
**Z Holdings Corporation
and Subsidiaries**

*Consolidated Financial Statements
for the Year Ended March 31, 2020,
and Independent Auditor's Report*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Z Holdings Corporation:

Opinion

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

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

Convenience Translation

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

Basis for Opinion

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

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

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

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

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with IFRSs, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte Touche Tomatsu LLC

June 16, 2020

Z Holdings Corporation and Subsidiaries

Consolidated Statement of Financial Position

	Millions of Yen		Thousands of U.S. Dollars (Note 2(3))
	As of March 31		As of March 31,
	<u>2020</u>	<u>2019</u>	<u>2020</u>
ASSETS:			
Cash and cash equivalents (Note 7)	¥ 880,100	¥ 546,784	\$ 8,086,924
Call loans in banking business (Note 29)	—	20,000	—
Trade and other receivables (Notes 8 and 29)	386,799	328,281	3,554,157
Inventories	20,889	18,306	191,941
Loans in credit card business (Note 29)	342,245	253,340	3,144,767
Investment securities in banking business (Notes 9 and 29)	415,809	419,551	3,820,720
Loans in banking business (Note 29)	98,752	80,942	907,396
Other financial assets (Notes 10 and 29)	264,213	191,260	2,427,758
Property and equipment (Note 11)	131,215	133,867	1,205,687
Right-of-use assets (Note 12)	106,304	—	976,789
Goodwill (Note 13)	400,034	175,301	3,675,769
Intangible assets (Note 13)	679,375	165,293	6,242,534
Investments accounted for using the equity method (Note 14)	8,567	24,510	78,719
Deferred tax assets (Note 15)	43,739	34,551	401,902
Other assets (Note 16)	155,863	37,609	1,432,169
TOTAL ASSETS	<u>¥3,933,910</u>	<u>¥2,429,601</u>	<u>\$ 36,147,293</u>

Z Holdings Corporation and Subsidiaries

Consolidated Statement of Financial Position

	Millions of Yen		Thousands of U.S. Dollars (Note 2(3))
	As of March 31		As of March 31, 2020
	<u>2020</u>	<u>2019</u>	
LIABILITIES AND EQUITY:			
Liabilities:			
Trade and other payables (Notes 17 and 29)	¥ 487,242	¥ 394,545	\$ 4,477,092
Customer deposits in banking business (Notes 18 and 29)	903,118	768,613	8,298,428
Interest-bearing liabilities (Notes 19 and 29)	1,086,436	215,212	9,982,872
Other financial liabilities (Note 29)	10,157	8,683	93,329
Income taxes payable	32,887	24,138	302,186
Provisions (Note 20)	28,161	30,360	258,761
Deferred tax liabilities (Note 15)	160,976	20,403	1,479,150
Other liabilities (Note 22)	<u>177,106</u>	<u>57,118</u>	<u>1,627,363</u>
Total liabilities	<u>2,886,086</u>	<u>1,519,077</u>	<u>26,519,213</u>
Equity:			
Equity attributable to owners of the parent:			
Common stock (Note 26)	237,422	8,939	2,181,585
Capital surplus (Notes 26 and 28)	212,539	(12,545)	1,952,944
Retained earnings (Note 26)	330,752	832,147	3,039,161
Treasury stock (Note 26)	(17,382)	(24,440)	(159,716)
Accumulated other comprehensive income	<u>8,216</u>	<u>14,190</u>	<u>75,493</u>
Total equity attributable to owners of the parent	771,548	818,291	7,089,479
Non-controlling interests	<u>276,274</u>	<u>92,231</u>	<u>2,538,583</u>
Total equity	<u>1,047,823</u>	<u>910,523</u>	<u>9,628,071</u>
TOTAL LIABILITIES AND EQUITY	<u>¥3,933,910</u>	<u>¥2,429,601</u>	<u>\$ 36,147,293</u>

See notes to consolidated financial statements.

Z Holdings Corporation and Subsidiaries

Consolidated Statement of Profit or Loss

	Millions of Yen		Thousands of U.S. Dollars (Note 2(3))
	Year Ended March 31		Year Ended March 31,
	<u>2020</u>	<u>2019</u>	<u>2020</u>
REVENUE (Note 32)	¥ 1,052,943	¥ 954,714	\$ 9,675,117
COST OF SALES (Note 33)	424,463	408,912	3,900,238
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 33)	476,204	413,249	4,375,668
GAIN ON SALE OF INVESTMENTS IN A SUBSIDIARY (Note 34)	<u>—</u>	<u>7,977</u>	<u>—</u>
Operating income	152,276	140,528	1,399,209
OTHER NON-OPERATING INCOME (Note 35)	12,954	1,320	119,029
OTHER NON-OPERATING EXPENSES	3,691	1,238	33,915
(LOSS) GAIN ON SALE OF INVESTMENTS IN ASSOCIATES AND JOINT VENTURES	(1,319)	301	(12,119)
EQUITY IN LOSSES OF ASSOCIATES AND JOINT VENTURES (Note 14)	<u>(24,542)</u>	<u>(17,541)</u>	<u>(225,507)</u>
PROFIT BEFORE TAX	135,676	123,370	1,246,678
INCOME TAX EXPENSE (Note 15)	<u>47,655</u>	<u>45,542</u>	<u>437,884</u>
PROFIT FOR THE YEAR	<u>¥ 88,020</u>	<u>¥ 77,828</u>	<u>\$ 808,784</u>
ATTRIBUTABLE TO:			
Owners of the parent	¥ 81,675	¥ 78,677	\$ 750,482
Non-controlling interests	<u>6,345</u>	<u>(848)</u>	<u>58,301</u>
PROFIT FOR THE YEAR	<u>¥ 88,020</u>	<u>¥ 77,828</u>	<u>\$ 808,784</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT:			
Basic (yen and U.S. dollars) (Note 37)	¥16.88	¥14.74	\$0.16
Diluted (yen and U.S. dollars) (Note 37)	16.88	14.74	0.16

See notes to consolidated financial statements.

Z Holdings Corporation and Subsidiaries

Consolidated Statement of Comprehensive Income

	Millions of Yen		Thousands of U.S. Dollars (Note 2(3))
	Year Ended March 31		Year Ended March 31,
	<u>2020</u>	<u>2019</u>	<u>2020</u>
PROFIT FOR THE YEAR	¥88,020	¥77,828	\$ 808,784
OTHER COMPREHENSIVE INCOME:			
Items that may not be reclassified subsequently to profit or loss—equity instruments measured at fair value through other comprehensive income (Notes 30 and 36)	(6,677)	3,746	(61,352)
Items that may be reclassified subsequently to profit or loss:			
Debt instruments measured at fair value through other comprehensive income (Notes 30 and 36)	(1,415)	1,080	(13,001)
Exchange differences on translating foreign operations (Notes 30 and 36)	(535)	911	(4,915)
Share of other comprehensive income of associates (Notes 14 and 36)	0	(13)	0
Subtotal	<u>(1,949)</u>	<u>1,979</u>	<u>(17,908)</u>
Other comprehensive (loss) income, net of tax	<u>(8,627)</u>	<u>5,725</u>	<u>(79,270)</u>
TOTAL COMPREHENSIVE INCOME	<u>¥79,393</u>	<u>¥83,554</u>	<u>\$ 729,513</u>
ATTRIBUTABLE TO:			
Owners of the parent	¥73,822	¥83,855	\$ 678,323
Non-controlling interests	<u>5,570</u>	<u>(301)</u>	<u>51,180</u>
TOTAL COMPREHENSIVE INCOME	<u>¥79,393</u>	<u>¥83,554</u>	<u>\$ 729,513</u>

See notes to consolidated financial statements.

Z Holdings Corporation and Subsidiaries

Consolidated Statement of Changes in Equity

	Millions of Yen							Total
	Equity Attributable to Owners of the Parent					Total	Non-controlling Interests	
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			
BALANCE AT APRIL 1, 2018	¥ 8,737	¥ (4,602)	¥ 993,894	¥ (1,316)	¥ 16,655	¥ 1,013,368	¥ 108,518	¥ 1,121,887
Cumulative effect of adopting a new accounting standard*	—	—	(205)	—	167	(38)	(20)	(59)
BALANCE AT APRIL 1, 2018—As restated	8,737	(4,602)	993,688	(1,316)	16,822	1,013,330	108,497	1,121,827
Profit for the year	—	—	78,677	—	—	78,677	(848)	77,828
Other comprehensive income, net of tax	—	—	—	—	5,178	5,178	546	5,725
Total comprehensive income for the year	—	—	78,677	—	5,178	83,855	(301)	83,554
Issue of common stock (Note 26)	201	201	—	—	—	403	—	403
Payment of dividends (Note 27)	—	—	(50,449)	—	—	(50,449)	(1,815)	(52,264)
Transfer of accumulated other comprehensive income to retained earnings	—	—	7,810	—	(7,810)	—	—	—
Purchase of treasury stock	—	—	—	(220,704)	—	(220,704)	—	(220,704)
Disposal of treasury stock	—	—	(197,579)	197,579	—	—	—	—
Changes attributable to obtaining or losing control of subsidiaries	—	—	—	—	—	—	1,693	1,693
Changes in ownership interests in subsidiaries without losing control	—	(8,050)	—	—	—	(8,050)	(15,872)	(23,923)
Others	—	(93)	—	—	—	(93)	29	(63)
Total	201	(7,942)	(240,218)	(23,124)	(7,810)	(278,894)	(15,964)	(294,858)
BALANCE AT MARCH 31, 2019	8,939	(12,545)	832,147	(24,440)	14,190	818,291	92,231	910,523
Cumulative effect of adopting a new accounting standard (Note 3)**	—	—	(2,466)	—	—	(2,466)	(2,997)	(5,463)
BALANCE AT APRIL 1, 2019—As restated	8,939	(12,545)	829,681	(24,440)	14,190	815,825	89,234	905,060
Profit for the year	—	—	81,675	—	—	81,675	6,345	88,020
Other comprehensive loss, net of tax	—	—	—	—	(7,852)	(7,852)	(774)	(8,627)
Total comprehensive income (loss) for the year	—	—	81,675	—	(7,852)	73,822	5,570	79,393
Issue of common stock (Note 26)	228,483	226,393	—	—	—	454,877	—	454,877
Payment of dividends (Note 27)	—	—	(45,042)	—	—	(45,042)	(5,608)	(50,650)
Transfer of accumulated other comprehensive income to retained earnings	—	—	(1,877)	—	1,877	—	—	—
Purchase of treasury stock	—	—	—	(526,625)	—	(526,625)	—	(526,625)
Disposal of treasury stock	—	—	(533,684)	533,684	—	—	—	—
Changes attributable to obtaining or losing control of subsidiaries	—	—	—	—	—	—	186,309	186,309
Changes in ownership interests in subsidiaries without losing control	—	(1,138)	—	—	—	(1,138)	777	(361)
Others	—	(170)	(0)	—	—	(170)	(9)	(180)
Total	228,483	225,084	(580,603)	7,058	1,877	(118,099)	181,469	63,369
BALANCE AT MARCH 31, 2020	¥ 237,422	¥ 212,539	¥ 330,752	¥ (17,382)	¥ 8,216	¥ 771,548	¥ 276,274	¥ 1,047,823

Z Holdings Corporation and Subsidiaries

Consolidated Statement of Changes in Equity

	Thousands of U.S. Dollars (Note 2(3))							
	Equity Attributable to Owners of the Parent					Total	Non-controlling Interests	Total
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income			
BALANCE AT MARCH 31, 2019	\$ 82,137	\$ (115,271)	\$ 7,646,301	\$ (224,570)	\$ 130,386	\$ 7,518,983	\$ 847,477	\$ 8,366,470
Cumulative effect of adopting a new accounting standard**	—	—	(22,659)	—	—	(22,659)	(27,538)	(50,197)
BALANCE AT APRIL 1, 2019—As restated	82,137	(115,271)	7,623,642	(224,570)	130,386	7,496,324	819,939	8,316,273
Profit for the year	—	—	750,482	—	—	750,482	58,301	808,784
Other comprehensive loss, net of tax	—	—	—	—	(72,149)	(72,149)	(7,112)	(79,270)
Total comprehensive income (loss) for the year	—	—	750,482	—	(72,149)	678,323	51,180	729,513
Issue of common stock (Note 26)	2,099,448	2,080,244	—	—	—	4,179,702	—	4,179,702
Payment of dividends (Note 27)	—	—	(413,874)	—	—	(413,874)	(51,529)	(465,404)
Transfer of accumulated other comprehensive income to retained earnings	—	—	(17,247)	—	17,247	—	—	—
Purchase of treasury stock	—	—	—	(4,838,969)	—	(4,838,969)	—	(4,838,969)
Disposal of treasury stock	—	—	(4,903,831)	4,903,831	—	—	—	—
Changes attributable to obtaining or losing control of subsidiaries	—	—	—	—	—	—	1,711,926	1,711,926
Changes in ownership interests in subsidiaries without losing control	—	(10,456)	—	—	—	(10,456)	7,139	(3,317)
Others	—	(1,562)	(0)	—	—	(1,562)	(82)	(1,653)
Total	2,099,448	2,068,216	(5,334,953)	64,853	17,247	(1,085,169)	1,667,453	582,275
BALANCE AT MARCH 31, 2020	\$ 2,181,585	\$ 1,952,944	\$ 3,039,161	\$ (159,716)	\$ 75,493	\$ 7,089,479	\$ 2,538,583	\$ 9,628,071

* In adopting IFRS 9 "Financial Instruments," the cumulative effect of retrospective adjustments was recognized as adjustments to the beginning balance of retained earnings and accumulated other comprehensive income.

** In adopting IFRS 16 "Leases," the cumulative effect of retrospective adjustments was recognized as adjustments to the beginning balance of retained earnings.

See notes to consolidated financial statements.

Z Holdings Corporation and Subsidiaries

Consolidated Statement of Cash Flows

	Millions of Yen		Thousands of U.S. Dollars (Note 2(3))
	Year Ended March 31		Year Ended March 31,
	<u>2020</u>	<u>2019</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax	¥ 135,676	¥ 123,370	\$ 1,246,678
Depreciation and amortization	83,419	52,498	766,507
Equity in losses of associates and joint ventures	24,542	17,541	225,507
Decrease in call loans in banking business	20,000	58,000	183,772
Increase in trade and other receivables	(31,237)	(40,744)	(287,025)
Increase in trade and other payables	73,784	50,274	677,974
Increase in loans in credit card business	(88,904)	(66,719)	(816,907)
Increase in loans in banking business	(17,980)	(5,057)	(165,211)
Increase in customer deposits in banking business	134,504	60,559	1,235,909
Others	(31,467)	(40,408)	(289,139)
Subtotal	<u>302,337</u>	<u>209,314</u>	<u>2,778,066</u>
Income taxes—paid	(59,058)	(59,356)	(542,662)
Net cash generated by operating activities	<u>243,278</u>	<u>149,957</u>	<u>2,235,394</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities in banking business	(278,180)	(312,802)	(2,556,096)
Proceeds from sales and redemption of investment securities in banking business	279,696	200,393	2,570,026
Purchase of other investments	(41,089)	(49,633)	(377,552)
Purchase of property and equipment	(34,361)	(41,771)	(315,730)
Purchase of intangible assets	(50,765)	(43,278)	(466,461)
Net cash outflows arising from obtaining control of subsidiaries	(378,575)	(6,709)	(3,478,590)
Others	<u>242</u>	<u>41,608</u>	<u>2,223</u>
Net cash used in investing activities	<u>(503,034)</u>	<u>(212,193)</u>	<u>(4,622,199)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase of short-term bank loans	503,440	2,044	4,625,930
Proceeds from long-term bank loans	21,000	1,200	192,961
Proceeds from issue of new shares	454,498	394	4,176,219
Purchase of treasury stock	(526,695)	(221,014)	(4,839,612)
Proceeds from issuance of bonds	229,217	25,000	2,106,193
Dividends paid	(45,036)	(50,463)	(413,819)
Repayments of lease liabilities	(23,630)	—	(217,127)
Others	(19,382)	(20,467)	(178,094)
Net cash generated by (used in) financing activities	<u>593,410</u>	<u>(263,305)</u>	<u>5,452,632</u>
FORWARD	¥ 333,654	¥ (325,541)	\$ 3,065,827

Z Holdings Corporation and Subsidiaries

Consolidated Statement of Cash Flows

	Millions of Yen		Thousands of U.S. Dollars (Note 2(3))
	Year Ended March 31		Year Ended March 31,
	<u>2020</u>	<u>2019</u>	<u>2020</u>
FORWARD	¥ 333,654	¥ (325,541)	\$ 3,065,827
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(338)	515	(3,105)
INCREASE IN CASH AND CASH EQUIVALENTS DUE TO CLASSIFICATION OF ASSETS AS HELD FOR SALE	<u>—</u>	<u>3,484</u>	<u>—</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	333,316	(321,540)	3,062,721
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Note 7)	<u>546,784</u>	<u>868,325</u>	<u>5,024,202</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note 7)	<u>¥ 880,100</u>	<u>¥ 546,784</u>	<u>\$ 8,086,924</u>

See notes to consolidated financial statements.

