporate purposes.

## Leases

The table below shows our finance leases and the future minimum lease payments related to non-cancelable operating leases as of December 31, 2017.

	<u>As of December 31, 2017</u>	
	(billions of yen and millions of dollars)	
Finance leases . . . . .	¥1,242	\$10,989
Future minimum lease payments related to non-cancelable operating leases . .	2,506	22,179

### **¥1,242 billion (\$10,989 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 ¥1,099 billion (\$9,722 million), or approximately 88%, of all of our finance leases.

As of December 31, 2017, we had outstanding finance leases totaling ¥1,242 billion (\$10,989 million).

### **Operating Leases**

The future minimum lease payments as of December 31, 2017 related to non-cancelable operating leases are ¥2,506 billion (\$22,179 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 \$ \_\_\_\_\_ aggregate principal amount of its % Senior Notes due 2028 denominated in U.S. dollars (the “*New Dollar Notes*”) and € \_\_\_\_\_ aggregate principal amount of its % Senior Notes due 2028 denominated in euro (the “*New Euro Notes*”) and, together with the New Dollar Notes, the “*New 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*”), The Bank of New York Mellon, London Branch, as trustee (the “*Trustee*”) and as paying agent, and The Bank of New York Mellon SA/NV, Luxembourg Branch, 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 Company is concurrently conducting the Exchange Offer and Consent Solicitation with respect for its outstanding 2015 Notes. Pursuant to the Exchange Offer, the Company expects to issue up to \$ \_\_\_\_\_ in aggregate principal amount of its % Senior Notes due 2028 denominated in U.S. dollars in exchange for Existing Dollar Notes (the “*Exchange Dollar Notes*”) and together with the New Dollar Notes, the “*Dollar Notes*”) and up to € \_\_\_\_\_ in aggregate principal amount of its % Senior Notes due 2028 denominated in euro in exchange for Existing Euro Notes (the “*Exchange Euro Notes*”) and together with the New Euro Notes, the “*Euro Notes*”) and, together with the Dollar Notes, the “*Notes*”).

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 for inspection at the corporate trust office of the Trustee at One Canada Square, London, E14 5AL, 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 Senior Term Loan, the Existing Senior Notes, any drawings under the Commitment Line 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 (including the Hybrid Loan, the Company’s subordinated yen-denominated bonds and the Hybrid Notes); 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, lease obligations or other obligations and any trade payables of any Subsidiary of the Company that does not Guarantee the Notes (including the substantial financial liabilities outstanding under the corporate bonds issued, and loan facilities utilized, by Sprint and West Raptor Holdings, LLC’s obligations under the variable prepaid forward contract in respect of certain shares in the Alibaba Group); 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 Senior Term Loan, the Existing Senior Notes, any drawings under the Commitment Line 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 existing and future Indebtedness, lease obligations or other obligations and any trade payables of all Subsidiaries of the Company (the “*Non-Guarantor Subsidiaries*”) that do not Guarantee the Notes (including the substantial financial liabilities outstanding under the corporate bonds issued, and loan facilities utilized, by Sprint and West Raptor Holdings, LLC’s obligations under the variable prepaid forward contract in respect of certain shares in the Alibaba Group). 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 \$ \_\_\_\_\_ in aggregate principal amount of Dollar Notes and € \_\_\_\_\_ in aggregate principal amount of Euro Notes in this offering. Pursuant to the Exchange Offer, the Company expects to issue \$ \_\_\_\_\_ in aggregate principal amount of Exchange Dollar Notes and € \_\_\_\_\_ in aggregate principal amount of Exchange Euro Notes. The Company may issue additional Dollar Notes (“*Additional Dollar Notes*”) or additional Euro Notes (“*Additional Euro Notes*”, together with the Additional Dollar 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 Dollar Notes will mature on April 15, 2028 and the Euro Notes will mature on April 15, 2028.

Interest on the Dollar Notes will accrue at the rate of \_\_\_\_\_ % per annum and interest on the Euro Notes will accrue at the rate of \_\_\_\_\_ % per annum, in each case, will be payable semi-annually in arrears on April 15 and October 15 in each year, commencing on October 15, 2018.

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 the Paying Agent; *provided* that all such payments shall be made by a wire transfer of immediately available funds to the account specified by the common depository 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. The Bank of New York Mellon, 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.

The Bank of New York Mellon SA/NV, Luxembourg Branch will initially act as Registrar (the “*Registrar*”).

The Bank of New York Mellon SA/NV, Luxembourg Branch will initially act as a transfer agent in Luxembourg. The Company may change the Paying Agent, the Transfer 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, transfer agent or registrar.

## Transfer and Exchange

A holder may transfer or exchange Notes in accordance with the provisions of the Indenture. The 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 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 with respect to 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 from 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 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);



- (6) 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”);
- (7) 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 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);
- (8) any Taxes that are imposed under FATCA; or
- (9) any combination of items (1) through (8) 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 Agent, 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 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.

## **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, the Notes will be selected for redemption as follows: (i) if the Notes are listed on any securities exchange and/or being held through the clearing systems, in compliance with the requirements of the securities exchange on which the Notes are then listed, or the requirements of the clearing systems, as applicable; or (ii) if the Notes are not listed on any securities exchange and/or held through the clearing systems, on a *pro rata* basis or by lot or such other method as the Trustee may determine in its sole and absolute discretion, unless otherwise required by law.

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 Trustee and the Agents shall not be obliged to take any steps to ascertain whether a Change of Control has occurred or to monitor the occurrence of any Change of Control, and shall not be liable to the holders of the Notes or any other person for not doing so.

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 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 Paying Agent 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 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 10 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 (i) any Capital Stock of, or other Equity Interests or securities issued by, any member of the Alibaba Group; (ii) interests in SoftBank Vision Fund L.P. or any portfolio assets thereof; or (iii) any investment assets controlled by the Company or a Subsidiary of the Company in its capacity as general partner of any fund or interests in any such fund, in each case, 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 other 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***

None of the Company or any Note Guarantor will 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***

None of the Company or any Note Guarantor will 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 the greater of ¥800 billion or 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 such 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 any Existing Senior Notes outstanding at such time will be released in accordance with the relevant Existing Senior Notes Indentures substantially concurrently with the release of its Note Guarantee and (b) that, upon the release of such Note Guarantor’s Guarantee of any outstanding Existing Senior Notes and the Note Guarantee, such Note Guarantor will no longer Guarantee any Indebtedness of the Company or any 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*.”

#### ***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 \$20.0 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) 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, and *provided, further*, that no such certificate and opinion of counsel shall be required in connection with (i) the Company consolidating with, merging into or selling, assigning, transferring, leasing, conveying or otherwise disposing of all or part of its properties and assets to any Subsidiary that is not an Excluded Subsidiary, or (ii) the Company consolidating or otherwise combining with or merging into an Affiliate incorporated or organized for the purpose of changing its legal domicile, reincorporating in another jurisdiction or changing its legal form.

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.

#### ***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) 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 (a) any Capital Stock of, or other Equity Interests or securities issued by, any member of the Alibaba Group, (b) interests in SoftBank Vision Fund L.P. or any portfolio assets thereof or (c) any investment assets controlled by the Company or its Subsidiary in its capacity as general partner of any fund or interests in any such fund 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, as applicable.

### ***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 reinstated 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 in writing 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 or paid 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 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 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 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 (i) Indebtedness for money borrowed by the Company or any Note Guarantor or (ii) Guarantee by the Company or any Note Guarantor of Indebtedness for money borrowed by another Person, 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 or Guarantee prior to the expiration of the grace period provided in such Indebtedness or Guarantee on the date of such default (a “*Payment Default*”); or
  - (b) results in the acceleration prior to the Stated Maturity of such Indebtedness or of such indebtedness guaranteed by the Company or a Note Guarantor,
 and, in each case, the principal amount of any such Indebtedness or principal amount in respect of such Guarantee, together with the principal amount of any other such Indebtedness and principal amount in respect of any other such Guarantee 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 (which may only be rescinded or waived by the holders of not less than 90% in aggregate principal amount of the then outstanding Notes of the relevant series or the Notes as a whole, as applicable).

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) 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;
- (3) 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;
- (4) 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;
- (5) 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
- (6) 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 Dollar Notes or the Euro Notes, then only the consent of the holders of at least a majority in principal amount of the then outstanding Dollar Notes or the Euro Notes (including, without limitation, any Additional Dollar Notes or any Additional 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 Dollar Notes or the Euro Notes, then holders of Dollar Notes or Euro Notes holding not less than 90% of the then outstanding aggregate principal amount of the Dollar Notes or the 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 conclusively 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 Paying Agent for cancellation; or
  - (b) all Notes that have not been delivered to the Paying Agent 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 Paying Agent 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 Cogency Global Inc. 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.



“2015 Senior Notes” means the Company’s (i) \$1,000,000,000 6% Senior Notes due 2025; (ii) \$1,000,000,000 5<sup>3</sup>/<sub>8</sub>% Senior Notes due 2022; (iii) €500,000,000 5<sup>1</sup>/<sub>4</sub>% Senior Notes due 2027; (iv) €1,250,000,000 4<sup>3</sup>/<sub>4</sub>% Senior Notes due 2025; and (v) €500,000,000 4% Senior Notes due 2022, in each case, issued under the 2015 Senior Notes Indenture.

“2017 Senior Notes” means the Company’s (i) \$1,350,000,000 4<sup>3</sup>/<sub>4</sub>% Senior Notes due 2024; (ii) \$2,000,000,000 5<sup>1</sup>/<sub>8</sub>% Senior Notes due 2027; (iii) €1,500,000,000 3<sup>1</sup>/<sub>8</sub>% Senior Notes due 2025 and (iv) €750,000,000 4% Senior Notes due 2029, in each case, issued under the 2017 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.

“2015 Senior Notes Indenture” means that certain indenture, dated as of July 28, 2015 and as amended or waived from time to time, by and between, among others, the Company and SoftBank Corp., as guarantor, Deutsche Trustee Company Limited, as trustee, Deutsche Bank AG, London Branch, as principal paying agent and Deutsche Bank Luxembourg S.A., as transfer agent and registrar.

“2017 Senior Notes Indenture” means that certain indenture, dated as of September 19, 2017 and as amended or waived from time to time, by and between, among others, the Company and SoftBank Corp., as guarantor, The Bank of New York Mellon, London Branch, as trustee and paying agent and The Bank of New York Mellon SA/NV, Luxembourg Branch, as 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 dateplus
  - 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
  - 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—Distributions 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;
- (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; or
- (16) any sale or disposition of interests in the SoftBank Vision Fund or of portfolio assets of the SoftBank Vision Fund; *provided* that Restricted Payments with Fund Asset Proceeds and Fund Interest Proceeds will only be permitted (a) to the extent made pursuant to clauses (1) or (2) of the first paragraph of the covenant described under “—*Certain Covenants—Distributions of Proceeds of Asset Sales*”; (b) to the extent the amount of such Restricted Payment, individually or when aggregated with all other Restricted Payments made since the Issue Date with Net Proceeds from Asset Sales exempted from the provisions of the covenant “—*Certain Covenants—Distributions of Proceeds of Asset Sales*” pursuant to this subclause (b), does not exceed the SoftBank Vision Fund Original Commitment; or (c) to the extent made with Fund Asset Disposal Gains (or any combination of the foregoing).

“*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; 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, in one or a series of related transactions (other than by way of merger or consolidation), 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; *provided* that, 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 (a) any Capital Stock of, or other Equity Interests or securities issued by, any member of the Alibaba Group, (b) interests in SoftBank Vision Fund L.P. or any portfolio assets thereof or (c) any investment assets controlled by the Company or its Subsidiary in its capacity as general partner of any fund or interests in any such fund will not be deemed to be a Change of Control;
- (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 more than 50.0% of the Voting Stock of the Company (or its Successor Entity), measured by voting power rather than number of shares; *provided* that a transaction in which the Company becomes a Subsidiary of another Person shall not, subject to the Company surviving, constitute a Change of Control where (x) the shares of Voting Stock of the Company 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 which the Company is a Subsidiary immediately following such transaction and (y) immediately following such transaction:
  - 1) no Person other than the Permitted Holders or such other Person Beneficially Owns, directly or indirectly, more than 50.0% of the Voting Stock of the Company (or its Successor Entity), and
  - 2) no Person other than the Permitted Holders Beneficially Owns, directly or indirectly, more than 50.0% of the Voting Stock of such other Person.

"*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; *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 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, by merger or otherwise, will have made an investment in any Person that thereby becomes a Subsidiary, 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 or was merged with or into the Company or any Subsidiary 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 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 on a consolidated basis less (b) the aggregate amount of cash and Cash Equivalents of the Company and its Subsidiaries 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.

“*Designated Project Finance Indebtedness*” means Indebtedness incurred by a Person other than the Company or a Note Guarantor in an aggregate principal amount not to exceed \$2.0 billion; *provided* that such Indebtedness (i) is incurred with respect to the ownership, acquisition, construction, development, operation and/or improvement of tangible assets related to renewable energy projects; and (ii) allows for no greater recourse to the Company or any Note Guarantor for the payment of any sum relating to such Indebtedness than would, in the good faith determination of the Company, be customary for financings of a similar nature in the jurisdiction where such assets are located.

“*Designated Satellite Capacity Offtake Obligations*” means all conditional purchase obligations of the Company or a Note Guarantor relating to commitments between the Company or a Subsidiary of the Company to offtake, purchase or otherwise acquire satellite communication service capacity from the OneWeb Group in an aggregate amount not to exceed the aggregate amount of such commitments currently provided for pursuant to agreements between the Company and OneWeb Group in effect as of the date of this offering memorandum as described in this offering memorandum under “*Business—Strategically Important Companies—Other Strategically Important Associates and Investees.*”

“*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.

“*Existing Senior Notes*” means the 2013 Senior Notes, the 2015 Senior Notes and the 2017 Senior Notes.

“*Existing Senior Notes Indentures*” means the 2013 Senior Notes Indenture, the 2015 Senior Notes Indenture and the 2017 Senior Notes Indenture.

“*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.

“*Fund Asset Disposal Gains*” means the portion of any Fund Asset Proceeds that are distributed as a Restricted Payment pursuant to the covenant described under “—*Certain Covenants—Distribution of Proceeds of Asset Sales*,” corresponding to the excess of such Fund Asset Proceeds over the aggregate cash investment (or, with respect to portfolio assets originally contributed in kind to the SoftBank Vision Fund, the deemed value of such assets under the terms of such contribution) made by the SoftBank Vision Fund in the portfolio asset that has been disposed of, including initial cost of acquisition and any subsequent capital contributions.

“*Fund Asset Proceeds*” means the Net Proceeds (other than distributed or otherwise paid to the Company and its Subsidiaries) arising from a sale or disposition of portfolio assets by the SoftBank Vision Fund.

“*Fund Interest Proceeds*” means the Net Proceeds from any sale or disposition of interests held by the Company or its Subsidiaries in the SoftBank Vision Fund.

“*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. Notwithstanding the foregoing, the impact of IFRS 16 (Leases) and any successor standard thereto (or any equivalent measure under JGAAP or US GAAP) shall be disregarded with respect to all ratios, calculations and determinations based upon IFRS to be calculated or made, as the case may be, pursuant to the Indenture and (without limitation) any lease, concession or license of property that would be considered an operating lease under IFRS (or, as applicable, JGAAP or US GAAP) as of the Issue Date shall be accounted for in accordance with IFRS (or, as applicable, JGAAP or US GAAP) as in effect on the Issue Date.

“*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. When used as a verb, to “Guarantee” shall mean to provide a Guarantee.

“*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.

“*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.

“*OneWeb Group*” means WorldVu Satellite Limited and its affiliates.

“*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;
- (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; or
- (7) Liens on Capital Stock of, or other Equity Interests or securities issued by, any Person that incurs Project Finance Indebtedness or Designated Project Finance Indebtedness, and shareholder loans made to such Person, securing such Project Finance Indebtedness or such Designated Project Finance Indebtedness, as applicable; *provided* that such Person has been established specifically for the purpose of ownership, acquisition, construction, development, operation and/or improvement of the relevant tangible assets and such Person owns no other significant assets and carries on no other business.

*"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"*) other than the Company or a Note Guarantor for the purpose of financing the ownership, acquisition, construction, development, operation and/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 or any Subsidiary of such Debtor for amounts limited to such assets and/or the cash flows from such assets;
- (2) recourse to such Debtor generally, or to the Company or any Subsidiary of the Company or any joint venture in which the Company or any its Subsidiaries participate (as applicable, the *"Sponsor"*), which recourse is limited to a claim for damages (other than liquidated damages and damages required to be calculated in a specific way) 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 Sponsor or for gross negligence, wilful misconduct or fraud by such Debtor or Sponsor or similar cause on such Debtor's or Sponsor'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 or any part of the assets and undertakings of such Debtor and the shares in the capital of such Debtor and shareholder loans made to such Debtor;
- (4) recourse to the Sponsor pursuant to any form of assurance, undertaking or support, including 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 Support Agreement*"); *provided* that such Sponsor Support Agreement (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;
- (5) recourse to the Company or any Note Guarantor pursuant to any form of assurance, undertaking or support, including 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 Support Agreement 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 Support Agreement) 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 Support Agreement (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;
- (6) recourse to the Company or any Note Guarantor or any Sponsor pursuant to or in respect of an equity contribution undertaking or similar arrangement providing for the injection of capital or similar support by the Company or such Note Guarantor or Sponsor to facilitate the achievement of designated milestones (or contingent upon the failure to achieve such milestones) with respect to the tangible assets in respect of which the Project Finance Indebtedness is incurred; *provided* that such undertaking or arrangement (i) does not expressly provide for legal recourse to the Company or such Note Guarantor or Sponsor beyond seeking specific performance or damages in respect of obligations of the Company or such Note Guarantor or Sponsor to make such equity contribution 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 or Sponsor's side, and (ii) does not expressly obligate the Company or such Note Guarantor or 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; and/or
- (7) recourse under any guarantee and/or indemnity of such Indebtedness for completion of construction or development of an asset; *provided* that in any case the guarantee and/or indemnity is or is intended to be released or discharged if completion of the relevant construction or development occurs in accordance with the terms governing such Indebtedness and/or the guarantee and/or indemnity and/or any agreement relating thereto; *provided* that such guarantee and/or indemnity (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 complete construction or development of the relevant assets 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.

“*SoftBank Vision Fund*” means (i) SoftBank Vision Fund L.P. and each associated investment vehicle, the general partner, advisor or manager of which is a Subsidiary of the Company (including SoftBank Vision Fund (AIV M1) L.P., SoftBank Vision Fund (AIV M2) L.P., and SoftBank Vision Fund (AIV S1) L.P.), each associated general partner of the aforementioned limited partnerships, and each Subsidiary of the Company acting in an advisory capacity to the foregoing entities (including SB Investment Advisers (UK) Limited), collectively with such aggregate capital contribution committed by the Company not to exceed the SoftBank Vision Fund Original Commitment, and (ii) any successor funds to the foregoing to the extent capitalized with respect to any capital contribution made by the Company with the proceeds of liquidation of the foregoing funds or the rollover of investment portfolio assets therefrom, in each case, other than from Fund Asset Disposal Gains (and any successor fund to a fund as described in this clause (ii)).

“*SoftBank Vision Fund Original Commitment*” means the aggregate capital contribution amount committed by the Company as described in this offering memorandum under the heading “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Cash and Capital Requirements—Commitment to the SVF.*”

“*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 guarantees, sponsor support agreements or *keiei shido nensho* and other agreements, in each case as specified in clauses (1) to (7) of the definition of “Project Finance Indebtedness”) 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;
- (3) Guarantees with respect to Designated Satellite Capacity Offtake Agreements;
- (4) Guarantees with respect to Designated Project Finance Indebtedness; and
- (5) 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 Dollar Notes (the “Dollar Global Notes”), and the Global Notes representing the 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 paying agent. The paying agent will, in turn, make such payments to the common depository 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, the Trustee and the Agents (as defined in the Indenture) 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 nor any Agent nor 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 or the Agents 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 Redemption Gains (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 28 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 Redemption Gains**

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 15.315% 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 acquisition cost of the New Notes 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 “Redemption Gains”) 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 Redemption Gains.

### **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.

## 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 *minus* 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.

The Initial Purchasers are only acting for the Company and the Note Guarantor in connection with the transaction referred to in this offering memorandum and no one else and will not be responsible to anyone other than the Company and the Note Guarantor for providing the protections offered to clients of the Initial Purchasers nor for providing advice in relation to the transaction, this document or any arrangement or other matter referred to herein.

### **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 45 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; (ii) any equity-linked securities; (iii) any securities classified as equity under IFRS; or (iv) the Exchange Notes.

### **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 and quotation 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 seventh business day following the date of pricing of the Notes (this settlement cycle being referred to as "T+7").

### **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 from time to time performed, and may in the future perform, various investment banking, financial advisory, commercial banking, agency and trustee and other commercial services for us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these services. Some of the Initial Purchasers and their respective affiliates are lenders under the Senior Term Loan, expect to be lenders under the Margin Loan Agreement, have made loans to certain of our affiliates and have entered into various hedging arrangements with us or our affiliates.

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.

### **MiFID II Product Governance / Professional Investors and ECPs Only Target Market**

Solely for the purposes of each of the Company, the Note Guarantor and the Initial Purchasers' (each a "Manufacturer") product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. The target market and distribution channel(s) may vary in relation to sales outside the EEA in light of local regulatory regimes in force in the relevant jurisdiction. Any person subsequently offering, selling or recommending the Notes (a "Distributor") should take into consideration the Manufacturers' target market assessment; however, a Distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

### **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 the related Note Guarantees, 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 and the related Note Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or jurisdiction of the United States, and may not be offered, sold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The offering of the Notes and the related Note Guarantees are not being made to any U.S. person (as defined in Regulation S) or within the United States, other than pursuant to offshore transactions with non-U.S. persons conducted in accordance with Regulation S. Accordingly, the Notes and the related Note Guarantees are only being offered and sold to non-U.S. persons outside the United States or certain dealers or other professional fiduciaries in the United States acting only on a discretionary basis for the benefit or account of non-U.S. persons located outside the United States in each case, in offshore transactions conducted in reliance on Regulation S under the Securities Act.

### ***PRIIPS Regulation / Prohibition of Sales to EEA Retail Investors***

The Notes and the related Note Guarantees have not been and will not be registered under the laws of any member state of the EEA. The offering of the Notes and related Note Guarantees is being made, and the Notes and the related Note Guarantees are being offered and issued, only to persons other than retail investors in the EEA, each defined as a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. No key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared. Offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

### ***Bahrain***

This offering memorandum does not constitute an offer of securities in the Kingdom of 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 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 the Kingdom of Bahrain, other than to ‘accredited investors’, as such term is defined by the CBB.

The CBB has not reviewed, approved or registered this offering memorandum or any 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 the Kingdom of 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 the Kingdom of 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.

### ***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 (Chapter 32 of the Laws of Hong Kong), (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Chapter 571 of the 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 (Chapter 32 of the 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 (Chapter 571 of the Laws of Hong Kong) and any rules made thereunder.

## **Italy**

This offering memorandum has not been registered with the CONSOB pursuant to Italian securities legislation and, accordingly, does not constitute an offer of securities and cannot be distributed to the public nor may copies of this document or of any other document relating to the offering of the Notes and the related Note Guarantees be distributed in Italy, except where an express exemption from compliance with the restrictions on offers to the public applies, as provided under Article 100 of the Financial Services Act and Article 34-ter of CONSOB Regulation No. 11971 of May 14, 1999.

Moreover, and subject to the foregoing, any offer or delivery of the Notes and the related Note Guarantees or distribution of copies of this offering memorandum or any other document relating to this offering in Italy under (i) or (ii) above must be and will be effected in accordance with all Italian securities, tax, exchange control and other applicable laws and regulations, and, in particular, will be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018, as amended from time to time, and Legislative Decree No. 385 of 1 September 1993, as amended from time to time (the “Banking Act”);
- (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy request information on the issue or the offer of securities in Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by the Bank of Italy, CONSOB or other Italian authority.

Each Initial Purchaser receiving the Notes in this offering is solely responsible for ensuring that any offer or resale of the Notes it received in this offering occurs in compliance with applicable Italian laws and regulations.

## **France**

This offering memorandum has not been prepared and is not being distributed in the context of a public offering of financial securities in France (*offre au public de titres financiers*) within the meaning of Article L. 411 1 of the French Code *monétaire et financier* and Title I of Book II of the *Règlement général* of the AMF. Consequently, the Notes and the related Note Guarantees may not be, directly or indirectly, offered or sold to the public in France, and neither this offering memorandum nor any offering or marketing materials relating to the Notes and the related Note Guarantees may be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in France.

The Notes and the related Note Guarantees may only be offered or sold in France to qualified investors (*investisseurs qualifiés*) acting for their own account and/or to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*), all as defined in and in accordance with Articles L. 411 1, L. 411 2, D. 411 1, D. 744 1, D. 754 1 and D. 764 1 of the French Code *monétaire et financier* and applicable regulations thereunder.

Prospective investors are informed that:

- (i) this offering memorandum has not been and will not be submitted for clearance to the AMF;
- (ii) in compliance with Articles L. 411 2, D. 411 1, D. 744 1, D. 754 1 and D. 764 1 of the French Code *monétaire et financier*, any qualified investors subscribing for the Notes should be acting for their own account; and
- (iii) the direct and indirect distribution or sale to the public of the Notes and the related Note Guarantees acquired by them may only be made in compliance with Articles L. 411 1, L. 411 2, L. 412 1 and L. 621 8 through L. 621 8 3 of the French Code *monétaire et financier*.

## **Belgium**

This offering memorandum relates to a private placement of the Notes and the related Note Guarantees and does not constitute an offer or solicitation to the public in Belgium to subscribe for or acquire the Notes and the related Note Guarantees. This offering of the Notes and the related Note Guarantees has not been and will not be notified to, and this offering memorandum has not been, and will not be, approved by the Belgian Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten/Autorité des Services et*



*Marchés Financiers*) pursuant to the Belgian laws and regulations applicable to the public offering of investment instruments. Accordingly, this offering of the Notes and the related Note Guarantees, as well as any other materials relating to the offering may not be advertised, the Notes and the related Note Guarantees may not be offered or sold, and this offering memorandum or any other information circular, brochure or similar document may not be distributed, directly or indirectly, (i) to any person located and/or resident in Belgium other than a “qualified investor” within the meaning of Article 10 of the Prospectus Act or (ii) to any person qualifying as a consumer (*consument/ consommateur*) within the meaning of Book VI of the Belgian Code of Economic Law (*Wetboek economisch recht/Code de droit économique*) of February 28, 2013, as amended from time to time. This offering memorandum has been issued to the intended recipient for personal use only and exclusively for the purpose of the offer. Therefore it may not be used for any other purpose, nor passed on to any other person in Belgium. Any resale of the Notes in Belgium may only be made in accordance with the Prospectus Act and other applicable laws.

### ***Norway***

This offering memorandum has not been and will not be filed with or approved by the Norwegian Financial Supervisory Authority, the Oslo Stock Exchange or any regulatory authority in Norway. The Notes and the related Note Guarantees have not been offered or sold and may not be offered, sold or delivered, directly or indirectly, in Norway, unless in compliance with Chapter 7 of the Securities Trading Act. Accordingly, this offering memorandum may not be made available nor may the Notes and the related Note Guarantees otherwise be marketed and offered for sale in Norway other than in circumstances that are deemed not to be a marketing of an offer to the public in Norway in accordance with the Securities Trading Act.

### ***Saudi Arabia***

This offering memorandum may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under 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 and the related Note Guarantees should conduct their own due diligence on the accuracy of the information relating to the Notes and the related Note Guarantees. If a prospective purchaser does not understand the contents of this offering memorandum, he or she should consult an authorized financial advisor.

### ***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 a natural person having his/her place of domicile or residence in Japan, a legal person having its main office in Japan or any branch, agency or other office in Japan of a non-resident (irrespective of whether it is legally authorized to represent its principal or not and even if its main office is located in a country other than 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 28 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.

### ***Singapore***

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum or any document or material in connection with

the offer or sale, or invitation for subscription or purchase, of the Notes and the related Note Guarantees may not be circulated or distributed, nor may the Notes and the related Note Guarantees 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 (ii) to a relevant person pursuant to Section 275(1), or to any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the Securities and Futures Act, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Where the Notes and the related Note Guarantees are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) 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 Securities and Futures Act) 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 and the related Note Guarantees pursuant to an offer made under Section 275 of the Securities and Futures Act except:

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

### ***Switzerland***

The Notes and the related Note Guarantees are being offered in Switzerland on the basis of a private placement only. This offering memorandum does not constitute a prospectus within the meaning of Art. 652A of the Swiss Federal Code of Obligations.

### ***United Kingdom***

The communication of this offering memorandum and any other documents or materials relating to this offering of the Notes and the related Note Guarantees is not being made and such documents and/or materials have not been approved by an authorized person for the purposes of section 21 of the Financial Services and Markets Act 2000. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. Such documents are only directed at and are only for circulation to (i) persons within the United Kingdom falling within the definition of Investment Professional (as defined in Article 19(5) of the the Order, (ii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"), or (iii) persons falling within Article 43 of the Order, or other persons to whom it may lawfully be communicated in accordance with the Order.

Insofar as the communication in this offering memorandum and such documents and/or materials is made to or directed at relevant persons, any investment or investment activity to which it relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

### ***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 the State of Qatar and has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority or the Qatar Central Bank. The Notes are not and will not be traded on the Qatar Exchange.

## ***Australia***

Neither this offering memorandum nor any disclosure document (as defined in the Corporations Act 2001 of the Commonwealth of Australia (the “Australian Corporations Act”)) in relation to the Notes has been or will be lodged with ASIC or ASX Limited or the ASX and the Notes and the related Note Guarantees may not be offered for sale, nor may applications for the issue, sale, purchase or subscription of any Notes or Note Guarantees be invited, in, to or from Australia (including an offer or invitation which is received by a person in Australia) and neither this offering memorandum nor any advertisement or other offering material relating to the Notes may be distributed or published in Australia unless:

- i. (A) the aggregate consideration payable by each offeree or invitee for the Notes is at least AU\$500,000 (or its equivalent in other currencies) (disregarding moneys lent by the offeror or its associates); or (B) the offer otherwise does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Australian Corporations Act;
- ii. the offer or invitation is not made to a person who is a “retail client” within the meaning of section 761G of the Australian Corporations Act;
- iii. such action complies with all applicable laws, regulations or directives in Australia; and
- iv. such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

This offering memorandum was prepared for “wholesale clients” only within the meaning of section 761G of the Australian Corporations Act. This offering memorandum is not directed at persons who are “retail clients” as defined in the Australian Corporations Act.

## ***Other Jurisdictions***

The distribution of this offering memorandum 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.

The Notes may be sold only to purchasers in the provinces of Canada purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

## 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 in 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 REGULATION S 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 REGULATION S 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.
- (13) You are not a “retail investor” as defined as either (i) a retail client as defined in point (11) of Article 4(1) of MiFID II, or (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

## **LEGAL MATTERS**

Certain legal matters in connection with the offering of the Notes will be passed upon for us by Morrison & Foerster LLP, with respect to matters of English, 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 AUDITOR**

The consolidated financial statements of the Company as of and for the fiscal year ended March 31, 2017 with the corresponding figures presented as comparative information as of and for the fiscal year ended March 31, 2016 and, as of and for the fiscal year ended March 31, 2016 with the corresponding figures presented as comparative information as of and for the fiscal year ended March 31, 2015 included in this offering memorandum have been audited by Deloitte Touche Tohmatsu LLC, independent auditor as stated in its reports appearing herein.

The unaudited condensed interim consolidated financial statements as of and for the nine months ended December 31, 2017 with the corresponding figures presented as comparative information for the nine months ended December 31, 2016 included in this offering memorandum have been subjected to quarterly review procedures by Deloitte Touche Tohmatsu LLC.

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## GLOSSARY

5G .....	Fifth generation wireless broadband technology, based on the IEEE 802.11ac standard.
asymmetric digital subscriber line (or 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 (or 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.
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.
churn .....	The number of customers who terminate their service in any particular period.
churn rate .....	In our Domestic Telecommunications segment, churn rate is a measure that tracks customer retention by showing the percentage of subscribers who terminate their service (“churn”) relative to the total mobile main subscriber base for a given period (excluding subscribers who switch between SoftBank and <i>Y!mobile</i> using MNP). In our Sprint segment, churn rate is calculated by <i>dividing</i> net subscriber deactivations for the quarter by the sum of the average number of subscribers for each month in the quarter.
FDD-LTE .....	See long-term evolution.
fiber-to-the-home (or 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.
GB .....	Gigabyte, a measure of data representing approximately one billion bytes of information.
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 fee .....	The charge levied by one telecommunications carrier to another for interconnection between their networks.
IoT .....	The Internet of Things.
IP .....	Internet protocol.
IP telecommunications .....	The transmission of telephone calls over an IP network. ISPIInternet service provider.
long-term evolution (or 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-Advanced is a fourth generation (4G) high-speed wireless communication standard, capable of downlink speeds of more than 1 Gbps under certain system configurations.



main mobile subscribers . . . . .	Subscribers of smartphones, feature phones, tablets, mobile data communications devices, <i>Wireless Home Phones</i> and others, such as voice call SIMs. These are all sources of revenue and profit and we have concentrated our efforts on acquiring and maintaining such subscribers.
MHz-pop . . . . .	A telecommunications industry metric equivalent to one megahertz of bandwidth <i>multiplied by</i> the population of the area covered in a given spectrum license.
personal handy-phone system (or 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.
subscriber . . . . .	An account for any particular telecommunications service. With respect to our Domestic Telecommunications segment, the number of mobile service subscribers is based on the cumulative number of assigned telephone numbers, including telephone numbers assigned to tablets, modules, <i>Wireless Home Phones</i> and PHS. The number of <i>SoftBank Hikari</i> subscribers is based on the cumulative number of users for which the physical connection of a fiber-optic line at the central office of NTT East or NTT West has been completed and includes the number of subscribers to <i>SoftBank Air</i> . With respect to our Sprint segment, 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.
TD-LTE . . . . .	See long-term evolution.
traffic . . . . .	Calls or other transmissions being sent and received over a communications network.
Wireless Home Phones . . . . .	Home-phone voice calling service using the mobile network.

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of SoftBank Group Corp.:

We have audited the accompanying consolidated statement of financial position of SoftBank Group Corp. and its subsidiaries (the "Company") as of March 31, 2017, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to consolidated financial statements, all expressed in Japanese yen.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SoftBank Group Corp. and its subsidiaries as of March 31, 2017, 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

Tokyo, Japan

June 21, 2017

## Consolidated Financial Statements

### a. Consolidated Statement of Financial Position

	Notes	(Millions of yen)		(Thousands of U.S. dollars)
		As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	7	¥ 2,569,607	¥ 2,183,102	\$ 19,458,971
Trade and other receivables	8,25	1,914,789	2,121,619	18,910,946
Other financial assets	9,25	152,858	794,689	7,083,421
Inventories	10	359,464	341,344	3,042,553
Other current assets	11	553,551	283,221	2,524,477
Total current assets		5,550,269	5,723,975	51,020,368
<b>Non-current assets</b>				
Property, plant and equipment	12	4,183,507	3,977,254	35,451,056
Goodwill	13	1,609,789	4,175,464	37,217,791
Intangible assets	13	6,439,145	6,946,639	61,918,522
Investments accounted for using the equity method	16	1,588,270	1,670,799	14,892,584
Other financial assets	9,25	970,874	1,552,267	13,836,055
Deferred tax assets	18	172,864	404,994	3,609,894
Other non-current assets	11	192,474	182,820	1,629,557
Total non-current assets		15,156,923	18,910,237	168,555,459
<b>Total assets</b>		<b>¥20,707,192</b>	<b>¥24,634,212</b>	<b>\$219,575,827</b>



	Notes	(Millions of yen)		(Thousands of U.S. dollars)
		As of	As of	As of
		March 31, 2016	March 31, 2017	March 31, 2017
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Interest-bearing debt	19,25	¥ 2,646,609	¥ 2,694,093	\$ 24,013,664
Trade and other payables	20,25	1,621,195	1,607,453	14,327,953
Other financial liabilities	25	6,531	13,701	122,123
Income taxes payables		140,351	256,218	2,283,786
Provisions	23	56,120	56,362	502,380
Other current liabilities	22	694,965	599,096	5,340,013
Total current liabilities		5,165,771	5,226,923	46,589,919
<b>Non-current liabilities</b>				
Interest-bearing debt	19,25	9,275,822	12,164,277	108,425,680
Other financial liabilities	21,25	95,664	287,229	2,560,201
Defined benefit liabilities	24	123,759	108,172	964,186
Provisions	23	118,876	138,730	1,236,563
Deferred tax liabilities	18	2,083,164	1,941,380	17,304,394
Other non-current liabilities	22	338,865	297,771	2,654,167
Total non-current liabilities		12,036,150	14,937,559	133,145,191
<b>Total liabilities</b>		17,201,921	20,164,482	179,735,110
<b>Equity</b>				
<b>Equity attributable to owners of the parent</b>				
Common stock	30	238,772	238,772	2,128,282
Capital surplus	30	261,234	245,706	2,190,088
Retained earnings	30	2,166,623	2,958,355	26,369,151
Treasury stock	30	(314,752)	(67,727)	(603,681)
Accumulated other comprehensive income	30	261,736	211,246	1,882,931
Total equity attributable to owners of the parent		2,613,613	3,586,352	31,966,771
<b>Non-controlling interests</b>		891,658	883,378	7,873,946
<b>Total equity</b>		3,505,271	4,469,730	39,840,717
<b>Total liabilities and equity</b>		¥20,707,192	¥24,634,212	\$219,575,827

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

**Consolidated Statement of Income**

	Notes	(Millions of yen)		(Thousands of U.S. dollars)
		Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
<b>Continuing operations</b>				
Net sales	33	¥ 8,881,777	¥ 8,901,004	\$ 79,338,658
Cost of sales	34	(5,518,104)	(5,472,238)	(48,776,522)
<b>Gross profit</b>		<b>3,363,673</b>	<b>3,428,766</b>	<b>30,562,136</b>
Selling, general and administrative expenses	34	(2,374,955)	(2,277,251)	(20,298,164)
Gain from remeasurement relating to business combination	5	59,441	18,187	162,109
Other operating loss	35	(139,252)	(143,703)	(1,280,890)
<b>Operating income</b>		<b>908,907</b>	<b>1,025,999</b>	<b>9,145,191</b>
Finance cost	36	(440,744)	(467,311)	(4,165,353)
Income on equity method investments	16	375,397	321,550	2,866,120
Gain on sales of shares of associates	37	12,428	238,103	2,122,319
Derivative gain (loss)	38	12,788	(252,815)	(2,253,454)
Gain (loss) from financial instruments at FVTPL	39	114,377	(160,419)	(1,429,887)
Other non-operating income (loss)	26,40	(63,992)	7,419	66,129
<b>Income before income tax</b>		<b>919,161</b>	<b>712,526</b>	<b>6,351,065</b>
Income taxes	18	(422,677)	207,105	1,846,020
<b>Net income from continuing operations</b>		<b>496,484</b>	<b>919,631</b>	<b>8,197,085</b>
<b>Discontinued operations</b>				
<b>Net income from discontinued operations</b>	42	<b>61,757</b>	<b>554,799</b>	<b>4,945,174</b>
<b>Net income</b>		<b>¥ 558,241</b>	<b>¥ 1,474,430</b>	<b>\$ 13,142,259</b>
<b>Net income attributable to</b>				
Owners of the parent		¥ 474,172	¥ 1,426,308	\$ 12,713,326
Non-controlling interests		84,069	48,122	428,933
		<u>¥ 558,241</u>	<u>¥ 1,474,430</u>	<u>\$ 13,142,259</u>
		(Yen)	(U.S. dollars)	
		Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
<b>Earnings per share attributable to owners of the parent</b>				
Basic earnings per share				
Continuing operations	43	¥ 370.05	¥ 792.16	\$ 7.06
Discontinued operations	43	32.44	494.85	4.41
Total basic earnings per share	43	<u>¥ 402.49</u>	<u>¥ 1,287.01</u>	<u>\$ 11.47</u>
Diluted earnings per share				
Continuing operations	43	¥ 355.90	¥ 781.25	\$ 6.96
Discontinued operations	43	32.42	494.39	4.41
Total diluted earnings per share	43	<u>¥ 388.32</u>	<u>¥ 1,275.64</u>	<u>\$ 11.37</u>

## Consolidated Statement of Comprehensive Income

	Notes	(Millions of yen)		(Thousands of U.S. dollars)
		Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
<b>Net income</b> .....		¥ 558,241	¥1,474,430	\$13,142,259
<b>Other comprehensive income, net of tax</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurements of defined benefit plan .....	24,41	342	12,200	108,744
Total items that will not be reclassified to profit or loss .....		342	12,200	108,744
<b>Items that may be reclassified subsequently to profit or loss</b>				
Available-for-sale financial assets .....	25,41	(4,906)	5,628	50,166
Cash flow hedges .....	25,41	(31,992)	(7,454)	(66,441)
Exchange differences on translating foreign operations .....	29,41	(289,735)	(20,500)	(182,726)
Share of other comprehensive income of associates .....	16,41	27,642	(30,403)	(270,996)
Total items that may be reclassified subsequently to profit or loss .....		(298,991)	(52,729)	(469,997)
<b>Total other comprehensive income, net of tax</b> .....		(298,649)	(40,529)	(361,253)
<b>Total comprehensive income</b> .....		<u>¥ 259,592</u>	<u>¥1,433,901</u>	<u>\$12,781,006</u>
<b>Total comprehensive income attributable to</b>				
Owners of the parent .....		¥ 195,864	¥1,385,958	\$12,353,668
Non-controlling interests .....		63,728	47,943	427,338
		<u>¥ 259,592</u>	<u>¥1,433,901</u>	<u>\$12,781,006</u>

Note:

Income taxes related to the components of other comprehensive income are described in “Note 41. Other comprehensive income.”

### c. Consolidated Statement of Changes in Equity

For the fiscal year ended March 31, 2016

		(Millions of yen)							
		Equity attributable to owners of the parent							
	Notes	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total	Non- controlling interests	Total equity
<b>As of April 1, 2015</b>		¥238,772	¥ 374,845	¥1,740,686	¥ (48,383)	¥ 540,386	¥2,846,306	¥1,006,871	¥3,853,177
<b>Comprehensive income</b>									
Net income		—	—	474,172	—	—	474,172	84,069	558,241
Other comprehensive income		—	—	—	—	(278,308)	(278,308)	(20,341)	(298,649)
<b>Total comprehensive income</b>		—	—	474,172	—	(278,308)	195,864	63,728	259,592
<b>Transactions with owners and other transactions</b>									
Cash dividends	31	—	—	(47,261)	—	—	(47,261)	(46,719)	(93,980)
Transfer of accumulated other comprehensive income to retained earnings		—	—	342	—	(342)	—	—	—
Purchase and disposal of treasury stock	30	—	—	(1,316)	(266,369)	—	(267,685)	—	(267,685)
Changes from business combination	5	—	—	—	—	—	—	54,409	54,409
Changes from loss of control		—	—	—	—	—	—	(96,060)	(96,060)
Changes in interests in subsidiaries	30	—	(128,912)	—	—	—	(128,912)	(94,567)	(223,479)
Changes in associates' interests in their subsidiaries		—	15,736	—	—	—	15,736	—	15,736
Share-based payment transactions		—	(3,457)	—	—	—	(3,457)	5,943	2,486
Other		—	3,022	—	—	—	3,022	(1,947)	1,075
<b>Total transactions with owners and other transactions</b>		—	(113,611)	(48,235)	(266,369)	(342)	(428,557)	(178,941)	(607,498)
<b>As of March 31, 2016</b>		¥238,772	¥ 261,234	¥2,166,623	¥(314,752)	¥ 261,736	¥2,613,613	¥ 891,658	¥3,505,271

For the fiscal year ended March 31, 2017

(Millions of yen)

	Equity attributable to owners of the parent								
	Notes	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total	Non-controlling interests	Total equity
<b>As of April 1, 2016</b> .....		¥238,772	¥261,234	¥2,166,623	¥(314,752)	¥261,736	¥2,613,613	¥891,658	¥3,505,271
<b>Comprehensive income</b>									
Net income .....		—	—	1,426,308	—	—	1,426,308	48,122	1,474,430
Other comprehensive income .....		—	—	—	—	(40,350)	(40,350)	(179)	(40,529)
<b>Total comprehensive income</b> .....		—	—	1,426,308	—	(40,350)	1,385,958	47,943	1,433,901
<b>Transactions with owners and other transactions</b>									
Cash dividends .....	31	—	—	(48,042)	—	—	(48,042)	(43,467)	(91,509)
Transfer of accumulated other comprehensive income to retained earnings .....		—	—	10,140	—	(10,140)	—	—	—
Purchase and disposal of treasury stock .....	30	—	—	(1,479)	(348,170)	—	(349,649)	—	(349,649)
Retirement of treasury stock .....	30	—	—	(595,195)	595,195	—	—	—	—
Changes from business combination .....	5	—	—	—	—	—	—	2,218	2,218
Changes from loss of control .....		—	—	—	—	—	—	(25,997)	(25,997)
Changes in interests in subsidiaries .....		—	1,670	—	—	—	1,670	6,189	7,859
Changes in associates' interests in their subsidiaries .....		—	(4,236)	—	—	—	(4,236)	—	(4,236)
Changes in interest in associates' capital surplus .....		—	(15,360)	—	—	—	(15,360)	—	(15,360)
Share-based payment transactions .....		—	2,398	—	—	—	2,398	8,087	10,485
Other .....		—	—	—	—	—	—	(3,253)	(3,253)
<b>Total transactions with owners and other transactions</b> .....		—	(15,528)	(634,576)	247,025	(10,140)	(413,219)	(56,223)	(469,442)
<b>As of March 31, 2017</b> .....		¥238,772	¥245,706	¥2,958,355	¥ (67,727)	¥211,246	¥3,586,352	¥883,378	¥4,469,730



For the fiscal year ended March 31, 2017

(Thousands of U.S. dollars)

	Notes	Equity attributable to owners of the parent							Total equity
		Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total	Non-controlling interests	
<b>As of April 1, 2016</b>		\$2,128,282	\$2,328,496	\$19,312,087	\$(2,805,526)	\$2,332,971	\$23,296,310	\$7,947,749	\$31,244,059
<b>Comprehensive income</b>									
Net income		—	—	12,713,326	—	—	12,713,326	428,933	13,142,259
Other comprehensive income		—	—	—	—	(359,658)	(359,658)	(1,595)	(361,253)
<b>Total comprehensive income</b>		—	—	12,713,326	—	(359,658)	12,353,668	427,338	12,781,006
<b>Transactions with owners and other transactions</b>									
Cash dividends	31	—	—	(428,220)	—	—	(428,220)	(387,441)	(815,661)
Transfer of accumulated other comprehensive income to retained earnings		—	—	90,382	—	(90,382)	—	—	—
Purchase and disposal of treasury stock	30	—	—	(13,183)	(3,103,396)	—	(3,116,579)	—	(3,116,579)
Retirement of treasury stock	30	—	—	(5,305,241)	5,305,241	—	—	—	—
Changes from business combination	5	—	—	—	—	—	—	19,770	19,770
Changes from loss of control		—	—	—	—	—	—	(231,723)	(231,723)
Changes in interests in subsidiaries		—	14,885	—	—	—	14,885	55,165	70,050
Changes in associates' interests in their subsidiaries		—	(37,757)	—	—	—	(37,757)	—	(37,757)
Changes in interest in associates' capital surplus		—	(136,911)	—	—	—	(136,911)	—	(136,911)
Share-based payment transactions		—	21,375	—	—	—	21,375	72,083	93,458
Other		—	—	—	—	—	—	(28,995)	(28,995)
<b>Total transactions with owners and other transactions</b>		—	(138,408)	(5,656,262)	2,201,845	(90,382)	(3,683,207)	(501,141)	(4,184,348)
<b>As of March 31, 2017</b>		<u>\$2,128,282</u>	<u>\$2,190,088</u>	<u>\$26,369,151</u>	<u>\$ (603,681)</u>	<u>\$1,882,931</u>	<u>\$31,966,771</u>	<u>\$7,873,946</u>	<u>\$39,840,717</u>

#### d. Consolidated Statement of Cash Flows

	Notes	(Millions of yen)		(Thousands of U.S. dollars)
		Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
<b>Cash flows from operating activities</b>				
Net income		¥ 558,241	¥ 1,474,430	\$ 13,142,259
Depreciation and amortization		1,401,329	1,472,669	13,126,562
Gain from remeasurement relating to business combination		(59,441)	(18,187)	(162,109)
Finance cost		440,745	467,311	4,165,353
Income on equity method investments		(375,397)	(321,550)	(2,866,120)
Gain on sales of shares of associates		(12,428)	(238,103)	(2,122,319)
Derivative (gain) loss		(12,788)	252,815	2,253,454
(Gain) loss from financial instruments at FVTPL		(114,377)	160,419	1,429,887
Other non-operating loss (income)		67,836	(9,511)	(84,776)
Gain on sales of discontinued operations	44	—	(636,216)	(5,670,880)
Income taxes		443,984	(91,028)	(811,374)
Increase in trade and other receivables		(50,740)	(275,771)	(2,458,071)
Increase in inventories		(404,933)	(268,312)	(2,391,586)
(Decrease) increase in trade and other payables		(698)	15,871	141,465
Other		91,656	46,587	415,252
Subtotal		1,972,989	2,031,424	18,106,997
Interest and dividends received		12,072	29,502	262,965
Interest paid		(461,217)	(519,373)	(4,629,405)
Income taxes paid	44	(1,230,087)	(359,209)	(3,201,792)
Income taxes refunded	44	646,429	318,384	2,837,900
Net cash provided by operating activities		940,186	1,500,728	13,376,665
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment, and intangible assets	44	(1,360,960)	(923,502)	(8,231,589)
Proceeds from sales of property, plant and equipment, and intangible assets	44	150,956	34,566	308,102
Payments for acquisition of investments		(407,754)	(688,916)	(6,140,619)
Proceeds from sales/redemption of investments	44	58,161	482,128	4,297,424
Decrease from acquisition of control over subsidiaries	5	(61,670)	(3,254,104)	(29,005,295)
(Decrease) increase from loss of control over subsidiaries	44	(63,070)	723,544	6,449,274
Payments for acquisition of marketable securities for short-term trading		(94,349)	(503,767)	(4,490,302)
Proceeds from sales/redemption of marketable securities for short-term trading		189,844	239,730	2,136,821
Payments into time deposits		(45,748)	(638,914)	(5,694,928)
Proceeds from withdrawal of time deposits		40,907	283,419	2,526,241
Other		(57,999)	32,219	287,183
Net cash used in investing activities		(1,651,682)	(4,213,597)	(37,557,688)
<b>Cash flows from financing activities</b>				
Increase in short-term interest-bearing debt, net	19	128,135	360,216	3,210,767
Proceeds from long-term interest-bearing debt	19	2,129,683	4,792,530	42,717,978
Repayment of long-term interest-bearing debt	19	(1,604,768)	(2,283,067)	(20,350,004)
Payment for purchase of subsidiaries' interests from non-controlling interests	44	(267,276)	(18,600)	(165,790)
Purchase of treasury stock		(269,214)	(350,857)	(3,127,346)
Cash dividends paid		(47,219)	(46,273)	(412,452)
Cash dividends paid to non-controlling interests		(47,497)	(42,599)	(379,704)
Other		21,426	(30,604)	(272,788)
Net cash provided by financing activities		43,270	2,380,746	21,220,661
<b>Effect of exchange rate changes on cash and cash equivalents</b>		(20,820)	(54,382)	(484,731)
<b>Decrease in cash and cash equivalents</b>		(689,046)	(386,505)	(3,445,093)
<b>Cash and cash equivalents at the beginning of the year</b>	7	3,258,653	2,569,607	22,904,064
<b>Cash and cash equivalents at the end of the year</b>	7	¥ 2,569,607	¥ 2,183,102	\$ 19,458,971

## Notes to Consolidated Financial Statements

### **1. Reporting entity**

SoftBank Group Corp. is a corporation domiciled in Japan. The registered address of SoftBank Group Corp.'s head office is disclosed on our website (<https://www.softbank.jp/>). These consolidated financial statements are composed of SoftBank Group Corp. and its subsidiaries (the "Company"). The Company engages in various businesses in the information industry, with its base in the Domestic Telecommunications segment, the Sprint segment, the Yahoo Japan segment, the Distribution segment, and the Arm segment. The details are described in "(1) Description of reportable segments" in "Note 6. 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 Group Corp. ("functional currency"), and yen amounts are rounded to the nearest million.

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 ¥112.19 to \$1, the approximate rate of exchange at March 31, 2017. 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. "Gain on sales of shares of associates" which was included in "Other non-operating income (loss)" for the fiscal year ended March 31, 2016 is separately presented for the fiscal year ended March 31, 2017 since the significance of the amount increased. In order to reflect the change, ¥12,428 million which was included in "Other non-operating income (loss)" in the consolidated statement of income for the fiscal year ended March 31, 2016, is reclassified as "Gain on sales of shares of associates."
- b. "Derivative gain (loss)" which was included in "Other non-operating income (loss)" for the fiscal year ended March 31, 2016 is separately presented for the fiscal year ended March 31, 2017 since the significance of the amount increased. In order to reflect the change, ¥12,788 million which was included in "Other non-operating income (loss)" in the consolidated statement of income for the fiscal year ended March 31, 2016, is reclassified as "Derivative gain (loss)."
- c. "Gain (loss) from financial instruments at FVTPL" which was included in "Other non-operating income (loss)" for the fiscal year ended March 31, 2016 is separately presented for the fiscal year ended March 31, 2017 since the significance of the amount increased. In order to reflect the change, ¥114,377 million which was included in "Other non-operating income (loss)" in the consolidated statement of income for the fiscal year ended March 31, 2016, is reclassified as "Gain (loss) from financial instruments at FVTPL."
- d. "Dilution gain from changes in equity interest" which was separately presented for the fiscal year ended March 31, 2016 is included in "Other non-operating income (loss)" for the fiscal year ended March 31, 2017 since the significance of the amount decreased. In order to reflect the change, ¥14,903 million which was separately presented as "Dilution gain from changes in equity interest" in the consolidated statement of income for the fiscal year ended March 31, 2016, is included in "Other non-operating income (loss)."

(Consolidated statement of cash flows)

- a. "Gain on sales of shares of associates" which was included in "Other non-operating loss (income)" in net cash provided by operating activities for the fiscal year ended March 31, 2016 is separately presented for

the fiscal year ended March 31, 2017 since the significance of the amount increased. In order to reflect the change, ¥(12,428) million which was included in “Other non-operating loss (income)” in net cash provided by operating activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2016, is reclassified as “Gain on sales of shares of associates” in net cash provided by operating activities.

- b. “Derivative (gain) loss” which was included in “Other non-operating loss (income)” in net cash provided by operating activities for the fiscal year ended March 31, 2016 is separately presented for the fiscal year ended March 31, 2017 since the significance of the amount increased. In order to reflect the change, ¥(12,788) million which was included in “Other non-operating loss (income)” in net cash provided by operating activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2016, is reclassified as “Derivative (gain) loss” in net cash provided by operating activities.
- c. “(Gain) loss from financial instruments at FVTPL” which was included in “Other non-operating loss (income)” in net cash provided by operating activities for the fiscal year ended March 31, 2016 is separately presented for the fiscal year ended March 31, 2017 since the significance of the amount increased. In order to reflect the change, ¥(114,377) million which was included in “Other non-operating loss (income)” in net cash provided by operating activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2016, is reclassified as “(Gain) loss from financial instruments at FVTPL” in net cash provided by operating activities.
- d. “Dilution gain from changes in equity interest” which was separately presented in net cash provided by operating activities for the fiscal year ended March 31, 2016 is included in “Other non-operating income (loss)” for the fiscal year ended March 31, 2017 since the significance of the amount decreased. In order to reflect the change, ¥(14,903) million which was separately presented as “Dilution gain from changes in equity interest” in net cash provided by operating activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2016, is included in “Other non-operating loss (income)” in net cash provided by operating activities.
- e. “Payments into time deposits” which was included in “Other” in net cash used in investing activities for the fiscal year ended March 31, 2016 is separately presented for the fiscal year ended March 31, 2017 since the significance of the amount increased. In order to reflect the change, ¥(45,748) million which was included in “Other” in net cash used in investing activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2016, is reclassified as “Payments into time deposits” in net cash used in investing activities.
- f. “Proceeds from withdrawal of time deposits” which was included in “Other” in net cash used in investing activities for the fiscal year ended March 31, 2016 is separately presented for the fiscal year ended March 31, 2017 since the significance of the amount increased. In order to reflect the change, ¥40,907 million which was included in “Other” in net cash used in investing activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2016, is reclassified as “Proceeds from withdrawal of time deposits” in net cash used in investing activities.

(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, and are 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 (From the year beginning)	To be adopted by the Group	Outline of the new / revised standards
IFRS 9	Financial Instruments	January 1, 2018	From the fiscal year ending March 31, 2019	<p>IFRS 9 replaces a part of the previous IAS 39. Main revisions are:</p> <ul style="list-style-type: none"> <li>to revise classification into measurement categories of financial instruments (amortized costs and fair values) and measurement;</li> <li>to revise the treatment of changes in fair value of financial liabilities measured at fair value;</li> <li>to revise the eligibility requirement of hedged items and hedging instruments, and requirements related to the effectiveness of the hedge; and</li> <li>to revise the measurement approach for impairment by introducing an impairment model based on the expected credit loss.</li> </ul>
IFRS 15	Revenue from contracts with customers (and clarification to IFRS 15)	January 1, 2018	From the fiscal year ending March 31, 2019	<p>IFRS 15 (clarification to IFRS 15 is included) replaces the previous IAS 11 and IAS 18. Main revisions are:</p> <ul style="list-style-type: none"> <li>to require revenue recognition by the following five steps: <ul style="list-style-type: none"> <li>a. identify the contract with the customer</li> <li>b. identify the performance obligations in the contract</li> <li>c. determine the transaction price</li> <li>d. allocate the transaction price to each performance obligation in the contract</li> <li>e. recognize revenue when (or as) a performance obligation is satisfied</li> </ul> </li> <li>to revise the treatment for contract costs, license and guarantee of products; and</li> <li>to increase the disclosure related to revenue recognition.</li> </ul>
IFRS 16	Leases	January 1, 2019	From the fiscal year ending March 31, 2020	<p>IFRS 16 replaces the previous IAS 17 and IFRIC 4. Main revisions are:</p> <ul style="list-style-type: none"> <li>Revision to apply a control model to the identification of leases and distinguishing between leases and service contracts; and</li> <li>Revision to eliminate lease classification and recognition of assets and liabilities for all leases by the lessee.</li> </ul>
IAS 7 (Amendment)	Statement of cash flows	January 1, 2017	From the fiscal year ending March 31, 2018	Requirement for additional disclosure related to changes in liabilities arising from financing activities.



(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:

<b>Company name / Abbreviation</b>	<b>Definition</b>
“SoftBank Group Corp.”	SoftBank Group Corp. (stand-alone basis)
The “Company”	SoftBank Group Corp. and its subsidiaries
Each of the following abbreviations indicates the respective company, and its subsidiaries, if any.	
“Arm”	Arm Holdings plc
“Sprint”	Sprint Corporation
“Sprint Communications”	Sprint Communications, Inc.
“Brightstar”	Brightstar Global Group Inc.
“Clearwire”	Clearwire Corporation
“Supercell”	Supercell Oy
“Alibaba”	Alibaba Group Holding Limited
“GungHo”	GungHo Online Entertainment, Inc.
“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 Group 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 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 Group 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 control is lost.

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

#### b. Associates and joint ventures

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

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

Investments in associates and joint ventures are accounted for using the equity method and are initially recognized at cost. The investment is adjusted thereafter to recognize the 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" in "Note 3. Significant accounting policies" for details.

When the losses of an associate and a joint venture exceed the Company's interest in the associate and the joint venture, 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 and the joint venture.

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

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

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

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 group company are prepared in their functional currency. Transactions in currencies other than the entity’s functional currency (foreign currencies) are translated at the rates of exchange prevailing at the dates of the transactions.

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

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 as “financial assets at FVTPL,” “held-to-maturity investments,” “loans and receivables,” or “available-for-sale financial assets.” The classification depends on the nature and purpose of the financial assets and is determined upon initial recognition.

All purchases and sales of financial assets made in a regular way are recognized and derecognized on a trade date basis. Purchases and sales made in a regular way refer to acquiring or disposing 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 by level within 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 as neither “financial assets at FVTPL,” “held-to-maturity investments,” nor “loans and receivables.”

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and gains or losses arising from changes in fair value are recognized in other comprehensive income. Fair value of available-for-sale financial assets is measured in the manner described in “(1) Categorization by level within 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 independently 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

Non-derivative financial liabilities are classified into “financial liabilities at FVTPL” or “financial liabilities measured at amortized cost” and the classification is determined at initial recognition.

Non-derivative financial liabilities are classified into “financial liabilities at FVTPL” when the entire hybrid contract, including more than one embedded derivatives, is designated and accounted for as a financial liability at FVTPL. Subsequent to initial recognition, liabilities at FVTPL are measured at fair value and gains or losses arising from changes in fair value and interest costs are recognized in profit or loss.

Financial liabilities measured at amortized cost are measured 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, currency swaps, and collar transactions in order to manage its exposure to foreign exchange rate, interest rate, and share price risks.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently measured at their fair values at the end of fiscal year. Changes in the fair value of derivatives are recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. 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 the hedge no longer meets the criteria for hedge accounting.

When hedge accounting is discontinued, any gains or losses recognized in accumulated other comprehensive income remain in equity and are reclassified to profit or loss when the forecasted transaction is ultimately recognized in profit or loss. When a forecasted transaction is no longer expected to occur, the gains or losses recognized in accumulated other comprehensive income are reclassified immediately to profit or loss.

(c) Embedded derivatives

Derivatives embedded in non-derivative host contracts (“embedded derivatives”) are separated from the host contracts and accounted for as separate derivatives when their economic characteristics and risks are not closely related to those of the host contracts and the whole financial instruments, including embedded derivatives, are not measured at FVTPL. If the Company is required to separate an embedded derivative from its host contract, but is unable to measure the embedded derivative separately either at acquisition or at the end of a subsequent financial reporting period, the entire hybrid contract is designated and accounted for as financial assets or financial liabilities 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 . . . . .	12 - 50 years
Other . . . . .	5 - 15 years
Telecommunications equipment	
Wireless equipment, switching equipment and other network equipment . . . . .	5 - 30 years
Towers . . . . .	15 - 42 years
Other . . . . .	5 - 40 years
Furniture, fixtures and equipment	
Leased mobile devices . . . . .	2 - 3 years
Other . . . . .	4 - 10 years

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

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

(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 at historical cost, less accumulated amortization and accumulated impairment losses.

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

There are intangible assets with finite useful lives and intangible assets with indefinite useful lives.

The intangible assets with finite useful lives are amortized over the estimated useful lives. Amortization of the customer relationships is mainly 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
Technologies	8 - 20 years
Customer relationships	4 - 24 years
Favorable lease contracts	7 - 23 years
Trademarks (with finite useful lives)	8 - 34 years
Spectrum migration costs	18 years
Other	5 - 20 years

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

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

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

Intangible assets with indefinite useful lives are as follows:

- Licenses 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 has been determined that FCC licenses have indefinite useful lives.

The Company determined that “Sprint,” “Boost Mobile” and other trademarks have indefinite useful lives as they can be legally utilized continuously as long as the business continues and management’s current plans are to offer services under these trademarks for the foreseeable future.

The intangible assets with indefinite useful lives and the intangible assets that are not yet available for use are not amortized. The impairment of these assets is described in “(11) Impairment of property, plant and equipment, 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.

Intangible assets with indefinite useful lives and intangible assets that are not yet available for use are tested for impairment annually regardless of whether there is any indication of impairment.

The recoverable amount is the higher of fair value less costs to sell, or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax 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 Corp. has frozen its defined benefit lump-sum plans since March 2006 and 2007. Liabilities for the frozen defined benefit lump-sum plans are recognized as defined benefit liabilities until they are paid in the form of a lump sum at the time of future retirement of employees.

Sprint has frozen its defined benefit pension plans since December 2005. Liabilities for the defined benefit pension plans are recognized as defined benefit liabilities until they are paid as pensions after the time of retirement of employees.

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 remeasurements of the net defined benefit liability (asset). Service cost and net interest are recognized in net profit or loss. Net interest is determined using the discount rate described above.



The liabilities for the frozen defined benefit plans are calculated on the basis of retirement benefits vested at the time the plans were frozen. Therefore, service cost is not incurred for those defined benefit plans.

The Company's 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 pre-tax rate reflecting the time value of money and the specific risks of the liability, after taking into account the risks and uncertainties surrounding the obligation at the end of the fiscal year.

The Company recognizes asset retirement obligations, restructuring provisions, provisions for loss on interest repayment, and provisions 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 implementation of 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."

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 incremental 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) Assets or disposal groups classified as held for sale

Assets or disposal groups, whose recoveries are expected principally through sale transactions rather than continuing use, are classified as held for sale when it is probable that the sale will be completed within one year, they are available for immediate sale in their present condition, and management commits to a plan to sell.

The Company, when committed to a sale plan involving loss of control of a subsidiary, classifies assets and liabilities of the subsidiary as held for sale when the above criteria are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

Assets classified as held for sale are measured at the lower of the carrying amounts and fair values less costs to sell and depreciation of property, plant and equipment and amortization of intangible assets are not conducted after the classification.

(16) 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.

(17) Revenue

The Company's accounting policy for revenue recognition by major categories is as follows:

Domestic Telecommunications segment and Sprint segment

a. Mobile Communications service and sales of mobile handsets

The Company provides mobile telecommunications services, which consist of voice communications and data transmission to subscribers, and 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 the 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 the mobile handsets. The amount of revenue allocated to the mobile telecommunication services is recognized when the service is provided to the subscribers.

b. Fixed-line Telecommunications service

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

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

Yahoo Japan segment

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

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

Distribution segment

In the Distribution segment, revenues are generated mainly from distribution of mobile handsets to telecommunication service providers and retailers overseas, and sales of PC software, peripherals, and mobile handset accessories in Japan. Revenue in the Distribution segment is recognized when the significant risks and rewards of ownership of the products are transferred to the buyer, the Company retains neither continuing managerial involvement nor effective control over the products sold, it is probable that the economic benefits associated with the transaction will flow into the Company, and the costs incurred and the amount of revenue related to the transaction can be measured reliably. For transactions conducted by the Company on behalf of third parties, revenue is presented on a net basis by excluding payment to third parties from the total consideration received from customers.

Arm segment

In the Arm segment, revenue is generated mainly from sales of licenses to Arm’s technology and royalties arising from the resulting sale of licensees’ Arm’s technology-based products.

License revenue is recognized when the significant risks and rewards of ownership of the products are transferred to the buyer, the Company retains neither continuing managerial involvement nor effective control over the products sold, it is probable that the economic benefits associated with the transaction will flow into the Company, and the costs incurred and the amount of revenue related to the transaction can be measured reliably.

Royalty revenue is earned on sales of products containing Arm’s technology by the Company’s customers. Royalty revenue is recognized when it is probable that the economic benefits associated with the transaction will flow into the Company, and the amount of revenue can be reliably measured. Royalty revenue is recognized on an accrual basis in the quarter in which the customers ship products containing Arm’s technology, using an estimate based on sales trends and product information.

(18) 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.

(19) 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 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.

(20) 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. 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 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 projected 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 determining the scope of consolidation ((1) in "Note 3. Significant accounting policies" and "Note 15. Major subsidiaries");

- significant judgments for the determination of joint ventures ((1) in “Note 3. Significant accounting policies” and (3) in “Note 14. Leases”);
- estimates for impairment of investments accounted for using the equity method ((1) in “Note 3. Significant accounting policies”);
- 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 financial assets at FVTPL, financial liabilities at FVTPL, and available-for-sale financial assets ((4) in “Note 3. Significant accounting policies,” (1) (2) in “Note 26. Fair value of financial instruments” and “Note 39. Gain and loss from financial instruments at FVTPL”);
- estimates for impairment of financial assets measured at amortized cost ((4) in “Note 3. Significant accounting policies” and “Note 40. 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 14. Leases”);
- 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”);
- measurement of defined benefit obligation ((12) in “Note 3. Significant accounting policies” and (2) in “Note 24. Retirement benefits”);
- judgments and estimates for recognition and measurement on provisions ((13) in “Note 3. Significant accounting policies” and “Note 23. Provisions”);
- assessment of recoverability of deferred tax assets ((19) in “Note 3. Significant accounting policies” and (4) in “Note 18. Income taxes”); and
- recognition of liabilities and expenses related to contingencies (“Note 35. Other operating income and loss” and (b) (3) b. in “Note 46. Contingency).

Relating to a transaction in which SoftBank Group Corp.’s then wholly-owned subsidiary, SOFTBANK GROUP CAPITAL APAC PTE. LTD. (“APAC,” currently Foxconn Ventures Pte. Ltd.), sold a portion of its Alibaba shares to SoftBank Group Corp., SoftBank Group Corp.’s wholly-owned subsidiary West Raptor Holdings, LLC, and third parties, for the nine-month period ended December 31, 2016, the Company had recognized deferred tax liabilities of ¥913,012 million (\$8,138,087 thousand) on SoftBank Group Corp.’s expected taxable income for the next fiscal year (April 1, 2017 to March 31, 2018). SoftBank Group Corp. had also recorded deferred tax assets of ¥60,451 million (\$538,827 thousand), as it was deemed probable that, in conjunction with the transaction, taxable profit would be available against which carryforwards and a deductible temporary differences could be utilized. However, because ownership of APAC’s outstanding shares was below 50% on March 31, 2017 and taxable profit was not expected at SoftBank Group Corp. for the next fiscal year, the Company did not recognize any deferred tax liabilities relating to the transaction for the fiscal year ended March 2017. In addition, SoftBank Group Corp. did not recognize any deferred tax assets for the fiscal year ended March 2017, as it was deemed probable that taxable profit would not be available against which carryforwards and deductible temporary differences could be utilized.

## 5. Business combinations

For the fiscal year ended March 31, 2016

### (1) ASKUL Corporation

#### a. Overview of consolidation

ASKUL Corporation, an associate of the Company, which primarily conducts mail order services for office supplies, became the Company’s subsidiary on August 27, 2015 as a result of ASKUL Corporation’s acquisition of its own treasury stock as resolved by its Board of Directors on May 19, 2015. As a result of ASKUL Corporation’s acquisition of its own treasury stock, the ownership ratio of ASKUL Corporation’s voting rights held by the Company rose from 41.7% (as of May 20, 2015) to 44.4% (as of August 27, 2015). The Company did not yet hold the majority of the voting rights of ASKUL Corporation; however, considering relevant facts such as the dispersion of voting rights in ASKUL Corporation and the voting patterns exercised in ASKUL Corporation’s past shareholders meetings, the Company determined that it substantially has control of ASKUL Corporation as a consolidated subsidiary.



b. Summary of the acquiree

Name	ASKUL Corporation
Business description	Mail-order business for office supplies, such as stationery, other products and services

c. Acquisition date

August 27, 2015

d. Consideration transferred and its components

		(Millions of yen)
		<u>Acquisition date</u> <u>(August 27, 2015)</u>
Fair value of equity interest in ASKUL Corporation already held at the time of the acquisition		¥93,611
Total consideration transferred	A	<u>¥93,611</u>

As a result of the remeasurement of equity interest previously held at the time of the acquisition of control by the Company in ASKUL Corporation at fair value on the acquisition date, the Company recognized a gain on the acquisition of ¥59,441 million for the fiscal year ended March 31, 2016. This gain is presented as “Gain from remeasurement relating to business combination” in the consolidated statement of income.

e. Fair values of assets and liabilities, non-controlling interests and goodwill on the acquisition date

		(Millions of yen)
		<u>Acquisition date</u> <u>(August 27, 2015)</u>
Trade and other receivables		¥ 45,365
Other current assets		44,751
Property, plant and equipment		32,315
Intangible assets		69,124
Other non-current assets		8,394
Total assets		<u>199,949</u>
Current liabilities		71,495
Non-current liabilities		<u>34,586</u>
Total liabilities		<u>106,081</u>
Net assets	B	<u>93,868</u>
Non-controlling interests <sup>1</sup>	C	<u>54,036</u>
Goodwill <sup>2</sup>	A-(B-C)	<u>¥ 53,779</u>

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 an excess earning power expected from the future business development and the synergy between the Company and the acquiree.

f. Proceeds from acquisition of control over subsidiaries

		(Millions of yen)
		<u>Acquisition date</u> <u>(August 27, 2015)</u>
Cash and cash equivalents held by the acquiree at the acquisition of control		¥31,291
Proceeds in cash from the acquisition of control over the subsidiary		<u>¥31,291</u>

g. 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, 2016, are ¥189,013 million and ¥2,970 million, respectively.

In addition, the above net income includes amortization expenses, which are related to intangible assets recognized at the acquisition date, and other expenses.

(2) Ikyu Corporation

a. Overview of consolidation

The Company, for the purpose of ensuring the effectiveness of growth through the e-Commerce Revolution, which is strategically important for Yahoo Japan Corporation, has been performing a tender offer for Ikyu Corporation's shares, which was resolved at Yahoo Japan Corporation's Board of Directors' meeting held on December 15, 2015. The tender offer ended on February 3, 2016 and then Yahoo Japan Corporation acquired 27,480,682 shares of Ikyu Corporation's common shares at ¥94,341 million in cash. Consequently, the Company's voting rights ratio for Ikyu Corporation has become 94.3% and Ikyu Corporation has been converted to a consolidated subsidiary.

b. Summary of the acquiree

Name	Ikyu Corporation
Business description	Operation of various Internet sites that provide reservation services for hotels, restaurants, and other

c. Acquisition date

February 3, 2016

d. Consideration transferred and its components

		<u>(Millions of yen)</u>
		<u>Acquisition date</u>
		<u>(February 3, 2016)</u>
Payment by cash		¥94,341
Total consideration transferred	A	<u>¥94,341</u>

e. Fair values of assets and liabilities, non-controlling interests and goodwill on the acquisition date

		<u>(Millions of yen)</u>
		<u>Acquisition date</u>
		<u>(February 3, 2016)</u>
Current assets		¥ 8,934
Intangible assets		26,183
Other non-current assets		<u>1,130</u>
Total assets		36,247
Current liabilities		4,270
Non-current liabilities		<u>8,177</u>
Total liabilities		<u>12,447</u>
Net assets	B	23,800
Non-controlling interests <sup>1</sup>	C	<u>1,503</u>
Goodwill <sup>2</sup>	A-(B-C)	<u>¥72,044</u>

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 the acquisition date in the identifiable net assets of the acquiree at the acquisition date.