Z Holdings Corporation and Subsidiaries

Notes to Consolidated Financial Statements

1. REPORTING ENTITY

Z Holdings Corporation (formerly known as Yahoo Japan Corporation, the "Company") was incorporated and is domiciled in Japan. Shiodome Z Holdings GK is the parent company of the Company and its subsidiaries (collectively, the "Group"). The ultimate parent company of the Group is SoftBank Group Corp. ("SBG"). The registered address of the Company's head office is 1-3, Kioicho, Chiyoda-ku, Tokyo, Japan. The nature of the Group's principal businesses is described in "Note 6. Segment information." The Company was renamed Z Holdings Corporation on October 1, 2019.

2. BASIS OF PREPARATION

(1) *Compliance with International Financial Reporting Standards*

The accompanying 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 at the end of each reporting period, as explained in the accounting policies provided 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 the Company ("functional currency").

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers and have been made at the rate of ¥108.83 to U.S.\$1, the approximate rate of exchange at March 31, 2020. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

The Japanese yen amounts in millions are rounded down to the nearest million, from which the translations into U.S. dollar amounts are computed. U.S. dollar amounts in thousands are also rounded down to the nearest thousand.

(4) *Changes in Presentation*

Consolidated statement of profit or loss

Gain on sale of investments in associates and joint ventures, which was included in "other non-operating income" in the prior-year consolidated statement of profit or loss, has been reclassified and presented separately in the current-year consolidated statement of profit or loss due to increased materiality. Impairment losses, which were presented separately in the prior-year consolidated statement of profit or loss, have been reclassified and aggregated into "selling, general and administrative expenses" in the current-year consolidated statement of profit or loss due to decreased materiality.

Consolidated statement of cash flows

Impairment losses amounting to ¥6,668 million and gain on sale of investments in a subsidiary amounting to ¥(7,977) million, which were presented separately in cash flows from operating activities in the prior-year consolidated statement of cash flows, have been reclassified and aggregated into "others" in the current-year consolidated statement of cash flows due to decreased materiality.

Net cash outflows arising from obtaining control of subsidiaries amounting to ¥(6,709) million, which was included in "others" in cash flows from investing activities in the prior-year consolidated statement of cash flows, has been reclassified and presented separately in the current-year consolidated statement of cash flows due to increased materiality. Proceeds from sales and redemption of other investments amounting to ¥25,701 million and net cash inflows arising from losing control of subsidiaries amounting to ¥16,353 million, which were presented separately in cash flows from investing activities in the prior-year consolidated statement of cash flows, have been reclassified and aggregated into "others" in the current-year consolidated statement of cash flows due to decreased materiality.

Net increase of short-term bank loans amounting to ¥2,044 million, proceeds from long-term bank loans amounting to ¥1,200 million, and proceeds from issue of new shares amounting to ¥394 million, which were included in "others" in cash flows from financing activities in the prior-year consolidated statement of cash flows, have been reclassified and presented separately in the current-year consolidated statement of cash flows due to increased materiality. Payments for acquisition of interests in subsidiaries from non-controlling interests amounting to ¥(19,458) million and proceeds from sale and leaseback transactions amounting to ¥11,098 million, which were presented separately in cash flows from financing activities in the prior-year consolidated statement of cash flows, have been reclassified and aggregated into "others" in the current-year consolidated statement of cash flows due to decreased materiality.

(5) *New or Revised Standards and Interpretations Issued but Not Yet Effective*

Not applicable.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise specified.

(1) *Basis of Consolidation*

1) *Basic policy of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company ("subsidiaries"). Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. The Company considers all relevant facts and circumstances in assessing whether the Company controls the investee, including the size of its holding of voting rights or similar rights or contractual arrangements with the investee.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Comprehensive income of subsidiaries is 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. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup balances and transactions and unrealized gain or loss relating to transactions between members of the Group are eliminated in full upon consolidation.

2) *Changes in the Company's ownership interests in existing subsidiaries*

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 relative 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 the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (a) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (b) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Any amounts previously recognized in accumulated other comprehensive income in relation to that subsidiary are reclassified to profit or loss.

3) *Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. 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:

- (a) deferred tax assets and liabilities, and assets and liabilities related to employee benefit arrangements are recognized and measured in accordance with International Accounting Standard ("IAS") 12 "Income Taxes" and IAS 19 "Employee Benefits," respectively;
- (b) liabilities or equity instruments related to "share-based payment arrangements of the acquiree" or "share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree" are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date; and
- (c) assets or disposal groups that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill arising upon a business acquisition is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. The excess, if negative, is recognized immediately in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value, or, when applicable, on the basis specified in another standard.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

4) *Goodwill*

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Each cash-generating unit to which goodwill is allocated is determined based on the unit at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment before aggregation.

Goodwill is not amortized and is allocated to a cash-generating unit or group of cash-generating units. A cash-generating unit to which goodwill is allocated is tested for impairment at the same time every annual period, or more frequently when there is an indication that the cash-generating unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to the other assets of the cash-generating unit pro rata based on the carrying amount of each asset in the cash-generating unit. Any impairment loss for goodwill is recognized directly in profit or loss and is not reversed in subsequent periods.

The Group's policy for goodwill arising on acquisition of an associate is described below in "5) Investments in associates and joint ventures."

5) *Investments in associates and joint ventures*

An associate is an entity (a) over which the Group holds 20% or more of the voting power and has significant influence in the financial and operating policy decisions, unless it can be clearly demonstrated that this is not the case; or (b) over which the Group can exercise significant influence even if it holds less than 20% of the voting power.

A joint venture is an investee jointly controlled by the parties, including the Group, that have rights to the net assets of the investee. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when significant decisions about the relevant business activities require the unanimous consent of the parties sharing control.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or the joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or the joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture.

The Group discontinues the use of the equity method from the date when the investee ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9 "Financial Instruments." The difference between the carrying amount of the associate or the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or the joint venture is included in the determination of the gain or loss on disposal of the associate or the joint venture.

The requirements of IFRS 9 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets."

(2) Foreign Currency Translation

1) Transactions denominated in foreign currencies

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

At the end of each quarter, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from translation are recognized in profit or loss in the period in which they arise, except those arising from "2) Foreign operations."

2) Foreign operations

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations (including adjustments for goodwill and fair value arising from acquisitions) are translated into Japanese yen using exchange rates prevailing at the end of each quarter. Income and expense items are translated at the average exchange rates for each quarter period. Exchange differences arising from translating the financial statements of foreign operations are recognized in other comprehensive income and cumulative differences are included in exchange differences on translating foreign operations in accumulated other comprehensive income.

These cumulative differences are reclassified from equity to profit or loss when the Company fully or partially disposes of its interest in the foreign operation.

(3) Financial Instruments

1) Recognition

Financial assets and financial liabilities are recognized when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities other than financial assets at fair value through profit or loss ("financial assets at FVTPL") and financial liabilities at fair value through profit or loss ("financial liabilities at FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL and financial liabilities at FVTPL are recognized immediately in profit or loss.

2) *Non-derivative financial assets*

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

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

(a) Financial assets at amortized cost

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

- the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(b) Debt instruments at FVTOCI

Financial assets are classified as debt instruments at FVTOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

(c) Equity instruments at FVTOCI

The Group makes an irrevocable election at initial recognition to present in other comprehensive income, rather than in profit or loss, changes in the fair value of investments in equity instruments that are classified as investments in equity instruments at FVTOCI. Subsequent to initial recognition, investments in equity instruments at FVTOCI are measured at fair value and gains or losses arising from the changes in fair value are recognized in other comprehensive income. Fair value of equity instruments at FVTOCI is measured by using the method as discussed in "Note 30. Fair value of financial instruments (1)."

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

(d) Financial assets at FVTPL

Financial assets at FVTPL are classified if either of the following conditions is met:

- Financial assets held for trading; or
- Non-derivative financial assets other than those classified as "financial assets at amortized cost," "debt instruments at FVTOCI," or "equity instruments at FVTOCI" are classified as "financial assets at FVTPL."

Non-derivative financial assets acquired principally for the purpose of selling them in the near term are classified as financial assets held for trading. No financial assets have been designated as those measured at fair value through profit or loss to eliminate or significantly reduce accounting mismatches. Subsequent to initial recognition, financial assets at FVTPL are measured at fair value and gains or losses arising from changes in fair value, dividend income, and interest income are recognized in profit or loss.

Fair value of financial assets at FVTPL is measured by using the method as discussed in "Note 30. Fair value of financial instruments (1)."

(e) Impairment of financial assets

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

Allowances for doubtful accounts for trade receivables are always measured at an amount equal to the lifetime expected credit losses. The Group measures expected credit losses in a way that reflects:

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

The Group shall recognize in profit or loss the amount of provision for the allowance of doubtful accounts and the amount of reversal if any event occurs that decreases the allowance for doubtful accounts. Financial assets are written off against the allowance for doubtful accounts when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(f) Derecognition of financial assets

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

3) *Non-derivative financial liabilities*

Non-derivative financial liabilities are classified as "financial liabilities at FVTPL" or "financial liabilities at amortized cost," and the classification is determined upon initial recognition. Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, and gains or losses arising from changes in fair value and interest expense are recognized in profit or loss. Financial liabilities at amortized cost are measured using the effective interest method subsequent to initial recognition. The Group derecognizes financial liabilities when the Group satisfies its obligations or when the Group's obligations are discharged, canceled, or expired.

4) *Derivative financial assets and financial liabilities*

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently measured at fair value at the end of the fiscal year and at the end of each quarter. Changes in the fair value of derivatives are recognized in profit or loss immediately. Derivative financial assets are classified into "financial assets at FVTPL," and derivative financial liabilities are classified into "financial liabilities at FVTPL."

5) *Offsetting financial assets and financial liabilities*

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

(4) Cash and Cash Equivalents

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

(5) Inventories

Inventories are measured at the lower of cost and net realizable value. Costs of inventories are determined primarily by using the moving-average method. Net realizable value represents the estimated selling price for inventories in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale. Inventories of the Group mainly comprise merchandise.

(6) Property and Equipment

Property and equipment are measured on a historical cost basis under the cost model, 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 dismantling, removing and site restoration.

Property and equipment, other than land and construction in progress, are depreciated using the straight-line method over the estimated useful life of each asset.

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

Buildings and structures:	8–50 years
Furniture and fixtures:	4–15 years
Machinery and equipment:	4–15 years

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

(7) Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses under the cost model. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Expenditures for research activities are recognized as an expense in the period in which it is incurred. The amount initially recognized for internally-generated intangible assets during the development phase 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. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets with finite lives are amortized using the straight-line method over the estimated useful lives. The estimated useful lives of major components of intangible assets are as follows:

Software:	Principally 5 years
Customer relationships:	7–25 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. Certain trademarks that have been assessed as having indefinite useful lives are not amortized because the Group expects to continue to benefit from the trademarks as long as the related businesses continue to operate.

(8) Leases

For the year ended March 31, 2020

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

The Group accounts for each lease component within the contract as a lease separately from non-lease components of the contract by allocating the consideration in the contract as of the date of inception or remeasurement to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The Group determines the lease term as the non-cancellable period of a lease, together with both:

- (a) periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and
- (b) periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

(As a Lessee)

- 1) The Group does not apply IFRS 16 "Leases" to lease transactions of intangible assets.

2) Right-of-use assets

At the commencement date, the Group recognize a right-of-use asset measured at cost. The cost of the right-of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred; and
- (d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions.

After the commencement date, the Group applies a cost model and measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. The Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term. The useful life of the right-of-use asset is determined based on the same method as applied to property and equipment.

3) Lease liabilities

At the commencement date, the Group recognize a lease liability measured at the present value of the lease payments that are not paid at that date. The lease payments are calculated by discounting the present value using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is applied instead. The lease payments included in the measurement of the lease liability mainly comprise:

- (a) fixed payments;
- (b) lease payments for the periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option, and;
- (c) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability at amortized cost using the effective interest method. The Group remeasures the lease liability if:

- (a) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- (b) there is a change in the amounts expected to be payable under a residual value guarantee, or;
- (c) there is a change in the assessment of the probability of exercising options to extend or terminate the lease.

The Group recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognizes any remaining amount of the remeasurement in profit or loss.

For the year ended March 31, 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of assets to the lessee. All other leases are classified as operating leases. The assessment of whether an arrangement is a lease or contains a lease is made on a basis of all of the facts and circumstances at the inception of the arrangement.

1) Finance leases (the Group as lessee)

At the inception of a lease, the Group 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 (other non-operating expenses) and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Assets held under finance leases are depreciated over their estimated useful lives when there is reasonable certainty that ownership will be obtained by the end of the lease term. However, when there is no reasonable 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.

2) Operating leases (the Group as lessee)

Gross operating lease payments are recognized as an expense on a straight-line basis over the lease term.

(9) *Impairment of Property and Equipment, Right-of-Use Assets and Intangible Assets Other Than Goodwill*

At the end of each quarter, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested annually for impairment or whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs of disposal and 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.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

(10) Provisions

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

When the effect of the time value of money is material, provisions are measured using the estimated future cash flows and discounted using a pre-tax rate reflecting the time value of money and the specific risks of the liability. Reversal of discount due to passage of time is recognized in profit or loss.

Major provisions of the Group are as follows:

1) Provision for interest repayment claims

To cover interest repayment claims for the interest rates charged in excess of the maximum rate imposed by the Interest Rate Restriction Act, the Group provides for the estimated future repayment. The amount of future interest repayment is subject to changes in business environment.

2) Asset retirement obligations

The Group recognizes asset retirement obligations for obligations to restore leased offices to their original conditions upon termination of the lease contract. The amount and timing of future cash flows are based on the present business plans and assumptions and subject to changes depending on revised future business plans and assumptions.

3) Provision for customer point reward programs

In anticipation of the future redemption of points granted to customers under its point reward programs, the Group recognizes a provision at the amount estimated to be redeemed by customers in the future based on historical activity. There is uncertainty regarding the extent to which such points will be redeemed.

(11) Assets or Disposal Groups Classified as Held for Sale

An asset (or disposal group) of which the carrying amount will be recovered principally through a sale transaction rather than through continuing use is classified as held for sale, if all the following conditions are satisfied: (a) the sale of the asset (or disposal group) within one year is probable; (b) the asset (or disposal group) is available for immediate sale; and (c) management is committed to a plan to sell the asset (or disposal group).

If the Group is committed to a sale plan involving loss of control of a subsidiary and all the criteria above are met, the Group classifies all the assets and liabilities of that subsidiary as held for sale, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

The Group measures an asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell.

The Group does not depreciate property and equipment classified as held for sale and does not amortize intangible assets classified as held for sale once the classification has been made.

(12) Share-Based Payments

The Company has an equity-settled share option plan as an incentive plan for directors and employees. Share options are measured at the fair value of the equity instruments at the grant date. The fair value of share options is computed by using the Black-Scholes model, Monte Carlo simulation and other methods considering the terms and conditions of each share option. The fair value of share options determined at the grant date is expensed over the vesting period with a corresponding increase in equity.

At the end of each reporting period, the Company reviews estimates of the number of share options that are expected to vest, and revises them when necessary.

(13) Revenue

In accordance with IFRS 15, revenue is recognized upon transfer of the promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services based on the following five-step approach:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Consideration payable to a customer is accounted for as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group. In addition, costs to obtain or fulfill a contract with a customer ("contract costs") that are expected to be recovered are recognized as assets. An asset that is recognized from the contract costs is amortized on a straight-line basis over the estimated period of the contract with the customer.

The Group's major accounting policies for revenue recognition by business category are as follows:

1) Commerce business

The commerce business mainly comprises (a) sales of products, (b) planning and sales of services, and (c) settlement- and finance-related services, all of which are provided via the internet, for small to medium-sized businesses and individual customers. Major components of revenue are sale of goods by ASKUL Corporation ("ASKUL") and its group companies (collectively, "ASKUL Group"), e-commerce-related services such as ZOZOTOWN and YAHUOKU!, and membership services such as Yahoo! Premium. Revenue recognition is summarized as follows:

a. Sales of Goods by ASKUL Group

ASKUL Group engages in the business of selling office-related products and other goods. ASKUL Group's major customers are small- and medium-sized companies, as well as individual users. Revenue from sales of goods is recognized when a customer obtains control of goods, that is, at the time the customer has the ability to direct the use of the goods and to obtain almost all remaining benefits from the goods.

b. ZOZOTOWN

As a consignment agent for fashion brands who open up an online shop on ZOZOTOWN as a tenant, the Group sells their goods to individual users. Consignment fees charged to the tenants, which are determined by multiplying transaction volume by consignment percentage, are recognized as revenue when a customer obtains control of goods.

c. YAHUOKU!

The Group provides online auction services named YAHUOKU! to individual users and corporations. System usage fees charged to sellers according to auction proceeds are recognized as revenue when auction transactions are completed.

d. Yahoo! Premium

The Group offers Yahoo! Premium membership to individual users, through which they can enjoy a variety of membership privileges. Revenue is recognized over the period during which the membership is valid.

2) *Media business*

The media business comprises (a) planning and sale of internet-based advertising-related services, (b) information listing services, and (c) other corporate services. Major components of revenue are paid search advertising and display advertising. Revenue recognition is summarized as follows:

a. Paid Search Advertising

Paid search advertising is an advertising product sold to advertisers and advertising agencies as Sponsored Search. In Sponsored Search, fees are charged when users click the advertisements displayed on search results pages which are displayed according to search keywords used when users perform a search in Yahoo! JAPAN. The Group's performance obligations for paid search advertising are to provide ad management tools to the advertisers and the advertising agencies and to list advertisements according to their setting requests. Revenue from paid search advertising is recognized based on the per-click rate set by a customer when a website user clicks on paid search advertising.

b. Display Advertising

Display advertising consists of Premium Advertising, Yahoo! Display Ad Network ("YDN"), and others. Premium Advertising is an advertising product which can offer many different kinds of ad expressions using images and videos, and is displayed in a variety of properties of Yahoo! JAPAN, such as Brand Panel and Prime Display. The main clients of Premium Advertising are media reps, and Premium Advertising is also sold to some advertising agencies. Premium Advertising is impression guaranteed advertisement and sold for a listing over a certain period. The Group's performance obligation for Premium Advertising is to list advertisements based on contracts. Revenue from Premium Advertising is recognized over the period during which advertisements are listed on websites.

YDN is an advertising product sold to advertisers and advertising agencies, for which conditions for target users are set and advertisements are distributed to Yahoo! JAPAN sites and partner sites that are browsed by users satisfying the conditions. The Group's performance obligations for YDN are to provide ad management tools to the advertisers and the advertising agencies and to list advertisements according to their setting requests. Revenue from YDN is recognized based on the per-click rate set by a customer when a website browser clicks on advertisements on contents pages.

(14) Retirement Benefits

The Group primarily participates in defined contribution pension plans.

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 obligation to pay further contributions. Contributions to the defined contribution plans are recognized as expenses when the related services are rendered by employees, and contributions payable are recognized as liabilities.

(15) Income Tax

Income tax expense comprises current and deferred taxes, and is 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.

1) Current tax

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 reporting period.

2) Deferred tax

Deferred tax assets are recognized for deductible temporary differences, unused tax losses, and unused tax credits to the extent that it is probable that taxable profits will be available. Recoverability of deferred tax assets is reviewed at the end of each quarter. Deferred tax liabilities are generally recognized for taxable temporary differences.

Deferred tax assets and liabilities are not recognized for:

- (a) temporary differences arising from the initial recognition, other than in a business combination, of assets and liabilities in a transaction that affects neither the accounting profit nor the taxable profit;
- (b) taxable temporary differences arising from initial recognition of goodwill;
- (c) deductible temporary differences associated with investments in subsidiaries and associates, where it is not probable that the temporary difference will reverse in the foreseeable future or where it is not probable that there will be sufficient taxable profits against which the temporary differences can be utilized; and
- (d) 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 in the period in which 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 reporting period.

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.

(16) Treasury Stock

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

(17) Earnings per Share

Basic earnings per share are calculated by dividing profit for the year attributable to owners of the parent by the weighted-average number of common stock (after adjusting for treasury stocks) outstanding for the period.

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

(18) Government Grants

The Group recognizes government grants when there is reasonable assurance that the Group will comply with the conditions attaching to it, and that the grant will be received. Government grants related to income are recognized in profit or loss over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants recognized in profit or loss are deducted from the related expense. Government grants related to assets are deducted from the carrying amount of the asset.

(19) Changes in Accounting Policies

Effective April 1, 2019, the Group applied IFRS 16, which revises accounting treatments of lease transactions and related disclosure requirements.

1) Application of IFRS 16, Leases

In accordance with the transitional measures of IFRS 16, the Group has applied IFRS 16 to its leases retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application (April 1, 2019). Therefore, the consolidated financial statements as of and for the year ended March 31, 2019 as comparative information are not restated.

IFRS 16 introduces a single accounting model, and for all leases in principle, requires recognition of a right-of-use asset that represents a lessee's right to use an underlying asset and lease liability that represents a lessee's obligation to make lease payments. Under IAS 17 "Leases," lease payments under an operating lease contract are accounted for as rent expense; however, they are accounted for as depreciation expense of the right-of-use asset and interest expense of the lease liability under IFRS 16.

In applying IFRS 16, the Group adopted a practical expedient in which it is not required to reassess whether the contract is, or contains, a lease. Accordingly, IFRS 16 is applied to contracts that were previously identified as leases, and is not applied to contracts that were not previously identified as leases under IAS 17 and International Financial Reporting Interpretations Committee ("IFRIC") 4, "Determining Whether an Arrangement Contains a Lease." Therefore, the identification of a lease based on IFRS 16 is only applied to contracts entered into or revised on or after the date of initial application. The Group does not reassess sale and leaseback transactions entered into before the date of initial application to determine whether the transfer of the underlying asset satisfies the requirements in IFRS 15 to be accounted for as a sale.

In addition, the Group has adopted the following practical expedients, and the decision on whether to apply these practical expedients was made on a lease-by-lease basis:

- Allowing a lessee to rely on its assessment of whether leases are onerous under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" immediately before the date of initial application as an alternative to performing an impairment review on the right-of-use assets
- Allowing a lessee to exclude initial direct costs from the measurement of the right-of-use assets at the date of initial application
- Allowing a lessee to use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease

The effects of applying IFRS 16 on the Group's assets and liabilities as of the date of initial application mainly were: to increase right-of-use assets and lease liabilities included in interest-bearing liabilities by ¥85,654 million (\$787,044 thousand) and ¥89,588 million (\$823,192 thousand), respectively, and to decrease accrued expenses included in other liabilities by ¥3,205 million (\$29,449 thousand). In addition, accumulated impairment loss of right-of-use assets and deferred tax assets increased by ¥7,735 million (\$71,074 thousand) and ¥2,368 million (\$21,758 thousand), respectively. This was attributable to impairment of right-of-use assets of certain lease contracts recognized at the date of application which were immediately written down because the recoverable amount of the cash-generating unit to which the right-of-use assets belong was less than the carrying amount.

As a result, retained earnings and non-controlling interests decreased by ¥2,466 million (\$22,659 thousand) and ¥2,997 million (\$27,538 thousand), respectively.

Right-of-use assets are measured at either:

- amount of lease liabilities adjusted with prepaid and accrued lease expenses; or
- carrying amount calculated assuming IFRS 16 had been adopted since the inception of the lease.

Lease liabilities are measured as the present value of the lease payments that are not paid at the date of initial application, discounted using the Group's incremental borrowing rate on that date. The weighted-average incremental borrowing rate of the Group applied to the lease liabilities was 0.1%.

The following table presents a reconciliation between the present value of future minimum lease payments under operating leases disclosed applying IAS 17 at the end of the previous year, which was discounted using the Group's incremental borrowing rate as of the date of initial application, and the lease liabilities recognized as of the date of initial application in the consolidated statement of financial position:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
(a) Undiscounted future minimum lease payments under operating leases as of March 31, 2019	¥ 105,694	\$ 971,184
Discounted present value of (a) above	<u>(3,056)</u>	<u>(28,080)</u>
Discounted future minimum lease payments under operating leases as of April 1, 2019	102,637	943,094
Leases previously classified as finance leases	14,595	134,108
Adjustments due to revision of lease term	5,580	51,272
Adjustments due to contracts before the commencement date of the lease	(27,875)	(256,133)
Other adjustments	<u>(5,350)</u>	<u>(49,159)</u>
Lease liabilities as of April 1, 2019	<u>¥ 89,588</u>	<u>\$ 823,192</u>

2) *Significant accounting policies changed by applying new accounting standards and interpretations*

For the significant accounting policies changed by applying IFRS 16, please refer to "(8) Leases" in "Note 3. Significant accounting policies."

4. USE OF ESTIMATES AND JUDGMENTS

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. 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.

The following is the critical judgment that has been made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognized in the consolidated financial statements:

- Determination of scope of subsidiaries and associates ("Note 3. Significant accounting policies (1)")

The following are the key assumptions concerning the future, and other key sources of estimating uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current and next financial year:

- Fair value measurement of assets acquired and liabilities assumed through business combinations ("Note 3. Significant accounting policies (1)" and "Note 5. Business combinations")
- Estimates regarding impairment of property and equipment, right-of-use assets, goodwill and intangible assets ("Note 3. Significant accounting policies (1) and (9)" and "Note 13. Goodwill and intangible assets")
- Estimates regarding impairment of investments in associates ("Note 3. Significant accounting policies (1)")
- Fair value measurement of financial assets and liabilities ("Note 3. Significant accounting policies (3)" and "Note 30. Fair value of financial instruments")
- Estimates regarding impairment of financial assets measured at amortized cost, debt instruments measured at FVTOCI, and committed lines of cash advances ("Note 3. Significant accounting policies (3)")
- Estimates of useful life and residual value of property and equipment, right-of-use assets, and intangible assets ("Note 3. Significant accounting policies (6), (7) and (8)")
- Judgments and estimates regarding recognition and measurement of provisions ("Note 3. Significant accounting policies (10)" and "Note 20. Provisions")
- Fair value of share options ("Note 3. Significant accounting policies (12)" and "Note 28. Share-based payments")
- Judgments and estimates regarding recognition and measurement of revenue ("Note 3. Significant accounting policies (13)" and "Note 32. Revenue")
- Recoverability of deferred tax assets ("Note 3. Significant accounting policies (15)" and "Note 15. Income taxes")

The novel coronavirus (COVID-19) epidemic has caused the sharp shrinkage in economic activities and the deterioration in the economic environment; however, the impact on the Group's operating results for the year ended March 31, 2020 was not significant. The extent and length of the COVID-19 epidemic cannot be reasonably estimable at this moment. If the epidemic takes more time to converge than expected, it will affect the Group's future profitability and cash flows and bring uncertainties in the estimates. In such situations, impairment of goodwill, property and equipment, right-of-use assets, and intangible assets, fair values of investments, and estimated credit losses of receivables are measured at amounts reasonably estimated based on information and fact available at the time of preparing the consolidated financial statements considering the effects, risks, and uncertainties that are attributable to the length of the COVID-19 epidemic. Actual results may differ from the estimated amounts that reflect the best available estimates due to future uncertainties.

5. BUSINESS COMBINATIONS

For the Year Ended March 31, 2020

ZOZO, Inc.

(1) Outline of business combination

With the aim of strengthening its fashion e-commerce category in order to further expand its e-commerce business, the Company conducted a tender offer for the common shares of ZOZO, Inc. ("ZOZO"), as resolved at its Board of Directors meeting held on September 12, 2019. This tender offer was completed on November 13, 2019, and the Company acquired ZOZO's 152,952,900 common shares for ¥400,736 million (\$3,682,219 thousand) in cash. As a result, the Company's voting rights of ZOZO became 50.1% and ZOZO became a subsidiary of the Company. The Company made a borrowing of ¥400,000 million (\$3,675,457 thousand) in order to procure part of the fund necessary for this business combination. For details, please refer to "Note 19. Interest-bearing liabilities."

(2) Outline of acquiree

Company name: ZOZO, Inc.

Businesses: Planning and operation of fashion e-commerce website "ZOZOTOWN"
 Planning and development of the private brand "ZOZO"
 Customer support and operation of a logistics center "ZOZOBASE"

(3) Acquisition date

November 13, 2019

(4) Fair value of consideration, acquired assets and assumed liabilities, and non-controlling interests and goodwill, as of the acquisition date

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Fair value of consideration—Cash	¥ 400,736	\$ 3,682,219
Total	<u>¥ 400,736</u>	<u>\$ 3,682,219</u>
Fair value of acquired assets and assumed liabilities:		
Assets:		
Cash and cash equivalents	¥ 22,875	\$ 210,190
Trade and other receivables	30,442	279,720
Property and equipment	8,609	79,105
Intangible assets (Note 2)	503,017	4,622,043
Others	42,533	390,820
Total assets	<u>607,479</u>	<u>5,581,907</u>
Liabilities:		
Trade and other payables	(28,362)	(260,608)
Interest-bearing liabilities	(42,589)	(391,335)
Others	(162,951)	(1,497,298)
Total liabilities	<u>(233,902)</u>	<u>(2,149,241)</u>
Net assets	373,576	3,432,656
Non-controlling interests (Note 3)	(185,750)	(1,706,790)
Goodwill (Note 4)	212,910	1,956,353
Total	<u>¥ 400,736</u>	<u>\$ 3,682,219</u>

Notes: 1. Adjustments of provisional amounts

The consideration was allocated to acquired assets and assumed liabilities based on their fair values as of the acquisition date. During the fourth quarter of the year ended March 31, 2020, the allocation was completed and no adjustments were made to the provisional amounts.

2. Intangible assets

Intangible assets include ¥502,199 million (\$4,614,527 thousand) of identifiable assets. The estimated useful lives of customer base are from 18 to 25 years. Trademarks are classified as intangible assets with indefinite useful lives. Intangible assets acquired in a business combination are measured based on assumptions including expected future cash flows, discount rates, diminishing rate of the number of existing customers, future revenue to be generated from the trademarks, and royalty rates. The details are as follows:

	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Customer base	¥ 322,070	\$ 2,959,386
Trademarks	178,720	1,642,194
Others	<u>1,409</u>	<u>12,946</u>
Total	<u>¥ 502,199</u>	<u>\$ 4,614,527</u>

3. Non-controlling interests

Non-controlling interests were measured at the proportionate interests in the identifiable net assets of the acquiree.

4. Goodwill

Goodwill reflects excess earning power expected from the future business development and the synergy of the Group and the acquiree.

(5) *Revenue and profit of the acquiree on and after the acquisition date*

The amounts of ZOZO's revenue and profit on and after the acquisition date, which were recorded in the consolidated statement of profit or loss for the year ended March 31, 2020, were ¥57,462 million (\$527,997 thousand) and ¥5,773 million (\$53,046 thousand), respectively. In addition, the above profit includes amortization expenses, which were related to intangible assets recognized at the acquisition date, and others.

Pro forma Information (Unaudited)

Pro forma consolidated revenue and pro forma profit for the year ended March 31, 2020, assuming that the business combinations were completed as of April 1, 2019, would have been ¥1,120,023 million (\$10,291,491 thousand) and ¥90,350 million (\$830,193 thousand), respectively. Amortization expenses of intangible assets newly recognized on the date of acquiring control and others had been reflected in the pro forma information above.

For the Year Ended March 31, 2019

No significant business combinations occurred in the year ended March 31, 2019.

6. SEGMENT INFORMATION

(1) Reportable Segments

The Group's reportable segments are components of the Group for which discrete financial information is available, and whose operating results are regularly reviewed by the Company's Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

The Group has two reportable segments, namely, the (1) commerce business and (2) media business.

The commerce business segment mainly comprises (1) sales of products, (2) planning and sales of services, and (3) settlement- and finance-related services, all of which are provided via the internet, for small to medium-sized businesses and individual customers. The media business segment comprises (1) planning and sale of internet-based advertising-related services, (2) information listing services, and (3) other corporate services.

Other business consists of operating segments that are not included in the reportable segments and includes cloud-related services.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in "Note 3. Significant accounting policies." Segment income is computed based on operating income with certain adjustments for corporate expenses not allocable to a reportable segment. Corporate expenses consist primarily of general and administrative expenses that are not attributable to reportable segments. Intersegment sales are based on prevailing market prices.