2. Goodwill  
 Goodwill reflects an excess earning power expected from the future business development and the synergy between the Company and the acquiree.

f. Payment for acquisition of control over subsidiaries

	<u>(Millions of yen)</u>
	<u>Acquisition date</u> <u>(February 3, 2016)</u>
Payment for the acquisition by cash . . . . .	¥(94,341)
Cash and cash equivalents held by the acquiree at the acquisition of control . . . . .	<u>4,016</u>
Payment for the acquisition of control over the subsidiary by cash . . . . .	<u>¥(90,325)</u>

- g. Sales and net income of the acquiree  
 The amounts of the acquiree’s sales and net income after the acquisition date are immaterial.

For the fiscal year ended March 31, 2017

(3) Arm

a. Overview of consolidation

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

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

b. Purpose of consolidation

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

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

- Support and accelerate Arm’s position as the global leader in intellectual property licensing and R&D outsourcing for semiconductor companies

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

- Maintain Arm’s dedication to innovation

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

- Increased investment to drive the next wave of innovation

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

- Shared culture and long-term vision

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

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

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

c. Summary of Arm

(a) Name	Arm Holdings plc
(b) Address	110 Fulbourn Road, Cambridge CB1 9NJ, United Kingdom
(c) Name and title of representative	Simon Segars, Chief Executive Officer
(d) Nature of business	<ul style="list-style-type: none"> <li>• Design of microprocessor intellectual property and related technology</li> <li>• Sale of software tools</li> </ul>
(e) Share capital	£0.7 million (as of December 31, 2015)
(f) Date of incorporation	October 16, 1990
(g) Consolidated net sales	£968 million (for the fiscal year ended December 31, 2015 under IFRSs)

d. Acquisition date

September 5, 2016

e. Consideration transferred and the component

	<u>(Millions of yen)</u>	<u>(Thousands of U.S. dollars)</u>
	<u>Acquisition date</u>	<u>Acquisition date</u>
	<u>(September 5, 2016)</u>	<u>(September 5, 2016)</u>
Payment for the acquisition by cash . . . . .	¥3,319,137	\$29,584,963
Fair value of equity interest in Arm already held at the time of the acquisition . . . . .	<u>47,867</u>	<u>426,660</u>
Total consideration transferred . . . . . A	<u>¥3,367,004</u>	<u>\$30,011,623</u>

Acquisition-related costs of ¥25,780 million (\$229,789 thousand) arising from the business combination are recognized in “Other operating loss.”

As a result of the remeasurement of 1.4% equity interest at fair value which was already held by the Company at the time of the acquisition of control in Arm, the Company recognized a gain of ¥18,168 million (\$161,940 thousand) through the step acquisition. This gain is presented as “Gain from remeasurement relating to business combination” in the consolidated statement of income.

f. Fair value of assets and liabilities, and goodwill on the acquisition date

	(Millions of yen)	(Thousands of U.S. dollars)
	Acquisition date (September 5, 2016)	Acquisition date (September 5, 2016)
Cash and cash equivalents	¥ 16,984	\$ 151,386
Trade and other receivables	59,782	532,864
Other current assets	119,090	1,061,503
Intangible assets <sup>1</sup>	693,432	6,180,872
Other non-current assets	23,649	210,794
Total assets	<u>912,937</u>	<u>8,137,419</u>
Current liabilities	61,930	552,010
Deferred tax liabilities	127,622	1,137,552
Other non-current liabilities	7,292	64,998
Total liabilities	<u>196,844</u>	<u>1,754,560</u>
Net assets	B 716,093	6,382,859
Goodwill <sup>2</sup>	A-B <u>¥2,650,911</u>	<u>\$23,628,764</u>

Consideration transferred is allocated to acquired assets and assumed liabilities based on the fair value on the acquisition date. Moreover, the above amounts, which are fair values based on the best estimate at present, may change in a year after the acquisition date when additional information related to facts and circumstances that existed as of the acquisition date may be obtained.

The amounts of assets and liabilities on the acquisition date have been revised for the three-month period ended March 31, 2017 as follows: technologies, customer relationships, and trademarks are newly recognized; intangible assets and deferred tax liabilities have increased by ¥692,269 million (\$6,170,505 thousand) and ¥126,714 million (\$1,129,459 thousand); and goodwill has decreased by ¥563,018 million (\$5,018,433 thousand). The above amount is translated at the exchange rate (GBP = JPY138.15) as of the acquisition date.

In addition, ¥29,379 million (\$261,868 thousand) of amortization expenses related to intangible assets newly recognized has been recorded as “selling, general and administrative expenses” as a result of retrospective amortization from the acquisition date.

Notes:

- The components of intangible assets are as follows; the estimated useful lives are from 8 to 20 years for technologies, 13 years for customer relationships, and 8 years for trademarks.

	(Millions of yen)	(Thousands of U.S. dollars)
	Acquisition date (September 5, 2016)	Acquisition date (September 5, 2016)
Technologies	¥537,680	\$4,792,584
Customer relationships	148,649	1,324,975
Trademarks	5,940	52,946
Other	1,163	10,367
Total	<u>¥693,432</u>	<u>\$6,180,872</u>

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

g. Payment for acquisition of control over subsidiaries

	(Millions of yen)	(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Payment for the acquisition by cash	¥(3,319,137)	\$(29,584,963)
Foreign currency exchange gain relating to settlement*	52,856	471,129
Cash and cash equivalents held by the acquiree at the time of acquisition of control	<u>16,984</u>	<u>151,386</u>
Payment for the acquisition of control over the subsidiary by cash	<u>¥(3,249,297)</u>	<u>\$(28,962,448)</u>



Note:

\* Fluctuation in foreign currency exchange rates arising from the acquisition date to the settlement date (September 15, 2016).

#### 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, 2017, are ¥112,902 million (\$1,006,346 thousand) and ¥17,272 million (\$153,953 thousand), respectively. In addition, amortization expenses related to intangible assets recognized on the acquisition date are included in the aforementioned net income.

- (4) Consolidated net sales and consolidated net income and loss assuming that the business combinations were completed at the beginning of the fiscal year

For the fiscal year ended March 31, 2016

The following is pro forma information (unaudited) of consolidated performance of the Company for the fiscal year ended March 31, 2016, assuming that the business combinations of ASKUL Corporation and Ikyu Corporation were completed and controls were acquired as of April 1, 2015.

	<u>(Millions of yen)</u>
	<u>Fiscal year ended</u>
	<u>March 31, 2016</u>
Sales (pro forma) . . . . .	¥9,278,092
Net income (pro forma) . . . . .	<u>¥ 559,178</u>

For the fiscal year ended March 31, 2017

The following is pro forma information (unaudited) of consolidated performance of the Company for the fiscal year ended March 31, 2017, assuming that the business combination of Arm was completed and control was acquired as of April 1, 2016.

	<u>(Millions of yen)</u>	<u>(Thousands of U.S. dollars)</u>
	<u>Fiscal year ended</u>	<u>Fiscal year ended</u>
	<u>March 31, 2017</u>	<u>March 31, 2017</u>
Sales (pro forma) . . . . .	¥8,970,264	\$79,956,003
Net income (pro forma) . . . . .	<u>¥1,482,045</u>	<u>\$13,210,135</u>

## 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 resources and assess its performance.

The Company has five reportable segments: the Domestic telecommunications segment, the Sprint segment, the Yahoo Japan segment, the Distribution segment, and the Arm segment.

The Domestic Telecommunications segment provides, mainly through SoftBank Corp., mobile communications services, sale of mobile devices, telecommunication services such as fixed-line telephone and data communications services for corporate customers, and broadband services for retail customers in Japan.

The Sprint segment provides, through Sprint, mobile communication services, sale and lease of mobile devices, sale of mobile device accessories, and fixed-line telecommunications services in the U.S.

The Yahoo Japan segment provides, mainly through Yahoo Japan Corporation, Internet-based advertising business, e-commerce business, and membership services.

The Distribution segment provides, through Brightstar, distribution of mobile devices overseas, and through SoftBank Commerce & Service Corp., sale of mobile device accessories, PC software, and peripherals in Japan.

The Arm segment provides, through Arm, designs of microprocessor intellectual property and related technology, and the sale of software tools. The Arm segment was newly established from the fiscal year ended March 31, 2017, by the consolidation of Arm in September 2016. Operating results of Arm after the acquisition date is included in the Arm segment.

Information on business segments which are not included in the reportable segments is classified in “Other.” “Other” includes mainly Fukuoka SoftBank HAWKS-related business.

“Reconciliations” includes an elimination of intersegment transactions and the corporate general expenses unallocated to each reportable segment. Expenses arising mainly from SoftBank Group Corp. and SB Group US, Inc., which manages and supervises investment activities in the Internet, communication, and media fields overseas, are included in the corporate general expenses.

(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 defined as “Operating income.” Intersegment transaction prices are determined under the same general business conditions as applied for external customers.

The Company also discloses EBITDA (i.e., segment income and loss after addition of depreciation and amortization) and Adjusted EBITDA (i.e., EBITDA after deduction of gain from remeasurement relating to a business combination, addition or deduction of other adjustments (gains are deducted)) by each reportable segment. “Other adjustments” are special items such as acquisition-related costs and impairment loss mainly included in other operating income and loss.

Income and loss, which are not attributable to operating income and loss, such as financial cost and income and loss on equity method investments, are not managed by each reportable segment and therefore these income and losses are excluded from the segment performance.

Discontinued operations are not included. The details are described in “Note 42. Discontinued operations.”

For the fiscal year ended March 31, 2016

	(Millions of yen)									
	Reportable segments									
	Domestic Telecommu- nications	Sprint	Yahoo Japan	Distribution	Arm	Total	Other	Reconcili- ations	Consoli- dated	
Net sales										
Customers	¥3,106,855	¥3,688,498	¥642,880	¥1,345,856	¥—	¥8,784,089	¥ 97,688	¥ —	¥8,881,777	
Intersegment	37,795	183,149	9,151	74,560	—	304,655	21,280	(325,935)	—	
Total	<u>¥3,144,650</u>	<u>¥3,871,647</u>	<u>¥652,031</u>	<u>¥1,420,416</u>	<u>¥—</u>	<u>¥9,088,744</u>	<u>¥118,968</u>	<u>¥(325,935)</u>	<u>¥8,881,777</u>	
Segment income	688,389	61,485	222,787	(1,284)	—	971,377	(17,310)	(45,160)	908,907	
Reconciliation from segment income to adjusted EBITDA										
Segment income	688,389	61,485	222,787	(1,284)	—	971,377	(17,310)	(45,160)	908,907	
Depreciation and amortization	474,948	842,110	32,695	10,268	—	1,360,021	11,810	1,636	1,373,467	
EBITDA	<u>1,163,337</u>	<u>903,595</u>	<u>255,482</u>	<u>8,984</u>	<u>—</u>	<u>2,331,398</u>	<u>(5,500)</u>	<u>(43,524)</u>	<u>2,282,374</u>	
Gain from remeasurement relating to business combination	—	—	(59,441)	—	—	(59,441)	—	—	(59,441)	
Other adjustments	—	79,668	—	16,466	—	96,134	6,086	—	102,220	
Adjusted EBITDA	<u>¥1,163,337</u>	<u>¥ 983,263</u>	<u>¥196,041</u>	<u>¥ 25,450</u>	<u>¥—</u>	<u>¥2,368,091</u>	<u>¥ 586</u>	<u>¥ (43,524)</u>	<u>¥2,325,153</u>	

For the fiscal year ended March 31, 2017

(Millions of yen)

	Reportable segments								Reconcili- ations*	Consoli- dated
	Domestic Telecommu- nications	Sprint	Yahoo Japan	Distribution	Arm	Total	Other			
Net sales										
Customers	¥ 3,156,825	¥ 3,459,142	¥ 841,581	¥ 1,228,051	¥ 112,901	¥ 8,798,500	¥ 102,504	¥ —	¥ 8,901,004	
Intersegment	36,966	164,233	11,877	67,323	1	280,400	25,804	(306,204)	—	
Total	¥ 3,193,791	¥ 3,623,375	¥ 853,458	¥ 1,295,374	¥ 112,902	¥ 9,078,900	¥ 128,308	¥ (306,204)	¥ 8,901,004	
Segment income	719,572	186,423	189,819	(10,047)	12,919	1,098,686	(16,573)	(56,114)	1,025,999	
Reconciliation from segment income to adjusted EBITDA										
Segment income	719,572	186,423	189,819	(10,047)	12,919	1,098,686	(16,573)	(56,114)	1,025,999	
Depreciation and amortization	489,458	885,845	38,973	7,237	32,523	1,454,036	9,984	1,589	1,465,609	
EBITDA	1,209,030	1,072,268	228,792	(2,810)	45,442	2,552,722	(6,589)	(54,525)	2,491,608	
Gain from remeasurement relating to business combination	—	—	(19)	—	(18,168)	(18,187)	—	—	(18,187)	
Other adjustments	—	7,371	10,736	30,260	25,780	74,147	8,052	8,847	91,046	
Adjusted EBITDA	¥ 1,209,030	¥ 1,079,639	¥ 239,509	¥ 27,450	¥ 53,054	¥ 2,608,682	¥ 1,463	¥ (45,678)	¥ 2,564,467	

(Thousands of U.S. dollars)

	Reportable segments								Reconcili- ations*	Consoli- dated
	Domestic Telecommu- nications	Sprint	Yahoo Japan	Distribution	Arm	Total	Other			
Net sales										
Customers	\$28,138,203	\$30,832,891	\$7,501,390	\$10,946,172	\$1,006,337	\$78,424,993	\$ 913,665	\$ —	\$79,338,658	
Intersegment	329,495	1,463,882	105,866	600,080	9	2,499,332	230,002	(2,729,334)	—	
Total	\$28,467,698	\$32,296,773	\$7,607,256	\$11,546,252	\$1,006,346	\$80,924,325	\$1,143,667	\$(2,729,334)	\$79,338,658	
Segment income	6,413,869	1,661,672	1,691,942	(89,553)	115,153	9,793,083	(147,723)	(500,169)	9,145,191	
Reconciliation from segment income to adjusted EBITDA										
Segment income	6,413,869	1,661,672	1,691,942	(89,553)	115,153	9,793,083	(147,723)	(500,169)	9,145,191	
Depreciation and amortization	4,362,760	7,895,936	347,384	64,506	289,892	12,960,478	88,992	14,163	13,063,633	
EBITDA	10,776,629	9,557,608	2,039,326	(25,047)	405,045	22,753,561	(58,731)	(486,006)	22,208,824	
Gain from remeasurement relating to business combination	—	—	(169)	—	(161,940)	(162,109)	—	—	(162,109)	
Other adjustments	—	65,701	95,695	269,721	229,789	660,906	71,771	78,857	811,534	
Adjusted EBITDA	\$10,776,629	\$ 9,623,309	\$2,134,852	\$ 244,674	\$ 472,894	\$23,252,358	\$ 13,040	\$ (407,149)	\$22,858,249	

Note:

\* ¥8,847 million (\$78,857 thousand) of expenses arising from the resignation of Nikesh Arora from his position as a director is included in "Reconciliations" for the fiscal year ended March 31, 2017. The details are described in "(2) Remuneration for major executives" in "Note 45. Related party transactions."

### (3) Geographical information

#### a. Net sales to external customers

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Japan	¥4,090,986	¥4,359,888	\$38,861,645
U.S.	4,157,020	3,962,325	35,317,987
Other	633,771	578,791	5,159,026
Total	¥8,881,777	¥8,901,004	\$79,338,658

Sales are categorized based on the location of external customers.

b. Non-current assets (excluding financial assets and deferred tax assets)

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Japan .....	¥ 4,212,343	¥ 4,072,675	\$ 36,301,587
U.S. ....	8,019,523	7,772,859	69,282,993
U.K. ....	4,720	3,373,592	30,070,345
Other .....	188,329	63,051	562,001
Total .....	<u>¥12,424,915</u>	<u>¥15,282,177</u>	<u>\$136,216,926</u>

## 7. 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, 2016	As of March 31, 2017	As of March 31, 2017
Cash and demand deposits .....	¥1,979,642	¥1,592,709	\$14,196,533
Time deposits (maturities of three-month or less) .....	404,434	411,518	3,668,045
MMF .....	137,390	120,149	1,070,942
Other .....	48,141	58,726	523,451
Total .....	<u>¥2,569,607</u>	<u>¥2,183,102</u>	<u>\$19,458,971</u>

Cash and demand deposits as of March 31, 2016 include ¥120,998 million of cash in trust established for SoftBank Group Corp.'s acquisition of its own treasury stock (As of March 31, 2017: ¥ zero).

The amount of cash and cash equivalents pledged as collateral for interest-bearing debt or other is described in "(5) 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)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Trade receivables .....	¥1,320,862	¥1,493,857	\$13,315,420
Installment receivables .....	511,980	537,164	4,787,985
Other .....	127,253	154,031	1,372,948
Allowance for doubtful accounts .....	(45,306)	(63,433)	(565,407)
Total .....	<u>¥1,914,789</u>	<u>¥2,121,619</u>	<u>\$18,910,946</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)."

## 9. Other financial assets

The components of other financial assets are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
<b>Current</b>			
Marketable securities .....	¥ 29,596	¥ 277,895	\$ 2,477,003
Time deposits (maturities of three-month over) .....	32,313	458,495	4,086,772
Other .....	90,949	58,299	519,646
Total .....	<u>¥152,858</u>	<u>¥ 794,689</u>	<u>\$ 7,083,421</u>
<b>Non-current</b>			
Installment receivables .....	175,061	230,495	2,054,506
Investment securities .....	650,169	1,106,409	9,861,922
Other .....	180,482	247,281	2,204,127
Allowance for doubtful accounts .....	(34,838)	(31,918)	(284,500)
Total .....	<u>¥970,874</u>	<u>¥1,552,267</u>	<u>\$13,836,055</u>

Installment receivables are described in “Note 8. Trade and other receivables.”

## 10. Inventories

The components of inventories are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Merchandise and finished products .....	¥333,085	¥297,077	\$2,647,981
Other .....	26,379	44,267	394,572
Total .....	<u>¥359,464</u>	<u>¥341,344</u>	<u>\$3,042,553</u>

The amount of inventories pledged as collateral for interest-bearing debt or other is described in “(5) 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)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Write-downs of inventories .....	<u>¥29,504</u>	<u>¥25,300</u>	<u>\$225,510</u>

## 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)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
<b>Current</b>			
Prepaid expense .....	¥171,991	¥143,258	\$1,276,923
Tax receivable* .....	332,339	91,566	816,169
Other .....	49,221	48,397	431,385
Total .....	<u>¥553,551</u>	<u>¥283,221</u>	<u>\$2,524,477</u>
<b>Non-current</b>			
Long-term prepaid expense .....	178,162	171,805	1,531,375
Other .....	14,312	11,015	98,182
Total .....	<u>¥192,474</u>	<u>¥182,820</u>	<u>\$1,629,557</u>

Note:

\* Tax receivable is mainly withholding income tax related to dividends within the group companies.

## 12. Property, plant and equipment

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

(Millions of yen)							
Historical cost	Buildings and structures	Telecommunications equipment	Furniture, fixtures, and equipment	Land	Construction in progress	Other	Total
As of April 1, 2015 . . . . .	¥412,543	¥5,231,946	¥ 546,822	¥ 97,348	¥ 318,732	¥25,003	¥6,632,394
Purchases . . . . .	9,727	17,390	304,128	297	453,104	5,072	789,718
Business combinations . . . . .	13,816	13	1,566	9,436	2,256	5,959	33,046
Disposals . . . . .	(4,583)	(225,109)	(256,500)	(677)	(25,013)	(6,116)	(517,998)
Transfer of accounts . . .	22,840	486,911	350,812	—	(542,613)	3,458	321,408
Exchange differences . .	(12,253)	(141,152)	(44,233)	(1,348)	(7,195)	(2,784)	(208,965)
Other . . . . .	(13,344)	(2,833)	(1,196)	13	(3,302)	658	(20,004)
As of March 31, 2016 . . . .	<u>428,746</u>	<u>5,367,166</u>	<u>901,399</u>	<u>105,069</u>	<u>195,969</u>	<u>31,250</u>	<u>7,029,599</u>
Purchases . . . . .	13,904	19,502	231,857	348	363,935	8,485	638,031
Business combinations . . . . .	259	—	1,582	—	127	8,146	10,114
Disposals . . . . .	(19,132)	(190,213)	(303,098)	(5,020)	(10,759)	(3,524)	(531,746)
Transfer of accounts . . .	20,118	195,251	359,536	5	(242,786)	8,609	340,733
Exchange differences . .	24	(8,127)	6,341	(89)	2,197	713	1,059
Other . . . . .	8,840	13,831	5,198	(400)	(3,379)	(3,932)	20,158
As of March 31, 2017 . . . .	<u>¥452,759</u>	<u>¥5,397,410</u>	<u>¥1,202,815</u>	<u>¥ 99,913</u>	<u>¥ 305,304</u>	<u>¥49,747</u>	<u>¥7,507,948</u>

(Thousands of U.S. dollars)							
Historical cost	Buildings and structures	Telecommunications equipment	Furniture, fixtures, and equipment	Land	Construction in progress	Other	Total
As of March 31, 2016 . . . .	\$3,821,606	\$47,839,968	\$ 8,034,576	\$936,527	\$ 1,746,760	\$278,545	\$62,657,982
Purchases . . . . .	123,933	173,830	2,066,646	3,102	3,243,917	75,630	5,687,058
Business combinations . . . . .	2,309	—	14,101	—	1,132	72,609	90,151
Disposals . . . . .	(170,532)	(1,695,454)	(2,701,649)	(44,746)	(95,900)	(31,411)	(4,739,692)
Transfer of accounts . . .	179,320	1,740,360	3,204,706	45	(2,164,061)	76,737	3,037,107
Exchange differences . .	214	(72,440)	56,520	(793)	19,583	6,355	9,439
Other . . . . .	78,795	123,282	46,332	(3,565)	(30,119)	(35,048)	179,677
As of March 31, 2017 . . . .	<u>\$4,035,645</u>	<u>\$48,109,546</u>	<u>\$10,721,232</u>	<u>\$890,570</u>	<u>\$ 2,721,312</u>	<u>\$443,417</u>	<u>\$66,921,722</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, 2015 . . . .	¥ (144,910)	¥ (1,980,273)	¥ (181,517)	¥ (6)	¥ (387)	¥ (7,853)	¥ (2,314,946)
Depreciation . . . . .	(33,650)	(618,930)	(281,695)	—	—	(5,831)	(940,106)
Impairment loss . . . . .	(639)	—	(1,151)	(1)	(24,977)	(946)	(27,714)
Disposals . . . . .	4,105	212,607	92,354	—	23,751	2,665	335,482
Transfer of accounts . . . . .	(16)	1,802	34,828	—	—	3	36,617
Exchange differences . . . . .	4,116	48,826	12,471	—	100	1,960	67,473
Other . . . . .	(3,183)	355	590	—	—	(660)	(2,898)
As of March 31, 2016 . .	<u>(174,177)</u>	<u>(2,335,613)</u>	<u>(324,120)</u>	<u>(7)</u>	<u>(1,513)</u>	<u>(10,662)</u>	<u>(2,846,092)</u>
Depreciation . . . . .	(37,248)	(557,896)	(440,026)	—	—	(6,572)	(1,041,742)
Impairment loss . . . . .	(15)	—	(3,497)	—	(2,332)	—	(5,844)
Disposals . . . . .	12,290	161,937	197,339	—	320	1,100	372,986
Transfer of accounts . . . . .	56	(730)	9,252	—	2	(6)	8,574
Exchange differences . . . . .	(197)	(5,573)	(5,449)	(1)	6	(115)	(11,329)
Other . . . . .	9,593	(5,439)	(8,584)	—	390	(3,207)	(7,247)
As of March 31, 2017 . .	<u>¥ (189,698)</u>	<u>¥ (2,743,314)</u>	<u>¥ (575,085)</u>	<u>¥ (8)</u>	<u>¥ (3,127)</u>	<u>¥ (19,462)</u>	<u>¥ (3,530,694)</u>

(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, 2016 . .	\$(1,552,518)	\$(20,818,371)	\$(2,889,028)	\$(62)	\$(13,486)	\$(95,035)	\$(25,368,500)
Depreciation . . . . .	(332,008)	(4,972,778)	(3,922,150)	—	—	(58,580)	(9,285,516)
Impairment loss . . . . .	(134)	—	(31,170)	—	(20,786)	—	(52,090)
Disposals . . . . .	109,546	1,443,417	1,758,971	—	2,853	9,805	3,324,592
Transfer of accounts . . . . .	499	(6,507)	82,467	—	18	(53)	76,424
Exchange differences . . . . .	(1,756)	(49,674)	(48,569)	(10)	53	(1,025)	(100,981)
Other . . . . .	85,507	(48,480)	(76,513)	—	3,476	(28,585)	(64,595)
As of March 31, 2017 . .	<u>\$(1,690,864)</u>	<u>\$(24,452,393)</u>	<u>\$(5,125,992)</u>	<u>\$(72)</u>	<u>\$(27,872)</u>	<u>\$(173,473)</u>	<u>\$(31,470,666)</u>

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, 2016 . . .	¥254,569	¥3,031,553	¥577,279	¥105,062	¥194,456	¥20,588	¥4,183,507
As of March 31, 2017 . . .	¥263,061	¥2,654,096	¥627,730	¥99,905	¥302,177	¥30,285	¥3,977,254

(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, 2017 . .	\$2,344,781	\$23,657,153	\$5,595,240	\$890,498	\$2,693,440	\$269,944	\$35,451,056

The amounts of “Other” included in “Buildings and structures” for the fiscal year ended March 31, 2016 and for the fiscal year ended March 31, 2017 are recorded mainly due to the change in accounting estimate of asset retirement obligations in Sprint. The details are described in “Note 23. Provisions.”

The amount of “Other” included in “Telecommunications equipment” for the fiscal year ended March 31, 2017 is recorded mainly due to the changes in accounting estimate of asset retirement obligations in SoftBank Corp. The details are described in “Note 23. Provisions.”

The decrease resulting from “Disposals” in “Furniture, fixtures, and equipment” includes ¥222,750 million, which is a historical cost of certain leased devices sold from Sprint to Mobile Leasing Solutions, LLC, and ¥(59,730) million of accumulated depreciation and impairment losses for the fiscal year ended March 31, 2016. The details are described in “(3) Handset sale-leaseback” in “Note 14. Leases.”

The amounts of “Transfer of accounts” in “Furniture, fixtures, and equipment” for the fiscal year ended March 31, 2016 and for the fiscal year ended March 31, 2017 are mainly due to the transfer of leased devices from “Inventories” in current assets.

Impairment loss is included in “Other operating loss” in the consolidated statement of income. The details are described in “Note 35. Other operating loss.”

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

	<u>(Millions of yen)</u>		<u>(Thousands of U.S. dollars)</u>
	<u>As of March 31, 2016</u>	<u>As of March 31, 2017</u>	<u>As of March 31, 2017</u>
Buildings and structures .....	¥ 11,781	¥ 10,090	\$ 89,937
Telecommunications equipment .....	1,069,694	1,150,560	10,255,459
Furniture, fixtures, and equipment .....	49,415	36,046	321,294
Construction in progress .....	73	50	446
Other .....	4,050	7,038	62,733
Total .....	<u>¥1,135,013</u>	<u>¥1,203,784</u>	<u>\$10,729,869</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 “(5) Assets pledged as collateral” in “Note 19. Interest-bearing debt.”

Assets with limited property rights due to installment purchases are described in “(6) 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:

Historical cost	(Millions of yen)											
	Intangible assets with indefinite useful lives					Intangible assets with finite useful lives						
	Goodwill	FCC licenses	Trademarks	Software	Technologies	Customer relationships	Favorable lease contracts	Game titles	Trademarks	Spectrum migration costs	Other	Total
As of April 1, 2015	¥1,673,151	¥4,320,296	¥734,655	¥1,363,940	¥	¥ 979,860	¥176,933	¥192,536	¥63,210	¥ 54,569	¥ 168,385	¥8,054,384
Purchases	—	10,389	—	85,036	—	—	—	—	29	—	186,534	281,988
Internal development	—	—	—	4,353	—	—	—	—	—	—	14,446	18,799
Business combinations	128,774	—	30,250	8,797	—	56,680	—	—	—	—	827	96,554
Loss of control	(146,032)	—	—	(3,831)	—	—	—	(77,796)	(47)	—	(1,766)	(83,440)
Disposals	—	—	—	(62,928)	—	—	(307)	—	(48)	—	(1,275)	(64,558)
Transfer of accounts	(30,072)	(269,935)	(114)	177,792	—	—	—	—	7	62,664	(233,501)	6,848
Exchange differences	(158)	—	(46,911)	(25,021)	—	(55,663)	(11,016)	(2,306)	(3,909)	—	(4,024)	(418,785)
Other	—	—	—	875	—	228	—	—	3	—	1,404	2,510
As of March 31, 2016	1,625,663	4,060,750	717,880	1,549,013	—	981,105	165,610	112,434	59,245	117,233	131,030	7,894,300
Purchases	—	17,454	—	55,551	—	1,837	—	—	22	—	177,169	252,033
Internal development	—	—	—	5,265	—	—	—	—	—	—	18,989	24,254
Business combinations	2,659,035	—	—	2,142	538,076	149,215	—	—	5,946	—	445	695,824
Loss of control	(89,834)	—	—	(99)	—	(109)	—	(101,842)	(256)	—	(241)	(102,182)
Disposals	—	—	—	(79,614)	—	—	(1,367)	—	—	—	(1,329)	(82,675)
Transfer of accounts	—	(13,939)	1	114,764	—	23	—	—	(185)	—	(114,927)	(139)
Exchange differences	26,734	—	(3,625)	(1,185)	7,119	(2,968)	(758)	(10,592)	(185)	—	(867)	(27,000)
Other	—	36,386	1	2,405	—	518	—	—	56	—	(696)	38,670
As of March 31, 2017	¥4,221,598	¥4,100,651	¥714,257	¥1,648,242	¥545,195	¥1,129,621	¥163,485	¥	¥64,828	¥117,233	¥ 209,573	¥8,693,085

Historical cost	(Thousands of U.S. dollars)											
	Intangible assets with indefinite useful lives					Intangible assets with finite useful lives						
	Goodwill	FCC licenses	Trademarks	Software	Technologies	Customer relationships	Favorable lease contracts	Game titles	Trademarks	Spectrum migration costs	Other	Total
As of March 31, 2016	\$14,490,267	\$36,195,294	\$6,398,788	\$13,807,050	\$	\$ 8,745,030	\$1,476,157	\$1,002,175	\$528,078	\$1,044,951	\$ 1,167,929	\$70,365,452
Purchases	—	155,575	—	495,151	—	16,374	—	—	196	—	1,579,188	2,246,484
Internal development	—	—	—	46,929	—	—	—	—	—	—	169,258	216,187
Business combinations	23,701,177	—	—	19,092	4,796,114	1,330,021	—	—	52,999	—	3,966	6,202,192
Loss of control	(800,731)	—	—	(882)	—	(972)	—	(907,764)	(2,282)	—	(2,148)	(910,794)
Disposals	—	—	—	(709,635)	—	—	(12,185)	—	—	—	(11,846)	(736,920)
Transfer of accounts	—	(124,245)	9	1,022,943	—	205	—	—	(1,649)	—	(1,024,396)	(1,239)
Exchange differences	238,291	—	(32,312)	(10,562)	63,455	(26,454)	(6,757)	(94,411)	499	—	(7,728)	(240,663)
Other	—	324,325	9	21,437	—	4,617	—	—	—	—	(6,204)	344,683
As of March 31, 2017	\$37,629,004	\$36,550,949	\$6,366,494	\$14,691,523	\$4,859,569	\$10,068,821	\$1,457,215	\$	\$577,841	\$1,044,951	\$ 1,868,019	\$77,485,382

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

Accumulated amortization and impairment losses	(Millions of yen)											
	Intangible assets with indefinite useful lives					Intangible assets with finite useful lives						
	Goodwill	FCC licenses	Trademarks	Software	Technologies	Customer relationships	Favorable lease contracts	Game titles	Trademarks	Spectrum migration costs	Other	Total
As of April 1, 2015	¥ (9,788)	¥ —	¥ (7,404)	¥ (606,074)	¥ —	¥ (397,637)	¥ (31,742)	¥ (83,325)	¥ (3,627)	¥ (1,019)	¥ (19,974)	¥ (1,150,802)
Amortization	—	—	—	(228,753)	—	(173,860)	—	(26,951)	(1,932)	(5,742)	(5,175)	(442,413)
Impairment loss	(6,086)	—	(4,125)	(589)	—	(1,342)	—	56,186	7	—	(51)	(6,107)
Loss of control	—	—	—	2,521	—	—	—	—	48	—	446	59,160
Disposals	—	—	—	59,984	—	—	—	1,500	325	—	54	60,086
Exchange differences	—	—	286	11,573	—	31,383	3,110	—	—	—	746	48,923
Other	—	—	—	(5,527)	—	151	(17,736)	—	—	—	(890)	(24,002)
As of March 31, 2016	(15,874)	—	(11,243)	(766,865)	—	(541,305)	(46,368)	(52,590)	(5,179)	(6,761)	(24,844)	(1,455,155)
Amortization	—	—	—	(228,538)	(22,301)	(137,608)	—	(6,851)	(2,161)	(6,658)	(4,280)	(408,397)
Impairment loss	(30,260)	—	—	(1,327)	—	—	—	—	—	—	(714)	(2,041)
Loss of control	—	—	—	74	—	—	—	54,206	—	—	119	54,399
Disposals	—	—	—	78,284	—	77	1,367	—	100	—	1,021	80,849
Exchange differences	—	—	17	(883)	—	(1,405)	(227)	5,235	(34)	—	332	3,035
Other	—	—	—	(6,053)	—	(574)	(13,503)	—	(22)	—	1,016	(19,136)
As of March 31, 2017	¥ (46,134)	¥ —	¥ (11,226)	¥ (925,308)	¥ (22,301)	¥ (680,815)	¥ (58,731)	¥ —	¥ (7,296)	¥ (13,419)	¥ (27,350)	¥ (1,746,446)

Accumulated amortization and impairment losses	(Thousands of U.S. dollars)											
	Intangible assets with indefinite useful lives					Intangible assets with finite useful lives						
	Goodwill	FCC licenses	Trademarks	Software	Technologies	Customer relationships	Favorable lease contracts	Game titles	Trademarks	Spectrum migration costs	Other	Total
As of March 31, 2016	\$(141,492)	\$ —	\$(100,214)	\$(6,835,413)	\$ —	\$(4,824,895)	\$(413,299)	\$(468,758)	\$(46,163)	\$(60,264)	\$(221,446)	\$(12,970,452)
Amortization	—	—	—	(2,037,062)	(198,779)	(1,226,562)	—	(61,066)	(19,262)	(59,346)	(38,150)	(3,640,227)
Impairment loss	(269,721)	—	—	(11,828)	—	—	—	—	—	—	(6,364)	(18,192)
Loss of control	—	—	—	660	—	—	—	483,162	—	—	1,061	484,883
Disposals	—	—	—	697,781	—	686	12,185	—	891	—	9,101	720,644
Exchange differences	—	—	152	(7,871)	—	(12,524)	(2,023)	46,662	(303)	—	2,959	27,052
Other	—	—	—	(53,954)	—	(5,116)	(120,358)	—	(196)	—	9,056	(170,568)
As of March 31, 2017	\$(411,213)	\$ —	\$(100,062)	\$(8,247,687)	\$(198,779)	\$(6,068,411)	\$(523,495)	\$ —	\$(65,033)	\$(119,610)	\$(243,783)	\$(15,566,860)

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					Total	
	Goodwill	FCC licenses	Trademarks	Software	Technologies	Customer relationships	Favorable lease contracts	Game titles	Trademarks	Spectrum migration costs		Other
As of March 31, 2016	¥1,609,789	¥4,060,750	¥706,637	¥782,148	¥ —	¥439,800	¥119,242	¥59,844	¥54,066	¥110,472	¥106,186	¥6,439,145
As of March 31, 2017	¥4,175,464	¥4,100,651	¥703,031	¥722,934	¥522,894	¥448,806	¥104,754	¥ —	¥57,532	¥103,814	¥182,223	¥6,946,639

	(Thousands of U.S. dollars)											
	Intangible assets with indefinite useful lives					Intangible assets with finite useful lives					Total	
	Goodwill	FCC licenses	Trademarks	Software	Technologies	Customer relationships	Favorable lease contracts	Game titles	Trademarks	Spectrum migration costs		Other
As of March 31, 2016	\$37,217,791	\$36,550,949	\$6,266,432	\$6,443,836	\$4,660,790	\$4,000,410	\$933,720	\$ —	\$512,808	\$925,341	\$1,624,236	\$61,918,522
As of March 31, 2017												

“FCC licenses” are licenses to use a 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 the “Sprint” and “Boost Mobile” trademarks have indefinite useful lives as they can be legally utilized continuously as long as the business continues and management’s current plans are to offer services under these trademarks for the foreseeable future.

Technologies reflect excessive earning capacity in the future expected from technologies of the acquiree that had been already developed, or was already well-advanced in development, at the time of the business combinations.

Customer relationships reflect excessive earning capacity in the future expected from the existing customers of the acquiree at the time of the 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 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 loss” in the consolidated statement of income. The details are described in “Note 35. Other operating loss.”

The amount of “Other” included in “FCC licenses” for the fiscal year ended March 31, 2017 is recognized due to exchange of certain spectrum with other carriers. The details are described in “Note 35. Other operating loss.”

Increase due to “Business combinations” is as follows:

For the fiscal year ended March 31, 2016

As a result of consolidating ASKUL Corporation as a subsidiary in August 2015, the Company recognized customer relationships of ¥40,680 million and trademarks of ¥20,130 million. The details are described in “(1) ASKUL Corporation” in “Note 5. Business combinations.”

As a result of consolidating Ikyu Corporation as a subsidiary in February 2016, the Company recognized customer relationships of ¥16,000 million and trademarks of ¥10,120 million. The details are described in “(2) Ikyu Corporation” in “Note 5. Business combinations.”

For the fiscal year ended March 31, 2017

As a result of consolidating Arm as a subsidiary in September 2016, the Company recognized goodwill of ¥2,650,911 million (\$23,628,764 thousand), technologies of ¥537,680 million (\$4,792,584 thousand), customer relationships of ¥148,649 million (\$1,324,975 thousand), and trademarks of ¥5,940 million (\$52,946 thousand). The details are described in “(3) Arm” in “Note 5. Business combinations.”

Decrease due to “Loss of control” is as follows:

For the fiscal year ended March 31, 2016

As a result of losing control of GungHo as a subsidiary in June 2015, game titles decreased by ¥21,610 million. The details are described in “(1) GungHo” in “Note 42. Discontinued operations.”



For the fiscal year ended March 31, 2017

As a result of losing control of Supercell as a subsidiary in July 2016, game titles decreased by ¥47,636 million (\$424,601 thousand). The details are described in “(2) Supercell” in “Note 42. Discontinued operations.”

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, 2016	As of March 31, 2017	As of March 31, 2017
Software .....	<u>¥47,200</u>	<u>¥50,919</u>	<u>\$453,864</u>

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

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Software .....	<u>¥290,460</u>	<u>¥297,531</u>	<u>\$2,652,028</u>

Finance lease obligations of the Company are pledged through the lessor’s retaining the property right of lease assets.

The intangible assets with limited property rights due to installment purchase are described in “(6) Assets with limited property rights” in “Note 19. 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, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Research and development costs .....	<u>¥6,242</u>	<u>¥64,459</u>	<u>\$574,552</u>

Increase in research and development costs for the fiscal year ended March 31, 2017 is mainly due to the consolidation of Arm.

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:

Goodwill

Reportable segments	Cash-generating unit or Cash-generating unit groups	(Millions of yen)		(Thousands of U.S. dollars)
		As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Domestic Telecommunications ..	SoftBank <sup>1</sup>	¥ 908,720	¥ 909,463	\$ 8,106,453
Sprint .....	Sprint	331,811	330,726	2,947,910
Yahoo Japan .....	Yahoo <sup>2</sup>	16,519	16,519	147,241
	Marketing solution	9,821	9,821	87,539
	Shopping	56,600	58,159	518,397
	Ikyu	72,044	72,044	642,161
	Settlement finance	20,891	20,891	186,211
	Other	—	1,524	13,584
	Subtotal	175,875	178,958	1,595,133
Distribution .....	Brightstar	90,657	60,394	538,319
Arm .....	Arm	—	2,691,818	23,993,386
	Other	102,726	4,105	36,590
Total .....		<u>¥1,609,789</u>	<u>¥4,175,464</u>	<u>\$37,217,791</u>

Notes:

1. SoftBank comprises SoftBank Corp. and WCP.
2. Goodwill is allocated to "Yahoo" because the benefits are expected to be realized from Yahoo Japan as a whole, not from individual cash-generating units in Yahoo Japan.

#### Intangible assets with indefinite useful lives

Reportable segments	Cash-generating unit	(Millions of yen)		(Thousands of U.S. dollars)
		As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Sprint . . . . .	Sprint	¥4,729,506	¥4,766,499	\$42,485,952
Yahoo Japan . . . . .	Shopping	20,130	20,130	179,428
	Ikyu	10,120	10,120	90,204
	Subtotal	30,250	30,250	269,632
Distribution . . . . .	Brightstar US and Canada region	3,042	3,030	27,008
	Brightstar Asia and Oceania region	1,753	1,613	14,377
	Brightstar Europe and Africa region	2,836	2,290	20,412
	Subtotal	7,631	6,933	61,797
Total . . . . .		¥4,767,387	¥4,803,682	\$42,817,381

The recoverable amount of each cash-generating unit or cash-generating unit group is measured as follows:

Value in use: SoftBank, Marketing solution, Shopping, Settlement finance, Ikyu, Brightstar, Brightstar US and Canada region, Brightstar Latin America region, Brightstar Asia and Oceania region, Brightstar Europe and Africa region, and SoftBank Commerce & Service Corp.

Fair value less disposal cost: Sprint, Yahoo, and Arm

Value in use is 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 pre-tax discount rate of 7.21%-16.17% of the cash-generating unit or cash-generating unit group (5.12%-22.11% for the fiscal year ended March 31, 2016). The cash flows from after five years are assumed to increase on the basis of the growth rate of 0%-2.34% (0%-3.81% for the fiscal year ended March 31, 2016).

In Sprint and Yahoo, the fair value less disposal cost is measured based on active market prices and in Arm, it is measured by discounting the cash flows which are estimated based on the business plans for the next 10 years while taking into account the future cash flows that market participants would expect to receive in accordance with their assumptions discounted to the present value using a post-tax discount rate of 9%. The cash flows from after 10 years are assumed on the basis of the growth rate of 19% on the 11th year and 10% on the 12th year. The cash flows from the 13th year onward are assumed to increase on the basis of the growth rate of 2%. Fair value is classified into level 3 as its fair value is measured using unobservable inputs.

Goodwill of Brightstar had been allocated to the entirety of Brightstar (a group of cash-generating units), which had bundled five cash-generating units (Brightstar's US & Canada, Latin America, Asia & Oceania, SoftBank Commerce & Service Corp., and Europe & Africa); however, in March 2017, its goodwill was reallocated to Brightstar, which bundled four cash-generating units except for SoftBank Commerce & Service Corp. due to the determination of business reorganization in the Distribution segment. Since impairment indicators existed, the impairment test was conducted on goodwill and intangible assets with indefinite useful lives. As a result, the recoverable amount of goodwill was less than its carrying amount and, therefore, ¥30,260 million (\$269,721 thousand) of impairment loss on goodwill was recorded. Value in use was used as the recoverable amount and estimated future cash flow plan of four cash-generating units approved by the management was calculated using a pre-tax discount rate of 10.97%-16.17%.

Other than the above, as a result of an annual impairment test of goodwill and intangible assets with indefinite useful lives for cash-generating units or cash-generating unit groups, no impairment loss was recognized.

As a result of reviewing the business plan of Brightstar's Latin America region, goodwill and intangible assets with indefinite useful lives were tested for impairment because there was an indication of impairment for the fiscal year ended March 31, 2016. As a result, the recoverable amount became negative and therefore the carrying amount of assets related to the cash-generating unit was reduced to zero. Impairment loss on property, plant and equipment was ¥8,070 million and impairment loss on intangible assets was ¥5,563 million. Value in

use was used as the recoverable amount and calculated by discounting management's approved estimated future cash flow plan using a pre-tax discount rate of 22.11%. In addition, impairment loss of ¥6,086 million for goodwill allocated to cash-generating unit groups of Other is recognized.

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

#### 14. Leases

##### (1) Finance leases

(As lessee)

The Company has leased assets, including 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 March 31, 2016	As of March 31, 2017	As of March 31, 2017
The total minimum lease payments			
Within 1 year	¥ 417,891	¥ 458,234	\$ 4,084,446
1 to 5 years	836,142	827,253	7,373,679
Over 5 years	5,542	2,573	22,934
Total	1,259,575	1,288,060	11,481,059
Deduction -future financial expense	(47,389)	(42,170)	(375,880)
Present value of finance lease obligations	¥1,212,186	¥1,245,890	\$11,105,179

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

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Within 1 year	¥ 396,992	¥ 438,284	\$ 3,906,623
1 to 5 years	809,799	805,085	7,176,085
Over 5 years	5,395	2,521	22,471
Total	¥1,212,186	¥1,245,890	\$11,105,179

The outstanding balance by year of maturity of financial lease obligations is described in “(2) Financial risk management c. Liquidity risk” in “Note 25. Financial instruments.”

Certain lease contracts have financial covenants. Major contents are described in “(3) Financial covenants” in “Note 19. Interest-bearing debt.”

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

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Total	¥27,964	¥28,006	\$249,630

##### (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 options and escalation clauses.

In addition to the non-cancelable period, an automatic renewal option is included in the lease term to the extent that, at the inception of the lease, it is reasonably certain that the option will be exercised. 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 site 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 site 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 site 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, 2016	As of March 31, 2017	As of March 31, 2017
Within 1 year .....	¥ 434,831	¥ 377,393	\$ 3,363,874
1 to 5 years .....	1,246,531	1,216,504	10,843,248
Over 5 years .....	<u>1,207,512</u>	<u>1,051,701</u>	<u>9,374,285</u>
Total .....	<u>¥2,888,874</u>	<u>¥2,645,598</u>	<u>\$23,581,407</u>

Operating lease payments recognized as expenses for the fiscal year ended March 31, 2017 totaled ¥494,579 million (\$4,408,405 thousand) (for the fiscal year ended March 31, 2016: ¥471,057 million).

(As lessor)

Sprint provides a device leasing program to its qualifying subscribers in the U.S. and SoftBank Corp. provides device rental service to corporate customers in Japan. The Company classifies substantially all transactions as operating leases along with the device leasing program and device rental service. At the end of the lease term of the device leasing program at Sprint, 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 is 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, 2016	As of March 31, 2017	As of March 31, 2017
Within 1 year .....	¥292,923	¥287,176	\$2,559,729
1 to 5 years .....	99,141	54,198	483,091
Over 5 years .....	<u>1,701</u>	<u>1,097</u>	<u>9,778</u>
Total .....	<u>¥393,765</u>	<u>¥342,471</u>	<u>\$3,052,598</u>

### (3) Handset sale-leaseback

In November 2015, Sprint entered into agreements (Handset Sale-Leaseback) to sell and leaseback certain leased devices, with Mobile Leasing Solutions, LLC (MLS) and conducted the first Handset Sale-Leaseback transaction (Tranche 1 transaction).

MLS was established for the leasing business by SBLS HD US, Inc. (SBLS), a wholly-owned subsidiary of SoftBank Group Corp. and JPLS HD US, Inc. (JPLS), a company formed by Japanese leasing companies. It is contractually agreed that significant management policies and operating decisions of MLS require the unanimous consent of its Board of Directors designated by SBLS and JPLS. Accordingly, the Company accounts for MLS under the equity method as a joint venture.

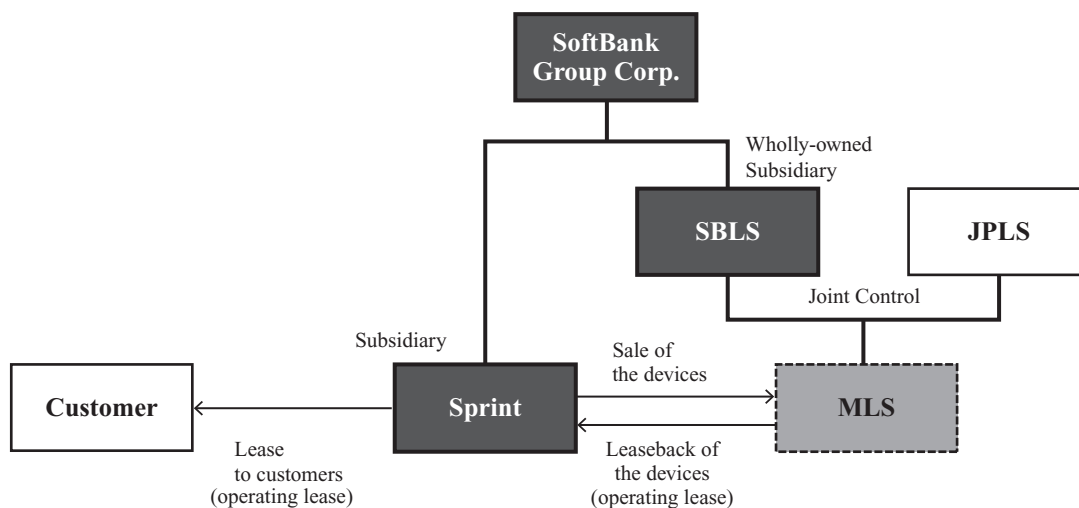
Under this transaction, Sprint sold the devices and transferred the associated certain specified customer lease end rights and obligations to MLS in exchange for proceeds, and a portion of the proceeds will be settled at the end of the agreement as a deferred purchase price receivable. Simultaneously with the sale of the devices and transfer of certain specified customer lease end rights and obligations, MLS leased back each device to Sprint pursuant to the Master Lease Agreement in exchange for monthly rental payments to be made by Sprint to MLS. In addition, Brightstar has a contractual agreement with MLS to provide reverse logistics and remarketing services to MLS with respect to the devices that are returned to MLS. The terms and conditions of the transaction are negotiated and determined based on the market price and the content of the transaction.

Sprint derecognized the devices from property, plant and equipment when they were sold to MLS under the Tranche 1 transaction; however, in December 2016, it terminated the Tranche 1 transaction by repurchasing the devices and related customer lease end rights and obligations from MLS. As a result, Sprint recognized the devices, inventories and other totaling \$477 million (¥55,548 million) and \$16 million (¥1,826 million) respectively. The impact on the condensed interim consolidated statements of income from the termination is immaterial.

The future minimum lease payments receivable during the period under the transaction is ¥45,843 million (\$408,619 thousand) (for the fiscal year ended March 31, 2016: ¥28,385 million).

Of the transactions, the contractual detail of the second Handset Sale-Leaseback transaction conducted in May 2016 is different from that of the Tranche 1 transaction and certain risks related to ownership of the leased devices are not transferred and are retained in Sprint, therefore, borrowings are recognized as fund procurements utilizing the leased devices.

Outline of the transaction\*



Note:

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

## 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 March 31, 2016	As of March 31, 2017
SoftBank Corp. ....	Domestic Telecommunications	Tokyo	99.99	99.99
Wireless City Planning Inc. <sup>1</sup> .....	Domestic Telecommunications	Tokyo	32.2	32.2
SoftBank Payment Service Corp. ....	Domestic Telecommunications	Tokyo	100	100
Sprint Corporation .....	Sprint	U.S.	83.4	83.0
Sprint Communications, Inc. ....	Sprint	U.S.	100	100
Yahoo Japan Corporation <sup>2</sup> .....	Yahoo Japan	Tokyo	43.0	43.0
ValueCommerce Co., Ltd. ....	Yahoo Japan	Tokyo	50.5	52.3
ASKUL Corporation <sup>3</sup> .....	Yahoo Japan	Tokyo	44.4	45.3
eBOOK Initiative Japan Co., Ltd. <sup>4</sup> ....	Yahoo Japan	Tokyo	—	44.6
Brightstar Global Group Inc. ....	Distribution	U.S.	95.5	87.1
Brightstar Corp. ....	Distribution	U.S.	100	100
SoftBank Commerce & Service Corp. ....	Distribution	Tokyo	100	100
Arm Holdings plc .....	Arm	U.K.	—	100
Arm PIPD Holdings One, LLC .....	Arm	U.S.	—	100
Arm PIPD Holdings Two, LLC .....	Arm	U.S.	—	100
Arm Limited .....	Arm	U.K.	—	100
SoftBank Group International GK <sup>5</sup> ....	Company-wide	Tokyo	100	100
SoftBank Group Japan GK <sup>5</sup> .....	Company-wide	Tokyo	100	100
SB Group US, Inc. ....	Company-wide	U.S.	100	100
SoftBank Group Capital Limited <sup>6</sup> ....	Company-wide	U.K.	100	100
SB Energy Corp. ....	Other	Tokyo	100	100
Fukuoka SoftBank HAWKS Corp. ....	Other	Fukuoka	100	100
SoftBank Robotics Group Corp. <sup>7</sup> ....	Other	Tokyo	60.0	60.0
SoftBank Robotics Corp. ....	Other	Tokyo	100	100
SBBM Corporation .....	Other	Tokyo	100	100
ITmedia Inc. ....	Other	Tokyo	57.9	58.0
SoftBank Technology Corp. ....	Other	Tokyo	55.7	54.6
Vector Inc. ....	Other	Tokyo	52.1	52.1
SoftBank Ventures Korea Corp. ....	Other	South Korea	100	100
SoftBank Korea Corp. ....	Other	South Korea	100	100
Starburst I, Inc. ....	Other	U.S.	100	100
SoftBank Holdings Inc. ....	Other	U.S.	100	100
SoftBank America Inc. ....	Other	U.S.	100	100
SoftBank Capital Fund' 10 L.P. ....	Other	U.S.	81.7	81.7
SoftBank Capital Fund' 14 L.P. ....	Other	U.S.	99.0	99.0
STARFISH I PTE. LTD. ....	Other	Singapore	100	100
SB Pan Pacific Corporation .....	Other	Micronesia	100	100
Hayate Corporation .....	Other	Micronesia	100	100
West Raptor Holdings, LLC .....	Other	U.S.	—	100

#### Notes:

- 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 Group Corp.'s directors, SoftBank Corp.'s directors and corporate officers constitute the majority of members of WCP's Board of Directors and that WCP's business activities significantly depend on the Company.
- 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 Group Corp.'s directors and SoftBank Corp.'s directors constitute the majority of the members of Yahoo Japan Corporation's Board of Directors.
- The Company does not own the majority of ASKUL Corporation's voting rights. However, the Company determined that it has control over ASKUL Corporation and included it into the scope of consolidation, considering the fact that the Company holds 45.3%



of the voting rights of ASKUL Corporation, the dispersion of voting rights in ASKUL Corporation and the voting patterns exercised in ASKUL Corporation's past shareholders meetings.

4. The Company does not own the majority of eBOOK Initiative Japan Co., Ltd.'s voting rights. However, the Company determined that it has control over eBOOK Initiative Japan Co., Ltd. and included it into the scope of consolidation, considering the fact that the Company holds 44.6% of the voting rights of eBOOK Initiative Japan Co., Ltd., and Yahoo Japan Corporation's directors and its employees constitute the majority of the members of eBOOK Initiative Japan Co., Ltd.'s Board of Directors.
5. SoftBank Group International GK and SoftBank Group Japan GK conducted an absorption type merger with SoftBank Group International GK being the surviving company, effective on April 24, 2017.
6. SoftBank Group International Limited changed its company name to SoftBank Group Capital Limited on April 27, 2016.
7. SoftBank Robotics Holdings Corp. changed its company name to SoftBank Robotics Group Corp. on November 1, 2016.

(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

	<u>As of</u> <u>March 31, 2016</u>	<u>As of</u> <u>March 31, 2017</u>
Ownership ratio of the non-controlling interests (%)	16.6	17.0
	<u>(Millions of yen)</u>	<u>(Thousands of U.S. dollars)</u>
	<u>As of</u> <u>March 31,</u> <u>2016</u>	<u>As of</u> <u>March 31, 2017</u>
		<u>As of</u> <u>March 31, 2017</u>
Accumulated amount attributable to the non-controlling interests of subsidiary group	¥286,199	¥274,376
	<u>(Millions of yen)</u>	<u>(Thousands of U.S. dollars)</u>
	<u>Fiscal year ended</u> <u>March 31, 2016</u>	<u>Fiscal year ended</u> <u>March 31, 2017</u>
		<u>Fiscal year ended</u> <u>March 31, 2017</u>
Net loss allocated to the non-controlling interests of subsidiary group	¥(39,387)	¥(24,295)

(b) Summarized consolidated financial information

	<u>(Millions of yen)</u>		<u>(Thousands of U.S. dollars)</u>
	<u>As of</u> <u>March 31, 2016</u>	<u>As of</u> <u>March 31, 2017</u>	<u>As of</u> <u>March 31, 2017</u>
Current assets	¥ 899,704	¥1,583,724	\$14,116,445
Non-current assets	7,958,438	7,790,217	69,437,713
Current liabilities	1,527,507	1,424,313	12,695,543
Non-current liabilities	5,362,584	6,108,478	54,447,616
Net assets	1,968,051	1,841,150	16,410,999
	<u>(Millions of yen)</u>	<u>(Thousands of U.S. dollars)</u>	
	<u>Fiscal year ended</u> <u>March 31, 2016</u>	<u>Fiscal year ended</u> <u>March 31, 2017</u>	<u>Fiscal year ended</u> <u>March 31, 2017</u>
Net sales	¥3,871,647	¥3,623,375	\$32,296,773
Net loss	(230,380)	(148,261)	(1,321,517)
Total comprehensive income	(232,734)	(160,823)	(1,433,488)

No dividends were paid to non-controlling interests by Sprint for the fiscal year ended March 31, 2016 and the fiscal year ended March 31, 2017.

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Net cash provided by operating activities . . . .	¥ 361,001	¥ 373,446	\$ 3,328,692
Net cash used in investing activities . . . . .	(685,226)	(1,011,880)	(9,019,342)
Net cash provided by financing activities . . . .	155,915	658,123	5,866,147
Effect of exchange rate changes on cash and cash equivalents . . . . .	(16,029)	4,750	42,339
(Decrease) increase in cash and cash equivalents . . . . .	¥(184,339)	¥ 24,439	\$ 217,836

b. Yahoo (Yahoo Japan Corporation and its group companies)

(a) General information

	As of March 31, 2016	As of March 31, 2017
Ownership ratio of the non-controlling interests (%) . . . . .	57.0	57.0

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Accumulated amount attributable to the non-controlling interests of subsidiary group . . . . .	¥539,584	¥583,106	\$5,197,486

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Net income allocated to the non-controlling interests of subsidiary group . . . . .	¥97,909	¥73,172	\$652,215

(b) Summarized consolidated financial information

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Current assets . . . . .	¥806,380	¥ 966,818	\$8,617,684
Non-current assets . . . . .	555,000	585,974	5,223,051
Current liabilities . . . . .	366,023	416,168	3,709,493
Non-current liabilities . . . . .	64,012	119,334	1,063,678
Net assets . . . . .	931,345	1,017,290	9,067,564

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Net sales . . . . .	¥652,327	¥853,730	\$7,609,680
Net income . . . . .	172,492	132,634	1,182,227
Total comprehensive income . . . . .	173,504	134,436	1,198,289

Dividends paid to the non-controlling interests by Yahoo Japan Corporation for the fiscal year ended March 31, 2017 is ¥28,748 million (\$256,244 thousand) (For the fiscal year ended March 31, 2016: ¥28,733 million).

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Net cash provided by operating activities . . . . .	¥ 107,519	¥128,627	\$1,146,511
Net cash used in investing activities . . . . .	(112,647)	(58,651)	(522,783)
Net cash (used in) provided by financing activities . . . . .	(49,358)	23,996	213,887
Effect of exchange rate changes on cash and cash equivalents . . . . .	(286)	(70)	(624)
(Decrease) increase in cash and cash equivalents . . . . .	<u>¥ (54,772)</u>	<u>¥ 93,902</u>	<u>\$ 836,991</u>

## 16. 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 other through its group company.

#### b. Summarized consolidated financial information

IFRSs 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 March 31, 2016	As of March 31, 2017	As of March 31, 2017
Current assets . . . . .	¥2,637,889	¥2,944,857	\$26,248,837
Non-current assets . . . . .	3,755,127	5,301,646	47,255,959
Current liabilities . . . . .	989,195	1,546,084	13,780,943
Non-current liabilities . . . . .	1,094,527	1,528,963	13,628,336
Equity			
Total equity attributable to owners of the parent . . . . .	3,580,184	4,373,539	38,983,323
Non-controlling interests . . . . .	729,110	797,917	7,112,194

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Net sales . . . . .	¥1,771,778	¥2,337,597	\$20,836,055
Net income . . . . .	1,177,794	1,026,796	9,152,295
Other comprehensive income, net of tax . . . . .	122,648	(120,129)	(1,070,764)
Total comprehensive income . . . . .	<u>¥1,300,442</u>	<u>¥ 906,667</u>	<u>\$ 8,081,531</u>

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Net income attributable to owners of the parent . . . . .	¥1,175,236	¥1,062,873	\$ 9,473,866
Other comprehensive income attributable to owners of the parent, net of tax . . . . .	122,254	(130,113)	(1,159,756)
Total comprehensive income attributable to owners of the parent . . . . .	<u>¥1,297,490</u>	<u>¥ 932,760</u>	<u>\$ 8,314,110</u>

There was no dividend received from Alibaba for the fiscal years ended March 31, 2016 and 2017.

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 March 31, 2016	As of March 31, 2017	As of March 31, 2017
Total equity attributable to owners of the parent . . . . .	¥3,580,184	¥4,373,539	\$38,983,323
Interest ratio (%) . . . . .	32.60	30.05	30.05
Interests of the Company . . . . .	1,167,140	1,314,249	11,714,493
Goodwill . . . . .	137,705	139,290	1,241,555
Accumulated amortization of goodwill on the IFRSs transition date <sup>1</sup> . . . . .	(7,989)	(6,899)	(61,494)
Stock acquisition rights . . . . .	(62,980)	(80,326)	(715,982)
Other <sup>2</sup> . . . . .	(32,329)	(30,068)	(268,010)
Carrying amount of the interests in Alibaba . . . . .	<u>¥1,201,547</u>	<u>¥1,336,246</u>	<u>\$11,910,562</u>

Notes:

- Goodwill recorded by Alibaba from business combinations before the IFRSs 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.
- 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.

c. Fair value of investment in Alibaba

The fair value of the investment in Alibaba based on market price is ¥9,036,776 million (\$80,548,855 thousand) as of March 31, 2017 (As of March 31, 2016: ¥7,103,981 million).

(2) Aggregated information on investment in insignificant associates and joint ventures

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, 2016	As of March 31, 2017	As of March 31, 2017
Carrying amount of the interests			
Associates . . . . .	¥380,511	¥327,184	\$2,916,338
Joint ventures . . . . .	6,212	7,369	65,684
Total . . . . .	<u>¥386,723</u>	<u>¥334,553</u>	<u>\$2,982,022</u>

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Net income			
Associates .....	¥(3,775)	¥(9,159)	\$(81,638)
Joint ventures .....	(1,483)	545	4,858
Total .....	<u>¥(5,258)</u>	<u>¥(8,614)</u>	<u>\$(76,780)</u>
Other comprehensive income, net of tax			
Associates .....	(417)	481	4,287
Joint ventures .....	(779)	658	5,865
Total .....	<u>¥(1,196)</u>	<u>¥ 1,139</u>	<u>10,152</u>
Total comprehensive income			
Associates .....	(4,192)	(8,678)	(77,351)
Joint ventures .....	(2,262)	1,203	10,723
Total .....	<u>¥(6,454)</u>	<u>¥(7,475)</u>	<u>\$(66,628)</u>

## 17. 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

The Company owns 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 parties control 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, 2016	As of March 31, 2017	As of March 31, 2017
Total assets of the unconsolidated structured entities (aggregate amount) .....	¥629,519	¥523,860	\$4,669,400
The maximum loss exposure of the Company			
The carrying amount of the investment recognized by the Company .....	75,733	62,079	553,338
Commitment contracts related to additional investment .....	16,437	18,540	165,255
Total .....	<u>¥ 92,170</u>	<u>¥ 80,619</u>	<u>\$ 718,593</u>

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 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.

## 18. 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 March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Current tax expenses .....	¥(219,931)	¥(317,676)	\$(2,831,589)
Deferred tax expenses .....	(202,746)	524,781	4,677,609
Total .....	<u>¥(422,677)</u>	<u>¥ 207,105</u>	<u>\$ 1,846,020</u>

There is a reduction of current tax expense due to the benefit from net operating loss carryforwards, tax credit carryforwards and temporary differences that occurred in previous periods and that were unaccompanied by the recognition of deferred tax assets. The reduction of current tax expense for the year ended March 31, 2017 was ¥33,768 million (\$300,989 thousand) (for the fiscal year ended March 31, 2016: ¥30,023 million).

### (2) Reconciliation of the 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 March 31, 2016	Fiscal year ended March 31, 2017
Statutory effective tax rate .....	33.1	31.7
Effect to temporary difference associated with investment by sales of shares of associates between consolidated subsidiaries .....	—	(76.3)
Effect from evaluating recoverability of deferred tax assets .....	17.4	15.9
Effect from profit or loss that does not impact taxable gain or loss .....	2.2	(7.5)
Aggregation of income earned by controlled foreign companies .....	—	3.8
Loss relating to loss of control .....	—	3.1
Impairment loss on goodwill .....	—	1.3
Difference in tax rate applied to subsidiaries .....	(2.2)	1.1
Gain from remeasurement relating to business combination .....	(2.1)	(0.8)
Change of deferred tax assets and liabilities by the change of effective tax rate .....	(1.7)	(0.4)
Other .....	<u>(0.7)</u>	<u>(1.0)</u>
Actual tax rate .....	<u>46.0</u>	<u>(29.1)</u>

The Company is subject to income taxes, residence taxes and deductible enterprise taxes. The statutory effective tax rate for the fiscal year ended March 31, 2017 based on these taxes is 31.7% (for the fiscal year ended March 31, 2016: 33.1%), except for foreign subsidiaries that are subject to income taxes at their respective locations.

In Japan, as the Act on the Partial Revision of the Income Tax Act (Article 15, 2016) and the Local Tax Law (Article 13, 2016) were enacted in the Diet on March 29, 2016, the statutory effective tax rate was changed from the fiscal year on and after April 1, 2016.



(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, 2016

(Millions of yen)							
	As of March 31, 2015	Recognized in profit or loss	Recognized in other comprehen- sive income	Business combination	Exchange differences	Other	As of March 31, 2016
Deferred tax assets							
Property, plant and equipment . . . . .	¥ 72,624	¥ 49,136	¥ —	¥ 1,089	¥ (4,047)	¥ 433	¥ 119,235
Accrued expenses and other liabilities . . . . .	267,229	(51,870)	202	1,765	(7,760)	(1,036)	208,530
Net operating loss carryforwards and tax credit carryforwards <sup>1</sup> . . . . .	127,548	(43,307)	—	1,230	(5,054)	3	80,420
Temporary difference associated with investment in subsidiaries, associates and joint ventures . . . . .	137	2,351	—	—	(20)	—	2,468
Other . . . . .	104,819	(20,643)	8	5	(2,082)	97	82,204
Total . . . . .	<u>572,357</u>	<u>(64,333)</u>	<u>210</u>	<u>4,089</u>	<u>(18,963)</u>	<u>(503)</u>	<u>492,857</u>
Deferred tax liabilities							
FCC licenses . . . . .	(1,508,886)	(23,510)	—	—	95,552	—	(1,436,844)
Customer relationships . . . . .	(216,238)	68,289	—	(18,285)	8,194	—	(158,040)
Trademarks . . . . .	(298,794)	510	—	(9,759)	18,558	670	(288,815)
Temporary difference associated with investment in subsidiaries, associates and joint ventures <sup>2</sup> . . . . .	(256,430)	(114,516)	28,478	—	191	(8,154)	(350,431)
Other . . . . .	(109,136)	(69,186)	(5,048)	(3,596)	6,891	11,048	(169,027)
Total . . . . .	<u>(2,389,484)</u>	<u>(138,413)</u>	<u>23,430</u>	<u>(31,640)</u>	<u>129,386</u>	<u>3,564</u>	<u>(2,403,157)</u>
Net . . . . .	<u>¥(1,817,127)</u>	<u>¥(202,746)</u>	<u>¥23,640</u>	<u>¥(27,551)</u>	<u>¥110,423</u>	<u>¥ 3,061</u>	<u>¥(1,910,300)</u>

Notes:

- The Company recognizes deferred tax assets related to the entities that recorded a loss in either the fiscal year ended March 31, 2015 or 2016, in the amount of ¥10,306 million for the fiscal year ended March 31, 2016. 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 increase in deferred tax liabilities from “Temporary difference associated with investment in subsidiaries, associates and joint ventures” is mainly due to the recognition of deferred tax liabilities on temporary differences on investment which mainly arose from dilution gain from changes in equity interest and income on equity method investments related to Alibaba. The amount of deferred tax liability recognized as of March 31, 2016 is ¥327,343 million.

For the fiscal year ended March 31, 2017

(Millions of yen)

	As of March 31, 2016	Recognized in profit or loss	Recognized in other comprehen- sive income	Business combination <sup>1</sup>	Exchange differences	Other	As of March 31, 2017
Deferred tax assets							
Property, plant and equipment . . . . .	¥ 119,235	¥ 5,282	¥ —	¥ —	¥ 509	¥ 2	¥ 125,028
Accrued expenses and other liabilities . . . . .	208,530	(51,483)	(27)	45	(2,032)	(1,183)	153,850
Net operating loss carryforwards and tax credit carryforwards <sup>2</sup> . . . . .	80,420	(66,226)	—	9,831	(4,465)	51	19,611
Temporary difference associated with investment in subsidiaries, associates and joint ventures <sup>3</sup> . . . . .	2,468	227,630	—	—	(2)	—	230,096
Other . . . . .	82,204	(15,949)	195	1,027	(298)	3,247	70,426
Total . . . . .	492,857	99,254	168	10,903	(6,288)	2,117	599,011
Deferred tax liabilities							
FCC licenses . . . . .	(1,436,844)	(19,567)	—	—	3,960	—	(1,452,451)
Customer relationships . . . . .	(158,040)	50,760	—	(27,233)	1,686	—	(132,827)
Trademarks . . . . .	(288,815)	1,070	—	(1,100)	1,210	—	(287,635)
Technologies . . . . .	—	8,312	—	(98,381)	(1,089)	—	(91,158)
Temporary difference associated with investment in subsidiaries, associates and joint ventures <sup>4</sup> . . . . .	(350,431)	333,388	849	—	32	5,757	(10,405)
Other . . . . .	(169,027)	51,564	(16,606)	(832)	3,342	(29,362) <sup>5</sup>	(160,921)
Total . . . . .	(2,403,157)	425,527	(15,757)	(127,546)	9,141	(23,605)	(2,135,397)
Net . . . . .	¥ (1,910,300)	¥ 524,781	¥ (15,589)	¥ (116,643)	¥ 2,853	¥ (21,488)	¥ (1,536,386)

(Thousands of U.S. dollars)

	As of March 31, 2016	Recognized in profit or loss	Recognized in other comprehen- sive income	Business combination <sup>1</sup>	Exchange differences	Other	As of March 31, 2017
Deferred tax assets							
Property, plant and equipment . . . . .	\$ 1,062,795	\$ 47,081	\$ —	\$ —	\$ 4,537	\$ 18	\$ 1,114,431
Accrued expenses and other liabilities . . . . .	1,858,722	(458,891)	(241)	401	(18,112)	(10,545)	1,371,334
Net operating loss carryforwards and tax credit carryforwards <sup>2</sup> . . . . .	716,820	(590,302)	—	87,628	(39,799)	455	174,802
Temporary difference associated with investment in subsidiaries, associates and joint ventures <sup>3</sup> . . . . .	21,998	2,028,969	—	—	(18)	—	2,050,949
Other . . . . .	732,722	(142,161)	1,738	9,154	(2,656)	28,942	627,739
Total . . . . .	4,393,057	884,696	1,497	97,183	(56,048)	18,870	5,339,255
Deferred tax liabilities							
FCC licenses . . . . .	(12,807,238)	(174,409)	—	—	35,297	—	(12,946,350)
Customer relationships . . . . .	(1,408,682)	452,447	—	(242,740)	15,028	—	(1,183,947)
Trademarks . . . . .	(2,574,338)	9,537	—	(9,805)	10,785	—	(2,563,821)
Technologies . . . . .	—	74,089	—	(876,914)	(9,707)	—	(812,532)
Temporary difference associated with investment in subsidiaries, associates and joint ventures <sup>4</sup> . . . . .	(3,123,549)	2,971,637	7,568	—	285	51,315	(92,744)
Other . . . . .	(1,506,613)	459,612	(148,017)	(7,416)	29,790	(261,717) <sup>5</sup>	(1,434,361)
Total . . . . .	(21,420,420)	3,792,913	(140,449)	(1,136,875)	81,478	(210,402)	(19,033,755)
Net . . . . .	\$(17,027,363)	\$4,677,609	\$(138,952)	\$(1,039,692)	\$ 25,430	\$(191,532)	\$(13,694,500)

Notes:

- The increase from “Business combination” is mainly due to the consolidation of Arm. The details are described in “(3) Arm” in “Note 5. Business combinations.”
- The Company recognizes deferred tax assets related to the entities that recorded a loss in either the fiscal year ended March 31, 2016 or 2017, in the amount of ¥11,062 million (\$98,601 thousand) for the fiscal year ended March 31, 2017. 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 increase in deferred tax assets from “Temporary difference associated with investment in subsidiaries, associates and joint ventures” is due to the recognition of deferred tax assets on temporary differences on investment which arose from changes in the carrying amount on a tax basis, due to the sales of Alibaba shares to a subsidiary of the Company. The amount of deferred tax assets recognized as of March 31, 2017 is ¥229,980 million (\$2,049,915 thousand).

4. The decrease in deferred tax liabilities from “Temporary difference associated with investment in subsidiaries, associates and joint ventures” is mainly due to the write-off of deferred tax liabilities on temporary differences on investment which arose from sales of Alibaba shares. The amount of deferred tax liabilities recognized as of March 31, 2017 is ¥7,747 million (\$69,053 thousand).
5. The increase in deferred tax liabilities from “Other” is mainly due to the recognition of deferred tax liabilities of ¥38,979 million (\$347,437 thousand) for taxable profits in the foreseeable future, resulting from the sales of Supercell shares to a foreign subsidiary of the Company. In addition, deferred tax expenses of ¥38,979 million (\$347,437 thousand) is included in “Net income from discontinued operations” in the consolidated statement of income for the fiscal year ended March 31, 2017.

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, 2016	As of March 31, 2017	As of March 31, 2017
Deferred tax assets . . . . .	¥ 172,864	¥ 404,994	\$ 3,609,894
Deferred tax liabilities . . . . .	(2,083,164)	(1,941,380)	(17,304,394)
Net . . . . .	<u>¥(1,910,300)</u>	<u>¥(1,536,386)</u>	<u>\$(13,694,500)</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, 2016	As of March 31, 2017	As of March 31, 2017
Deductible temporary differences . . . . .	¥ 404,965	¥ 609,386	\$ 5,431,732
Net operating loss carryforwards . . . . .	954,868	852,142	7,595,525
Tax credit carryforwards . . . . .	37,711	39,148	348,944
Total . . . . .	<u>¥1,397,544</u>	<u>¥1,500,676</u>	<u>\$13,376,201</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, 2016	As of March 31, 2017	As of March 31, 2017
<b>Net operating loss carryforwards (tax basis)</b>			
1st year . . . . .	¥ 25,096	¥ 18,692	\$ 166,610
2nd year . . . . .	10,421	14,978	133,506
3rd year . . . . .	6,198	21,021	187,370
4th year . . . . .	10,679	20,621	183,804
5th year and thereafter and no expiry date . . . . .	902,474	776,830	6,924,235
Total . . . . .	<u>¥954,868</u>	<u>¥852,142</u>	<u>\$7,595,525</u>

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
<b>Tax credit carryforwards (tax basis)</b>			
1st year . . . . .	¥ 297	¥ 8,254	\$ 73,572
2nd year . . . . .	8,097	1,183	10,545
3rd year . . . . .	1,189	2,438	21,731
4th year . . . . .	2,449	2,598	23,157
5th year and thereafter and no expiry date . . . . .	25,679	24,675	219,939
Total . . . . .	<u>¥ 37,711</u>	<u>¥ 39,148</u>	<u>\$ 348,944</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, associates and joint ventures as of March 31, 2017 are ¥2,652,745 million (\$23,645,111 thousand) (as of March 31, 2016: ¥2,154,301 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, 2017 are ¥1,645,736 million (\$14,669,186 thousand) (as of March 31, 2016: ¥1,128,346 million).

## 19. 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 (%) <sup>1</sup>	Maturity <sup>2</sup>
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017		
<b>Current</b>					
Short-term borrowings	¥ 515,408	¥ 667,664	\$ 5,951,190	1.13	—
Commercial paper	42,000	80,000	713,076	0.07	—
Current portion of long-term borrowings	743,225	1,128,510	10,058,918	1.77	—
Current portion of corporate bonds <sup>4</sup>	900,685	339,462	3,025,778	5.68	—
Current portion of lease obligations	396,992	438,284	3,906,623	1.89	—
Current portion of installment payables	48,299	40,173	358,079	1.81	—
Total	<u>¥2,646,609</u>	<u>¥ 2,694,093</u>	<u>\$ 24,013,664</u>		
<b>Non-current</b>					
Long-term borrowings	1,785,500	3,377,625	30,106,293	1.86	Jul. 2018-Feb. 2026
Corporate bonds <sup>4</sup>	6,611,947	7,233,838	64,478,456	4.69	Jun. 2018-Sep. 2043
Lease obligations	815,194	807,606	7,198,556	1.93	Apr. 2018-Apr. 2026
Financial liabilities relating to the sale of shares by variable prepaid forward contract <sup>3</sup>	—	715,448	6,377,110	1.59	Jun. 2019
Installment payables	63,181	29,760	265,265	2.48	Apr. 2018-Nov. 2021
Total	<u>¥9,275,822</u>	<u>¥12,164,277</u>	<u>\$108,425,680</u>		

Notes:

- Average interest rate represents the weighted-average interest rate to the balance as of March 31, 2017.
- Maturity represents the maturity of the outstanding balance as of March 31, 2017.
- The details are described in “(2) Transaction for sale of Alibaba shares by variable prepaid forward contract.”

4. A summary of the issuance condition of bonds is as follows:

Company name / Name of bond	Date of issuance	Balance of issue amount <sup>5</sup>	As of March 31, 2016 (Millions of yen) <sup>6</sup>	As of March 31, 2017 (Millions of yen) <sup>6</sup>	As of March 31, 2017 (Thousands of U.S. dollars) <sup>6</sup>	Interest rate (%)	Date of maturity
SoftBank Group Corp.							
35th Unsecured Straight Bond	Jan. 25, 2011	¥ 10,000 million	¥ 9,988	¥ 9,995 (9,995)	\$ 89,090 (89,090)	1.66	Jan. 25, 2018
36th Unsecured Straight Bond	Jun. 17, 2011	—	99,982 (99,982)	—	—	1.00	Jun. 17, 2016
39th Unsecured Straight Bond	Sep. 24, 2012	¥100,000 million	99,852	99,956 (99,956)	890,953 (890,953)	0.74	Sep. 22, 2017
40th Unsecured Straight Bond	Sep. 14, 2012	¥ 10,000 million	9,986	9,996 (9,996)	89,099 (89,099)	0.73	Sep. 14, 2017
41st Unsecured Straight Bond	Mar. 12, 2013	—	298,957 (298,957)	—	—	1.47	Mar. 10, 2017
42nd Unsecured Straight Bond	Mar. 1, 2013	—	69,938 (69,938)	—	—	1.47	Mar. 1, 2017
43rd Unsecured Straight Bond	Jun. 20, 2013	¥400,000 million	397,795	398,813	3,554,800	1.74	Jun. 20, 2018
44th Unsecured Straight Bond	Nov. 29, 2013	¥ 50,000 million	49,850	49,883	444,630	1.69	Nov. 27, 2020
45th Unsecured Straight Bond	May 30, 2014	¥300,000 million	297,608	298,384	2,659,631	1.45	May 30, 2019
46th Unsecured Straight Bond	Sep. 12, 2014	¥400,000 million	396,497	397,522	3,543,293	1.26	Sep. 12, 2019
47th Unsecured Straight Bond	Jun. 18, 2015	¥100,000 million	98,919	99,178	884,018	1.36	Jun. 18, 2020
48th Unsecured Straight Bond	Dec. 10, 2015	¥370,000 million	365,529	366,200	3,264,106	2.13	Dec. 9, 2022
49th Unsecured Straight Bond	Apr. 20, 2016	¥ 20,000 million	—	19,919	177,547	1.94	Apr. 20, 2023
50th Unsecured Straight Bond	Apr. 20, 2016	¥ 30,000 million	—	29,862	266,173	2.48	Apr. 20, 2026
51st Unsecured Straight Bond	Mar. 16, 2017	¥400,000 million	—	394,989	3,520,715	2.03	Mar. 15, 2024
52nd Unsecured Straight Bond	Mar. 8, 2017	¥ 50,000 million	—	49,777	443,685	2.03	Mar. 8, 2024
USD-denominated Senior Notes due 2020	Apr. 23, 2013	\$ 2,485 million	277,330	276,791	2,467,163	4.50	Apr. 15, 2020
USD-denominated Senior Notes due 2022	Jul. 28, 2015	\$ 1,000 million	110,982	110,770	987,343	5.38	Jul. 30, 2022
USD-denominated Senior Notes due 2025	Jul. 28, 2015	\$ 1,000 million	110,921	110,628	986,077	6.00	Jul. 30, 2025
Euro-denominated Senior Notes due 2020	Apr. 23, 2013	€ 625 million	78,951	74,263	661,940	4.63	Apr. 15, 2020
Euro-denominated Senior Notes due 2022	Jul. 28, 2015	€ 500 million	62,834	59,094	526,731	4.00	Jul. 30, 2022
Euro-denominated Senior Notes due 2025	Jul. 28, 2015	€ 1,250 million	157,167	147,681	1,316,347	4.75	Jul. 30, 2025
Euro-denominated Senior Notes due 2027	Jul. 28, 2015	€ 500 million	62,797	58,995	525,849	5.25	Jul. 30, 2027
1st Unsecured Subordinated Corporate Bond	Dec. 19, 2014	¥400,000 million	393,792	394,887	3,519,806	2.50	Dec. 17, 2021
2nd Unsecured Subordinated Corporate Bond	Feb. 9, 2015	¥450,000 million	442,811	444,043	3,957,954	2.50	Feb. 9, 2022
1st Unsecured Subordinated Bonds with interest deferrable clause and early redeemable option (with a subordination provision) <sup>7,8</sup>	Sep. 16, 2016	¥ 55,600 million	—	55,080	490,953	3.00	Sep. 13, 2041
2nd Unsecured Subordinated Bonds with interest deferrable clause and early redeemable option (with a subordination provision) <sup>7,9</sup>	Sep. 16, 2016	¥ 15,400 million	—	15,251	135,939	3.50	Sep. 16, 2043

Company name / Name of bond	Date of issuance	Balance of issue amount <sup>5</sup>	As of March 31, 2016 (Millions of yen) <sup>6</sup>	As of March 31, 2017 (Millions of yen) <sup>6</sup>	As of March 31, 2017 (Thousands of U.S. dollars) <sup>6</sup>	Interest rate (%)	Date of maturity
3rd Unsecured Subordinated Bonds with interest deferrable clause and early redeemable option (with a subordination provision) <sup>7,10</sup> . . . . .	Sep. 30, 2016	¥400,000 million	—	392,478	3,498,333	3.00	Sep. 30, 2041
Subtotal . . . . .			3,892,486 (468,877)	4,364,435 (119,947)	38,902,175 (1,069,142)		
Sprint Corporation							
7.25% Notes due 2021 . . . . .	Sep. 11, 2013	\$ 2,250 million	250,800	250,207	2,230,208	7.25	Sep. 15, 2021
7.875% Notes due 2023 . . . . .	Sep. 11, 2013	\$ 4,250 million	473,274	471,965	4,206,837	7.88	Sep. 15, 2023
7.125% Notes due 2024 . . . . .	Dec. 12, 2013	\$ 2,500 million	278,258	277,466	2,473,179	7.13	Jun. 15, 2024
7.625% Notes due 2025 . . . . .	Feb. 24, 2015	\$ 1,500 million	166,942	166,449	1,483,635	7.63	Feb. 15, 2025
Subtotal . . . . .			1,169,274	1,166,087	10,393,859		
Sprint Communications, Inc. <sup>11</sup>							
Export Development . . . . .	Dec. 17, 2014	\$ 300 million	33,677	33,562	299,153	3.48	Dec. 17, 2019
Canada Facility (Tranche 3) <sup>12, 13</sup>							
Export Development . . . . .	Dec. 15, 2015	—	28,120	—	—	6.23	Dec. 15, 2017
Canada Facility (Tranche 4) <sup>14</sup>							
6% Senior Notes due 2016 . . . . .	Nov. 20, 2006	—	228,186 (228,186)	—	—	6.00	Dec. 1, 2016
9.125% Senior Notes due 2017 . .	Mar. 1, 2012	—	117,175 (117,175)	—	—	9.13	Mar. 1, 2017
8.375% Senior Notes due 2017 . .	Aug. 13, 2009	\$ 1,300 million	152,808	147,604 (147,604)	1,315,661 (1,315,661)	8.38	Aug. 15, 2017
9% Guaranteed Notes due 2018 . . . . .	Nov. 9, 2011	\$ 3,000 million	367,908	355,457	3,168,348	9.00	Nov. 15, 2018
7% Guaranteed Notes due 2020 . . . . .	Mar. 1, 2012	\$ 1,000 million	118,404	116,549	1,038,854	7.00	Mar. 1, 2020
7% Senior Notes due 2020 . . . . .	Aug. 14, 2012	\$ 1,500 million	173,618	171,923	1,532,427	7.00	Aug. 15, 2020
11.5% Senior Notes due 2021 . . .	Nov. 9, 2011	\$ 1,000 million	140,716	135,814	1,210,571	11.50	Nov. 15, 2021
9.25% Debentures due 2022 <sup>13</sup> . .	Apr. 15, 1992	\$ 200 million	25,979	25,382	226,241	9.25	Apr. 15, 2022
6% Senior Notes due 2022 . . . . .	Nov. 14, 2012	\$ 2,280 million	254,072	253,323	2,257,983	6.00	Nov. 15, 2022
Subtotal . . . . .			1,640,663 (345,361)	1,239,614 (147,604)	11,049,238 (1,315,661)		
Sprint Capital Corporation <sup>11</sup>							
6.9% Senior Notes due 2019 . . . .	May 6, 1999	\$ 1,729 million	198,603	196,611	1,752,482	6.90	May 1, 2019
6.875% Senior Notes due 2028 . .	Nov. 16, 1998	\$ 2,475 million	260,812	260,563	2,322,515	6.88	Nov. 15, 2028
8.75% Senior Notes due 2032 . . .	Mar. 14, 2002	\$ 2,000 million	240,571	239,029	2,130,574	8.75	Mar. 15, 2032
Subtotal . . . . .			699,986	696,203	6,205,571		
Clearwire Communications LLC <sup>11</sup>							
14.75% First-Priority Senior Secured Notes due 2016 <sup>13</sup> . . . .	Jan. 27, 2012	—	36,374 (36,374)	—	—	14.75	Dec. 1, 2016
8.25% Exchangeable . . . . .			73,749	71,761	639,638		
Notes due 2040 . . . . .	Dec. 8, 2010	\$ 629 million	(50,073)	(71,761)	(639,638)	8.25	Dec. 1, 2040
Subtotal . . . . .			110,123 (86,447)	71,761 (71,761)	639,638 (639,638)		
Other companies							
Straight Bond . . . . .	May 25, 2012	¥ 35,200 million	100	35,200 (150)	313,753 (1,337)	0.04	May 25, 2017
	Feb. 28, 2017	—	—	—	—	0.70	Feb 28, 2024
Subtotal . . . . .			100	35,200 (150)	313,753 (1,337)		
Total . . . . .			¥7,512,632 (900,685)	¥7,573,300 (339,462)	\$67,504,234 (3,025,778)		

Notes:

5. Balance of issue amount is as of March 31, 2017.
6. Figures in parentheses as of March 31, 2016 and March 31, 2017 represent the current portion.
7. The interest rate stated above is at the time of issuance. The bond has a step-up coupon provision and its interest rate may increase in the future.



8. The bond has an early redeemable option at the Company's discretion from September 16, 2021 and each interest date after September 16, 2021.
9. The bond has an early redeemable option at the Company's discretion from September 16, 2023 and each interest date after September 16, 2023.
10. The bond has an early redeemable option at the Company's discretion from September 30, 2021 and each interest date after September 30, 2021.
11. Sprint Communications, Inc., Sprint Capital Corporation and Clearwire Communications LLC are Sprint Corporation's subsidiaries.
12. The interest rates are floating interest rates, and the above interest rates represent the rates as of March 31, 2017.
13. Collateral is pledged against these bonds. The details are described in "(5) Assets pledged as collateral."
14. The notes are redeemed early as of March 31, 2017. The interest rates are floating interest rates, and the above interest rates represent the rates at the time of redemption.

## (2) Transaction for sale of Alibaba shares by variable prepaid forward contract

On June 10, 2016, West Raptor Holdings, LLC ("WRH LLC"), a wholly-owned subsidiary of the Company, entered into a variable prepaid forward contract to sell Alibaba shares with a newly formed trust, Mandatory Exchangeable Trust (the "Trust"), and received proceeds of ¥578,436 million (\$5.4 billion) as advances received on the sale.

The Trust, on the other hand, utilized Alibaba shares scheduled to be transferred from WRH LLC at the time of settlement under the contract and issued \$6.6 billion of Mandatory Exchangeable Trust Securities ("Trust Securities") which are mandatorily exchangeable into American depository shares ("ADSs") of Alibaba. The proceeds from the sale received by WRH LLC from the Trust was \$5.4 billion, which is after certain amounts from the \$6.6 billion total of Trust Securities were deducted in order to purchase U.S. Treasury securities, which would fund distributions on the Trust Securities, and to cover expenses for the issuance of the Trust Securities.

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

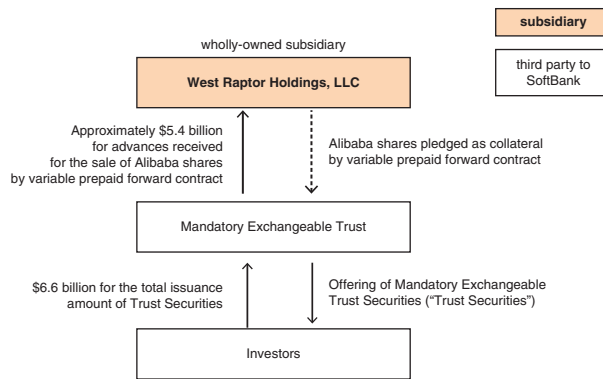
The Company accounts for the variable prepaid forward contract by bifurcating the main contracts and embedded derivatives. The Company received ¥578,436 million (\$5,155,860 thousand) and initially recognized ¥674,023 million (\$6,007,871 thousand) as financial liabilities relating to the sale of shares by variable prepaid forward contract and ¥95,587 million (\$852,010 thousand) as derivative assets. Subsequent to initial recognition, financial liabilities relating to the sale of shares through the variable prepaid forward contract are measured at amortized cost and embedded derivatives are measured at fair value; ¥715,448 million (\$6,377,110 thousand) is recognized as financial liabilities relating to the sale of shares through the variable prepaid forward contract in interest-bearing debt (non-current liabilities) and ¥143,935 million (\$1,282,958 thousand) is recognized as derivative liabilities in other financial liabilities (non-current liabilities) in the consolidated statement of financial position as of March 31, 2017; ¥232,729 million (\$2,074,418 thousand) is recognized as a derivative loss in the consolidated statement of income for the fiscal year ended March 31, 2017. The details are described in "(2) Financial risk management a. Market risk (b) Price risk" in "Note 25. Financial instruments."

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

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

Alibaba shares held by WRH LLC are pledged as collateral. The Company applies the equity method to these shares and they are included in "Investments accounted for using the equity method" in the consolidated statement of financial position as of March 31, 2017. The carrying amount of Alibaba shares pledged as collateral by the Company is ¥154,440 million (\$1,376,593 thousand) as of March 31, 2017.

## Outline of the transaction



### Note:

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

## (3) Financial covenants

### a. Financial covenants on interest-bearing debts of SoftBank Group Corp.

SoftBank Group Corp.'s interest-bearing debt includes financial covenants and the major financial covenants are as follows:

- The amount of SoftBank Group Corp.'s net assets at the end of the fiscal year must not fall below 75% of SoftBank Group Corp.'s net assets at the end of the previous year.
- The consolidated statement of financial position of the Company at the end of the fiscal year must not show a net capital deficiency. The statement of financial position of SoftBank Corp. at the end of the fiscal year must not show a net capital deficiency.
- In the Company's consolidated financial statements, operating income (loss) or net income (loss) attributable to the owner of the parent company must not result in losses for two consecutive years.
- 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 cash equivalents and the fair value of particular listed shares held by SoftBank Group Corp. exceed certain amounts, respectively.

### Notes:

- 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.
- Leverage ratio:  
Adjusted net interest-bearing debt / adjusted EBITDA<sup>3</sup>
- 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:

- Holder of a portion (\$24.1 billion) of interest-bearing debts of Sprint are provided with the right to require Sprint to repurchase the interest-bearing debts if there is a change of control and if there is a decline, to a certain extent, in ratings of the applicable interest-bearing debts by the Rating Services.
- 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 6.00 as of March 31, 2017.

### Notes:

- Total indebtedness: the sum of Sprint's outstanding debt (excluding trade payables) and guarantee of indebtedness, with certain adjustments defined in contracts with lenders.
- Adjusted EBITDA: Trailing four quarters EBITDA including adjustments defined in contract with lenders.

(4) Borrowings related to equity securities lending contract

The Company entered into a securities lending contract regarding stocks of certain subsidiaries. As of March 31, 2017, the amount of the received cash is recognized as short-term borrowings of ¥399,402 million (\$3,560,050 thousand) (as of March 31, 2016: ¥149,050 million) and included in interest-bearing debt.

(5) Assets pledged as collateral

Assets pledged as collateral for liabilities are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Cash and cash equivalents	¥ 496	¥ 325	\$ 2,897
Trade and other receivables	9,248	7,154	63,767
Other financial assets (current) <sup>1</sup>	31,131	4,397	39,192
Inventories	2,704	2,818	25,118
Property, plant and equipment	238,127	661,029	5,892,050
Investments accounted for using the equity method <sup>2</sup>	—	154,440	1,376,593
Total	<u>¥281,706</u>	<u>¥830,163</u>	<u>\$7,399,617</u>

Liabilities related to these assets pledged as collateral are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Trade and other payables <sup>1</sup>	¥ 21,623	¥ 4,397	\$ 39,192
Interest-bearing debt			
Short-term borrowings	6,695	179	1,596
Current portion of long-term borrowings	82,031	204,426	1,822,141
Long-term borrowings	80,082	79,071	704,796
Financial liabilities relating to sale of shares by variable prepaid forward contract <sup>2</sup>	—	715,448	6,377,110
Total	<u>¥190,431</u>	<u>¥1,003,521</u>	<u>\$8,944,835</u>

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

a. Sprint

As of March 31, 2016, approximately \$13.6 billion (before consolidation adjustments) in the assets of a subsidiary, Clearwire Communications LLC, is pledged as collateral for the \$0.3 billion corporate bond issued by Clearwire Communications LLC.

As of March 31, 2017, approximately \$74.4 billion (before consolidation adjustments) in the assets of Sprint is pledged as collateral for approximately the \$8.3 billion borrowing and corporate bonds.

b. Brightstar

As of March 31, 2017, approximately \$2.0 billion (before consolidation adjustments) (for the fiscal year ended March 31, 2016: \$2.8 billion) of the assets of Brightstar were pledged as collateral on the \$0.7 billion (as of March 31, 2016: \$0.7 billion) borrowing.

Notes:

1. These are trade payables for Brightstar; “Derivative deposits” included in “Other financial assets (current)” that are pledged as collateral.
2. The details are described in “(2) Transaction for sale of Alibaba shares by variable prepaid forward contract.”

(6) 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 March 31, 2016	As of March 31, 2017	As of March 31, 2017
Property, plant and equipment . . . . .	¥109,602	¥ 80,847	\$720,626
Intangible assets . . . . .	35,286	26,376	235,101
Other non-current assets . . . . .	69	19	169
Total . . . . .	<u>¥144,957</u>	<u>¥107,242</u>	<u>\$955,896</u>

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

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Interest-bearing debt			
Current portion of installment payables . . .	¥ 41,538	¥36,580	\$326,054
Installment payables . . . . .	60,963	24,268	216,312
Total . . . . .	<u>¥102,501</u>	<u>¥60,848</u>	<u>\$542,366</u>

Other than the above, the lessor retains the property rights of leased assets in finance lease obligations. The details are described in “Note 12. Property, plant and equipment,” “Note 13. Goodwill and intangible assets” and “Note 14. Leases.”

(7) Components of increase in short-term interest-bearing debt, net

The components of “Increase 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, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Net increase of short-term borrowings . . . . .	¥118,135	¥322,216	\$2,872,056
Net increase of commercial paper . . . . .	10,000	38,000	338,711
Total . . . . .	<u>¥128,135</u>	<u>¥360,216</u>	<u>\$3,210,767</u>

(8) 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, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Proceeds from long-term borrowings . . . . .	¥ 557,072	¥2,715,725	\$24,206,480
Proceeds from issuance of corporate bonds . . . . .	1,053,258	1,006,000	8,966,931
Proceeds from sale-leaseback of newly acquired equipment . . . . .	519,353	492,369	4,388,707
Proceeds from advances received for sale of shares by variable prepaid forward contract* . . . . .	—	578,436	5,155,860
Total . . . . .	<u>¥2,129,683</u>	<u>¥4,792,530</u>	<u>\$42,717,978</u>

Note:

\* The amount was received as advances for sale of Alibaba shares by variable prepaid forward contract. The variable prepaid forward contract is a hybrid financial instrument. Regarding the proceeds of ¥578,436 million (\$5,155,860 thousand), financial liabilities relating to the sale of shares through the variable prepaid forward contract and derivatives are accounted for and recorded separately. The details are described in “(2) Transaction for sale of Alibaba shares by variable prepaid forward contract.”

(9) 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, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Repayment of long-term borrowings . . . . .	¥ (684,397)	¥ (920,315)	\$ (8,203,182)
Redemption of corporate bonds . . . . .	(203,281)	(862,281)	(7,685,899)
Payment of lease obligations . . . . .	(468,061)	(459,788)	(4,098,298)
Payment of installment payables . . . . .	(49,029)	(40,683)	(362,625)
Redemption of preferred securities . . . . .	(200,000)	—	—
Total . . . . .	<u>¥(1,604,768)</u>	<u>¥(2,283,067)</u>	<u>\$(20,350,004)</u>

**20. Trade and other payables**

The components of trade and other payables are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Operating payables . . . . .	¥1,492,481	¥1,460,839	\$13,021,116
Other . . . . .	128,714	146,614	1,306,837
Total . . . . .	<u>¥1,621,195</u>	<u>¥1,607,453</u>	<u>\$14,327,953</u>

**21. Other financial liabilities**

The components of other financial liabilities are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Non-current			
Derivative financial liabilities . . . . .	¥71,677	¥254,146	\$2,265,318
Other . . . . .	23,987	33,083	294,883
Total . . . . .	<u>¥95,664</u>	<u>¥287,229</u>	<u>\$2,560,201</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)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Current			
Deferred revenue . . . . .	¥295,129	¥219,305	\$1,954,764
Short-term accrued employee benefits . . . . .	129,006	126,628	1,128,692
Accrued interest expense . . . . .	84,761	80,231	715,135
Consumption tax payable and other . . . . .	118,070	107,902	961,779
Other . . . . .	67,999	65,030	579,643
Total . . . . .	<u>¥694,965</u>	<u>¥599,096</u>	<u>\$5,340,013</u>
Non-current			
Deferred revenue . . . . .	¥125,778	¥102,270	\$ 911,579
Unfavorable lease contracts . . . . .	93,618	73,408	654,319
Other . . . . .	119,469	122,093	1,088,269
Total . . . . .	<u>¥338,865</u>	<u>¥297,771</u>	<u>\$2,654,167</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.

### 23. 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, 2016	¥ 81,875	¥ 37,000	¥20,281	¥16,683	¥19,157	¥174,996
Recognition of provisions	7,535	9,542	—	2,330	4,070	23,477
Interest due to passage of time	4,916	2,006	—	—	700	7,622
Used	(12,041)	(15,972)	(3,391)	(4,430)	(5,533)	(41,367)
Reversal of provisions	—	(4,117)	—	—	(413)	(4,530)
Change in estimate <sup>1</sup>	32,528	1,690	—	—	556	34,774
Exchange differences	850	(252)	—	—	(192)	406
Other	(57)	—	—	—	(229)	(286)
As of March 31, 2017	<u>¥115,606</u>	<u>¥ 29,897</u>	<u>¥16,890</u>	<u>¥14,583</u>	<u>¥18,116</u>	<u>¥195,092</u>
Current liabilities	¥ 20,221	¥ 14,671	¥ 2,788	¥ 6,085	¥12,597	¥ 56,362
Non-current liabilities	95,385	15,226	14,102	8,498	5,519	138,730
Total	<u>¥115,606</u>	<u>¥ 29,897</u>	<u>¥16,890</u>	<u>¥14,583</u>	<u>¥18,116</u>	<u>¥195,092</u>

	(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, 2016	\$ 729,789	\$ 329,798	\$180,774	\$148,703	\$170,754	\$1,559,818
Recognition of provisions	67,163	85,052	—	20,768	36,278	209,261
Interest due to passage of time	43,819	17,880	—	—	6,239	67,938
Used	(107,327)	(142,366)	(30,226)	(39,486)	(49,318)	(368,723)
Reversal of provisions	—	(36,697)	—	—	(3,681)	(40,378)
Change in estimate <sup>1</sup>	289,937	15,064	—	—	4,956	309,957
Exchange differences	7,576	(2,246)	—	—	(1,711)	3,619
Other	(509)	—	—	—	(2,040)	(2,549)
As of March 31, 2017	<u>\$1,030,448</u>	<u>\$ 266,485</u>	<u>\$150,548</u>	<u>\$129,985</u>	<u>\$161,477</u>	<u>\$1,738,943</u>
Current liabilities	\$ 180,239	\$ 130,769	\$ 24,851	\$ 54,238	\$112,283	\$ 502,380
Non-current liabilities	850,209	135,716	125,697	75,747	49,194	1,236,563
Total	<u>\$1,030,448</u>	<u>\$ 266,485</u>	<u>\$150,548</u>	<u>\$129,985</u>	<u>\$161,477</u>	<u>\$1,738,943</u>

Notes:

1. Sprint reflected current market assessment of specific risk in the estimate of discount rate. As a result, the discount rate in Sprint decreased for the year ended March 31, 2017. With this change, the amount of "Provisions" and "Property, plant and equipment" in the consolidated statement of financial position as of March 31, 2017 increased by ¥21,351 million (\$202 million) and ¥13,920 million (\$131 million) respectively. Also, the amount of "Cost of sales" in the consolidated statement of income for the year ended March 31, 2017 increased by ¥5,185 million (\$49 million) and "Other operating loss" decreased by ¥2,246 million (\$22 million).
2. SoftBank Corp. considered the demand of communication traffic, efficient operation of communication equipment and equipment replacement. As a result, it has become highly probable that certain communications equipment will be disposed, and SoftBank Corp. recognized asset retirement obligations. With this change, the amount of "Provisions" and "Property, plant and equipment" in the consolidated statement of financial position as of March 31, 2017 increased by ¥13,802 million (\$123,023 thousand) and ¥11,418 million (\$101,774 thousand) respectively. Also, the amount of "Cost of sales" in the consolidated statement of income for the year ended March 31, 2017 increased by ¥2,387 million (\$21,276 thousand).



#### 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 is subject to changes depending on revised future assumptions.

#### Restructuring provision

The restructuring provision consists mainly of a network shutdown provision and backhaul<sup>2</sup> access provision.

##### (Network shutdown provision)

The network shutdown provision resulted from Sprint recognizing lease exit costs mainly related to the shutdown of the Nextel and Clearwire platform. 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 December 31, 2018. The amount and timing of these costs are estimates based upon current network plans which are subject to modifications.

Note:

<sup>2</sup> Backhaul is an intermediary network that 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 others, 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 factors.

#### Provision for onerous contract

SoftBank 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.

## 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 is as follows:

	<u>(Millions of yen)</u>		<u>(Thousands of U.S. dollars)</u>
	<u>Fiscal year ended March 31, 2016</u>	<u>Fiscal year ended March 31, 2017</u>	<u>Fiscal year ended March 31, 2017</u>
Retirement benefit cost of defined contribution plans . . . . .	<u>¥10,678</u>	<u>¥8,676</u>	<u>\$77,333</u>

### (2) Defined benefit plans

#### (Japan)

SoftBank Corp. has frozen its defined benefit lump-sum plans since March 2007 and 2006. All of the employees who worked at SoftBank Corp. at the time when the defined benefit lump-sum plans were frozen are still maintained within the frozen defined benefit lump-sum plans.

SoftBank Corp. is 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 to employees in the form of a lump sum payment at the time of retirement.

(U.S.)

Sprint has a defined benefit pension plan for certain 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 to employees at the time of retirement.

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, 2016

	(Millions of yen)		
	Japan	U.S.	Total
Defined benefit liabilities, net			
As of April 1, 2015	¥13,667	¥ 114,615	¥ 128,282
Changes in the present value of defined benefit obligations:			
As of April 1, 2015	13,667	275,461	289,128
Business combination	2,024	—	2,024
Service cost	351	33	384
Interest cost	112	11,269	11,381
Remeasurements:			
Actuarial gains (losses) arising from changes in demographic assumptions	2	(7,405)	(7,403)
Actuarial gains (losses) arising from changes in financial assumptions	698	(3,872)	(3,174)
Experience adjustments	3	1,238	1,241
Benefits paid	(1,071)	(9,647)	(10,718)
Exchange differences	—	(17,098)	(17,098)
Other	(185)	(1,070)	(1,255)
As of March 31, 2016	15,601	248,909	264,510
Changes in the fair value of plan assets:			
As of April 1, 2015	—	(160,846)	(160,846)
Interest income	—	(6,597)	(6,597)
Remeasurements:			
Return on plan assets	—	9,196	9,196
Benefits paid	—	8,411	8,411
Employer contributions	—	(743)	(743)
Exchange differences	—	9,828	9,828
As of March 31, 2016	—	(140,751)	(140,751)
Defined benefit liabilities, net			
As of March 31, 2016	¥15,601	¥ 108,158	¥ 123,759

For the fiscal year ended March 31, 2017

	(Millions of yen)		
	Japan	U.S.	Total
Defined benefit liabilities, net			
As of April 1, 2016	¥15,601	¥ 108,158	¥ 123,759
Changes in the present value of defined benefit obligations:			
As of April 1, 2016	15,601	248,909	264,510
Service cost	512	1	513
Interest cost	(5)	10,047	10,042
Remeasurements:			
Actuarial losses arising from changes in demographic assumptions	—	(3,687)	(3,687)
Actuarial losses arising from changes in financial assumptions	(89)	(54)	(143)
Experience adjustments	(2)	(201)	(203)
Benefits paid	(752)	(9,768)	(10,520)
Exchange differences	—	(625)	(625)
Other	(132)	(218)	(350)
As of March 31, 2017	15,133	244,404	259,537
Changes in the fair value of plan assets:			
As of April 1, 2016	—	(140,751)	(140,751)
Interest income	—	(5,786)	(5,786)
Remeasurements:			
Return on plan assets	—	(8,194)	(8,194)
Benefits paid	—	9,190	9,190
Employer contributions	—	(6,080)	(6,080)
Exchange differences	—	256	256
As of March 31, 2017	—	(151,365)	(151,365)
Defined benefit liabilities, net			
As of March 31, 2017	¥15,133	¥ 93,039	¥ 108,172
	(Thousands of U.S. dollars)		
	Japan	U.S.	Total
Defined benefit liabilities, net			
As of April 1, 2016	\$139,059	\$ 964,061	\$ 1,103,120
Changes in the present value of defined benefit obligations:			
As of April 1, 2016	139,059	2,218,638	2,357,697
Service cost	4,564	9	4,573
Interest cost	(44)	89,553	89,509
Remeasurements:			
Actuarial losses arising from changes in demographic assumptions	—	(32,864)	(32,864)
Actuarial losses arising from changes in financial assumptions	(794)	(481)	(1,275)
Experience adjustments	(17)	(1,792)	(1,809)
Benefits paid	(6,703)	(87,067)	(93,770)
Exchange differences	—	(5,570)	(5,570)
Other	(1,178)	(1,942)	(3,120)
As of March 31, 2017	134,887	2,178,484	2,313,371
Changes in the fair value of plan assets:			
As of April 1, 2016	—	(1,254,577)	(1,254,577)
Interest income	—	(51,573)	(51,573)
Remeasurements:			
Return on plan assets	—	(73,037)	(73,037)
Benefits paid	—	81,915	81,915
Employer contributions	—	(54,194)	(54,194)
Exchange differences	—	2,281	2,281
As of March 31, 2017	—	(1,349,185)	(1,349,185)
Defined benefit liabilities, net			
As of March 31, 2017	\$134,887	\$ 829,299	\$ 964,186

- b. Fair value of plan assets  
Fair value of plan assets is as follows:

As of March 31, 2016

(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 .....	¥24,020	¥12,287	¥ 36,307
International equities (other than U.S.) .....	10,598	10,897	21,495
Fixed-income investments .....	—	45,224	45,224
Real estate investments .....	—	15,737	15,737
Other .....	8,287	13,701	21,988
Total .....	<u>¥42,905</u>	<u>¥97,846</u>	<u>¥140,751</u>

As of March 31, 2017

(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 .....	¥25,061	¥ 26,074	¥ 51,135
International equities (other than U.S.) .....	11,843	108	11,951
Fixed-income investments .....	—	47,653	47,653
Real estate investments .....	—	14,862	14,862
Other .....	11,962	13,802	25,764
Total .....	<u>¥48,866</u>	<u>¥102,499</u>	<u>¥151,365</u>

	(Thousands of U.S. dollars)		
	Plan assets with quoted prices in active markets	Plan assets without quoted prices in active markets	Total
U.S. equities .....	\$223,380	\$232,409	\$ 455,789
International equities (other than U.S.) .....	105,562	963	106,525
Fixed-income investments .....	—	424,753	424,753
Real estate investments .....	—	132,472	132,472
Other .....	106,623	123,023	229,646
Total .....	<u>\$435,565</u>	<u>\$913,620</u>	<u>\$1,349,185</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 purposes.

The plan's long-term expected rate of return on investments for funding purposes is 7.75% as of March 31, 2017 (7.75% as of March 31, 2016). The current targeted investment allocation ratio is disclosed 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 (%)

	<u>As of March 31, 2016</u>	<u>As of March 31, 2017</u>
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

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

	<u>As of March 31, 2016</u>		<u>As of March 31, 2017</u>	
	<u>Japan</u>	<u>U.S.</u>	<u>Japan</u>	<u>U.S.</u>
Discount rate (%) .....	0.2	4.3	0.3	4.3

d. Sensitivity analysis

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

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

As of March 31, 2016

		<u>Effect on defined benefit obligations</u>		
<u>Changes in rate</u>		<u>Japan</u>	<u>U.S.</u>	<u>Total</u>
Discount rate . . .	0.5% increase	Decrease of ¥604 million	Decrease of ¥16,902 million	Decrease of ¥17,506 million
	0.5% decrease	Increase of ¥648 million	Increase of ¥19,944 million	Increase of ¥20,592 million

As of March 31, 2017

		<u>Effect on defined benefit obligations</u>		
<u>Changes in rate</u>		<u>Japan</u>	<u>U.S.</u>	<u>Total</u>
Discount rate . . .	0.5% increase	Decrease of ¥538 million	Decrease of ¥16,380 million	Decrease of ¥16,918 million
	0.5% decrease	Increase of ¥575 million	Increase of ¥18,511 million	Increase of ¥19,086 million

		<u>Effect on defined benefit obligations</u>		
<u>Changes in rate</u>		<u>Japan</u>	<u>U.S.</u>	<u>Total</u>
Discount rate . . .	0.5% increase	Decrease of \$4,796 thousand	Decrease of \$146,002 thousand	Decrease of \$150,798 thousand
	0.5% decrease	Increase of \$5,125 thousand	Increase of \$164,997 thousand	Increase of \$170,122 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. The amount to be contributed to the plan for the year ending March 31, 2018 is expected to be ¥4,936 million (\$43,997 thousand).

(b) Maturity analysis of the defined benefit obligation

(Japan)

As of March 31, 2017, the weighted-average duration of the defined benefit obligation is 8.9 years.

(U.S.)

As of March 31, 2017, the weighted-average duration of the defined benefit obligation is 15.2 years.

**25. Financial instruments**

(1) Capital management

Our policy is to realize and maintain optimum capital composition to maintain 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:

	<u>(Millions of yen)</u>		<u>(Thousands of U.S. dollars)</u>
	<u>As of March 31, 2016</u>	<u>As of March 31, 2017</u>	<u>As of March 31, 2017</u>
Equity capital . . . . .	¥2,613,613	¥3,586,352	\$31,966,771
Equity capital ratio (%) . . . . .	12.6	14.6	

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. Also, for details regarding our financial covenants related to interest-bearing debt, please see “(3) Financial covenants” in “Note 19. Interest-bearing debt.”

(2) Financial risk management

As we operate in a wide range of markets, the Company faces a variety of financial risks (foreign exchange 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) Foreign exchange risk

The Company is engaged in international businesses through investments, financial contributions and the 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 foreign exchange risk that arises from changes in currency rates mainly in the U.S. dollar, Indian Rupee, and British pound.

To manage this risk, the Company continuously monitors exchange rates and manages exchange rate exposures. The Company also uses foreign currency forward contracts to hedge the risk.



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, for subsidiaries whose functional currency is Japanese yen is as follows:

U.S. Dollar (Functional currency: Japanese yen)

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Net exposure affecting income before income tax . . . . .	¥86,102	¥468,193	\$4,173,215
[in asset position]			
Net exposure affecting other comprehensive income . . .	83,466	194,966	\$1,737,820
[in asset position]			

Indian Rupee (Functional currency: Japanese yen)

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Net exposure affecting income before income tax . . . . .	¥214,290	¥116,169	\$1,035,467
[in asset position]			

Other than the tables presented above, major exposure to foreign exchange risk on subsidiaries whose functional currency is not Japanese yen is as follows:

U.S. Dollar (Functional currency: British pound)

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Net exposure affecting income before income tax . . . . .	¥(386)	¥87,649	\$781,255
[in (liability) asset position]			

Net exposure affecting income before income tax comprises the foreign exchange risk exposures from monetary financial instruments denominated in a 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 forecasted 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 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 29. Foreign currency exchange rates.”

U.S. Dollar

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Decrease in income before income tax . . . .	¥(861)	¥(4,682)	\$(41,733)
Decrease in other comprehensive income before tax effect . . . . .	(835)	(1,950)	(17,381)

Indian Rupee

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Decrease in income before income tax . . . .	¥(2,143)	¥(1,162)	\$(10,357)

The table below presents the effect of a 1% appreciation of the British pound against the U.S. dollar on income before income tax:

U.S. Dollar

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Increase (decrease) in income before income tax . . . . .	¥4	¥(876)	\$(7,808)

ii. Foreign currency exchange contracts

Foreign currency 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 currency exchange contracts are as follows:

Foreign currency exchange contracts to which hedge accounting is applied

	(Millions of yen)				(Thousands of U.S. dollars)	
	As of March 31, 2016		As of March 31, 2017		As of March 31, 2017	
	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 . .	¥ 571	¥ (38)	¥ 166	¥ (3)	\$ 1,479	\$ (27)
	(—)		(—)		(—)	
Currency swap contracts . . . . .	877,373	¥(40,306)	877,373	(72,658)	7,820,421	(647,633)
	(877,373)		(877,373)		(7,820,421)	
Total . . . . .	¥ 877,944	¥(40,344)	¥ 877,539	(72,661)	\$ 7,821,900	\$(647,660)
	(877,373)		(877,373)		(7,820,421)	

The above foreign currency exchange contracts are designated as cash flow hedges.

Foreign currency exchange contracts to which hedge accounting is not applied

	(Millions of yen)				(Thousands of U.S. dollars)	
	As of March 31, 2016		As of March 31, 2017		As of March 31, 2017	
	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 . .	¥273,476	¥ 9,445	¥ 818,424	¥ 2,213	\$ 7,294,982	\$ 19,725
	(—)		(—)		(—)	
Currency swap contracts . . . . .	15,430	159	11,653	(19)	103,868	(169)
	(—)		(—)		(—)	
Foreign exchange margin transactions* . . . . .	581,379	17,113	548,786	13,398	4,891,577	119,423
	(—)		(—)		(—)	
Total . . . . .	¥870,285	¥26,717	¥1,378,863	¥15,592	\$12,290,427	\$138,979
	(—)		(—)		(—)	

Note:

\* Foreign exchange margin transactions are operated by 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 fluctuations.

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 income before income tax and other comprehensive income before tax effect, assuming that all other factors are constant.

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Decrease in income before income tax . . . . .	¥ —	¥(32,843)	\$(292,744)
Decrease in other comprehensive income before tax effect . . . . .	¥(7,381)	¥ (7,884)	\$ (70,274)

Also, the Company entered into a variable prepaid forward contract which is settled by Alibaba shares held by the Company. The contract includes a collar transaction that a cap and floor are set for the number of shares settled. The collar transaction is classified as a derivative instrument and its fair value is affected by the price of Alibaba shares. Derivative gain and loss, which occurred depending on fluctuation of the price of Alibaba shares, are recognized through profit or loss.

Fair value of the collar transaction is composed of intrinsic value and time value. The effect of a 10% increase in the price of Alibaba shares on income before income tax due to fluctuation of intrinsic value is a loss of \$800,000 thousand, assuming that all other factors are constant. In case of consideration of time value, the impact of the loss is decreased.

Further, derivative gain and loss resulting from this collar transaction is fixed to a loss of \$900,000 thousand during three-year period from initial recognition date of the derivative instruments, in June 2016, to settlement date of Alibaba shares.

The details of the variable prepaid forward contract and the collar transaction are described in “(2) Transaction for sale of Alibaba shares by variable prepaid forward contract” in “Note 19 Interest-bearing debt.”

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, 2016		As of March 31, 2017		As of March 31, 2017	
	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
Collar transaction . . . . .	¥—	¥—	¥740,454 (740,454)	¥(143,934)	\$ 6,600,000 (6,600,000)	\$(1,282,949)
Put option . . . . .	—	—	56,095 (56,095)	(8,630)	500,000 (500,000)	(76,923)
Stock acquisition rights . . .	40,512 (11,082)	2,424	9,713 (9,713)	6,208	86,576 (86,576)	55,335
Total . . . . .	¥40,512 (11,082)	¥2,424	¥806,262 (806,262)	¥(146,356)	\$ 7,186,576 (7,186,576)	\$(1,304,537)

(c) Interest rate risk

The Company raises funds through issuing interest-bearing debt. Certain interest-bearing debt is issued with floating interest rates, and is exposed to interest rate risk.

Interest-bearing debt with floating interest rates has the risk of increased interest expenses due to rising interest rates. In order to prevent and reduce interest rate fluctuation risk, the Company maintains an appropriate mixture of fixed and floating interest rate debt. 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 debt, the Company continuously monitors interest rate fluctuations.

i. Interest rate sensitivity analysis

The table below presents the effect of a 1% increase in interest rates regarding the floating interest rate debt 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	Fiscal year ended	Fiscal year ended
	March 31, 2016	March 31, 2017	March 31, 2017
Decrease in income before income tax . . . . .	¥(25,788)	¥(39,412)	\$(351,297)

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, 2016		As of March 31, 2017		As of March 31, 2017	
	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 . . . . .	¥ 10,500 (10,500)	¥(75)	¥ 234,880 (224,880)	¥(250)	\$ 2,093,591 (2,004,457)	\$(2,228)

The above interest rate swap contract is designated as a cash flow hedge.

Interest rate contracts to which hedge accounting is not applied

	(Millions of yen)				(Thousands of U.S. dollars)	
	As of March 31, 2016		As of March 31, 2017		As of March 31, 2017	
	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 cap . . . . .	¥—	¥—	¥ 132,945 (132,945)	¥1,039	\$ 1,184,999 (1,184,999)	\$9,261

b. Credit risk

In the course of the Company's business, trade and other receivables, and other financial assets (including deposits, equity securities and derivatives) are exposed to the 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 its credit risk, the Company performs due date controls and balance controls for each customer in accordance with its internal customer credit management rules and regularly monitors 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 "(1) Lending commitments" and "(2) Credit guarantees" in "Note 46. Contingency."

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, 2016 and 2017.

(a) Financial assets not impaired individually

The table below presents an aging analysis of financial assets not impaired individually. The amounts in the analysis are presented at the carrying amount before netting allowance for doubtful accounts.

As of March 31, 2016

(Millions of yen)							
Before due	Past due					Total	
	Within 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	More than 1 year		
Trade and other receivables . . . . .	¥1,780,714	¥116,450	¥21,484	¥14,427	¥10,180	¥13,666	¥1,956,921
Other financial assets . . . . .	298,838	2,288	823	1,562	1,973	660	306,144
Total . . . . .	<u>¥2,079,552</u>	<u>¥118,738</u>	<u>¥22,307</u>	<u>¥15,989</u>	<u>¥12,153</u>	<u>¥14,326</u>	2,263,065
Allowance for doubtful accounts . . . . .							(45,262)
Total . . . . .							<u>¥2,217,803</u>

As of March 31, 2017

(Millions of yen)							
Before due	Past due					Total	
	Within 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	More than 1 year		
Trade and other receivables . . . . .	¥2,012,007	¥101,366	¥31,017	¥13,845	¥13,956	¥5,724	¥2,177,915
Other financial assets . . . . .	415,413	12	27	66	162	287	415,967
Total . . . . .	<u>¥2,427,420</u>	<u>¥101,378</u>	<u>¥31,044</u>	<u>¥13,911</u>	<u>¥14,118</u>	<u>¥6,011</u>	2,593,882
Allowance for doubtful accounts . . . . .							(60,156)
Total . . . . .							<u>¥2,533,726</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	More than 1 year		
Trade and other receivables . . . . .	\$17,933,925	\$903,521	\$276,468	\$123,407	\$124,396	\$51,021	\$19,412,738
Other financial assets . . . . .	3,702,763	107	241	588	1,444	2,558	3,707,701
Total . . . . .	<u>\$21,636,688</u>	<u>\$903,628</u>	<u>\$276,709</u>	<u>\$123,995</u>	<u>\$125,840</u>	<u>\$53,579</u>	23,120,439
Allowance for doubtful accounts . . . . .							(536,198)
Total . . . . .							<u>\$22,584,241</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, 2016	As of March 31, 2017	As of March 31, 2017
Trade and other receivables . . . . .	¥ 3,174	¥ 7,137	\$ 63,615
Other financial assets . . . . .	32,588	28,909	257,679
Allowance for doubtful accounts . . . . .	(34,882)	(35,195)	(313,709)
Total . . . . .	<u>¥ 880</u>	<u>¥ 851</u>	<u>\$ 7,585</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 and loans.

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Balance at the beginning of the period . . . . .	¥ 82,185	¥ 80,144	\$ 714,360
Provisions . . . . .	86,056	65,612	584,829
Utilized . . . . .	(85,771)	(50,078)	(446,368)
Other . . . . .	(2,326)	(327)	(2,914)
Balance at the end of the period . . . . .	<u>¥ 80,144</u>	<u>¥ 95,351</u>	<u>\$ 849,907</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 fundraising sources including both indirect financing, such as bank loans and leases, and direct financing, such as issuance of bonds and commercial paper and securitization, taking market conditions and its current/non-current debt ratios into consideration. As for fund management, the Company invests its funds in short-term deposits and a money management fund.

The Company also continuously monitors its forecasted and actual 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 March 31, 2016	As of March 31, 2017	As of March 31, 2017
Credit facilities . . . . .	¥3,035,457	¥4,085,912	\$36,419,574
Drawn . . . . .	<u>2,255,182</u>	<u>3,406,044</u>	<u>30,359,604</u>
Undrawn . . . . .	<u>¥ 780,275</u>	<u>¥ 679,868</u>	<u>\$ 6,059,970</u>

Note:

Certain commitments above contain financial covenants. Please see “(3) Financial covenants” in “Note 19. 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 arising from derivative transactions are shown on a net basis:

As of March 31, 2016

		(Millions of yen)							
		Carrying amount	Contractual cash flows	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	More than 5 years
Non-derivative financial liabilities									
Interest-bearing debt									
Short-term borrowings	¥	515,408	¥ 517,573	¥ 517,573	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper		42,000	42,000	42,000	—	—	—	—	—
Long-term borrowings (including current portion)									
Corporate bonds (including current portion)		2,528,725	2,553,233	744,977	608,689	461,394	470,216	264,730	3,227
Lease obligations		7,512,632	7,482,796	891,917	294,754	738,040	1,041,354	643,402	3,873,329
Installment payables		1,212,186	1,212,186	396,992	331,509	254,849	157,628	65,813	5,395
Trade and other payables		111,480	112,110	48,925	38,845	16,116	8,224	—	—
Other financial liabilities		1,621,195	1,621,195	1,612,100	3,230	1,936	1,973	168	1,788
Total		26,069	26,069	2,083	2,840	3,533	1,459	1,264	14,890
Total		13,569,695	13,567,162	4,256,567	1,279,867	1,475,868	1,680,854	975,377	3,898,629
Derivative financial liabilities									
Other financial liabilities									
Foreign currency exchange contracts*		76,051	76,051	(1,286)	(5,475)	(5,118)	(4,706)	(2,468)	95,104
Interest rate swap contracts		75	75	—	69	—	—	6	—
Total	¥	76,126	¥ 76,126	¥ (1,286)	¥ (5,406)	¥ (5,118)	¥ (4,706)	¥ (2,462)	¥ 95,104

Note:

\* Contractual cash flow and breakdown by maturities are presented on a discounted cash flow basis for currency swap contracts included in the foreign currency exchange contracts.

As of March 31, 2017

		(Millions of yen)							
		Carrying amount	Contractual cash flows	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	More than 5 years
Non-derivative financial liabilities									
Interest-bearing debt									
Short-term borrowings	¥	667,664	¥ 668,506	¥ 668,506	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper		80,000	80,000	80,000	—	—	—	—	—
Long-term borrowings (including current portion)									
Corporate bonds (including current portion)		4,506,135	4,558,688	1,132,653	1,955,143	584,852	373,082	79,281	433,677
Lease obligations		7,573,300	7,575,400	336,591	736,620	1,044,869	671,946	1,229,618	3,555,756
Financial liability for variable prepaid forward contract		1,245,890	1,245,890	438,284	351,248	243,853	153,596	56,388	2,521
Installment payables		715,448	740,454	—	—	740,454	—	—	—
Trade and other payables		69,933	71,004	40,376	17,804	9,879	1,683	1,262	—
Other financial liabilities		1,607,453	1,607,453	1,585,746	11,021	8,558	1,804	91	233
Total		40,419	40,419	7,336	15,309	4,725	413	158	12,478
Total		16,506,242	16,587,814	4,289,492	3,087,145	2,637,190	1,202,524	1,366,798	4,004,665
Derivative financial liabilities									
Other financial liabilities									
Foreign currency exchange contracts*		107,697	107,697	1,898	(4,108)	(3,689)	3,064	(2,627)	113,159
Option contracts		152,564	152,564	—	8,629	143,935	—	—	—
Interest rate contracts		250	250	22	—	—	5	223	—
Total	¥	260,511	¥ 260,511	¥ 1,920	¥ 4,521	¥ 140,246	¥ 3,069	¥ (2,404)	¥ 113,159

(Thousands of U.S. dollars)

	Carrying amount	Contractual cash flows	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	More than 5 years
Non-derivative financial liabilities								
Interest-bearing debt								
Short-term borrowings ..	\$ 5,951,190	\$ 5,958,695	\$ 5,958,695	\$ —	\$ —	\$ —	\$ —	\$ —
Commercial paper .....	713,076	713,076	713,076	—	—	—	—	—
Long-term borrowings								
(including current portion) .....	40,165,211	40,633,639	10,095,847	17,427,070	5,213,049	3,325,448	706,667	3,865,558
Corporate bonds								
(including current portion) .....	67,504,234	67,522,952	3,000,187	6,565,826	9,313,388	5,989,357	10,960,139	31,694,055
Lease obligations .....	11,105,179	11,105,179	3,906,622	3,130,832	2,173,572	1,369,070	502,612	22,471
Financial liability for variable prepaid forward contract .....								
	6,377,110	6,600,000	—	—	6,600,000	—	—	—
Installment payables .....	623,344	632,891	359,890	158,695	88,056	15,001	11,249	—
Trade and other payables ..	14,327,953	14,327,953	14,134,468	98,235	76,281	16,080	811	2,078
Other financial liabilities ..	360,272	360,272	65,389	136,456	42,116	3,682	1,408	111,221
Total .....	<u>147,127,569</u>	<u>147,854,657</u>	<u>38,234,174</u>	<u>27,517,114</u>	<u>23,506,462</u>	<u>10,718,638</u>	<u>12,182,886</u>	<u>35,695,383</u>
Derivative financial liabilities								
Other financial liabilities								
Foreign currency exchange contracts* ..								
	959,952	959,952	16,918	(36,616)	(32,882)	27,311	(23,416)	1,008,637
Option contracts .....	1,359,872	1,359,872	—	76,914	1,282,958	—	—	—
Interest rate contracts ..	2,228	2,228	196	—	—	44	1,988	—
Total .....	<u>\$ 2,322,052</u>	<u>\$ 2,322,052</u>	<u>\$ 17,114</u>	<u>\$ 40,298</u>	<u>\$ 1,250,076</u>	<u>\$ 27,355</u>	<u>\$ (21,428)</u>	<u>\$ 1,008,637</u>

Note:

\* Contractual cash flows and the breakdown by maturities are presented on a discounted cash flow basis for currency swap contracts included in the foreign currency exchange contracts.

In addition to the amounts presented above, the Company has lending commitments and guaranteed obligations, which are detailed in “(1) Lending commitments” and “(2) Credit guarantees” in “Note 46. Contingency.”

Average interest rates of the interest-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 March 31, 2016

	(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 .....	¥ —	¥ —	¥ —	¥ —	¥1,914,789	¥1,914,789
Other financial assets .....	37,136	—	23,487	100	92,135	152,858
Non-current assets						
Other financial assets .....	308,493	31,297	344,299	—	286,785	970,874
Total .....	<u>¥345,629</u>	<u>¥31,297</u>	<u>¥ 367,786</u>	<u>¥ 100</u>	<u>¥2,293,709</u>	<u>¥3,038,521</u>

	Financial liabilities at FVTPL	Derivatives designated as hedges	Financial liabilities at amortized cost	Total
Financial liabilities				
Current liabilities				
Interest-bearing debt	¥ —	¥ —	¥ 2,646,609	¥ 2,646,609
Trade and other payables	—	—	1,621,195	1,621,195
Other financial liabilities	4,410	39	2,082	6,531
Non-current liabilities				
Interest-bearing debt	—	—	9,275,822	9,275,822
Other financial liabilities	—	71,677	23,987	95,664
Total	<u>¥ 4,410</u>	<u>¥71,716</u>	<u>¥13,569,695</u>	<u>¥13,645,821</u>

Note:

\* Among the financial assets at FVTPL, the amount of financial assets designated as financial assets at fair value through profit or loss is ¥306,070 million.

As of March 31, 2017

(Millions of yen)						
	Financial assets at FVTPL <sup>1</sup>	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	¥ —	¥ —	¥ —	¥ —	¥2,121,619	¥2,121,619
Other financial assets	23,373	—	574	276,120	494,622	794,689
Non-current assets						
Other financial assets	596,257	28,695	517,334	—	409,981	1,552,267
Total	<u>¥ 619,630</u>	<u>¥ 28,695</u>	<u>¥ 517,908</u>	<u>¥ 276,120</u>	<u>¥3,026,222</u>	<u>¥4,468,575</u>

	Financial liabilities at FVTPL	Derivatives designated as hedges	Financial liabilities at amortized cost	Total
Financial liabilities				
Current liabilities				
Interest-bearing debt	¥ 43,164 <sup>2</sup>	¥ —	¥ 2,650,929	¥ 2,694,093
Trade and other payables	—	—	1,607,453	1,607,453
Other financial liabilities	6,341	24	7,336	13,701
Non-current liabilities				
Interest-bearing debt	—	—	12,164,277	12,164,277
Other financial liabilities	152,564	101,582	33,083	287,229
Total	<u>¥202,069</u>	<u>¥101,606</u>	<u>¥16,463,078</u>	<u>¥16,766,753</u>

(Thousands of U.S. dollars)

	Financial assets at FVTPL*1	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	\$ —	\$ —	\$ —	\$ —	\$18,910,946	\$18,910,946
Other financial assets	208,334	—	5,116	2,461,182	4,408,789	7,083,421
Non-current assets						
Other financial assets	5,314,707	255,771	4,611,231	—	3,654,346	13,836,055
Total	<u>\$ 5,523,041</u>	<u>\$ 255,771</u>	<u>\$ 4,616,347</u>	<u>\$ 2,461,182</u>	<u>\$26,974,081</u>	<u>\$39,830,422</u>

	Financial liabilities at FVTPL	Derivatives designated as hedges	Financial liabilities at amortized cost	Total
Financial liabilities				
Current liabilities				
Interest-bearing debt . . . .	\$ 384,740 <sup>2</sup>	\$ —	\$ 23,628,924	\$ 24,013,664
Trade and other payables . . . . .	—	—	14,327,953	14,327,953
Other financial liabilities . . . . .	56,520	214	65,389	122,123
Non-current liabilities				
Interest-bearing debt . . . .	—	—	108,425,680	108,425,680
Other financial liabilities . . . . .	1,359,872	905,446	294,883	2,560,201
Total . . . . .	<u>\$1,801,132</u>	<u>\$905,660</u>	<u>\$146,742,829</u>	<u>\$149,449,621</u>

Notes:

1. Among the financial assets at FVTPL, the amount of financial assets designated as financial assets at fair value through profit or loss is ¥589,250 million (\$5,252,251 thousand).
2. Regarding Handset Sale-Leaseback Tranche 2 financing obligation that Sprint implemented in May 2016, the Company designated it as a financial liability that is measured at fair value through profit or loss. This is a transaction with MLS which is a joint venture of the Company. The terms and conditions of the transaction are negotiated and determined based on the market price and the content of transaction.

## 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 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 Level 2 during the fiscal years ended March 31, 2016 and 2017.

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, 2016

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Equity securities . . . . .	¥73,807	¥ —	¥549,480	¥623,287
Bonds . . . . .	—	8,273	1,548	9,821
<b>Derivative financial assets</b>				
Foreign currency exchange contracts . . . . .	—	62,424	—	62,424
Stock acquisition rights . . . . .	—	—	2,424	2,424
Other . . . . .	—	27,736	19,020	46,756
<b>Total</b> . . . . .	<u>73,807</u>	<u>98,433</u>	<u>572,472</u>	<u>744,712</u>
<b>Financial liabilities</b>				
<b>Derivative financial liabilities</b>				
Foreign currency exchange contracts . . . . .	—	76,051	—	76,051
Interest rate swap contracts . . . . .	—	75	—	75
<b>Total</b> . . . . .	<u>¥ —</u>	<u>¥76,126</u>	<u>¥ —</u>	<u>¥ 76,126</u>

As of March 31, 2017

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Equity securities . . . . .	¥407,271	¥ —	¥668,334	¥1,075,605
Bonds . . . . .	—	7,837	1,132	8,969
<b>Derivative financial assets</b>				
Foreign currency exchange contracts . . . . .	—	50,627	—	50,627
Option contracts . . . . .	—	—	6,208	6,208
Interest rate contracts . . . . .	—	1,039	—	1,039
Other . . . . .	—	1,501	22,284	23,785
<b>Total</b> . . . . .	<u>407,271</u>	<u>61,004</u>	<u>697,958</u>	<u>1,166,233</u>
<b>Financial liabilities</b>				
Interest-bearing borrowings . . . . .	—	—	43,164	43,164
<b>Derivative financial liabilities</b>				
Foreign currency exchange contracts . . . . .	—	107,697	—	107,697
Option contracts . . . . .	—	152,564	—	152,564
Interest rate contracts . . . . .	—	250	—	250
<b>Total</b> . . . . .	<u>¥ —</u>	<u>¥260,511</u>	<u>¥ 43,164</u>	<u>¥ 303,675</u>

	(Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Equity securities . . . . .	\$3,630,190	\$ —	\$5,957,162	\$ 9,587,352
Bonds . . . . .	—	69,855	10,090	79,945
<b>Derivative financial assets</b>				
Foreign currency exchange contracts . . .	—	451,261	—	451,261
Option contracts . . . . .	—	—	55,335	55,335
Interest rate contracts . . . . .	—	9,260	—	9,260
Other . . . . .	—	13,379	198,627	212,006
<b>Total</b> . . . . .	<u><u>3,630,190</u></u>	<u><u>543,755</u></u>	<u><u>6,221,214</u></u>	<u><u>10,395,159</u></u>
<b>Financial liabilities</b>				
Interest-bearing borrowings . . . . .	—	—	384,740	384,740
<b>Derivative financial liabilities</b>				
Foreign currency exchange contracts . . .	—	959,952	—	959,952
Option contracts . . . . .	—	1,359,871	—	1,359,871
Interest rate contracts . . . . .	—	2,229	—	2,229
<b>Total</b> . . . . .	<u><u>\$ —</u></u>	<u><u>\$2,322,052</u></u>	<u><u>\$ 384,740</u></u>	<u><u>\$ 2,706,792</u></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 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 the discounted cash flows model. Derivative financial instruments are classified as Level 2 if all significant inputs such as foreign currency 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.

c. Interest-bearing debt

The fair value of interest-bearing debt is measured using the discounted cash flows model. The model uses unobservable inputs, such as customer churn rates, customer upgrade probabilities, and the likelihood that Sprint will elect the Exchange Option<sup>1</sup> versus the termination option<sup>2</sup> upon customer upgrade, resulting in a Level 3 classification.

Notes:

1. The option to transfer the title in the new device to the borrower in exchange for the title in the original device upon customer upgrade, in order to continue the borrowings.
2. The option that Sprint terminates the borrowings.



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

a. Valuation techniques and inputs

The following table shows information about the valuation techniques used and the significant unobservable inputs used in the Level 3 fair value measurements.

Equity securities

Valuation techniques	Unobservable inputs	Ranges of unobservable inputs	
		As of March 31, 2016	As of March 31, 2017
Price of recent investment . . . . .	Discount for lack of marketability	10.0% – 45.0%	10.0% – 35.0%
	Control premium	5.0% – 10.0%	5.0% – 10.0%
Discounted cash flow . . . . .	Cost of capital	16.9%	—
	Perpetual growth rate	5.2%	—
	Discount for lack of marketability	15.0%	—
	Discount for non-control interest	17.0%	—

b. Sensitivity Analysis

Of the above unobservable inputs, perpetual growth rate and control premiums have a positive correlation with the fair value of equity securities, whereas cost of capital, discount for non-controlling interest, and discount for lack of marketability have a negative correlation with the fair value of equity securities.

c. Valuation processes

Fair value is measured by our personnel in the treasury and accounting departments based on internal regulations, using the most appropriate valuation techniques and inputs that reflect the nature, characteristics and risks of the financial instruments subject to fair value. The fair value of financial instruments that require a high level of knowledge and experience for the valuation is measured by external specialists if the amount of such financial instruments is material. The result of the measurement conducted at the end of each quarter, including the valuation by the external specialists, 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. Roll forward of financial instruments categorized as Level 3

Roll forward of financial instruments categorized as Level 3 is as follows:

For the fiscal year ended March 31, 2016

Financial assets	(Millions of yen)			
	Equity securities	Bonds	Derivative financial assets	Other
As of April 1, 2015 . . . . .	¥242,754	¥ 3,258	¥1,144	¥12,528
Gains or losses				
Net income . . . . .	89,308	(7,528)	1,704	—
Other comprehensive income . . . . .	(18,629)	(314)	—	859
Purchases . . . . .	247,508	1,292	363	6,271
Sales . . . . .	(11,361)	(500)	—	(1,739)
Transfers to Level 1 due to listing . . . . .	(8,206)	—	—	—
Transfers to Level 3* . . . . .	17,067	6,812	—	—
Other . . . . .	(8,961)	(1,472)	(787)	1,101
As of March 31, 2016 . . . . .	<u>¥549,480</u>	<u>¥ 1,548</u>	<u>¥2,424</u>	<u>¥19,020</u>
Gains or losses recognized in net income on financial instruments held at March 31, 2016 . . . . .	<u>¥ 85,536</u>	<u>¥(7,786)</u>	<u>¥1,704</u>	<u>¥ —</u>

Note

\* Equity securities are transferred from Level 1 to Level 3 and bonds are transferred from Level 2 to Level 3 as it became difficult to obtain their observable inputs. Also, impairment losses for these equity securities and bonds are recognized after transferred to Level 3. The details are described in Note 1 in "Note 40. Other non-operating income and loss."

For the fiscal year ended March 31, 2017

<u>Financial assets</u>	(Millions of yen)			
	<u>Equity securities</u>	<u>Bonds</u>	<u>Derivative financial assets</u>	<u>Other</u>
As of April 1, 2016 .....	¥ 549,480	¥ 1,548	¥ 2,424	¥ 19,020
Gains or losses				
Net income .....	(154,374)	9	3,821	(1,291)
Other comprehensive income .....	12,871	13	(37)	12
Purchases .....	262,627	251	—	9,342
Sales .....	(4,435)	(640)	—	(3,692)
Transfers to Level 1 due to listing .....	(553)	—	—	—
Other .....	2,718	(49)	—	(1,107)
As of March 31, 2017 .....	<u>¥ 668,334</u>	<u>¥ 1,132</u>	<u>¥ 6,208</u>	<u>¥ 22,284</u>
Gains or losses recognized in net income on financial instruments held at March 31, 2017 .....	<u>¥ (153,340)</u>	<u>¥ —</u>	<u>¥ 3,821</u>	<u>¥ (1,293)</u>

<u>Financial liabilities</u>	(Millions of yen)
	<u>Interest-bearing debt</u>
As of April 1, 2016 .....	¥ —
Gains or losses	
Net income .....	4,593
Other comprehensive income .....	1,111
Borrowings .....	115,116
Payments and redemptions .....	(77,656)
As of March 31, 2017 .....	<u>¥ 43,164</u>
Gains or losses recognized in net income on financial instruments held at March 31, 2017 .....	<u>¥ 2,395</u>

<u>Financial assets</u>	(Thousands of U.S. dollars)			
	<u>Equity securities</u>	<u>Bonds</u>	<u>Derivative financial assets</u>	<u>Other</u>
As of April 1, 2016 .....	\$ 4,897,763	\$13,798	\$21,606	\$169,534
Gains or losses				
Net income .....	(1,376,006)	81	34,059	(11,508)
Other comprehensive income .....	114,725	116	(330)	107
Purchases .....	2,340,913	2,237	—	83,269
Sales .....	(39,531)	(5,705)	—	(32,908)
Transfers to Level 1 due to listing .....	(4,929)	—	—	—
Other .....	24,227	(437)	—	(9,867)
As of March 31, 2017 .....	<u>\$ 5,957,162</u>	<u>\$10,090</u>	<u>\$55,335</u>	<u>\$198,627</u>
Gains or losses recognized in net income on financial instruments held at March 31, 2017 .....	<u>\$(1,366,788)</u>	<u>—</u>	<u>\$34,059</u>	<u>\$(11,525)</u>

<u>Financial liabilities</u>	(Thousands of U.S. dollars)
	<u>Interest-bearing debt</u>
As of April 1, 2016 .....	\$ —
Gains or losses	
Net income .....	40,939
Other comprehensive income .....	9,903
Borrowings .....	1,026,081
Payments and redemptions .....	(692,183)
As of March 31, 2017 .....	<u>\$ 384,740</u>
Gains or losses recognized in net income on financial instruments held at March 31, 2017 .....	<u>\$ 21,348</u>

Gains or losses recognized in profit or loss are included in “Derivative gain (loss),” “Gain (loss) from financial instruments at FVTPL,” and “Other 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, 2016		As of March 31, 2017		As of March 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Non-current						
Interest-bearing debt						
Long-term borrowings . . . . .	¥1,785,500	¥1,797,632	¥ 3,377,625	¥ 3,436,955	\$ 30,106,293	\$ 30,635,128
Corporate bonds . . . . .	6,611,947	6,099,330	7,233,838	7,590,748	64,478,456	67,659,756
Lease obligations . . . . .	815,194	817,057	807,606	818,686	7,198,556	7,297,317
Installment payables . . . . .	63,181	64,280	29,760	30,908	265,265	275,497
Total . . . . .	<u>¥9,275,822</u>	<u>¥8,778,299</u>	<u>¥11,448,829</u>	<u>¥11,877,297</u>	<u>\$102,048,570</u>	<u>\$105,867,698</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 their 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 floating interest 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 rates are measured based on the discounted cash flow method using an interest rate including the credit spread that would be used for a borrowing with the same terms and maturity. 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 the fair value is measured using quoted prices in active markets for identical bonds, it is categorized as Level 1. When the 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 of corporate bond 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 are categorized as Level 2.

d. 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 are categorized as Level 2.

## 27. Transfers of financial assets

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

The major securitization transactions involve the securitization of receivables related to wireless service charges due from subscribers and installment receivables recognized from the mobile handset sales business. For each transaction, the Company transferred receivables to financial institutions and acquired cash and subordinate interest in the transferred receivables for financing purposes. The receivables sold are not derecognized because in each transaction, the Company retains subordinate interest and, therefore, substantially retains all the risks and rewards of ownership of the transferred assets. Cash received from transferring the receivables are included in "Interest-bearing debt" under current liabilities and non-current liabilities.

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

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Carrying amount of transferred assets . . . . .	¥ 857,186	¥1,020,257	\$ 9,094,010
Carrying amount of related liabilities . . . . .	(624,563)	(735,205)	(6,553,213)

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

Fair value of transferred assets . . . . .	¥ 857,186	¥1,020,257	\$ 9,094,010
Fair value of related liabilities . . . . .	(624,096)	(735,880)	(6,559,230)
Net position . . . . .	¥ 233,090	¥ 284,377	\$ 2,534,780

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

## 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.

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

As of March 31, 2016

	(Millions of yen)				
	Gross amount of financial assets	Gross amount of financial liabilities offset against financial assets	Net amount of financial assets presented in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
<b>Financial assets</b>					
Trade and other receivables . . . . .	¥114,777	¥(77,751)	¥37,026	¥(22,550)	¥14,476
Other financial assets . . . . .	39,089	—	39,089	(36,094)	2,995
Total . . . . .	¥153,866	¥(77,751)	¥76,115	¥(58,644)	¥17,471

	(Millions of yen)				
	Gross amount of financial liabilities	Gross amount of financial assets offset against financial liabilities	Net amount of financial liabilities presented in the consolidated statement of financial position	Amount not offset in the consolidated statement of financial position	Net amount
<b>Financial liabilities</b>					
Trade and other payables . . . . .	¥173,966	¥(77,751)	¥ 96,215	¥(22,418)	¥ 73,797
Other financial liabilities . . . . .	71,243	—	71,243	(36,227)	35,016
Total . . . . .	¥245,209	¥(77,751)	¥167,458	¥(58,645)	¥108,813

As of March 31, 2017

	(Millions of yen)				
<b>Financial assets</b>	<b>Gross amount of financial assets</b>	<b>Gross amount of financial liabilities offset against financial assets</b>	<b>Net amount of financial assets presented in the consolidated statement of financial position</b>	<b>Amount not offset in the consolidated statement of financial position</b>	<b>Net amount</b>
Trade and other receivables . . . . .	¥129,790	¥(90,319)	¥39,471	¥(26,134)	¥13,337
Other financial assets . . . . .	31,736	(133)	31,603	(31,551)	52
<b>Total</b> . . . . .	<u>¥161,526</u>	<u>¥(90,452)</u>	<u>¥71,074</u>	<u>¥(57,685)</u>	<u>¥13,389</u>

	(Millions of yen)				
<b>Financial liabilities</b>	<b>Gross amount of financial liabilities</b>	<b>Gross amount of financial assets offset against financial liabilities</b>	<b>Net amount of financial liabilities presented in the consolidated statement of financial position</b>	<b>Amount not offset in the consolidated statement of financial position</b>	<b>Net amount</b>
Trade and other payables . . . . .	¥221,274	¥(90,452)	¥130,822	¥(25,975)	¥104,847
Other financial liabilities . . . . .	112,971	—	112,971	(31,710)	81,261
<b>Total</b> . . . . .	<u>¥334,245</u>	<u>¥(90,452)</u>	<u>¥243,793</u>	<u>¥(57,685)</u>	<u>¥186,108</u>

	(Thousands of U.S. dollars)				
<b>Financial assets</b>	<b>Gross amount of financial assets</b>	<b>Gross amount of financial liabilities offset against financial assets</b>	<b>Net amount of financial assets presented in the consolidated statement of financial position</b>	<b>Amount not offset in the consolidated statement of financial position</b>	<b>Net amount</b>
Trade and other receivables . . . . .	\$1,156,877	\$(805,054)	\$351,823	\$(232,944)	\$118,879
Other financial assets . . . . .	282,877	(1,185)	281,692	(281,228)	464
<b>Total</b> . . . . .	<u>\$1,439,754</u>	<u>\$(806,239)</u>	<u>\$633,515</u>	<u>\$(514,172)</u>	<u>\$119,343</u>

	(Thousands of U.S. dollars)				
<b>Financial liabilities</b>	<b>Gross amount of financial liabilities</b>	<b>Gross amount of financial assets offset against financial liabilities</b>	<b>Net amount of financial liabilities presented in the consolidated statement of financial position</b>	<b>Amount not offset in the consolidated statement of financial position</b>	<b>Net amount</b>
Trade and other payables . . . . .	\$1,972,314	\$(806,239)	\$1,166,075	\$(231,526)	\$ 934,549
Other financial liabilities . . . . .	1,006,962	—	1,006,962	(282,646)	724,316
<b>Total</b> . . . . .	<u>\$2,979,276</u>	<u>\$(806,239)</u>	<u>\$2,173,037</u>	<u>\$(514,172)</u>	<u>\$1,658,865</u>

## 29. Foreign currency exchange rates

Exchange rates of the major currencies used for translating the financial statements of foreign operations are as follows:

(1) Rate at the end of the period

	(Yen)	
	<u>As of March 31, 2016</u>	<u>As of March 31, 2017</u>
U.S. dollars . . . . .	¥112.68	¥112.19
British pound . . . . .	¥161.92	¥140.08

(2) Average rate for the quarter

For the fiscal year ended March 31, 2016

	(Yen)			
	Three months ended June 30, 2015	Three months ended September 30, 2015	Three months ended December 31, 2015	Three months ended March 31, 2016
U.S. dollars . . . . .	¥121.34	¥121.91	¥121.07	¥116.95

For the fiscal year ended March 31, 2017

	(Yen)			
	Three months ended June 30, 2016	Three months ended September 30, 2016	Three months ended December 31, 2016	Three months ended March 31, 2017
U.S. dollars . . . . .	¥109.07	¥102.91	¥108.72	¥113.76

(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, British pound and Chinese yuan, which are the main foreign currencies of the Company, regarding the translation of assets, liabilities, and interests in net assets in foreign operations into the presentation currency, assuming that all other factors are constant.