Segment information of the Group as of and for the year ended March 31, 2020, is as follows:

	Millions of Yen					Consolidated
	Reportable Segments			Other Business	Reconciliation	
	Commerce Business	Media Business	Total			
Revenue:						
Sales to customers	¥ 740,466	¥ 307,672	¥ 1,048,139	¥ 4,804	—	¥ 1,052,943
Intersegment sales	<u>2,266</u>	<u>1,000</u>	<u>3,266</u>	<u>3,199</u>	¥ (6,466)	<u>—</u>
Total sales	<u>¥ 742,732</u>	<u>¥ 308,673</u>	<u>¥ 1,051,405</u>	<u>¥ 8,004</u>	<u>¥ (6,466)</u>	<u>¥ 1,052,943</u>
Segment income (loss)	¥ 80,739	¥ 154,388	¥ 235,128	¥ (4,668)	¥ (78,184)	¥ 152,276
Other non-operating income						12,954
Other non-operating expenses						(3,691)
Loss on sale of investments in associates and joint ventures						(1,319)
Equity in losses of associates and joint ventures						<u>(24,542)</u>
Profit before tax						<u>¥ 135,676</u>
Others—Depreciation and amortization (Note)	¥ 45,584	¥ 4,213	¥ 49,798	¥ 2,233	¥ 31,387	¥ 83,419

	Thousands of U.S. Dollars					Consolidated
	Reportable Segments			Other Business	Reconciliation	
	Commerce Business	Media Business	Total			
Revenue:						
Sales to customers	\$ 6,803,877	\$ 2,827,088	\$ 9,630,974	\$ 44,142	—	\$ 9,675,117
Intersegment sales	20,821	9,188	30,010	29,394	\$ (59,413)	—
Total sales	<u>\$ 6,824,699</u>	<u>\$ 2,836,285</u>	<u>\$ 9,660,985</u>	<u>\$ 73,545</u>	<u>\$ (59,413)</u>	<u>\$ 9,675,117</u>
Segment income (loss)	\$ 741,881	\$ 1,418,616	\$ 2,160,507	\$ (42,892)	\$ (718,404)	\$ 1,399,209
Other non-operating income						119,029
Other non-operating expenses						(33,915)
Loss on sale of investments in associates and joint ventures						(12,119)
Equity in losses of associates and joint ventures						(225,507)
Profit before tax						<u>\$ 1,246,678</u>
Others—Depreciation and amortization (Note)	\$ 418,855	\$ 38,711	\$ 457,576	\$ 20,518	\$ 288,403	\$ 766,507

Note: Amounts herein include depreciation of right-of-use assets from the application of IFRS 16.

Segment information of the Group as of and for the year ended March 31, 2019, is as follows:

	Millions of Yen					Consolidated
	Reportable Segments			Other Business	Reconciliation	
	Commerce Business	Media Business	Total			
Revenue:						
Sales to customers	¥ 646,443	¥ 301,880	¥ 948,323	¥ 6,390	—	¥ 954,714
Intersegment sales	3,189	1,591	4,781	3,518	¥ (8,299)	—
Total sales	<u>¥ 649,632</u>	<u>¥ 303,472</u>	<u>¥ 953,104</u>	<u>¥ 9,908</u>	<u>¥ (8,299)</u>	<u>¥ 954,714</u>
Segment income (Note)	¥ 55,795	¥ 141,018	¥ 196,814	¥ 10,225	¥ (66,511)	¥ 140,528
Other non-operating income						1,320
Other non-operating expenses						(1,238)
Gain on sale of investments in associates and joint ventures						301
Equity in losses of associates and joint ventures						(17,541)
Profit before tax						<u>¥ 123,370</u>
Others—Depreciation and amortization	¥ 26,570	¥ 4,328	¥ 30,898	¥ 1,790	¥ 19,809	¥ 52,498

Note: Other business includes ¥7,977 million of gain on sale of investments in a subsidiary. (Please refer to "Note 34. Gain on sale of investments in a subsidiary.")

(2) Sales to Customers, by Services and Major Goods

	Millions of Yen		Thousands of
	Year Ended		U.S. Dollars
	March 31		Year Ended
	2020	2019	March 31, 2020
Advertising	¥ 341,045	¥ 323,850	\$ 3,133,740
Business	481,713	414,272	4,426,288
Personal	228,195	215,088	2,096,802
Others	<u>1,988</u>	<u>1,503</u>	<u>18,267</u>
Total	<u>¥ 1,052,943</u>	<u>¥ 954,714</u>	<u>\$ 9,675,117</u>

The natures of major services are as follows:

- | | |
|-------------|---|
| Advertising | <ul style="list-style-type: none">• Paid search, display and other advertising-related services |
| Business | <ul style="list-style-type: none">• YAHUOKU!, Yahoo! Shopping, ZOZOTOWN, and other e-commerce related services• Sale of goods such as ASKUL |
| Personal | <ul style="list-style-type: none">• YAHUOKU! and other e-commerce related services• Yahoo! Premium and other membership services• Sale of goods such as LOHACO• Credit card and other settlement- and finance-related services |

7. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

	Millions of Yen		Thousands of
	As of		U.S. Dollars
	March 31		As of
	2020	2019	March 31, 2020
Cash and demand deposits	¥ 839,597	¥ 508,280	\$ 7,714,756
Time deposits (maturities of three months or less)	30,504	31,504	280,290
Others	<u>9,999</u>	<u>6,999</u>	<u>91,877</u>
Total	<u>¥ 880,100</u>	<u>¥ 546,784</u>	<u>\$ 8,086,924</u>

Note: The banking subsidiary is required to deposit certain amounts, which are determined by a fixed ratio against the deposits it receives ("the legal reserve requirement"), in the Bank of Japan in accordance with the Act on Reserve Requirement System in Japan. As of March 31, 2020 and 2019, cash and cash equivalents include deposits at the Bank of Japan of ¥311,897 million (\$2,865,910 thousand) and ¥237,018 million, respectively, which are more than the legal reserve requirement.

8. TRADE AND OTHER RECEIVABLES

The components of trade and other receivables are as follows:

	Millions of Yen		Thousands of
	As of		U.S. Dollars
	March 31		As of
	2020	2019	March 31, 2020
Trade receivables	¥ 155,626	¥ 128,083	\$ 1,429,991
Foreign exchange dealings cash— deposits with trust banks	97,188	101,394	893,025
Other receivables	78,990	40,850	725,810
Others	54,993	57,951	505,311
Total	<u>¥ 386,799</u>	<u>¥ 328,281</u>	<u>\$ 3,554,157</u>

9. INVESTMENT SECURITIES IN BANKING BUSINESS

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

	Millions of Yen		Thousands of
	As of		U.S. Dollars
	March 31		As of
	2020	2019	March 31, 2020
Debt securities	¥ 269,543	¥ 279,622	\$ 2,476,734
Trust beneficiary rights	140,731	130,115	1,293,126
Others	5,534	9,813	50,849
Total	<u>¥ 415,809</u>	<u>¥ 419,551</u>	<u>\$ 3,820,720</u>

Note: Certain investment securities are pledged as collateral for financing and exchange settlement by the banking subsidiary. The carrying amount of such investment securities in banking business as of March 31, 2020 and 2019 were ¥47,830 million (\$439,492 thousand) and ¥61,595 million, respectively.

10. OTHER FINANCIAL ASSETS

The components of other financial assets are as follows:

	Millions of Yen		Thousands of
	As of		U.S. Dollars
	March 31		As of
	2020	2019	March 31, 2020
Deposits in the central clearing house (Note)	¥ 115,273	¥ 77,654	\$ 1,059,202
Equity securities	77,342	50,609	710,668
Derivative financial assets	28,270	19,449	259,762
Deposits paid	21,837	18,129	200,652
Others	21,488	25,416	197,445
Total	<u>¥ 264,213</u>	<u>¥ 191,260</u>	<u>\$ 2,427,758</u>

Note: This item represents cash pledged to the central clearing house as collateral for financing and exchange settlement by the banking subsidiary.

11. PROPERTY AND EQUIPMENT

Changes in carrying amounts of property and equipment, acquisition costs, and accumulated depreciation and impairment losses are as follows:

Carrying Amounts

	Millions of Yen						Total
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Others	
As of April 1, 2018	¥31,912	¥53,940	¥30,167	¥ 3,260	¥ 2,796	¥1,865	¥ 123,943
Purchase	2,748	24,074	1,415	—	10,626	1,586	40,451
Business combinations	13	1	—	—	—	—	15
Disposals	(23)	(822)	(502)	—	(0)	(139)	(1,488)
Depreciation	(3,813)	(17,441)	(4,666)	—	—	(678)	(26,601)
Impairment losses	(538)	(392)	(1,841)	—	—	—	(2,772)
Transfer of accounts	3,151	636	1,253	—	(5,066)	—	(24)
Others	46	172	(0)	18	36	69	344
As of March 31, 2019	33,497	60,169	25,824	3,279	8,392	2,703	133,867
Effect of adopting a new accounting standard (Note 1)	—	(111)	(13,780)	—	—	—	(13,892)
Purchase	2,282	23,006	2,209	—	3,734	1,677	32,911
Business combinations (Note 2)	2,764	4,022	5	—	1,870	—	8,663
Disposals	(171)	(1,185)	(26)	(7)	(176)	(174)	(1,742)
Depreciation	(4,706)	(19,805)	(2,444)	—	—	(1,025)	(27,982)
Impairment losses	(116)	(27)	(156)	—	—	(22)	(322)
Transfer of accounts	6,498	1,248	768	—	(8,555)	18	(21)
Others	(37)	(71)	(0)	(8)	(146)	(2)	(265)
As of March 31, 2020	¥40,012	¥67,246	¥12,400	¥ 3,263	¥ 5,118	¥3,174	¥ 131,215

	Thousands of U.S. Dollars						Total
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Others	
As of March 31, 2019	\$ 307,791	\$ 552,871	\$ 237,287	\$ 30,129	\$ 77,111	\$ 24,836	\$ 1,230,056
Effect of adopting a new accounting standard (Note 1)	—	(1,019)	(126,619)	—	—	—	(127,648)
Purchase	20,968	211,393	20,297	—	34,310	15,409	302,407
Business combinations (Note 2)	25,397	36,956	45	—	17,182	—	79,601
Disposals	(1,571)	(10,888)	(238)	(64)	(1,617)	(1,598)	(16,006)
Depreciation	(43,241)	(181,981)	(22,457)	—	—	(9,418)	(257,116)
Impairment losses	(1,065)	(248)	(1,433)	—	—	(202)	(2,958)
Transfer of accounts	59,707	11,467	7,056	—	(78,608)	165	(192)
Others	(339)	(652)	(0)	(73)	(1,341)	(18)	(2,434)
As of March 31, 2020	\$ 367,655	\$ 617,899	\$ 113,939	\$ 29,982	\$ 47,027	\$ 29,164	\$ 1,205,687

Notes: 1. In applying IFRS 16, assets related to finance leases as a lessee, which were included in property and equipment, were reclassified to right-of-use assets. For details of right-of-use assets, please refer to "Note 12. Right-of-use assets."

2. Please refer to "Note 5. Business combinations."

Acquisition Costs

	Millions of Yen						
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Others	Total
As of April 1, 2018	¥44,038	¥101,529	¥42,624	¥3,260	¥2,796	¥2,720	¥196,970
As of March 31, 2019	49,807	115,679	43,769	3,279	8,392	3,356	224,284
As of March 31, 2020	62,400	137,464	29,522	3,263	5,118	4,204	241,973

	Thousands of U.S. Dollars						
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Others	Total
As of March 31, 2020	\$ 573,371	\$ 1,263,107	\$ 271,267	\$ 29,982	\$ 47,027	\$ 38,629	\$ 2,223,403

Accumulated Depreciation and Impairment Losses

	Millions of Yen						
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Others	Total
As of April 1, 2018	¥ (12,126)	¥ (47,589)	¥ (12,456)	—	—	¥ (855)	¥ (73,027)
As of March 31, 2019	(16,309)	(55,510)	(17,944)	—	—	(652)	(90,416)
As of March 31, 2020	(22,387)	(70,218)	(17,122)	—	—	(1,029)	(110,758)

	Thousands of U.S. Dollars						
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Others	Total
As of March 31, 2020	\$ (205,706)	\$ (645,208)	\$ (157,327)	—	—	\$ (9,455)	\$ (1,017,715)

12. RIGHT-OF-USE ASSETS

Changes in carrying amounts of right-of-use assets, acquisition costs, and accumulated depreciation and impairment losses are as follows:

Carrying Amounts

	Millions of Yen				
	Data Centers	Office Spaces	Logistics Warehouses	Others	Total
As of April 1, 2019	¥2,148	¥27,932	¥47,746	¥91	¥ 77,919
Purchase	1,192	3,440	25,620	—	30,254
Business combinations	—	510	20,453	—	20,964
Depreciation	(673)	(9,605)	(10,894)	(31)	(21,205)
Impairment losses	—	—	(1,561)	—	(1,561)
Others	(197)	130	—	—	(66)
As of March 31, 2020	<u>¥2,471</u>	<u>¥22,409</u>	<u>¥81,364</u>	<u>¥59</u>	<u>¥106,304</u>

	Thousands of U.S. Dollars				
	Data Centers	Office Spaces	Logistics Warehouses	Others	Total
As of April 1, 2019	\$ 19,737	\$ 256,657	\$ 438,720	\$ 836	\$ 715,969
Purchase	10,952	31,608	235,413	—	277,993
Business combinations	—	4,686	187,935	—	192,630
Depreciation	(6,183)	(88,256)	(100,101)	(284)	(194,845)
Impairment losses	—	—	(14,343)	—	(14,343)
Others	(1,810)	1,194	—	—	(606)
As of March 31, 2020	<u>\$ 22,705</u>	<u>\$ 205,908</u>	<u>\$ 747,624</u>	<u>\$ 542</u>	<u>\$ 976,789</u>

Acquisition Costs

	Millions of Yen				
	Data Centers	Office Spaces	Logistics Warehouses	Others	Total
As of April 1, 2019	¥2,148	¥27,972	¥ 58,542	¥91	¥ 88,754
As of March 31, 2020	2,941	32,031	104,075	91	139,140

	Thousands of U.S. Dollars				
	Data Centers	Office Spaces	Logistics Warehouses	Others	Total
As of April 1, 2019	\$ 19,737	\$ 257,024	\$ 537,921	\$ 836	\$ 815,528
As of March 31, 2020	27,023	294,321	956,308	836	1,278,507

Accumulated Depreciation and Impairment Losses

	Millions of Yen				
	Data Centers	Office Spaces	Logistics Warehouses	Others	Total
As of April 1, 2019	—	¥ (39)	¥ (10,796)	—	¥ (10,835)
As of March 31, 2020	¥ (470)	(9,622)	(22,711)	¥ (31)	(32,835)

	Thousands of U.S. Dollars				
	Data Centers	Office Spaces	Logistics Warehouses	Others	Total
As of April 1, 2019	—	\$ (358)	\$ (99,200)	—	\$ (99,558)
As of March 31, 2020	\$ (4,318)	(88,413)	(208,683)	\$ (284)	(301,709)

13. GOODWILL AND INTANGIBLE ASSETS

Changes in carrying amounts of goodwill and intangible assets, acquisition costs, and accumulated amortization and impairment losses are as follows:

Carrying Amounts

	Millions of Yen					Total Intangible Assets
	Goodwill	Intangible Assets with Indefinite Useful Lives	Intangible Assets with Definite Useful Lives			
		Trademarks	Software	Customer Relationships	Others	
As of April 1, 2018	¥ 162,015	¥ 30,250	¥ 68,725	¥ 53,087	¥ 15,049	¥ 167,112
Cumulative effect of accounting change (Note 1)	—	—	—	—	(13,271)	(13,271)
Purchase	—	—	14,870	—	30	14,900
Internal development	—	—	28,523	—	—	28,523
Business combinations	13,286	—	—	—	2	2
Disposals	—	—	(2,832)	—	(89)	(2,921)
Amortization	—	—	(18,963)	(6,152)	(277)	(25,394)
Impairment losses	—	—	(1,379)	(2,379)	—	(3,758)
Others	—	—	114	—	(12)	101
As of March 31, 2019	175,301	30,250	89,057	44,555	1,431	165,293
Purchase	—	—	15,716	—	4	15,720
Internal development	—	—	34,891	—	—	34,891
Business combinations (Note 2)	224,994	178,720	1,897	322,864	367	503,848
Disposals	(261)	—	(3,941)	—	(1)	(3,943)
Amortization	—	—	(22,837)	(10,959)	(224)	(34,021)
Impairment losses	—	—	(1,635)	(680)	(14)	(2,330)
Others	—	—	(73)	—	(11)	(84)
As of March 31, 2020	¥ 400,034	¥ 208,970	¥ 113,076	¥ 355,779	¥ 1,550	¥ 679,375

	Thousands of U.S. Dollars					Total Intangible Assets
	Goodwill	Intangible Assets with Indefinite Useful Lives Trademarks	Intangible Assets with Definite Useful Lives			
			Software	Customer Relationships	Others	
As of March 31, 2019	\$ 1,610,778	\$ 277,956	\$ 818,312	\$ 409,399	\$ 13,148	\$ 1,518,818
Purchase	—	—	144,408	—	36	144,445
Internal development	—	—	320,600	—	—	320,600
Business combinations (Note 2)	2,067,389	1,642,194	17,430	2,966,681	3,372	4,629,679
Disposals	(2,398)	—	(36,212)	—	(9)	(36,230)
Amortization	—	—	(209,841)	(100,698)	(2,058)	(312,606)
Impairment losses	—	—	(15,023)	(6,248)	(128)	(21,409)
Others	—	—	(670)	—	(101)	(771)
As of March 31, 2020	<u>\$ 3,675,769</u>	<u>\$ 1,920,150</u>	<u>\$ 1,039,014</u>	<u>\$ 3,269,126</u>	<u>\$ 14,242</u>	<u>\$ 6,242,534</u>

Notes: 1. In applying IFRS 15, certain costs to obtain a contract with a customer that were expected to be recovered, which were recognized as intangible assets, were reclassified to "contract costs" as assets.