Impact of exchange differences on translating foreign operations (decrease in equity)

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
U.S. dollar . . . . .	¥(28,673)	¥(31,910)	\$(284,428)
British pound . . . . .	—	(34,325)	(305,954)
Chinese yuan . . . . .	(12,016)	(13,362)	(119,102)

### 30. Equity

(1) Common stock

a. Shares authorized

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

	(Thousands of shares)	
	March 31, 2016	March 31, 2017
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 March 31, 2016	Fiscal year ended March 31, 2017
Balance at the beginning of the year . . . . .	1,200,660	1,200,660
Increase during the year . . . . .	—	—
Decrease during the year <sup>3</sup> . . . . .	—	(100,000)
Balance at the end of the year . . . . .	<u>1,200,660</u>	<u>1,100,660</u>

Notes:

1. Shares issued by the Company is common stock with no par value.
2. Shares issued have been fully paid.
3. The Company retired 100,000 thousand shares of treasury stock on October 31, 2016.

(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, 2016

The Company acquired an additional 24.1% shares of Supercell, a subsidiary of the Company, from existing shareholders and the Company's ownership in Supercell became 77.8%. In connection with this transaction, ¥120,847 million 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 of 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 March 31, 2016	Fiscal year ended March 31, 2017
Balance at the beginning of the year	11,463	53,760
Increase during the year	42,873	58,073
Decrease during the year	(576)	(100,455)
Balance at the end of the year	<u>53,760</u>	<u>11,378</u>

Notes:

- The number of shares of treasury stock acquired based on the resolution passed at the Board of Directors' meeting for the fiscal year ended March 31, 2017 was 58,069 thousand, and total acquisition cost was ¥350,826 million (\$3,127,070 thousand). (The number of shares of treasury stock acquired based on the resolution passed at the Board of Directors' meeting for the fiscal year ended March 31, 2016 was 42,867 thousand, and total acquisition cost was ¥269,173 million.)
- Based on the resolution passed at the Board of Directors' meeting held on October 7, 2016, the Company retired its treasury stock of 100,000 thousand shares on October 31, 2016. As a result, "Retained earnings" and "Treasury stock" are decreased by ¥595,195 million (\$5,305,241 thousand).

### (5) Accumulated other comprehensive income

The changes in the accumulated other comprehensive income are as follows:

	(Millions of yen)				
	Remeasurements of defined benefit plan	Available-for-sale financial assets	Cash flow hedges	Exchange differences on translating foreign operations	Total
As of April 1, 2015	¥ —	¥ 14,524	¥ (7,345)	¥ 533,207	¥ 540,386
Other comprehensive income (attributable to owners of the parent)	342	18,070	(32,743)	(263,977)	(278,308)
Transfer to retained earnings	(342)	—	—	—	(342)
As of March 31, 2016	—	32,594	(40,088)	269,230	261,736
Other comprehensive income (attributable to owners of the parent)	10,140	(20,611)	(4,789)	(25,090)	(40,350)
Transfer to retained earnings	(10,140)	—	—	—	(10,140)
As of March 31, 2017	<u>¥ —</u>	<u>¥ 11,983</u>	<u>¥(44,877)</u>	<u>¥ 244,140</u>	<u>¥ 211,246</u>

(Thousands of U.S. dollars)

	<u>Remeasurements of defined benefit plan</u>	<u>Available-for-sale financial assets</u>	<u>Cash flow hedges</u>	<u>Exchange differences on translating foreign operations</u>	<u>Total</u>
As of March 31, 2016 . . . . .	\$ —	\$ 290,525	\$(357,322)	\$2,399,768	\$2,332,971
Other comprehensive income (attributable to owners of the parent) . . .	90,382	(183,715)	(42,687)	(223,638)	(359,658)
Transfer to retained earnings . . . . .	(90,382)	—	—	—	(90,382)
As of March 31, 2017 . . . . .	\$ —	\$ 106,810	\$(400,009)	\$2,176,130	\$1,882,931

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 41. Other comprehensive income.”

### 31. Dividends

In accordance with the Companies Act, SoftBank Group Corp. has prescribed in its articles of incorporation that semiannual interim dividends may be paid once a year upon resolution by the Board of Directors.

Dividends paid are as follows:

For the fiscal year ended March 31, 2016

<u>Resolution</u>	<u>Class of shares</u>	<u>Dividends per share (Yen)</u>	<u>Total dividends (Millions of yen)</u>	<u>Record date</u>	<u>Effective date</u>
Shareholders’ meeting held on June 19, 2015 . . . . .	Common stock	¥20	¥23,784	March 31, 2015	June 22, 2015
Board of Directors’ meeting held on October 22, 2015 . . . . .	Common stock	20	23,477	September 30, 2015	December 14, 2015

For the fiscal year ended March 31, 2017

<u>Resolution</u>	<u>Class of shares</u>	<u>Dividends per share</u>		<u>Total dividends</u>		<u>Record date</u>	<u>Effective date</u>
		<u>(Yen)</u>	<u>(USD)</u>	<u>(Millions of yen)</u>	<u>(Thousands of U.S. dollars)</u>		
Shareholders’ meeting held on June 22, 2016 . . . . .	Common stock	¥21	\$0.19	¥24,085	\$214,680	March 31, 2016	June 23, 2016
Board of directors’ meeting held on October 27, 2016 . . . . .	Common stock	22	0.20	23,957	213,540	September 30, 2016	December 12, 2016

Dividends which will become effective during the fiscal year ending March 31, 2018 are as follows:

<u>Resolution</u>	<u>Class of shares</u>	<u>Dividends per share</u>		<u>Total dividends</u>		<u>Record date</u>	<u>Effective date</u>
		<u>(Yen)</u>	<u>(USD)</u>	<u>(Millions of yen)</u>	<u>(Thousands of U.S. dollars)</u>		
Shareholders’ meeting held on June 21, 2017 . . . . .	Common stock	¥22	\$0.20	¥23,964	\$213,602	March 31, 2017	June 22, 2017

### 32. 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 resolved at the Company’s shareholders’ meeting or Board of Directors’ meeting.

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

Expense arising from share-based payment

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Equity-settled . . . . .	¥10,661	¥13,301	\$118,558
Cash-settled . . . . .	6,900	7,877	70,211
Total . . . . .	<u>¥17,561</u>	<u>¥21,178</u>	<u>\$188,769</u>

Liability arising from share-based payment

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Liability arising from share-based payment . . . . .	¥9,151	¥8,162	\$72,752
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 and cash-settled share-based payment. The details of the Company's stock option plan for the years ended March 31, 2016 and 2017 are as follows:

(a) SoftBank Group Corp.

SoftBank Group Corp. grants stock options to its directors and employees. Shares granted by the exercise of stock options are those issued by SoftBank Group Corp.

Year issued / Name	Grant date	Due date for exercise
2010 – 6th Stock Acquisition Rights <sup>1</sup>	August 27, 2010	June 30, 2017
2013 – 7th Stock Acquisition Rights <sup>2</sup>	July 31, 2013	June 30, 2021
2016 July Stock Acquisition Rights <sup>3</sup>	July 28, 2016	July 31, 2022
2017 February Stock Acquisition Rights <sup>3</sup>	February 27, 2017	February 28, 2023

Notes:

1. Vesting condition

A person entitled to the vested stock acquisition rights (“entitled person”) is able to exercise these rights only when all the following conditions are satisfied:

- a. total free cash flows in the consolidated statement of cash flows for the years ended in March 2010, 2011 and 2012 in the Annual Securities Report filed by SoftBank Group Corp. based on Financial Instruments and Exchange Act exceed ¥1.0 trillion;
- b. net interest-bearing debt in the consolidated balance sheet for the year ended in March 2012 in the Annual Securities Report filed by SoftBank Group Corp. based on Financial Instruments and Exchange Act is less than ¥0.97 trillion; and,
- c. total operating income in the consolidated statement of income for the years ended in March 2011 and 2012 in the Annual Securities Report filed by SoftBank Group Corp. based on Financial Instruments and Exchange Act exceeds ¥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.

- a. from July 1, 2012 through June 30, 2013: 25% of the allocated amount of stock acquisition rights
- b. from July 1, 2013 through June 30, 2014: 50% of the allocated amount of stock acquisition rights along with the stock acquisition rights exercised in the period “a” above
- c. from July 1, 2014 through 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
- d. from July 1, 2015 through 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

The stock acquisition rights expired as the rights were unable to meet the vesting condition. The vesting condition is as follows;

A person entitled to 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 ended in March 2016 in the Annual Securities Report to be filed by SoftBank Group Corp. based on the Financial Instruments and Exchange Act in June 2016 (“target index”) exceeds ¥1.2 trillion (“target amount”). SoftBank Group Corp. may change the target index or target amount within a reasonable range due to changes in accounting policies or other factors, 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.

- a. from July 1, 2016 to June 30, 2017: 25% of the allocated amount of stock acquisition rights
- b. 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
- c. 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.

3. Vesting condition

Stock options vest when the service period requirements are met, and the vesting period is 2 years.

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 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 through May 26, 2005	From May 24, 2014 through May 26, 2015
1997 Long-term Incentive Program	From February 8, 2005 through February 27, 2007	From February 8, 2015 through February 27, 2017
2007 Omnibus Incentive Plan	From July 9, 2007 through May 31, 2015	From July 9, 2017 through May 31, 2025
2015 Omnibus Incentive Plan	From August 25, 2015 through February 2, 2017	From August 25, 2025 through February 2, 2027

Note:

Vesting condition

Generally, stock options vest when service period requirements are met. The vesting period is generally 3 years and vests each period equally.

(c) Supercell

Supercell grants stock options to its employees. Shares granted by the exercise of stock options are those issued by Supercell Oy. Also, in July 2016, Supercell was excluded from the scope of consolidation.

Year issued / Name	Grant date	Due date for exercise
Supercell Oy Share option program	From March 31, 2011 through April 1, 2014	From September 17, 2014 through March 31, 2021

Note:

Vesting condition

Stock options vest when service 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

Brightstar grants stock options as equity-settled share-based payments and cash-settled share-based payments to its directors, employees and other service providers.

Year issued / Name	Grant date	Due date for exercise
Brightstar Global Group Inc. 2006 Stock Incentive Plan <sup>1</sup>	From July 12, 2006 through January 21, 2014	From July 12, 2016 through January 21, 2024
Brightstar Global Group Inc. 2016 Stock Incentive Plan <sup>2</sup>	March 15, 2016	From January 1, 2017 through February 28, 2017

## Notes:

1. Vesting condition  
Generally, stock options vest when the service period requirements are met. Rights vest equally over a 4 year period. Brightstar Corp. has the option to settle either by Brightstar Global Group Inc. shares or cash when options are exercised and those are accounted for as equity-settled share-based payments. Shares granted by the exercise of stock options are those issued by Brightstar Global Group Inc.
2. Vesting condition  
Stock options vest when the service period requirements are met. The vesting period is within 1 year. Brightstar Corp. has the option to settle either by Brightstar Global Group Inc. shares or cash when options are exercised and those are accounted for as cash-settled share-based payments.

## (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.

Year issued / Name	Grant date	Due date for exercise
2006 <sup>1</sup>	From September 6, 2006 through February 7, 2007	From August 23, 2016 through January 24, 2017
2007 <sup>1</sup>	From May 8, 2007 through February 13, 2008	From April 24, 2017 through January 30, 2018
2008 <sup>1</sup>	From May 9, 2008 through February 10, 2009	From April 25, 2018 through January 27, 2019
2009 <sup>1</sup>	From May 12, 2009 through February 10, 2010	From April 28, 2019 through January 27, 2020
2010 <sup>1</sup>	From May 11, 2010 through February 8, 2011	From April 27, 2020 through January 25, 2021
2011 <sup>1</sup>	From June 3, 2011 through February 17, 2012	From May 20, 2021 through February 3, 2022
2012 1 <sup>st</sup> <sup>1</sup> 2 <sup>nd</sup> <sup>2</sup>	From May 16, 2012 through March 1, 2013	From May 2, 2022 through February 28, 2023
2013 1 <sup>st</sup> <sup>3</sup> 2 <sup>nd</sup> <sup>4</sup>	From May 17, 2013 through November 19, 2013	From May 16, 2023 through November 18, 2023
2014 1 <sup>st</sup> <sup>4</sup>	May 26, 2014	May 25, 2024

## Notes:

1. Vesting condition  
Rights are mainly starting to vest in stages after 2 years from the grant date. One-half of the total grant vests after 2 years from the grant date, and one fourth grant vests per year for the 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 condition  
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 in March 2014 through the fiscal year ending in 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 condition  
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 in March 2014 through the fiscal year ending in 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 condition  
Rights vest once the operating income for the fiscal year exceeds ¥330 billion in either of the period from the fiscal year ended in March 2015 through the fiscal year ending in 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 fair value measurement at the measurement date of the stock options granted during the period are as follows:

(a) SoftBank Group Corp.

The weighted-average fair value at the measurement date of the stock options granted during the period is ¥1,318 (\$11.75).

Fair value is measured as follows:

Year issued / Name Valuation method used	Fiscal year ended March 31, 2017			
	2016 July stock acquisition rights		2017 February stock acquisition rights	
	Black-Scholes model		Black-Scholes model	
	(Yen)	(USD)	(Yen)	(USD)
Key inputs and assumptions:				
Weighted-average stock price . . . . .	¥ 5,366	\$ 47.83	¥ 8,393	\$ 74.81
Weighted-average exercise price . . . . .	¥ 6,159	\$ 54.90	¥ 8,891	\$ 79.25
Volatility of stock price* . . . . .	39.87%		38.38%	
Estimated residual period . . . . .	4 years		4 years	
Estimated dividend . . . . .	¥41/per share	\$0.37/per share	¥44/per share	\$0.39/per share
Risk-free interest rate . . . . .	(0.38)%		(0.15)%	

Note:

- \* Volatility of the stock price is calculated based on the performance of the stock price for the most recent period depending on the period to maturity.

(b) Sprint

The weighted-average fair value at the measurement date of the stock options granted during the period is \$2.23.

Fair value is measured as follows:

Year issued / Name Valuation method used	Fiscal year ended March 31, 2017
	2015 Omnibus incentive plan Black-Scholes model
Key inputs and assumptions:	
Weighted-average stock price . . . . .	\$3.79
Weighted-average exercise price . . . . .	\$3.72
Volatility of stock price* . . . . .	64.47%
Estimated residual period . . . . .	6 years
Estimated dividend . . . . .	—
Risk-free interest rate . . . . .	1.48%

Note:

- \* Volatility of stock price is calculated based on an implied volatility, measured by the stock price and option price of Sprint at the calculation date.



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 Group Corp.

	Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017		
	Number of shares	Weighted-average exercise price (Yen)	Number of shares	Weighted-average exercise price (Yen)	(USD)
Beginning balance—Unexercised	11,495,500	¥4,516	689,700	¥2,625	\$23.40
Granted	—	—	4,364,000	6,218	55.42
Forfeited	(10,229,800)	4,750	(12,000)	4,098	36.53
Exercised	(576,000)	2,625	(455,300)	2,625	23.40
Ending balance—Unexercised	689,700	2,625	4,586,400	6,040	53.84
Ending balance—Exercisable	689,700	¥2,625	227,400	¥2,625	\$23.40

(b) Sprint

	Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017	
	Number of shares	Weighted-average exercise price (USD)	Number of shares	Weighted-average exercise price (USD)
Beginning balance—Unexercised	39,861,827	\$ 5.34	40,742,546	\$4.69
Granted	12,290,437	4.66	12,075,685	3.72
Forfeited	(6,735,629)	5.42	(3,410,819)	4.62
Exercised	(1,439,758)	2.43	(11,653,873)	3.93
Matured	(3,234,331)	12.06	(574,253)	7.96
Ending balance—Unexercised	40,742,546	4.69	37,179,286	4.57
Ending balance—Exercisable	20,866,540	\$ 4.10	16,852,255	4.74

The unexercised options as of March 31, 2017 are as follows:

Range of exercise price (USD)	Number of shares	Weighted-average exercise price (USD)	Weighted-average remaining contract period (year)
\$0.00-\$3.00	2,923,458	\$2.08	5.25
3.01-4.00	13,050,212	3.43	7.58
4.01-5.00	12,947,337	4.65	7.36
5.01-6.00	3,859,625	5.61	6.47
6.01-7.00	756,646	6.21	9.42
7.01-10.00	3,642,008	8.92	7.31
Total	37,179,286	\$4.57	7.22

(c) Supercell

	Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017	
	Number of shares	Weighted-average exercise price (EUR)	Number of shares	Weighted-average exercise price (EUR)
Beginning balance—Unexercised	1,854,701	€5.24	1,062,495	€ 5.78
Granted	—	—	—	—
Forfeited	(462,279)	5.47	(220,164)	3.85
Exercised	(329,927)	3.17	(139,385)	17.91
Decrease due to loss of control*	—	—	(702,946)	3.98
Ending balance—Unexercised	1,062,495	5.78	—	—
Ending balance—Exercisable	318,972	€4.34	—	€ —

Note:

\* In July 2016, Supercell was excluded from the scope of consolidation.

## (d) Brightstar

	Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017	
	Number of shares	Weighted-average exercise price (USD)	Number of shares	Weighted-average exercise price (USD)
Beginning balance—Unexercised	1,464,993	\$27.51	609,920	\$14.00
Granted	366,772	5.45	—	—
Repurchased*	(621,367)	28.85	—	—
Forfeited	(600,478)	26.37	(10,000)	33.25
Matured	—	—	(376,483)	6.06
Ending balance—Unexercised	<u>609,920</u>	<u>14.00</u>	<u>223,437</u>	<u>26.53</u>
Ending balance—Exercisable	<u>206,898</u>	<u>\$26.33</u>	<u>217,812</u>	<u>\$26.46</u>

Note:

\* Brightstar Corp. repurchased outstanding stock options held by existing employees for cash consideration of \$1.00 per stock option in December 2015.

The unexercised options as of March 31, 2017, are as follows:

Range of exercise price (USD)	Number of shares	Weighted-average exercise price (USD)	Weighted-average remaining contract period (year)
\$15.00	34,000	\$15.00	2.06
20.00	8,500	20.00	0.32
29.00	180,937	29.00	5.76
Total	<u>223,437</u>	<u>\$26.53</u>	<u>4.99</u>

## (e) Yahoo Japan Corporation

	Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017	
	Number of shares	Weighted-average exercise price (Yen)	Number of shares	Weighted-average exercise price (USD)
Beginning balance—Unexercised	65,586,700	¥429	63,973,500	¥429 \$3.82
Granted	—	—	—	—
Forfeited	(1,260,700)	450	(2,088,700)	445 3.97
Exercised	(346,400)	331	(286,200)	347 3.09
Matured	(6,100)	680	(343,300)	471 4.20
Ending balance—Unexercised	<u>63,973,500</u>	<u>429</u>	<u>61,255,300</u>	<u>429</u> <u>3.82</u>
Ending balance—Exercisable	<u>3,522,500</u>	<u>¥360</u>	<u>2,899,300</u>	<u>¥346</u> <u>\$3.08</u>

The unexercised options as of March 31, 2017 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)
¥201-¥300	\$1.79-\$2.67	841,200	¥270	\$2.41	4.4
301-400	2.68-3.56	24,797,500	324	2.89	5.8
401-500	3.57-4.46	10,962,200	486	4.33	5.9
501-600	4.47-5.35	24,654,400	514	4.58	6.6
Total		<u>61,255,300</u>	<u>¥429</u>	<u>\$3.82</u>	<u>6.1</u>

d. Stock options exercised during the period

Weighted-average stock prices at the date exercised, for those stock options that were exercised during the period are as follows:

(a) SoftBank Group Corp.

Fiscal year ended March 31, 2016			Fiscal year ended March 31, 2017			
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—6th Stock Acquisition Rights . .	576,000	¥7,021	2010—6th Stock Acquisition Rights	455,300	¥7,291	\$64.99

(b) Sprint

Fiscal year ended March 31, 2016			Fiscal year ended March 31, 2017		
Year issued/ Name	Number of shares exercised	Weighted-average stock price at exercise (USD)	Year issued / Name	Number of shares exercised	Weighted-average stock price at exercise (USD)
2007 Omnibus Incentive Plan . . . . .	1,439,758	\$4.41	2007 Omnibus Incentive Plan	11,566,044	\$7.33
			2015 Omnibus Incentive Plan	87,829	\$7.50

(c) Yahoo Japan Corporation

Fiscal year ended March 31, 2016			Fiscal year ended March 31, 2017			
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)
2006 . . . . .	9,900	¥550	2006	31,600	¥491	\$4.38
2007 . . . . .	34,400	530	2007	51,200	525	4.68
2008 . . . . .	49,900	523	2008	22,900	505	4.50
2009 . . . . .	46,000	505	2009	37,300	510	4.55
2010 . . . . .	80,500	508	2010	58,000	521	4.64
2011 . . . . .	116,500	504	2011	69,100	501	4.47
2012 . . . . .	9,200	500	2012	16,100	501	4.47

Note:

Weighted-average stock price at exercise is not calculated for the Supercell Stock option plan since Supercell Oy shares are not publicly traded.

(2) Restricted stock unit plan

The Company adopts restricted stock unit (“RSU”) plans where the Company grants stocks, the transfer of which is restricted for a certain period until vested, and is accounted for as equity-settled share-based payment.

The details of the Company’s RSU plans for the years ended March 31, 2016 and 2017 are as follows:

a. Sprint

Sprint grants shares of Sprint Corporation as RSUs to its directors, employees and other service providers. The fair value of the RSU is generally measured based on the closing price of the stock on the date of grant. RSU generally has performance and service requirements or service requirements only, with vesting periods ranging from one to three years.

During the year ended March 31, 2017, Sprint granted performance-based RSUs that will be earned upon the achievement of certain market conditions, which are based on the Sprint share price. The fair value of these market-based RSUs is estimated at the date of grant using the Monte Carlo valuation methodology, which incorporates into the valuation the possibility that the market condition may not be satisfied. These market-based RSUs will vest 50% over four years from the grant date and 50% over five years from the grant date.

The number of RSUs granted for the fiscal year ended March 31, 2017 was 54,729,219 units. The weighted-average fair value of RSUs granted for the fiscal year ended March 31, 2017 was \$5.64 per unit.

b. Galaxy Investment Holdings, Inc.

Galaxy Investment Holdings, Inc. grants RSUs to its director with the option to settle either by Sprint Corporation shares held by Galaxy Investment Holdings, Inc. 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 for as an equity-settled share-based payment. The fair value of the RSUs is measured based on the stock price as of the date of the grant.

RSU vests equally each year over four years, with continuous service required through each vesting date.

c. Supercell

Supercell grants shares of Supercell Oy as RSU to its employees. The RSU plan is accounted for as an equity-settled share-based payment even though Supercell has the option to settle some of the RSU in cash when the options are exercised instead of Supercell Oy shares. RSU granted for the fiscal year ended March 31, 2017 was 12,000 units. The fair value of the RSU is intrinsic value measured using the discount cash flow method or guideline public companies method. The weighted-average fair value of the RSU granted for the fiscal year ended March 31, 2017 was €102.35 per unit.

RSU vests equally each year over four years, with continuous service required through each vesting date.

Also, in July 2016, Supercell was excluded from the scope of consideration.

(3) Phantom stock

The Company adopts phantom stock awards where the Company pays in cash based on the stock price at the vesting date, and they are accounted for as cash-settled share-based payments.

The details of phantom stock for the fiscal years ended March 31, 2016 and 2017 are as follows:

SoftBank Group Corp., SB Group US, Inc., and SoftBank Holdings, Inc.

SoftBank Group Corp., SB Group US, Inc., and SoftBank Holdings, Inc. granted phantom stock, which is based on the shares of SoftBank Group Corp., to their directors, employees, and other service providers. It requires one to have continued employment from the grant date through the vesting date. The amount of settlement at the vesting date is determined based on the share per unit. The details of vesting conditions are as follows:

The number of units and vesting conditions as of March 31, 2017

unit	Vesting condition
3,278,641	The initial vesting date is four years 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 years thereafter.
740,691	It vests fully when five years pass from the first date of the service period.
2,206,900	Vesting periods are mainly four or five years from the first date of service, or service provided, and vests over those periods.

### 33. Net sales

The components of net sales are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Domestic Telecommunications segment			
Telecom service revenue	¥2,395,925	¥2,413,429	\$21,511,980
Products and other sales	710,930	743,396	6,626,223
Total	3,106,855	3,156,825	28,138,203
Sprint segment			
Telecom service revenue	3,501,532	3,120,616	27,815,456
Products and other sales	186,966	338,526	3,017,435
Total	3,688,498	3,459,142	30,832,891
Yahoo Japan segment			
Net sales from rendering of services	461,420	519,350	4,629,200
Net sales from sale of goods	181,460	322,231	2,872,190
Total	642,880	841,581	7,501,390
Distribution segment	1,345,856	1,228,051	10,946,172
Arm segment	—	112,901	1,006,337
Other	97,688	102,504	913,665
Total	<u>¥8,881,777</u>	<u>¥8,901,004</u>	<u>\$79,338,658</u>

### 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)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Cost of goods sold	¥(2,370,094)	¥(2,433,370)	\$(21,689,723)
Depreciation and amortization	(1,373,467)	(1,465,609)	(13,063,633)
Sales commissions and sales promotion expenses	(1,073,036)	(954,998)	(8,512,327)
Employees and directors benefit cost	(558,433)	(569,414)	(5,075,443)
Operating lease expenses	(471,057)	(494,579)	(4,408,405)
Telecommunications equipment usage fees	(513,411)	(429,176)	(3,825,439)
Service outsourcing expenses	(282,074)	(290,681)	(2,590,971)
Other	(1,251,487)	(1,111,662)	(9,908,745)
Total	<u>¥(7,893,059)</u>	<u>¥(7,749,489)</u>	<u>\$(69,074,686)</u>

“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 loss

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

	(Millions of yen)		(Thousands of U.S. dollar)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Sprint segment:			
Gain on spectrum license exchange <sup>1</sup> . . . . .	¥ —	¥ 36,385	\$ 324,316
Loss on disposal of property, plant, and equipment <sup>2</sup> . . .	(37,032)	(55,727)	(496,720)
Loss on contract termination <sup>3</sup> . . . . .	—	(15,399)	(137,258)
U.S. state tax charge . . . . .	—	(10,600)	(94,483)
Legal reserves . . . . .	(23,437)	(4,209)	(37,517)
Severance costs associated with reduction in the workforce . . . . .	(26,079)	(2,277)	(20,296)
Impairment loss on non-current assets <sup>4</sup> . . . . .	(19,881)	—	—
Other . . . . .	(10,271)	(8,201)	(73,099)
Yahoo Japan segment:			
Loss on disaster <sup>5</sup> . . . . .	—	(13,006)	(115,928)
Other . . . . .	—	2,269	20,225
Distribution segment:			
Impairment loss on goodwill <sup>6</sup> . . . . .	—	(30,260)	(269,721)
Impairment loss on non-current assets <sup>7</sup> . . . . .	(13,633)	—	—
Other . . . . .	(2,833)	—	—
Arm segment:			
Acquisition-related costs <sup>8</sup> . . . . .	—	(25,780)	(229,789)
Company-wide:			
Expense resulting from resignation of director <sup>9</sup> . . . . .	—	(8,847)	(78,857)
Other:			
Impairment loss on assets <sup>10</sup> . . . . .	—	(8,051)	(71,763)
Other . . . . .	(6,086)	—	—
Total . . . . .	<u>¥(139,252)</u>	<u>¥(143,703)</u>	<u>\$(1,280,890)</u>

Notes:

- License exchange gain resulting from the exchange of certain spectrum licenses, which is recorded as FCC licenses in intangible assets, with other carriers (non-cash transaction).
- Loss mainly resulting from the write-off of leased devices associated with lease cancellations prior to scheduled customer lease terms where customers did not return the devices to Sprint. In fiscal year ended March 31, 2016, ¥6,684 million of loss was recognized upon the sale of devices to Mobile Leasing Solutions, LLC under the Handset Sale-Leaseback transaction. Regarding the Handset Sale-Leaseback transaction, the details are described in "Note 14. Leases."
- Loss mainly resulting from termination of wholesale contracts with NTELOS Holdings Corp.
- Impairments are primarily related to cell site construction costs that are no longer expected to be used as a result of changes in Sprint's network plans.
- In February 2017, a fire incident occurred at a logistics center of ASKUL, namely, ASKUL Logi PARK Tokyo Metropolitan. The fire inflicted damage on ASKUL's non-current assets and inventories resulting in a temporary operation shutdown. The loss from the fire incident consists of ¥10,230 million (\$91,185 thousand) of damage on non-current assets, ¥2,510 million (\$22,373 thousand) of destroyed inventories, and ¥266 million (\$2,371 thousand) of related costs.
- Goodwill of Brightstar had been allocated in its entirety to Brightstar (a group of cash-generating units), which had bundled five cash-generating units (Brightstar's US and Canada region, Latin America region, Asia & Oceania region, SoftBank Commerce & Service Corp., and Europe and Africa region); however, in March 2017, its goodwill was reallocated to Brightstar, which bundled four cash-generating units, except for SoftBank Commerce & Service Corp., due to the decision to reorganize the Distribution segment. As impairment indicators existed, the impairment test was conducted on goodwill and intangible assets with indefinite useful lives. As a result, the recoverable amount of goodwill was less than its carrying amount, and therefore, ¥30,260 million (\$269,721 thousand) of impairment loss on goodwill was recorded as "Other operating loss." Value in use was used as the recoverable amount and calculated by discounting the management-approved estimated future cash flow plan of the four cash-generating units by 10.97%-16.17%, the weighted-average capital cost before tax.
- As a result of revising the business plan of the Brightstar's Latin America region, the recoverable amount became negative and, therefore, the carrying amount related to the cash-generating unit was reduced to ¥0. Impairment loss on property, plant, and equipment was ¥8,070 million and impairment loss on intangible assets was ¥5,563 million. Value in use was used as the recoverable amount and calculated by discounting management approved estimated future cashflow plan by 22.11%, weighted average capital cost before tax.
- Expenses arising from the business combination of Arm. The details of the business combination are described in "(3) Arm" in "Note 5. Business combinations."
- Expenses resulting from the resignation of Nimesh Arora from his position as a director. The details are described in "(2) Remuneration for major executives" in "Note 45. Related party transactions."



10. As a result of revising the business plan of SoftBank Robotics Corp., the recoverable amount was less than its carrying amount, and therefore the related carrying amount of assets was reduced to its recoverable amount of ¥ 3,471 million (\$30,939 thousand) determined based on its value in use.

### 36. Finance cost

The components of finance cost are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Interest expense* .....	¥(440,744)	¥(467,311)	\$(4,165,353)

Note:

- \* Interest expense was mainly from financial liabilities measured at amortized cost.

### 37. Gain on sales of shares of associates

For the fiscal year ended March 31, 2017

The Company sold a portion of its Alibaba shares to Alibaba, Gamlight Pte Ltd, a wholly-owned subsidiary of GIC Private Limited, and Aranda Investments Pte. Ltd., a wholly-owned subsidiary of Temasek Holdings Private Limited on June 13, 2016, and to Alibaba Partnership\* on July 11, 2016. As a result of the transactions, ¥234,418 million (\$2,089,473 thousand) was recorded as a gain on sales of shares of associates.

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

Note:

- \* Alibaba Partnership is not an associate of Alibaba.

### 38. Derivative gain and loss

For the fiscal year ended March 31, 2017

Derivative loss of ¥232,729 million (\$2,074,418 thousand) was recorded related to a collar transaction included in a variable prepaid forward contract. The details of the variable prepaid forward contract are described in “(2) Transaction for sale of Alibaba shares by variable prepaid forward contract” in “Note 19. Interest-bearing debt.”

### 39. Gain and loss from financial instruments at FVTPL

For the fiscal year ended March 31, 2017

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

#### 40. 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 March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Foreign currency exchange gain and loss	¥(41,414)	53,336	\$ 475,408
Impairment loss on securities <sup>1</sup>	(32,759)	(6,098)	(54,354)
Dilution gain from changes in equity interest <sup>2</sup>	14,903	77,540	691,149
Loss relating to loss of control <sup>3</sup>	—	(79,278)	(706,641)
Impairment loss on assets classified as held for sale <sup>4</sup>	—	(42,540)	(379,178)
Provision of allowance for doubtful accounts <sup>1</sup>	(21,253)	(60)	(535)
Other	16,531	4,519	40,280
Total	<u>¥(63,992)</u>	<u>¥ 7,419</u>	<u>\$ 66,129</u>

Notes:

- Shares and loans related to investments of PT Trikonsel Oke Tbk. in Indonesia were impaired as the investment amounts and the loans amount were not expected to be collected. As a result, impairment loss on securities and provision of allowance for doubtful accounts totaling ¥38,185 million were recorded for the fiscal year ended March 31, 2016.
- Gain arising from changes in Alibaba's equity interest held by the Company mainly due to the exercise of stock options issued by Alibaba and the allocation of new shares to a third party.
- On February 24, 2017, the Company entered into an agreement with Foxconn Technology Group in Taiwan to establish a joint venture through its wholly-owned subsidiary, SOFTBANK GROUP CAPITAL APAC PTE. LTD. SOFTBANK GROUP CAPITAL APAC PTE. LTD. accordingly issued new ordinary shares to Foxconn (Far East) Limited on March 3, 2017, and changed its name to Foxconn Ventures Pte. Ltd. as of the same date. As a result of the transaction, the percentage of voting rights of Foxconn Ventures Pte. Ltd. held by the Company was reduced to 45.5% and the entity has become an equity method associate and no longer qualified as a consolidated subsidiary of the Company from March 3, 2017. The loss relating to the loss of control resulting from the transaction was ¥79,278 million (\$706,641 thousand). Of this amount, the amount that was transferred from accumulated other comprehensive income to net loss due to the loss of control was ¥131,529 million (\$1,172,377 thousand) and the gain from remeasurement relating to applying the equity method was ¥52,251 million (\$465,737 thousand).
- The Company transferred a portion of its GungHo shares to assets classified as held for sale as the Company tendered in a Tender Offer by GungHo in the three month period ended June 30, 2016. Accordingly, the carrying amounts of the shares were reduced to the fair values after deducting expenses arising from the sale (Tender Offer price), and ¥42,540 million (\$379,178 thousand) was recorded as an impairment loss on assets classified as held for sale. As a result of the transaction, GungHo is no longer qualified as an equity method associate in the three month period ended September 30, 2016. The details are described in "(1) GungHo" in "Note 42. Discontinued operations."

#### 41. Other comprehensive income

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

For the fiscal year ended March 31, 2016

	(Millions of yen)				
	Amount arising during the year	Reclassification adjustments	Before tax effect	Income tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit plan	¥ 140	¥ —	¥ 140	¥ 202	¥ 342
Total	140	—	140	202	342
Items that may be reclassified subsequently to profit or loss					
Available-for-sale financial assets	(32,338)	32,685	347	(5,253)	(4,906)
Cash flow hedges	(91,449)	59,223	(32,226)	234	(31,992)
Exchange differences on translating foreign operations	(328,860)	—	(328,860)	39,125	(289,735)
Share of other comprehensive income of associates	38,760	(450)	38,310	(10,668)	27,642
Total	(413,887)	91,458	(322,429)	23,438	(298,991)
Total other comprehensive income	<u>¥(413,747)</u>	<u>¥91,458</u>	<u>¥(322,289)</u>	<u>¥ 23,640</u>	<u>¥(298,649)</u>

For the fiscal year ended March 31, 2017

	(Millions of yen)				
	Amount arising during the year	Reclassification adjustments	Before tax effect	Income tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit plan	¥ 12,227	¥ —	¥ 12,227	¥ (27)	¥ 12,200
Total	12,227	—	12,227	(27)	12,200
Items that may be reclassified subsequently to profit or loss					
Available-for-sale financial assets	21,204	908	22,112	(16,484)	5,628
Cash flow hedges	(32,479)	24,930	(7,549)	95	(7,454)
Exchange differences on translating foreign operations	(185,792)	175,002	(10,790)	(9,710)	(20,500)
Share of other comprehensive income of associates	(41,130)	190	(40,940)	10,537	(30,403)
Total	(238,197)	201,030	(37,167)	(15,562)	(52,729)
Total other comprehensive income	¥(225,970)	¥201,030	¥(24,940)	¥(15,589)	¥(40,529)

	(Thousands of U.S. dollars)				
	Amount arising during the year	Reclassification adjustments	Before tax effect	Income tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit plan	\$ 108,985	\$ —	\$ 108,985	\$ (241)	\$ 108,744
Total	108,985	—	108,985	(241)	108,744
Items that may be reclassified subsequently to profit or loss					
Available-for-sale financial assets	189,002	8,093	197,095	(146,929)	50,166
Cash flow hedges	(289,500)	222,212	(67,288)	847	(66,441)
Exchange differences on translating foreign operations	(1,656,048)	1,559,872	(96,176)	(86,550)	(182,726)
Share of other comprehensive income of associates	(366,611)	1,694	(364,917)	93,921	(270,996)
Total	(2,123,157)	1,791,871	(331,286)	(138,711)	(469,997)
Total other comprehensive income	\$(2,014,172)	\$1,791,871	\$(222,301)	\$(138,952)	\$(361,253)

## 42. Discontinued operations

### (1) GungHo

SoftBank Group Corp. entered into an agreement to tender in the Tender Offer for 188,235,200 shares, a portion of the common shares of GungHo held by SoftBank Group Corp., on April 28, 2015. The Tender Offer was completed on June 1, 2015 and 188,235,200 common shares of GungHo held by Softbank Group Corp. were transferred to GungHo for ¥80,000 million.

An agreement between Heartis G.K. (“Heartis”) and Son Holdings Inc. to extinguish the pledge on 100,000,000 shares, out of the common shares of GungHo held by Heartis, was executed and the Agreement on Exercise of Voting Rights\* for the 100,000,000 shares was terminated effective on June 1, 2015.

As a result of the transactions, GungHo was no longer qualified as a subsidiary and became an equity method associate on June 1, 2015.

Operating results related to GungHo from April 1, 2015 to June 1, 2015 are presented as discontinued operations separately from continuing operations in the consolidated statement of income.

Note:

\* Heartis (Taizo Son's asset management company, the second largest shareholder of GungHo, and Taizo Son, chairman of GungHo is the representative director), and Masayoshi Son, chairman and CEO of SoftBank Group Corp., entered into a Memorandum of Understanding (the "MOU") on Exercise of Voting Rights for Deferment of Execution of Pledges, on April 1, 2013. Under the MOU, all of GungHo common shares held by Heartis were pledged to Son Holdings, Masayoshi Son's asset management company and in order to defer the execution of pledges, Heartis agreed to act on behalf of Masayoshi Son at the shareholders' meeting of GungHo, for the voting rights related to 213,080,000 shares (ownership ratio: 18.50%) out of the common shares of GungHo held by Heartis. In addition, the title of Taizo Son was changed from chairman of GungHo to director of GungHo, effective on March 22, 2016.

Also, regarding a portion of the Company's GungHo shares, the Company tendered in the Tender Offer by GungHo from June 23, 2016. The Tender Offer was completed on July 21, 2016 and 245,592,400 shares of its GungHo shares had sold by the Tender Offer. As a result of the transaction, GungHo is no longer qualified as an equity method associate on August 16, 2016.

The operating results and cash flows from discontinued operations are as follows:

a. Operating results from discontinued operations

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Revenue .....	¥ 26,604	¥—	\$—
Expense .....	(17,404)	—	—
Income before income tax from discontinued operations ..	9,200	—	—
Income taxes .....	(3,568)	—	—
Income after income tax from discontinued operations ...	5,632	—	—
Loss relating to loss of control in discontinued operations .....	(12,739)	—	—
Deferred tax expenses for investment temporary differences .....	139	—	—
Net loss from discontinued operations .....	¥ (6,968)	¥—	\$—

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

b. Cash flows from discontinued operations

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Net cash provided by operating activities .....	¥16,051	¥—	\$—
Net cash used in investing activities .....	(735)	—	—
Net cash used in financing activities .....	(86)	—	—
Total .....	¥15,230	¥—	\$—

(2) Supercell

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

Operating results related to Supercell for the fiscal year ended March 31, 2016 and 2017, are presented separately from continuing operations, as discontinued operations, in the consolidated statements of income.

The operating results and cash flows from discontinued operations are as follows:

a. Operating results from discontinued operations

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Revenue .....	¥ 271,772	¥ 80,735	\$ 719,627
Expense .....	(185,169)	(46,075)	(410,687)
Income before income tax from discontinued operations ..	86,603	34,660	308,940
Income taxes .....	(17,878)	(6,414)	(57,171)
Income after income tax from discontinued operations ...	68,725	28,246	251,769
Gain on sales of discontinued operations .....	—	636,216	5,670,880
Income taxes recognized from sales of discontinued operations .....	—	(109,663)	(977,476)
Net income from discontinued operations .....	¥ 68,725	¥ 554,799	\$4,945,173

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

b. Cash flows from discontinued operations

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Net cash provided by operating activities .....	¥107,071	¥ 44,065	\$ 392,771
Net cash provided by (used in) investing activities .....	17,055	(166)	(1,480)
Net cash used in financing activities .....	(32,578)	(17,557)	(156,493)
Total .....	¥ 91,548	¥ 26,342	\$ 234,798

**43. 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 March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Net income used in the calculation of basic earnings per share			
Net income attributable to owners of the parent			
Continuing operations .....	¥ 435,957	¥ 877,902	\$ 7,825,136
Net income attributable to owners of the parent			
Discontinued operations .....	38,215	548,406	4,888,190
Total .....	¥ 474,172	¥1,426,308	12,713,326
	(Thousands of shares)		
Weighted-average number of ordinary shares .....	1,178,098	1,108,237	
	(Yen)		(USD)
Basic earnings per share			
Continuing operations .....	¥ 370.05	¥ 792.16	\$ 7.06
Discontinued operations .....	32.44	494.85	4.41
Total .....	¥ 402.49	¥ 1,287.01	\$ 11.47

## (2) Diluted earnings per share

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Net income used in the calculation of diluted earnings per share			
Continuing operations			
Net income from continuing operations used in the calculation of basic earnings per share . . . . .	¥ 435,957	¥ 877,902	\$ 7,825,136
Effect of dilutive securities issued by subsidiaries and associates . . . . .	(16,475)	(11,299)	(100,713)
Sub total . . . . .	<u>419,482</u>	<u>866,603</u>	<u>7,724,423</u>
Discontinued operations			
Net income from discontinued operations used in the calculation of basic earnings per share . . . . .	38,215	548,406	4,888,190
Sub total . . . . .	<u>38,215</u>	<u>548,406</u>	<u>4,888,190</u>
Total . . . . .	<u>¥ 457,697</u>	<u>¥1,415,009</u>	<u>\$12,612,613</u>

	(Thousands of shares)	
Weighted-average number of ordinary shares used in the calculation of diluted earnings per share . . . . .		
Weighted-average number of ordinary shares . . . . .	1,178,098	1,108,237
Adjustments:		
Warrants and corporate bonds with stock acquisition rights . . . . .	556	1,018
Total . . . . .	<u>1,178,654</u>	<u>1,109,255</u>

	(Yen)		(USD)
Diluted earnings per share			
Continuing operations . . . . .	¥ 355.90	¥ 781.25	\$ 6.96
Discontinued operations . . . . .	32.42	494.39	4.41
Total . . . . .	<u>¥ 388.32</u>	<u>¥ 1,275.64</u>	<u>\$ 11.37</u>

**44. 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 flows regarding financing leases  
For the purchase of telecommunication equipment through financing leases, 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-leaseback purposes and recognizes it as a leased 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) Gain on sales of discontinued operations

For the fiscal year ended March 31, 2017

Gain on sales of subsidiaries is arising from sale of Supercell shares. The details are described in “(2) Supercell” in “Note 42. Discontinued operations.”



(4) Income taxes paid and income taxes refunded

For the fiscal year ended March 31, 2016

Payment of withholding income tax related to dividends within the group companies of ¥904,688 million is included in “Income taxes paid,” and refund of the withholding income tax of ¥611,199 million is included in “Income taxes refunded.”

For the fiscal year ended March 31, 2017

Payment of withholding income tax related to dividends within the group companies of ¥85,048 million (\$758,071 thousand) is included in “Income taxes paid,” and refund of the withholding income tax of ¥293,489 million (\$2,616,000 thousand) is included in “Income taxes refunded.”

(5) Proceeds from sales of property, plant and equipment, and intangible assets

For the fiscal year ended March 31, 2016

Proceeds of ¥137,593 million which Sprint received from Mobile Leasing Solutions, LLC through a handset sale-leaseback transaction in December 2015 are included in “Proceeds from sales of property, plant and equipment, and intangible assets.” The details are described in “(3) Handset sale-leaseback” in “Note 14. Leases.”

(6) Proceeds from sales and redemption of investments

For the fiscal year ended March 31, 2017

Proceeds related to sales of Alibaba shares of ¥359,704 million (\$3.4 billion) are included. The details are described in “Note 37. Gain on sales of shares of associates.”

(7) Decrease and increase from loss of control over subsidiaries

For the fiscal year ended March 31, 2016

Decrease from loss of control over subsidiaries is the amount of cash and cash equivalents held by GungHo at the time of loss of control.

For the fiscal year ended March 31, 2017

The relation between proceeds received for sale of Supercell shares and increase from loss of control over subsidiaries and components of assets and liabilities at the date of loss of control over Supercell are as follows:

a. The relation between proceeds received for sale of Supercell shares and increase from loss of control over subsidiaries

	<u>(Millions of yen)</u>	<u>(Thousand of U.S. dollars)</u>
Proceeds received for sale . . . . .	¥769,844	\$6,861,966
The amount of receivables for sale . . . . .	(19,693)	(175,533)
Cash and cash equivalents held at the time of loss of control . . . . .	(27,143)	(241,938)
Effect of exchange rate changes from the date of loss of control* . . . . .	(884)	(7,879)
Increase from loss of control over subsidiaries . . . . .	<u>¥722,124</u>	<u>\$6,436,616</u>

Note:

\* Effect of exchange rate changes from the date of loss of control to the date of payment on the amount of receivable for sale as of the date of loss of control.

b. The components of assets and liabilities as of the date of loss of control

	(Millions of yen)	(Thousand of U.S. dollars)
	At the date of loss of control (July 29, 2016)	At the date of loss of control (July 29, 2016)
The components of assets:		
Current assets . . . . .	¥125,523	\$1,118,843
Game titles . . . . .	47,636	424,601
Goodwill . . . . .	84,487	753,071
Other non-current assets . . . . .	6,077	54,167
The components of liabilities:		
Deferred revenue (current) . . . . .	96,919	863,883
Other current liabilities . . . . .	5,593	49,853
Non-current liabilities . . . . .	23,778	211,944

(8) Payments for purchase of subsidiaries' interests from non-controlling interests

For the fiscal year ended March 31, 2016

“Payments for purchase of subsidiaries' interests from non-controlling interests” is mainly due to the additional purchase of shares of Supercell and Sprint from existing shareholders.

(9) 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 March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Transfer of leased devices from inventories to property, plant and equipment . . . . .	¥389,480	¥317,180	\$2,827,168
Embedded derivative included in a variable prepaid forward contract* . . . . .	—	95,587	852,010

Note:

\* The details are described in “(2) Transaction for sale of Alibaba shares by variable prepaid forward contract” in “Note 19. Interest-bearing debt.”

In addition to the above, ASKUL Corporation has become a subsidiary of the Company for the fiscal year ended March 31, 2016 and the transaction related to this business combination is classified as a non-cash transaction because it was conducted by ASKUL Corporation's acquisition of its own treasury stock. The details are described in “Note 5. Business combinations.”

## 45. 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, 2016

Name of the company or individual	Nature of relationship	Nature of transaction	(Millions of yen)	
			Amount of transaction	Balance at period-end
Masayoshi Son (Son Asset Management LLC and 3 other companies)	Chairman & CEO of SoftBank Group Corp. and related entities of which he holds more than one-half of the voting rights	Dividend paid from SoftBank Group Corp.	¥10,061	¥ —
		Advance payment for temporary expense	253	22
		Payment of equipment usage <sup>1</sup>	42	—
		Guarantee deposits received	—	178
Taizo Son (Heartis GK and 6 other companies) <sup>2</sup>	Relative of Chairman & CEO of SoftBank Group Corp. and related entities of which the relative holds more than one-half of the voting rights	Dividend paid from SoftBank Group Corp.	225	—
		Payment of outsourcing fees <sup>3</sup>	95	12
		Provision of ordinary services <sup>3</sup>	19	2
Yun Ma (Alipay Singapore E-Commerce Pte Ltd <sup>4</sup> )	Director of SoftBank Group Corp. and related entities of which he holds more than one-half of the voting rights	Payment of outsourcing fees <sup>3</sup>	727	727
Kazuhiko Fujihara <sup>5</sup>	Director	Exercise of stock acquisition rights	98	—

Notes:

- Equipment usage fees are determined based on the ratio of usage.
- Relative of Chairman & CEO Masayoshi Son, Taizo Son holds more than one-half of the voting rights of these companies.
- The terms and conditions of transactions are negotiated and determined considering the market price and the contents of the transaction.
- Yun Ma, director of SoftBank Group Corp., holds over half of voting rights of this company.
- Retired from the position of director as of June 19, 2015.

For the fiscal year ended March 31, 2017

Name of the company or individual	Nature of relationship	Nature of transaction	(Millions of yen)	
			Amount of transaction	Balance at period-end
Masayoshi Son (Son Asset Management LLC and 4 other companies)	Chairman & CEO of SoftBank Group Corp. and related entities of which he holds more than one-half of the voting rights	Dividend paid from SoftBank Group Corp.	¥11,026	¥ —
		Advance payment for temporary expense	233	23
		Payment of equipment usage <sup>1</sup>	43	—
		Guarantee deposits refunded (net for its received)	4	175
Nikesh Arora	Director <sup>2</sup>	Purchase of the Company's associates shares <sup>3</sup>	10,744	—
		Dividend paid from SoftBank Group Corp.	200	—
Taizo Son (Heartis GK and 2 other companies) <sup>4</sup>	Relative of Chairman & CEO of SoftBank Group Corp. and related entities of which the relative holds more than one-half of the voting rights	Dividend paid from SoftBank Group Corp.	43	—
		Payment of outsourcing fees <sup>5</sup>	14	—

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 (Son Asset Management LLC and 4 other companies)	Chairman & CEO of SoftBank Group Corp. and related entities of which he holds more than one-half of the voting rights	Dividend paid from SoftBank Group Corp.	\$98,280	\$ —
		Advance payment for temporary expense	2,077	205
		Payment of equipment usage <sup>1</sup>	383	—
		Guarantee deposits refunded (net for its received)	36	1,560
Nikesh Arora	Director <sup>2</sup>	Purchase of the Company's associates shares <sup>3</sup>	95,766	—
		Dividend paid from SoftBank Group Corp.	1,783	—
Taizo Son (Heartis GK and 2 other companies) <sup>4</sup>	Relative of Chairman & CEO of SoftBank Group Corp. and related entities of which the relative holds more than one-half of the voting rights	Dividend paid from SoftBank Group Corp.	383	—
		Payment of outsourcing fees <sup>5</sup>	125	—

Notes:

- Equipment usage fees are determined based on the ratio of usage.
- Retired from the position of Representative Director, President & COO as of June 22, 2016.
- At the time of retirement of the officer, the Company purchased the shares of associate companies which were granted to him in December 2014. Purchase price by the Company was determined based on negotiation with reference to the recent transaction price.
- Relative of Chairman & CEO Masayoshi Son, Taizo Son holds over half of the voting rights of these companies.
- The terms and conditions of transactions are negotiated and determined considering the market price and the contents of the transaction.

(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, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2017
Short-term benefits	¥ 7,038	¥ 2,093	\$ 18,656
Share-based payments	5,821	4,860	43,319
Expenses resulting from the resignation of director	—	8,847	78,857
Retirement benefits	4	9	81
<b>Total</b>	<b>¥12,863</b>	<b>¥15,809</b>	<b>\$140,913</b>

Notes:

- Remuneration for major executives represents remuneration for the directors of SoftBank Group Corp. (including external directors) and the directors at the significant subsidiaries. Marcelo Claure, CEO of Sprint, and Simon Segars, CEO of Arm, are the directors at the significant subsidiaries. Simon Segars became the director at the significant subsidiaries because the Company had completed to acquire 100% of ownership of Arm on September 5, 2016.
- The amount of remuneration to Nikesh Arora, which is included in the table above is as follows:

For the fiscal year ended March 31, 2016: ¥8,042 million

(Short-term benefits of ¥5,375 million and share-based compensation of ¥2,667 million)

For the fiscal year ended March 31, 2017: ¥10,346 million (\$92,219 thousand)

(Short-term benefits of ¥303 million (\$2,701 thousand), share-based compensation of ¥1,196 million (\$10,660 thousand), and resignation expense of ¥8,847 million (\$78,857 thousand))

Nikesh Arora retired from the position of director of SoftBank Group Corp. at the closing of the Annual General Meeting of Shareholders held on June 22, 2016.

Resignation expenses consist of expenses in which payment amounts are defined and expenses in which payment amounts are to be defined depending on the future share price of SoftBank Group Corp. shares. Expenses based on the share price will be settled in two installments, scheduled on June 2017 and March 2018. Payment amount will be determined based on the share price of June 2017 and March 2018. The Company measured the expenses based on the SoftBank Group Corp. share price as of June 30, 2016, and recorded the entire expenses for the three-month period ended June 30, 2016. The expenses will be remeasured every quarter end based on the stock price of SoftBank Group Corp. until the determination of payment amount, and the changes will be recognized through profit and loss. The expenses were ¥3,830 million (\$34,139 thousand) for the fiscal year ended March 31, 2017.

In addition to the above resignation expenses, the Company purchased the shares of associate companies from Nikesh Arora, which were previously granted to him in December 2014. The details are described in “(1) Related party transactions and balances.”

## 46. Contingency

### (1) Lending commitments

The details of lending commitments, which are mainly related to cashing service incidental to the credit card business, are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Lending commitments	¥196,937	¥313,688	\$2,796,042
Funded	9,355	13,967	124,494
Unfunded	¥187,582	¥299,721	\$2,671,548

Also, maturities of unfunded lending commitments are within 1 year because they are payable on demand.

(2) Credit guarantees

Guarantees that the Company provides when loans are taken from affiliate financial institutions to individuals regarding the credit guarantee business are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2017
Total amount of financial guarantee contract . . . . .	¥13,822	¥16,632	\$148,249
Guarantee balance . . . . .	10,418	12,997	115,848

Also, maturities of guarantee balance for credit guarantee are within 1 year because they are payable on demand.

(3) Litigation

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

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

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

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

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

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

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

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

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

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

(a) In March 2009, a stockholder brought suit, *Bennett v. Sprint Nextel Corp.*, in the U.S. District Court for the District of Kansas (the “Bennett case”), alleging that Sprint Communications and three of its former officers violated Section 10(b) of the Exchange Act and Rule 10b-5 by failing to adequately disclose certain alleged operational difficulties subsequent to the Sprint-Nextel merger, and by purportedly issuing false and misleading statements regarding the write-down of goodwill. The district court granted final approval of a



settlement in August 2015, which did not have a material impact on our financial statements. Five stockholder derivative suits related to the Bennett case were filed against Sprint Communications and certain present and/or former officers and directors. The first, *Murphy v. Forsee*, was filed in state court in Kansas on April 8, 2009, was moved to federal court, and was stayed by the court pending resolution of the motion to dismiss the Bennett case; the second, *Randolph v. Forsee*, filed on July 15, 2010, in the state court in Kansas, was moved to federal court, and was remanded back to state court; the third, *Ross-Williams v. Bennett, et al.*, was filed in state court in Kansas on February 1, 2011; the fourth, *Price v. Forsee, et al.*, was filed in state court in Kansas on April 15, 2011; and the fifth, *Hartleib v. Forsee, et al.*, was filed in federal court in Kansas on July 14, 2011. These cases were essentially stayed while the Bennett case was pending, and Sprint has reached an agreement in principle to settle the matters, by agreeing to some governance provisions and by paying plaintiffs' attorneys fees in an immaterial amount. The court approved the settlement, but reduced the plaintiff's attorneys fees; the attorneys fees issue is on appeal.

(b) On April 19, 2012, the New York Attorney General filed a complaint alleging that Sprint Communications had fraudulently failed to collect and pay more than \$100 million in New York sales taxes on receipts from its sale of wireless telephone services since July 2005. The complaint also seeks recovery of triple damages under the State False Claims Act, as well as penalties and interest. Sprint Communications moved to dismiss the complaint on June 14, 2012. On July 1, 2013, the court entered an order denying the motion to dismiss in large part, although it did dismiss certain counts or parts of certain counts. Sprint Communications appealed that order and the intermediate appellate court affirmed the order of the trial court. On October 20, 2015, the Court of Appeals of New York affirmed the decision of the appellate court that the tax statute requires Sprint Communications to collect and remit the disputed taxes. Sprint Communications' petition for certiorari to the US Supreme Court on grounds of federal preemption was denied. Through the year ended March 31, 2017, Sprint Communications accrued approximately \$200 million in association with this matter. The parties are now engaged in discovery in the trial court. Sprint Communications will continue to defend this matter vigorously.

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

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

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

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

(f) Various other suits, inquiries, proceedings, and claims, either asserted or unasserted, including purported class actions typical for a large business enterprise and intellectual property matters, are possible or pending

against Sprint or its subsidiaries. During the year ended March 31, 2017, Sprint recorded a \$103 million charge associated with a state tax matter. If Sprint's interpretation of certain laws or regulations, including those related to various federal or state matters, such as sales, use or property taxes, or other charges, were found to be mistaken, it could result in payments by Sprint.

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

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

#### 47. Purchase commitments

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

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

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

The total investment of \$1.73 billion in Intelsat was subject to the consummation of the merger between OneWeb and Intelsat (the "Merger") and the receipt of approvals from relevant regulatory authorities. As Intelsat was unable to reach an agreement with certain existing Intelsat bondholders on the terms of proposed debt exchange offers, which was a condition to the Merger, the Company's conditional investment commitment in Intelsat terminated and, consequently, the Company will no longer be investing in Intelsat.

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

(2) Commitment to acquire Fortress Investment Group LLC ("Fortress")

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

With regard to the acquisition above, on June 12, 2017, the Company entered into a new credit agreement in relation to a 5 year \$1.4 billion term loan facility and 4.5 year \$90 million revolving facility with financial institutions. The shares of Fortress and the shares of subsidiaries (a holding company) that will hold the shares of Fortress will be pledged as collateral of the new credit agreement.

(3) Other

Except for the above (1) and (2), the Company had commitments to purchase services and goods of ¥1,613,695 million (\$14,383,590 thousand) as of March 31, 2017 (March 31, 2016: ¥1,496,500 million).

Purchase commitments are mainly outstanding contracts related to purchases of telecommunications equipment, purchases of mobile handsets, connection with other telecommunications operators, and investments.

#### 48. Subsequent events

(1) Investment in Xiaoju Kuaizhi Inc. (“Kuaizhi”)

An overseas subsidiary of SoftBank Group Corp. made a total investment of \$5.0 billion in Kuaizhi, the operator of a taxi allocation service in China, as of May 26, 2017. Kuaizhi is not classified as a subsidiary or an associate of the Company after the investment.

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

(2) SoftBank Vision Fund’s First Major Closing

SoftBank Vision Fund (the “Fund”) established by an overseas subsidiary of the Company completed its first major closing on May 20, 2017 with \$93.2 billion of committed capital (“Initial Closing”). In addition to SoftBank Group Corp., the investors in the Fund (the “Limited Partners”) also include the Public Investment Fund of the Kingdom of Saudi Arabia, the Mubadala Investment Company of the United Arab Emirates, Apple, Foxconn Technology Group, Qualcomm Incorporated and Sharp Corporation, or their respective affiliates. The final closing of the Fund is expected to occur no later than six months following the Initial Closing. Under the Initial Closing, SoftBank Group Corp. has committed a maximum of \$28 billion of capital, which includes the In-kind Contribution (defined below), and the other Limited Partners have committed a maximum aggregate amount of \$65.2 billion of capital for the Fund.

a. Summary of the Fund

The arrival of the Singularity, the point at which Artificial Intelligence (AI) exceeds human intelligence, will redefine every industry, and is expected to greatly expand existing business opportunities and to create new ones. The Fund has been established to firmly grasp these business opportunities. The Fund will invest mainly in companies that have superior technologies or business models, and are expected to experience strong growth.

The Company will pursue maximizing returns in the Fund, while maintaining its own sustainable growth, as an investor in the Fund for a minimum of twelve years’ duration.

An overseas subsidiary of the Company will manage the Fund as its general partner, and it will be advised by another overseas subsidiary in the U.K. following that entity’s registration with the UK Financial Conduct Authority, (the “Investment Management Company”). The investment decisions of the Fund will be made based on the decisions of the Investment Committee, which is expected to be established at the Investment Management Company, and since the Company has control as stipulated in IFRS 10 “Consolidated Financial Statements” over the Fund through these subsidiaries, the Fund will be consolidated by the Company.

Therefore, the results of operations, assets and liabilities of the Fund will be included in the Company’s consolidated financial statements. The portfolio companies that the Company is deemed to control under IFRS are treated as subsidiaries of the Company and their results of operations, assets and liabilities are included in the consolidated financial statements of the Company. In principle, other investments in the Fund are measured at fair value at the end of each quarter, and the change is recognized in profit or loss.

b. Transfer of the partial shares of Arm

The Company will contribute approximately 24.99% of the total number of issued shares of Arm (the “Arm Shares”) to the Fund, by an in-kind contribution (the “In-kind Contribution”) in satisfaction of approximately \$8.2 billion of the Company’s \$28 billion commitment to the Fund.

When the Fund draws down a portion of its committed capital from its Limited Partners (a “Capital Call”), the Company will be obligated to contribute a portion of the Arm Shares with a value equivalent to the amount of the Capital Call issued to the Company. After (and to the extent that) the aggregate amount of Capital Call issued to the Company exceeds approximately \$8.2 billion, the aggregate value of the In-kind Contribution, the Company will contribute cash in satisfaction of Capital Calls. The In-kind Contribution will be effected through the transfer of Arm shares to the Fund, subject to the satisfaction of preconditions related to regulatory approvals prescribed in the Fund documents. Such conditions include clearance from the Committee on Foreign Investments in the United States in respect of the transfer of the Arm Shares. Pending delivery of the Arm Shares to the Fund following satisfaction of such conditions, a relevant portion of the Arm Shares will be pledged in favor of the Fund.

After the completion of the In-kind Contribution of Arm Shares, Arm will continue to be a consolidated subsidiary of the Company.

c. Impact on the Consolidated Financial Results

The impact from the Transactions on the consolidated financial results for the fiscal year ending March 31, 2018 has not yet been determined.

**49. Approval of consolidated financial statements**

The consolidated financial statements have been approved by the Company's CEO, Masayoshi Son, as of June 21, 2017.

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of SoftBank Group Corp.:

We have audited the accompanying consolidated statement of financial position of SoftBank Group Corp. (formerly, SoftBank Corp.) and its subsidiaries (the "Company") as of March 31, 2016, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to consolidated financial statements, all expressed in Japanese yen.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SoftBank Group Corp. (formerly, SoftBank Corp.) and its subsidiaries as of March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Emphasis of Matters**

As discussed in Note 46 (1) to the consolidated financial statements, the Company executed a series of capital raising transactions which involve monetizing a portion of the ordinary shares of Alibaba Group Holding Limited held by its wholly owned subsidiary, SB China Holdings Pte Ltd.

As discussed in Note 46 (3) to the consolidated financial statements, the Company entered into a definitive agreement to sell all of its shares of Supercell Oy held by its subsidiaries, Kahon 3 Oy and SoftBank Group Capital Limited.

Our opinion is not modified in respect of these matters.

/s/ DELOITTE TOUCHE TOHMATSU LLC  
Tokyo, Japan  
June 22, 2016

**Consolidated Financial Statements**  
**a. Consolidated Statement of Financial Position**

		(Millions of yen)	
		As of	As of
Notes		March 31, 2015	March 31, 2016
<b>ASSETS</b>			
<b>Current assets</b>			
	Cash and cash equivalents .....	7    ¥ 3,258,653	¥ 2,569,607
	Trade and other receivables .....	8,25    1,895,648	1,914,789
	Other financial assets .....	9,25    197,068	152,858
	Inventories .....	10    351,152	359,464
	Other current assets .....	11    255,399	553,551
	<b>Total current assets .....</b>	<b>5,957,920</b>	<b>5,550,269</b>
<b>Non-current assets</b>			
	Property, plant and equipment .....	12    4,317,448	4,183,507
	Goodwill .....	13    1,663,363	1,609,789
	Intangible assets .....	13    6,903,582	6,439,145
	Investments accounted for using the equity method .....	16    1,102,456	1,588,270
	Other financial assets .....	9,25    662,463	970,874
	Deferred tax assets .....	18    235,488	172,864
	Other non-current assets .....	11    191,449	192,474
	<b>Total non-current assets .....</b>	<b>15,076,249</b>	<b>15,156,923</b>
	<b>Total assets .....</b>	<b>¥21,034,169</b>	<b>¥20,707,192</b>



		(Millions of yen)	
	Notes	As of March 31, 2015	As of March 31, 2016
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Interest-bearing debt	19,25	¥ 1,817,415	¥ 2,646,609
Trade and other payables	20,25	1,863,480	1,621,195
Other financial liabilities	21,25	12,917	6,531
Income taxes payables		184,175	140,351
Provisions	23	54,998	56,120
Other current liabilities	22	739,501	694,965
Total current liabilities		<u>4,672,486</u>	<u>5,165,771</u>
<b>Non-current liabilities</b>			
Interest-bearing debt	19,25	9,789,829	9,275,822
Other financial liabilities	21,25	27,142	95,664
Defined benefit liabilities	24	128,282	123,759
Provisions	23	155,705	118,876
Deferred tax liabilities	18	2,052,615	2,083,164
Other non-current liabilities	22	354,933	338,865
Total non-current liabilities		<u>12,508,506</u>	<u>12,036,150</u>
<b>Total liabilities</b>		<u>17,180,992</u>	<u>17,201,921</u>
<b>Equity</b>			
<b>Equity attributable to owners of the parent</b>			
Common stock	30	238,772	238,772
Capital surplus	30	374,845	261,234
Retained earnings	30	1,740,686	2,166,623
Treasury stock	30	(48,383)	(314,752)
Accumulated other comprehensive income	30	540,386	261,736
Total equity attributable to owners of the parent		<u>2,846,306</u>	<u>2,613,613</u>
<b>Non-controlling interests</b>		<u>1,006,871</u>	<u>891,658</u>
<b>Total equity</b>		<u>3,853,177</u>	<u>3,505,271</u>
<b>Total liabilities and equity</b>		<u>¥21,034,169</u>	<u>¥20,707,192</u>

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

**Consolidated Statement of Income**

		(Millions of yen)	
	Notes	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
<b>Continuing operations</b>			
<b>Net sales</b> .....	33	¥ 8,504,135	¥ 9,153,549
Cost of sales .....	34	(5,247,977)	(5,626,652)
<b>Gross profit</b> .....		3,256,158	3,526,897
Selling, general and administrative expenses .....	34	(2,309,770)	(2,447,598)
Gain from remeasurement relating to business combination .....	6	—	59,441
Other operating loss .....	35	(27,668)	(139,252)
<b>Operating income</b> .....		918,720	999,488
Finance cost .....	36	(366,500)	(440,744)
Income on equity method investments .....	16	76,614	375,397
Dilution gain from changes in equity interest .....	37	599,815	14,903
Other non-operating income (loss) .....	26,38	(15,614)	56,720
<b>Income before income tax</b> .....		1,213,035	1,005,764
Income taxes .....	18	(470,317)	(440,555)
<b>Net income from continuing operations</b> .....		742,718	565,209
<b>Discontinued operations</b>			
<b>Net income (loss) from discontinued operations</b> .....	40	20,964	(6,968)
<b>Net income</b> .....		¥ 763,682	¥ 558,241
<b>Net income attributable to</b>			
Owners of the parent .....		¥ 668,361	¥ 474,172
Non-controlling interests .....		95,321	84,069
		¥ 763,682	¥ 558,241
		Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
(Yen)			
<b>Earnings per share attributable to owners of the parent</b>			
Basic earnings per share			
Continuing operations .....	41	¥ 562.68	¥ 411.22
Discontinued operations .....	41	(0.48)	(8.73)
Total basic earnings per share .....	41	¥ 562.20	¥ 402.49
Diluted earnings per share			
Continuing operations .....	41	¥ 559.23	¥ 397.05
Discontinued operations .....	41	(0.48)	(8.73)
Total diluted earnings per share .....	41	¥ 558.75	¥ 388.32

## Consolidated Statement of Comprehensive Income

	Notes	(Millions of yen)	
		Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
<b>Net income</b> .....		¥ 763,682	¥ 558,241
<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 .....	24,39	(59,377)	342
Total items that will not be reclassified to profit or loss .....		(59,377)	342
<b>Items that may be reclassified subsequently to profit or loss</b>			
Available-for-sale financial assets .....	25,39	3,726	(4,906)
Cash flow hedges .....	25,39	12,862	(31,992)
Exchange differences on translating foreign operations .....	29,39	409,596	(289,735)
Share of other comprehensive income of associates .....	16,39	(2,227)	27,642
Total items that may be reclassified subsequently to profit or loss ..		423,957	(298,991)
<b>Total other comprehensive income (loss), net of tax</b> .....		364,580	(298,649)
<b>Total comprehensive income</b> .....		<u>¥1,128,262</u>	<u>¥ 259,592</u>
<b>Total comprehensive income attributable to</b>			
Owners of the parent .....		¥ 991,671	¥ 195,864
Non-controlling interests .....		136,591	63,728
		<u>¥1,128,262</u>	<u>¥ 259,592</u>

Note:

\* Income taxes related to the components of other comprehensive income are described in “Note 39. Other comprehensive income and loss.”

### c. Consolidated Statement of Changes in Equity

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 other comprehensive income	Total	Non- controlling interests	Total equity
<b>As of April 1, 2014</b>		¥238,772	¥405,045	¥1,168,266	¥(51,492)	¥169,850	¥1,930,441	¥ 899,941	¥2,830,382
<b>Comprehensive income</b>									
Net income		—	—	668,361	—	—	668,361	95,321	763,682
Other comprehensive income		—	—	—	—	323,310	323,310	41,270	364,580
<b>Total comprehensive income</b>		—	—	668,361	—	323,310	991,671	136,591	1,128,262
<b>Transactions with owners and other transactions</b>									
Cash dividends	31	—	—	(47,547)	—	—	(47,547)	(37,612)	(85,159)
Transfer of accumulated other comprehensive income to retained earnings		—	—	(47,226)	—	47,226	—	—	—
Purchase and disposal of treasury stock		—	—	(1,168)	3,109	—	1,941	—	1,941
Changes from business combination		—	—	—	—	—	—	4,218	4,218
Changes in interests in subsidiaries	30	—	(33,162)	—	—	—	(33,162)	11,110	(22,052)
Share-based payment transactions		—	2,962	—	—	—	2,962	(7,094)	(4,132)
Other		—	—	—	—	—	—	(283)	(283)
<b>Total transactions with owners and other transactions</b>		—	(30,200)	(95,941)	3,109	47,226	(75,806)	(29,661)	(105,467)
<b>As of March 31, 2015</b>		¥238,772	¥374,845	¥1,740,686	¥(48,383)	¥540,386	¥2,846,306	¥1,006,871	¥3,853,177

For the fiscal year ended March 31, 2016

		(Millions of yen)							
		Equity attributable to owners of the parent							
	Notes	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total	Non- controlling interests	Total equity
<b>As of April 1, 2015</b>		¥238,772	¥ 374,845	¥1,740,686	¥ (48,383)	¥ 540,386	¥2,846,306	¥1,006,871	¥3,853,177
<b>Comprehensive income</b>									
Net income		—	—	474,172	—	—	474,172	84,069	558,241
Other comprehensive loss		—	—	—	—	(278,308)	(278,308)	(20,341)	(298,649)
<b>Total comprehensive income</b>		—	—	474,172	—	(278,308)	195,864	63,728	259,592
<b>Transactions with owners and other transactions</b>									
Cash dividends	31	—	—	(47,261)	—	—	(47,261)	(46,719)	(93,980)
Transfer of accumulated other comprehensive income to retained earnings		—	—	342	—	(342)	—	—	—
Purchase and disposal of treasury stock	30	—	—	(1,316)	(266,369)	—	(267,685)	—	(267,685)
Changes from business combination	6	—	—	—	—	—	—	54,409	54,409
Changes from loss of control		—	—	—	—	—	—	(96,060)	(96,060)
Changes in interests in subsidiaries	30	—	(128,912)	—	—	—	(128,912)	(94,567)	(223,479)
Changes in associates' interests in their subsidiaries		—	15,736	—	—	—	15,736	—	15,736
Share-based payment transactions		—	(3,457)	—	—	—	(3,457)	5,943	2,486
Other		—	3,022	—	—	—	3,022	(1,947)	1,075
<b>Total transactions with owners and other transactions</b>		—	(113,611)	(48,235)	(266,369)	(342)	(428,557)	(178,941)	(607,498)
<b>As of March 31, 2016</b>		¥238,772	¥ 261,234	¥2,166,623	¥(314,752)	¥ 261,736	¥2,613,613	¥ 891,658	¥3,505,271

#### d. Consolidated Statement of Cash Flows

	Notes	(Millions of yen)	
		Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
<b>Cash flows from operating activities</b>			
Net income		¥ 763,682	¥ 558,241
Depreciation and amortization		1,122,531	1,401,329
Gain from remeasurement relating to business combination		—	(59,441)
Finance cost		366,505	440,745
Income on equity method investments		(76,614)	(375,397)
Dilution gain from changes in equity interest		(599,815)	(14,903)
Other non-operating loss (income)		15,582	(56,854)
Income taxes		513,363	443,984
Increase in trade and other receivables		(85,357)	(50,740)
Increase in inventories		(178,353)	(404,933)
Increase (decrease) in trade and other payables		27,809	(698)
Other		93,538	91,656
Subtotal		1,962,871	1,972,989
Interest and dividends received		5,642	12,072
Interest paid		(407,665)	(461,217)
Income taxes paid	42	(489,584)	(1,230,087)
Income taxes refund	42	83,910	646,429
Net cash provided by operating activities		1,155,174	940,186
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment, and intangible assets	42	(1,397,856)	(1,360,960)
Proceeds from sales of property, plant and equipment, and intangible assets	14,42	41,468	150,956
Payments for acquisition of investments		(287,801)	(407,754)
Proceeds from sales/redemption of investments		133,888	58,161
Decrease from acquisition of control over subsidiaries	6	(47,862)	(61,670)
Decrease from loss of control over subsidiaries	42	—	(63,070)
Payments for acquisition of marketable securities for short-term trading		(281,620)	(94,349)
Proceeds from sales/redemption of marketable securities for short-term trading		280,661	189,844
Other		(108,149)	(62,840)
Net cash used in investing activities		(1,667,271)	(1,651,682)
<b>Cash flows from financing activities</b>			
Increase in short-term interest-bearing debt, net	19	108,541	128,135
Proceeds from long-term interest-bearing debt	19,42	2,715,501	2,129,683
Repayment of long-term interest-bearing debt	19	(984,783)	(1,604,768)
Payment for purchase of subsidiaries' interests from non-controlling interests	42	(52,883)	(267,276)
Purchase of treasury stock		(42)	(269,214)
Cash dividends paid		(47,519)	(47,219)
Cash dividends paid to non-controlling interests		(37,834)	(47,497)
Other		18,942	21,426
Net cash provided by financing activities		1,719,923	43,270
<b>Effect of exchange rate changes on cash and cash equivalents</b>		87,337	(20,820)
<b>Increase (decrease) in cash and cash equivalents</b>		1,295,163	(689,046)
<b>Cash and cash equivalents at the beginning of the year</b>	7	1,963,490	3,258,653
<b>Cash and cash equivalents at the end of the year</b>	7	¥ 3,258,653	¥ 2,569,607



## **Notes to Consolidated Financial Statements**

### **1. Reporting entity**

SoftBank Group Corp. is a corporation domiciled in Japan. The registered address of SoftBank Group Corp.'s head office is disclosed on our website (<http://www.softbank.jp/>). These consolidated financial statements are composed of SoftBank Group Corp. and its subsidiaries ("the Company"). The Company engages in various businesses in the information industry, with its base in the Domestic Telecommunications segment, the Sprint segment, the Yahoo Japan segment, and the Distribution segment. The details are described in "(1) Description of reportable segments" in "Note 5. Segment information."

SoftBank Corp. changed its company name to SoftBank Group Corp. effective on July 1, 2015.

SoftBank Mobile Corp., SoftBank BB Corp., SoftBank Telecom Corp., and Ymobile Corporation, which were subsidiaries of the Company, conducted an absorption type merger with SoftBank Mobile Corp. being the surviving company, effective on April 1, 2015. SoftBank Mobile Corp. changed its company name to SoftBank Corp. on July 1, 2015.

### **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 Group Corp. ("functional currency"), and are rounded to the nearest million yen.

#### (4) Changes in presentation

##### (Consolidated statement of income)

Continuing operations and discontinued operations are presented separately for the fiscal year ended March 31, 2016. In order to reflect the change, the presentation has been reclassified similarly for the fiscal year ended March 31, 2015. The details are described in "Note 40. Discontinued operations."

##### (Consolidated statement of cash flows)

a. "Increase in inventories" which was included in "Other" in net cash provided by operating activities for the fiscal year ended March 31, 2015 is separately presented for the fiscal year ended March 31, 2016 since the significance of the amount increased. In order to reflect the change, ¥(178,353) million which was included in "Other" in net cash provided by operating activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2015 is reclassified as "Increase in inventories."

b. "Income taxes refund" which were included in "Income taxes paid" in net cash provided by operating activities for the fiscal year ended March 31, 2015 are separately presented for the fiscal year ended March 31, 2016 since the significance of the amount increased. In order to reflect the change, ¥83,910 million which was included in "Income taxes paid" in net cash provided by operating activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2015 is reclassified as "Income taxes refund."

c. "Proceeds from sales of property, plant and equipment, and intangible assets" which were included in "Other" in net cash used in investing activities for the fiscal year ended March 31, 2015 are separately presented for the fiscal year ended March 31, 2016 since the significance of the amount increased. In order to reflect the change, ¥41,468 million which was included in "Other" in net cash used in investing activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2015 is reclassified as "Proceeds from sales of property, plant and equipment, and intangible assets."

d. “Purchase of treasury stock” which was included in “Other” in net cash provided by financing activities for the fiscal year ended March 31, 2015 is separately presented for the fiscal year ended March 31, 2016 since the significance of the amount increased. In order to reflect the change, ¥(42) million which was included in “Other” in net cash provided by financing activities in the consolidated statement of cash flows for the fiscal year ended March 31, 2015 is reclassified as “Purchase of treasury stock.”

(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 (From the year beginning)	To be adopted by the Group	Outline of the new / revised standards
IFRS 9	Financial Instruments	January 1, 2018	From the fiscal year ending March 31, 2019	IFRS 9 replaces a part of the previous IAS 39. Main revisions are: to revise classification into measurement categories of financial instruments (amortized costs and fair values) and measurement; to revise the treatment of changes in fair values of financial liabilities measured at fair values; to revise the eligibility requirement of hedged items and hedging instruments, and requirements related to the effectiveness of the hedge; and 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, 2018	From the fiscal year ending March 31, 2019	IFRS 15 replaces the previous IAS 11 and IAS 18. Main revisions are: to require revenue recognition by the following five steps: a. identify the contract with the customer b. identify the performance obligations in the contract c. determine the transaction price d. allocate the transaction price to each performance obligation in the contract e. recognize revenue when (or as) a performance obligation is satisfied to revise the treatment for contract costs, license and guarantee of products; and to increase the disclosure related to revenue recognition.
IFRS 16	Leases	January 1, 2019	From the fiscal year ending March 31, 2020	IFRS 16 replaces the previous IAS 17 and IFRIC 4. Main revisions are: Revision to apply a control model to the identification of leases and distinguishing between leases and service contracts; and Revision to eliminate lease classification and recognition of assets and liabilities for all leases by the lessee.
IAS 7 (Amendment)	Statement of cash flows	January 1, 2017	From the fiscal year ending March 31, 2018	Requirement for additional disclosure related to changes in liabilities arising from financing activities.

(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:

<b>Company name / Abbreviation</b>	<b>Definition</b>
“SoftBank Group Corp.”*	SoftBank Group Corp. (stand-alone basis)
The “Company”	SoftBank Group Corp. and its subsidiaries
Each of the following abbreviations indicates the respective company, and its subsidiaries, if any.	
“Sprint”	Sprint Corporation
“Sprint Communications”	Sprint Communications, Inc.
“Brightstar”	Brightstar Global Group Inc.
“Clearwire”	Clearwire Corporation
“Supercell”	Supercell Oy
“Alibaba”	Alibaba Group Holding Limited
“GungHo”	GungHo Online Entertainment, Inc.
“WCP”	Wireless City Planning Inc.

Note:

\* The company name “SoftBank Group Corp.” is used consistently in the notes, including the information with regard to the transactions that occurred before the change.

### 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 Group 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 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 Group 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 and joint ventures

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

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

Investments in associates and joint ventures are accounted for using the equity method and are initially recognized at cost. The investment is adjusted thereafter to recognize the 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 losses of an associate and a joint venture exceed the Company's interest in the associate and the joint venture, 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 and the joint venture.

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

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

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

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 29. Foreign exchange rates.”

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 as “financial assets at FVTPL,” “held-to-maturity investments,” “loans and receivables,” or “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 by level within 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 by level within 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 contracts and currency 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 . . . . .	12 - 50 years
Other . . . . .	5 - 15 years
Telecommunications equipment	
Wireless equipment, switching equipment and other network equipment . . . . .	5 - 30 years
Towers . . . . .	15 - 42 years
Other . . . . .	5 - 40 years
Furniture, fixtures and equipment	
Leased mobile devices . . . . .	2 - 3 years
Other . . . . .	4 - 10 years

The depreciation methods, useful lives, and residual values of assets are reviewed at the end of each fiscal year, and any changes are applied prospectively as a change in 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 mainly 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	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 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 property, plant and equipment, 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 Corp. has frozen its defined benefit lump-sum plans since March 2006 and 2007. Liabilities for the frozen defined benefit lump-sum plans are recognized as defined benefit liabilities until they are paid in the form of a lump sum at the time of future retirement of employees.

Sprint has frozen its defined benefit pension plans since December 2005. Liabilities for the defined benefit pension plans are recognized as defined benefit liabilities until they are paid as pensions after the time of retirement of employees.

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 23. 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:

Domestic Telecommunications segment and Sprint segment

a. Mobile Communications service and sales of mobile handsets

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

In the Mobile Communications service, revenues are mainly generated from basic monthly charges, telecom service (“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.

b. Fixed-line Telecommunications service

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

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

Yahoo Japan segment

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

Sponsored search advertising revenue is recognized when a visitor 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. Revenue from product sales is recognized when the significant risks and rewards of ownership of the products are transferred to the buyer, the Company retains neither

continuing managerial involvement nor effective control over the products sold, it is probable that the economic benefits associated with the transaction will flow into the Company, and the costs incurred and the amount of revenue related to the transaction can be measured reliably.

#### Distribution segment

In the Distribution segment, revenues are generated mainly from distribution of mobile handsets to telecommunication service providers and retailers overseas, and sales of PC software, peripherals, and mobile handsets accessories in Japan. Revenue in the Distribution segment is recognized when the significant risks and rewards of ownership of the products are transferred to the buyer, the Company retains neither continuing managerial involvement nor effective control over the products sold, it is probable that the economic benefits associated with the transaction will flow into the Company, and the costs incurred and the amount of revenue related to the transaction can be measured reliably. For transactions conducted by the Company on behalf of third parties, revenue is presented on net basis by excluding payment to third parties from the total consideration received from customers.

#### (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. 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 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 15. Major subsidiaries");
- significant judgments for the determination of joint ventures ((1) in "Note 3. Significant accounting policies" and (3) in "Note 14. Leases");
- estimates for impairment of investments accounted for using the equity method ((1) in "Note 3. Significant accounting policies" and "Note 38. 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," (1) (2) in "Note 26. Fair value of financial instruments" and "Note 38. Other non-operating income and loss");
- estimates for impairment of financial assets measured at amortized cost ((4) in "Note 3. Significant accounting policies" and "Note 38. 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 14. Leases");
- 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");
- measurement of defined benefit obligation ((12) in "Note 3. Significant accounting policies" and (2) in "Note 24. Retirement benefits");
- judgments and estimates for recognition and measurement on provisions ((13) in "Note 3. Significant accounting policies" and "Note 23. Provisions");
- assessment of recoverability of deferred tax assets ((18) in "Note 3. Significant accounting policies" and (4) in "Note 18. Income taxes"); and
- recognition of liabilities and expenses related to contingencies ("Note 35. Other operating income and loss" and (b) (3) b. in "Note 44. Contingency").

#### 5. 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.

For the fiscal year ended March 31, 2015, the Company had four segments, the Mobile Communications segment, the Sprint segment, the Fixed-line Telecommunications segment, and the Internet segment. However, from the fiscal year ended March 31, 2016, in line with the transformation from a strong

Japanese business with global assets to a global business that will strive to create sustainable growth over the long term, the Company changed its segments to four reportable segments, such as the Domestic telecommunications segment, the Sprint segment, the Yahoo Japan segment, and the Distribution segment.

The Domestic Telecommunications segment provides, mainly through SoftBank Corp. (formerly SoftBank Mobile Corp.), mobile communications services, sale of mobile devices, telecommunication services such as fixed-line telephone and data communications services for corporate customers, and broadband services for retail customers in Japan.

The Sprint segment provides, through Sprint, mobile communications services, sale and lease of mobile devices, sale of mobile device accessories, and fixed-line telecommunications services in the U.S.

The Yahoo Japan segment provides, mainly through Yahoo Japan Corporation, Internet-based advertising business, e-commerce business, and membership services.

The Distribution segment provides, mainly through Brightstar, distribution of mobile devices overseas, and through SoftBank Commerce & Service Corp., sale of mobile device accessories, PC software and peripherals in Japan.

The reportable segments for the fiscal year ended March 31, 2015 are presented based on the revised reportable segments.

(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 defined as “Operating income.”

The Company had defined the income of reportable segments as the amount after deducting “Cost of sales” and “Selling, general and administrative expenses” from “Net sales” until the fiscal year ended March 31, 2015. In connection with the revision of the segments, the Company defined its income of reportable segments as “Operating income” from the fiscal year ended March 31, 2016.

Income of reportable segments for the fiscal year ended March 31, 2015 is also defined as “Operating income.”

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 segment.

The Company also discloses EBITDA (i.e., segment income and loss after addition of depreciation and amortization) and Adjusted EBITDA (i.e., EBITDA after deduction of gain from remeasurement relating to business combination and other operating income and loss) by each reportable segment.

Financial cost, income and loss on equity method investments, dilution gain from changes in equity interest, and other non-operating income and loss are not managed by each reportable segment and therefore these income and losses are excluded from the segment performance.

For the fiscal year ended March 31, 2015

	(Millions of yen)								
	Reportable segments							Reconciliations <sup>2</sup>	Consolidated
	Domestic Telecommunications	Sprint	Yahoo Japan	Distribution	Total	Other <sup>1</sup>			
Net sales									
Customers .....	¥2,985,644	¥3,594,167	¥420,385	¥1,170,437	¥8,170,633	¥333,502	¥ —	¥8,504,135	
Intersegment .....	33,749	205,854	6,936	54,679	301,218	22,579	(323,797)	—	
Total .....	<u>¥3,019,393</u>	<u>¥3,800,021</u>	<u>¥427,321</u>	<u>¥1,225,116</u>	<u>¥8,471,851</u>	<u>¥356,081</u>	<u>¥(323,797)</u>	<u>¥8,504,135</u>	
Segment income (Operating income) .....	640,498	66,859	193,529	4,952	905,838	54,341	(41,459)	918,720	
Reconciliation from segment income to adjusted EBITDA									
Segment income .....	640,498	66,859	193,529	4,952	905,838	54,341	(41,459)	918,720	
Depreciation and amortization .....	453,728	579,152	18,364	10,248	1,061,492	32,243	1,510	1,095,245	
EBITDA .....	1,094,226	646,011	211,893	15,200	1,967,330	86,584	(39,949)	2,013,965	
Other operating (income) loss .....	21,271	7,029	—	(607)	27,693	(25)	—	27,668	
Adjusted EBITDA .....	<u>¥1,115,497</u>	<u>¥ 653,040</u>	<u>¥211,893</u>	<u>¥ 14,593</u>	<u>¥1,995,023</u>	<u>¥ 86,559</u>	<u>¥ (39,949)</u>	<u>¥2,041,633</u>	

For the fiscal year ended March 31, 2016

	(Millions of yen)								
	Reportable segments							Reconciliations <sup>2</sup>	Consolidated
	Domestic Telecommunications	Sprint	Yahoo Japan	Distribution	Total	Other <sup>1</sup>			
Net sales									
Customers .....	¥3,106,855	¥3,688,498	¥642,880	¥1,345,856	¥8,784,089	¥369,460	¥ —	¥9,153,549	
Intersegment .....	37,795	183,149	9,151	74,560	304,655	21,280	(325,935)	—	
Total .....	<u>¥3,144,650</u>	<u>¥3,871,647</u>	<u>¥652,031</u>	<u>¥1,420,416</u>	<u>¥9,088,744</u>	<u>¥390,740</u>	<u>¥(325,935)</u>	<u>¥9,153,549</u>	
Segment income (loss) (Operating income (loss)) .....	688,389	61,485	222,787	(1,284)	971,377	73,271	(45,160)	999,488	
Reconciliation from segment income to adjusted EBITDA									
Segment income (loss) .....	688,389	61,485	222,787	(1,284)	971,377	73,271	(45,160)	999,488	
Depreciation and amortization .....	474,948	842,110	32,695	10,268	1,360,021	34,944	1,636	1,396,601	
EBITDA .....	1,163,337	903,595	255,482	8,984	2,331,398	108,215	(43,524)	2,396,089	
Gain from remeasurement relating to business combination .....	—	—	(59,441)	—	(59,441)	—	—	(59,441)	
Other operating loss <sup>3</sup> .....	—	79,668	—	16,466	96,134	6,086	—	102,220	
Adjusted EBITDA .....	<u>¥1,163,337</u>	<u>¥ 983,263</u>	<u>¥196,041</u>	<u>¥ 25,450</u>	<u>¥2,368,091</u>	<u>¥114,301</u>	<u>¥ (43,524)</u>	<u>¥2,438,868</u>	

Notes:

- Information on the business segments which are not included in the reportable segments is classified in "Other." "Other" includes mainly online game-related business by Supercell.
- "Reconciliations" includes an elimination of intersegment transactions and the corporate general expenses unallocated to each reportable segment. Expenses arising mainly from SoftBank Group Corp. and SB Group US, Inc., which manages and supervises investment activities in the Internet, communication, and media fields overseas, are included in the corporate general expenses.
- "Other operating loss" in the Sprint segment does not include ¥37,032 million of "Loss on disposal of property, plant and equipment" recognized as "Other operating loss" in the consolidated statement of income for the fiscal year ended March 31, 2016. The details are described in "Note 35. Other operating income and loss."
- Discontinued operations are not included. The details are described in "Note 40. Discontinued operations."



### (3) Geographical information

#### a. Net sales to external customers

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Japan .....	¥3,695,641	¥4,104,379
U.S. ....	4,047,308	4,273,112
Other .....	761,186	776,058
Total .....	<u>¥8,504,135</u>	<u>¥9,153,549</u>

Sales are categorized based on the location of external customers.

#### b. Non-current assets (excluding financial assets and deferred tax assets)

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Japan .....	¥ 4,174,037	¥ 4,212,343
U.S. ....	8,661,261	8,019,523
Other .....	240,544	193,049
Total .....	<u>¥13,075,842</u>	<u>¥12,424,915</u>

## 6. Business combinations

For the fiscal year ended March 31, 2016

### (1) ASKUL Corporation

#### a. Overview of consolidation

ASKUL Corporation, the Company's associate which primarily conducts mail order services for office supplies, became the Company's subsidiary on August 27, 2015 as a result of ASKUL Corporation's acquisition of its own treasury stock as resolved by its Board of Directors on May 19, 2015. As a result of ASKUL Corporation's acquisition of its own treasury stock, the ownership ratio of ASKUL Corporation's voting rights held by the Company rose from 41.7% (as of May 20, 2015) to 44.4% (as of August 27, 2015). The Company did not yet hold the majority of the voting rights of ASKUL Corporation, however, considering relevant facts such as the dispersion of voting rights in ASKUL Corporation and the voting patterns exercised in ASKUL Corporation's past shareholders meetings, the Company determined that it substantially has control of ASKUL Corporation as a consolidated subsidiary.

#### b. Summary of the acquiree

Name	ASKUL Corporation
Business description	Mail-order business for office supplies, such as stationery, other products and services

#### c. Acquisition date

August 27, 2015

#### d. Consideration transferred and its components

		(Millions of yen)
		Acquisition date (August 27, 2015)
Fair value of equity interest in ASKUL Corporation already held at the time of the acquisition .....		<u>¥93,611</u>
Total consideration transferred .....	A	<u>¥93,611</u>

As a result of the remeasurement of equity interest previously held at the time of the acquisition of control by the Company in ASKUL Corporation at fair value on the acquisition date, the Company recognized a gain on the acquisition of ¥59,441 million for the fiscal year ended March 31, 2016. This gain is presented as “Gain from remeasurement relating to business combination” in the consolidated statement of income.

e. Fair values of assets and liabilities, non-controlling interests and goodwill on the acquisition date

		<u>(Millions of yen)</u>
		<u>Acquisition date</u> <u>(August 27, 2015)</u>
Trade and other receivables . . . . .		¥ 45,365
Other current assets . . . . .		44,751
Property, plant and equipment . . . . .		32,315
Intangible assets . . . . .		69,124
Other non-current assets . . . . .		8,394
Total assets . . . . .		<u>199,949</u>
Current liabilities . . . . .		71,495
Non-current liabilities . . . . .		34,586
Total liabilities . . . . .		<u>106,081</u>
Net assets . . . . .	B	93,868
Non-controlling interests <sup>2</sup> . . . . .	C	<u>54,036</u>
Goodwill <sup>3</sup> . . . . .	A-(B-C)	<u>¥ 53,779</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 three-month period ended December 31, 2015. The details of the adjustments from the initial provisional amounts are, due to the additional analysis on the fair value of ASKUL Corporation, intangible assets decreased by ¥2,820 million and non-controlling interests decreased by ¥1,097 million. As a result, goodwill increased by ¥877 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 the acquisition date in the identifiable net assets of the acquiree at the acquisition date.
- Goodwill  
Goodwill reflects an excess earning power expected from the future business development and the synergy between the Company and the acquiree.

f. Proceeds from acquisition of control over subsidiaries

	<u>(Millions of yen)</u>
	<u>Acquisition date</u> <u>(August 27, 2015)</u>
Cash and cash equivalents held by the acquiree at the acquisition of control . . . . .	<u>¥31,291</u>
Proceeds in cash from the acquisition of control over the subsidiary . . . . .	<u>¥31,291</u>

g. 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, 2016, are ¥189,013 million and ¥2,970 million, respectively.

In addition, the above net income includes amortization expenses, which are related to intangible assets recognized at the acquisition date, and other.

(2) Ikyu Corporation

a. Overview of consolidation

The Company, for the purpose of ensuring the effectiveness of the growth through the e-Commerce Revolution which is strategically important for Yahoo Japan Corporation, has been performing a tender

offer for Ikyu Corporation's shares, which was resolved at Yahoo Japan Corporation's board of directors' meeting held on December 15, 2015. The tender offer ended on February 3, 2016 and then Yahoo Japan Corporation acquired 27,480,682 shares of Ikyu Corporation's common shares at ¥94,341 million in cash. Consequently, the Company's voting rights ratio for Ikyu Corporation has become 94.3% and Ikyu Corporation has been converted to a consolidated subsidiary.

b. Summary of the acquiree

Name	Ikyu Corporation
Business description	Operation of various Internet sites that provide reservation services for hotels, restaurants, and other

c. Acquisition date

February 3, 2016

d. Consideration transferred and its components

		<u>(Millions of yen)</u>
		<u>Acquisition date</u>
		<u>(February 3, 2016)</u>
Payment by cash . . . . .		¥94,341
Total consideration transferred . . . . .	A	<u>¥94,341</u>

e. Fair values of assets and liabilities, non-controlling interests and goodwill on the acquisition date

		<u>(Millions of yen)</u>
		<u>Acquisition date</u>
		<u>(February 3, 2016)</u>
Current assets . . . . .		¥ 8,934
Intangible assets . . . . .		26,183
Other non-current assets . . . . .		1,130
Total assets . . . . .		36,247
Current liabilities . . . . .		4,270
Non-current liabilities . . . . .		8,177
Total liabilities . . . . .		<u>12,447</u>
Net assets . . . . .	B	23,800
Non-controlling interests <sup>1</sup> . . . . .	C	<u>1,503</u>
Goodwill <sup>2</sup> . . . . .	A-(B-C)	<u>¥72,044</u>

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 an excess earning power expected from the future business development and the synergy between the Company and the acquiree.

f. Payment for acquisition of control over subsidiaries

	<u>(Millions of yen)</u>
	<u>Acquisition date</u>
	<u>(February 3, 2016)</u>
Payment for the acquisition by cash . . . . .	¥(94,341)
Cash and cash equivalents held by the acquiree at the acquisition of control . . . . .	4,016
Payment for the acquisition of control over the subsidiary by cash . . . . .	<u>¥(90,325)</u>

g. Sales and net income of the acquiree

The amounts of the acquiree's sales and net income after the acquisition date are immaterial.

- (3) Consolidated net sales and consolidated net income and loss assuming that the business combinations were completed at the beginning of the fiscal year

The following is pro forma information (unaudited) of consolidated performance of the Company for the fiscal year ended March 31, 2016, assuming that the business combinations of ASKUL Corporation and Ikyu Corporation were completed and controls were acquired as of April 1, 2015.

	(Millions of yen)
	<u>Fiscal year ended March 31, 2016</u>
Sales (pro forma) .....	¥9,278,092
Net income (pro forma) .....	<u>¥ 559,178</u>

## 7. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

	(Millions of yen)	
	<u>As of March 31, 2015</u>	<u>As of March 31, 2016</u>
Cash and demand deposits .....	¥2,214,440	¥1,979,642
Time deposits (maturities of three-month or less) .....	850,899	404,434
MMF .....	130,054	137,390
Other .....	63,260	48,141
Total .....	<u>¥3,258,653</u>	<u>¥2,569,607</u>

Cash and demand deposits as of March 31, 2016 include ¥120,998 million of cash in trust established for SoftBank Group Corp.'s acquisition of its own treasury stock (As of March 31, 2015: ¥ zero).

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)	
	<u>As of March 31, 2015</u>	<u>As of March 31, 2016</u>
Trade receivables .....	¥1,355,325	¥1,320,862
Installment receivables .....	473,945	511,980
Other .....	128,996	127,253
Allowance for doubtful accounts .....	(62,618)	(45,306)
Total .....	<u>¥1,895,648</u>	<u>¥1,914,789</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)."

## 9. Other financial assets

The components of other financial assets are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Current		
Marketable securities .....	¥124,520	¥ 29,596
Time deposits (maturities of three-month over) .....	32,106	32,313
Derivative deposits .....	9,148	42,553
Derivative financial assets .....	17,341	31,127
Other .....	13,953	17,269
Total .....	<u>¥197,068</u>	<u>¥152,858</u>
Non-current		
Installment receivables .....	169,408	175,061
Investment securities .....	319,758	650,169
Derivative financial assets .....	56,892	33,721
Other .....	135,972	146,761
Allowance for doubtful accounts .....	(19,567)	(34,838)
Total .....	<u>¥662,463</u>	<u>¥970,874</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 March 31, 2015	As of March 31, 2016
Merchandise and finished products .....	¥329,688	¥333,085
Other .....	21,464	26,379
Total .....	<u>¥351,152</u>	<u>¥359,464</u>

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 March 31, 2015	Fiscal year ended March 31, 2016
Write-downs of inventories .....	<u>¥14,579</u>	<u>¥29,504</u>

## 11. Other current assets and other non-current assets

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

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Current		
Tax receivable*	¥ 44,660	¥332,339
Prepaid expense	173,463	171,991
Other	37,276	49,221
Total	<u>¥255,399</u>	<u>¥553,551</u>
Non-current		
Long-term prepaid expense	177,192	178,162
Other	14,257	14,312
Total	<u>¥191,449</u>	<u>¥192,474</u>

Note:

\* Tax receivable includes withholding income tax of ¥293,489 million related to dividend within the group companies as of March 31, 2016.

## 12. Property, plant and equipment

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

Historical cost	(Millions of yen)						
	Buildings and structures	Telecommu- nications equipment	Furniture, fixtures, and equipment	Land	Construction in progress	Other	Total
As of April 1, 2014	¥371,096	¥4,347,266	¥ 262,923	¥ 92,551	¥ 266,523	¥16,726	¥5,357,085
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>
Purchase	9,727	17,390	304,128	297	453,104	5,072	789,718
Business combinations	13,816	13	1,566	9,436	2,256	5,959	33,046
Disposals	(4,583)	(225,109)	(256,500)	(677)	(25,013)	(6,116)	(517,998)
Transfer of accounts	22,840	486,911	350,812	—	(542,613)	3,458	321,408
Exchange differences	(12,253)	(141,152)	(44,233)	(1,348)	(7,195)	(2,784)	(208,965)
Other	(13,344)	(2,833)	(1,196)	13	(3,302)	658	(20,004)
As of March 31, 2016	<u>¥428,746</u>	<u>¥5,367,166</u>	<u>¥ 901,399</u>	<u>¥105,069</u>	<u>¥ 195,969</u>	<u>¥31,250</u>	<u>¥7,029,599</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, 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)
Depreciation . . . . .	(33,650)	(618,930)	(281,695)	—	—	(5,831)	(940,106)
Impairment loss . . . . .	(639)	—	(1,151)	(1)	(24,977)	(946)	(27,714)
Disposals . . . . .	4,105	212,607	92,354	—	23,751	2,665	335,482
Transfer of accounts . . . . .	(16)	1,802	34,828	—	—	3	36,617
Exchange differences . . . . .	4,116	48,826	12,471	—	100	1,960	67,473
Other . . . . .	(3,183)	355	590	—	—	(660)	(2,898)
As of March 31, 2016 . . . . .	¥(174,177)	¥(2,335,613)	¥(324,120)	¥(7)	¥ (1,513)	¥(10,662)	¥(2,846,092)

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, 2015 . . . . .	¥267,633	¥3,251,673	¥365,305	¥ 97,342	¥318,345	¥17,150	¥4,317,448
As of March 31, 2016 . . . . .	¥254,569	¥3,031,553	¥577,279	¥105,062	¥194,456	¥20,588	¥4,183,507

The amount of “Other” included in “Buildings and structures” for the fiscal year ended March 31, 2016 is recorded mainly due to the change in accounting estimate of asset retirement obligations in Sprint. The details are described in “Note 23. Provisions.”

The decrease resulting from “Disposals” in “Furniture, fixtures, and equipment” includes ¥222,750 million, which is a historical cost of certain leased devices sold from Sprint to Mobile Leasing Solutions, LLC, and ¥(59,730) million of accumulated depreciation and impairment losses for the fiscal year ended March 31, 2016. The details are described in “(3) Handset sale-leaseback” in “Note 14. Leases.”

The amount of “Transfer of accounts” in “Furniture, fixtures, and equipment” is mainly due to the transfer of leased devices from “Inventories” in current assets.

Impairment loss is included in “Other operating loss” in the consolidated statement of income. The details are 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 March 31, 2015	As of March 31, 2016
Buildings and structures . . . . .	¥ 43,401	¥ 11,781
Telecommunications equipment . . . . .	909,126	1,069,694
Furniture, fixtures, and equipment . . . . .	57,991	49,415
Land . . . . .	49,360	—
Construction in progress . . . . .	862	73
Other . . . . .	89	4,050
Total . . . . .	¥1,060,829	¥1,135,013

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 installment purchases 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:

Historical cost	(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 titles	Trademarks	Spectrum migration costs	Other	Total
As of April 1, 2014	¥1,549,395	¥3,709,526	¥630,379	¥1,111,097	¥849,453	¥151,535	¥202,512	¥54,101	¥	¥176,853	¥6,885,456
Purchase	—	17,923	—	77,893	4,650	—	—	42	—	223,384	323,892
Internal development	—	—	—	3,820	—	—	—	—	—	16,059	19,879
Business combinations	30,090	—	—	—	—	—	—	—	—	—	—
Disposals	—	(30,641)	—	(69,967)	—	—	—	(123)	—	(1,515)	(102,246)
Transfer of accounts	—	—	—	195,210	—	—	—	1	54,569	(252,596)	(2,816)
Exchange differences	56,539	618,769	104,217	42,703	122,650	25,398	(9,976)	8,986	—	7,606	920,353
Other	37,127	4,719	59	3,184	3,107	—	—	203	—	(1,406)	9,866
As of March 31, 2015	1,673,151	4,320,296	734,655	1,363,940	979,860	176,933	192,536	63,210	54,569	168,385	8,054,384
Purchase	—	10,389	—	85,036	—	—	—	29	—	186,534	281,988
Internal development	—	—	—	4,353	—	—	—	—	—	14,446	18,799
Business combinations	128,774	—	30,250	8,797	56,680	—	—	—	—	827	96,554
Loss of control	(146,032)	—	—	(3,831)	—	—	(77,796)	(47)	—	(1,766)	(83,440)
Disposals	—	—	—	(62,928)	—	(307)	—	(48)	—	(1,275)	(64,558)
Transfer of accounts	—	—	(114)	177,792	—	—	—	7	62,664	(233,501)	6,848
Exchange differences	(30,072)	(269,935)	(46,911)	(25,021)	(55,663)	(11,016)	(2,306)	(3,909)	—	(4,024)	(418,785)
Other	(158)	—	—	875	228	—	—	3	—	1,404	2,510
As of March 31, 2016	¥1,625,663	¥4,060,750	¥717,880	¥1,549,013	¥981,105	¥165,610	¥112,434	¥59,245	¥117,233	¥131,030	¥7,894,300

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

Accumulated amortization and impairment losses	(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 titles	Trademarks	Spectrum migration costs	Other	Total
As of April 1, 2014	¥ (9,788)	¥—	¥ (7,404)	¥(463,711)	¥(171,959)	¥(11,318)	¥(35,990)	¥(1,626)	¥—	¥(15,747)	¥ (707,755)
Amortization	—	—	—	(196,838)	(187,557)	—	(49,647)	(1,767)	(1,019)	(3,833)	(440,661)
Disposals	—	—	—	67,706	—	—	—	122	—	105	67,933
Exchange differences	—	—	—	(12,197)	(38,121)	(3,406)	2,312	(357)	—	(322)	(52,091)
Other	—	—	—	(1,034)	—	(17,018)	—	1	—	(177)	(18,228)
As of March 31, 2015	(9,788)	—	(7,404)	(606,074)	(397,637)	(31,742)	(83,325)	(3,627)	(1,019)	(19,974)	(1,150,802)
Amortization	—	—	—	(228,753)	(173,860)	—	(26,951)	(1,932)	(5,742)	(5,175)	(442,413)
Impairment loss	(6,086)	—	(4,125)	(589)	(1,342)	—	—	—	—	(51)	(6,107)
Loss of control	—	—	—	2,521	—	—	56,186	7	—	446	59,160
Disposals	—	—	—	59,984	—	—	—	48	—	54	60,086
Exchange differences	—	—	286	11,573	31,383	3,110	1,500	325	—	746	48,923
Other	—	—	—	(5,527)	151	(17,736)	—	—	—	(890)	(24,002)
As of March 31, 2016	¥(15,874)	¥—	¥(11,243)	¥(766,865)	¥(541,305)	¥(46,368)	¥(52,590)	¥(5,179)	¥(6,761)	¥(24,844)	¥(1,455,155)

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

Carrying amounts	(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 titles	Trademarks	Spectrum migration costs	Other	Total
As of March 31, 2015	¥1,663,363	¥4,320,296	¥727,251	¥757,866	¥582,223	¥145,191	¥109,211	¥59,583	¥ 53,550	¥148,411	¥6,903,582
As of March 31, 2016	¥1,609,789	¥4,060,750	¥706,637	¥782,148	¥439,800	¥119,242	¥ 59,844	¥54,066	¥110,472	¥106,186	¥6,439,145

Increase due to “Business combinations” for the fiscal year ended March 31, 2016 is as follows:

As a result of consolidating ASKUL Corporation as a subsidiary in August 2015, the Company recognized customer relationships of ¥40,680 million and trademarks of ¥20,130 million. The details are described in “(1) ASKUL Corporation” in “Note 6. Business combinations.”

As a result of consolidating Ikyu Corporation as a subsidiary in February 2016, the Company recognized customer relationships of ¥16,000 million and trademarks of ¥10,120 million. The details are described in “(2) Ikyu Corporation” in “Note 6. Business combinations.”

Impairment losses are included in “Other operating loss” in the consolidated statement of income. The details are described in “Note 35. Other operating income and loss.”

Decrease due to “Loss of control” for the fiscal year ended March 31, 2016 is as follows:

As a result of losing control of GungHo as a subsidiary in June 2015, game titles decreased by ¥21,610 million. The details are described in “Note 40. Discontinued operations.”

“FCC licenses” are licenses to use a 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 the “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 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.

The carrying amount of internally generated intangible assets included in the intangible assets is as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Software .....	¥57,488	¥47,200

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

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Software .....	¥226,407	¥290,460

Finance lease obligations of the Company are pledged through the lessor’s retaining the property right of lease assets.

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.”

Research and development costs included in “Cost of sales” and “Selling, general and administrative expenses” are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Research and development costs .....	¥9,904	¥8,870

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:

Cash-generating units or groups of cash-generating units have been changed for the fiscal year ended March 31, 2016 due to the reclassification in the Yahoo Japan segment and the Distribution segment.

As of March 31, 2015

Goodwill

Reportable segments	Cash-generating unit or Cash-generating unit groups	(Millions of yen) As of March 31, 2015
Domestic Telecommunications . . . .	SoftBank*	¥ 908,720
Sprint .....	Sprint	353,867
Yahoo Japan .....	Yahoo	47,245
Distribution .....	Brightstar	96,537
—	Other	256,994
Total .....		<u>¥1,663,363</u>

Note:

\* SoftBank comprises of SoftBank Corp. and WCP.

Intangible assets with indefinite useful lives

Reportable segments	Cash-generating unit	(Millions of yen) As of March 31, 2015
Sprint .....	Sprint	¥5,033,505
Distribution .....	Brightstar US and Canada	3,245
	Brightstar Latin America	5,230
	Brightstar Asia, Africa, and Oceania	4,989
	Brightstar Europe	578
	Subtotal	14,042
Total .....		<u>¥5,047,547</u>

As of March 31, 2016

Goodwill

Reportable segments	Cash-generating unit or Cash-generating unit groups	(Millions of yen) As of March 31, 2016
Domestic Telecommunications . . . .	SoftBank <sup>1</sup>	¥ 908,720
Sprint .....	Sprint	331,811
Yahoo Japan .....	Yahoo <sup>2</sup>	16,519
	Marketing solution	9,821
	Shopping	56,600
	Ikyu	72,044
	Settlement finance	20,891
	Subtotal	175,875
Distribution .....	Brightstar	90,657
—	Other	102,726
Total .....		<u>¥1,609,789</u>

Notes:

1. SoftBank comprises of SoftBank Corp. and WCP.
2. Goodwill is allocated to "Yahoo Japan" because the benefit is expected from entire Yahoo Japan, not from individual cash-generating unit in Yahoo.

#### Intangible assets with indefinite useful lives

		(Millions of yen)
Reportable segments	Cash-generating unit	As of March 31, 2016
Sprint . . . . .	Sprint	¥4,729,506
Yahoo Japan . . . . .	Shopping	20,130
	Ikyu	10,120
	Subtotal	30,250
Distribution . . . . .	Brightstar US and Canada region	3,042
	Brightstar Latin America region	1
	Brightstar Asia and Oceania region	1,753
	Brightstar Europe and Africa region	2,835
	Subtotal	7,631
Total . . . . .		<u>¥4,767,387</u>

The recoverable amount of each cash-generating unit or cash-generating unit group is measured as follows:

Value in use: SoftBank, Yahoo, Marketing solution, Shopping, Settlement finance, Ikyu, Brightstar, Brightstar US and Canada region, Brightstar Latin America region, Brightstar Asia and Oceania region, Brightstar Europe and Africa region, and SoftBank Commerce & Service Corp.

Fair value less disposal cost: 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 5.12%-22.11% of the cash-generating unit or cash-generating unit groups (5.03%-21.08% for the fiscal year ended March 31, 2015). The cash flows from after five years are assumed on the basis of the growth rate of 0%-3.81%.

The fair value less disposal cost is measured based on active market prices.

As a result of reviewing the business plan of Brightstar's Latin America region, goodwill and intangible assets with indefinite useful lives were tested for impairment because there was an indication of impairment for the fiscal year ended March 31, 2016. As a result, the recoverable amount became negative and therefore the carrying amount of assets related to the cash-generating unit was reduced to zero. Impairment loss on property, plant and equipment was ¥8,070 million and impairment loss on intangible assets was ¥5,563 million. Value in use was used as the recoverable amount and calculated by discounting management approved estimated future cash flow plan by 22.11%, weighted average capital cost before tax.

Impairment loss of ¥6,086 million for goodwill allocated to cash-generating unit groups of Other is recognized for the fiscal year ended March 31, 2016.

Other than the above, 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, 2016 (For the fiscal year ended March 31, 2015: no impairment loss is recognized for goodwill and intangible assets with indefinite useful lives allocated to any cash-generating units or cash-generating unit groups).

The share price of Sprint as of March 31, 2016 is \$3.48 and it is below the carrying amount per share price on a consolidated basis. The fair value is measured by not only the quoted market price of the share, but also other considerations such as a future business plan and an estimated control premium.

The determination of fair value requires considerable judgment and is highly sensitive to changes in underlying assumptions. Consequently, there can be no assurance that the estimates and assumptions made for the purposes of the impairment tests for goodwill and intangible assets with indefinite useful lives will prove to be an accurate prediction of the future. Continued, sustained declines in Sprint's operating results, future forecasted cash flows, growth rates and other assumptions, as well as significant, sustained declines in Sprint



share price and related market capitalization could impact the underlying key assumptions and our estimated fair values, potentially leading to a future material impairment of goodwill or intangible assets with indefinite useful lives.

As for goodwill allocated to Brightstar, 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 0.26% or the growth rate in the calculation of the value in use decreases by approximately 2.68%.

The Company determined that for cash-generating units or cash-generating unit groups to which the goodwill and intangible assets with indefinite useful lives are allocated, other than the above, the recoverable amount is unlikely to fall below the carrying amount, even if major assumptions used in the impairment test change to a reasonably foreseeable extent.

#### 14. Leases

##### (1) Finance leases

(As lessee)

The Company has leased assets, including wireless equipment, switching equipment, power supply systems and transmission facilities.

The components of finance lease obligations are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
The total minimum lease payments		
Within 1 year	¥ 431,271	¥ 417,891
1 to 5 years	761,440	836,142
Over 5 years	11,572	5,542
Total	1,204,283	1,259,575
Deduction -future financial expense	(47,919)	(47,389)
Present value of finance lease obligations	<u>¥1,156,364</u>	<u>¥1,212,186</u>

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

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Within 1 year	¥ 411,453	¥ 396,992
1 to 5 years	734,085	809,799
Over 5 years	10,826	5,395
Total	<u>¥1,156,364</u>	<u>¥1,212,186</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 instruments.”

Certain lease contracts have financial covenants. Major contents are described in “(2) Financial covenants” in “Note 19. Interest-bearing debt.”

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

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Total	<u>¥20,763</u>	<u>¥27,964</u>

(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 the non-cancelable period, an automatic renewal option is included in the lease term to the extent that, at the inception of the lease, it is reasonably certain that the option will be exercised. 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 site 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 site 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 site 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)	
	As of March 31, 2015	As of March 31, 2016
Within 1 year .....	¥ 376,134	¥ 434,831
1 to 5 years .....	1,259,983	1,246,531
Over 5 years .....	1,435,562	1,207,512
Total .....	<u>¥3,071,679</u>	<u>¥2,888,874</u>

Operating lease payments recognized as expenses for the fiscal year ended March 31, 2016 totaled ¥471,560 million (For the fiscal year ended March 31, 2015: ¥430,977 million).

(As lessor)

Sprint provides a device leasing program to its qualifying subscribers in the U.S. and SoftBank Corp. provides device rental service to corporate customers in Japan. The Company classifies substantially all transactions as operating leases along with the device leasing program and device rental service. At the end of the lease term of the device leasing program at Sprint, 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 is 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)	
	As of March 31, 2015	As of March 31, 2016
Within 1 year .....	¥104,551	¥292,923
1 to 5 years .....	74,074	99,141
Over 5 years .....	2,470	1,701
Total .....	<u>¥181,095</u>	<u>¥393,765</u>

(3) Handset sale-leaseback

In November 2015, Sprint conducted a transaction to sell and leaseback certain leased devices, which is mentioned above “(2) Operating leases (As lessor),” with Mobile Leasing Solutions, LLC (MLS).

MLS was established for leasing business by SBLS HD US, Inc. (SBLS), a wholly-owned subsidiary of SoftBank Group Corp. and JPLS HD US, Inc. (JPLS), a company formed by Japanese leasing companies. It is contractually agreed that significant management policy and operating decision of MLS require the unanimous consent of its board of directors designated by SBLS and JPLS. Accordingly, the Company accounts for MLS under the equity method as a joint venture.

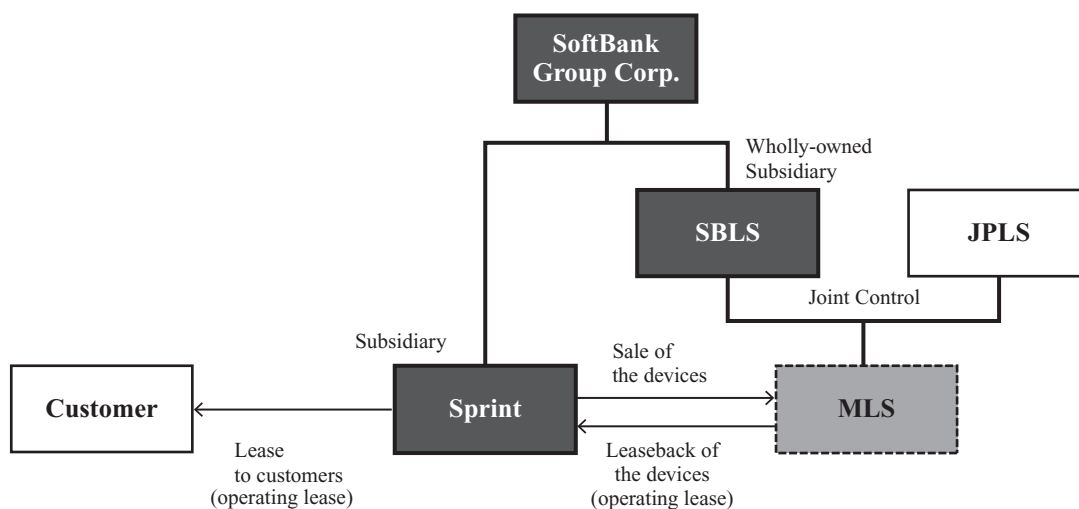
Under this transaction, Sprint sold the devices and transferred the associated certain specified customer lease end rights and obligations to MLS in exchange for a total amount of \$1.3 billion, consisting of proceeds totaling \$1.1 billion cash which was received in December 2015 and a deferred purchase price receivable of \$0.1 billion, the remaining amount of the total proceeds, which will be settled at the end of the agreement. Simultaneously with the sale of the devices and transfer of certain specified customer lease end rights and obligations, MLS leased back each device to Sprint pursuant to the Master Lease Agreement in exchange for monthly rental payments to be made by Sprint to MLS. In addition, Brightstar has a contractual agreement with MLS to provide reverse logistics and remarketing services to MLS with respect to the devices that are returned to MLS. The terms and conditions of the transaction are negotiated and determined based on the market price and the content of transaction.

Sprint derecognized devices from property, plant and equipment when they were sold to MLS. The \$65 million (¥7,801 million) difference between the fair value and the carrying amount of the devices sold was recognized as “Other operating loss” in the consolidated statement of income.

The proceeds received in December 2015 totaling \$1.1 billion (¥137,593 million) were recognized as “Proceeds from sales of property, plant and equipment, and intangible assets” in the consolidated statement of cash flows.

Total amount of the future minimum lease payments receivable recognized under the transaction is ¥73,410 million and the future minimum lease payments receivable during the period is ¥28,385 million.

Outline of the transaction\*



Note:

\* This chart only refers to major transactions and the relationship between the Company and major parties to provide an outline of the transaction.

## 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 March 31, 2015	As of March 31, 2016
SoftBank Corp. <sup>1</sup>	Domestic Telecommunications	Tokyo	100	99.99
Wireless City Planning Inc. <sup>2</sup>	Domestic Telecommunications	Tokyo	33.3	32.2
SoftBank Payment Service Corp.	Domestic Telecommunications	Tokyo	100	100
Sprint Corporation	Sprint	U.S.A.	79.5	83.4
Sprint Communications, Inc.	Sprint	U.S.A.	100	100
Yahoo Japan Corporation <sup>3</sup>	Yahoo Japan	Tokyo	43.0	43.0
ValueCommerce Co., Ltd.	Yahoo Japan	Tokyo	50.6	50.5
ASKUL Corporation <sup>4</sup>	Yahoo Japan	Tokyo	41.9	44.4
Brightstar Global Group Inc.	Distribution	U.S.A.	100	95.5
Brightstar Corp.	Distribution	U.S.A.	100	100
SoftBank Commerce & Service Corp.	Distribution	Tokyo	100	100
SoftBank Group International GK	Company-wide	Tokyo	100	100
SoftBank Group Japan GK	Company-wide	Tokyo	100	100
SB Group, US Inc.	Company-wide	U.S.A.	100	100
SoftBank Group International Limited <sup>5</sup>	Company-wide	U.K.	—	100
Supercell Oy	Other	Finland	53.7	78.3
SB Energy Corp.	Other	Tokyo	100	100
Fukuoka SoftBank HAWKS Corp.	Other	Fukuoka	100	100
SoftBank Robotics Holdings Corp.	Other	Tokyo	100	60
SBBM Corporation	Other	Tokyo	100	100
ITmedia Inc.	Other	Tokyo	57.9	57.9
SoftBank Technology Corp.	Other	Tokyo	55.4	55.7
Vector Inc.	Other	Tokyo	52.4	52.1
SB CHINA HOLDINGS PTE LTD	Other	Singapore	100	100
SoftBank Ventures Korea Corp.	Other	South Korea	100	100
SoftBank Korea Corp.	Other	South 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 Capital Fund <sup>7</sup> 10 L.P.	Other	U.S.A.	98.0	81.7
SoftBank Capital Fund <sup>7</sup> 14 L.P.	Other	U.S.A.	99.0	99.0
STARFISH I PTE. LTD.	Other	Singapore	100	100
SB Pan Pacific Corporation	Other	Micronesia	100	100
Hayate Corporation	Other	Micronesia	100	100

#### Notes:

- SoftBank Mobile Corp., SoftBank BB Corp., SoftBank Telecom Corp., and Ymobile Corporation conducted an absorption type merger with SoftBank Mobile Corp. being the surviving company, effective on April 1, 2015 and SoftBank Mobile Corp. changed its company name to SoftBank Corp. on July 1, 2015.
- 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 Group Corp.'s directors, SoftBank Corp.'s directors and corporate officers constitute the majority of members of WCP's board of directors and that WCP's business activities significantly depend on the Company.
- 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 Group Corp.'s directors and SoftBank Corp.'s directors constitute the majority of the members of Yahoo Japan Corporation's board of directors.
- The Company does not own the majority of ASKUL Corporation's voting rights. However, the Company determined that it has control over ASKUL Corporation and included it into the scope of consolidation, considering the fact that the Company holds 44.4% of the voting rights of ASKUL Corporation, the dispersion of voting rights in ASKUL Corporation and the voting patterns exercised in ASKUL Corporation's past shareholders meetings.
- SoftBank Group International Limited changed its company name to SoftBank Group Capital Limited on April 27, 2016.

(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

	<u>As of March 31, 2015</u>	<u>As of March 31, 2016</u>
Ownership ratio of the non-controlling interests (%) .....	20.5	16.6
	(Millions of yen)	
	<u>As of March 31, 2015</u>	<u>As of March 31, 2016</u>
Accumulated amount attributable to the non-controlling interests of subsidiary group .....	¥ 415,887	¥ 286,199
	(Millions of yen)	
	<u>Fiscal year ended March 31, 2015</u>	<u>Fiscal year ended March 31, 2016</u>
Net loss allocated to the non-controlling interests of subsidiary group .....	¥(37,285)	¥(39,387)

(b) Summarized consolidated financial information

	(Millions of yen)	
	<u>As of March 31, 2015</u>	<u>As of March 31, 2016</u>
Current assets .....	¥1,229,754	¥ 899,704
Non-current assets .....	8,592,854	7,958,438
Current liabilities .....	1,406,378	1,527,507
Non-current liabilities .....	6,098,000	5,362,584
Net assets .....	2,318,230	1,968,051
	(Millions of yen)	
	<u>Fiscal year ended March 31, 2015</u>	<u>Fiscal year ended March 31, 2016</u>
Net sales .....	¥3,800,021	¥3,871,647
Net loss .....	(183,237)	(230,380)
Total comprehensive loss .....	(127,653)	(232,734)

No dividends were paid to the non-controlling interests by Sprint for the fiscal year ended March 31, 2015 and the fiscal year ended March 31, 2016.

	(Millions of yen)	
	<u>Fiscal year ended March 31, 2015</u>	<u>Fiscal year ended March 31, 2016</u>
Net cash provided by operating activities .....	¥ 191,167	¥ 361,001
Net cash used in investing activities .....	(517,815)	(685,226)
Net cash provided by financing activities .....	229,807	155,915
Effect of exchange rate changes on cash and cash equivalents .....	67,170	(16,029)
Decrease in cash and cash equivalents .....	<u>¥ (29,671)</u>	<u>¥(184,339)</u>

b. Yahoo (Yahoo Japan Corporation and its group companies)

(a) General information

	<u>As of March 31, 2015</u>	<u>As of March 31, 2016</u>
Ownership ratio of the non-controlling interests (%) .....	57.0	57.0

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Accumulated amount attributable to the non-controlling interests of subsidiary group .....	¥416,402	¥539,584

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net income allocated to the non-controlling interests of subsidiary group .....	¥76,768	¥97,909

(b) Summarized consolidated financial information

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Current assets .....	¥741,828	¥806,380
Non-current assets .....	284,355	555,000
Current liabilities .....	239,772	366,023
Non-current liabilities .....	27,276	64,012
Net assets .....	759,135	931,345

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net sales .....	¥428,487	¥652,327
Net income .....	133,933	172,492
Total comprehensive income .....	135,877	173,504

Dividends paid to the non-controlling interests by Yahoo Japan Corporation for the fiscal year ended March 31, 2016 is ¥28,733 million (For the fiscal year ended March 31, 2015: ¥14,371 million).

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net cash provided by operating activities .....	¥127,627	¥ 107,519
Net cash used in investing activities .....	(69,252)	(112,647)
Net cash used in financing activities .....	(37,166)	(49,358)
Effect of exchange rate changes on cash and cash equivalents .....	391	(286)
Increase (decrease) in cash and cash equivalents .....	<u>¥ 21,600</u>	<u>¥ (54,772)</u>

## 16. 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 other 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)	
	As of March 31, 2015	As of March 31, 2016
Current assets . . . . .	¥3,294,995	¥2,637,889
Non-current assets . . . . .	1,840,071	3,755,127
Current liabilities . . . . .	1,221,616	989,195
Non-current liabilities . . . . .	1,112,290	1,094,527
Equity		
Total equity attributable to owners of the parent . . . .	2,720,661	3,580,184
Non-controlling interests . . . . .	80,499	729,110

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net sales . . . . .	¥1,281,836	¥1,771,778
Net income . . . . .	191,607	1,177,794
Other comprehensive income, net of tax . . . . .	820	122,648
Total comprehensive income . . . . .	¥ 192,427	¥1,300,442

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net income attributable to owners of the parent . . . . .	¥188,906	¥1,175,236
Other comprehensive income attributable to owners of the parent, net of tax . . . . .	708	122,254
Total comprehensive income attributable to owners of the parent . . . . .	¥189,614	¥1,297,490

There was no dividend received from Alibaba for the fiscal years ended March 31, 2015 and 2016.

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)	
	As of March 31, 2015	As of March 31, 2016
Total equity attributable to owners of the parent . . . . .	¥2,720,661	¥3,580,184
Interest ratio (%) . . . . .	32.54	32.60
Interests of the Company . . . . .	885,303	1,167,140
Goodwill . . . . .	63,533	137,705
Accumulated amortization of goodwill on the IFRS transition date <sup>1</sup> . . . . .	(8,878)	(7,989)
Stock acquisition rights . . . . .	(31,692)	(62,980)
Other <sup>2</sup> . . . . .	(38,449)	(32,329)
Carrying amount of the interests in Alibaba . . . . .	¥ 869,817	¥1,201,547

Notes:

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.

c. Fair value of investment in Alibaba

The fair value of the investment in Alibaba based on market price is ¥7,103,981 million as of March 31, 2016 (As of March 31, 2015: ¥7,979,784 million).

(2) Aggregated information on investment in insignificant associates and joint ventures

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)	
	As of March 31, 2015	As of March 31, 2016
Carrying amount of the interests		
Associates .....	¥230,634	¥380,511
Joint ventures .....	2,005	6,212
Total .....	<u>¥232,639</u>	<u>¥386,723</u>

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net income (loss)		
Associates .....	¥ 9,770	¥(3,775)
Joint ventures .....	(616)	(1,483)
Total .....	<u>¥ 9,154</u>	<u>¥(5,258)</u>
Other comprehensive loss, net of tax		
Associates .....	(4,841)	(417)
Joint ventures .....	—	(779)
Total .....	<u>¥(4,841)</u>	<u>¥(1,196)</u>
Total comprehensive income (loss)		
Associates .....	4,929	(4,192)
Joint ventures .....	(616)	(2,262)
Total .....	<u>¥ 4,313</u>	<u>¥(6,454)</u>

## 17. 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

The Company owns 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)	
	As of March 31, 2015	As of March 31, 2016
Total assets of the unconsolidated structured entities (aggregate amount) . .	¥452,567	¥629,519
The maximum loss exposure of the Company		
The carrying amount of the investment recognized by the Company . . . .	71,707	75,733
Commitment contracts related to additional investment . . . . .	16,502	16,437
Total . . . . .	¥ 88,209	¥ 92,170

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.

## 18. Income taxes

### (1) Tax expenses

The components of income tax expenses are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Current tax expenses . . . . .	¥(315,032)	¥(242,174)
Deferred tax expenses . . . . .	(155,285)	(198,381)
Total . . . . .	¥(470,317)	¥(440,555)

Current tax expenses include reduction of current tax expense by the benefit from net operating loss carryforwards, tax credit carryforwards and temporary differences that occurred in previous periods and that were unaccompanied by the recognition of deferred tax assets. The reduction of current tax expense for the year ended March 31, 2016 was ¥30,023 million (For the fiscal year ended March 31, 2015: ¥8,954 million).

Deferred tax expenses include expense arising from the write-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 ¥10,494 million for the year ended March 31, 2016 (For the fiscal year ended March 31, 2015: decreased by ¥62,426 million).

In Japan, as the Act on the Partial Revision of the Income Tax Act (Article 15, 2016) and the Local Tax Law (Article 13, 2016) were enacted in the Diet on March 29, 2016, the Company’s statutory effective tax rate, used to measure the deferred tax assets and liabilities for the fiscal year ended March 31, 2016, was changed. The effective tax rate for the temporary differences whose timing of the recovery or settlement of the related temporary difference is expected from April 1, 2016 to March 31, 2018 is changed from 32.3% to 30.9%, and to 30.6% for those whose timing expected is on April 1, 2018 and thereafter. This change of deferred tax assets and liabilities that impact profit or loss is ¥11,309 million and reduces deferred tax expenses.

(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 March 31, 2015	Fiscal year ended March 31, 2016
Statutory effective tax rate . . . . .	35.6	33.1
Effect from evaluating recoverability of deferred tax assets . . . . .	3.0	15.9
Effect from profit or loss that does not impact taxable gain or loss . . .	0.7	2.0
Impairment loss on equity method associates . . . . .	1.0	—
Change of deferred tax assets and liabilities by the change of effective tax rate . . . . .	(0.0)	(1.5)
Gain from remeasurement relating to business combination . . . . .	—	(2.0)
Difference in tax rate applied to subsidiaries . . . . .	(0.6)	(3.1)
Other . . . . .	(0.9)	(0.6)
Actual tax rate . . . . .	<u>38.8</u>	<u>43.8</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, 2016 based on these taxes is 33.1% (For the fiscal year ended March 31, 2015: 35.6%), except for foreign subsidiaries that are subject to income taxes at their respective locations.

In Japan, as the Act on the Partial Revision of the Income Tax Act (Article 9, 2015) and the Local Tax Law (Article 2, 2015) were enacted in the Diet on March 31, 2015, the statutory effective tax rate was changed from the fiscal year on and after April 1, 2015.

(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, 2015

	(Millions of yen)						
	As of March 31, 2014	Recognized in profit or loss	Recognized in other comprehen- sive income	Business combination	Exchange differences	Other	As of March 31, 2015
Deferred tax assets							
Property, plant and equipment . . . . .	¥ 94,278	¥ (20,632)	¥ —	¥ 176	¥ 710	¥ (1,908)	¥ 72,624
Accrued expenses and other liabilities . . . . .	266,422	(36,549)	83	10,156	29,242	(2,125)	267,229
Net operating loss carryforwards and tax credit carryforwards <sup>1</sup> . .	74,780	41,447	—	14	12,106	(799)	127,548
Other . . . . .	96,712	(5,684)	(64)	1,088	8,862	4,042	104,956
Total . . . . .	<u>532,192</u>	<u>(21,418)</u>	<u>19</u>	<u>11,434</u>	<u>50,920</u>	<u>(790)</u>	<u>572,357</u>
Deferred tax liabilities							
FCC licenses . . . . .	(1,251,761)	(3,174)	—	—	(218,321)	(35,630)	(1,508,886)
Customer relationships . . .	(257,947)	71,746	—	(1,678)	(31,748)	3,389	(216,238)
Trademarks . . . . .	(259,258)	2,599	—	—	(43,232)	1,097	(298,794)
Temporary difference associated with investment in subsidiaries, associates and joint ventures <sup>2</sup> . . . .	(5,875)	(206,518)	(28,649)	—	(58)	(15,330)	(256,430)
Other . . . . .	(108,126)	1,480	29	(3,763)	(8,739)	9,983	(109,136)
Total . . . . .	<u>(1,882,967)</u>	<u>(133,867)</u>	<u>(28,620)</u>	<u>(5,441)</u>	<u>(302,098)</u>	<u>(36,491)</u>	<u>(2,389,484)</u>
Net . . . . .	<u>¥(1,350,775)</u>	<u>¥(155,285)</u>	<u>¥(28,601)</u>	<u>¥ 5,993</u>	<u>¥(251,178)</u>	<u>¥(37,281)</u>	<u>¥(1,817,127)</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 ¥53,046 million for the fiscal year ended March 31, 2015. This is mainly from the recognition of deferred tax assets as of March 31, 2015 related to net operating loss carryforwards of Ymobile Corporation, considering the fact that SoftBank Mobile Corp., SoftBank BB Corp., SoftBank Telecom Corp., and Ymobile Corporation conducted an absorption type merger with SoftBank Mobile Corp. being the surviving company, effective on April 1, 2015.
- The increase in deferred tax liabilities from “Temporary difference associated with investment in subsidiaries, associates, and joint ventures” is mainly due to the recognition of deferred tax liabilities on temporary differences on investment which mainly arose from dilution gain from changes in equity interest and income on equity method investments related to Alibaba. The amount of deferred tax liability recognized as of March 31, 2015 is ¥238,448 million.

For the fiscal year ended March 31, 2016

(Millions of yen)							
	As of March 31, 2015	Recognized in profit or loss	Recognized in other comprehen- sive income	Business combination	Exchange differences	Other	As of March 31, 2016
Deferred tax assets							
Property, plant and equipment	¥ 72,624	¥ 49,136	¥ —	¥ 1,089	¥ (4,047)	¥ 433	¥ 119,235
Accrued expenses and other liabilities	267,229	(51,870)	202	1,765	(7,760)	(1,036)	208,530
Net operating loss carryforwards and tax credit carryforwards <sup>1</sup>	127,548	(43,307)	—	1,230	(5,054)	3	80,420
Other	104,956	(18,291)	8	5	(2,102)	96	84,672
Total	<u>572,357</u>	<u>(64,332)</u>	<u>210</u>	<u>4,089</u>	<u>(18,963)</u>	<u>(504)</u>	<u>492,857</u>
Deferred tax liabilities							
FCC licenses	(1,508,886)	(23,510)	—	—	95,552	—	(1,436,844)
Customer relationships	(216,238)	68,289	—	(18,285)	8,194	—	(158,040)
Trademarks	(298,794)	510	—	(9,759)	18,558	670	(288,815)
Temporary difference associated with investment in subsidiaries, associates and joint ventures <sup>2</sup>	(256,430)	(114,516)	28,478	—	191	(8,154)	(350,431)
Other	(109,136)	(64,822)	(5,048)	(3,596)	6,891	6,684	(169,027)
Total	<u>(2,389,484)</u>	<u>(134,049)</u>	<u>23,430</u>	<u>(31,640)</u>	<u>129,386</u>	<u>(800)</u>	<u>(2,403,157)</u>
Net	<u>¥(1,817,127)</u>	<u>¥(198,381)</u>	<u>¥23,640</u>	<u>¥(27,551)</u>	<u>¥110,423</u>	<u>¥(1,304)</u>	<u>¥(1,910,300)</u>

## Notes:

- The Company recognizes deferred tax assets related to the entities that recorded a loss in either the fiscal year ended March 31, 2015 or 2016, in the amount of ¥10,306 million for the fiscal year ended March 31, 2016. 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 increase in deferred tax liabilities from “Temporary difference associated with investment in subsidiaries, associates and joint ventures” is mainly due to the recognition of deferred tax liabilities on temporary differences on investment which mainly arose from dilution gain from changes in equity interest and income on equity method investments related to Alibaba. The amount of deferred tax liability recognized as of March 31, 2016 is ¥327,343 million.

Deferred tax assets and liabilities in the consolidated statement of financial position are as follows:

(Millions of yen)		
	As of March 31, 2015	As of March 31, 2016
Deferred tax assets	¥ 235,488	¥ 172,864
Deferred tax liabilities	(2,052,615)	(2,083,164)
Net	<u>¥(1,817,127)</u>	<u>¥(1,910,300)</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)	
	As of March 31, 2015	As of March 31, 2016
Deductible temporary differences .....	¥ 180,647	¥ 404,965
Net operating loss carryforwards .....	1,001,667	954,868
Tax credit carryforwards .....	34,850	37,711
Total .....	<u>¥1,217,164</u>	<u>¥1,397,544</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)	
	As of March 31, 2015	As of March 31, 2016
<b>Net operating loss carryforwards (tax basis)</b> .....		
1st year .....	¥ 10,097	¥ 25,096
2nd year .....	19,902	10,421
3rd year .....	15,835	6,198
4th year .....	9,542	10,679
5th year and thereafter and no expiry date .....	946,291	902,474
Total .....	<u>¥1,001,667</u>	<u>¥954,868</u>

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
<b>Tax credit carryforwards (tax basis)</b> .....		
1st year .....	¥ 2,284	¥ 297
2nd year .....	255	8,097
3rd year .....	8,635	1,189
4th year .....	1,268	2,449
5th year and thereafter and no expiry date .....	22,408	25,679
Total .....	<u>¥34,850</u>	<u>¥37,711</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, associates and joint ventures as of March 31, 2016 are ¥2,154,301 million (As of March 31, 2015: ¥600,209 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, 2016 are ¥1,128,346 million (As of March 31, 2015: ¥1,303,644 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 (%) <sup>1</sup>	Maturity <sup>2</sup>
	As of March 31, 2015	As of March 31, 2016		
<b>Current</b>				
Short-term borrowings	¥ 413,846	¥ 515,408	1.76	—
Commercial paper	32,000	42,000	0.07	—
Current portion of long-term borrowings	525,898	743,225	0.93	—
Current portion of corporate bonds <sup>3</sup>	183,557	900,685	4.41	—
Current portion of lease obligations	411,453	396,992	1.96	—
Current portion of preferred securities	200,000	—	—	—
Current portion of installment payables	50,661	48,299	1.84	—
<b>Total</b>	<b>¥1,817,415</b>	<b>¥2,646,609</b>		
<b>Non-current</b>				
Long-term borrowings	2,116,498	1,785,500	1.30	Apr. 2017- Feb. 2026
Corporate bonds <sup>3</sup>	6,825,868	6,611,947	5.02	May 2017- Dec. 2040
Lease obligations	744,911	815,194	2.06	Apr. 2017- Mar. 2026
Installment payables	102,552	63,181	1.83	Apr. 2017- Mar. 2020
<b>Total</b>	<b>¥9,789,829</b>	<b>¥9,275,822</b>		

Notes:

1. Average interest rate represents the weighted average interest rate to the balance as of March 31, 2016.
2. Maturity represents the maturity of the outstanding balance as of March 31, 2016.
3. A summary of the issuance condition of bonds is as follows:

Company name / Name of bond	Date of issuance	Balance of issue amount <sup>4</sup>	As of March 31, 2015 (Millions of yen) <sup>5</sup>	As of March 31, 2016 (Millions of yen) <sup>5</sup>	Interest rate (%)	Date of maturity
SoftBank Group Corp.						
36th Unsecured Straight Bond	Jun. 17, 2011	¥100,000 million	¥ 99,877	¥ 99,982 (99,982)	1.00	Jun. 17, 2016
39th Unsecured Straight Bond	Sep. 24, 2012	¥100,000 million	99,748	99,852	0.74	Sep. 22, 2017
41st Unsecured Straight Bond	Mar. 12, 2013	¥300,000 million	297,818	298,957 (298,957)	1.47	Mar. 10, 2017
42nd Unsecured Straight Bond	Mar. 1, 2013	¥ 70,000 million	69,870	69,938	1.47	Mar. 1, 2017
43rd Unsecured Straight Bond	Jun. 20, 2013	¥400,000 million	396,777	397,795	1.74	Jun. 20, 2018
45th Unsecured Straight Bond	May 30, 2014	¥300,000 million	296,833	297,608	1.45	May 30, 2019
46th Unsecured Straight Bond	Sep. 12, 2014	¥400,000 million	395,472	396,497	1.26	Sep. 12, 2019
47th Unsecured Straight Bond	Jun. 18, 2015	¥100,000 million	—	98,919	1.36	Jun. 18, 2020
48th Unsecured Straight Bond	Dec. 10, 2015	¥370,000 million	—	365,529	2.13	Dec. 9, 2022
USD-denominated Senior Notes due 2020	Apr. 23, 2013	\$ 2,485 million	295,050	277,330	4.50	Apr. 15, 2020
USD-denominated Senior Notes due 2022	Jul. 28, 2015	\$ 1,000 million	—	110,982	5.38	Jul. 30, 2022
USD-denominated Senior Notes due 2025	Jul. 28, 2015	\$ 1,000 million	—	110,921	6.00	Jul. 30, 2025
Euro-denominated Senior Notes due 2020	Apr. 23, 2013	€ 625 million	80,351	78,951	4.63	Apr. 15, 2020
Euro-denominated Senior Notes due 2022	Jul. 28, 2015	€ 500 million	—	62,834	4.00	Jul. 30, 2022
Euro-denominated Senior Notes due 2025	Jul. 28, 2015	€ 1,250 million	—	157,167	4.75	Jul. 30, 2025
Euro-denominated Senior Notes due 2027	Jul. 28, 2015	€ 500 million	—	62,797	5.25	Jul. 30, 2027
1st Unsecured Subordinated Corporate Bond	Dec. 19, 2014	¥400,000 million	392,696	393,792	2.50	Dec. 17, 2021
2nd Unsecured Subordinated Corporate Bond	Feb. 9, 2015	¥450,000 million	441,578	442,811	2.50	Feb. 9, 2022

Company name / Name of bond	Date of issuance	Balance of issue amount <sup>4</sup>	As of	As of	Interest rate (%)	Date of maturity
			March 31, 2015	March 31, 2016		
			(Millions of yen) <sup>5</sup>	(Millions of yen) <sup>5</sup>		
Other	Jun. 2, 2010- Nov. 29, 2013	¥ 70,000 million	139,743 (69,967)	69,824	0.73- 1.69	Jun. 2, 2015- Nov. 27, 2020
Subtotal			3,005,813 (69,967)	3,892,486 (468,877)		
<b>Sprint Corporation</b>						
7.25% Notes due 2021	Sep. 11, 2013	\$ 2,250 million	266,940	250,800	7.25	Sep. 15, 2021
7.875% Notes due 2023	Sep. 11, 2013	\$ 4,250 million	503,926	473,274	7.88	Sep. 15, 2023
7.125% Notes due 2024	Dec. 12, 2013	\$ 2,500 million	296,307	278,258	7.13	Jun. 15, 2024
7.625% Notes due 2025	Feb. 24, 2015	\$ 1,500 million	177,896	166,942	7.63	Feb. 15, 2025
Subtotal			1,245,069	1,169,274		
<b>Sprint Communications, Inc<sup>6</sup></b>						
Export Development Canada Facility (Tranche 2) <sup>7</sup>	Jan. 20, 2011	—	60,085 (60,085)	—	4.08	Dec. 15, 2015
Export Development Canada Facility (Tranche 3) <sup>8</sup>	Dec. 17, 2014	\$ 300 million	35,879	33,677	4.16	Dec. 17, 2019
Export Development Canada Facility (Tranche 4) <sup>8</sup>	Dec. 15, 2015	\$ 250 million	—	28,120 228,186	5.91	Dec. 15, 2017
6% Senior Notes due 2016	Nov. 20, 2006	\$ 2,000 million	247,714	(228,186) 117,175	6.00	Dec. 1, 2016
9.125% Senior Notes due 2017	Mar. 1, 2012	\$ 1,000 million	129,958	(117,175)	9.13	Mar. 1, 2017
8.375% Senior Notes due 2017	Aug. 13, 2009	\$ 1,300 million	167,589	152,808	8.38	Aug. 15, 2017
9% Guaranteed Notes due 2018	Nov. 9, 2011	\$ 3,000 million	403,390	367,908	9.00	Nov. 15, 2018
7% Guaranteed Notes due 2020	Mar. 1, 2012	\$ 1,000 million	127,634	118,404	7.00	Mar. 1, 2020
7% Senior Notes due 2020	Aug. 14, 2012	\$ 1,500 million	186,106	173,618	7.00	Aug. 15, 2020
11.5% Senior Notes due 2021	Nov. 9, 2011	\$ 1,000 million	154,394	140,716	11.50	Nov. 15, 2021
9.25% Debentures due 2022	Apr. 15, 1992	\$ 200 million	28,194	25,979	9.25	Apr. 15, 2022
6% Senior Notes due 2022	Nov. 14, 2012	\$ 2,280 million	270,600	254,072	6.00	Nov. 15, 2022
Subtotal			1,811,543 (60,085)	1,640,663 (345,361)		
<b>Sprint Capital Corporation<sup>6</sup></b>						
6.9% Senior Notes due 2019	May 6, 1999	\$ 1,729 million	212,943	198,603	6.90	May 1, 2019
6.875% Senior Notes due 2028	Nov. 16, 1998	\$ 2,475 million	277,268	260,812	6.88	Nov. 15, 2028
8.75% Senior Notes due 2032	Mar. 14, 2002	\$ 2,000 million	257,052	240,571	8.75	Mar. 15, 2032
Subtotal			747,263	699,986		
<b>Clearwire Communications LLC<sup>6</sup></b>						
14.75% First-Priority Senior Secured Notes due 2016 <sup>9</sup>	Jan. 27, 2012	\$ 300 million	42,785 80,338	36,374 (36,374) 73,749	14.75	Dec. 1, 2016
8.25% Exchangeable Notes due 2040	Dec. 8, 2010	\$ 629 million	(53,402)	(50,073)	8.25	Dec. 1, 2040
Subtotal			123,123 (53,402)	110,123 (86,447)		
<b>Brightstar Corp.</b>						
9.50% senior notes due 2016 <sup>10</sup>	Nov. 30, 2010	—	44,828	—	9.50	Dec. 1, 2016
7.25% senior notes due 2018 <sup>10</sup>	Jul. 26, 2013	—	31,583	—	7.25	Aug. 1, 2018
Subtotal			76,411	—		
<b>Other companies</b>						
Straight Bond	May 25, 2012	¥ 100 million	200 (100)	100	0.60- 0.70	May 25, 2015- May 25, 2017
USD-denominated straight Bond <sup>9</sup>	May 31, 1999	—	3 (3)	—	6.99	Apr. 1, 2015
Subtotal			203 (103)	100		
<b>Total</b>			<b>¥7,009,425 (183,557)</b>	<b>¥7,512,632 (900,685)</b>		

Notes:

4. Balance of issue amount is as of March 31, 2016.
5. Figures in parentheses as of March 31, 2015 and March 31, 2016 represent the current portion.
6. Sprint Communications, Inc., Sprint Capital Corporation and Clearwire Communications LLC are Sprint Corporation's subsidiaries.
7. The interest rates are variable interest rates, and the above interest rates represent the rates at the time of redemption.
8. The interest rates are variable interest rates, and the above interest rates represent the rates as of March 31, 2016.