2. Please refer to "Note 5. Business combinations."

Acquisition Costs

	Millions of Yen					Total Intangible Assets
	Goodwill	Intangible Assets with Indefinite Useful Lives Trademarks	Intangible Assets with Definite Useful Lives			
			Software	Customer Relationships	Others	
As of April 1, 2018	¥ 162,015	¥ 30,250	¥ 144,097	¥ 70,567	¥ 18,395	¥ 263,310
As of March 31, 2019	175,301	30,250	178,892	70,567	3,324	283,034
As of March 31, 2020	400,034	208,970	219,591	390,431	3,714	822,706

	Thousands of U.S. Dollars					Total Intangible Assets
	Goodwill	Intangible Assets with Indefinite Useful Lives Trademarks	Intangible Assets with Definite Useful Lives			
			Software	Customer Relationships	Others	
As of March 31, 2020	\$ 3,675,769	\$ 1,920,150	\$ 2,017,743	\$ 3,587,531	\$ 34,126	\$ 7,559,551

Accumulated Amortization and Impairment Losses

	Millions of Yen					Total Intangible Assets
	Goodwill	Intangible Assets with Indefinite Useful Lives Trademarks	Intangible Assets with Definite Useful Lives			
			Software	Customer Relationships	Others	
As of April 1, 2018	—	—	¥ (75,372)	¥ (17,479)	¥ (3,345)	¥ (96,198)
As of March 31, 2019	—	—	(89,835)	(26,011)	(1,893)	(117,740)
As of March 31, 2020	—	—	(106,515)	(34,652)	(2,163)	(143,330)

	Thousands of U.S. Dollars					Total Intangible Assets
	Goodwill	Intangible Assets with Indefinite Useful Lives Trademarks	Intangible Assets with Definite Useful Lives			
			Software	Customer Relationships	Others	
As of March 31, 2020	—	—	\$ (978,728)	\$ (318,404)	\$ (19,875)	\$ (1,317,008)

Certain trademarks that have been assessed as having indefinite useful lives are not amortized because the Group expects to continue to benefit from the trademarks as long as the related businesses continue to operate.

Customer relationships represent probable expected future economic benefits attributable to the existing customers of the acquiree at the time of the business combination.

Amortization expenses are included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

Research and development costs charged to income for the years ended March 31, 2020 and 2019 were ¥922 million (\$8,471 thousand) and ¥1,015 million, respectively.

The carrying amounts of internally-generated intangible assets related to software as of March 31, 2020 and 2019 were ¥60,365 million (\$554,672 thousand) and ¥45,712 million, respectively.

Significant goodwill and intangible assets with indefinite useful lives of the Group are allocated to the following groups of cash-generating units:

Goodwill

	<u>Cash-Generating Unit</u>	<u>Millions of Yen</u>		<u>Thousands of</u>
		<u>As of</u>		<u>U.S. Dollars</u>
		<u>2020</u>	<u>2019</u>	<u>As of</u>
				<u>March 31,</u>
				<u>2020</u>
Reportable segment:				
Commerce business	Shopping (Note 1)	¥ 272,828	¥ 60,180	\$ 2,506,919
	Ikyu	72,044	72,044	661,986
	Finance-related			
	(Note 2)	19,004	16,437	174,620
	Others	2,447	2,447	22,484
Media business	Marketing solutions	33,708	24,191	309,730
Total		<u>¥ 400,034</u>	<u>¥ 175,301</u>	<u>\$ 3,675,769</u>

Notes: 1. Please refer to "Note 5. Business combinations."

2. This cash-generating unit was named "Settlement- and finance-related" in the previous year; however, the name of the cash generating unit was changed to "Finance-related" in the current year as the settlement-related part of the cash generating unit has been allocated to "Shopping" and "Others."

Intangible Assets with Indefinite Useful Lives

	<u>Cash-Generating Unit</u>	<u>Millions of Yen</u>		<u>Thousands of</u>
		<u>As of</u>		<u>U.S. Dollars</u>
		<u>2020</u>	<u>2019</u>	<u>As of</u>
				<u>March 31,</u>
				<u>2020</u>
Reportable segment:				
Commerce business	Shopping	¥ 198,850	¥ 20,130	\$ 1,827,161
	Ikyu	10,120	10,120	92,989
Total		<u>¥ 208,970</u>	<u>¥ 30,250</u>	<u>\$ 1,920,150</u>

Note: Please refer to "Note 5. Business combinations."

In testing goodwill and intangible assets with indefinite useful lives for impairment, the recoverable amount is determined based on its value in use.

Value in use is determined by discounting the estimated future cash flows to their present value based on the business plan and growth rate approved by management.

Business plans are prepared based on external and internal information, which reflect management's assessment of future trends in the industry and past data, and generally do not exceed five years. The perpetual growth rate is determined considering the long-term average growth rate of the market or country to which the cash-generating unit belongs. The perpetual growth rates used for the years ended March 31, 2020 and 2019 were 0.6% and 0.7%, respectively. The pretax discount rates used in measurement of value in use for the years ended March 31, 2020 and 2019 were 7.8%–10.2% and 9.1%–12.0%, respectively.

In shopping business, based on the assumption that the pretax discount rates increased by 2% or the perpetual growth rate decreased by 3%, the recoverable amount may be equal to the carrying amount.

For the cash-generating units other than those described above, as value in use sufficiently exceeds the carrying values of cash generating units, the Company determined that the recoverable amount is unlikely to decrease below the carrying value, even if major assumptions such as the discount rate and the perpetual growth rate used in the impairment test change to a reasonably foreseeable extent.

In measuring value in use, uncertainties in the estimates of future cash flows are reflected in the business plans.

As to Ikyu business, in response to the declaration of a state of emergency to deal with the COVID-19 epidemic announced by the Japanese government on April 7, 2020, some hotel facilities, restaurants, and other eating and drinking places that have contractual relationships with the Group have shut down or shut early. If the degree of future uncertainties increases due to delay of convergence of the epidemic or other factors, actual results may differ from the estimates.

14. DISCLOSURE OF INTERESTS IN OTHER ENTITIES

(1) *Subsidiaries*

The Company's major subsidiaries as of March 31, 2020 and 2019 are as follows:

<u>Name of Subsidiary</u>	<u>Location</u>	<u>Ownership Percentage of Voting Rights (%)</u>	
		<u>2020</u>	<u>2019</u>
Yahoo Japan Corporation	Tokyo	100.0	—
Z Financial Corporation	Tokyo	100.0	—
ValueCommerce Co., Ltd.	Tokyo	52.0	52.0
YJFX, Inc.	Tokyo	100.0	100.0
		(100.0)	
YJ Card Corporation	Fukuoka	100.0	100.0
		(100.0)	
ASKUL Corporation (Note 2)	Tokyo	45.1	45.1
Ikyu Corporation	Tokyo	100.0	100.0
eBOOK Initiative Japan Co., Ltd. (Note 3)	Tokyo	43.5	43.6
		(43.5)	
The Japan Net Bank, Limited (Note 4)	Tokyo	46.6	46.6
		(46.6)	
ZOZO, Inc.	Chiba	50.1	—

- Notes: 1. Figures in parentheses in ownership percentage of voting rights indicate indirect ownership percentage included in the total.
2. The Company does not have a majority of the voting rights; however, the Company determined that it has the practical ability to direct the relevant activities unilaterally and therefore has control over ASKUL and accounts for ASKUL as a subsidiary after considering all facts and circumstances, including the widely-dispersed holdings of voting rights among shareholders and the voting patterns at previous ASKUL shareholders meetings.
3. The Company does not have a majority of the voting rights of eBOOK Initiative Japan Co., Ltd. ("eBOOK"); however, the Company determined that it has the practical ability to direct the relevant activities unilaterally and therefore has control over eBOOK and accounts for eBOOK as a subsidiary because the Company's officers and employees comprise the majority of the Board of Directors of eBOOK.
4. The Company does not have a majority of the voting rights of The Japan Net Bank, Limited ("JNB"); however, the Company determined that it has the practical ability to direct the relevant activities unilaterally and therefore has control over JNB and accounts for JNB as a subsidiary because the Company's officers and employees comprise the majority of the Board of Directors of JNB.

(2) Summarized Consolidated Financial Information and Other Information on Subsidiaries with Significant Non-controlling Interests

ASKUL Group (ASKUL and its subsidiaries)

(a) General information

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31 2020	As of March 31 2019	As of March 31, 2020
Proportion of ownership interests held by the non-controlling interests (%)	54.9	54.9	
Accumulated non-controlling interests of ASKUL Group	¥46,657	¥48,887	\$ 428,714
	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31 2020	Year Ended March 31 2019	Year Ended March 31, 2020
Profit (loss) allocated to the non-controlling interests of ASKUL Group	¥1,578	¥(1,708)	\$ 14,499

(b) Summarized consolidated financial information

	Millions of Yen		Thousands of
	As of		U.S. Dollars
	March 31		As of
	2020	2019	March 31, 2020
Assets	¥ 277,406	¥ 229,602	\$ 2,548,984
Liabilities	199,183	142,742	1,830,221
Equity	78,222	86,859	718,754

	Millions of Yen		Thousands of
	Year Ended		U.S. Dollars
	March 31		Year Ended
	2020	2019	March 31, 2020
Revenue	¥ 399,203	¥ 385,566	\$ 3,668,133
Profit (loss) for the year	2,355	(3,632)	21,639
Comprehensive income (loss)	2,356	(3,631)	21,648

Note: Dividends paid by ASKUL to the non-controlling interests for the years ended March 31, 2020 and 2019 were ¥1,035 million (\$9,510 thousand) and ¥1,007 million, respectively.

	Millions of Yen		Thousands of
	Year Ended		U.S. Dollars
	March 31		Year Ended
	2020	2019	March 31, 2020
Cash flows from operating activities—net	¥ 23,153	¥ 12,734	\$ 212,744
Cash flows from investing activities—net	(4,999)	(5,527)	(45,934)
Cash flows from financing activities—net	(13,247)	1,701	(121,721)
Effects of exchange rate changes on cash and cash equivalents	(3)	(4)	(27)
Net increase in cash and cash equivalents	¥ 4,903	¥ 8,904	\$ 45,051

JNB

(a) General information

	Millions of Yen		Thousands of
	As of		U.S. Dollars
	March 31		As of
	2020	2019	March 31, 2020
Proportion of ownership interests held by the non-controlling interests (%)	53.4	53.4	
Accumulated non-controlling interests of JNB	¥ 30,509	¥ 31,139	\$ 280,336

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>Year Ended</u>		<u>U.S. Dollars</u>
	<u>March 31</u>		<u>Year Ended</u>
	<u>2020</u>	<u>2019</u>	<u>March 31,</u>
			<u>2020</u>
Profit allocated to the non-controlling interests of JNB	¥350	¥475	\$3,216

(b) Summarized consolidated financial information

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>As of</u>		<u>U.S. Dollars</u>
	<u>March 31</u>		<u>As of</u>
	<u>2020</u>	<u>2019</u>	<u>March 31,</u>
			<u>2020</u>
Assets	¥999,524	¥883,244	\$9,184,269
Liabilities	942,412	824,951	8,659,487
Equity	57,112	58,292	524,781

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>Year Ended</u>		<u>U.S. Dollars</u>
	<u>March 31</u>		<u>Year Ended</u>
	<u>2020</u>	<u>2019</u>	<u>March 31,</u>
			<u>2020</u>
Revenue	¥25,922	¥22,884	\$238,187
Profit for the year	656	774	6,027
Comprehensive (loss) income	(1,079)	1,849	(9,914)

Note: Dividends paid by JNB to non-controlling interests for the years ended March 31, 2020 and 2019, were ¥178 million (\$1,635 thousand) and ¥364 million, respectively.

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>Year Ended</u>		<u>U.S. Dollars</u>
	<u>March 31</u>		<u>Year Ended</u>
	<u>2020</u>	<u>2019</u>	<u>March 31,</u>
			<u>2020</u>
Cash flows from operating activities—net	¥85,591	¥73,361	\$786,465
Cash flows from investing activities—net	(11,421)	(114,873)	(104,943)
Cash flows from financing activities—net	(334)	(7,613)	(3,069)
Effects of exchange rate changes on cash and cash equivalents	<u>15</u>	<u>(19)</u>	<u>137</u>
Net increase (decrease) in cash and cash equivalents	<u>¥73,850</u>	<u>¥(49,144)</u>	<u>\$678,581</u>

ZOZO Group (ZOZO and its subsidiaries)

(a) General information

	<u>As of March 31, 2020</u>	
	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Proportion of ownership interests held by the non-controlling interests (%)	49.9	
Accumulated non-controlling interests of ZOZO Group	¥ 188,603	\$ 1,733,005
	<u>Year Ended March 31, 2020</u>	
	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Profit allocated to the non-controlling interests of ZOZO Group	¥2,880	\$ 26,463

(b) Summarized consolidated financial information

	<u>As of March 31, 2020</u>	
	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Assets	¥ 608,808	\$ 5,594,119
Liabilities	225,721	2,074,069
Equity	383,086	3,520,040
	<u>Year Ended March 31, 2020</u>	
	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Revenue	¥57,462	\$ 527,997
Profit for the year	5,773	53,046
Comprehensive income	5,773	53,046

Note: The figures for the year ended March 31, 2020 in the above table are revenue, profit for the year, and total comprehensive income earned on and after the acquisition date. Dividends paid by ZOZO to non-controlling interests for the year ended March 31, 2020 were ¥3,660 million (\$33,630 thousand).

	<u>Year Ended March 31, 2020</u>	
	<u>Millions of Yen</u>	<u>Thousands of U.S. Dollars</u>
Cash flows from operating activities—net	¥ 16,849	\$ 154,819
Cash flows from investing activities—net	(2,246)	(20,637)
Cash flows from financing activities—net	(5,708)	(52,448)
Effects of exchange rate changes on cash and cash equivalents	<u>0</u>	<u>0</u>
Net increase in cash and cash equivalents	<u>¥ 8,894</u>	<u>\$ 81,723</u>

Note: The figures for the year ended March 31, 2020 in the above table are cash flows of ZOZO on and after the acquisition date.

(3) Investments Accounted for Using the Equity Method

Summarized Consolidated Financial Information and Other Information on Significant Investments Accounted for Using the Equity Method

PayPay Corporation ("PayPay")

(a) General information

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

(b) Summarized consolidated financial information

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>As of March 31</u>		<u>As of March 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Assets	¥ 292,019	¥ 40,775	\$ 2,683,258
Cash and cash equivalents	180,680	33,572	1,660,203
Liabilities	249,307	31,563	2,290,792
Equity	42,711	9,212	392,456
Ownership interests (%)	25.0	50.0	
Carrying amount of the investments	—	4,606	—

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	<u>Year Ended March 31</u>		<u>Year Ended March 31,</u>
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Revenue	¥ 9,160	¥ 595	\$ 84,167
Selling, general and administrative expenses	89,516	37,157	822,530
Loss for the year (Note 2)	(82,501)	(36,787)	(758,072)
Comprehensive loss	(82,501)	(36,787)	(758,072)
Comprehensive loss attributable to the Group	(22,317)	(18,393)	(205,062)
Loss for the year	(22,317)	(18,393)	(205,062)
Comprehensive loss	(22,317)	(18,393)	(205,062)

Notes: 1. No dividends were received from PayPay for the years ended March 31, 2020 and 2019.