9. Collateral is pledged against these bonds. The details are described in “(4) Assets pledged as collateral.”
10. The notes were redeemed early on December 11, 2015.

## (2) Financial covenants

### a. Financial covenants on interest-bearing debts of SoftBank Group Corp.

SoftBank Group Corp.’s interest-bearing debt includes financial covenants and the major financial covenants are as follows:

- (a) The amount of SoftBank Group Corp.’s net assets at the end of the fiscal year must not fall below 75% of SoftBank Group Corp.’s net assets at the end of the previous year.
- (b) The consolidated statement of financial position of the Company at the end of the fiscal year must not show a net capital deficiency. The statement of financial position of SoftBank 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 cash equivalents and the fair value of particular listed shares held by SoftBank Group Corp. exceed certain amounts, respectively.

#### Notes:

1. Adjusted net interest-bearing debts:  
Amounts deducting cash and cash equivalents from interest-bearing debts in the consolidated statement of financial position. Certain adjustments are made such as excluding certain listed subsidiaries such as Sprint from the subject.
2. Leverage ratio:  
Adjusted net interest-bearing debt / adjusted EBITDA<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 6.25 as of March 31, 2016.

#### 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. As of March 31, 2016, the amount of the received cash is recognized as short-term borrowings of ¥149,050 million (As of March 31, 2015: ¥198,450 million) 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 March 31, 2015	As of March 31, 2016
Cash and cash equivalents .....	¥ 327	¥ 496
Trade and other receivables .....	13,765	9,248
Other financial assets (current)* .....	221	31,131
Inventories .....	5,214	2,704
Property, plant and equipment .....	65,738	238,127
Total .....	<u>¥85,265</u>	<u>¥281,706</u>

Liabilities related to these assets pledged as collateral are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Trade and other payables* .....	¥ —	¥ 21,623
Interest-bearing debt		
Short-term borrowings .....	7,454	6,695
Current portion of long-term borrowings .....	31,738	82,031
Current portion of corporate bonds .....	4	—
Long-term borrowings .....	41,585	80,082
Total .....	<u>¥80,781</u>	<u>¥190,431</u>

Note:

\* These are trade payables for Brightstar; “Derivative deposits” included in “Other financial assets (current)” is pledged as collateral.

Other than the above, as of March 31, 2016, approximately \$13.6 billion (before consolidation adjustments) (As of March 31, 2015: \$14.0 billion) of the assets of our subsidiary, Clearwire Communications LLC, is pledged as collateral for the \$0.3 billion (For the fiscal year ended March 31, 2015: \$0.3 billion) corporate bond issued by Clearwire Communications LLC.

Also, as of March 31, 2016, approximately \$2.8 billion (before consolidation adjustments) (For the fiscal year ended March 31, 2015: \$2.9 billion) of the assets of Brightstar is pledged as collateral for the \$0.7 billion (As of March 31, 2015: \$0.3 billion) borrowing.

(5) Assets with limited property rights

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

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Property, plant and equipment .....	¥131,452	¥109,602
Intangible assets .....	43,761	35,286
Other non-current assets .....	124	69
Total .....	<u>¥175,337</u>	<u>¥144,957</u>

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

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Interest-bearing debt		
Current portion of installment payables .....	¥ 50,320	¥ 41,538
Installment payables .....	102,552	60,963
Total .....	<u>¥152,872</u>	<u>¥102,501</u>

Other than above, the lessor retains the property rights of leased assets in finance lease obligations. 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 in short-term interest-bearing debt, net

The components of “Increase in short-term interest-bearing debt, net” in the consolidated statement of cash flows are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net increase of short-term borrowings .....	¥108,541	¥118,135
Net increase of commercial paper .....	—	10,000
Total .....	<u>¥108,541</u>	<u>¥128,135</u>

(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 March 31, 2015	Fiscal year ended March 31, 2016
Proceeds from long-term borrowings .....	¥ 443,726	¥ 557,072
Proceeds from issuance of corporate bonds .....	1,763,657	1,053,258
Proceeds from sale-leaseback of newly acquired equipment .....	508,118	519,353
Total .....	<u>¥2,715,501</u>	<u>¥2,129,683</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 March 31, 2015	Fiscal year ended March 31, 2016
Repayment of long-term borrowings .....	¥(459,852)	¥ (684,397)
Redemption of corporate bonds .....	(170,181)	(203,281)
Payment of lease obligations .....	(306,156)	(468,061)
Redemption of preferred securities .....	—	(200,000)
Payment of installment payables .....	(48,594)	(49,029)
Total .....	<u>¥(984,783)</u>	<u>¥(1,604,768)</u>

## 20. Trade and other payables

The components of trade and other payables are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Operating payables .....	¥1,740,403	¥1,492,481
Other .....	123,077	128,714
Total .....	<u>¥1,863,480</u>	<u>¥1,621,195</u>

## 21. Other financial liabilities

The components of other financial liabilities are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Current		
Derivative financial liabilities .....	¥12,917	¥ 4,449
Other .....	—	2,082
Total .....	<u>¥12,917</u>	<u>¥ 6,531</u>
Non-current		
Long-term payables .....	15,238	4,418
Derivative financial liabilities .....	—	71,677
Other .....	<u>11,904</u>	<u>19,569</u>
Total .....	<u>¥27,142</u>	<u>¥95,664</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 March 31, 2015	As of March 31, 2016
Current		
Unearned income .....	¥158,509	¥160,433
Short-term accrued employee benefits .....	141,580	129,006
Accrued interest expense .....	83,461	84,761
Consumption tax payable and other .....	143,405	118,070
Deferred revenue .....	128,354	134,696
Withholding tax payable .....	16,569	1,264
Other .....	<u>67,623</u>	<u>66,735</u>
Total .....	<u>¥739,501</u>	<u>¥694,965</u>
Non-current		
Unfavorable lease contracts .....	124,551	93,618
Deferred revenue .....	132,331	125,778
Other .....	<u>98,051</u>	<u>119,469</u>
Total .....	<u>¥354,933</u>	<u>¥338,865</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.



## 23. 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, 2015	¥103,019	¥ 43,683	¥23,357	¥19,275	¥21,369	¥210,703
Recognition of provisions	5,687	18,330	—	2,340	5,999	32,356
Interest due to passage of time	9,210	2,563	—	—	666	12,439
Used	(15,684)	(15,465)	(3,076)	(4,932)	(6,478)	(45,635)
Reversal of provisions	—	(6,811)	—	—	(52)	(6,863)
Change in estimate on discount rates <sup>1</sup>	(21,979)	(2,941)	—	—	(1,053)	(25,973)
Exchange differences	(2,989)	(2,359)	—	—	(1,294)	(6,642)
Other	4,611	0	—	—	—	4,611
As of March 31, 2016	<u>81,875</u>	<u>37,000</u>	<u>20,281</u>	<u>16,683</u>	<u>19,157</u>	<u>174,996</u>
Current liabilities	15,166	19,019	3,067	4,920	13,948	56,120
Non-current liabilities	66,709	17,981	17,214	11,763	5,209	118,876
Total	<u>¥ 81,875</u>	<u>¥ 37,000</u>	<u>¥20,281</u>	<u>¥16,683</u>	<u>¥19,157</u>	<u>¥174,996</u>

Note:

1. Sprint reflected current market assessment of specific risk in the estimate of discount rate. As a result, the discount rate in Sprint increased for the year ended March 31, 2016. With this change, the amount of “Provisions” and “Property, plant and equipment” in the consolidated statement of financial position as of March 31, 2016 decreased by ¥25,973 million and ¥16,260 million respectively. Also, the amount of “Cost of sales” in the consolidated statement of income for the year ended March 31, 2016 decreased by ¥5,719 million and “Other operating loss” increased by ¥3,944 million.

### 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<sup>2</sup> access provision.

#### (Network shutdown provision)

The network shutdown provision resulted from Sprint recognizing lease exit costs mainly related to the shutdown of the Nextel and Clearwire platform. 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 December 31, 2017. The amount and timing of these costs are estimates based upon current network plans which are subject to modifications.

Note:

- <sup>2</sup> 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

SoftBank 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.

**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 is as follows:

	(Millions of yen)	
	<u>Fiscal year ended March 31, 2015</u>	<u>Fiscal year ended March 31, 2016</u>
Retirement benefit cost of defined contribution plans . . . . .	<u>¥10,878</u>	<u>¥10,678</u>

(2) Defined benefit plans

(Japan)

SoftBank Corp. has frozen its defined benefit lump-sum plans since March 2007 and 2006.

All the employees who worked at SoftBank Corp. at the time when the defined benefit lump-sum plans were frozen are eligible for the frozen defined benefit lump-sum plans.

SoftBank Corp. is 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, 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

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 is recognized within "Other operating loss" in the consolidated statement of income.

For the fiscal year ended March 31, 2016

	(Millions of yen)		
	Japan	U.S.	Total
Defined benefit liabilities, net			
As of April 1, 2015	¥13,667	¥ 114,615	¥ 128,282
Changes in the present value of defined benefit obligations:			
As of April 1, 2015	13,667	275,461	289,128
Business combination	2,024	—	2,024
Service cost	351	33	384
Interest cost	112	11,269	11,381
Remeasurements:			
Actuarial losses arising from changes in demographic assumptions	2	(7,405)	(7,403)
Actuarial losses arising from changes in financial assumptions	698	(3,872)	(3,174)
Experience adjustments	3	1,238	1,241
Benefits paid	(1,071)	(9,647)	(10,718)
Exchange differences	—	(17,098)	(17,098)
Other	(185)	(1,070)	(1,255)
As of March 31, 2016	15,601	248,909	264,510
Changes in the fair value of plan assets:			
As of April 1, 2015	—	(160,846)	(160,846)
Interest income	—	(6,597)	(6,597)
Remeasurements:			
Return on plan assets	—	9,196	9,196
Benefits paid	—	8,411	8,411
Employer contributions	—	(743)	(743)
Exchange differences	—	9,828	9,828
As of March 31, 2016	—	(140,751)	(140,751)
Defined benefit liabilities, net			
As of March 31, 2016	¥15,601	¥ 108,158	¥ 123,759

b. Fair value of plan assets

Fair value of plan assets is as follows:

As of March 31, 2015

(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	¥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	¥76,300	¥84,546	¥160,846

As of March 31, 2016

(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 .....	¥24,020	¥12,287	¥ 36,307
International equities (other than U.S.) .....	10,598	10,897	21,495
Fixed income investments .....	—	45,224	45,224
Real estate investments .....	—	15,737	15,737
Other .....	8,287	13,701	21,988
Total .....	<u>¥42,905</u>	<u>¥97,846</u>	<u>¥140,751</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, 2016 (7.75% as of March 31, 2015). 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 March 31, 2015	As of March 31, 2016
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 March 31, 2015		As of March 31, 2016	
	Japan	U.S.	Japan	U.S.
Discount rate (%) .....	0.8	4.2	0.2	4.3

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, 2015

	Changes in rate	Effect on defined benefit obligations		
		Japan	U.S.	Total
Discount rate	0.5% increase	Decrease of ¥632 million	Decrease of ¥19,948 million	Decrease of ¥20,580 million
	0.5% decrease	Increase of ¥669 million	Increase of ¥22,712 million	Increase of ¥23,381 million

As of March 31, 2016

	Changes in rate	Effect on defined benefit obligations		
		Japan	U.S.	Total
Discount rate	0.5% increase	Decrease of ¥604 million	Decrease of ¥16,902 million	Decrease of ¥17,506 million
	0.5% decrease	Increase of ¥648 million	Increase of ¥19,944 million	Increase of ¥20,592 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. The amount to be contributed to the plan for the year ending March 31, 2017 is expected to be ¥5,668 million.

(b) Maturity analysis of the defined benefit obligation

(Japan)

As of March 31, 2016, the weighted average duration of the defined benefit obligation is 9.5 years.

(U.S.)

As of March 31, 2016, the weighted average duration of the defined benefit obligation is 15.7 years.

## 25. Financial instruments

(1) Capital management

Our policy is to realize and maintain optimum capital composition to maintain 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)	
	As of March 31, 2015	As of March 31, 2016
Equity capital	¥2,846,306	¥2,613,613
Equity capital ratio (%)	13.5	12.6

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, Indian Rupee, and Euro.

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)	
	As of March 31, 2015	As of March 31, 2016
Net exposure affecting income before income tax . . . . .	¥81,604	¥86,102
[in asset (liability) position]		
Net exposure affecting other comprehensive income . . . . .	26,083	83,466
[in asset (liability) position]		

Indian Rupee

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Net exposure affecting income before income tax . . . . .	¥89,918	¥214,290
[in asset (liability) position]		

Other than the tables presented above, major exposure to foreign exchange risk on subsidiaries whose functional currency are other than Japanese yen is as follows:

U.S. Dollar (Functional currency: Euro)

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Net exposure affecting income before income tax . . . . .	¥21,896	¥37,451
[in asset (liability) position]		
Net exposure affecting other comprehensive income . . . . .	23,106	19,859
[in asset (liability) position]		

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 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 29. Foreign exchange rates.”

U.S. Dollar

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Decrease in income before income tax . . . . .	¥(816)	¥(861)
Decrease in other comprehensive income before tax effect . . . . .	(261)	(835)

Indian Rupee

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Decrease in income before income tax . . . . .	¥(899)	¥(2,143)

The table below presents the effect of a 1% appreciation of the Euro against the U.S. dollar on income before income tax and other comprehensive income (before tax effect).

U.S. Dollar

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Decrease in income before income tax . . . . .	¥(219)	¥(375)
Decrease in other comprehensive income before tax effect . . . . .	(231)	(199)

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 follows:

Foreign exchange contracts to which hedge accounting is applied

	(Millions of yen)			
	As of March 31, 2015		As of March 31, 2016	
	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 . . . . .	¥ —	¥ —	¥ 571	¥ (38)
	(—)		(—)	
Currency swap contracts . . . . .	324,382	55,748	877,373	(40,306)
	(324,382)		(877,373)	
Total . . . . .	¥ 324,382	¥55,748	¥ 877,944	¥(40,344)
	(324,382)		(877,373)	

The above foreign exchange contracts are designated as cash flow hedges.

Foreign exchange contracts to which hedge accounting is not applied

	(Millions of yen)			
	As of March 31, 2015		As of March 31, 2016	
	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 . . . . .	¥ 130,618	¥(2,395)	¥273,476	¥ 9,445
	(—)		(—)	
Currency swap contracts . . . . .	20,150	69	15,430	159
	(—)		(—)	
Foreign exchange margin transactions* . . . . .	962,604	6,817	581,379	17,113
	(—)		(—)	
Total . . . . .	¥1,113,372	¥ 4,491	¥870,285	¥26,717
	(—)		(—)	

Note:

\* Foreign exchange margin transactions are operated by 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)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Decrease in other comprehensive income before tax effect . . . . .	¥(4,673)	¥(7,381)

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 March 31, 2015		As of March 31, 2016	
	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 . . . . .	¥ 99,933	¥1,144	¥ 40,512	¥2,424
	(99,933)		(11,082)	

(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)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Increase (decrease) in income before income tax . . . . .	¥(26,018)	¥(25,788)

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 March 31, 2015		As of March 31, 2016	
	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 (10,000)	¥(67)	¥ 10,500 (10,500)	¥(75)

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. Contingency (1) Lending commitments and (2) Credit guarantee."

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, 2015 and 2016.

## (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, 2015

	(Millions of yen)						Total
	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 . . . . .	¥1,717,328	¥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>	2,251,750
Allowance for doubtful accounts . . . . .							(58,873)
Total . . . . .							<u>¥2,192,877</u>

As of March 31, 2016

	(Millions of yen)						Total
	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 . . . . .	¥1,780,714	¥116,450	¥21,484	¥14,427	¥10,180	¥13,666	¥1,956,921
Other financial assets . . . . .	298,838	2,288	823	1,562	1,973	660	306,144
Total . . . . .	<u>¥2,079,552</u>	<u>¥118,738</u>	<u>¥22,307</u>	<u>¥15,989</u>	<u>¥12,153</u>	<u>¥14,326</u>	2,263,065
Allowance for doubtful accounts . . . . .							(45,262)
Total . . . . .							<u>¥2,217,803</u>

## (b) Individually impaired financial assets

Individually impaired financial assets are as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Trade and other receivables . . . . .	¥ 9,377	¥ 3,174
Other financial assets . . . . .	16,093	32,588
Allowance for doubtful accounts . . . . .	(23,312)	(34,882)
Total . . . . .	<u>¥ 2,158</u>	<u>¥ 880</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 and loans.

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Balance at the beginning of the period . . . . .	¥ 50,486	¥ 82,185
Provisions . . . . .	115,120	86,056
Utilized . . . . .	(91,037)	(85,771)
Other . . . . .	7,616	(2,326)
Balance at the end of the period . . . . .	<u>¥ 82,185</u>	<u>¥ 80,144</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)	
	As of March 31, 2015	As of March 31, 2016
Credit facilities .....	¥3,218,963	¥3,035,457
Drawn .....	2,373,383	2,255,182
Undrawn .....	¥ 845,580	¥ 780,275

Note:

Certain commitments above contain financial covenants. Please see “(2) Financial covenants” in “Note 19. 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 arising from derivative transactions are shown on a net basis.

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 to 4 years	4 years to 5 years	Over 5 years
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	506,064	444,285	459,183	256,383
Corporate bonds								
(including current portion) .....	7,009,425	6,867,718	183,591	908,621	276,321	790,553	1,064,044	3,644,588
Lease obligations .....	1,156,364	1,156,364	411,453	285,712	227,885	159,709	60,779	10,826
Preferred securities .....	200,000	200,000	200,000	—	—	—	—	—
Installment payables .....	153,213	153,346	50,748	41,593	36,641	16,130	8,234	—
Trade and other payables .....	1,863,480	1,863,480	1,855,455	2,534	2,793	808	759	1,131
Other financial liabilities .....	27,142	27,142	—	13,873	1,264	868	112	11,025
Total .....	13,497,866	13,388,723	3,674,665	1,733,673	1,050,968	1,412,353	1,593,111	3,923,953
Derivative financial liabilities								
Other financial liabilities								
Foreign exchange contracts* .....	12,850	12,850	12,850	—	—	—	—	—
Interest rate swaps contracts .....	67	67	67	—	—	—	—	—
Total .....	¥ 12,917	¥ 12,917	¥ 12,917	¥ —	¥ —	¥ —	¥ —	—

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.



As of March 31, 2016

	(Millions of yen)							
	Carrying amount	Contractual cash flows	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	Over 5 years
Non-derivative financial liabilities								
Interest-bearing debt								
Short-term borrowings . . . . .	¥ 515,408	¥ 517,573	¥ 517,573	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper . . . . .	42,000	42,000	42,000	—	—	—	—	—
Long-term borrowings (including current portion) . . .	2,528,725	2,553,233	744,977	608,689	461,394	470,216	264,730	3,227
Corporate bonds (including current portion) . . .	7,512,632	7,482,796	891,917	294,754	738,040	1,041,354	643,402	3,873,329
Lease obligations . . . . .	1,212,186	1,212,186	396,992	331,509	254,849	157,628	65,813	5,395
Installment payables . . . . .	111,480	112,110	48,925	38,845	16,116	8,224	—	—
Trade and other payables . . . . .	1,621,195	1,621,195	1,612,100	3,230	1,936	1,973	168	1,788
Other financial liabilities . . . . .	26,069	26,069	2,083	2,840	3,533	1,459	1,264	14,890
<b>Total . . . . .</b>	<b>13,569,695</b>	<b>13,567,162</b>	<b>4,256,567</b>	<b>1,279,867</b>	<b>1,475,868</b>	<b>1,680,854</b>	<b>975,377</b>	<b>3,898,629</b>
Derivative financial liabilities								
Other financial liabilities								
Foreign exchange contracts* . . . .	76,051	76,051	(1,286)	(5,475)	(5,118)	(4,706)	(2,468)	95,104
Interest rate swaps contracts . . . .	75	75	—	69	—	—	6	—
<b>Total . . . . .</b>	<b>¥ 76,126</b>	<b>¥ 76,126</b>	<b>¥ (1,286)</b>	<b>¥ (5,406)</b>	<b>¥ (5,118)</b>	<b>¥ (4,706)</b>	<b>¥ (2,462)</b>	<b>¥ 95,104</b>

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. Contingency (1) Lending commitments.”

Average interest rates of the interest-bearing debts are described in “(1) Component 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 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
<b>Total . . . . .</b>	<b>¥223,908</b>	<b>¥55,748</b>	<b>¥ 219,054</b>	<b>¥ 20,003</b>	<b>¥2,236,466</b>	<b>¥2,755,179</b>

	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>

Note:

\* Among the financial assets at FVTPL, the amount of financial assets designated as financial assets at fair value through profit or loss is ¥147,673 million.

As of March 31, 2016

(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 . . . . .	¥ —	¥ —	¥ —	¥ —	¥1,914,789	¥1,914,789
Other financial assets . . . . .	37,136	—	23,487	100	92,135	152,858
Non-current assets						
Other financial assets . . . . .	<u>308,493</u>	<u>31,297</u>	<u>344,299</u>	<u>—</u>	<u>286,785</u>	<u>970,874</u>
Total . . . . .	<u>¥345,629</u>	<u>¥31,297</u>	<u>¥ 367,786</u>	<u>¥ 100</u>	<u>¥2,293,709</u>	<u>¥3,038,521</u>

	Financial liabilities at FVTPL	Derivatives designated as hedges	Financial liabilities at amortized cost	Total
Financial liabilities				
Current liabilities				
Interest-bearing debt . . . . .	¥ —	¥ —	¥ 2,646,609	¥ 2,646,609
Trade and other payables . . . . .	—	—	1,621,195	1,621,195
Other financial liabilities . . . . .	4,410	39	2,082	6,531
Non-current liabilities				
Interest-bearing debt . . . . .	—	—	9,275,822	9,275,822
Other financial liabilities . . . . .	—	71,677	23,987	95,664
Total . . . . .	<u>¥ 4,410</u>	<u>¥71,716</u>	<u>¥13,569,695</u>	<u>¥13,645,821</u>

Note:

\* Among the financial assets at FVTPL, the amount of financial assets designated as financial assets at fair value through profit or loss is ¥306,070 million.

## 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 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, 2015 and 2016.

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, 2015

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Equity securities .....	¥46,729	¥ —	¥242,754*	¥289,483
Bonds .....	—	14,542	3,258	17,800
<b>Derivative financial assets</b>				
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>
<b>Financial liabilities</b>				
<b>Derivative financial liabilities</b>				
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>

As of March 31, 2016

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Equity securities . . . . .	¥73,807	¥ —	¥549,480*	¥623,287
Bonds . . . . .	—	8,273	1,548	9,821
<b>Derivative financial assets</b>				
Foreign exchange contracts . . . . .	—	62,424	—	62,424
Stock acquisition rights . . . . .	—	—	2,424	2,424
Other . . . . .	—	27,736	19,020	46,756
<b>Total</b> . . . . .	<u>73,807</u>	<u>98,433</u>	<u>572,472</u>	<u>744,712</u>
<b>Financial liabilities</b>				
<b>Derivative financial liabilities</b>				
Foreign exchange contracts . . . . .	—	76,051	—	76,051
Interest rate swap contracts . . . . .	—	75	—	75
<b>Total</b> . . . . .	<u>¥ —</u>	<u>¥76,126</u>	<u>¥ —</u>	<u>¥ 76,126</u>

Note:

\* Preferred stock investments in associates not applying the equity method totaling ¥146,926 million and ¥290,340 million are included as of March 31, 2015 and 2016, respectively, 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

<u>Valuation techniques</u>	<u>Unobservable inputs</u>	<u>Ranges of unobservable inputs</u>	
		<u>As of March 31, 2015</u>	<u>As of March 31, 2016</u>
Price of recent investment . . . . .	Discount for lack of marketability	—	10.0% – 45.0%
	Control premium	—	5.0% – 10.0%
Discounted cash flow . . . . .	Cost of capital	15.0%	16.9%
	Perpetual growth rate	3.5%	5.2%
	Discount for lack of marketability	—	15.0%
	Discount for non-control interest	—	17.0%

b. Sensitivity Analysis

Of the above unobservable inputs, perpetual growth rate and control premium have a positive correlation with the fair value of equity securities, whereas cost of capital, discount for non-control interest, and discount for lack of marketability have 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, 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 to level 1 due to listing	(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>

For the fiscal year ended March 31, 2016

	(Millions of yen)			
	Equity securities	Bonds	Derivative financial assets	Other
As of April 1, 2015	¥242,754	¥ 3,258	¥1,144	¥12,528
Gains or losses				
Net income	89,308	(7,528)	1,704	—
Other comprehensive income	(18,629)	(314)	—	859
Purchases	247,508	1,292	363	6,271
Sales	(11,361)	(500)	—	(1,739)
Transfers to level 1 due to listing	(8,206)	—	—	—
Transfers to Level 3*	17,067	6,812	—	—
Other	(8,961)	(1,472)	(787)	1,101
As of March 31, 2016	<u>¥549,480</u>	<u>¥ 1,548</u>	<u>¥2,424</u>	<u>¥19,020</u>
Gains or losses recognized in net income on financial instruments held at March 31, 2016	<u>¥ 85,536</u>	<u>¥(7,786)</u>	<u>¥1,704</u>	<u>¥ —</u>

Note

\* Equity securities are transferred from level 1 to level 3 and bonds are transferred from level 2 to level 3 since it became difficult to obtain their observable inputs. Also, impairment losses for these equity securities and bonds are recognized after transferred to level 3. The details are described in Note 2 in "Note 38. Other non-operating income and loss."

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)			
	As of March 31, 2015		As of March 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-current				
Interest-bearing debt				
Long-term borrowings . . . . .	¥2,116,498	¥2,160,920	¥1,785,500	¥1,797,632
Corporate bonds . . . . .	6,825,868	6,862,785	6,611,947	6,099,330
Lease obligations . . . . .	744,911	748,068	815,194	817,057
Installment payables . . . . .	102,552	102,673	63,181	64,280
Total . . . . .	<u>¥9,789,829</u>	<u>¥9,874,446</u>	<u>¥9,275,822</u>	<u>¥8,778,299</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. 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.

**27. Transfers of financial assets**

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

The major securitization transactions involve the securitization of receivables related to wireless service charges due from subscribers and installment receivables recognized from mobile handsets sales business. For each transaction, the Company transferred receivables to financial institutions and acquired cash and subordinate interest in the transferred receivables for financing purpose. The Receivables sold are not



derecognized because in each transaction, the Company retains subordinate interest and therefore substantially retains all risks and rewards of ownership of the transferred assets. Cash received from transferring the receivables are included in “Interest-bearing debt” under current liabilities and non-current liabilities.

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

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Carrying amount of transferred assets .....	¥ 751,468	¥ 857,186
Carrying amount of related liabilities .....	(515,839)	(624,563)
 (Fair value of financial assets and financial liabilities where related liabilities have recourse only to the transferred assets)		
Fair value of transferred assets .....	¥ 751,468	¥ 857,186
Fair value of related liabilities .....	(515,270)	(624,096)
Net position .....	<u>¥ 236,198</u>	<u>¥ 233,090</u>

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

## 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.

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, 2015

	(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
<b>Financial assets</b>					
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>

	(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
<b>Financial liabilities</b>					
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>

As of March 31, 2016

(Millions of yen)					
<b>Financial assets</b>	<b>Gross amount of financial assets</b>	<b>Gross amount of financial liabilities offset against financial assets</b>	<b>Net amount of financial assets presented in the statement of financial position</b>	<b>Amount not offset in the statement of financial position</b>	<b>Net amount</b>
Trade and other receivables . . . . .	¥114,777	¥(77,751)	¥37,026	¥(22,550)	¥14,476
Other financial assets . . . . .	39,089	—	39,089	(36,094)	2,995
Total . . . . .	<u>¥153,866</u>	<u>¥(77,751)</u>	<u>¥76,115</u>	<u>¥(58,644)</u>	<u>¥17,471</u>

(Millions of yen)					
<b>Financial liabilities</b>	<b>Gross amount of financial liabilities</b>	<b>Gross amount of financial assets offset against financial liabilities</b>	<b>Net amount of financial liabilities presented in the statement of financial position</b>	<b>Amount not offset in the statement of financial position</b>	<b>Net amount</b>
Trade and other payables . . . . .	¥173,966	¥(77,751)	¥ 96,215	¥(22,418)	¥ 73,797
Other financial liabilities . . . . .	71,243	—	71,243	(36,227)	35,016
Total . . . . .	<u>¥245,209</u>	<u>¥(77,751)</u>	<u>¥167,458</u>	<u>¥(58,645)</u>	<u>¥108,813</u>

## 29. 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)		
	<u>As of March 31, 2015</u>	<u>As of March 31, 2016</u>
U.S. dollars . . . . .	¥120.17	¥112.68

### (2) Average rate for the quarter

For the fiscal year ended March 31, 2015

(Yen)				
	<u>Three months ended June 30, 2014</u>	<u>Three months ended September 30, 2014</u>	<u>Three months ended December 31, 2014</u>	<u>Three months ended March 31, 2015</u>
U.S. dollars . . .	¥102.14	¥104.35	¥114.39	¥119.56

For the fiscal year ended March 31, 2016

(Yen)				
	<u>Three months ended June 30, 2015</u>	<u>Three months ended September 30, 2015</u>	<u>Three months ended December 31, 2015</u>	<u>Three months ended March 31, 2016</u>
U.S. dollars . . .	¥121.34	¥121.91	¥121.07	¥116.95

### (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 and against the Chinese yuan, which are the main foreign currency of the Company, regarding the translation of assets, liabilities, and interests in net assets in foreign operations into presentation currency, assuming that all other factors are constant.

Impact of exchange differences on translating foreign operations (decrease in equity)

(Millions of yen)		
	<u>Fiscal year ended March 31, 2015</u>	<u>Fiscal year ended March 31, 2016</u>
U.S. dollar . . . . .	¥(27,108)	¥(28,673)
Chinese yuan . . . . .	(8,698)	(12,016)

### 30. Equity

#### (1) Common stock

##### a. Shares authorized

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

	(Thousands of shares)	
	March 31, 2015	March 31, 2016
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 March 31, 2015	Fiscal year ended March 31, 2016
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:

1. Shares issued by the Company are common stocks with no par value.
2. 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, 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 came to own 100% of the equity interest of Brightstar Global Group Inc. In connection with this transaction, ¥30,509 million is deducted from capital surplus as “Changes in interests in subsidiaries.”

For the fiscal year ended March 31, 2016

The Company acquired an additional 24.1% shares of Supercell, a subsidiary of the Company, from existing shareholders and the Company’s ownership in Supercell became 77.8%. In connection with this transaction, ¥120,847 million 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 of 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 March 31, 2015	Fiscal year ended March 31, 2016
Balance at the beginning of the year	12,205	11,463
Increase during the year	6	42,873
Decrease during the year	(748)	(576)
Balance at the end of the year	<u>11,463</u>	<u>53,760</u>

Note:

The number of treasury stock acquired based on the approval of board of directors' meeting for the fiscal year ended March 31, 2016 was 42,867 thousand shares and total acquisition cost was ¥269,173 million.

#### (5) Accumulated other comprehensive income

The changes in the accumulated other comprehensive income are as follows:

	(Millions of yen)				
	Remeasurements of defined benefit plan	Available-for-sale financial assets	Cash flow hedges	Exchange differences on translating foreign operations	Total
As of April 1, 2014	¥ —	¥14,122	¥(19,942)	¥ 175,670	¥ 169,850
Other comprehensive income (Attributable 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>
Other comprehensive income (Attributable to owners of the parent)	342	18,070	(32,743)	(263,977)	(278,308)
Transfer to retained earnings	(342)	—	—	—	(342)
As of March 31, 2016	<u>¥ —</u>	<u>¥32,594</u>	<u>¥(40,088)</u>	<u>¥ 269,230</u>	<u>¥ 261,736</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 39. Other comprehensive income and loss."

### 31. Dividends

In accordance with the Companies Act, SoftBank Group Corp. has prescribed in its articles of incorporation that semiannual interim dividends may be paid once a year upon resolution by the Board of Directors.

Dividends paid are as follows:

For the fiscal year ended March 31, 2015

Resolution	Class of shares	Dividends		Record date	Effective date
		per share (Yen)	Total dividends (Millions of yen)		
Shareholders' meeting held on June 20, 2014	Common stock	¥20	¥23,769	March 31, 2014	June 23, 2014
Board of directors' meeting held on October 23, 2014	Common stock	20	23,778	September 30, 2014	December 15, 2014

For the fiscal year ended March 31, 2016

Resolution	Class of shares	Dividends	Total dividends	Record date	Effective date
		per share (Yen)	(Millions of yen)		
Shareholders' meeting held on June 19, 2015	Common stock	¥20	¥23,784	March 31, 2015	June 22, 2015
Board of directors' meeting held on October 22, 2015	Common stock	20	23,477	September 30, 2015	December 14, 2015

Dividends which will become effective during the fiscal year ending March 31, 2017 are as follows:

Resolution	Class of shares	Dividends	Total dividends	Record date	Effective date
		per share (Yen)	(Millions of yen)		
Shareholders' meeting held on June 22, 2016	Common stock	¥21	¥24,085	March 31, 2016	June 23, 2016

### 32. 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)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Equity-settled	¥13,073	¥15,979
Cash-settled	2,861	6,900
Total	¥15,934	¥22,879

Liability arising from share-based payment

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Liability arising from share-based payment	¥2,861	¥9,151
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 and cash-settled share-based payment. The details of the Company's stock option plan for the years ended March 31, 2015 and 2016 are as follows:

(a) SoftBank Group Corp.

SoftBank Group Corp. grants stock options to its directors and employees. Shares granted by the exercise of stock options are those issued by SoftBank Group 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 condition

A person entitled to the vested stock acquisition rights (“entitled person”) is able to exercise these rights only when all the following conditions are satisfied:

- a. 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 Group Corp. based on Financial Instruments and Exchange Act exceed ¥1 trillion;
- b. net interest-bearing debt in the consolidated balance sheet for the year ended March 2012 in the Annual Securities Report filed by SoftBank Group Corp. based on Financial Instruments and Exchange Act is less than ¥0.97 trillion; and,
- c. 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 Group Corp. based on Financial Instruments and Exchange Act exceeds ¥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.

- a. from July 1, 2012 to June 30, 2013: 25% of the allocated amount of stock acquisition rights
- b. 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
- c. 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
- d. 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 ended March 2016 in the Annual Securities Report to be filed by SoftBank Group Corp. based on Financial Instruments and Exchange Act in June 2016 (“target index”) exceeds ¥1.2 trillion (“target amount”). SoftBank Group Corp. may change the target index or target amount within a reasonable range due to changes in accounting policies or other factors 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.

- a. from July 1, 2016 to June 30, 2017: 25% of the allocated amount of stock acquisition rights
- b. 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
- c. 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.

<u>Year issued / Name</u>	<u>Grant date</u>	<u>Due date for exercise</u>
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 May 31, 2015	From July 9, 2017 to May 31, 2025
2015 Omnibus Incentive Plan . . . . .	From August 25, 2015 to February 3, 2016	From August 25, 2025 to February 3, 2026

Note:

Vesting condition

Generally, stock options vest when service 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.

<u>Year issued / Name</u>	<u>Grant date</u>	<u>Due date for exercise</u>
Supercell Oy Share option program . . . . .	From March 31, 2011 to April 1, 2014	From September 17, 2014 to March 31, 2021

Note:

Vesting condition

Stock options vest when service 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 as equity-settled share-based payment and cash-settled share-based payment to its directors, employees and other service providers.

<u>Year issued / Name</u>	<u>Grant date</u>	<u>Due date for exercise</u>
Brightstar Global Group Inc. 2006 Stock Incentive Plan <sup>1</sup> . . . . .	From July 12, 2006 to January 21, 2014	From July 12, 2016 to January 21, 2024
Brightstar Global Group Inc. 2016 Stock Incentive Plan <sup>2</sup> . . . . .	March 15, 2016	From January 1, 2017 to February 28, 2017

Notes:

1. Vesting condition

Generally, stock options vest when service period requirements are met. Rights vest in stages during 4 years equally over this period. Brightstar Corp. has the option to settle either by Brightstar Global Group Inc. shares or cash when options are exercised and those are accounted for as equity-settled share-based payment. Shares granted by the exercise of stock options are those issued by Brightstar Global Group Inc.

2. Vesting condition

Stock options vest when service period requirements are met. The vesting period is within 1 year. Brightstar Corp. has the option to settle either by Brightstar Global Group Inc. shares or cash when options are exercised and those are accounted for as cash-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 1 <sup>st</sup> 1 2 <sup>nd</sup> 2	From May 16, 2012 to March 1, 2013	From May 2, 2022 to February 28, 2023
2013 1 <sup>st</sup> 3 2 <sup>nd</sup> 4	From May 17, 2013 to November 19, 2013	From May 16, 2023 to November 18, 2023
2014 1 <sup>st</sup> 4	May 26, 2014	May 25, 2024

Notes:

- 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 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.
- Vesting condition

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	
	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.
- Vesting condition

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 condition

Rights vest once the operating income for the fiscal year exceeds ¥330 billion in either of the period from the fiscal year ended March 2015 to the 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:

Sprint

The Weighted-average fair value at the measurement date of the stock options granted during the period is \$2.03.

Fair value is measured as follows:

Year issued / Name	Fiscal year ended March 31, 2016	
	2007 Omnibus Incentive Plan	2015 Omnibus Incentive Plan
	Black-Scholes model	Black-Scholes model
Valuation method used		
Key inputs and assumptions:		
Weighted-average stock price	\$ 4.70	\$ 4.24
Weighted-average exercise price	\$ 4.70	\$ 4.24
Volatility of stock price*	42.05%	58.93%
Estimated residual period	6 years	6 years
Estimated dividend	—	—
Risk-free interest rate	1.84%	1.72%

Note:

\* Volatility of stock price is calculated based on an implied volatility, measured by the stock price and option price of Sprint at the calculation date.

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 Group Corp.

	Fiscal year ended March 31, 2015		Fiscal year ended March 31, 2016	
	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price
		(Yen)		(Yen)
Beginning balance—Unexercised	12,371,100	¥4,402	11,495,500	¥4,516
Granted	—	—	—	—
Forfeited	(128,700)	4,552	(10,229,800)	4,750
Exercised	(746,900)	2,625	(576,000)	2,625
Ending balance—Unexercised	11,495,500	4,516	689,700	2,625
Ending balance—Exercisable	432,900	¥2,625	689,700	¥2,625

(b) Sprint

	Fiscal year ended March 31, 2015		Fiscal year ended March 31, 2016	
	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price
		(USD)		(USD)
Beginning balance—Unexercised	42,525,692	\$ 6.68	39,861,827	\$ 5.34
Granted	22,949,074	6.04	12,290,437	4.66
Forfeited	(2,634,619)	6.18	(6,735,629)	5.42
Exercised	(13,837,721)	3.40	(1,439,758)	2.43
Matured	(9,140,599)	16.02	(3,234,331)	12.06
Ending balance—Unexercised	39,861,827	5.34	40,742,546	4.69
Ending balance—Exercisable	19,257,431	\$ 4.68	20,866,540	\$ 4.10

The unexercised options as of March 31, 2016 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 .....	4,825,503	\$ 2.05	6.14
3.01-4.00 .....	6,157,533	3.36	3.78
4.01-5.00 .....	21,369,956	4.64	8.21
5.01-6.00 .....	4,366,015	5.64	6.84
7.01-10.00 .....	3,930,249	8.99	8.13
15.01-20.00 .....	93,290	16.81	0.90
Total .....	<u>40,742,546</u>	<u>\$ 4.69</u>	<u>7.12</u>

(c) Supercell

	<u>Fiscal year ended March 31, 2015</u>		<u>Fiscal year ended March 31, 2016</u>	
	<u>Number of shares</u>	<u>Weighted-average exercise price (EUR)</u>	<u>Number of shares</u>	<u>Weighted-average exercise price (EUR)</u>
Beginning balance—Unexercised .....	2,328,431	€ 2.16	1,854,701	€5.24
Granted .....	210,250	29.39	—	—
Forfeited .....	(102,352)	5.44	(462,279)	5.47
Exercised .....	(581,628)	1.62	(329,927)	3.17
Ending balance—Unexercised .....	<u>1,854,701</u>	<u>5.24</u>	<u>1,062,495</u>	<u>5.78</u>
Ending balance—Exercisable .....	<u>344,371</u>	<u>€ 3.13</u>	<u>318,972</u>	<u>€4.34</u>

The unexercised options as of March 31, 2016 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>
€0.01-1.64 .....	320,613	€ 0.78	5.00
3.59 .....	616,556	3.59	5.00
29.39 .....	125,326	29.39	5.00
Total .....	<u>1,062,495</u>	<u>€ 5.78</u>	<u>5.00</u>

(d) Brightstar Corp.

	<u>Fiscal year ended March 31, 2015</u>		<u>Fiscal year ended March 31, 2016</u>	
	<u>Number of shares</u>	<u>Weighted-average exercise price (USD)</u>	<u>Number of shares</u>	<u>Weighted-average exercise price (USD)</u>
Beginning balance—Unexercised .....	2,365,388	\$27.53	1,464,993	\$27.51
Granted .....	—	—	366,772	5.45
Repurchased* .....	—	—	(621,367)	28.85
Forfeited .....	(900,395)	27.57	(600,478)	26.37
Exercised .....	—	—	—	—
Ending balance—Unexercised .....	<u>1,464,993</u>	<u>27.51</u>	<u>609,920</u>	<u>14.00</u>
Ending balance—Exercisable .....	<u>711,666</u>	<u>\$24.29</u>	<u>206,898</u>	<u>\$26.33</u>

Note:

\* Brightstar Corp. repurchased outstanding stock options held by existing employees for cash consideration of \$1.00 per stock option in December 2015

The unexercised options as of March 31, 2016, 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>
\$5.45 .....	366,772	\$ 5.45	1.00
10.00-15.00 .....	34,000	15.00	3.06
15.01-20.00 .....	8,500	20.00	1.32
25.01-30.00 .....	190,648	29.00	6.42
30.01-35.00 .....	10,000	33.25	7.81
Total .....	<u>609,920</u>	<u>\$14.00</u>	<u>2.93</u>

(e) Yahoo Japan Corporation

	<u>Fiscal year ended March 31, 2015</u>		<u>Fiscal year ended March 31, 2016</u>	
	<u>Number of shares</u>	<u>Weighted-average exercise price (Yen)</u>	<u>Number of shares</u>	<u>Weighted-average exercise price (Yen)</u>
Beginning balance—Unexercised .....	64,012,500	¥427	65,586,700	¥429
Granted .....	1,950,000	492	—	—
Forfeited .....	(331,400)	475	(1,260,700)	450
Exercised .....	(44,400)	325	(346,400)	331
Matured .....	—	—	(6,100)	680
Ending balance—Unexercised .....	<u>65,586,700</u>	<u>429</u>	<u>63,973,500</u>	<u>429</u>
Ending balance—Exercisable .....	<u>3,583,700</u>	<u>¥366</u>	<u>3,522,500</u>	<u>¥360</u>

The unexercised options as of March 31, 2016 are as follows:

<u>Range of exercise price (Yen)</u>	<u>Number of shares</u>	<u>Weighted-average exercise price (Yen)</u>	<u>Weighted-average remaining contract period (Year)</u>
¥201-300 .....	943,400	¥270	5.4
301-400 .....	25,537,700	324	6.8
401-500 .....	12,256,300	486	6.7
501-600 .....	25,236,100	514	7.6
Total .....	<u>63,973,500</u>	<u>¥429</u>	7.1

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 Group Corp.

<u>Fiscal year ended March 31, 2015</u>			<u>Fiscal year ended March 31, 2016</u>		
<u>Year issued / Name</u>	<u>Number of shares exercised</u>	<u>Weighted -average stock price at exercise (Yen)</u>	<u>Year issued / Name</u>	<u>Number of shares exercised</u>	<u>Weighted-average stock price at exercise (Yen)</u>
2010-6th Acquisition rights	<u>746,900</u>	<u>¥7,487</u>	2010-6th Acquisition rights	<u>576,000</u>	<u>¥7,021</u>

(b) Sprint

<u>Fiscal year ended March 31, 2015</u>			<u>Fiscal year ended March 31, 2016</u>		
<u>Year issued / Name</u>	<u>Number of shares exercised</u>	<u>Weighted -average stock price at exercise (USD)</u>	<u>Year issued / Name</u>	<u>Number of shares exercised</u>	<u>Weighted-average stock price at exercise (USD)</u>
2007 Omnibus Incentive Plan	<u>13,837,721</u>	<u>\$6.46</u>	2007 Omnibus Incentive Plan	<u>1,439,758</u>	<u>\$4.41</u>

(c) Yahoo Japan Corporation

Fiscal year ended March 31, 2015			Fiscal year ended March 31, 2016		
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)
2006	200	¥436	2006	9,900	¥550
2007	7,600	465	2007	34,400	530
2008	3,000	458	2008	49,900	523
2009	15,500	455	2009	46,000	505
2010	8,200	441	2010	80,500	508
2011	9,400	448	2011	116,500	504
2012	500	446	2012	9,200	500

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 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 plans for the years ended March 31, 2015 and 2016 are as follows:

a. Sprint

Sprint grants shares of Sprint Corporation as RSU to its directors, employees and other service providers.

The fair value of the RSU is generally measured based on the closing price of stock on the date of grant.

RSU generally has performance and service requirements or service requirements only, with vesting periods ranging from one to three years.

During the year ended March 31, 2016, Sprint granted performance-based restricted stock units that will be earned upon the achievement of certain market conditions, which are based on Sprint share price. The fair value of these market-based restricted stock units is estimated at the date of grant using Monte Carlo valuation methodology, which incorporates into the valuation the possibility that the market condition may not be satisfied. These market-based restricted stock units will vest 50% over four years from the grant date and 50% over five years from the grant date.

The number of RSU granted for the fiscal year ended March 31, 2016 was 27,602,692 units. The weighted-average fair value of RSU granted for the fiscal year ended March 31, 2016 was \$3.06 per unit.

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 Galaxy Investment Holdings, Inc. 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 for as equity-settled share-based payment. The fair value of the RSU is measured based on the stock price as of the date of grant.

RSU vests equally each year over four years, with continuous service required through each vesting date.

c. Supercell

Supercell grants shares of Supercell Oy as RSU to its employees. The RSU plan is accounted for as equity-settled share-based payment even though Supercell has the option to settle the some of the RSU in cash when options are exercised instead of Spucercell Oy shares. RSU granted for the fiscal year ended March 31, 2016 were 907,050 units. The fair value of the RSU is intrinsic value measured using the discount cash flow method or guideline public companies method. The weighted-average fair value of the RSU granted for the fiscal year ended March 31, 2016 was €89.84 per unit.

RSU vests equally each year over four years, with continuous service required through each vesting date.

(3) Phantom stock

The Company adopts phantom stock awards where the Company pays in cash based on the stock price at the vesting date, and they are accounted for as cash-settled share-based payments.



The details of phantom stock for the fiscal years ended March 31, 2015 and 2016 are as follows:

SoftBank Group Corp., SB Group US, Inc., and SoftBank Holdings, Inc.

SoftBank Group Corp., SB Group US, Inc., and SoftBank Holdings, Inc. granted phantom stock, which is based on the shares of SoftBank Group Corp., to their directors, employees, and other service providers. It requires to continued employment from the grant date through vesting date. The amount of settlement at the vesting date is determined based on share per unit. The details of vesting conditions are as follows:

The number of units and vesting conditions as of March 31, 2016

As of March 31, 2016 units	Vesting condition
3,278,641	The initial vesting date is four years 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 the service period.
2,038,489	Vesting periods are mainly four years or five years from the first date of service or service provided and vests over those periods.

### 33. Net sales

The components of net sales are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Domestic Telecommunications segment		
Telecom service revenue	¥2,323,509	¥2,395,925
Product and other sales	662,135	710,930
Total	2,985,644	3,106,855
Sprint segment		
Telecom service revenue	3,041,402	3,501,532
Product and other sales	552,765	186,966
Total	3,594,167	3,688,498
Yahoo Japan segment		
Net sales from rendering of services	420,385	461,420
Net sales from sale of goods	—	181,460
Total	420,385	642,880
Distribution segment	1,170,437	1,345,856
Other	333,502	369,460
Total	¥8,504,135	¥9,153,549

### 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 March 31, 2015	Fiscal year ended March 31, 2016
Cost of goods sold	¥(2,510,996)	¥(2,370,094)
Depreciation and amortization	(1,095,245)	(1,396,601)
Sales commissions and sales promotion expenses	(1,066,174)	(1,125,879)
Employees and directors benefit cost	(667,644)	(569,415)
Telecommunications equipment usage fee	(509,938)	(513,411)
Operating lease expenses	(430,977)	(471,560)
Service outsourcing expenses	(278,156)	(285,990)
Other	(998,617)	(1,341,300)
Total	¥(7,557,747)	¥(8,074,250)

“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 March 31, 2015	Fiscal year ended March 31, 2016
Domestic Telecommunications segment		
Provision for onerous contract <sup>1</sup> . . . . .	¥(21,271)	¥ —
Sprint segment		
Loss on disposal of property, plant and equipment <sup>2</sup> . . . . .	—	(37,032)
Severance costs associated with reduction in work force . . . . .	(27,129)	(26,079)
Legal reserves <sup>3</sup> . . . . .	(10,492)	(23,437)
Impairment loss on non-current assets <sup>4</sup> . . . . .	—	(19,881)
Gain on partial pension settlement <sup>5</sup> . . . . .	18,726	—
Other . . . . .	11,866	(10,271)
Distribution segment		
Impairment loss on non-current assets <sup>6</sup> . . . . .	—	(13,633)
Other . . . . .	607	(2,833)
Other . . . . .	25	(6,086)
Total . . . . .	<u>¥(27,668)</u>	<u>¥(139,252)</u>

Notes:

- Loss was recognized due to the provision made by SoftBank Corp. for the excess of expected future cost of delivery for a contracted communication service over its contracted amount.
- Loss on disposal of property, plant and equipment consists of ¥30,348 million of loss on disposal that resulted from the write-off of leased devices associated with lease cancellations prior to the scheduled customer lease terms where customers did not return the devices to Sprint, and ¥6,684 million of loss recognized upon the sale of devices to Mobile Leasing Solutions, LLC under the Handset Sale-Leaseback transaction. Regarding the Handset Sale-Leaseback transaction, the details are described in “Note 14. Leases.”
- The details of legal reserves are described in (b) under “b. Legal and administrative proceedings to which Sprint and its subsidiaries are party” under “(3) Litigation” under “Note 44. Contingency.”
- Impairments are primarily related to cell site construction costs that are no longer expected to be used as a result of changes in Sprint’s network plans.
- Sprint made an amendment associated with the defined benefit 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. This is the gain arising from the settlement.
- Cash-generating units of the Distribution segment are composed of five regions, Brightstar Global Group Inc.’s US & Canada, Latin America, Asia & Oceania, SoftBank Commerce & Service Corp., and Europe & Africa from the fiscal year ended March 31, 2016. Of these cash-generating units, as a result of reviewing the business plan of Brightstar Global Group Inc.’s Latin America region, the recoverable amount became negative and therefore the carrying amount related to the cash-generating unit was reduced to zero. Impairment loss on property, plant and equipment was ¥8,070 million and impairment loss on intangible assets was ¥5,563 million. Value in use was used as the recoverable amount and calculated by discounting management approved estimated future cashflow plan by 22.11%, weighted average capital cost before tax.

Goodwill of Brightstar Global Group Inc. is allocated to the entire Brightstar Global Group Inc. (a group of cash-generating units) which bundles five cash-generating units. As a result of the impairment test on entire Brightstar Global Group Inc., the recoverable amount exceeded the carrying amount, and therefore the impairment loss on the goodwill allocated to entire Brightstar Global Group Inc. is not recognized.

### 36. Finance cost

The components of finance cost are as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Interest expense* . . . . .	¥(366,500)	¥(440,744)

Note:

\* Interest expense was mainly from financial liabilities measured at amortized cost.

### 37. 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 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.

### 38. Other non-operating income and loss

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

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Interest income	¥ 4,052	¥ 11,413
Foreign exchange gain and loss <sup>1</sup>	11,050	(45,610)
Derivative gain and loss	(8,257)	12,788
Impairment loss on securities <sup>2</sup>	(14,996)	(32,759)
Gain on sales of equity method associates	1,882	12,428
Impairment loss on equity method associates <sup>3</sup>	(35,261)	(2,023)
Gain from remeasurement relating to applying equity method <sup>4</sup>	11,177	—
Gain from financial assets at FVTPL <sup>5</sup>	11,209	114,377
Provision of allowance for doubtful accounts <sup>2</sup>	(255)	(21,253)
Other	3,785	7,359
Total	<u>¥(15,614)</u>	<u>¥ 56,720</u>

Notes:

1. The value of the Argentine peso decreased against the US dollar in December 2015 due to change in foreign exchange policy by the Argentine Government. As a result, foreign exchange loss of ¥18,614 million associated with dollar-denominated monetary items, such as cash and cash equivalents, account receivables, and account payables, held by Argentine subsidiaries was recorded.
2. Shares and debt interests related to investments of PT Trikonsel Oke Tbk. in Indonesia were impaired as the investment amount and the debt interests amount were not expected to be collected. As a result, impairment loss on securities and provision of allowance for doubtful accounts totaling ¥38,185 million were recorded for the fiscal year ended March 31, 2016.
3. The Company recorded impairment loss of ¥35,261 million 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.
4. 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 was applied, based on the fair value on the date of the equity method application.
5. Gain or loss arising from financial assets at FVTPL comprises mainly changes in fair value of preferred stock investment including embedded derivatives, such as ANI Technologies Pvt. Ltd and Jasper Infotech Private Limited in India, designated as financial assets at FVTPL. Of the gain from financial assets at FVTPL, gain of ¥108,578 million arose from financial assets that were designated as the financial assets at fair value through profit or loss at initial recognition for the fiscal year ended March 31, 2016 (¥5,814 million for the fiscal year ended March 2015).

### 39. Other comprehensive income and loss

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

For the fiscal year ended March 31, 2015

	(Millions of yen)				
	Amount occurred during the year	Reclassification adjustments	Before tax effect	Income tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit plan . . .	¥(59,460)	¥ —	¥(59,460)	¥ 83	¥(59,377)
Total . . . . .	(59,460)	—	(59,460)	83	(59,377)
Items that may be reclassified subsequently to profit or loss					
Available-for-sale financial assets . . . . .	6,093	(2,606)	3,487	239	3,726
Cash flow hedges . . . . .	49,197	(36,125)	13,072	(210)	12,862
Exchange differences on translating foreign operations . . . . .	438,309	—	438,309	(28,713)	409,596
Share of other comprehensive income of associates . . . . .	(877)	(1,350)	(2,227)	—	(2,227)
Total . . . . .	492,722	(40,081)	452,641	(28,684)	423,957
Total other comprehensive income (loss) . . . .	<u>¥433,262</u>	<u>¥(40,081)</u>	<u>¥393,181</u>	<u>¥(28,601)</u>	<u>¥364,580</u>

For the fiscal year ended March 31, 2016

	(Millions of yen)				
	Amount occurred during the year	Reclassification adjustments	Before tax effect	Income tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Remeasurements of defined benefit plan . .	¥ 140	¥ —	¥ 140	¥ 202	¥ 342
Total . . . . .	140	—	140	202	342
Items that may be reclassified subsequently to profit or loss					
Available-for-sale financial assets . . . . .	(32,338)	32,685	347	(5,253)	(4,906)
Cash flow hedges . . . . .	(91,449)	59,223	(32,226)	234	(31,992)
Exchange differences on translating foreign operations . . . . .	(328,860)	—	(328,860)	39,125	(289,735)
Share of other comprehensive income of associates . . . . .	38,760	(450)	38,310	(10,668)	27,642
Total . . . . .	(413,887)	91,458	(322,429)	23,438	(298,991)
Total other comprehensive income (loss) . . . .	<u>¥(413,747)</u>	<u>¥91,458</u>	<u>¥(322,289)</u>	<u>¥ 23,640</u>	<u>¥(298,649)</u>

### 40. Discontinued operations

GungHo Online Entertainment, Inc.

SoftBank Group Corp. entered into an agreement to tender in the Tender Offer for 188,235,200 shares, a portion of the common shares of GungHo held by SoftBank Group Corp, on April 28, 2015. The Tender Offer was completed on June 1, 2015 and 188,235,200 common shares of GungHo held by Softbank Group Corp. were transferred to GungHo for ¥80,000 million.

An agreement between Heartis G.K. (“Heartis”) and Son Holdings Inc. to extinguish the pledge on 100,000,000 shares, out of the common shares of GungHo held by Heartis, was executed and the Agreement on Exercise of Voting Rights\* for the 100,000,000 shares was terminated effective on June 1, 2015.

As a result of the transactions, GungHo was no longer qualified as a subsidiary and became an equity method associate on June 1, 2015.

Operating results related to GungHo from April 1, 2015 to June 1, 2015 are presented as discontinued operations separately from continuing operations in the consolidated statement of income.

Note:

Heartis (Taizo Son's asset management company, the second largest shareholder of GungHo, and Taizo Son, chairman of GungHo is the representative director), and Masayoshi Son, chairman and CEO of SoftBank Group Corp., 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, all of GungHo common shares held by Heartis were pledged to Son Holdings, Masayoshi Son's asset management company and in order to defer the execution of pledges, Heartis agreed to act on behalf of Masayoshi Son at the shareholders' meeting of GungHo, for the voting rights related to 213,080,000 shares (ownership ratio: 18.50%) out of the common shares of GungHo held by Heartis. In addition, the title of Taizo Son was changed from chairman of GungHo to director of GungHo, effective on March 22, 2016.

The operating results and cash flows from discontinued operations are as follows:

(1) Operating results from discontinued operations

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Revenue .....	¥ 166,086	¥ 26,604
Expense .....	(102,076)	(17,404)
Income before income tax from discontinued operations . . . .	64,010	9,200
Income taxes .....	(27,453)	(3,568)
Income after income tax from discontinued operations . . . . .	36,557	5,632
Loss relating to loss of control in discontinued operations . . .	—	(12,739)
Deferred tax expenses for investment temporary differences .....	(15,593)	139
Net income (loss) from discontinued operations .....	<u>¥ 20,964</u>	<u>¥ (6,968)</u>

(2) Cash flows from discontinued operations

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net cash provided by operating activities .....	¥ 53,294	¥16,051
Net cash provided by (cash used) in investing activities .....	5,347	(735)
Net cash used in financing activities .....	(1,702)	(86)
Total .....	<u>¥ 56,939</u>	<u>¥15,230</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)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net income used in the calculation of basic earnings per share		
Net income attributable to owners of the parent		
Continuing operations .....	¥668,936	¥484,458
Net loss attributable to owners of the parent Discontinued operations .....	(575)	(10,286)
Total .....	<u>¥668,361</u>	<u>¥474,172</u>

	(Thousands of shares)	
Weighted-average number of ordinary shares . . . . .	1,188,830	1,178,098
	(Yen)	
Basic earnings per share		
Continuing operations . . . . .	¥ 562.68	¥ 411.22
Discontinued operations . . . . .	(0.48)	(8.73)
Total . . . . .	<u>¥ 562.20</u>	<u>¥ 402.49</u>

(2) Diluted earnings per share

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net income used in the calculation of diluted earnings per share		
Continuing operations		
Net income from continuing operations used in the calculation of basic earnings per share . . . . .	¥ 668,936	¥ 484,458
Effect of dilutive securities issued by subsidiaries and associates . . . . .	(3,509)	(16,475)
Sub total . . . . .	<u>665,427</u>	<u>467,983</u>
Discontinued operations		
Net loss from discontinued operations used in the calculation of basic earnings per share . . . . .	(575)	(10,286)
Sub total . . . . .	<u>(575)</u>	<u>(10,286)</u>
Total . . . . .	<u>¥ 664,852</u>	<u>¥ 457,697</u>

	(Thousands of shares)	
Weighted-average number of ordinary shares used in the calculation of diluted earnings per share		
Weighted-average number of ordinary shares . . . . .	1,188,830	1,178,098
Adjustments:		
Warrants and corporate bonds with stock acquisition rights . . . . .	1,061	556
Total . . . . .	<u>1,189,891</u>	<u>1,178,654</u>
	(Yen)	
Diluted earnings per share		
Continuing operations . . . . .	¥ 559.23	¥ 397.05
Discontinued operations . . . . .	(0.48)	(8.73)
Total . . . . .	<u>¥ 558.75</u>	<u>¥ 388.32</u>

**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-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) Income taxes paid and income taxes refund

For the fiscal year ended March 31, 2016

Payment of withholding income tax related to dividends within the group companies of ¥904,688 million is included in “Income taxes paid,” and refund of the withholding income tax of ¥611,199 million is included in “Income taxes refund.” The withholding income tax of ¥293,489 million included in “Income taxes paid” is expected to be refunded by the end of July 2016.

(4) Proceeds from sales of property, plant and equipment, and intangible assets

For the fiscal year ended March 31, 2016

Proceeds of ¥137,593 million which Sprint received from Mobile Leasing Solutions, LLC through a handset sale-leaseback transaction in December 2015 are included in “Proceeds from sales of property, plant and equipment, and intangible assets.” The details are described in “Note 14. Leases.”

(5) Decrease from loss of control over subsidiaries

For the fiscal year ended March 31, 2016

“Decrease from loss of control over subsidiaries” is the amount of cash and cash equivalents held by GungHo at the time of loss of control.

(6) Payments for purchase of subsidiaries’ interests from non-controlling interests

For the fiscal year ended March 31, 2016

“Payments for purchase of subsidiaries’ interests from non-controlling interests” is mainly due to the additional purchase of shares of Supercell and Sprint from existing shareholders.

(7) Significant non-cash transactions

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

	(Millions of yen)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Acquisition of fixed assets by installments . . . . .	¥ 46,397	¥ 15,795
Transfer of leased devices from inventories to property, plant and equipment . . . . .	144,030	389,480

In addition to the above, ASKUL Corporation has become a subsidiary of the Company for the fiscal year ended March 31, 2016 and the transaction related to this business combination is classified as a non-cash transaction because it was conducted by ASKUL Corporation’s acquisition of its own treasury stock. The details are described in “Note 6. Business combinations.”

**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, 2015

The Company acquired all remaining shares of Brightstar Global Group Inc. indirectly held by Marcelo Claire, totaling 37.7% of total outstanding shares, and came to own 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 summarized as follows:

Name of the company or individual	Nature of Relationship	Nature of transaction	(Millions of yen)	
			Amount of Transaction	Balance at period-end
Marcelo Claire <sup>1</sup>	Director of subsidiary	Acquisition of Brightstar Global Group Inc. shares <sup>2</sup>	¥30,509	¥—

Notes:

1. Shares were acquired from an entity that was 100% owned by Marcelo Claire.
2. 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 (Son Asset Management LLC and 3 other companies)	Chairman & CEO of SoftBank Group Corp. holding over half of the voting rights	Dividend paid from SoftBank Group 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 (Heartis GK and 8 other companies) <sup>3</sup>	Relative of Chairman & CEO holding over half of the voting rights	Dividend paid from SoftBank Group 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	—

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.

For the fiscal year ended March 31, 2016

Name of the company or individual	Nature of relationship	Nature of transaction	(Millions of yen)	
			Amount of transaction	Balance at period-end
Masayoshi Son . . . . . (Son Asset Management LLC and 3 other companies)	Chairman & CEO of SoftBank Group Corp. holding over half of the voting rights	Dividend paid from SoftBank Group Corp.	¥10,061	¥ —
		Advance payment for temporary expense	253	22
		Payment of equipment usage <sup>1</sup>	42	—
		Guarantee deposits received <sup>1</sup>	—	178
Taizo Son . . . . . (Heartis GK and 6 other companies) <sup>2</sup>	Relative of Chairman & CEO holding over half of the voting rights	Dividend paid from SoftBank Group Corp.	225	—
		Payment of outsourcing fee <sup>3</sup>	95	12
		Provision of ordinary services <sup>3</sup>	19	2
Yun Ma . . . . . (Alipay Singapore E-Commerce Pte Ltd <sup>4</sup> )	Director of SoftBank Group Corp. holding over half of the voting rights	Payment of outsourcing fee <sup>3</sup>	727	727
Kazuhiko Fujihara <sup>5</sup> . . . . .	Director	Exercise of stock acquisition rights	98	—

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. The terms and conditions of transactions are negotiated and determined considering the market price and the contents of the transaction.
4. Yun Ma, director of SoftBank Group Corp., holds over half of its voting rights.
5. 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)	
	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Short-term benefits . . . . .	¥15,804	¥ 7,038
Share-based payments . . . . .	4,137	5,821
Retirement benefits . . . . .	8	4
Total . . . . .	¥19,949	¥12,863

Notes:

1. Remuneration for major executives represents remuneration for the directors of SoftBank Group Corp. (including external directors) and main subsidiaries' director. Marcelo Claure, CEO of Sprint, is the main subsidiaries' director.
2. The amount of remuneration to Nikesh Arora, which is included in the table above is as follows:  
For the fiscal year ended March 31, 2015: ¥16,556 million  
(Short-term benefits of ¥14,561 million and share based compensation of ¥1,995 million)  
For the fiscal year ended March 31, 2016: ¥8,042 million  
(Short-term benefits of ¥5,375 million and share based compensation of ¥2,667 million)  
Nikesh Arora retired from the position of director of SoftBank Group Corp. at the closing of the Annual General Meeting of Shareholders held on June 22, 2016.

#### 44. Contingency

##### (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)	
	As of March 31, 2015	As of March 31, 2016
Lending commitments .....	¥262,315	¥196,937
Funded .....	9,922	9,355
Unfunded .....	¥252,393	¥187,582

##### (2) Credit guarantee

The details of a credit guarantee, which is mainly related to implementing the debt guarantees against customers' loans from partnered financial institutions in credit guarantee business, is as follows:

	(Millions of yen)	
	As of March 31, 2015	As of March 31, 2016
Total amount of guarantee contract .....	¥13,446	¥13,822
Guarantee balance .....	10,427	10,418

##### (3) Litigation

SoftBank Group 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 Corp. is involved as a party

- (a) On April 30, 2015, SoftBank Corp. filed a lawsuit with the Tokyo District Court against Japan Post Information Technology Co., Ltd. (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 Corp. was requested by JPiT to carry out, among other services, installation services for telecommunication lines for Japan Post Group's business sites existing countrywide. SoftBank Corp. performed such services and upon JPiT's request, SoftBank Corp. also performed services that exceeded the scope of services stipulated in the contract.

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

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

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

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

The order to consolidate the lawsuit (b) above to the lawsuit (a) above was made on July 29, 2015. On November 13, 2015, SoftBank Corp. modified the amount of claim from approximately ¥14.9 billion to

approximately ¥20.4 billion as a result of a review of the remuneration etc. with respect to additional services regarding the lawsuit (a) above.

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

- (a) In March 2009, a stockholder brought suit, *Bennett v. Sprint Nextel Corp.*, in the U.S. District Court for the District of Kansas (hereinafter referred to as “the Bennett case”), alleging that Sprint Communications and three of its former officers violated Section 10(b) of the Exchange Act and Rule 10b-5 by failing to adequately disclose certain alleged operational difficulties subsequent to the Sprint-Nextel merger, and by purportedly issuing false and misleading statements regarding the write-down of goodwill. The district court granted final approval of a settlement in August 2015, which did not have a material impact to our financial statements. Five stockholder derivative suits related to the Bennett case 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 removed 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 removed to federal court, and was remanded back to state court; the third, *Ross-Williams v. Bennett, et al.*, was filed in state court in Kansas on February 1, 2011; the fourth, *Price v. Forsee, et al.*, was filed in state court in Kansas on April 15, 2011; and the fifth, *Hartleib v. Forsee, et. al.*, was filed in federal court in Kansas on July 14, 2011. These cases were essentially stayed while the Bennett case was pending, and Sprint has reached an agreement in principle to settle the matters, by agreeing to some governance provisions and by paying plaintiffs’ attorneys fees in an immaterial amount.
- (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 also seeks recovery of triple damages under the state False Claims Act as well as penalties and interest. Sprint Communications moved to dismiss the complaint on June 14, 2012. On July 1, 2013, the court entered an order denying the motion to dismiss in large part, although it did dismiss certain counts or parts of certain counts. Sprint Communications appealed that order and the intermediate appellate court affirmed the order of the trial court. On October 20, 2015, the Court of Appeals of New York affirmed the decision of the appellate court that the tax statute requires Sprint Communications to collect and remit the disputed taxes. Sprint Communications’ petition for certiorari to the United States Supreme Court was denied on May 31, 2016. The case will now proceed in the trial court with discovery and other pretrial proceedings. Sprint Communications has accrued \$180 million during the year ended March 31, 2016 associated with this matter. Sprint Communications will 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 pending resolution of the Attorney General’s suit.

- (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 on April 26, 2013, in Chancery Court in Delaware. Sprint Communications’ motion to dismiss the suit was denied, discovery is substantially complete, and Sprint Communications’ motion for summary judgment is pending. Plaintiffs in the ACP Master, LTD suit have also filed suit requesting an appraisal of the fair value of their Clearwire stock. Discovery in that case was consolidated with the breach of fiduciary duty case and is substantially complete. Trial is scheduled to begin in October 2016. Sprint Communications intends to defend the ACP Master, LTD cases 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 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 matters currently pending. 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 approximately \$70 million. One case of these four administrative proceedings has been sent to suit, a subsidiary of Brightstar Corp. has filed an Annulment Action requesting that the case be returned to the administrative level.

#### 45. Purchase commitments

The Company had commitments to purchase services and goods of ¥1,496,500 million as of March 31, 2016 (March 31, 2015: ¥2,190,404 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

(1) Monetization of a portion of the ordinary shares of Alibaba Group Holding Limited

The Company executed a series of capital raising transactions (the “Transactions”) which involves monetizing a portion of Alibaba ordinary shares held by a wholly owned subsidiary, SB China Holdings Pte Ltd (“SB China”). After the completion of the Transactions, Alibaba is still an affiliate of the Company and the Company continues to apply the equity method.

a. Overview of the Transactions

The Transactions consist of the following three transactions, (i) the sale of \$2.0 billion of Alibaba ordinary shares to Alibaba, (ii) the sale of \$400 million of Alibaba ordinary shares to members of the Alibaba Partnership, acting collectively, and the respective sale of \$500 million of Alibaba ordinary shares to Gamlight Pte. Ltd., a wholly owned subsidiary of GIC Private Limited (“GIC”) and Aranda Investments Pte. Ltd., a wholly owned subsidiary of Temasek Holdings Private Limited (“Temasek”) ((i) and (ii) as “Sale of Alibaba ordinary shares”) and (iii) \$6.6 billion capital raised through an offering of Mandatory Exchangeable Trust Securities (“Trust Securities”) by a newly formed trust, Mandatory Exchangeable Trust (the “Trust”). Trust Securities are mandatorily exchangeable into American depositary shares (“ADSs”) of Alibaba.

(a) Sale of Alibaba ordinary shares

SB China, a wholly owned subsidiary of the Company, entered into separate share purchase and sales transactions on May 31, 2016 and on June 1, 2016 (US time) with each of Alibaba, members of the Alibaba Partnership, acting collectively, and GIC and Temasek, and settled the transactions on June 13, 2016 (US time), except for the sale to members of the Alibaba Partnership, acting collectively, which is expected to close in middle of July 2016. The total sales price is approximately \$3.4 billion, approximately \$2.0 billion of which was sold to Alibaba.



Following the sales of Alibaba ordinary shares that are expected to close by the middle of July 2016, the Company’s voting rights of Alibaba will decrease to 30.7% from 32.2%.

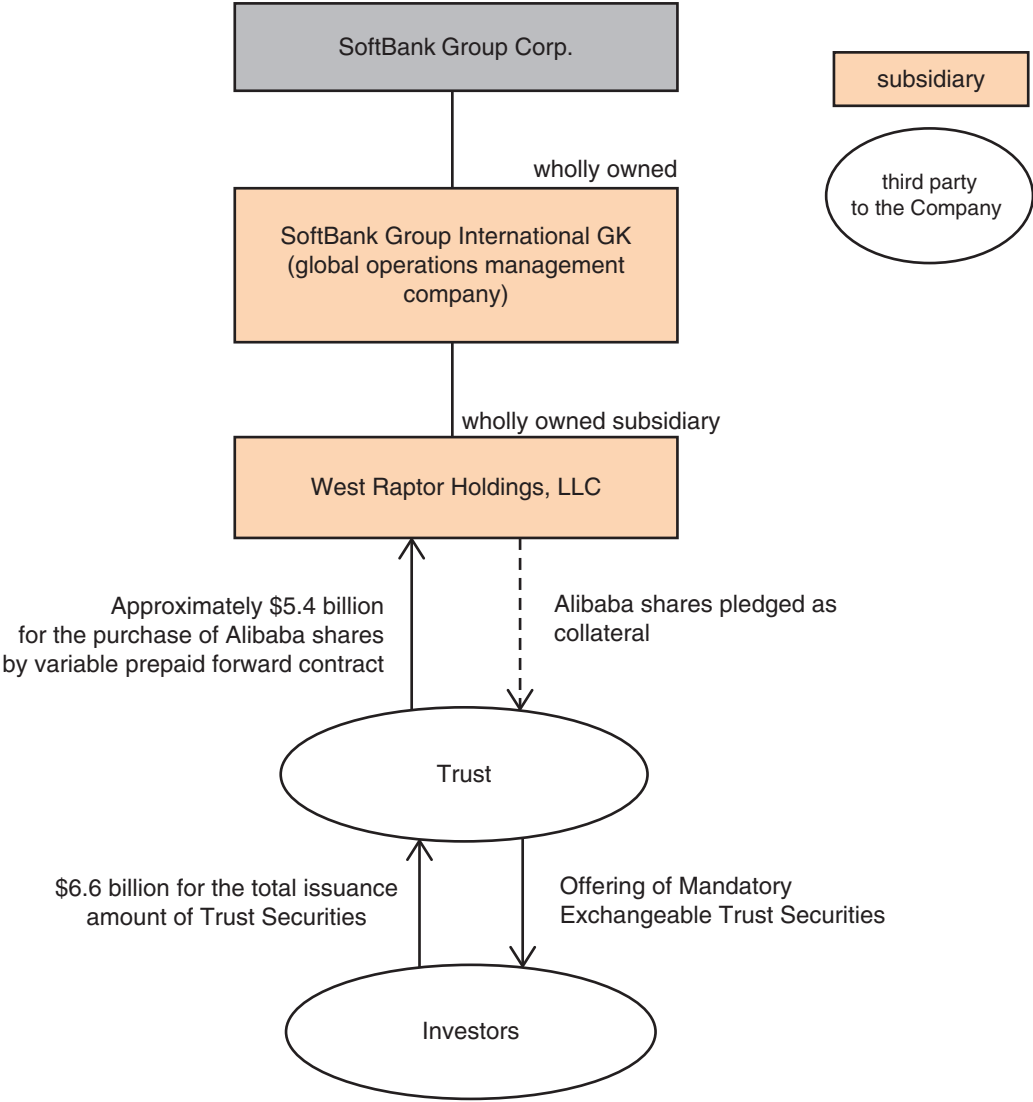
(b) Agreement of the variable prepaid forward contract regarding Alibaba ordinary shares

On June 10, 2016 (US Time), West Raptor Holdings, LLC (“WRH LLC”), a wholly owned subsidiary of SoftBank Group International GK (“SBIGK”), which in turn is wholly owned by the Company, entered into a variable prepaid forward contract to sell Alibaba ordinary shares to the Trust. Alibaba ordinary shares held by WRH LLC are pledged as collateral by this contract. At the closing of the offering of the Trust Securities, June 10, 2016 (US Time), WRH LLC received the proceeds of approximately \$5.4 billion from the Trust, which was generated from the issuance of the Trust Securities, excluding amounts in respect of the Trust’s expenses and amounts used to purchase U.S. Treasury securities, which will fund quarterly distributions on the Trust Securities.

The variable prepaid forward contract will be settled concurrently with the exchange of Trust Securities. At the exchange date, which is expected to be the first scheduled trading day after June 1, 2019, the Trust will exchange each Trust Security for a certain number of ADSs, determined by reference to the trading price of the ADSs at that time, or subject to WRH LLC’s election, cash or a combination of cash and ADSs. Under certain circumstances, including by WRH LLC’s election, the Trust Securities may be exchanged prior to the scheduled exchange date.

Alibaba ordinary shares pledged as collateral are equivalent to 3.5% of voting rights of Alibaba.

<Structure of the variable prepaid forward contract regarding Alibaba ordinary shares and issuance of Trust Securities>



## b. Impact on the Consolidated Financial Results

The impact from the Transactions on the consolidated financial results for the fiscal year ending March 31, 2017 has not yet been determined.

### (2) Tender offer for shares of GungHo Online Entertainment, Inc.

GungHo, an affiliate of the Company, resolved the acquisition of its own shares and execution of a tender offer (the “Tender Offer”) as a practical method to acquire its own shares at its board of director’s meeting held on June 21, 2016.

SoftBank Group Corp. and GungHo have entered into an agreement dated June 3, 2016, under which SoftBank Group Corp. agreed to tender 248,300,000 shares of GungHo common shares held by SoftBank Group Corp. and its subsidiary, SoftBank Corp., to monetize the shares in the Tender Offer to be executed by GungHo. SoftBank Group Corp. tenders shares in the Tender Offer based on the agreement. As a result, GungHo will no longer be an affiliate of the Company after the completion of Tender Offer.

#### a. Summary of the tender of shares in the Tender Offer

(a) Shares to be tendered	Ordinary shares of GungHo: 248,300,000 shares 23.47% of GungHo outstanding shares* held by: SoftBank Group Corp. 199,204,800 shares SoftBank Corp. 49,095,200 shares
(b) Tender offer price	¥294 per ordinary share
(c) Tender offer period	From June 23, 2016 to July 21, 2016
(d) Start date of settlement	August 16, 2016

Note:

\* The portion of shares is calculated based on the total number of shares issued as of March 31, 2016, 1,057,892,400 shares, disclosed in the GungHo quarterly securities report filed on May 9, 2016. The same formula applies to the calculation of the portion set forth below.

#### b. Number of shares held before and after the tender in the Tender Offer

(a) Number of shares held before the Tender Offer	272,604,800 shares (including indirect ownership) (Shareholding ratio: 25.77%)
(b) Number of shares to be tendered in the Tender Offer	248,300,000 shares (including indirect ownership)
(c) Number of shares held after the Tender Offer*	24,304,800 shares (indirect ownership) (Shareholding ratio: 2.30%)

Note:

\* Number of shares held after the Tender Offer indicates the number of shares which the Company holds after the Tender Offer is completed when all 248,300,000 shares are purchased by GungHo. However, less than 248,300,000 shares may be purchased by GungHo if GungHo’s other shareholders participate in the tender.

#### c. Impact on the Consolidated Financial Results

The impact from the transactions on the consolidated financial results for the fiscal year ending March 31, 2017 has not yet been determined.

### (3) Sale of shares of Supercell Oy

The Company entered into a definitive agreement with Tencent Holdings Limited (“Tencent”) and its affiliate (“Tencent affiliate”), Supercell and other parties on June 21, 2016 to sell all of its shares of Supercell Oy (representing 72.2%<sup>2</sup> of Supercell shares on a diluted basis<sup>1</sup>), held by its subsidiaries, Kahon 3 Oy and SoftBank Group Capital Limited, to Tencent affiliate. On or after the date of transfer of the shares, Supercell will no longer be a subsidiary of the Company.

Notes:

1. The portion of diluted shares is calculated based on the aggregate number of (i) outstanding shares, (ii) vested and unvested stock options, (iii) vested and unvested restricted stock unit (“RSU”) and (iv) RSU

available for grant pursuant to Supercell's current equity incentive plans, excluding conversion options held by the Company. The same formula applies to the calculation of the portion of shares as set forth below.

2. The portion of shares is calculated based on data as of May 15, 2016.

a. Summary of the transaction

- |  |  |
|--|--|
| (a) Expected sales date                      | August 5, 2016   |
| (b) Expected sales price <sup>3</sup>        | Approximately \$7.3 billion  |
| (c) Expected receipt of payment <sup>4</sup> | First payment (August 5, 2016): estimated 48% of sales price<br>Second payment (November 3, 2016): estimated 50% of sales price<br>Third payment (August 5, 2019): estimated 2% of sales price |

3. The actual sales price will be determined based on Supercell's equity value multiplied by the percentage of interest held by Kahon 3 Oy and SoftBank Group Capital Limited as of the sales date. The equity value is calculated based on Supercell's enterprise value, approximately \$9.5 billion, the cash and cash equivalents of Supercell and other necessary adjustments.

4. Half of the shares to be sold by Kahon 3 Oy and SoftBank Group Capital Limited will be retained in an escrow account until the date when Kahon 3 Oy and SoftBank Group Capital Limited will receive the above-mentioned second payment of the sales price from Tencent affiliate.

b. Ownership before and after the transaction

- |                                      |                    |
|--------------------------------------|--------------------|
| (a) Ownership before the transaction | 72.2% <sup>2</sup> |
| (b) Ownership after the transaction  | 0%                 |

c. Impact on the Consolidated Financial Results

The impact from the transactions on consolidated financial results for the fiscal year ending March 31, 2017 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 22, 2016.

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## **INDEPENDENT ACCOUNTANT’S REVIEW REPORT**

To the Board of Directors of SoftBank Group Corp.:

We have reviewed the accompanying condensed interim consolidated statement of financial position of SoftBank Group Corp. and its subsidiaries (the “Company”) as of December 31, 2017, and the related condensed interim consolidated statements of income and comprehensive income for the three-month and nine-month periods ended December 31, 2017, and changes in equity and cash flows for the nine-month period ended December 31, 2017, and notes to condensed interim consolidated financial statements, all expressed in Japanese yen.

### **Management’s Responsibility**

Management is responsible for the preparation and fair presentation of these condensed interim consolidated financial statements in accordance with International Accounting Standard 34, “Interim Financial Reporting,” and for such internal control as management determines is necessary to enable the preparation of condensed interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Accountant’s Responsibility**

Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review. We conducted our review in accordance with quarterly review standards generally accepted in Japan.

A review of condensed interim consolidated financial statements consists of making inquiries, primarily of management and persons responsible for financial and accounting matters, and applying analytical and other quarterly review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We believe that we have obtained the evidence to provide a basis for our review conclusion.

### **Accountant’s Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of SoftBank Group Corp. and its subsidiaries as of December 31, 2017, and the consolidated results of their operations for the three-month and nine-month periods then ended and their cash flows for the nine-month period then ended in accordance with International Accounting Standard 34, “Interim Financial Reporting.”

### **Convenience Translation**

Our review also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, based upon our review, nothing has come to our attention that causes us to believe that such translation has not been made in accordance with the basis stated in Note 2 (3) to the condensed interim consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

/s/ DELOITTE TOUCHE TOHMATSU LLC  
Tokyo Japan  
February 13, 2018

**Condensed Interim Consolidated Financial Statements (unaudited)**

**a. Condensed Interim Consolidated Statement of Financial Position (unaudited)**

	Notes	(Millions of yen)		(Thousands of U.S. dollars)
		As of March 31, 2017	As of December 31, 2017	As of December 31, 2017
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents		¥ 2,183,102	¥ 3,340,352	\$ 29,560,637
Trade and other receivables	12	2,121,619	2,331,915	20,636,416
Other financial assets	7,12	794,689	208,117	1,841,743
Inventories		341,344	362,412	3,207,186
Other current assets		283,221	306,253	2,710,204
Total current assets		5,723,975	6,549,049	57,956,186
<b>Non-current assets</b>				
Property, plant and equipment	8	3,977,254	3,960,657	35,050,062
Goodwill		4,175,464	4,383,103	38,788,522
Intangible assets	9	6,946,639	7,168,311	63,436,381
Investments accounted for using the equity method		1,670,799	2,303,274	20,382,956
Investments from SoftBank Vision Fund and Delta Fund accounted for using FVTPL	3,12	—	2,658,043	23,522,504
Investment securities	12	1,106,409	1,116,746	9,882,708
Other financial assets	12	445,858	515,613	4,562,947
Deferred tax assets		404,994	526,978	4,663,522
Other non-current assets		182,820	230,944	2,043,752
Total non-current assets		18,910,237	22,863,669	202,333,354
<b>Total assets</b>		<u>¥24,634,212</u>	<u>¥29,412,718</u>	<u>\$260,289,540</u>



	Notes	(Millions of yen)		(Thousands of U.S. dollars)
		As of	As of	As of
		March 31, 2017	December 31, 2017	December 31, 2017
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Interest-bearing debt	11,12	¥ 2,694,093	¥ 2,991,052	\$ 26,469,487
Trade and other payables	12	1,607,453	1,744,082	15,434,354
Other financial liabilities	12	13,701	22,752	201,345
Income taxes payables		256,218	105,208	931,044
Provisions		56,362	50,614	447,912
Other current liabilities		599,096	674,935	5,972,876
Total current liabilities		5,226,923	5,588,643	49,457,018
<b>Non-current liabilities</b>				
Interest-bearing debt	11,12	12,164,277	12,813,901	113,397,354
Third-party interests in SoftBank Vision Fund and Delta Fund	3,12	—	1,870,841	16,556,115
Derivative financial liabilities	11,12	254,146	721,775	6,387,389
Other financial liabilities	12	33,083	40,043	354,363
Defined benefit liabilities		108,172	107,247	949,088
Provisions		138,730	134,703	1,192,062
Deferred tax liabilities	10	1,941,380	1,265,430	11,198,496
Other non-current liabilities		297,771	301,258	2,666,000
Total non-current liabilities		14,937,559	17,255,198	152,700,867
<b>Total liabilities</b>		20,164,482	22,843,841	202,157,885
<b>Equity</b>				
<b>Equity attributable to owners of the parent</b>				
Common stock		238,772	238,772	2,113,027
Capital surplus		245,706	265,171	2,346,646
Other equity instruments	15	—	496,876	4,397,133
Retained earnings		2,958,355	3,931,828	34,794,938
Treasury stock	14	(67,727)	(66,453)	(588,080)
Accumulated other comprehensive income	14	211,246	639,495	5,659,248
Total equity attributable to owners of the parent		3,586,352	5,505,689	48,722,912
<b>Non-controlling interests</b>		883,378	1,063,188	9,408,743
<b>Total equity</b>		4,469,730	6,568,877	58,131,655
<b>Total liabilities and equity</b>		¥24,634,212	¥29,412,718	\$260,289,540

**b. Condensed Interim Consolidated Statement of Income and  
Condensed Interim Consolidated Statement of Comprehensive Income (unaudited)**

For the nine-month period ended December 31  
Condensed Interim Consolidated Statement of Income (unaudited)

	Notes	(Millions of yen)		(Thousands of U.S. dollars)
		Nine-month period ended December 31, 2016*	Nine-month period ended December 31, 2017	Nine-month period ended December 31, 2017
<b>Continuing operations</b>				
<b>Net sales</b>		¥ 6,581,466	¥ 6,811,274	\$ 60,276,761
Cost of sales		(3,990,070)	(4,044,184)	(35,789,239)
<b>Gross profit</b>		2,591,396	2,767,090	24,487,522
Selling, general and administrative expenses		(1,612,620)	(1,827,083)	(16,168,876)
Gain from remeasurement relating to business combinations	6	18,187	—	—
Other operating loss	18	(67,635)	(27,605)	(244,292)
<b>Operating income (excluding income from SoftBank Vision Fund and Delta Fund)</b>		929,328	912,402	8,074,354
Operating income from SoftBank Vision Fund and Delta Fund	3,17	—	236,427	2,092,274
<b>Operating income</b>		929,328	1,148,829	10,166,628
Finance cost	19	(343,363)	(383,337)	(3,392,363)
Income on equity method investments		205,988	319,591	2,828,239
Gain on sales of shares of associates	20	238,101	1,804	15,965
Foreign exchange gain		34,222	20,100	177,876
Derivative loss	11,21	(95,875)	(485,198)	(4,293,788)
Change in third-party interests in SoftBank Vision Fund and Delta Fund	3	—	(108,163)	(957,195)
Other non-operating income (loss)	12,22	(13,476)	50,178	444,053
<b>Income before income tax</b>		954,925	563,804	4,989,415
Income taxes	10	(615,954)	638,941	5,654,346
<b>Net income from continuing operations</b>		338,971	1,202,745	10,643,761
<b>Discontinued operations</b>				
<b>Net income from discontinued operations</b>	23	553,305	—	—
<b>Net income</b>		¥ 892,276	¥ 1,202,745	\$ 10,643,761
<b>Net income attributable to</b>				
Owners of the parent		¥ 845,773	¥ 1,014,944	\$ 8,981,805
Non-controlling interests		46,503	187,801	1,661,956
		¥ 892,276	¥ 1,202,745	\$ 10,643,761
		(Yen)		(U.S. dollars)
		Nine-month period ended December 31, 2016*	Nine-month period ended December 31, 2017	Nine-month period ended December 31, 2017
<b>Earnings per share attributable to owners of the parent</b>				
<b>Basic earnings per share</b>				
Continuing operations	24	¥ 268.17	¥ 918.29	\$ 8.13
Discontinued operations	24	490.73	—	—
<b>Total basic earnings per share</b>	24	¥ 758.90	¥ 918.29	\$ 8.13
<b>Diluted earnings per share</b>				
Continuing operations	24	¥ 261.16	¥ 894.15	\$ 7.91
Discontinued operations	24	490.42	—	—
<b>Total diluted earnings per share</b>	24	¥ 751.58	¥ 894.15	\$ 7.91

Note:

\* Includes retrospective adjustments resulting from completion of the purchase price allocation related to the acquisition of Arm in September 2016 during the three-month period ended June 30, 2017.

Condensed Interim Consolidated Statement of Comprehensive Income (unaudited)

	(Millions of yen)		(Thousands of U.S. dollars)
	Nine-month period ended	Nine-month period ended	Nine-month period ended
	Notes December 31, 2016*	December 31, 2017	December 31, 2017
<b>Net income</b> .....	¥892,276	¥1,202,745	\$10,643,761
<b>Other comprehensive income, net of tax</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurements of defined benefit plan .....	—	8,552	75,681
Total items that will not be reclassified to profit or loss .....	—	8,552	75,681
<b>Items that may be reclassified subsequently to profit or loss</b>			
Available-for-sale financial assets .....	29,043	48,156	426,160
Cash flow hedges .....	(4,369)	(10,804)	(95,611)
Exchange differences on translating foreign operations .....	49,953	382,058	3,381,044
Share of other comprehensive income of associates .....	(27,626)	10,571	93,549
Total items that may be reclassified subsequently to profit or loss .....	47,001	429,981	3,805,142
<b>Total other comprehensive income, net of tax</b> .....	47,001	438,533	3,880,823
<b>Total comprehensive income</b> .....	<u>¥939,277</u>	<u>¥1,641,278</u>	<u>\$14,524,584</u>
<b>Total comprehensive income attributable to</b>			
Owners of the parent .....	¥883,480	¥1,450,381	\$12,835,230
Non-controlling interests .....	55,797	190,897	1,689,354
	<u>¥939,277</u>	<u>¥1,641,278</u>	<u>\$14,524,584</u>

Note:

\* Includes retrospective adjustments resulting from completion of the purchase price allocation related to the acquisition of Arm in September 2016 during the three-month period ended June 30, 2017.

For the three-month period ended December 31  
Condensed Interim Consolidated Statement of Income (unaudited)

	Notes	(Millions of yen)		(Thousands of U.S. dollars)
		Three-month period ended	Three-month period ended	Three-month period ended
		December 31, 2016*	December 31, 2017	December 31, 2017
<b>Continuing operations</b>				
Net sales		¥ 2,309,632	¥ 2,400,139	\$ 21,240,168
Cost of sales		(1,421,900)	(1,490,002)	(13,185,858)
<b>Gross profit</b>		<b>887,732</b>	<b>910,137</b>	<b>8,054,310</b>
Selling, general and administrative expenses		(588,534)	(639,305)	(5,657,566)
Other operating loss		(17,233)	(47,031)	(416,204)
<b>Operating income (excluding income from SoftBank Vision Fund and Delta Fund)</b>		<b>281,965</b>	<b>223,801</b>	<b>1,980,540</b>
Operating income from SoftBank Vision Fund and Delta Fund		—	50,189	444,150
<b>Operating income</b>		<b>281,965</b>	<b>273,990</b>	<b>2,424,690</b>
Finance cost		(121,341)	(139,879)	(1,237,867)
Income on equity method investments		100,814	211,301	1,869,920
Foreign exchange gain (loss)		(48,849)	9,158	81,044
Derivative gain		74,183	19,483	172,416
Change in third-party interests in SoftBank Vision Fund and Delta Fund		—	(31,006)	(274,389)
Other non-operating income		9,109	1,736	15,363
<b>Income before income tax</b>		<b>295,881</b>	<b>344,783</b>	<b>3,051,177</b>
Income taxes		(198,540)	714,220	6,320,531
<b>Net income from continuing operations</b>		<b>97,341</b>	<b>1,059,003</b>	<b>9,371,708</b>
<b>Discontinued operations</b>				
Net loss from discontinued operations		(5,280)	—	—
<b>Net income</b>		<b>¥ 92,061</b>	<b>¥ 1,059,003</b>	<b>\$ 9,371,708</b>
<b>Net income attributable to</b>				
Owners of the parent		¥ 80,257	¥ 912,322	\$ 8,073,646
Non-controlling interests		11,804	146,681	1,298,062
		<u>¥ 92,061</u>	<u>¥ 1,059,003</u>	<u>\$ 9,371,708</u>
<b>Earnings per share attributable to owners of the parent</b>				
<b>Basic earnings per share</b>				
Continuing operations	24	¥ 78.55	¥ 829.96	\$ 7.34
Discontinued operations	24	(4.85)	—	—
Total basic earnings per share	24	<u>¥ 73.70</u>	<u>¥ 829.96</u>	<u>\$ 7.34</u>
<b>Diluted earnings per share</b>				
Continuing operations	24	¥ 75.00	¥ 809.15	\$ 7.16
Discontinued operations	24	(4.85)	—	—
Total diluted earnings per share	24	<u>¥ 70.15</u>	<u>¥ 809.15</u>	<u>\$ 7.16</u>

Note:

\* Includes retrospective adjustments resulting from completion of the purchase price allocation related to the acquisition of Arm in September 2016 during the three-month period ended June 30, 2017.

Condensed Interim Consolidated Statement of Comprehensive Income (unaudited)

	(Millions of yen)		(Thousands of U.S. dollars)	
	Notes	Three-month period ended December 31, 2016*	Three-month period ended December 31, 2017	Three-month period ended December 31, 2017
<b>Net income</b> .....		¥ 92,061	¥1,059,003	\$9,371,708
<b>Other comprehensive income, net of tax</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurements of defined benefit plan ..		—	8,552	75,681
Total items that will not be reclassified to profit or loss .....		—	8,552	75,681
<b>Items that may be reclassified subsequently to profit or loss</b>				
Available-for-sale financial assets .....		22,504	11,101	98,240
Cash flow hedges .....		318	1,119	9,903
Exchange differences on translating foreign operations .....		762,632	45,882	406,034
Share of other comprehensive income of associates .....		(8,201)	1,030	9,115
Total items that may be reclassified subsequently to profit or loss .....		777,253	59,132	523,292
<b>Total other comprehensive income, net of tax</b> .....		777,253	67,684	598,973
<b>Total comprehensive income</b> .....		¥869,314	¥1,126,687	\$9,970,681
<b>Total comprehensive income attributable to</b>				
Owners of the parent .....		¥816,138	¥ 977,370	\$8,649,292
Non-controlling interests .....		53,176	149,317	1,321,389
		¥869,314	¥1,126,687	\$9,970,681

Note:

\* Includes retrospective adjustments resulting from completion of the purchase price allocation related to the acquisition of Arm in September 2016 during the three-month period ended June 30, 2017.

**c. Condensed Interim Consolidated Statement of Changes in Equity (unaudited)**

For the nine-month period ended December 31, 2016\*

		(Millions of yen)							
		Equity attributable to owners of the parent							
		Accumulated other comprehensive income					Non- controlling interests		Total equity
Notes	Common stock	Capital surplus	Retained earnings	Treasury stock	Total				
<b>As of April 1, 2016</b> .....	¥238,772	¥261,234	¥2,166,623	¥(314,752)	¥261,736	¥2,613,613	¥891,658	¥3,505,271	
<b>Comprehensive income</b>									
Net income .....	—	—	845,773	—	—	845,773	46,503	892,276	
Other comprehensive income .....	—	—	—	—	37,707	37,707	9,294	47,001	
<b>Total comprehensive income</b> .....	—	—	845,773	—	37,707	883,480	55,797	939,277	
<b>Transactions with owners and other transactions</b>									
Cash dividends .....	16	—	(48,042)	—	—	(48,042)	(43,416)	(91,458)	
Purchase and disposal of treasury stock .....	14	—	(844)	(349,302)	—	(350,146)	—	(350,146)	
Retirement of treasury stock .....	14	—	(595,195)	595,195	—	—	—	—	
Changes from business combination .....		—	—	—	—	—	2,218	2,218	
Changes from loss of control .....		—	—	—	—	—	(25,565)	(25,565)	
Changes in interests in subsidiaries .....		—	(170)	—	—	(170)	3,019	2,849	
Changes in associates' interests in their subsidiaries .....		—	(475)	—	—	(475)	—	(475)	
Changes in interests in associates' capital surplus .....		—	(15,595)	—	—	(15,595)	—	(15,595)	
Share-based payment transactions .....		—	1,728	—	—	1,728	2,284	4,012	
Other .....		—	—	—	—	—	(906)	(906)	
<b>Total transactions with owners and other transactions</b> .....		—	(14,512)	(644,081)	245,893	—	(412,700)	(62,366)	
<b>As of December 31, 2016</b> .....	¥238,772	¥246,722	¥2,368,315	¥ (68,859)	¥299,443	¥3,084,393	¥885,089	¥3,969,482	

Note:

\* Includes retrospective adjustments resulting from completion of the purchase price allocation related to the acquisition of Arm in September 2016 during the three-month period ended June 30, 2017.



For the nine-month period ended December 31, 2017

		(Millions of yen)						
		Equity attributable to owners of the parent						
	Notes	Common stock	Capital surplus	Other equity instruments	Retained earnings	Treasury stock	Accumulated other comprehensive income	Total
<b>As of April 1, 2017</b>		¥ 238,772	¥ 245,706	¥ —	¥2,958,355	¥(67,727)	¥211,246	¥3,586,352
<b>Comprehensive income</b>								
Net income		—	—	—	1,014,944	—	—	1,014,944
Other comprehensive income		—	—	—	—	—	435,437	435,437
<b>Total comprehensive income</b>		—	—	—	1,014,944	—	435,437	1,450,381
<b>Transactions with owners and other transactions</b>								
Issuance of other equity instruments	15	—	—	496,876	—	—	—	496,876
Cash dividends	16	—	—	—	(47,933)	—	—	(47,933)
Transfer of accumulated other comprehensive income to retained earnings		—	—	—	7,188	—	(7,188)	—
Purchase and disposal of treasury stock	14	—	—	—	(726)	1,274	—	548
Changes from business combination	6	—	—	—	—	—	—	—
Changes in interests in subsidiaries		—	(20,423)	—	—	—	—	(20,423)
Changes in associates' interests in their subsidiaries		—	(3,174)	—	—	—	—	(3,174)
Changes in interests in associates' capital surplus		—	38,397	—	—	—	—	38,397
Share-based payment transactions		—	4,665	—	—	—	—	4,665
Other		—	—	—	—	—	—	—
<b>Total transactions with owners and other transactions</b>		—	19,465	496,876	(41,471)	1,274	(7,188)	468,956
<b>As of December 31, 2017</b>		¥ 238,772	¥ 265,171	¥496,876	¥3,931,828	¥(66,453)	¥639,495	¥5,505,689
		<b>Non-controlling interests</b>		<b>Total equity</b>				
	Notes							
<b>As of April 1, 2017</b>		¥ 883,378	¥4,469,730					
<b>Comprehensive income</b>								
Net income		187,801	1,202,745					
Other comprehensive income		3,096	438,533					
<b>Total comprehensive income</b>		190,897	1,641,278					
<b>Transactions with owners and other transactions</b>								
Issuance of other equity instruments	15	—	496,876					
Cash dividends	16	(30,781)	(78,714)					
Transfer of accumulated other comprehensive income to retained earnings		—	—					
Purchase and disposal of treasury stock	14	—	548					
Changes from business combination	6	14,972	14,972					
Changes in interests in subsidiaries		(2,091)	(22,514)					
Changes in associates' interests in their subsidiaries		—	(3,174)					
Changes in interests in associates' capital surplus		—	38,397					
Share-based payment transactions		7,522	12,187					
Other		(709)	(709)					
<b>Total transactions with owners and other transactions</b>		(11,087)	457,869					
<b>As of December 31, 2017</b>		¥1,063,188	¥6,568,877					

(Thousands of U.S. dollars)

	Notes	Equity attributable to owners of the parent						Total
		Common stock	Capital surplus	Other equity instruments	Retained earnings	Treasury stock	Accumulated other comprehensive income	
<b>As of April 1, 2017</b>		\$2,113,027	\$ 2,174,389	\$ —	\$26,180,132	\$(599,354)	\$1,869,434	\$31,737,628
<b>Comprehensive income</b>								
Net income		—	—	—	8,981,805	—	—	8,981,805
Other comprehensive income		—	—	—	—	—	3,853,425	3,853,425
<b>Total comprehensive income</b>		—	—	—	8,981,805	—	3,853,425	12,835,230
<b>Transactions with owners and other transactions</b>								
Issuance of other equity instruments	15	—	—	4,397,133	—	—	—	4,397,133
Cash dividends	16	—	—	—	(424,186)	—	—	(424,186)
Transfer of accumulated other comprehensive income to retained earnings		—	—	—	63,611	—	(63,611)	—
Purchase and disposal of treasury stock	14	—	—	—	(6,424)	11,274	—	4,850
Changes from business combination	6	—	—	—	—	—	—	—
Changes in interests in subsidiaries		—	(180,735)	—	—	—	—	(180,735)
Changes in associates' interests in their subsidiaries		—	(28,088)	—	—	—	—	(28,088)
Changes in interests in associates' capital surplus		—	339,796	—	—	—	—	339,796
Share-based payment transactions		—	41,284	—	—	—	—	41,284
Other		—	—	—	—	—	—	—
<b>Total transactions with owners and other transactions</b>		—	172,257	4,397,133	(366,999)	11,274	(63,611)	4,150,054
<b>As of December 31, 2017</b>		\$2,113,027	\$ 2,346,646	\$4,397,133	\$34,794,938	\$(588,080)	\$5,659,248	\$48,722,912

	Notes	Non-controlling interests	Total equity
<b>As of April 1, 2017</b>		\$7,817,504	\$39,555,132
<b>Comprehensive income</b>			
Net income		1,661,956	10,643,761
Other comprehensive income		27,398	3,880,823
<b>Total comprehensive income</b>		1,689,354	14,524,584
<b>Transactions with owners and other transactions</b>			
Issuance of other equity instruments	15	—	4,397,133
Cash dividends	16	(272,398)	(696,584)
Transfer of accumulated other comprehensive income to retained earnings		—	—
Purchase and disposal of treasury stock	14	—	4,850
Changes from business combination	6	132,496	132,496
Changes in interests in subsidiaries		(18,504)	(199,239)
Changes in associates' interests in their subsidiaries		—	(28,088)
Changes in interests in associates' capital surplus		—	339,796
Share-based payment transactions		66,566	107,850
Other		(6,275)	(6,275)
<b>Total transactions with owners and other transactions</b>		(98,115)	4,051,939
<b>As of December 31, 2017</b>		\$9,408,743	\$58,131,655

#### d. Condensed Interim Consolidated Statement of Cash Flows (unaudited)

	Notes	(Millions of yen)		(Thousands of U.S. dollars)
		Nine-month period ended December 31, 2016*	Nine-month period ended December 31, 2017	Nine-month period ended December 31, 2017
<b>Cash flows from operating activities</b>				
Net income		¥ 892,276	¥ 1,202,745	\$ 10,643,761
Depreciation and amortization		1,056,559	1,152,375	10,198,009
Gain from remeasurement relating to business combinations		(18,187)	—	—
Gain on investments at SoftBank Vision Fund and Delta Fund		—	(254,852)	(2,255,327)
Finance cost		343,363	383,337	3,392,363
Income on equity method investments		(205,988)	(319,591)	(2,828,239)
Gain on sales of shares of associates		(238,101)	(1,804)	(15,965)
Derivative loss		95,875	485,198	4,293,788
Change in third-party interests in SoftBank Vision Fund and Delta Fund		—	108,163	957,195
Foreign exchange (gain) and other non-operating (income) loss		(22,837)	(70,278)	(621,929)
Gain on sales of discontinued operations	25	(636,216)	—	—
Income taxes		733,526	(638,941)	(5,654,346)
Increase in trade and other receivables		(223,664)	(161,386)	(1,428,195)
Increase in inventories	25	(292,832)	(391,455)	(3,464,204)
Increase in trade and other payables		40,194	165,207	1,462,009
Other		3,044	(18,602)	(164,619)
Subtotal		1,527,012	1,640,116	14,514,301
Interest and dividends received		16,738	21,674	191,805
Interest paid		(378,065)	(397,073)	(3,513,920)
Income taxes paid	25	(354,655)	(472,211)	(4,178,858)
Income taxes refunded	25	316,403	91,269	807,690
Net cash provided by operating activities		1,127,433	883,775	7,821,018
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment, and intangible assets	25	(671,797)	(791,629)	(7,005,566)
Payments for acquisition of investments		(440,211)	(346,403)	(3,065,513)
Payments for acquisition of investments by SoftBank Vision Fund and Delta Fund	25	—	(2,021,298)	(17,887,593)
Proceeds from sales/redemption of investments	25	464,037	24,657	218,204
Decrease from acquisition of control over subsidiaries	6	(3,253,000)	(261,859)	(2,317,336)
Increase from loss of control over subsidiaries	25	725,302	—	—
Payments for acquisition of marketable securities for short-term trading		(250,902)	(127,788)	(1,130,867)
Proceeds from sales/redemption of marketable securities for short-term trading		119,063	384,231	3,400,274
Payments into time deposits		(290,570)	(103,771)	(918,327)
Proceeds from withdrawal of time deposits		172,797	467,499	4,137,159
Other		44,688	47,957	424,397
Net cash used in investing activities		(3,380,593)	(2,728,404)	(24,145,168)
<b>Cash flows from financing activities</b>				
Increase in short-term interest-bearing debt, net	11	355,024	312,582	2,766,212
Proceeds from long-term interest-bearing debt	11, 25	3,585,651	4,785,202	42,346,920
Repayment of long-term interest-bearing debt	11	(1,245,267)	(4,238,546)	(37,509,257)
Contributions into SoftBank Vision Fund and Delta Fund from third-party investors	25	—	1,765,404	15,623,044
Distribution/redemption from SoftBank Vision Fund and Delta Fund to third-party investors		—	(20,918)	(185,115)
Proceeds from issuance of other equity instruments		—	496,876	4,397,133
Purchase of treasury stock		(350,843)	(36)	(319)
Cash dividends paid		(46,098)	(47,785)	(422,876)
Cash dividends paid to non-controlling interests		(41,934)	(29,577)	(261,743)
Other		(46,203)	(47,846)	(423,415)
Net cash provided by financing activities		2,210,330	2,975,356	26,330,584
<b>Effect of exchange rate changes on cash and cash equivalents</b>				
		(28,032)	26,523	234,716
<b>(Decrease) increase in cash and cash equivalents</b>		(70,862)	1,157,250	10,241,150
<b>Cash and cash equivalents at the beginning of the period</b>		2,569,607	2,183,102	19,319,487
<b>Cash and cash equivalents at the end of the period</b>		¥ 2,498,745	¥ 3,340,352	\$ 29,560,637

Note:

\* Included retrospective adjustments resulting from completion of the purchase price allocation related to the acquisition of Arm in September 2016 during the three-month period ended June 30, 2017.

## **Notes to Condensed Interim Consolidated Financial Statements (unaudited)**

### **1. Reporting entity**

SoftBank Group Corp. is a corporation domiciled in Japan. The registered address of SoftBank Group Corp.'s head office is disclosed on our website (<https://www.softbank.jp/>). These condensed interim consolidated financial statements are composed of SoftBank Group Corp. and its subsidiaries (the "Company"). The Company engages in various businesses in the information industry, with its core business lying in the Domestic Telecommunications segment, the Sprint segment, the Yahoo Japan segment, the Distribution segment, the Arm segment, and the SoftBank Vision Fund and Delta Fund segment. The details are described in "(1) Description of reportable segments" under "Note 5. Segment information."

### **2. Basis of preparation of condensed interim consolidated financial statements**

#### **(1) Compliance with International Financial Reporting Standards ("IFRSs")**

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting." The condensed interim consolidated financial statements do not include all of the information which is required in the consolidated financial statements for the fiscal year and should be used in conjunction with the consolidated financial statements for the fiscal year ended March 31, 2017.

#### **(2) Basis of measurement**

These condensed interim 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.

#### **(3) Presentation currency and unit of currency**

These condensed interim consolidated financial statements have been presented in Japanese yen, which is the currency of the primary economic environment of SoftBank Group Corp. ("functional currency"), and yen amounts are rounded to the nearest million.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside of Japan and have been made at a rate of ¥113.00 to \$1, the approximate rate of exchange at December 31, 2017. 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) Definition of company name and abbreviation used in the notes**

Company names and abbreviations used in the condensed interim consolidated financial statements and primary notes, except as otherwise stated or interpreted differently in the context, are as follows:

<b>Company name / Abbreviation</b>	<b>Definition / Official name</b>
SoftBank Group Corp.	SoftBank Group Corp. (stand-alone basis)
The Company	SoftBank Group Corp. and its subsidiaries
*Each of the following abbreviations indicates the respective company, and its subsidiaries, if any.	
Sprint	Sprint Corporation
Brightstar	Brightstar Global Group Inc.
Arm	Arm Holdings plc
SoftBank Vision Fund	SoftBank Vision Fund L.P. SoftBank Vision Fund (AIV M1) L.P. SoftBank Vision Fund (AIV M2) L.P. SoftBank Vision Fund (AIV S1) L.P.
Delta Fund	SB Delta Fund (Jersey) L.P.
Fortress	Fortress Investment Group LLC
Alibaba	Alibaba Group Holding Limited
Supercell	Supercell Oy

“SVF”, which was presented in the previous quarter, has been changed to “SoftBank Vision Fund and Delta Fund” from the three-month period ended December 31, 2017. Accordingly, the name of each account, segment and other items in these condensed interim consolidated financial statements is as follows:

Condensed Interim Consolidated Statement of Financial Position

Previous	Current
Investments from SVF accounted for using FVTPL	Investments from SoftBank Vision Fund and Delta Fund accounted for using FVTPL
Third-party interests in SVF	Third-party interests in SoftBank Vision Fund and Delta Fund

Condensed Interim Consolidated Statement of Income

Previous	Current
Operating income (excluding income from SVF)	Operating income (excluding income from SoftBank Vision Fund and Delta Fund)
Operating income from SVF	Operating income from SoftBank Vision Fund and Delta Fund
Change in third-party interests in SVF	Change in third-party interests in SoftBank Vision Fund and Delta Fund

Condensed Interim Consolidated Statement of Cash Flows

Previous	Current
Gain on investments at SVF	Gain on investments at SoftBank Vision Fund and Delta Fund
Change in third-party interests in SVF	Change in third-party interests in SoftBank Vision Fund and Delta Fund
Payments for acquisition of investments by SVF	Payments for acquisition of investments by SoftBank Vision Fund and Delta Fund
Contributions into SVF from third-party investors	Contributions into SoftBank Vision Fund and Delta Fund from third-party investors

Segment information

Previous	Current
The SVF segment	The SoftBank Vision Fund and Delta Fund segment
Unrealized gain and loss on valuation of investments in SVF	Unrealized gain and loss on valuation of investments in SoftBank Vision Fund and Delta Fund

### 3. Significant accounting policies

Significant accounting policies adopted in these condensed interim consolidated financial statements are the same as the accounting policies which were adopted in consolidated financial statements for the fiscal year ended March 31, 2017, except as described below. Also, income tax expenses for the nine-month period ended December 31, 2017 are recognized based on the best estimate of the weighted-average annual income tax rate expected for the full financial year. Further, a part of defined benefit liabilities as of December 31, 2017 is based on a projection calculation that incorporates reasonable estimates used in determining the actuarial valuation as of March 31, 2017.

(1) New standard and interpretation adopted by the Company

Standard	Interpretation	Outline of the new/revised standard
IAS 7 (amendment)	Statement of cash flows	Requirement for additional disclosure related to changes in liabilities arising from financing activities.

There is no significant impact on the condensed interim consolidated financial statements due to the adoption of the above standard.

(2) The SoftBank Vision Fund completed the initial closing in May 2017. Accordingly, the Company adopted accounting policies for SoftBank Vision Fund and Delta Fund as follows.

a. Scope of consolidation for SoftBank Vision Fund and Delta Fund business

SoftBank Vision Fund and Delta Fund is managed by SB Investment Advisers (UK) Limited (“SBIA”), which is regulated by the UK Financial Conduct Authority. Investment decisions for the various entities comprising SoftBank Vision Fund and Delta Fund are made by the Investment Committee established as a committee of SBIA. SBIA is a wholly-owned subsidiary of the Company and, as such, the Company has control over limited partnerships and investment holding entities comprising SoftBank Vision Fund and Delta Fund as stipulated in IFRS 10 “Consolidated Financial Statements.” Accordingly, all entities that comprise SoftBank Vision Fund and Delta Fund are consolidated by the Company. Intercompany transactions such as management fees and performance fees to SBIA paid or to be paid from SoftBank Vision Fund and Delta Fund are eliminated in consolidation.

b. Portfolio company investments made by SoftBank Vision Fund and Delta Fund

(a) Investments in subsidiaries

The portfolio companies that the Company is deemed to control under IFRS 10, “Consolidated Financial Statements,” are treated as subsidiaries of the Company. Accordingly, their results of operations, assets and liabilities are included in the Company’s consolidated financial statements.

(b) Investments other than those in subsidiaries

Investments other than those in subsidiaries made by SoftBank Vision Fund and Delta Fund, including investments in associates of the Company are managed in accordance with SoftBank Vision Fund and Delta Fund’s documented risk management policy or investment strategy, and the performance of each investment is reviewed on a fair value basis. Performance evaluation and investment decisions are made by SBIA and the information is provided to the Company’s management; therefore, these investments are designated as financial assets at FVTPL upon initial recognition. Accordingly, these investments are measured at fair value at the end of each quarter with the change during the reporting period recognized in profit or loss. Such investments that SoftBank Vision Fund and Delta Fund made are presented as “Investments from SoftBank Vision Fund and Delta Fund accounted for using FVTPL” in the condensed interim consolidated statement of financial position. The payments for these investments are presented as “Payments for acquisition of investments by SoftBank Vision Fund and Delta Fund” under cash flows from investing activities in the condensed interim consolidated statement of cash flows.

(c) Investments made by the Company to transfer to SoftBank Vision Fund and Delta Fund

Investments made by SoftBank Group Corp. or its subsidiaries with the purpose of transferring to SoftBank Vision Fund and Delta Fund are presented as “Investment securities” in the condensed interim consolidated statement of financial position. Payments for the investments are presented as “Payments for acquisition of investments” under cash flows from investing activities in the condensed interim consolidated statement of cash flows. Once the investments are agreed to be transferred from the Company to SoftBank Vision Fund or Delta Fund, and regulatory approvals to make the investments by SoftBank Vision Fund or Delta Fund are obtained (such investments, “Agreed Transferable Investments”), the Company retroactively changes the presentation of these investments and the payments for the investments to the presentation as described in the above “b. Investments except for subsidiaries” from the date when the Company initially made these investments.

In cases where the Company’s subsidiaries are investees and the Company is transferring those investments to SoftBank Vision Fund or Delta Fund, the investments are accounted for in accordance with the above “a. Investments in subsidiaries”, regardless of whether the investments are Agreed Transferable Investments.

c. Results from SoftBank Vision Fund and Delta Fund

Income and loss arising from SoftBank Vision Fund and Delta Fund business are separated from operating income and loss arising from other segments, recognized as a component of operating income, and presented as “Operating income from SoftBank Vision Fund and Delta Fund” in the condensed



interim consolidated statement of income. Gain and loss on investments at SoftBank Vision Fund and Delta Fund (realized gain and loss on sales of investments, unrealized gain and loss on valuation of investments, interest and dividend income from investments, except for gain and loss on investments in subsidiaries) and operating expenses such as incorporation expenses of entities that comprise SoftBank Vision Fund and Delta Fund, investment research expenses arising from SBIA and other advisory companies, and administrative expenses arising from each entity, are included in “Operating income from SoftBank Vision Fund and Delta Fund.” The details are described in “Note 17. Operating income from SoftBank Vision Fund and Delta Fund.”

Gain and loss arising from investments, which are made by the Company to transfer to SoftBank Vision Fund and Delta Fund, are classified to “Gain (loss) from financial instruments at FVTP” included in “Other non-operating income (loss)” in the condensed interim consolidated statement of income. Once the investments become Agreed Transferable Investments, the Company retroactively changes the presentation of gain and loss arising from the investments as “Operating income from SoftBank Vision Fund and Delta Fund” from the date when the Company initially made these investments.

d. Contribution from Limited Partners to SoftBank Vision Fund and Delta Fund

Uncalled committed capital from limited partners of SoftBank Vision Fund and Delta Fund other than the Company (“Third-Party Investors”) is not subject to IAS 39, “Financial Instruments: Recognition and Measurement,” and therefore such amount is not recorded in the condensed interim consolidated statement of financial position.

(a) Contribution from the Company to SoftBank Vision Fund and Delta Fund

Contribution from the Company to SoftBank Vision Fund and Delta Fund as a limited partner is eliminated in consolidation.

(Execution of contribution using shares of Arm)

The Company will contribute approximately 24.99% of the total number of issued shares of Arm (the “Arm Shares”), all of which are owned by the Company, to the SoftBank Vision Fund through an in-kind contribution (the “In-kind Contribution”) in satisfaction of approximately \$8.2 billion of the Company’s commitment to SoftBank Vision Fund.

The In-kind Contribution will be effectuated through the transfer of Arm Shares to SoftBank Vision Fund subject to the satisfaction of preconditions related to regulatory approvals prescribed in SoftBank Vision Fund’s governing documents. Such conditions include clearance from the Committee on Foreign Investments in the United States in respect of the transfer of the Arm Shares. Pending the delivery of the Arm Shares to SoftBank Vision Fund following the satisfaction of such conditions, a portion of the Arm Shares has been pledged and, pursuant to future capital calls, the remaining portion will be pledged in favor of SoftBank Vision Fund.

After the completion of the In-kind Contribution of Arm Shares, Arm will continue to be a consolidated subsidiary of the Company.

(b) Contribution from Third-Party Investors

The interests attributable to Third-Party Investors are classified as financial liabilities, “Third-party interests in SoftBank Vision Fund and Delta Fund” in the condensed interim consolidated statement of financial position, due to the predetermined finite life (at least 12 years from the final closing) and contractual payment provision to each of the limited partners within SoftBank Vision Fund and Delta Fund’s limited partnership agreements. The liabilities are classified as “financial liabilities measured at amortized cost” upon initial recognition. The amounts attributable to Third-Party Investors represent the amounts that would be distributed in accordance with the limited partnership agreement in a theoretical liquidation scenario, and are disclosed in the condensed interim consolidated statement of financial position as a liability. Changes in the interests of Third-Party Investors are recognized through net profit or loss and presented as “Changes in third-party interests in SoftBank Vision Fund and Delta Fund” in non-operating income and loss in the condensed interim consolidated statement of income.

Contributions from Third-Party Investors to SoftBank Vision Fund and Delta Fund are included in “Contributions into SoftBank Vision Fund and Delta Fund from third-party investors” under cash flows from financing activities in the condensed interim consolidated statement of cash flows. The

distribution to Third-Party investors and the redemption of investment from Third-Party investors are included in “Distribution/redemption from SoftBank Vision Fund and Delta Fund to third-party investors” under cash flows from financing activities in the condensed interim consolidated statement of cash flows.

#### 4. Significant judgments and estimates

In preparing condensed interim 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 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 estimates or assumptions, actual results in the future may differ from those projected estimates or assumptions.

Estimates and underlying assumptions are continuously reviewed. Revisions to accounting estimates are recognized in the period in which the estimate is revised as well as in future periods.

Except as described below, significant judgments, estimates, and assumptions that affect the amounts recognized in the Company’s condensed interim consolidated financial statements are the same as those for the fiscal year ended March 31, 2017.

- Note 3. Significant accounting policies – (b) Contribution from Third-Party Investors under (2) d. Contribution from Limited Partners to SoftBank Vision Fund and Delta Fund
- Note 10. Income taxes – (2)
- Note 12. Financial instruments (2), (3)
- Note 18. Other operating loss – Notes: 6. and 9.
- Note 22. Other non-operating income (loss) – Notes: 2
- Assessment of useful lives of property, plant and equipment and intangible assets

As a result of reviewing the efficiency of communications equipment in SoftBank Corp., it became highly probable that certain communications equipment will be disposed and removed, and therefore, the useful lives were revised. Due to this change, “Cost of sales” in the condensed interim consolidated statement of income for the nine-month period ended December 31, 2017 increased by ¥14,010 million (\$123,982 thousand).

#### 5. 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 resources and assess its performance.

The Company has six reportable segments: the Domestic Telecommunications segment, the Sprint segment, the Yahoo Japan segment, the Distribution segment, the Arm segment, and the SoftBank Vision Fund and Delta Fund segment.

The Domestic Telecommunications segment provides, mainly through SoftBank Corp., mobile communications services, sale of mobile devices, telecommunications services such as fixed-line telephone and data communications services for corporate customers, and broadband services for retail customers in Japan.

The Sprint segment provides, through Sprint, mobile communications services, sale and lease of mobile devices, sale of mobile device accessories, and fixed-line telecommunications services in the U.S.

The Yahoo Japan segment provides, mainly through Yahoo Japan Corporation, an Internet-based advertising business, an e-commerce business, and membership services.

The Distribution segment provides, through Brightstar, distribution of mobile devices overseas, and through SoftBank Commerce & Service Corp., sale of mobile device accessories, PC software, and peripherals in Japan.

The Arm segment provides, through Arm, designs of microprocessor intellectual property and related technology, and the sale of software tools.

The SoftBank Vision Fund and Delta Fund segment conducts investment activities in a wide range of technology sectors. The SoftBank Vision Fund and Delta Fund segment was newly established from the three-month period ended June 30, 2017, due to the completion of the Initial Closing for SoftBank Vision Fund in May 2017. The segment income of the SoftBank Vision Fund and Delta Fund segment consists of gain and loss arising from investments, including subsidiaries, held by SoftBank Vision Fund and Delta Fund or the Agreed Transferable Investments (gain and loss on investments at SoftBank Vision Fund and Delta Fund), and operating expenses incurred in SoftBank Vision Fund and Delta Fund, SBIA and advisory companies.

Information on business segments which are not included in the reportable segments is classified in “Other.” “Other” includes mainly Fortress and Fukuoka SoftBank HAWKS-related operations.

“Reconciliations” includes an elimination of intersegment transactions and the corporate general expenses unallocated to each reportable segment. Expenses arising mainly from SoftBank Group Corp. and SB Group US, Inc., which manages and supervises investment activities in the Internet, communication, and media fields overseas, are included in the corporate general expenses.

(2) Net sales and income of reportable segments

Income of reportable segments is defined as “Operating income.” Intersegment transaction prices are determined under the same general business conditions as applied for external customers.

The Company also discloses EBITDA (i.e., segment income and loss after addition of depreciation and amortization) and Adjusted EBITDA (i.e., EBITDA after addition or deduction of unrealized gain and loss on valuation of investments in SoftBank Vision Fund and Delta Fund and other adjustments (gains are deducted)) by each reportable segment. “Other adjustments” are special items, such as acquisition-related costs and impairment losses mainly included in other operating income and loss.

Income and losses, which are not attributable to operating income and loss, such as financial cost and income and loss on equity method investments, are not managed by each reportable segment and therefore these income and losses are excluded from the segment performance.

Discontinued operations are not included. The details of discontinued operations are described in “Note 23. Discontinued operations.”

For the nine-month period ended December 31, 2016

(Millions of yen)							
Reportable segments							
	Domestic Telecommunications	Sprint	Yahoo Japan	Distribution	Arm	SoftBank Vision Fund and Delta Fund	Total
Net sales							
Customers .....	¥2,375,500	¥2,548,215	¥ 622,039	¥890,168	¥ 68,854	¥—	¥6,504,776
Intersegment .....	25,170	103,794	8,761	49,418	1	—	187,144
Total .....	<u>¥2,400,670</u>	<u>¥2,652,009</u>	<u>¥ 630,800</u>	<u>¥939,586</u>	<u>¥ 68,855</u>	<u>¥—</u>	<u>¥6,691,920</u>
Segment income .....	651,484	145,186	150,544	19,108	9,922	—	976,244
Reconciliation from segment income to adjusted EBITDA							
Segment income .....	651,484	145,186	150,544	19,108	9,922	—	976,244
Depreciation and amortization .....	<u>343,205</u>	<u>645,486</u>	<u>28,631</u>	<u>5,337</u>	<u>18,199</u>	<u>—</u>	<u>1,040,858</u>
EBITDA .....	<u>994,689</u>	<u>790,672</u>	<u>179,175</u>	<u>24,445</u>	<u>28,121</u>	<u>—</u>	<u>2,017,102</u>
Gain from remeasurement relating to business combinations .....	—	—	(19)	—	(18,168)	—	(18,187)
Other adjustments .....	—	(2,949)	—	—	25,780	—	22,831
Adjusted EBITDA .....	<u>¥ 994,689</u>	<u>¥ 787,723</u>	<u>¥ 179,156</u>	<u>¥ 24,445</u>	<u>¥ 35,733</u>	<u>¥—</u>	<u>¥2,021,746</u>

(Millions of yen)		
	Other	Reconciliations* Consolidated
Net sales		
Customers .....	¥ 76,690	¥ —
Intersegment .....	16,958	(204,102)
Total .....	<u>¥ 93,648</u>	<u>¥ (204,102)</u>
Segment income .....	(8,036)	(38,880)
Reconciliation from segment income to adjusted EBITDA		
Segment income .....	(8,036)	(38,880)
Depreciation and amortization .....	<u>7,452</u>	<u>1,189</u>
EBITDA .....	<u>(584)</u>	<u>(37,691)</u>
Gain from remeasurement relating to business combinations .....	—	(18,187)
Other adjustments .....	—	8,283
Adjusted EBITDA .....	<u>¥ (584)</u>	<u>¥ (29,408)</u>

For the nine-month period ended December 31, 2017

(Millions of yen)							
Reportable segments							
	Domestic Telecommunications	Sprint	Yahoo Japan	Distribution	Arm	SoftBank Vision Fund and Delta Fund	Total
Net sales							
Customers .....	¥2,378,916	¥2,573,024	¥ 639,127	¥ 982,331	¥152,420	¥ —	¥6,725,818
Intersegment .....	27,954	149,129	12,417	42,480	2	—	231,982
Total .....	<u>¥2,406,870</u>	<u>¥2,722,153</u>	<u>¥ 651,544</u>	<u>¥1,024,811</u>	<u>¥152,422</u>	<u>¥ —</u>	<u>¥6,957,800</u>
Segment income .....	612,698	291,841	142,656	(40,673)	(21,865)	236,427	1,221,084
Reconciliation from segment income to adjusted EBITDA							
Segment income .....	612,698	291,841	142,656	(40,673)	(21,865)	236,427	1,221,084
Depreciation and amortization .....	<u>351,322</u>	<u>708,307</u>	<u>31,959</u>	<u>5,175</u>	<u>46,158</u>	<u>—</u>	<u>1,142,921</u>
EBITDA .....	964,020	1,000,148	174,615	(35,498)	24,293	236,427	2,364,005
Unrealized gain and loss on valuation of investments in SoftBank Vision Fund and Delta Fund .....	—	—	—	—	—	(251,108)	(251,108)
Other adjustments .....	—	(61,323)	(7,896)	50,497	—	—	(18,722)
Adjusted EBITDA .....	<u>¥ 964,020</u>	<u>¥ 938,825</u>	<u>¥ 166,719</u>	<u>¥ 14,999</u>	<u>¥ 24,293</u>	<u>¥ (14,681)</u>	<u>¥2,094,175</u>

(Millions of yen)			
	Other	Reconciliations*	Consolidated
Net sales			
Customers .....	¥ 85,456	¥ —	¥6,811,274
Intersegment .....	18,947	(250,929)	—
Total .....	<u>¥ 104,403</u>	<u>¥ (250,929)</u>	<u>¥6,811,274</u>
Segment income .....	(35,047)	(37,208)	1,148,829
Reconciliation from segment income to adjusted EBITDA			
Segment income .....	(35,047)	(37,208)	1,148,829
Depreciation and amortization .....	<u>8,252</u>	<u>1,202</u>	<u>1,152,375</u>
EBITDA .....	(26,795)	(36,006)	2,301,204
Unrealized gain and loss on valuation of investments in SoftBank Vision Fund and Delta Fund .....	—	—	(251,108)
Other adjustments .....	<u>23,496</u>	<u>1,427</u>	<u>6,201</u>
Adjusted EBITDA .....	<u>¥ (3,299)</u>	<u>¥ (34,579)</u>	<u>¥2,056,297</u>

## (Thousands of U.S. dollars)

	Reportable segments						Total
	Domestic Telecommunications	Sprint	Yahoo Japan	Distribution	Arm	SoftBank Vision Fund and Delta Fund	
Net sales							
Customers .....	\$21,052,354	\$22,770,124	\$ 5,655,991	\$8,693,195	\$1,348,850	\$ —	\$59,520,514
Intersegment .....	247,381	1,319,726	109,885	375,929	17	—	2,052,938
Total .....	<u>\$21,299,735</u>	<u>\$24,089,850</u>	<u>\$ 5,765,876</u>	<u>\$9,069,124</u>	<u>\$1,348,867</u>	<u>\$ —</u>	<u>\$61,573,452</u>
Segment income .....	5,422,107	2,582,663	1,262,442	(359,938)	(193,496)	2,092,274	10,806,052
Reconciliation from segment income to adjusted EBITDA							
Segment income .....	5,422,107	2,582,663	1,262,442	(359,938)	(193,496)	2,092,274	10,806,052
Depreciation and amortization .....	3,109,044	6,268,204	282,823	45,796	408,478	—	10,114,345
EBITDA .....	<u>8,531,151</u>	<u>8,850,867</u>	<u>1,545,265</u>	<u>(314,142)</u>	<u>214,982</u>	<u>2,092,274</u>	<u>20,920,397</u>
Unrealized gain and loss on valuation of investments in SoftBank Vision Fund and Delta Fund .....	—	—	—	—	—	(2,222,195)	(2,222,195)
Other adjustments .....	—	(542,681)	(69,876)	446,876	—	—	(165,681)
Adjusted EBITDA .....	<u>\$ 8,531,151</u>	<u>\$ 8,308,186</u>	<u>\$ 1,475,389</u>	<u>\$ 132,734</u>	<u>\$ 214,982</u>	<u>\$ (129,921)</u>	<u>\$18,532,521</u>

## (Thousands of U.S. dollars)

	Other	Reconciliations*	Consolidated
Net sales			
Customers .....	\$ 756,247	\$ —	\$60,276,761
Intersegment .....	167,673	(2,220,611)	—
Total .....	<u>\$ 923,920</u>	<u>\$ (2,220,611)</u>	<u>\$60,276,761</u>
Segment income .....	(310,150)	(329,274)	10,166,628
Reconciliation from segment income to adjusted EBITDA			
Segment income .....	(310,150)	(329,274)	10,166,628
Depreciation and amortization .....	73,027	10,637	10,198,009
EBITDA .....	<u>(237,123)</u>	<u>(318,637)</u>	<u>20,364,637</u>
Unrealized gain and loss on valuation of investments in SoftBank Vision Fund and Delta Fund .....	—	—	(2,222,195)
Other adjustments .....	207,929	12,628	54,876
Adjusted EBITDA .....	<u>\$ (29,194)</u>	<u>\$ (306,009)</u>	<u>\$18,197,318</u>

Note:

\* ¥8,283 million and ¥1,427 million (\$12,628 thousand) of expenses arising from the resignation of Nikesh Arora from his position as a director is included in "Reconciliations" for the nine-month periods ended December 31, 2016 and 2017, respectively. The details are described in "Note 18. Other operating loss."



For the three-month period ended December 31, 2016

(Millions of yen)							
Reportable segments							
	Domestic Telecommunications	Sprint	Yahoo Japan	Distribution	Arm	SoftBank Vision Fund and Delta Fund	Total
Net sales							
Customers .....	¥835,111	¥882,906	¥ 218,386	¥294,938	¥54,498	¥ —	¥2,285,839
Intersegment .....	10,993	46,566	2,917	18,292	1	—	78,769
Total .....	<u>¥846,104</u>	<u>¥929,472</u>	<u>¥ 221,303</u>	<u>¥313,230</u>	<u>¥54,499</u>	<u>¥ —</u>	<u>¥2,364,608</u>
Segment income .....	185,551	40,621	51,173	4,803	15,045	—	297,193
Reconciliation from segment income to adjusted EBITDA							
Segment income .....	185,551	40,621	51,173	4,803	15,045	—	297,193
Depreciation and amortization .....	117,800	225,435	9,477	1,780	13,723	—	368,215
EBITDA .....	303,351	266,056	60,650	6,583	28,768	—	665,408
Other adjustments .....	—	4,743	—	—	314	—	5,057
Adjusted EBITDA .....	<u>¥303,351</u>	<u>¥270,799</u>	<u>¥ 60,650</u>	<u>¥ 6,583</u>	<u>¥29,082</u>	<u>¥ —</u>	<u>¥ 670,465</u>

(Millions of yen)			
	Other	Reconciliations	Consolidated
Net sales			
Customers .....	¥ 23,793	¥ —	¥2,309,632
Intersegment .....	5,722	(84,491)	—
Total .....	<u>¥ 29,515</u>	<u>¥(84,491)</u>	<u>¥2,309,632</u>
Segment income .....	(5,247)	(9,981)	281,965
Reconciliation from segment income to adjusted EBITDA			
Segment income .....	(5,247)	(9,981)	281,965
Depreciation and amortization .....	2,674	386	371,275
EBITDA .....	(2,573)	(9,595)	653,240
Other adjustments .....	—	176	5,233
Adjusted EBITDA .....	<u>¥ (2,573)</u>	<u>¥ (9,419)</u>	<u>¥ 658,473</u>

For the three-month period ended December 31, 2017

(Millions of yen)							
Reportable segments							
	Domestic Telecommunications	Sprint	Yahoo Japan	Distribution	Arm	SoftBank Vision Fund and Delta Fund	Total
Net sales							
Customers . . . . .	¥865,620	¥ 860,741	¥ 221,480	¥365,856	¥58,745	¥ —	¥2,372,442
Intersegment . . . . .	12,290	68,085	4,625	14,103	1	—	99,104
Total . . . . .	<u>¥877,910</u>	<u>¥ 928,826</u>	<u>¥ 226,105</u>	<u>¥379,959</u>	<u>¥58,746</u>	<u>¥ —</u>	<u>¥2,471,546</u>
Segment income . . . . .	178,730	89,665	49,966	(48,036)	(7,071)	50,189	313,443
Reconciliation from segment income to adjusted EBITDA							
Segment income . . . . .	178,730	89,665	49,966	(48,036)	(7,071)	50,189	313,443
Depreciation and amortization . . . . .	125,629	244,316	11,146	1,684	15,873	—	398,648
EBITDA . . . . .	304,359	333,981	61,112	(46,352)	8,802	50,189	712,091
Unrealized gain and loss on valuation of investments in SoftBank Vision Fund and Delta Fund . . . . .	—	—	—	—	—	(56,772)	(56,772)
Other adjustments . . . . .	—	(24,187)	(2,967)	50,497	—	—	23,343
Adjusted EBITDA . . . . .	<u>¥304,359</u>	<u>¥ 309,794</u>	<u>¥ 58,145</u>	<u>¥ 4,145</u>	<u>¥ 8,802</u>	<u>¥ (6,583)</u>	<u>¥ 678,662</u>

(Millions of yen)			
	Other	Reconciliations	Consolidated
Net sales			
Customers . . . . .	¥ 27,697	¥ —	¥2,400,139
Intersegment . . . . .	5,749	(104,853)	—
Total . . . . .	<u>¥ 33,446</u>	<u>¥(104,853)</u>	<u>¥2,400,139</u>
Segment income . . . . .	(26,834)	(12,619)	273,990
Reconciliation from segment income to adjusted EBITDA			
Segment income . . . . .	(26,834)	(12,619)	273,990
Depreciation and amortization . . . . .	2,843	377	401,868
EBITDA . . . . .	(23,991)	(12,242)	675,858
Unrealized gain and loss on valuation of investments in SoftBank Vision Fund and Delta Fund . . . . .	—	—	(56,772)
Other adjustments . . . . .	23,496	(110)	46,729
Adjusted EBITDA . . . . .	<u>¥ (495)</u>	<u>¥ (12,352)</u>	<u>¥ 665,815</u>

(Thousands of U.S. dollars)

	Reportable segments						Total
	Domestic Telecommunications	Sprint	Yahoo Japan	Distribution	Arm	SoftBank Vision Fund and Delta Fund	
Net sales							
Customers . . . . .	\$7,660,354	\$7,617,177	\$ 1,960,000	\$3,237,664	\$519,867	\$ —	\$20,995,062
Intersegment . . . . .	108,761	602,522	40,929	124,805	9	—	877,026
Total . . . . .	<u>\$7,769,115</u>	<u>\$8,219,699</u>	<u>\$ 2,000,929</u>	<u>\$3,362,469</u>	<u>\$519,876</u>	<u>\$ —</u>	<u>\$21,872,088</u>
Segment income . . . . .	1,581,681	793,496	442,177	(425,097)	(62,575)	444,150	2,773,832
Reconciliation from segment income to adjusted EBITDA							
Segment income . . . . .	1,581,681	793,496	442,177	(425,097)	(62,575)	444,150	2,773,832
Depreciation and amortization . . . . .	1,111,761	2,162,088	98,637	14,903	140,469	—	3,527,858
EBITDA . . . . .	2,693,442	2,955,584	540,814	(410,194)	77,894	444,150	6,301,690
Unrealized gain and loss on valuation of investments in SoftBank Vision Fund and Delta Fund . . . . .	—	—	—	—	—	(502,407)	(502,407)
Other adjustments . . . . .	—	(214,044)	(26,257)	446,875	—	—	206,574
Adjusted EBITDA . . . . .	<u>\$2,693,442</u>	<u>\$2,741,540</u>	<u>\$ 514,557</u>	<u>\$ 36,681</u>	<u>\$ 77,894</u>	<u>\$ (58,257)</u>	<u>\$ 6,005,857</u>

(Thousands of U.S. dollars)

	Other	Reconciliations	Consolidated
Net sales			
Customers . . . . .	\$ 245,106	\$ —	\$21,240,168
Intersegment . . . . .	50,876	(927,902)	—
Total . . . . .	<u>\$ 295,982</u>	<u>\$ (927,902)</u>	<u>\$21,240,168</u>
Segment income . . . . .	(237,469)	(111,673)	2,424,690
Reconciliation from segment income to adjusted EBITDA			
Segment income . . . . .	(237,469)	(111,673)	2,424,690
Depreciation and amortization . . . . .	25,159	3,337	3,556,354
EBITDA . . . . .	(212,310)	(108,336)	5,981,044
Unrealized gain and loss on valuation of investments in SoftBank Vision Fund and Delta Fund . . . . .	—	—	(502,407)
Other adjustments . . . . .	207,929	(973)	413,530
Adjusted EBITDA . . . . .	<u>\$ (4,381)</u>	<u>\$ (109,309)</u>	<u>\$ 5,892,167</u>

## 6. Business combinations

For the nine-month period ended December 31, 2016

### (1) Arm

#### a. Overview of combination

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

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

b. Purpose of acquisition

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

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

- Support and accelerate Arm’s position as the global leader in intellectual property licensing and R&D outsourcing for semiconductor companies

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

- Maintain Arm’s dedication to innovation

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

- Increased investment to drive the next wave of innovation

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

- Shared culture and long-term vision

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

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

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

c. Summary of Arm

(a) Name	Arm Holdings plc
(b) Address	110 Fulbourn Road, Cambridge CB1 9NJ, United Kingdom
(c) Name and title of representative	Simon Segars, Chief Executive Officer
(d) Nature of business	<ul style="list-style-type: none"><li>• Design of microprocessor intellectual property and related technology</li><li>• Sale of software tools</li></ul>
(e) Share capital	£0.7 million (as of December 31, 2015)
(f) Date of incorporation	October 16, 1990
(g) Consolidated net sales	£968 million (for the fiscal year ended December 31, 2015 under IFRSs)

d. Acquisition date

September 5, 2016

e. Consideration transferred and the component

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

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

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

f. Fair value of assets and liabilities, and goodwill on the acquisition date<sup>1</sup>

	<u>(Millions of yen)</u>
	<u>Acquisition date</u> <u>(September 5, 2016)</u>
Cash and cash equivalents .....	¥ 16,984
Trade and other receivables .....	59,782
Other current assets .....	119,090
Intangible assets <sup>2</sup> .....	698,682
Other non-current assets .....	<u>23,649</u>
Total assets .....	918,187
Current liabilities .....	61,930
Deferred tax liabilities .....	128,580
Other non-current liabilities .....	<u>7,292</u>
Total liabilities .....	<u>197,802</u>
Net assets .....	B 720,385
Goodwill <sup>3</sup> .....	A-B <u>¥2,646,619</u>

The above amount is translated at the exchange rate (GBP = JPY138.15) as of the acquisition date.

Notes:

1. 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 was completed during the three-month period ended June 30, 2017. The details of the adjustments from the provisional amounts are as follows. Due to additional analysis on the fair value of technologies, intangible assets increased by ¥5,250 million and deferred tax liabilities increased by ¥958 million. As a result, goodwill decreased by ¥4,292 million.

2. Intangible assets

The components of intangible assets are as follows; the estimated useful lives are from 8 to 20 years for technologies, 13 years for customer relationships, and 8 years for trademarks.

	(Millions of yen)
	<u>Acquisition date (September 5, 2016)</u>
Technologies .....	¥542,930
Customer relationships .....	148,649
Trademarks .....	5,940
Other .....	<u>1,163</u>
Total .....	<u>¥698,682</u>

3. Goodwill

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

g. Payment for acquisition of control over subsidiaries

	(Millions of yen)
	<u>Nine-month period ended December 31, 2016</u>
Payment for the acquisition by cash .....	¥(3,319,137)
Foreign currency exchange gain relating to settlement* .....	52,856
Cash and cash equivalents held by the acquiree at the time of acquisition of control .....	<u>16,984</u>
Payment for the acquisition of control over the subsidiary by cash .....	<u>¥(3,249,297)</u>

Note:

\* Fluctuation in foreign currency exchange rates arising from the acquisition date to the settlement date (September 15, 2016).

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 condensed interim consolidated statement of income for the nine-month period ended December 31, 2016, are ¥68,855 million and ¥18,566 million, respectively. In addition, amortization expenses related to intangible assets recognized on the acquisition date are included in the aforementioned net income.

For the nine-month period ended December 31, 2017

(2) Fortress

a. Overview of combination

The Company and Fortress entered into a definitive merger agreement under which the Company will acquire Fortress for \$3.3 billion in cash in February 2017. The acquisition was completed on December 27, 2017 upon satisfaction of all necessary conditions defined in the terms of the merger agreement including approval of the transaction by Fortress shareholders on July 12, 2017 and receipt of all necessary regulatory approvals. Each outstanding Fortress share was converted into the right to receive \$8.08 per share in cash, with merger proceeds to be distributed in accordance with payment procedures outlined in Fortress's Definitive Proxy dated June 7, 2017 and the merger agreement incorporated therein. Actual payment amounted to \$3.2 billion as a result of adjusting the impact of distributions and other factors after the date of the merger agreement.

As a result of the transaction, the Company acquired all equity interests of Fortress and Fortress became a wholly-owned subsidiary of the Company.



b. Purpose of acquisition

The Company looks forward to benefitting from leadership, broad-based expertise and the world-class investment platform of Fortress. For the Company, this opportunity will immediately help expand our group capabilities, and, alongside SoftBank Vision Fund and Delta Fund platform, will accelerate our SoftBank 2.0 transformation strategy of bold, disciplined investment and world class execution to drive sustainable long-term growth.

c. Summary of Fortress

(a) Name	Fortress Investment Group LLC
(b) Address	1345 Avenue of the Americas, New York, NY
(c) Name and title of representative	Peter L. Briger, Jr., Principal and Co-Chief Executive Officer Wesley R. Edens, Co-Founder, Principal and Co-Chief Executive Officer Randal A. Nardone, Co-Founder and Principal
(d) Nature of business	Alternative investment management business
(e) Date of incorporation	1998
(f) Consolidated net sales	\$1,163,806 thousand (for the fiscal year ended December 31, 2016 under US GAAP)

d. Acquisition date

December 27, 2017

e. Consideration transferred and the component

	<u>(Millions of yen)</u>	<u>(Thousands of U.S. dollars)</u>
	<u>Acquisition date</u>	<u>Acquisition date</u>
	<u>(December 27, 2017)</u>	<u>(December 27, 2017)</u>
Payment by cash .....	¥358,612	\$3,173,558
Payment not included in consideration transferred* .....	<u>(58,128)</u>	<u>(514,407)</u>
Total consideration transferred ..... A	<u>¥300,484</u>	<u>\$2,659,151</u>

Acquisition-related costs of ¥6,123 million (\$54,186 thousand) arising from the business combination are recognized in “Other operating loss.”

Note:

\* Payment not included in consideration transferred is the payment for a transaction, separate from the business combination, that remunerates employees and former owners of Fortress. For the payment, continuing employment is a condition. The Company recognized “Other current assets” amounting to ¥16,954 million (\$150,035 thousand) and “Other non-current assets” amounting to ¥41,174 million (\$364,372 thousand) in accordance with the employment period defined in the condition.

f. Fair value of assets and liabilities, and goodwill on the acquisition date

	(Millions of yen)		(Thousands of U.S. dollars)	
	Acquisition date (December 27, 2017)		Acquisition date (December 27, 2017)	
Cash and cash equivalents	¥	45,572	\$	403,292
Trade and other receivables		43,851		388,062
Other current assets		11,021		97,531
Investments accounted for using the equity method		97,156		859,788
Intangible assets <sup>1</sup>		176,690		1,563,628
Non-current assets		30,621		270,982
Total assets		404,911		3,583,283
Current liabilities		60,048		531,398
Non-current liabilities		48,090		425,575
Total liabilities		108,138		956,973
Net assets	B	296,773		2,626,310
Non-controlling interests	C	14,850		131,416
Goodwill <sup>2</sup>	A-(B-C)	¥ 18,561	\$	164,257

Consideration transferred is allocated to acquired assets and assumed liabilities based on the fair value on the acquisition date. Moreover, the above amounts, which are fair values based on the best estimate at present, may change in a year from the acquisition date when additional information related to facts and circumstances that existed as of the acquisition date may be obtained.

The above amount is translated at the exchange rate (USD = JPY113.41) as of the acquisition date.

Notes:

1. Intangible assets

The components of intangible assets are as follows; the estimated useful lives are 3 years for software, from 1.5 to 10 years for management contracts, and 10 years for trademarks. The management contracts reflect excess earnings in the future expected from the agreements which Fortress entered into regarding the management of assets under their funds.