2. Other than the investments accounted for using the equity method, the Group also holds preferred shares of PayPay classified as equity instruments at FVTOCI. As the losses incurred in PayPay exceeded the Group's equity interests in PayPay, equity in losses of PayPay of ¥6,822 million (\$62,684 thousand) has been allocated in the carrying amount of the preferred shares.

Aggregated amount of investments accounted for using the equity method that are not individually material is as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	As of March 31		As of March 31,
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Carrying amount	¥8,567	¥ 19,904	\$ 78,719

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

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	Year Ended March 31		Year Ended March 31,
	<u>2020</u>	<u>2019</u>	<u>2020</u>
(Loss) profit for the year attributable to the Group	¥(2,224)	¥851	\$ (20,435)
Other comprehensive income (loss), net of tax, attributable to the Group	0	(13)	0
Comprehensive (loss) income attributable to the Group	(2,223)	838	(20,426)

(4) **Structured Entities**

The Group invests inside and outside Japan by utilizing investment partnerships. Such partnerships provide their investees with cash raised from members of the partnerships mainly in the form of investments, and have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

The Group invests in unconsolidated structured entities such as investment funds and trusts over which the Group does not have control with regard to operating policies such as those related to selecting investees.

The Company does not have any contractual obligations to provide any financial support to the unconsolidated structured entities. The potential maximum loss exposure incurred from the involvement with such structured entities is as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	As of March 31		As of March 31,
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Other financial assets	¥ 15,699	¥ 15,107	\$ 144,252

The Company's maximum loss exposure represents the potential maximum loss amount, and does not indicate the probability of occurrence.

15. INCOME TAXES

(1) Deferred Taxes

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

As of March 31, 2020

	Millions of Yen				As of March 31, 2020
	As of April 1, 2019	Recognized in Profit for the Year	Recognized in Other Comprehensive Income	Others	
Deferred tax assets:					
Enterprise tax payable	¥ 1,331	¥ 802	—	¥ 247	¥ 2,381
Property and equipment and intangible assets	12,385	2,375	—	2,170	16,931
Net operating loss carryforwards	8,471	(1,342)	—	17	7,146
Liabilities related to employee benefits (Note 1)	5,825	405	—	263	6,495
Allowance for doubtful receivables	4,464	891	—	(0)	5,355
Provision for interest repayment claims	4,117	(665)	—	—	3,451
Others	11,915	(833)	—	8,284	19,366
Total deferred tax assets before offset	48,511	1,633	—	10,983	61,128
Offset of deferred tax assets and liabilities	(13,960)				(17,389)
Total deferred tax assets, net	<u>¥34,551</u>				<u>¥ 43,739</u>
Deferred tax liabilities:					
Property and equipment and intangible assets (Note 2)	¥23,933	¥(4,223)	—	¥150,532	¥170,242
Available-for-sale financial assets	6,394	—	¥(1,464)	(188)	4,742
Others	4,034	(654)	—	—	3,380
Total deferred tax liabilities before offset	34,363	(4,878)	(1,464)	150,344	178,365
Offset of deferred tax assets and liabilities	(13,960)				(17,389)
Total deferred tax liabilities, net	<u>¥20,403</u>				<u>¥160,976</u>

Thousands of U.S. Dollars					
	As of April 1, 2019	Recognized in Profit for the Year	Recognized in Other Comprehensive Income	Others	As of March 31, 2020
Deferred tax assets:					
Enterprise tax payable	\$ 12,230	\$ 7,369	—	\$ 2,269	\$ 21,878
Property and equipment and intangible assets	113,801	21,823	—	19,939	155,572
Net operating loss carryforwards	77,836	(12,331)	—	156	65,662
Liabilities related to employee benefits (Note 1)	53,523	3,721	—	2,416	59,680
Allowance for doubtful receivables	41,018	8,187	—	(0)	49,205
Provision for interest repayment claims	37,829	(6,110)	—	—	31,710
Others	109,482	(7,654)	—	76,118	177,947
Total deferred tax assets before offset	445,750	15,005	—	100,918	561,683
Offset of deferred tax assets and liabilities	(128,273)				(159,781)
Total deferred tax assets, net	<u>\$ 317,476</u>				<u>\$ 401,902</u>
Deferred tax liabilities:					
Property and equipment and intangible assets (Note 2)	\$ 219,911	\$ (38,803)	—	\$ 1,383,184	\$ 1,564,292
Available-for-sale financial assets	58,752	—	\$ (13,452)	(1,727)	43,572
Others	37,066	(6,009)	—	—	31,057
Total deferred tax liabilities before offset	315,749	(44,822)	(13,452)	1,381,457	1,638,932
Offset of deferred tax assets and liabilities	(128,273)				(159,781)
Total deferred tax liabilities, net	<u>\$ 187,475</u>				<u>\$ 1,479,150</u>

Notes: 1. Liabilities related to employee benefits include liabilities attributable to accrued bonuses and paid absences.

2. Increase in "Others" represents the deferred tax liabilities arising from the temporary differences related to intangible assets identified at the time of acquisition of ZOZO shares. (Please refer to "Note 5. Business combinations.")

As of March 31, 2019

Millions of Yen					
	As of April 1, 2018	Recognized in Profit for the Year	Recognized in Other Comprehensive Income	Others	As of March 31, 2019
Deferred tax assets:					
Enterprise tax payable	¥ 1,490	¥ (158)	—	—	¥ 1,331
Property and equipment and intangible assets	9,542	2,843	—	—	12,385
Net operating loss carryforwards	10,697	(2,239)	—	¥ 13	8,471
Liabilities related to employee benefits (Note 1)	5,755	59	—	11	5,825
Allowance for doubtful receivables (Note 2)	2,773	1,660	—	30	4,464
Provision for interest repayment claims	4,822	(705)	—	—	4,117
Others	10,048	673	—	1,193	11,915
Total deferred tax assets before offset	45,129	2,133	—	1,249	48,511
Offset of deferred tax assets and liabilities	(17,442)				(13,960)
Total deferred tax assets, net	<u>¥27,686</u>				<u>¥34,551</u>
Deferred tax liabilities:					
Property and equipment and intangible assets	¥27,145	¥(3,211)	—	—	¥23,933
Available-for-sale financial assets	7,919	—	¥608	¥(2,133)	6,394
Others	5,335	(1,300)	—	—	4,034
Total deferred tax liabilities before offset	40,399	(4,511)	608	(2,133)	34,363
Offset of deferred tax assets and liabilities	(17,442)				(13,960)
Total deferred tax liabilities, net	<u>¥22,956</u>				<u>¥20,403</u>

Notes: 1. Liabilities related to employee benefits include liabilities attributable to accrued bonuses and paid absences.

2. The effect of application of IFRS 9 "Financial Instruments" has been reflected. (Please refer to "Note 3. Significant accounting policies (3).")

Deferred tax assets which belong to individual entities that recorded losses as of March 31, 2020 and 2019 are ¥43 million (\$395 thousand) and ¥12,632 million, respectively. The Group recognizes deferred tax assets to the extent that it is probable that future taxable profit will be available.

Deductible temporary differences and net operating tax loss carryforwards (after multiplying by the tax rate) for which no deferred tax assets have been recognized are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2020	2019	2020
Deductible temporary differences	¥13,365	¥2,352	\$ 122,806
Net operating tax loss carryforwards which expire:			
Within one year	—	—	—
In one year to five years	¥ 1,117	¥ 716	\$ 10,263
After five years	6,601	5,308	60,654
Total	¥ 7,718	¥6,025	\$ 70,917

Total taxable temporary differences (before multiplying by the tax rate) for which no deferred tax liabilities related to the investments in subsidiaries have been recognized as of March 31, 2020 and 2019 are ¥150,885 million (\$1,386,428 thousand) and ¥39,945 million, respectively.

(2) Tax Expenses

The components of income tax expense are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2020	2019	2020
Current tax expense	¥54,167	¥52,186	\$ 497,721
Deferred tax expense	(6,511)	(6,644)	(59,827)
Total	¥47,655	¥45,542	\$ 437,884

Reconciliations between the statutory effective tax rate and the actual tax rates for the years ended March 31, 2020 and 2019 were as follows. The actual tax rate represents the ratio of income tax expense to profit before tax.

	Year Ended March 31	
	2020	2019
Statutory effective tax rate	31.46%	31.46%
Equity in earnings or losses of associates and joint ventures	2.98	4.47
Other	0.69	0.98
Actual tax rate	35.12%	36.91%

16. OTHER ASSETS

The components of other assets are as follows:

	Millions of Yen		Thousands of
	As of		U.S. Dollars
	March 31		As of
	2020	2019	March 31,
			2020
Income taxes refundable (Note 1)	¥ 111,724	¥ 157	\$ 1,026,591
Consideration paid to customers (Note 2)	22,857	19,735	210,024
Prepaid expenses	13,202	12,045	121,308
Others	<u>8,079</u>	<u>5,671</u>	<u>74,235</u>
Total	<u>¥ 155,863</u>	<u>¥ 37,609</u>	<u>\$ 1,432,169</u>

Notes: 1. Income taxes refundable as of March 31, 2020 represents income taxes withheld arising from inter-Group dividends.

2. This item represents consideration paid to customers that is required to be accounted for as a reduction of the revenue at the time of transfer of the related goods or services to the customer.

17. TRADE AND OTHER PAYABLES

The components of trade and other payables are as follows:

	Millions of Yen		Thousands of
	As of		U.S. Dollars
	March 31		As of
	2020	2019	March 31,
			2020
Other payables	¥ 153,158	¥ 123,691	\$ 1,407,314
Foreign exchange dealings deposits from customers	118,978	115,372	1,093,246
Trade payables	94,595	88,234	869,199
Deposits received	69,114	32,547	635,063
Others	<u>51,395</u>	<u>34,699</u>	<u>472,250</u>
Total	<u>¥ 487,242</u>	<u>¥ 394,545</u>	<u>\$ 4,477,092</u>

18. CUSTOMER DEPOSITS IN BANKING BUSINESS

The components of customer deposits in banking business are as follows:

	Millions of Yen		Thousands of
	As of		U.S. Dollars
	March 31		As of
	2020	2019	March 31,
			2020
Savings deposits	¥ 779,566	¥ 643,894	\$ 7,163,153
Time deposits	<u>123,552</u>	<u>124,718</u>	<u>1,135,275</u>
Total	<u>¥ 903,118</u>	<u>¥ 768,613</u>	<u>\$ 8,298,428</u>

19. INTEREST-BEARING LIABILITIES

The components of interest-bearing liabilities are as follows:

	Millions of Yen		Thousands of U.S. Dollars	Weighted Average Interest Rate (%)	Repayment Date
	As of March 31		As of March 31, 2020	As of March 31, 2020	As of March 31, 2020
	2020	2019			
Bank loans (Note 1)	¥ 614,612	¥ 69,997	\$ 5,647,450	0.59	From April 2020 to March 2027
Bonds (Note 2)	354,327	130,000	3,255,784	0.32	From December 2020 to July 2029
Lease liabilities	116,593	—	1,071,331	0.36	From April 2020 to June 2031
Others	903	15,215	8,297	—	—
Total	<u>¥ 1,086,436</u>	<u>¥ 215,212</u>	<u>\$ 9,982,872</u>		

Notes: 1. On November 14, 2019, the Company entered into loan agreements with five financial institutions, the administrative agent of which was MIZUHO BANK, LTD., to procure funds to be used for the tender offer to acquire ZOZO shares. The loan agreements were executed on November 19, 2019. The details are as follows:

(1) Amount of loans

¥400,000 million (\$3,675,457 thousand)

(2) Interest rate

Japanese Yen TIBOR released by Japanese Bankers Association plus credit spread
(The credit spread specified in the agreement will be applied.)

(3) Repayment date

November 14, 2020

(4) Collateral

Unsecured

(5) Joint guarantor

Yahoo Japan Corporation

(6) Significant contractual obligations of borrower

1) Without consent of majority lenders, the Company shall not provide a third party guarantee, loan money to a third party other than the Group companies, or loan money to the Group companies for the purpose of loan to or investment in a third party. The Company also shall not guarantee, loan money to and provide other credit activities to, or invest in SoftBank Group Japan Corporation or SoftBank Corp.

2) Covenants

- (a) Equity of the Company at March 31, 2020 and each year-end balance sheet date thereafter should maintain 75% of the amount of equity as of September 30, 2019.
- (b) Equity of the Group at March 31, 2020 and each year-end consolidated balance sheet date thereafter as well as at September 30, 2020 and each six-month interim consolidated balance sheet date thereafter should maintain 75% of the amount of equity as of September 30, 2019.
- (c) Total liabilities of the Company at March 31, 2020 and each year-end balance sheet date thereafter should not exceed its total assets.
- (d) Total liabilities of the Group at March 31, 2020 and each year-end consolidated balance sheet date thereafter as well as at September 30, 2020 and each six-month interim consolidated balance sheet date thereafter should not exceed its total assets.
- (e) The Company should not record operating loss and/or net loss for the year ended March 31, 2020 and thereafter.
- (f) The Group should not record operating loss or net loss on a consolidated basis for the year ended March 31, 2020 and thereafter.
- (g) Net leverage ratio (see below (i)) on a consolidated basis for the year ended March 31, 2020 and thereafter as well as six-month period ended September 30, 2020 and thereafter should not exceed the ratio specified in the agreement.
 - (i) Net leverage ratio is defined as net debt (see below (ii)) divided by adjusted EBITDA (see below (iii)).
 - (ii) Net debt is defined as interest-bearing liabilities less cash and cash equivalents on the consolidated statement of financial position of the Group. This interest-bearing liabilities herein defined do not include those arising from fund procurement transactions through securitization of assets. In determining net debt ratio, certain adjustments specified in the agreement are made. Such adjustments include JNB's interest-bearing debts and cash and cash equivalents, which are excluded from the determination of net debt ratio.
 - (iii) Adjusted EBITDA is determined by adjusting operating income with depreciation/amortization, losses on disposal included in operating expenses, and other items that are specified in the agreement.

2. Outline of terms and conditions of the bonds are as follows:

	<u>Date of Issue</u>	<u>Millions of Yen As of March 31, 2020</u>	<u>Thousands of U.S. Dollars As of March 31, 2020</u>	<u>Interest Rate (%) As of March 31, 2020</u>	<u>Redemption Date As of March 31, 2020</u>
The Company:					
2nd Series Unsecured Bonds	February 28, 2017	¥ 15,000	\$ 137,829	0.17	February 28, 2022
3rd Series Unsecured Bonds	February 28, 2017	15,000	137,829	0.37	February 28, 2024
4th Series Unsecured Bonds*	December 7, 2017	10,000	91,886	0.07	December 7, 2020
5th Series Unsecured Bonds	December 7, 2017	25,000	229,716	0.2	December 7, 2022
6th Series Unsecured Bonds	December 7, 2017	25,000	229,716	0.35	December 6, 2024
7th Series Unsecured Bonds	December 7, 2017	10,000	91,886	0.4	December 7, 2027
8th Series Unsecured Bonds	December 6, 2018	15,000	137,829	0.2	December 6, 2023
9th Series Unsecured Bonds	December 6, 2018	10,000	91,886	0.5	December 6, 2028
10th Series Unsecured Bonds	July 31, 2019	60,000	551,318	0.04	July 19, 2022
11th Series Unsecured Bonds	July 31, 2019	50,000	459,432	0.18	July 31, 2024
12th Series Unsecured Bonds	July 31, 2019	70,000	643,204	0.37	July 31, 2026
13th Series Unsecured Bonds	July 31, 2019	50,000	459,432	0.46	July 31, 2029
Total		<u>¥ 355,000</u>	<u>\$ 3,261,968</u>		

* The 4th series unsecured bonds of ¥10,000 million (\$91,886 thousand) were redeemable within a year as of March 31, 2020.

20. PROVISIONS

The components of provisions are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31, 2020
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Provision for interest repayment claims (Notes 1 and 2)	¥10,075	¥12,017	\$ 92,575
Asset retirement obligations (Note 1)	10,326	7,965	94,881
Others (Notes 1 and 3)	<u>7,758</u>	<u>10,378</u>	<u>71,285</u>
Total	<u>¥28,161</u>	<u>¥30,360</u>	<u>\$ 258,761</u>

Notes: 1. Additional information on the nature of the provisions included in the table above is provided in "Note 3. Significant accounting policies."

2. Provision for interest repayment claims is calculated by estimating the future repayment amount based on the historical experience of repayments and expirations due to the statute of limitations.