	(Millions of yen)		(Thousands of U.S. dollars)	
	Acquisition date (December 27, 2017)		Acquisition date (December 27, 2017)	
Software	¥	1,762	\$	15,593
Management contracts		128,323		1,135,602
Trademarks		5,103		45,159
Other		41,502		367,274
Total		¥176,690		\$1,563,628

2. Goodwill

Goodwill reflects excess earning power expected from future business development and the synergy between the Company and the acquiree.

g. Payment for acquisition of control over subsidiaries

	(Millions of yen)		(Thousands of U.S. dollars)	
	Nine-month period ended December 31, 2017		Nine-month period ended December 31, 2017	
Payment for the acquisition by cash	¥	(300,484)	\$	(2,659,150)
Cash and cash equivalents held by the acquiree at the time of acquisition of control		45,572		403,292
Payment for the acquisition of control over the subsidiary by cash	¥	(254,912)	\$	(2,255,858)

h. Sales and net loss of the acquiree

The amount of the acquiree's net loss before elimination of inter-company transactions after the acquisition date, which is recorded in the condensed interim consolidated statement of income for the nine-month period ended December 31, 2017, is ¥2,639 million (\$23,354 thousand). The acquiree had no revenues from the date of the acquisition to December 31, 2017. In addition, amortization expenses related to intangible assets and other recognized on the acquisition date are included in the aforementioned net loss.

i. Collateral

Based on a term loan agreement of \$1.4 billion which was entered into to finance this acquisition, the equity interests of Fortress and four wholly-owned subsidiaries within this acquisition structure are pledged as collateral.

- (3) Consolidated net sales and consolidated net income assuming that the business combinations were completed at the beginning of the fiscal year

For the nine-month period ended December 31, 2016

The following is pro forma information (unaudited) of the consolidated performance of the Company for the nine-month period ended December 31, 2016, assuming the business combination of Arm was completed and control was acquired as of April 1, 2016.

	(Millions of yen)
	<u>Nine-month period ended December 31, 2016</u>
Sales (pro forma) .....	¥6,650,726
Net income (pro forma) .....	¥ 899,892

For the nine-month period ended December 31, 2017

The following is pro forma information (unaudited) of the consolidated performance of the Company for the nine-month period ended December 31, 2017, assuming the business combination of Fortress was completed and control was acquired as of April 1, 2017.

	(Millions of yen)	(Thousands of U.S. dollars)
	<u>Nine-month period ended December 31, 2017</u>	<u>Nine-month period ended December 31, 2017</u>
Sales (pro forma) .....	¥6,908,678	\$61,138,743
Net income (pro forma) .....	¥1,215,094	\$10,753,044

## 7. Other financial assets

The components of the carrying amounts of other financial assets are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	<u>As of March 31, 2017</u>	<u>As of December 31, 2017</u>	<u>As of December 31, 2017</u>
Current			
Marketable securities .....	¥277,895	¥ 29,080	\$ 257,345
Time deposits (maturities of more than three months) .....	458,495	103,006	911,558
Other .....	58,299	76,031	672,840
Total .....	<u>¥794,689</u>	<u>¥208,117</u>	<u>\$1,841,743</u>

## 8. Property, plant and equipment

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

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2017	As of December 31, 2017	As of December 31, 2017
Buildings and structures . . . . .	¥ 263,061	¥ 242,828	\$ 2,148,920
Telecommunications equipment . . . . .	2,654,096	2,442,925	21,618,805
Furniture, fixtures and equipment . . . . .	627,730	815,590	7,217,611
Land . . . . .	99,905	89,646	793,327
Construction in progress . . . . .	302,177	301,385	2,667,124
Other . . . . .	30,285	68,283	604,275
Total . . . . .	<u>¥3,977,254</u>	<u>¥3,960,657</u>	<u>\$35,050,062</u>

## 9. Intangible assets

The components of the carrying amounts of intangible assets are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2017	As of December 31, 2017	As of December 31, 2017
Intangible assets with indefinite useful lives			
FCC licenses <sup>1</sup> . . . . .	¥4,100,651	¥4,209,572	\$37,252,850
Trademarks . . . . .	703,031	705,442	6,242,850
Other . . . . .	—	41,143	364,097
Intangible assets with finite useful lives			
Software . . . . .	722,934	749,579	6,633,442
Technologies . . . . .	522,894	542,469	4,800,611
Customer relationships . . . . .	448,806	367,706	3,254,035
Management contracts <sup>2</sup> . . . . .	—	127,639	1,129,549
Spectrum migration costs . . . . .	103,814	98,820	874,513
Favorable lease contracts . . . . .	104,754	97,461	862,487
Trademarks . . . . .	57,532	61,528	544,496
Other . . . . .	182,223	166,952	1,477,451
Total . . . . .	<u>¥6,946,639</u>	<u>¥7,168,311</u>	<u>\$63,436,381</u>

Note:

1. "FCC licenses" are licenses to use a specific frequency spectrum granted by the U.S. Federal Communications Commission.
2. The management contracts reflect excess earnings in the future expected from the agreements which Fortress entered into regarding the management of assets under their funds.

## 10. Income taxes

Due to the enactment of the Tax Reform Act in December 2017 in the U. S., a deferred tax liability of ¥829,762 million (\$7,343,027 thousand) at Sprint was reversed. Also income taxes in the condensed interim consolidated statement of income decreased by ¥818,342 million (\$7,241,965 thousand) and other comprehensive income increased by ¥8,244 million (\$72,956 thousand). The details are as follows.

### (1) Reduction in the federal corporate tax rate

The federal corporate tax rate was reduced from 35% to 21% effective January 1, 2018.

Due to the reduction, ¥593,137 million (\$5,249,000 thousand) of a part of deferred tax liabilities related to the FCC licenses and others, which was calculated based on the tax rate as of the acquisition date of Sprint in 2013, was reversed. Also, income taxes decreased by ¥591,773 million (\$5,236,929 thousand).

### (2) Abolition of time limit on use of future loss carryforwards

Net operating losses generated in tax years beginning after December 31, 2017 may be carried forward indefinitely. For Sprint, its tax year starts from April; therefore, net operating losses generated after April 1, 2018 may be carried forward indefinitely.

At Sprint, for certain deductible temporary differences where deferred tax assets could not be previously realized, it was likely to be recoverable because the taxable temporary differences from assets with indefinite lives, such as the FCC licenses, may be a source of future taxable income. As a result of this change, ¥236,625 million (\$2,094,027 thousand) of deferred tax assets were recognized (offset by deferred tax liabilities). Also, income taxes decreased by ¥226,569 million (\$2,005,035 thousand) and other comprehensive income increased by ¥8,244 million (\$72,956 thousand).

## 11. 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)
	As of March 31, 2017	As of December 31, 2017	As of December 31, 2017
<b>Current</b>			
Short-term borrowings <sup>1</sup> . . . . .	¥ 667,664	¥ 865,892	\$ 7,662,761
Commercial paper . . . . .	80,000	100,000	884,956
Current portion of long-term borrowings <sup>1</sup> . .	1,128,510	926,664	8,200,566
Current portion of corporate bonds . . . . .	339,462	619,292	5,480,460
Current portion of lease obligations . . . . .	438,284	458,812	4,060,283
Current portion of installment payables . . . .	40,173	20,392	180,461
Total . . . . .	<u>¥ 2,694,093</u>	<u>¥ 2,991,052</u>	<u>\$ 26,469,487</u>
<b>Non-current</b>			
Long-term borrowings <sup>1</sup> . . . . .	¥ 3,377,625	¥ 3,993,368	\$ 35,339,540
Corporate bonds . . . . .	7,233,838	7,290,036	64,513,593
Lease obligations . . . . .	807,606	782,973	6,928,965
Financial liabilities relating to the sale of shares by variable prepaid forward contract <sup>2</sup> . . . . .	715,448	729,234	6,453,398
Installment payables . . . . .	29,760	18,290	161,858
Total . . . . .	<u>¥12,164,277</u>	<u>¥12,813,901</u>	<u>\$113,397,354</u>

Notes:

- The amounts of SoftBank Vision Fund and Delta Fund interest-bearing debt included in the above components of interest-bearing debt are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2017	As of December 31, 2017	As of December 31, 2017
<b>Current</b>			
Short-term borrowings . . . . .	¥—	¥213,735	\$1,891,460
Current portion of long-term borrowings . . . . .	—	98,225	869,248
Total . . . . .	<u>¥—</u>	<u>¥311,960</u>	<u>\$2,760,708</u>
<b>Non-current</b>			
Long-term borrowings . . . . .	—	66,494	588,442
Total . . . . .	<u>¥—</u>	<u>¥ 66,494</u>	<u>\$ 588,442</u>
SoftBank Vision Fund and Delta Fund interest- bearing debt (before elimination of inter-company transactions) . . . . .	—	378,454	3,349,150
Eliminated amount of inter-company transactions . . . . .	—	(5,770)	(51,062)
SoftBank Vision Fund and Delta Fund interest- bearing debt (after elimination of inter-company transactions) . . . . .	<u>¥—</u>	<u>¥372,684</u>	<u>\$3,298,088</u>

Investments from SoftBank Vision Fund and Delta Fund aggregating ¥659,658 million (\$5,837,681 thousand) accounted for using FVTPL are pledged as collateral for ¥326,309 million (\$2,887,690 thousand) of interest-bearing debt, which is included in the above table.

- The details are described in “(2) Transaction for sale of Alibaba shares by variable prepaid forward contract.”

(2) Transaction for sale of Alibaba shares by variable prepaid forward contract

On June 10, 2016, West Raptor Holdings, LLC (“WRH LLC”), a wholly-owned subsidiary of the Company, entered into a variable prepaid forward contract to sell Alibaba shares with a newly-formed trust, Mandatory Exchangeable Trust (the “Trust”), and received proceeds of ¥578,436 million (\$5.4 billion) as advances received on the sale.

The Trust, on the other hand, utilized Alibaba shares scheduled to be transferred from WRH LLC at the time of settlement under the contract and issued \$6.6 billion of Mandatory Exchangeable Trust Securities (“Trust Securities”), which are mandatorily exchangeable into American Depositary Shares (“ADSs”) of Alibaba. The proceeds from the sale received by WRH LLC from the Trust was \$5.4 billion, which is after certain amounts from the \$6.6 billion total of Trust Securities were deducted in order to purchase U.S. Treasury securities, which would fund distributions on the Trust Securities, and to cover expenses for the issuance of the Trust Securities.

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

The Company accounts for the variable prepaid forward contract by bifurcating the main contracts and embedded derivatives. The Company received ¥578,436 million and initially recognized ¥674,023 million as financial liabilities relating to the sale of shares through the variable prepaid forward contract and ¥95,587 million as derivative assets. Subsequent to initial recognition, financial liabilities relating to the sale of shares through the variable prepaid forward contract are measured at amortized cost and embedded derivatives are measured at fair value; ¥729,234 million (\$6,453,398 thousand) (¥715,448 million as of March 31, 2017) is recognized as financial liabilities relating to the sale of shares through the variable prepaid forward contract in interest-bearing debt (non-current liabilities) and ¥662,108 million (\$5,859,363 thousand) (¥143,935 million as of March 31, 2017) is recognized as derivative financial liabilities (non-current liabilities) in the condensed interim consolidated statement of financial position as of December 31, 2017; ¥510,278 million (\$4,515,735 thousand) (¥72,293 million of derivative losses for the nine-month period ended December 31, 2016) is recognized as a derivative loss in the condensed interim consolidated statement of income for the nine-month period ended December 31, 2017. The details are described in “(2) Categorization by level within the fair value hierarchy” under “Note 12. Financial instruments.”

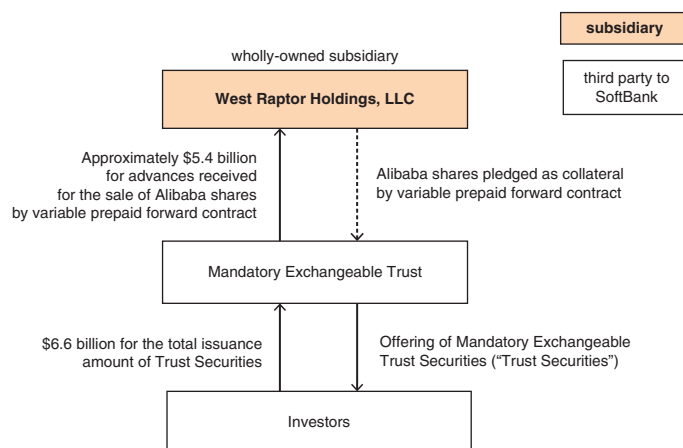
WRH LLC has the option (“cash settlement option”) to settle the variable prepaid forward contract by either delivering cash or a combination of cash and Alibaba shares. If WRH LLC elects the cash settlement option, the cash equivalent to the fair value of the number of shares for the settlement, which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

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

Alibaba shares held by WRH LLC are pledged as collateral. The Company applies the equity method to these shares and they are included in “Investments accounted for using the equity method” in the condensed interim consolidated statement of financial position as of December 31, 2017. The carrying amount of Alibaba shares pledged as collateral by the Company is ¥209,464 million (\$1,853,664 thousand) as of December 31, 2017 (¥154,440 million as of March 31, 2017).



## Outline of the transaction



### (3) Components of increase and decrease in short-term interest-bearing debt

The components of "Increase in short-term interest-bearing debt, net" in the condensed interim consolidated statement of cash flows are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Nine-month period ended December 31, 2016	Nine-month period ended December 31, 2017	Nine-month period ended December 31, 2017
Net increase of short-term borrowings	¥300,024	¥292,582	\$2,589,221
Net increase of commercial paper	55,000	20,000	176,991
Total	¥355,024	¥312,582	\$2,766,212

### (4) Components of proceeds from long-term interest-bearing debt

The components of "Proceeds from long-term interest-bearing debt" in the condensed interim consolidated statement of cash flows are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Nine-month period ended December 31, 2016	Nine-month period ended December 31, 2017	Nine-month period ended December 31, 2017
Proceeds from long-term borrowings	¥2,113,485	¥3,687,621	\$32,633,814
Proceeds from issuance of corporate bonds <sup>1,7</sup>	521,000	735,804	6,511,540
Proceeds from sale-leaseback of newly acquired equipment	372,730	361,777	3,201,566
Proceeds from advances received for sale of shares by variable prepaid forward contract <sup>6</sup>	578,436	—	—
Total	¥3,585,651	¥4,785,202	\$42,346,920

Notes:

1. Corporate bonds issued for the nine-month period ended December 31, 2016 are as follows:

Company name / Name of bonds	Date of issuance	Total amount of issuance	Interest rate	Date of maturity
SoftBank Group Corp.				
49th Unsecured Straight Corporate Bond	April 20, 2016	¥ 20,000 million	1.94%	April 20, 2023
50th Unsecured Straight Corporate Bond	April 20, 2016	¥ 30,000 million	2.48%	April 20, 2026
1st Unsecured Subordinated Bonds with interest deferrable clause and early redeemable option (with a subordination provision)	September 16, 2016	¥ 55,600 million	3.00% <sup>2</sup>	September 13, 2041 <sup>3</sup>
2nd Unsecured Subordinated Bonds with interest deferrable clause and early redeemable option (with a subordination provision)	September 16, 2016	¥ 15,400 million	3.50% <sup>2</sup>	September 16, 2043 <sup>4</sup>
3rd Unsecured Subordinated Bonds with interest deferrable clause and early redeemable option (with a subordination provision)	September 30, 2016	¥400,000 million	3.00% <sup>2</sup>	September 30, 2041 <sup>5</sup>

2. The interest rate stated above is at the time of issuance. The bond has a step-up coupon provision and its interest rate may increase in the future.
3. The bond has an early redeemable option at the Company's discretion from September 16, 2021 and each interest date after September 16, 2021.
4. The bond has an early redeemable option at the Company's discretion from September 16, 2023 and each interest date after September 16, 2023.
5. The bond has an early redeemable option at the Company's discretion from September 30, 2021 and each interest date after September 30, 2021.
6. The amount was received as an advance for the sale of Alibaba shares by a variable prepaid forward contract. The variable prepaid forward contract is a hybrid financial instrument. Regarding the proceeds of ¥578,436 million, financial liabilities relating to the sale of shares through the variable prepaid forward contract and derivatives are accounted for and recorded separately. The details are described in "(2) Transaction for sale of Alibaba shares by variable prepaid forward contract."
7. Major corporate bonds issued for the nine-month period ended December 31, 2017 are as follows:

<u>Company name / Name of bonds</u>	<u>Date of issuance</u>	<u>Total amount of issuance</u>	<u>Interest rate</u>	<u>Date of maturity</u>
SoftBank Group Corp.				
Senior Notes due 2024 denominated in U.S. dollars	September 19, 2017	\$ 1,350 million ¥ 148,769 million <sup>8</sup>	4.75% 2.55% <sup>9</sup>	September 19, 2024
Senior Notes due 2025 denominated in euro	September 19, 2017	€ 1,500 million ¥ 197,814 million <sup>8</sup>	3.13% 2.97% <sup>9</sup>	September 19, 2025
Senior Notes due 2027 denominated in U.S. dollars	September 19, 2017	\$ 2,000 million ¥ 220,348 million <sup>8</sup>	5.13% 2.71% <sup>9</sup>	September 19, 2027
Senior Notes due 2029 denominated in euro	September 19, 2017	€ 750 million ¥ 98,873 million <sup>8</sup>	4.00% 3.46% <sup>9</sup>	September 19, 2029

8. Total amount of issuance on a JPY basis is based on the cash outflows upon redemption which is fixed by a currency swap agreement designated as a cash flow hedge.
9. The Interest rate takes into consideration the impact of exchanging a fixed interest rate denominated in a foreign currency for a fixed interest rate denominated in JPY based on a currency swap agreement designated as a cash flow hedge.

#### (5) Components of repayment of long-term interest-bearing debt

The components of "Repayment of long-term interest-bearing debt" in the condensed interim consolidated statement of cash flows are as follows:

	<u>(Millions of yen)</u>		<u>(Thousands of U.S. dollars)</u>
	<u>Nine-month period ended December 31, 2016</u>	<u>Nine-month period ended December 31, 2017</u>	<u>Nine-month period ended December 31, 2017</u>
Repayment of long-term borrowings . . . . .	¥ (519,536)	¥(3,378,241)	\$(29,895,938)
Redemption of corporate bonds <sup>1,5</sup> . . . . .	(350,081)	(459,903)	(4,069,938)
Repayment of lease obligations . . . . .	(338,717)	(367,238)	(3,249,894)
Payment of installment payables . . . . .	(36,933)	(33,164)	(293,487)
<b>Total . . . . .</b>	<b>¥(1,245,267)</b>	<b>¥(4,238,546)</b>	<b>\$(37,509,257)</b>

Notes:

1. Major corporate bonds redeemed for the nine-month period ended December 31, 2016 are as follows:

<u>Company name / Name of bonds</u>	<u>Date of issuance</u>	<u>Amount of redemption</u>	<u>Interest rate</u>	<u>Date of redemption</u>
SoftBank Group Corp.				
36th Unsecured Straight Bond	June 17, 2011	¥100,000 million	1.00%	June 17, 2016
Sprint Communications, Inc. <sup>2</sup>				
6.00% senior notes due 2016	November 20, 2016	\$ 2,000 million ¥217,440 million	6.00%	December 1, 2016
Clearwire Communications LLC <sup>3</sup>				
14.75% secured notes due 2016 <sup>4</sup>	January 27, 2012	\$ 300 million ¥32,616 million	14.75%	December 1, 2016

2. Sprint Communications, Inc. is Sprint Corporation's subsidiary.
3. Clearwire Communications LLC is Sprint Corporation's subsidiary.
4. Collateral assets (\$13.6 billion as of December 31, 2016) were pledged against this bond.

5. Major corporate bonds redeemed for the nine-month period ended December 31, 2017 are as follows:

<u>Company name / Name of bonds</u>	<u>Date of issuance</u>	<u>Amount of redemption</u>	<u>Interest rate</u>	<u>Date of redemption</u>
SoftBank Group Corp.				
39th Unsecured Straight Bond	September 24, 2012	¥100,000 million	0.74%	September 22, 2017
40th Unsecured Straight Bond	September 14, 2012	¥10,000 million	0.73%	September 14, 2017
Sprint Communications, Inc. <sup>2</sup>				
9.00% Guaranteed Notes due 2018	November 9, 2011	\$1,200 million ¥133,930 million \$388 million	9.00%	May 23, 2017 <sup>6</sup>
8.375% Senior Notes due 2017	August 13, 2009	¥43,273 million \$912 million ¥101,610 million	8.38%	May 23, 2017 <sup>7</sup> August 15, 2017
Clearwire Communications LLC <sup>3</sup>				
8.25% Exchangeable Notes due 2040	December 8, 2010	\$629 million ¥70,940 million	8.25%	December 1, 2017 <sup>8</sup>

6. Original due date of this bond was November 15, 2018; however, a part of the bond was redeemed early on May 23, 2017.

7. Original due date of this bond was August 7, 2017; however, a part of the bond was redeemed early on May 23, 2017.

8. Original due date of this bond was December 1, 2040; however, the bond was redeemed early on December 1, 2017.

## 12. Financial instruments

### (1) Categories of financial instruments

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

As of March 31, 2017

		(Millions of yen)					
		<u>Financial assets at FVTPL<sup>1</sup></u>	<u>Derivatives designated as hedges</u>	<u>Available-for-sale financial assets</u>	<u>Held-to-maturity investments</u>	<u>Loans and receivables</u>	<u>Total</u>
Financial assets							
Current assets							
Trade and other receivables . . . . .	¥	—	¥	—	¥	—	¥2,121,619
Other financial assets . . . . .		23,373		574		276,120	494,622
							794,689
Non-current assets							
Investment securities . . . . .		589,250		517,159		—	—
Other financial assets . . . . .		7,007		28,695		175	—
							409,981
Total . . . . .		<u>¥619,630</u>		<u>¥ 28,695</u>		<u>¥ 517,908</u>	<u>¥ 276,120</u>
							<u>¥3,026,222</u>
							<u>¥4,468,575</u>
		<u>Financial liabilities at FVTPL</u>	<u>Derivatives designated as hedges</u>	<u>Financial liabilities at amortized cost</u>	<u>Total</u>		
Financial liabilities							
Current liabilities							
Interest-bearing debt . . . . .	¥	43,164 <sup>2</sup>	¥	—	¥	2,650,929	¥ 2,694,093
Trade and other payables . . . . .		—		—		1,607,453	1,607,453
Other financial liabilities . . . . .		6,341		24		7,336	13,701
Non-current liabilities							
Interest-bearing debt . . . . .		—		—		12,164,277	12,164,277
Derivative financial liabilities . . . . .		152,564		101,582		—	254,146
Other financial liabilities . . . . .		—		—		33,083	33,083
Total . . . . .		<u>¥202,069</u>		<u>¥101,606</u>		<u>¥16,463,078</u>	<u>¥16,766,753</u>

## Notes:

1. Among the financial assets at FVTPL, the amount of financial assets designated as financial assets at fair value through profit or loss is ¥589,250 million.
2. Regarding the Handset Sale-Leaseback Tranche 2 financing obligation that Sprint implemented in May 2016, the Company designated it as a financial liability measured at fair value through profit or loss. This is a transaction with MLS, which is a joint venture of the Company. The terms and conditions of the transaction are negotiated and determined based on the market price and contents of the transaction.

As of December 31, 2017

(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 . . . . .	¥ —	¥ —	¥ —	¥ —	¥2,331,915	¥2,331,915
Other financial assets . . .	35,934	2	8,271	19,548	144,362	208,117
Non-current assets						
Investment from						
SoftBank Vision Fund						
and Delta Fund						
accounted for using						
FVTPL . . . . .	2,658,043	—	—	—	—	2,658,043
Investment securities . . . .	517,279	—	599,467	—	—	1,116,746
Other financial assets . . .	40,790	37,650	305	50	436,818	515,613
Total . . . . .	<u>¥3,252,046</u>	<u>¥37,652</u>	<u>¥ 608,043</u>	<u>¥ 19,598</u>	<u>¥2,913,095</u>	<u>¥6,830,434</u>
	Financial liabilities at FVTPL	Derivatives designated as hedges	Financial liabilities at amortized cost	Total		
Financial liabilities						
Current liabilities						
Interest-bearing debt . . . .	¥ —	¥ —	¥ 2,991,052	¥ 2,991,052		
Trade and other						
payables . . . . .	—	—	1,744,082	1,744,082		
Other financial						
liabilities . . . . .	14,863	—	7,889	22,752		
Non-current liabilities						
Interest-bearing debt . . . .	—	—	12,813,901	12,813,901		
Third-party interests in						
SoftBank Vision Fund						
and Delta Fund . . . . .	—	—	1,870,841	1,870,841		
Derivative financial						
liabilities . . . . .	667,617	54,158	—	721,775		
Other financial						
liabilities . . . . .	—	—	40,043	40,043		
Total . . . . .	<u>¥ 682,480</u>	<u>¥54,158</u>	<u>¥19,467,808</u>	<u>¥20,204,446</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 . . . . .	\$ —	\$ —	\$ —	\$ —	\$20,636,416	\$20,636,416
Other financial assets . .	318,000	18	73,195	172,991	1,277,539	1,841,743
Non-current assets						
Investment from SoftBank Vision Fund and Delta Fund accounted for using FVTPL . . . . .						
	23,522,504	—	—	—	—	23,522,504
Investment securities . . .	4,577,690	—	5,305,018	—	—	9,882,708
Other financial assets . .	360,973	333,186	2,699	443	3,865,646	4,562,947
Total . . . . .	<u>\$28,779,167</u>	<u>\$333,204</u>	<u>\$ 5,380,912</u>	<u>\$ 173,434</u>	<u>\$25,779,601</u>	<u>\$60,446,318</u>

	Financial liabilities at FVTPL	Derivatives designated as hedges	Financial liabilities at amortized cost	Total
Financial liabilities				
Current liabilities				
Interest-bearing debt . . .	\$ —	\$ —	\$ 26,469,487	\$ 26,469,487
Trade and other payables . . . . .	—	—	15,434,354	15,434,354
Other financial liabilities . . . . .	131,531	—	69,814	201,345
Non-current liabilities				
Interest-bearing debt . . .	—	—	113,397,354	113,397,354
Third-party interests in SoftBank Vision Fund and Delta Fund . . . . .	—	—	16,556,115	16,556,115
Derivative financial liabilities . . . . .	5,908,115	479,274	—	6,387,389
Other financial liabilities . . . . .	—	—	354,363	354,363
Total . . . . .	<u>\$ 6,039,646</u>	<u>\$479,274</u>	<u>\$172,281,487</u>	<u>\$178,800,407</u>

Notes:

\* Among the financial assets at FVTPL, the amount of financial assets designated as financial assets at fair value through profit or loss is ¥3,175,322 million (\$28,100,195 thousand).

## (2) Categorization by level within the fair value hierarchy

Financial instruments 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 Level 2 during the nine-month period ended December 31, 2016 and 2017.

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, 2017

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Equity securities .....	¥407,271	¥ —	¥668,334	¥1,075,605
Bonds .....	—	7,837	1,132	8,969
<b>Derivative financial assets</b>				
Foreign currency exchange contracts .....	—	50,627	—	50,627
Option contracts .....	—	—	6,208	6,208
Interest rate contracts .....	—	1,039	—	1,039
Other .....	—	1,501	22,284	23,785
<b>Total</b> .....	<u>407,271</u>	<u>61,004</u>	<u>697,958</u>	<u>1,166,233</u>
<b>Financial liabilities</b>				
Interest-bearing borrowings .....	—	—	43,164	43,164
<b>Derivative financial liabilities</b>				
Foreign currency exchange contracts .....	—	107,697	—	107,697
Option contracts* .....	—	152,564	—	152,564
Interest rate contracts .....	—	250	—	250
<b>Total</b> .....	<u>¥ —</u>	<u>¥260,511</u>	<u>¥ 43,164</u>	<u>¥ 303,675</u>

As of December 31, 2017

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
<b>Equity securities</b>				
Investments from SoftBank				
Vision Fund and Delta Fund .....	¥659,658	¥ —	¥1,987,086	¥2,646,744
Other equity securities .....	104,696	—	956,924	1,061,620
Bonds .....	—	7,785	529	8,314
<b>Derivative financial assets</b>				
Foreign currency exchange contracts .....	—	53,028	—	53,028
Option contracts .....	—	45,727	12,384	58,111
Interest rate contracts .....	—	1,976	—	1,976
Other .....	—	17,037	50,911	67,948
<b>Total</b> .....	<u>764,354</u>	<u>125,553</u>	<u>3,007,834</u>	<u>3,897,741</u>



	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Financial liabilities				
Derivative financial liabilities				
Foreign currency exchange contracts	—	62,823	—	62,823
Option contracts*	—	673,811	—	673,811
Interest rate contracts	—	4	—	4
Total	¥ —	¥ 736,638	¥ —	¥ 736,638

	(Thousands of U.S. dollars)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Equity securities				
Investments from SoftBank Vision Fund and				
Delta Fund	\$5,837,682	\$ —	\$17,584,832	\$23,422,514
Other equity securities	926,513	—	8,468,354	9,394,867
Bonds	—	68,894	4,681	73,575
Derivative financial assets				
Foreign currency exchange contracts	—	469,274	—	469,274
Option contracts	—	404,664	109,593	514,257
Interest rate contracts	—	17,487	—	17,487
Other	—	150,769	450,540	601,309
Total	6,764,195	1,111,088	26,618,000	34,493,283

Financial liabilities				
Derivative financial liabilities				
Foreign currency exchange contracts	—	555,956	—	555,956
Option contracts*	—	5,962,929	—	5,962,929
Interest rate contracts	—	35	—	35
Total	\$ —	\$6,518,920	\$ —	\$ 6,518,920

Note:

\* The details of the collar transaction included in a variable prepaid forward contract within Derivative financial liabilities are as follows:

Option contracts to which hedge accounting is not applied

	(Millions of yen)				(Thousands of U.S. dollars)	
	As of March 31, 2017		As of December 31, 2017		As of December 31, 2017	
	Contract amounts (which: mature in more than one year)	Fair value	Contract amounts (which: mature in more than one year)	Fair value	Contract amounts (which: mature in more than one year)	Fair value
Collar transaction	¥ 740,454 (740,454)	¥(143,935)	¥ 745,800 (745,800)	¥(662,108)	\$ 6,600,000 (6,600,000)	\$(5,859,363)

The details of the variable prepaid forward contract are described in “(2) Transaction for sale of Alibaba shares by variable prepaid forward contract” under “Note 11. Interest-bearing debt.”

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.

If such prices are unavailable, and if prices of recent arm’s-length transactions or equity financing are available, they are measured using recent transaction prices adjusting for market performance and company performance.

In the absence of a recent transaction, the enterprise valuation methodologies used to measure fair value include an income approach and a market approach. The market approach is used to the extent comparable guidelines for public companies are available. The market approach is a valuation method using figures from the financial statements of the subject companies and valuation multiple of comparable companies, such as Enterprise Value (EV)/Revenue and EV/EBITDA. The income approach is used when reliable cash flow projections are available. Under this approach, the present value is calculated by discounting estimated future cash flows, taking into consideration several assumptions including the revenue growth rate and the weighted-average cost of capital.

The enterprise value which is calculated by the above method is allocated to shareholder's value of each class of shares depending on the capital structures of the investments. For the allocation, an option pricing model, which values each individual security in the capital structure based on its unique rights and preferences, and a waterfall approach, which allocates value based on the seniority of each security in the event of a liquidation are mainly used.

The financial instruments are classified as Level 2 if all significant inputs, such as quoted prices and discount rates used for the measurement are observable, and they are classified as Level 3 when they are measured using significant unobservable inputs.

b. Derivative financial assets and derivative financial liabilities

The fair value of derivative financial instruments is measured using valuation techniques including a discounted cash flows model. Derivative financial instruments are classified as Level 2 if all significant inputs such as foreign currency exchange rates and discount rates used for the measurement are observable, and they are classified as Level 3 when they are measured using significant unobservable inputs.

c. Interest-bearing debt

The fair value of interest-bearing debt is measured using a discounted cash flows model. The model uses significant unobservable inputs including customer churn rates, customer upgrade probabilities, and the likelihood that Sprint will elect the Exchange Option<sup>1</sup> versus the termination option<sup>2</sup> upon customer upgrade, resulting in a Level 3 classification.

Notes:

1. The option to transfer title in the new device to the borrower in exchange for the title in the original device upon customer upgrade, in order to continue the borrowings.
2. The option that Sprint terminates the borrowings.

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

a. Valuation techniques and inputs

The following table shows information about the valuation techniques used and the significant unobservable inputs used in Level 3 fair value measurements.

As of March 31, 2017

<u>Valuation techniques</u>	<u>Unobservable inputs</u>	<u>Ranges of unobservable inputs</u>
Equity securities		
Price of recent investment . . . . .	Discount for lack of marketability	10.0% – 35.0%
	Control premium	5.0% – 10.0%

As of December 31, 2017

For Level 3 fair value measurements as of December 31, 2017, the price of recent investments is mainly adopted considering the rights and preferential rights of shares. The following table shows information about the other valuation techniques used and the significant unobservable inputs used in the fair value measurement.

<u>Valuation techniques</u>	<u>Unobservable inputs</u>	<u>Ranges of unobservable inputs</u>
Equity securities		
Market comparable companies . . .	Discount for lack of marketability	20.0%
	Revenue multiple	X0.9

b. Sensitivity Analysis

Of the above unobservable inputs, revenue multiples and control premiums have a positive correlation with the fair value of the equity securities, whereas the discount for lack of marketability has a negative correlation with the fair value of the equity securities.

c. Valuation processes

Fair value is measured by the Company's personnel in the treasury and accounting departments and the valuation team of SoftBank Vision Fund and Delta Fund based on internal guidelines, using the most appropriate valuation techniques and inputs that reflect the nature, characteristics and risks of the financial instruments subject to fair value. The fair value of certain financial instruments require the assistance of external specialists with a high level of knowledge and experience if the amount of such financial instruments is material. Results of the measurements conducted at the end of each quarter, including the valuation by external specialists, are reported to the Company's Board of Directors after the analysis of fair value changes and other contents are reviewed and approved by management (or the Valuation and Financial Risk Committee for investments of SoftBank Vision Fund and Delta Fund) who are responsible for the valuation processes.

d. Rollforward of financial instruments categorized as Level 3

Rollforward of financial instruments categorized as Level 3 is as follows:

For the nine-month period ended December 31, 2016

<b>Financial assets</b>	<b>(Millions of yen)</b>			
	<b>Equity securities</b>	<b>Bonds</b>	<b>Derivative financial assets</b>	<b>Other</b>
As of April 1, 2016	¥549,480	¥1,548	¥2,424	¥19,020
Gains (losses)				
Net income	(35,457)	9	(571)	7
Other comprehensive income	38,909	18	84	1,253
Purchases	167,382	151	—	4,644
Sales	(3,068)	(421)	—	(3,292)
Transfers to Level 1 due to listing	(343)	—	—	—
Other	2,762	(49)	—	(802)
As of December 31, 2016	<u>¥719,665</u>	<u>¥1,256</u>	<u>¥1,937</u>	<u>¥20,830</u>
Gains (losses) recognized in net income on financial instruments held at December 31, 2016	<u>¥(35,103)</u>	<u>¥ —</u>	<u>¥ (571)</u>	<u>¥ 5</u>

<b>Financial liabilities</b>	<b>(Millions of yen)</b>
	<b>Interest-bearing debt</b>
As of April 1, 2016	¥ —
Gains (losses)	
Net income	5,376
Other comprehensive income	3,226
Borrowings	115,116
Payments and redemptions	(59,228)
As of December 31, 2016	<u>¥ 64,490</u>
Gains (losses) recognized in net income on financial instruments held at December 31, 2016	<u>¥ 3,151</u>

For the nine-month period ended December 31, 2017

<b>Financial assets</b>	<b>(Millions of yen)</b>			
	<b>Equity securities</b>	<b>Bonds</b>	<b>Derivative financial assets</b>	<b>Other</b>
As of April 1, 2017	¥ 668,334	¥1,132	¥ 6,208	¥22,284
Gains (losses)				
Net income	(7,495)	—	(370)	311
Other comprehensive income	97,064	1	35	1,348
Purchases	2,193,937	111	6,511	25,298
Sales	(4,094)	(604)	—	(1,643)
Transfers to Level 1 due to listing	(144)	—	—	—
Other	(3,592)	(111)	—	3,313
As of December 31, 2017	<u>¥2,944,010</u>	<u>¥ 529</u>	<u>¥12,384</u>	<u>¥50,911</u>
Gains (losses) recognized in net income on financial instruments held at December 31, 2017	¥ (8,593)	¥ —	¥ (370)	¥ 42

<b>Financial liabilities</b>	<b>(Millions of yen)</b>
	<b>Interest-bearing debt</b>
As of April 1, 2017	¥ 43,164
Gains (losses)	
Net income	(4,552)
Other comprehensive income	(5,672)
Payments and redemptions	(32,940)
As of December 31, 2017	<u>¥ —</u>
Gains (losses) recognized in net income on financial instruments held at December 31, 2017	¥ —

<b>Financial assets</b>	<b>(Thousands of U.S. dollars)</b>			
	<b>Equity securities</b>	<b>Bonds</b>	<b>Derivative financial assets</b>	<b>Other</b>
As of April 1, 2017	\$ 5,914,460	\$10,018	\$ 54,938	\$197,204
Gains (losses)				
Net income	(66,327)	—	(3,274)	2,752
Other comprehensive income	858,973	9	310	11,929
Purchases	19,415,372	982	57,619	223,876
Sales	(36,230)	(5,345)	—	(14,540)
Transfers to Level 1 due to listing	(1,274)	—	—	—
Other	(31,788)	(983)	—	29,319
As of December 31, 2017	<u>\$26,053,186</u>	<u>\$ 4,681</u>	<u>\$109,593</u>	<u>\$450,540</u>
Gains (losses) recognized in net income on financial instruments held at December 31, 2017	\$ (76,044)	—	\$ (3,274)	\$ 372

<b>Financial liabilities</b>	<b>(Thousands of U.S. dollars)</b>
	<b>Interest-bearing debt</b>
As of April 1, 2017	\$ 381,982
Gains (losses)	
Net income	(40,283)
Other comprehensive income	(50,195)
Payments and redemptions	(291,504)
As of December 31, 2017	<u>\$ —</u>
Gains (losses) recognized in net income on financial instruments held at December 31, 2017	\$ —

Gains or losses recognized in profit or loss are included in “Operating income from SoftBank Vision Fund and Delta Fund”, “Derivative gain (loss),” and “Other non-operating income (loss)” in the condensed interim 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 condensed interim consolidated statement of comprehensive income.

(4) Carrying amounts and fair values of financial instruments

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

As of March 31, 2017

	(Millions of yen)				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Interest-bearing debt (Non-current)					
Long-term borrowings . . . . .	¥ 3,377,625	¥ 782,944	¥2,240,224	¥ 413,787	¥ 3,436,955
Corporate bonds . . . . .	7,233,838	2,659,147	4,898,040	33,561	7,590,748
Lease obligations . . . . .	807,606	—	22,747	795,939	818,686
Installment payables . . . . .	29,760	—	—	30,908	30,908
Total . . . . .	<u>¥11,448,829</u>	<u>¥3,442,091</u>	<u>¥7,161,011</u>	<u>¥1,274,195</u>	<u>¥11,877,297</u>

As of December 31, 2017

	(Millions of yen)				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Interest bearing debt (Non-current)					
Long-term borrowings . . . . .	¥ 3,993,368	¥ 717,143	¥2,836,981	¥ 524,988	¥ 4,079,112
Corporate bonds . . . . .	7,290,036	2,596,644	4,960,629	33,831	7,591,104
Lease obligations . . . . .	782,973	—	18,784	773,216	792,000
Installment payables . . . . .	18,290	—	—	18,526	18,526
Total . . . . .	<u>¥12,084,667</u>	<u>¥3,313,787</u>	<u>¥7,816,394</u>	<u>¥1,350,561</u>	<u>¥12,480,742</u>

	(Thousands of U.S. dollars)				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Interest bearing debt (Non-current)					
Long-term borrowings . . . . .	\$ 35,339,540	\$ 6,346,398	\$25,106,027	\$ 4,645,911	\$ 36,098,336
Corporate bonds . . . . .	64,513,593	22,979,151	43,899,372	299,389	67,177,912
Lease obligations . . . . .	6,928,965	—	166,230	6,842,620	7,008,850
Installment payables . . . . .	161,858	—	—	163,947	163,947
Total . . . . .	<u>\$106,943,956</u>	<u>\$29,325,549</u>	<u>\$69,171,629</u>	<u>\$11,951,867</u>	<u>\$110,449,045</u>

Financial instruments whose fair value approximates its carrying amount 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 their carrying amounts.

### 13. Foreign currency 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, 2017	As of December 31, 2017
USD .....	112.19	113.00
GBP .....	140.08	151.95

#### (2) Average rate for the quarter

For the nine-month period ended December 31, 2016

	(yen)		
	Three-month period ended June 30, 2016	Three-month period ended September 30, 2016	Three-month period ended December 31, 2016
USD .....	109.07	102.91	108.72
GBP* .....	—	132.95	135.56

Note:

\* Average rate described for the three-month period ended September 30, 2016 is the average rate for the one-month period of September 30, 2016.

For the nine-month period ended December 31, 2017

	(yen)		
	Three-month period ended June 30, 2017	Three-month period ended September 30, 2017	Three-month period ended December 31, 2017
USD .....	111.61	111.38	112.74
GBP .....	142.92	146.20	150.77

### 14. Equity

#### (1) Treasury Stock

The Companies Act provides for companies to purchase treasury stock and dispose of 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)	
	Nine-month period ended December 31, 2016	Nine-month period ended December 31, 2017
Balance at the beginning of the year .....	53,760	11,378
Increase during the period .....	58,072 <sup>1</sup>	4
Decrease during the period .....	(100,263) <sup>2</sup>	(220)
Balance at the end of the period .....	<u>11,569</u>	<u>11,162</u>

Note:

- During the nine-month period ended December 31, 2016, the number of treasury shares which was acquired based on resolution by the Board of Directors is 58,069 thousand. The total amount of acquisition is ¥350,826 million.
- Based on the resolution passed at the Board of Directors' meeting held on October 7, 2016, the Company retired treasury stock of 100,000 thousand shares on October 31, 2016. As a result, "Retained earnings" and "Treasury stock" decreased by ¥595,195 million.



(2) Accumulated other comprehensive income

The components of accumulated other comprehensive income are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	As of March 31, 2017	As of December 31, 2017	As of December 31, 2017
Available-for-sale financial assets . . . . .	¥ 11,983	¥ 74,938	\$ 663,168
Cash flow hedges . . . . .	(44,877)	(56,477)	(499,796)
Exchange differences on translating foreign operations . . . . .	244,140	621,034	5,495,876
Total . . . . .	<u>¥211,246</u>	<u>¥639,495</u>	<u>\$5,659,248</u>

**15. Other equity instruments**

On July 19, 2017, the Company issued USD-denominated Undated Subordinated Non-Call 6 years (“NC6”) Resettable Notes and USD-denominated Undated Subordinated Non-Call 10 years (“NC10”) Resettable Notes (collectively, the “Hybrid Notes”).

The Hybrid Notes are classified as equity instruments in accordance with International Financial Reporting Standards because the Company has the option to defer interest payments, the notes have no maturity date, and the Company has an unconditional right to avoid delivering cash or another financial asset except for distribution of residual assets on liquidation. As a result of this transaction, “Other equity instruments” is increased by ¥496,876 million (\$4,397,133 thousand) (after deducting ¥7,034 million (\$62,248 thousand) of transaction costs) in the condensed interim consolidated statement of financial position. The corresponding amount is recorded as “Proceeds from issuance of other equity instruments” under cash flows from financing activities in the condensed interim consolidated statement of cash flows.

Also, as of December 31, 2017, accrued interest, which is not recognized as a distribution to owners of other equity instruments because the payment has not yet been determined, is ¥14,508 million (\$128,389 thousand).

Subsequently, the payment was determined after January 1, 2018 and was completed on the interest payment date, January 19, 2018. The payment was for ¥15,852 million (\$140,283 thousand) which included the above accrued interest amount.

The details of the Hybrid Notes are as follows:

		Undated Subordinated NC6 Resetable Notes	Undated Subordinated NC10 Resetable Notes
1.	Total amount of issue	USD 2.75 billion (JPY 307.9 billion)	USD 1.75 billion (JPY 196.0 billion)
2.	Issue price	100% of the principal amount	100% of the principal amount
3.	Initial interest rate*	6.000% per annum	6.875% per annum
4.	Maturity date	None (Perpetual)	None (Perpetual)
5.	Optional redemption	The Company may, at its discretion, redeem the NC6 Notes on the first call date on July 19, 2023 or any interest payment date thereafter.	The Company may, at its discretion, redeem the NC10 Notes on the first call date on July 19, 2027 or any interest payment date thereafter
6.	Interest payment	Payable semi-annually in arrears on January 19 and July 19 of each year	
7.	Closing date	July 19, 2017	
8.	Collateral	None	
9.	Guarantee	None	
10.	Covenants	None	
11.	Subordination	In the event of bankruptcy, etc., the Hybrid Notes shall be subordinated to all of the Company's senior indebtedness (including domestic subordinated bonds issued in 2014 and 2015 by the Company) and shall rank substantially <i>pari passu</i> with the domestic hybrid bonds issued in 2016 by the Company and its senior preference shares (if issued in the future) and senior to the Company's common stock.	
12.	Listing	Singapore Exchange Securities Trading Limited	
13.	Use of proceeds	The Company used the proceeds of issuance of the Hybrid Notes for general corporate purposes.	

Note:

\* There is a step-up interest provision on the Undated Subordinated NC6 Resetable Note of 25bps on July 19, 2023 and additional 75bps on July 19, 2038, and on the Undated Subordinated NC10 Resetable Note of 25bps on July 19, 2027 and additional 75bps on July 19, 2042.

## 16. Dividends

In accordance with the Companies Act, SoftBank Group Corp. has prescribed in its articles of incorporation that semiannual interim dividends may be paid once a year upon resolution by the Board of Directors.

Dividends paid are as follows:

For the nine-month period ended December 31, 2016

Resolution	Class of shares	Dividends		Record date	Effective date
		per share (Yen)	Total dividends (Millions of yen)		
Shareholders' meeting held on					
June 22, 2016 . . . . .	Common stock	¥21	¥24,085	March 31, 2016	June 23, 2016
Board of Directors' meeting					
held on October 27, 2016 . .	Common stock	22	23,957	September 30, 2016	December 12, 2016

For the nine-month period ended December 31, 2017

Resolution	Class of shares	Dividends per share		Total dividends		Record date	Effective date
		(Yen)	(USD)	(Millions of yen)	(Thousands of U.S. dollars)		
Shareholders' meeting held on June 21, 2017 . . . . .	Common stock	¥22	\$0.19	¥23,964	\$212,071	March 31, 2017	June 22, 2017
Board of Directors' meeting held on October 27, 2017 . . . . .	Common stock	22	0.19	23,969	212,115	September 30, 2017	December 11, 2017

### 17. Operating income from SoftBank Vision Fund and Delta Fund

The components of operating income from SoftBank Vision Fund and Delta Fund are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Nine-month period ended December 31, 2016	Nine-month period ended December 31, 2017	Nine-month period ended December 31, 2017
Gain and loss on investments at SoftBank Vision Fund and Delta Fund*			
Unrealized gain and loss on valuation of investments . . . . .	—	¥251,108	\$2,222,195
Interest and dividend income from investments . . . . .	—	3,744	33,132
Operating expenses . . . . .	—	(18,425)	(163,053)
Total . . . . .	—	¥236,427	\$2,092,274

Note:

\* "Realized gain and loss on sales of investments" is not recognized for the nine-month period ended December 31, 2017.

## 18. Other operating loss

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

	(Millions of yen)		(Thousands of U.S. dollars)
	Nine-month period ended December 31, 2016	Nine-month period ended December 31, 2017	Nine-month period ended December 31, 2017
<b>Sprint segment</b>			
Gain on spectrum license exchange <sup>1</sup> . . . . .	¥ 36,385	¥ 53,435	\$ 472,876
Litigation <sup>2</sup> . . . . .	—	41,247	365,018
Gain and loss on contract termination <sup>3</sup> . . . . .	(12,287)	558	4,938
Loss on disposal of property, plant and equipment <sup>4</sup> . . . . .	(39,617)	(58,344)	(516,319)
U.S. state tax charge . . . . .	(10,600)	—	—
Other . . . . .	(7,453)	3,023	26,752
<b>Yahoo Japan segment</b>			
Insurance income <sup>5</sup> . . . . .	—	4,929	43,619
Other . . . . .	—	2,967	26,257
<b>Distribution segment</b>			
Impairment loss on goodwill <sup>6</sup> . . . . .	—	(43,128)	(381,664)
Impairment loss on non-current assets <sup>6</sup> . . . . .	—	(7,369)	(65,212)
<b>Arm segment</b>			
Acquisition-related costs <sup>7</sup> . . . . .	(25,780)	—	—
<b>Company-wide</b>			
Expenses resulting from resignation of director <sup>8</sup> . . . . .	(8,283)	(1,427)	(12,628)
<b>Other</b>			
Write-down of inventories <sup>9</sup> . . . . .	—	(13,585)	(120,221)
Acquisition-related costs <sup>10</sup> . . . . .	—	(6,123)	(54,186)
Other . . . . .	—	(3,788)	(33,522)
<b>Total</b> . . . . .	<u>¥(67,635)</u>	<u>¥(27,605)</u>	<u>\$ (244,292)</u>

### Notes:

- License exchange gain resulting from exchange of a certain portion of the telecommunications spectrum with other carriers (non-cash transaction). The spectrum is recorded as FCC licenses in intangible assets.
- Mainly, net benefits in litigation associated with legal settlements with legal settlements for patent infringement lawsuits.
- For the nine-month period ended December 31, 2016, the loss is mainly the result of the termination of wholesale contracts with NTELOS Holdings Corporation.
- For the nine-month period ended December 31, 2016, a loss of ¥37,365 million was recognized on disposal of leased devices related to lease cancellations prior to the end of the scheduled customer lease terms where customers did not return the devices to Sprint.

For the nine-month period ended December 31, 2017, mainly, ¥20,171 million (\$178,504 thousand) of loss related to cell site construction costs that are no longer expected to be used as a result of changes in Sprint's network plans and ¥38,842 million (\$343,735 thousand) of loss related to the write-off of leased devices related to lease cancellations prior to the end of the scheduled customer lease terms where customers did not return the devices to Sprint are recognized.

- Insurance proceeds related to a fire incident that occurred at a logistics center of ASKUL Corporation (ASKUL Logi PARK Tokyo Metropolitan) in February 2017.
- Impairment losses at Brightstar. The goodwill of Brightstar is allocated to the entire Brightstar entity, which is made up of four cash-generating units (Brightstar's US & Canada, Latin America, Asia & Oceania, and Europe & Africa units). Intangible assets with indefinite useful lives other than goodwill are allocated to three of the cash generating units (Brightstar's US & Canada, Asia & Oceania, and Europe & Africa units).

The business plan of Brightstar was revised during the nine-month period ended December 31, 2017, and indicators of impairment were identified at all of the cash-generating units where intangible assets with indefinite useful lives were allocated as well as the entire Brightstar entity where goodwill is allocated; therefore, the impairment test was conducted on these cash-generating units and the entire Brightstar entity. As a result of the impairment test, an impairment loss was recognized because the recoverable amounts of Brightstar (the entire entity) and Brightstar's Europe & Africa cash-generating unit were less than the carrying amounts. Impairment losses on goodwill, intangible assets, and property, plant and equipment were ¥43,128 million (\$381,664 thousand), ¥6,630 million (\$58,673 thousand), and ¥739 million (\$6,540 thousand), respectively.

Fair value less disposal cost is used as the recoverable amount and measured using the income approach and the market approach. Under the income approach, fair value is measured by discounting cash flows which are estimated based on business plans for the next 10 years while taking into account future cash flows that market participants would expect to receive in

accordance with their assumptions, discounted to the present value using a post-tax discount rate of 10.5-11%. The cash flows from after 10 years are assumed on the basis of a 3% growth rate. Under the market approach, EV/EBITDA of similar companies which are comparable to Brightstar Global Group Inc. are used.

The fair value includes unobservable inputs; therefore, it is classified as Level 3.

7. Expenses arising from the business combination of Arm. The details are described in “(1) Arm” under “Note 6. Business combinations.”
8. Expense resulting from the resignation of Nikesh Arora from his position as a director. Resignation expense consists of expenses for which payment amounts are defined and expenses for which payment amounts are to be defined depending on the future share price of SoftBank Group Corp. shares. Expenses based on the share price are settled in two installments in June 2017 and March 2018. The payment amount is determined based on the share price in June 2017 and March 2018, respectively.

In addition to the entire expense for which payment amount is defined, the Company measured the expense based on the SoftBank Group Corp. share price as of December 31, 2016 and recorded an expense of ¥3,266 million during the nine-month period ended December 31, 2016. The expense is remeasured each quarter end based on the share price of SoftBank Group Corp. until the determination of the payment amount, and the changes are recognized through profit or loss.

In addition to the above resignation expenses, the Company purchased the shares of associate companies from Nikesh Arora, which were previously granted to him in December 2014. The details are described in “Note 26. Related party transactions.”

9. As a result of revising the business plan of Sports Live Entertainment Corporation, which operates a sports content distribution business, the net realizable value of inventories was less than its carrying amount and, therefore, a write-down was recognized.
10. Expenses arising from the business combination of Fortress. The details are described in “(2) Fortress” under “Note 6. Business combinations.”

## 19. Finance cost

The components of finance cost are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	Nine-month period ended December 31, 2016	Nine-month period ended December 31, 2017	Nine-month period ended December 31, 2017
Interest expenses* . . . . .	¥(343,363)	¥(383,337)	\$(3,392,363)

Note:

\* ¥(1,665) million (\$14,735 thousand) of interest expenses recorded in SoftBank Vision Fund and Delta Fund is included in the above interest expense for the nine-month period ended December 31, 2017 (¥(1,708) million (\$15,115 thousand) before elimination of inter-company transactions).

## 20. Gain on sales of shares of associates

For the nine-month period ended December 31, 2016

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

The total amount of the sale price was ¥359,704 million (\$3.4 billion), of which the sale price to Alibaba was ¥212,920 million (\$2.0 billion). The sale price was determined by negotiation in reference to the market price.

Note:

\* Alibaba Partnership is not an associate of Alibaba.

## 21. Derivative loss

For the nine-month period ended December 31, 2017

A derivative loss of ¥510,278 million (\$4,515,735 thousand) (a derivative loss of ¥72,293 million for the nine-month period ended December 31, 2016) related to the Alibaba share collar transaction included in the variable prepaid forward contract was recorded. The details are described in “(2) Transaction for sale of Alibaba shares by variable prepaid forward contract” under “Note 11. Interest-bearing debt.”

## 22. Other non-operating income (loss)

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

	(Millions of yen)		(Thousands of U.S. dollars)
	Nine-month period ended December 31, 2016	Nine-month period ended December 31, 2017	Nine-month period ended December 31, 2017
Dilution gain from changes in equity interest <sup>1</sup> . . . . .	¥ 75,060	¥38,922	\$344,442
Gain (loss) from financial instruments at FVTPL <sup>2</sup> . . . . .	(39,281)	8,069	71,407
Impairment loss on assets classified as held for sale <sup>3</sup> . . . . .	(42,540)	—	—
Other . . . . .	(6,715)	3,187	28,204
Total . . . . .	<u>¥(13,476)</u>	<u>¥50,178</u>	<u>\$444,053</u>

Note:

- Dilution gain arose primarily from changes in Alibaba's equity interest held by the Company, due to the exercise of stock options and the allocation of new shares to a third party in Alibaba.
- Gain and loss arising from financial instruments at FVTPL consists mainly of changes in fair value of preferred stock investments, including embedded derivatives designated as financial assets at FVTPL.
- The Company transferred a portion of its GungHo shares to assets classified as held for sale as the Company tendered shares in the Tender Offer by GungHo during the three-month period ended June 30, 2016. Accordingly, the carrying amounts of the shares were reduced to their fair values after deducting expenses arising from the sale (Tender Offer price) and ¥42,540 million was recorded as an impairment loss on assets classified as held for sale.

As a result of the transaction, GungHo no longer qualified as an equity method associate for the three-month period ended September 30, 2016.

## 23. Discontinued operations

### Supercell

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

Operating results related to Supercell for the nine-month period ended December 31, 2016 are presented as discontinued operations in the condensed interim consolidated statement of income.

The operating results and cash flows from discontinued operations are as follows:

#### a. Operating results from discontinued operations

	(Millions of yen)		(Thousands of U.S. dollars)
	Nine-month period ended December 31, 2016	Nine-month period ended December 31, 2017	Nine-month period ended December 31, 2017
Revenue . . . . .	¥ 80,735	¥—	\$—
Expense . . . . .	(46,075)	—	—
Income before income tax from discontinued operations . . . . .	34,660	—	—
Income taxes . . . . .	(6,414)	—	—
Income after income tax from discontinued operations . . . . .	28,246	—	—
Gain on sales of discontinued operations . . . . .	636,216	—	—
Income taxes recognized from sales of discontinued operations . . . . .	(111,157)	—	—
Net income from discontinued operations . . . . .	<u>¥ 553,305</u>	<u>¥—</u>	<u>\$—</u>



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

b. Cash flows from discontinued operations

	(Millions of yen)		(Thousands of U.S. dollars)
	Nine-month period ended December 31, 2016	Nine-month period ended December 31, 2017	Nine-month period ended December 31, 2017
Net cash provided by operating activities . . .	¥ 44,065	¥—	\$—
Net cash used in investing activities . . . . .	(166)	—	—
Net cash used in financing activities . . . . .	(17,557)	—	—
Total . . . . .	<u>¥ 26,342</u>	<u>¥—</u>	<u>\$—</u>

**24. Earnings per share**

Nine-month period ended December 31

(1) Basic earnings per share

	(Millions of yen)		(Thousands of U.S. dollars)	
	Nine-month period ended December 31, 2016	Nine-month period ended December 31, 2017	Nine-month period ended December 31, 2017	
Net income attributable to ordinary shareholders of the parent				
Net income attributable to owners of the parent . . . . .	¥ 845,773	¥1,014,944	\$8,981,805	
Net income not-attributable to ordinary shareholders of the parent* . . . . .	—	(14,508)	(128,389)	
Net income used in the calculation of basic earnings per share . . . . .	<u>¥ 845,773</u>	<u>¥1,000,436</u>	<u>\$8,853,416</u>	
Continuing operations . . . . .	¥ 298,861	¥1,000,436	\$8,853,416	
Discontinued operations . . . . .	546,912	—	—	
	<u>(Thousands of shares)</u>			
Weighted-average number of ordinary shares . . . . .	<u>1,114,476</u>	<u>1,089,454</u>		
	<u>(Yen)</u>		<u>(USD)</u>	
Basic earnings per share				
Continuing operations . . . . .	¥ 268.17	¥ 918.29	\$ 8.13	
Discontinued operations . . . . .	490.73	—	—	
Total . . . . .	<u>¥ 758.90</u>	<u>¥ 918.29</u>	<u>\$ 8.13</u>	

## (2) Diluted earnings per share

	(Millions of yen)		(Thousands of U.S. dollars)
	Nine-month period ended December 31, 2016	Nine-month period ended December 31, 2017	Nine-month period ended December 31, 2017
Diluted net income attributable to ordinary shareholders of the parent			
Continuing operations			
Net income from continuing operations used in the calculation of basic earnings per share .....	¥ 298,861	¥1,000,436	\$8,853,416
Effect of dilutive securities issued by subsidiaries and associates .....	(7,616)	(25,071)	(221,867)
Subtotal .....	<u>291,245</u>	<u>975,365</u>	<u>8,631,549</u>
Discontinued operations			
Net income from discontinued operations used in the calculation of basic earnings per share .....	546,912	—	—
Subtotal .....	<u>546,912</u>	<u>—</u>	<u>—</u>
Total .....	<u>¥ 838,157</u>	<u>¥ 975,365</u>	<u>\$8,631,549</u>
	(Thousands of shares)		
Weighted-average number of ordinary shares used in the calculation of diluted earnings per share			
Weighted-average number of ordinary shares .....	1,114,476	1,089,454	
Adjustments:			
Stock acquisition rights .....	714	1,373	
Total .....	<u>1,115,190</u>	<u>1,090,827</u>	
	(Yen)		(USD)
Diluted earnings per share			
Continuing operations .....	¥ 261.16	¥ 894.15	\$ 7.91
Discontinued operations .....	490.42	—	—
Total .....	<u>¥ 751.58</u>	<u>¥ 894.15</u>	<u>\$ 7.91</u>

Note:

\* Net income not-attributable to ordinary shareholders of the parent is net income attributable to owners of other equity instruments.

Three-month period ended December 31

(1) Basic earnings per share

	(Millions of yen)		(Thousands of U.S. dollars)
	Three-month period ended December 31, 2016	Three-month period ended December 31, 2017	Three-month period ended December 31, 2017
Net income attributable to ordinary shareholders of the parent			
Net income attributable to owners of the parent . . . . .	¥ 80,257	¥ 912,322	\$8,073,646
Net income not-attributable to ordinary shareholders of the parent* . . . . .	—	(8,075)	(71,460)
Net income used in the calculation of basic earnings per share . . . . .	<u>¥ 80,257</u>	<u>¥ 904,247</u>	<u>\$8,002,186</u>
Continuing operations . . . . .	¥ 85,537	¥ 904,247	\$8,002,186
Discontinued operations . . . . .	(5,280)	—	—
	(Thousands of shares)		
Weighted-average number of ordinary shares . . . . .	<u>1,089,033</u>	<u>1,089,500</u>	
	(Yen)		(USD)
Basic earnings per share			
Continuing operations . . . . .	¥ 78.55	¥ 829.96	\$ 7.34
Discontinued operations . . . . .	(4.85)	—	—
Total . . . . .	<u>¥ 73.70</u>	<u>¥ 829.96</u>	<u>\$ 7.34</u>

(2) Diluted earnings per share

	(Millions of yen)		(Thousands of U.S. dollars)
	Three-month period ended December 31, 2016	Three-month period ended December 31, 2017	Three-month period ended December 31, 2017
Diluted net income attributable to ordinary shareholders of the parent			
Continuing operations			
Net income from continuing operations used in the calculation of basic earnings per share . . . . .	¥85,537	¥904,247	\$8,002,186
Effect of dilutive securities issued by subsidiaries and associates . . . . .	(3,807)	(21,475)	(190,044)
Subtotal . . . . .	<u>81,730</u>	<u>882,772</u>	<u>7,812,142</u>
Discontinued operations			
Net income from discontinued operations used in the calculation of basic earnings per share . . . . .	¥(5,280)	—	—
Subtotal . . . . .	<u>(5,280)</u>	<u>—</u>	<u>—</u>
Total . . . . .	<u>¥76,450</u>	<u>¥882,772</u>	<u>\$7,812,142</u>

	<u>(Thousands of shares)</u>			
Weighted-average number of ordinary shares used in the calculation of diluted earnings per share				
Weighted-average number of ordinary shares	1,089,033	1,089,500		
Adjustments:				
Stock acquisition rights	786	1,488		
Total	<u>1,089,819</u>	<u>1,090,988</u>		
			<u>(Yen)</u>	<u>(USD)</u>
Diluted earnings per share				
Continuing operations	¥ 75.00	¥ 809.15	\$7.16	
Discontinued operations	(4.85)	—	—	
Total	<u>¥ 70.15</u>	<u>¥ 809.15</u>	<u>\$7.16</u>	

Note:

\* Net income not-attributable to ordinary shareholders of the parent is net income attributable to owners of other equity instruments.

## 25. Supplemental information to the condensed interim 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 condensed interim consolidated statement of financial position.

### (2) Presentation of cash flows regarding financing leases

For the purchase of telecommunications equipment through financing leases, the Company purchases, assembles, installs and inspects the equipment, and subsequently sells the equipment to lease companies for sale-leaseback purposes and recognizes it as a leased asset.

The cash outflows from the purchase of the equipment from vendors are included in “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) Gain on sales of discontinued operations

For the nine-month period ended December 31, 2016

Gain on sales of subsidiaries was from the sale of Supercell shares. The details are described in “Note 23. Discontinued operations.”

### (4) Income taxes paid and income taxes refunded

For the nine-month period ended December 31, 2016

Payment of withholding income tax related to dividends within the group companies of ¥85,048 million is included in “Income taxes paid,” and a refund of the withholding income tax of ¥293,489 million is included in “Income taxes refunded.”

For the nine-month period ended December 31, 2017

Payment of withholding income tax related to dividends within the group companies of ¥80,811 million (\$715,142 thousand) is included in “Income taxes paid,” and a refund of the withholding income tax of ¥85,048 million (\$752,637 thousand) is included in “Income taxes refunded,” respectively.

(5) Payments for acquisition of investments by SoftBank Vision Fund and Delta Fund

For the nine-month period ended December 31, 2017

Payments of ¥812,042 million (\$7,186,212 thousand), which were included in “Payments for acquisition of investments” in cash flows from investing activities for the three-month period ended June 30, 2017, were reclassified as investments transferred to SoftBank Vision Fund and Delta Fund from the Company or the Agreed Transferable Investments for the three-month period ended September 30, 2017, and accordingly, the amount is reclassified as “Payments for acquisition of investments by SoftBank Vision Fund and Delta Fund” under cash flows from investing activities in the condensed interim consolidated statement of cash flows for the nine-month period ended December 31, 2017.

(6) Proceeds from sales and redemption of investments

For the nine-month period ended December 31, 2016

Proceeds related to sales of Alibaba shares of ¥359,704 million (\$3.4 billion) are included. The details are described in “Note 20. Gain on sales of shares of associates.”

(7) Increase from loss of control over subsidiaries

For the nine-month period ended December 31, 2016

The relationship between proceeds received for the sale of Supercell shares and “Increase from loss of control over subsidiaries” and components of assets and liabilities at the date of loss of control over Supercell are as follows:

- a. The relation between proceeds received for the sale of Supercell shares and “Increase from loss of control over subsidiaries”

	<u>(Millions of yen)</u>
Proceeds received for sale . . . . .	769,844
The amount of receivable for sale . . . . .	(19,693)
Cash and cash equivalents held at the time of loss of control . . . . .	(27,143)
Effect of exchange rate changes from the date of loss of control* . . . . .	<u>(884)</u>
Increase from loss of control over subsidiaries . . . . .	<u>722,124</u>

Note:

\* Effect of exchange rate changes from the date of loss of control to the date of payment on the amount receivable from the sale.

- b. The components of assets and liabilities at the date of loss of control

	<u>(Millions of yen)</u>
	<u>At the date of loss of control</u>
	<u>(July 29, 2016)</u>
The components of assets	
Current assets . . . . .	125,523
Game titles . . . . .	47,636
Goodwill . . . . .	84,487
Other non-current assets . . . . .	6,077
The components of liabilities	
Deferred revenue (current) . . . . .	96,919
Other current liabilities . . . . .	5,593
Non-current liabilities . . . . .	23,778

(8) Contributions into SoftBank Vision Fund and Delta Fund from third-party investors

For the nine-month period ended December 31, 2017

The amount is after deducting ¥15,450 million (\$136,726 thousand) that was returned to Third-Party Investors of SoftBank Vision Fund due to the change in an investment plan after the contribution from Third-Party Investors.

(9) Significant non-cash transactions

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

	(Millions of yen)		(Thousands of U.S. dollars)
	Nine-month period ended December 31, 2016	Nine-month period ended December 31, 2017	Nine-month period ended December 31, 2017
Transfer of leased devices from inventories to property, plant and equipment . . . . .	¥244,488	¥411,424	\$3,640,920
Embedded derivative included in a variable prepaid forward contract for sales of Alibaba shares* . . . . .	95,587	—	—

Note:

\* The details are described in “(2) Transaction for sale of Alibaba shares by variable prepaid forward contract” under “Note 11. Interest-bearing debt.”

**26. Related party transactions**

For the nine-month period ended December 31, 2016

At the time of retirement of Nikesh Arora, the Company purchased the shares of associate companies which were granted to him in December 2014.

The details of the transaction are as follows:

Name of the company or individual	Nature of relationship	Nature of transaction	Nine-month period ended	As of
			December 31, 2016	December 31, 2016
			Amount of transaction	Balance at period-end
Nikesh Arora . . . . .	Director <sup>1</sup>	Purchase of the Company’s associates shares <sup>2</sup>	¥ 10,744 million (\$ 104 million)	¥ 12,161 million (\$ 104 million)

Notes:

- Retired from the position of Representative Director, President & COO as of June 22, 2016.
- Purchase price by the Company was determined based on negotiation with reference to the recent transaction price.

For the nine-month period ended December 31, 2017

The details of the transaction are as follows:

Name of the company or individual	Nature of relationship	Nature of transaction	Nine-month period ended	As of
			December 31, 2017	December 31, 2017
			Amount of transaction	Balance at period-end
Dipchand Nishar <sup>1</sup> . . . . .	Managing partner of wholly-owned subsidiary of the Company <sup>1</sup>	Lending <sup>2</sup>	¥ 2,228 million (\$20,000 thousand)	¥ 2,277 million (\$20,153 thousand)
		Interest for lending <sup>2</sup>	¥ 17 million (\$ 153 thousand)	

Notes:

- Dipchand Nishar is a managing partner of a U.S. advisory company which supports SBIA and became a principal executive of the Company with the initial closing of SoftBank Vision Fund.
- Regarding the execution condition of the lending, the interest rate is 1.95% of compounded interest and the lending period is 9 years with bullet repayment at maturity.

**27. Contingency**

Litigation

- Sprint Communications is a defendant in a complaint filed by several stockholders of Clearwire Corporation (Clearwire) 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. Plaintiffs in the *ACP Master, LTD.* suit have also filed suit requesting an appraisal of the fair value of their Clearwire stock. A trial related to those cases took place in October and November 2016; the parties have submitted their post-trial briefing, and oral argument was held on April 25, 2017. On July 21, 2017, the Delaware Chancery Court ruled in Sprint's favor in both cases. It found no breach of fiduciary duty, and determined the value of Clearwire shares under the Delaware appraisal statute to be \$2.13 per share plus statutory interest. The plaintiffs have filed an appeal.

- (2) On April 19, 2012, the New York Attorney General filed a complaint alleging that Sprint Communications had fraudulently failed to collect and pay more than \$100 million in New York sales taxes on receipts from its sale of wireless telephone services since July 2005. The complaint also seeks recovery of triple damages under the State False Claims Act, as well as penalties and interest. Sprint Communications moved to dismiss the complaint on June 14, 2012. On July 1, 2013, the court entered an order denying the motion to dismiss in large part, although it did dismiss certain counts or parts of certain counts. Sprint Communications appealed that order and the intermediate appellate court affirmed the order of the trial court. On October 20, 2015, the Court of Appeals of New York affirmed the decision of the appellate court that the tax statute requires Sprint Communications to collect and remit the disputed taxes. Sprint Communications' petition for certiorari to the US Supreme Court on grounds of federal preemption was denied. Sprint Communications has paid the principal amount of tax at issue, under protest, while the suit is pending. The parties are now engaged in discovery in the trial court. Sprint Communications will continue to defend this matter vigorously.
- (3) 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. During the quarter ended December 31, 2017, Sprint settled several related patent infringement lawsuits and received payments of approximately \$350 million.

## **28. Significant subsequent events**

- (1) Acquisition of shares of Uber Technologies, Inc. ("Uber")

An overseas subsidiary of SoftBank Group Corp. and Uber, an operator of a ride-sharing service business, entered into an agreement by the end of December 2017 that the overseas subsidiary purchases a part of issued and to be issued share capital of Uber for a total amount of \$7.67 billion. The acquisition was completed on January 18, 2018.

Uber is not classified as a subsidiary nor an associate of the Company.

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

- (2) Acquisition of shares of Xiaoju Kuaizhi Inc. ("DiDi")

An overseas subsidiary of SoftBank Group Corp. and DiDi, an operator of a ride-sharing service business in China, entered into an agreement that an overseas subsidiary would purchase a part of issued and to be issued share capital of DiDi for a total amount of \$4.58 billion, of which \$3.59 billion of shares were purchased on January 11, 2018. Agreements with DiDi and existing shareholders relating to \$4.39 billion of \$4.58 billion were executed by the end of December 2017, and the remaining \$0.19 billion were executed in January, 2018.

DiDi is not classified as a subsidiary nor an associate of the Company after the closing of this transaction.

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

### (3) Consolidation of The Japan Net Bank, Limited

Yahoo Japan Corporation consolidated The Japan Net Bank, Limited (“The Japan Net Bank”) by appointing the majority of The Japan Net Bank’s directors, through a resolution in an Extraordinary Meeting of the Shareholders’ of The Japan Net Bank held on February 1, 2018.

In addition, calculation of fair value of acquired assets and assumed liabilities on the acquisition date has not been completed at present and therefore detailed information on the accounting treatment for the business combination, including fair values of goodwill, acquired assets, and assumed liabilities on the acquisition date, has not been disclosed.

#### a. Overview of consolidation

In the Yahoo Japan segment, since its commencement of new strategies in the Commerce Business in October 2013, transaction volume has rapidly increased by means of various measures, such as waiving store tenant fees, point rewards measures, and the commencement of the Credit Card business. The Company believes that it must strengthen its financial and payments business in order to revitalize its Commerce Business. The ecosystem of its services in the Yahoo Japan segment is reinforced through the consolidation of The Japan Net Bank.

In addition, Yahoo Japan Corporation leads the management of The Japan Net Bank through the consolidation and utilizes the customer base and multi-big data that Yahoo Group has fostered thus far to provide high value-added financial services for The Japan Net Bank customers.

The voting rights ratio in The Japan Net Bank held by the Company remains the same as before at 41.16% and the Company does not hold a majority of the shares. However, the Company made The Japan Net Bank its consolidated subsidiary by appointing the majority of The Japan Net Bank’s directors through a resolution in an Extraordinary Meeting of the Shareholders’ of The Japan Net Bank held on February 1, 2018.

#### b. Summary of acquiree

Name	The Japan Net Bank, Limited
Nature of business	Banking business

#### c. Acquisition date February 1, 2018

### **29. Approval of condensed interim consolidated financial statements**

The condensed interim consolidated financial statements have been approved by the Chairman & CEO of the Company, Masayoshi Son, as of February 13, 2018.

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## OFFERING MEMORANDUM

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## SOFTBANK GROUP CORP.

\$  
% Senior Notes due 2028

€  
% Senior Notes due 2028

**Guaranteed by  
SoftBank Corp.**

*Joint Global Coordinators*

Deutsche Bank      Merrill Lynch      Morgan Stanley  
International

, 2018

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Questions about the terms of the Exchange Offer or the Consent Solicitation should be directed to the Dealer Managers or the Information Agent at their respective addresses and telephone numbers set forth below. If you have questions regarding exchange procedures, please contact the Information Agent at the address and telephone number set forth below. For additional copies of this Exchange Offer Memorandum, please contact the Information Agent at the address and telephone number set forth below. Beneficial owners may also contact their brokers, dealers, commercial banks, trust companies or other nominee for assistance concerning the Exchange Offer or the Consent Solicitation.

*The Information Agent for the Exchange Offer and the Consent Solicitation is:*

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