3. This item mainly consists of provision for customer point reward programs.

Changes in provisions are as follows:

	Millions of Yen			
	Provision for Interest Repayment Claims	Asset Retirement Obligations	Others	Total
As of April 1, 2019	¥12,017	¥ 7,965	¥10,378	¥30,360
Recognition of provisions	—	1,180	13,578	14,758
Business combinations	—	1,245	1,836	3,081
Used	(1,941)	(16)	(700)	(2,657)
Others	—	(47)	(17,333)	(17,381)
As of March 31, 2020	<u>¥10,075</u>	<u>¥10,326</u>	<u>¥ 7,758</u>	<u>¥28,161</u>

	Thousands of U.S. Dollars			
	Provision for Interest Repayment Claims	Asset Retirement Obligations	Others	Total
As of April 1, 2019	\$ 110,419	\$ 73,187	\$ 95,359	\$ 278,967
Recognition of provisions	—	10,842	124,763	135,605
Business combinations	—	11,439	16,870	28,310
Used	(17,835)	(147)	(6,432)	(24,414)
Others	—	(431)	(159,266)	(159,707)
As of March 31, 2020	<u>\$ 92,575</u>	<u>\$ 94,881</u>	<u>\$ 71,285</u>	<u>\$ 258,761</u>

21. PURCHASE COMMITMENTS

Commitments to purchase property and equipment and intangible assets as of March 31, 2020 and 2019 are ¥10,592 million (\$97,326 thousand) and ¥2,308 million, respectively. The commitments are mainly attributable to executory contracts of purchase of assets to be used in data centers.

22. OTHER LIABILITIES

The components of other liabilities are as follows:

	Millions of Yen		Thousands of
	As of		U.S. Dollars
	March 31		As of
	2020	2019	March 31, 2020
Taxes withheld (Note)	¥ 102,100	—	\$ 938,160
Consumption taxes payable	18,073	¥ 4,174	166,066
Contract liabilities	12,868	12,403	118,239
Accrued bonuses	11,874	9,386	109,105
Accrued paid absences	8,413	8,513	77,304
Others	23,776	22,640	218,469
Total	¥ 177,106	¥ 57,118	\$ 1,627,363

Note: Taxes withheld as of March 31, 2020 represents taxes withheld arising from inter-Group dividends.

23. RETIREMENT BENEFITS

The Company and certain subsidiaries participate primarily in defined contribution pension plans.

Retirement benefit costs of defined contribution pension plans are as follows:

	Millions of Yen		Thousands of
	Year Ended		U.S. Dollars
	March 31		Year Ended
	2020	2019	March 31, 2020
Contributions to defined contribution pension plans	¥1,309	¥1,178	\$ 12,027

24. LEASES

For the Year Ended March 31, 2020

As lessee

(1) *Right-of-Use Assets*

For details of carrying amounts, depreciation and amortization, and increase during the year of right-of-use assets by class of underlying assets, please refer to "Note 12. Right-of-use assets."

(2) *Cash Outflow for Leases*

For details of total cash outflow for leases, please refer to "Note 38. Supplemental information to the consolidated statement of cash flows."

(3) Lease Liabilities

For details of total minimum lease payments, please refer to "3) Liquidity risk: Maturities of financial liabilities" in "(2) Financial risk" in "Note 29. Financial instruments."

For details of interest expense on lease liabilities, please refer to "Note 38. Supplemental information to the consolidated statement of cash flows."

(4) Nature of Leasing Activities

The Group leases data centers, office spaces and logistics warehouses for the purpose of efficient capital management.

Certain lease contracts contain extension options and termination options to improve the flexibility in business. Most of such options are exercisable only by the Group after a specified notice period. In determining the lease term, the Group considers all relevant facts and circumstances that create an economic incentive for the Group to exercise the option to extend the lease, or not to exercise the option to terminate the lease. This assessment is revised upon the occurrence of either a significant event or a significant change in circumstances that affects the assessment.

Lease terms for major right-of-use assets by class of underlying assets are principally as follows:

Data centers:	10–17 years
Office spaces:	3–15 years
Logistics warehouses:	3–15 years

Data centers, office spaces and logistics warehouses are mainly applicable to buildings and structures.

(5) Leases Not Yet Commenced to Which the Group Is Committed

Certain fixed-term building lease agreements and fixed-term building lease reservation agreements that the Group has already entered into were not reflected in the measurement of lease liabilities as of March 31, 2020 because the lease had not yet commenced. The underlying assets of such lease agreements are logistics warehouses. The lease term is planned to commence in the following fiscal year or thereafter for a period from 10 years to 15 years. The total amount of the expected future payment for such leases as of March 31, 2020 was ¥29,535 million (\$271,386 thousand).

For the Year Ended March 31, 2019

(1) Finance Leases

As lessee

The Group leases machinery and equipment, software and system-related equipment, and other items through financing lease contracts. There are no contingent rents payable, purchase options, escalation clauses, or restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing.

The carrying amounts of leased assets, net of accumulated depreciation and accumulated impairment losses, as of March 31, 2019 are as follows:

	<u>Millions of Yen</u> <u>As of March 31,</u> <u>2019</u>
Software	¥ 51
Machinery and equipment	13,938
Furniture and fixtures	<u>450</u>
Total	<u>¥ 14,440</u>

The components of the total of future minimum lease payments and their present value under finance leases as of March 31, 2019 are as follows:

	<u>Millions of Yen</u> <u>As of March 31, 2019</u>	
	<u>Total of</u> <u>Future Minimum</u> <u>Lease Payments</u>	<u>Present Value of</u> <u>the Total of</u> <u>Future Minimum</u> <u>Lease Payments</u>
Not later than one year	¥ 2,016	¥ 1,803
Later than one year and not later than five years	7,791	7,202
Later than five years	<u>6,392</u>	<u>6,206</u>
Total	16,200	<u>¥ 15,211</u>
Less: Future finance costs	<u>(988)</u>	
Present value of the total of future minimum lease payments	<u>¥ 15,211</u>	

(2) **Operating Leases**

As lessee

The Group leases buildings to utilize as offices and data centers through operating lease contracts. Certain operating lease contracts have an automatic renewal option. There are no contingent rents payable, purchase options, escalation clauses, or restrictions imposed by lease arrangements, such as those concerning dividends, additional debt, and further leasing. Total rental expenses under operating lease contracts for the fiscal year ended March 31, 2019 were ¥24,046 million.

Non-cancelable Operating Leases

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

	<u>Millions of Yen</u> <u>As of March 31,</u> <u>2019</u>
Not later than one year	¥ 19,294
Later than one year and not later than five years	50,902
Later than five years	<u>35,497</u>
Total	<u>¥ 105,694</u>

Total future minimum lease payments as of March 31, 2019 include sale and leaseback transactions entered into at ASKUL Logi PARK Tokyo Metropolitan and ASKUL Logi PARK Fukuoka on November 9, 2017.

25. CURRENT/NON-CURRENT DISTINCTION

As of March 31, 2020

	Millions of Yen		
	Expected Period to Recover or Settle		Total
	No More than 12 Months	More than 12 Months	
Assets:			
Cash and cash equivalents	¥ 880,100	—	¥ 880,100
Trade and other receivables	386,799	—	386,799
Inventories	20,889	—	20,889
Loans in credit card business	249,327	¥ 92,918	342,245
Investment securities in banking business	80,473	335,335	415,809
Loans in banking business	12,881	85,870	98,752
Other financial assets	29,010	235,202	264,213
Property and equipment	—	131,215	131,215
Right-of-use assets	—	106,304	106,304
Goodwill	—	400,034	400,034
Intangible assets	—	679,375	679,375
Investments accounted for using the equity method	—	8,567	8,567
Deferred tax assets	—	43,739	43,739
Other assets	124,913	30,950	155,863
Total assets	<u>¥1,784,394</u>	<u>¥2,149,515</u>	<u>¥3,933,910</u>
Liabilities:			
Trade and other payables	¥ 487,242	—	¥ 487,242
Customer deposits in banking business	882,082	¥ 21,036	903,118
Interest-bearing liabilities	608,458	477,978	1,086,436
Other financial liabilities	4,421	5,735	10,157
Income taxes payable	32,887	—	32,887
Provisions	9,517	18,643	28,161
Deferred tax liabilities	—	160,976	160,976
Other liabilities	167,137	9,968	177,106
Total liabilities	<u>¥2,191,747</u>	<u>¥ 694,339</u>	<u>¥2,886,086</u>

	Thousands of U.S. Dollars		
	Expected Period to Recover or Settle		
	No More than 12 Months	More than 12 Months	Total
Assets:			
Cash and cash equivalents	\$ 8,086,924	—	\$ 8,086,924
Trade and other receivables	3,554,157	—	3,554,157
Inventories	191,941	—	191,941
Loans in credit card business	2,290,976	\$ 853,790	3,144,767
Investment securities in banking business	739,437	3,081,273	3,820,720
Loans in banking business	118,358	789,028	907,396
Other financial assets	266,562	2,161,187	2,427,758
Property and equipment	—	1,205,687	1,205,687
Right-of-use assets	—	976,789	976,789
Goodwill	—	3,675,769	3,675,769
Intangible assets	—	6,242,534	6,242,534
Investments accounted for using the equity method	—	78,719	78,719
Deferred tax assets	—	401,902	401,902
Other assets	1,147,780	284,388	1,432,169
Total assets	<u>\$ 16,396,159</u>	<u>\$ 19,751,125</u>	<u>\$ 36,147,293</u>
Liabilities:			
Trade and other payables	\$ 4,477,092	—	\$ 4,477,092
Customer deposits in banking business	8,105,136	\$ 193,292	8,298,428
Interest-bearing liabilities	5,590,903	4,391,969	9,982,872
Other financial liabilities	40,622	52,696	93,329
Income taxes payable	302,186	—	302,186
Provisions	87,448	171,303	258,761
Deferred tax liabilities	—	1,479,150	1,479,150
Other liabilities	1,535,762	91,592	1,627,363
Total liabilities	<u>\$ 20,139,180</u>	<u>\$ 6,380,033</u>	<u>\$ 26,519,213</u>

As of March 31, 2019

	Millions of Yen		
	Expected Period to Recover or Settle		Total
	No More than 12 Months	More than 12 Months	
Assets:			
Cash and cash equivalents	¥ 546,784	—	¥ 546,784
Call loans in banking business	20,000	—	20,000
Trade and other receivables	328,281	—	328,281
Inventories	18,306	—	18,306
Loans in credit card business	179,162	¥ 74,178	253,340
Investment securities in banking business	75,793	343,757	419,551
Loans in banking business	11,265	69,677	80,942
Other financial assets	20,502	170,757	191,260
Property and equipment	—	133,867	133,867
Goodwill	—	175,301	175,301
Intangible assets	—	165,293	165,293
Investments accounted for using the equity method	—	24,510	24,510
Deferred tax assets	—	34,551	34,551
Other assets	10,149	27,460	37,609
Total assets	¥1,210,244	¥1,219,356	¥2,429,601
Liabilities:			
Trade and other payables	¥ 394,545	—	¥ 394,545
Customer deposits in banking business	746,509	¥ 22,104	768,613
Interest-bearing liabilities	50,480	164,731	215,212
Other financial liabilities	3,734	4,949	8,683
Income taxes payable	24,138	—	24,138
Provisions	12,435	17,925	30,360
Deferred tax liabilities	—	20,403	20,403
Other liabilities	48,564	8,553	57,118
Total liabilities	¥1,280,409	¥ 238,667	¥1,519,077

26. EQUITY

(1) *Common Stock and Treasury Stock*

The number of authorized shares is as follows:

	As of March 31	
	<u>2020</u>	<u>2019</u>
Authorized shares—Common stock	24,160,000,000	24,160,000,000

The number of issued shares is as follows:

	<u>Number of Issued Shares</u>
Balance as of April 1, 2018	5,696,866,300
Increase (Note 1)	910,100
Decrease (Note 2)	<u>(546,146,785)</u>
Balance as of March 31, 2019	5,151,629,615
Increase (Note 1)	1,513,150,950
Decrease (Note 2)	<u>(1,842,273,100)</u>
Balance as of March 31, 2020	<u>4,822,507,465</u>

Notes: 1. This item represents the exercise of share subscription rights, issue of shares through a third-party allotment, and issue of shares with restriction on transfer.

2. This item represents disposal of treasury stock.

The number of treasury stock included in issued shares as of March 31, 2020 and 2019 was 60,061,000 shares and 67,879,000 shares, respectively. At the meeting of the Board of Directors held on May 8, 2019, the Company decided to issue new shares and purchase its treasury stock. The number of issued shares and treasury stock increased by 1,511,478,050 shares and 1,834,377,600 shares, respectively, for the year ended March 31, 2020 mainly as a result of the new share issuance and the purchase of treasury stock. At the meeting of the Board of Directors held on September 4, 2019, the Company decided to dispose of its treasury stock. The number of issued shares and treasury stock decreased by 1,842,273,100 shares each for the year ended March 31, 2020 as a result of the transaction to dispose of treasury stock.

(2) *Surplus*

1) *Capital surplus*

Capital surplus of the Company includes additional paid-in capital. 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.

2) *Retained earnings*

Retained earnings of the Company include the reserve legally required as legal retained earnings. The Companies Act provides that 10% of the dividends from 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.

27. DIVIDENDS

The total amount of dividends was as follows:

<u>Resolution</u>	<u>Millions of Yen Total Dividends</u>	<u>Thousands of U.S. Dollars Total Dividends</u>	<u>Yen Dividends per Share</u>	<u>U.S. Dollars Dividends per Share</u>	<u>Record Date</u>	<u>Effective Date</u>
<u>Year Ended March 31, 2020</u>						
Board of Directors meeting held on May 16, 2019	¥45,042	\$ 413,874	¥8.86	\$0.08	March 31, 2019	June 4, 2019
<u>Year Ended March 31, 2019</u>						
Board of Directors meeting held on April 27, 2018	¥50,449		¥8.86		March 31, 2018	June 26, 2018 (Note)

Note: On May 31, 2018, the Board of Directors resolved to change the effective date of dividends from June 5, 2018 to June 26, 2018.

Dividends to become effective during the year ending March 31, 2021 are as follows:

<u>Resolution</u>	<u>Millions of Yen Total Dividends</u>	<u>Thousands of U.S. Dollars Total Dividends</u>	<u>Yen Dividends per Share</u>	<u>U.S. Dollars Dividends per Share</u>	<u>Record Date</u>	<u>Effective Date</u>
Board of Directors meeting held on May 18, 2020	¥42,195	\$ 387,714	¥8.86	\$0.08	March 31, 2020	June 5, 2020

28. SHARE-BASED PAYMENTS

The Company and certain subsidiaries have share option plans as share-based payment awards. Share options are granted to the Company's directors and employees based on the terms approved by the Company's shareholders and the Board of Directors.

Share-based payments are accounted for as equity-settled share based payments. Expenses related to equity-settled share-based payments for the years ended March 31, 2020 and 2019 are not presented because they are not significant.

(1) *Share Option Plans*

Details of share option plans

The details of the Company's share option plans for the year ended March 31, 2020 are as follows. The details of the subsidiaries' share option plans are not presented because they are not significant.

The Company grants share options to its directors and employees. The Company shares will be issued upon exercise of such share options.

<u>Options Series</u>	<u>Grant Date</u>	<u>Exercise Period</u>
2009	From May 12, 2009 to February 10, 2010	From April 28, 2019 to January 27, 2020
2010	From May 11, 2010 to February 8, 2011	From April 27, 2020 to January 25, 2021
2011	From June 3, 2011 to February 17, 2012	From May 20, 2021 to February 3, 2022
2012-1st	May 16, 2012	May 2, 2022

Note: Vesting conditions

Each stock options in the table above vests in three phases. One-half of the options vests mainly after two years have passed from the grant date; and in the following two years, one-fourth of the options vests each year. The right holders shall be employed for a period from the grant date to the vesting date. The options are forfeited upon termination of employment even if they are vested.

(2) Fair Value of Share Options Granted during the Period

Not applicable.

(3) Changes in Share Options during the Period and the Condition of Share Options at the Period End

Changes in share options (expressed in the number of shares issued upon exercise) during the period and the condition of share options at the period end are as follows:

		<u>Number of Shares</u>	<u>Weighted Average Exercise Price (Yen) (U.S. Dollars)</u>
Balance at April 1, 2018	Unexercised	55,987,100	¥430
	Granted	—	—
	Forfeited	(8,171,800)	¥420
	Exercised	(86,100)	¥306
	Matured	<u>(483,000)</u>	¥424
Balance at April 1, 2019	Unexercised	47,246,200	¥431 (\$3.96)
	Granted	—	—
	Forfeited	(45,951,600)	¥435 (\$4.00)
	Exercised	(131,900)	¥305 (\$2.80)
	Matured	<u>(345,300)</u>	¥305 (\$2.80)
Balance at March 31, 2020	Unexercised	<u>817,400</u>	¥303 (\$2.78)
		<u>Number of Shares</u>	<u>Weighted Average Exercise Price (Yen) (U.S. Dollars)</u>
Balance at March 31, 2019	Exercisable	1,393,200	¥305
Balance at March 31, 2020	Exercisable	817,400	¥303 (\$2.78)

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

Range of Exercise Price (Yen)	Number of Shares	Weighted Average Exercise Price (Yen) (U.S. Dollars)	Weighted Average Remaining Contract Period (Years)
201–300	469,500	¥271 (\$2.49)	1.4
301–400	<u>347,900</u>	<u>¥345 (\$3.17)</u>	<u>0.3</u>
Total	<u>817,400</u>	<u>¥303 (\$2.78)</u>	<u>1.0</u>

(4) Share Options Exercised during the Period

Weighted-average stock prices at exercise for share options exercised during the period are as follows:

Year Ended March 31					
2020			2019		
Options Series	Number of Shares Issued	Weighted Average Stock Price at Exercise (Yen) (U.S. Dollars)	Options Series	Number of Shares Issued	Weighted Average Stock Price at Exercise (Yen)
2008	—	—	2008	17,700	¥444
2009	14,100	¥352 (\$3.23)	2009	18,100	¥429
2010	52,100	¥415 (\$3.81)	2010	5,300	¥481
2011	63,100	¥358 (\$3.29)	2011	30,000	¥364
2012	2,600	¥401 (\$3.68)	2012	15,000	¥387

29. FINANCIAL INSTRUMENTS

(1) Capital Management

The Company's capital management policy is to realize and maintain optimum capital composition to continue mid- and long-term sustainable growth and maximize corporate value. The Group is subject to regulatory capital requirements under the applicable laws and regulations, and required to maintain capital adequacy ratios, net assets and other indicators at certain levels.

Significant capital requirements attributable to the Group are as follows:

1) *YJFX, Inc.*

YJFX, Inc. is subject to the Financial Instruments and Exchange Act and related laws and regulations and is required to maintain a ratio, which is calculated by dividing its unappropriated capital by the total amount of the following three risk equivalent amounts, of at least 120%. The three risk equivalent amounts are:

- (a) market risk (risk arising from fluctuations in stock price, interest rate and exchange rate that affect holding assets) equivalent amount,
- (b) counterparty risk (risk assumed to be attributable to counterparties of financial instrument transactions) equivalent amount, and
- (c) fundamental risk (risk attributable to processing daily operations such as errors in paperwork) equivalent amount.

2) *YJ Card Corporation*

YJ Card Corporation is subject to the Payment Services Act, the Installment Sales Act and related laws and regulations and is required to maintain its equity (net assets) at a certain level. The minimum amount of net assets required to be maintained is the greater of the following two items:

- (a) ¥100 million
- (b) 90% of share capital or capital contribution

3) *JNB*

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

No revision was made to applicable laws that have a significant impact on the capital requirements for the years ended March 31, 2020 and 2019.

(2) *Financial Risk Management*

The Group is exposed to a variety of financial risks (currency risk, price risk, interest rate risk, credit risk, and liquidity risk) in its operations. The Company manages risks based on its established policies to prevent and reduce these financial risks.

As an online only bank, the banking subsidiary raises funds mainly from customer deposits and manages the funds by financing through loans, securities, and others. Because the banking subsidiary holds financial assets and financial liabilities that are subject to the risk of interest rate fluctuations, the subsidiary conducts asset-liability management ("ALM") to protect itself from the negative effects of the interest rate fluctuations. As a part of such activities, the Group utilizes derivative transactions.

Derivative transactions entered into by the Group are limited to the extent of actual demands. The Group does not enter into derivative contracts for speculative or trading purposes.

1) *Market risk*

(a) *Currency Risk*

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

Foreign exchange sensitivity analysis

The following table presents the effect of a 1% appreciation of the Japanese yen against the U.S. dollar on profit before tax and other comprehensive income (before net of tax effect) for the financial instruments with the above foreign currency risk exposure, assuming that all other factors are constant. The analysis does not include the effect of translating assets and liabilities of foreign operations into the presentation currency.

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31, 2020
	2020	2019	
Decrease in profit before tax	¥(221)	¥(183)	\$ (2,030)
Decrease in other comprehensive income before tax effect	(8)	(63)	(73)

(b) Price Risk

As a part of its business strategy, the Company holds equity securities traded in active markets and is exposed to market price fluctuation risk. To manage this risk, the Company continuously monitors the financial condition of the security issuers and stock market fluctuations.

Price sensitivity analysis

The table below presents the effect of a 10% decrease in market price in the securities traded in active markets on other comprehensive income before tax effect in the consolidated statement of comprehensive income, assuming that all other factors are constant.

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31, 2020
	2020	2019	
Decrease in other comprehensive income before tax effect	¥(1,197)	¥(2,235)	\$ (10,998)

(c) Interest Rate Risk (except the Banking Subsidiary)

The Group's use of funds for financing activities is exposed to interest rate risk. To prevent or reduce interest rate risk, the Company maintains an appropriate mix between fixed and floating interest rate debts and constantly monitors the interest rate fluctuations of the floating interest rate debts.

Interest rate sensitivity analysis

The table below presents the effect of a 1% increase in interest rates in the Group's financial instruments that are exposed to changes in interest rates on profit before tax in the consolidated statement of profit or loss, assuming that all other factors are constant.

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31, 2020
	2020	2019	
Decrease in profit before tax	¥(5,416)	¥(410)	\$(49,765)

(d) Interest Rate Risk Management by the Banking Subsidiary

The banking subsidiary identifies assets and liabilities from the portfolio that are subject to interest rate risk management and sets the allowable risk limits of present value fluctuations, monitoring the limits daily. The banking subsidiary also periodically analyzes present value fluctuations arising from shifts of the yield curve (parallel shift, steepening and others) and monitors the effects of such changes on assets and liabilities. In monitoring such risks, the business units are separated into a front-office department, middle-office department, and back-office department, and monitored by the Risk Management Department, which is independent of the business units. The results of monitoring are reported internally on a daily basis, and periodically at ALM Committee meetings and Board of Directors meetings to ensure the appropriate independent checks have taken place.

The principal financial assets, financial liabilities, and derivative transactions in the banking business that are subject to the major risk parameters of interest rate risks are loans and investment securities, customer deposits, and bond futures transactions and interest rate futures transactions.

The banking subsidiary calculates BPV (basis point value: denotes the change in value of a financial instrument resulting from a 0.01 percentage-point change in the yield) as the change in the present value of the portfolio due to interest rate fluctuations to perform a quantitative analysis to manage interest rate risk. In calculating BPV, the corresponding financial instruments are categorized by type of the instrument, and then each instrument is allocated to an appropriate cash flow, based on its maturity, with a fluctuation range of the interest rate for the period set forth by the banking subsidiary.

Based on the assumption that all risk variables except interest rate risks are consistent, and that all interest rate indices increased by 1 basis point (0.01%), net fair value of the financial instruments as of March 31, 2020 would decrease by ¥100 million (\$918 thousand) on a pre-tax basis. If the interest rate decreased by 1 basis point (0.01%), based on the same assumptions, net fair value would increase by ¥100 million (\$918 thousand) on a pre-tax basis. The change in net fair value presumes that risk variables except interest rate risks are consistent and disregards the correlation between interest rates and other risk variables.

2) *Credit risk*

In the course of the Company's business, trade and other receivables and other financial assets (including equity securities and derivatives) are exposed to the credit risk of counterparties. Loans in the credit card business include individual loans that are exposed to the credit risk of individual customers. Investment securities in banking business include domestic bonds, foreign bonds, and trust beneficiary rights. Such bonds are exposed to the credit risk of issuers, whereas trust beneficiary rights are exposed to the credit risk of underlying assets. Loans in the banking business include non-business individual loans, housing loans, and business loans, all of which are exposed to credit risk of customers. To manage the credit risk of such financial instruments, which is mainly from counterparties in Japan, the Group secures collateral and obtains guarantees that correspond to each customer's credit status after performing credit research and setting a line of credit in accordance with internal customer credit management rules. In addition, the Company performs due date controls and balance controls for each customer and periodically monitors their credit status.

All non-business individual loans and guaranteed business loans in the banking business are guaranteed by guarantee companies. All housing loans are secured.

The Group conducts foreign exchange margin transactions with customers and covering transactions with counterparties in order to avoid risks arising from the transactions.

The Group is exposed to the credit risks of customers that include possible uncollectible receivables arising from losses that exceed the customers' funds, and the credit risks of financial institutions as counterparties of the transactions. Because automatic stop-loss rules and systems are implemented, the exposure to the credit risks of customers is limited. As to the credit risks of counterparties, the Group believes that the possibility of default is remote because the Group conducts covering transactions only with creditworthy financial institutions. Also, in conducting covering transactions, positions, gains and losses of the transactions are checked in accordance with internal management policy.

The carrying amount of financial instruments, net of impairment, which is presented in the consolidated statement of financial position, as well as the amount of lending commitments, represents the Company's maximum exposure to credit risk on financial assets. The value of collateral held and other credit enhancements are not included. The details of lending commitments are described in "Note 40. Contingencies."

Trade and other receivables include security deposits received as credit enhancements. Such deposits as of March 31, 2020 and 2019 were ¥1,082 million (\$9,942 thousand) and ¥1,376 million, respectively. Non-business individual loans and guaranteed business loans in the banking business are guaranteed for credit enhancements. The guaranteed amounts as of March 31, 2020 and 2019 were ¥84,191 million (\$773,601 thousand) and ¥76,675 million, respectively.

Foreign exchange dealings deposits from customers include security deposits received from customers. Such deposits as of March 31, 2020 and 2019 were ¥118,978 million (\$1,093,246 thousand) and ¥115,372 million, respectively.

The Group measures the loss allowance at an amount equal to the lifetime expected credit losses for trade receivables, contract assets, and committed lines of cash advances. For receivables other than trade receivables, contract assets, or committed lines of cash advances, the Group measures the loss allowance at an amount equal to the future expected credit losses after assessing whether credit risk has increased significantly. When making the assessment, the Group uses the change in the risk of a default occurring after considering past due information, adverse changes in operating results, and external credit ratings. For receivables other than trade receivables or contract assets, the Group in principle measures the loss allowance at an amount equal to 12-month expected credit losses. If the credit risk on that receivable has increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to the lifetime expected credit losses.

The Group's definition of default is being credit-impaired. When one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, the Group measures the expected credit losses for each receivables as a credit-impaired financial asset. Such events include:

- (a) significant financial difficulty of the issuer or the borrower,
- (b) a breach of contract, such as a default of principle or interest or a past due event, and
- (c) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

If the financial asset is not individually significant, it is measured on a collective basis based on the characteristics of the credit risks and nature of the transactions.

a. Credit Risk Exposure

Credit risk exposure of loans in the credit card business is as follows:

As of March 31, 2020

<u>Past Due Dates</u>	<u>Millions of Yen</u>			<u>Total</u>
	<u>Financial Assets for Which Loss Allowance Is Measured at an Amount Equal to 12-Month Expected Credit Losses</u>	<u>Financial Assets for Which Loss Allowance Is Measured at an Amount Equal to the Lifetime Expected Credit Losses</u> <u>Financial Assets for Which Credit Risk Has Increased Significantly Since Initial Recognition</u>	<u>Credit-Impaired Financial Assets</u>	
None	¥ 306,529	—	—	¥ 306,529
Within 30 days	31,816	—	—	31,816
30 days to 90 days	—	¥3,451	—	3,451
Over 90 days	—	—	¥11,006	11,006
Total	¥ 338,346	¥3,451	¥11,006	¥ 352,804

<u>Past Due Dates</u>	<u>Thousands of U.S. Dollars</u>			<u>Total</u>
	<u>Financial Assets for Which Loss Allowance Is Measured at an Amount Equal to 12-Month Expected Credit Losses</u>	<u>Financial Assets for Which Loss Allowance Is Measured at an Amount Equal to the Lifetime Expected Credit Losses</u> <u>Financial Assets for Which Credit Risk has Increased Significantly Since Initial Recognition</u>	<u>Credit-Impaired Financial Assets</u>	
None	\$ 2,816,585	—	—	\$ 2,816,585
Within 30 days	292,345	—	—	292,345
30 days to 90 days	—	\$ 31,710	—	31,710
Over 90 days	—	—	\$ 101,130	101,130
Total	\$ 3,108,940	\$ 31,710	\$ 101,130	\$ 3,241,789

As of March 31, 2019

<u>Past Due Dates</u>	<u>Millions of Yen</u>			<u>Total</u>
	<u>Financial Assets for Which Loss Allowance Is Measured at an Amount Equal to 12-Month Expected Credit Losses</u>	<u>Financial Assets for Which Loss Allowance Is Measured at an Amount Equal to the Lifetime Expected Credit Losses</u> <u>Financial Assets for Which Credit Risk Has Increased Significantly Since Initial Recognition</u>	<u>Credit-Impaired Financial Assets</u>	
None	¥ 229,077	—	—	¥ 229,077
Within 30 days	21,158	—	—	21,158
30 days to 90 days	—	¥3,041	—	3,041
Over 90 days	—	—	¥9,466	9,466
Total	¥ 250,235	¥3,041	¥9,466	¥ 262,743

As of March 31, 2020 and 2019, other than those in the table above, no financial assets for which the credit risk has increased significantly were identified. The credit risks on the carrying amounts of such financial assets were not significant.

b. Analysis of the Allowance Account for Credit Losses

Changes in the allowance account for credit losses for loans in the credit card business are as follows:

As of March 31, 2020

	Millions of Yen			Total
	Lifetime Expected Credit Losses			
	12-Month Expected Credit Losses	Financial Assets for Which Credit Risk Has Increased Significantly Since Initial Recognition	Credit-Impaired Financial Assets	
Beginning balance	¥1,025	¥1,376	¥6,999	¥ 9,402
Increase—Provision	310	104	846	1,261
Decrease—Used	—	—	(69)	(69)
Decrease—Reversal	(0)	(1)	(34)	(35)
Total	¥1,336	¥1,480	¥7,742	¥10,558

	Thousands of U.S. Dollars			Total
	Lifetime Expected Credit Losses			
	12-Month Expected Credit Losses	Financial Assets for Which Credit Risk Has Increased Significantly Since Initial Recognition	Credit-Impaired Financial Assets	
Beginning balance	\$ 9,418	\$ 12,643	\$ 64,311	\$ 86,391
Increase—Provision	2,848	955	7,773	11,586
Decrease—Used	—	—	(634)	(634)
Decrease—Reversal	(0)	(9)	(312)	(321)
Total	\$ 12,276	\$ 13,599	\$ 71,138	\$ 97,013

As of March 31, 2019

	Millions of Yen			Total
	Lifetime Expected Credit Losses			
	12-Month Expected Credit Losses	Financial Assets for Which Credit Risk Has Increased Significantly Since Initial Recognition	Credit-Impaired Financial Assets	
Beginning balance	¥ 728	¥1,082	¥4,330	¥6,141
Increase—Provision	297	293	2,750	3,341
Decrease—Used	—	—	(81)	(81)
Total	¥1,025	¥1,376	¥6,999	¥9,402

3) *Liquidity risk*

The Group is exposed to liquidity risk in funding, use and repayment of cash in relation to operating transactions and investing activities. In order to prevent and reduce the liquidity risk, the Group limits its use of funds to highly liquid and low-risk investments which mature within a year. The Group finances its funds through direct financing such as bank loans, bonds, and securitization of receivables for which repayment periods are decided after considering the market environment and long-term and short-term balances.

The banking subsidiary's funds are managed with an emphasis on financing capabilities in emergencies and a preference for investment in bonds with high liquidity. As to fund raising, in order to prevent excessive dependence on short-term finances, the banking subsidiary sets limits on short-term cash requirements and monitors the observance of such limits on a daily basis. The banking subsidiary also monitors the balances of assets that can be converted into cash to respond to emergency cash requirements, such as large outflows of customer deposits.

Maturities of financial liabilities are as follows:

As of March 31, 2020

	Millions of Yen							
	Carrying Amount	Contractual Cash Flow	Within a Year	1–2 Years	2–3 Years	3–4 Years	4–5 Years	5 Years and Thereafter
Non-derivative financial liabilities:								
Trade and other payables	¥ 487,242	¥ 487,242	¥ 487,242	¥ 0	—	—	—	—
Customer deposits in banking business	903,118	903,245	882,093	6,770	¥ 6,278	¥ 2,661	¥ 2,330	¥ 3,110
Interest-bearing liabilities:								
Long-term bank loans	614,612	618,254	574,616	20,541	2,584	1,385	3,751	15,375
Bonds	354,327	357,146	10,485	15,459	85,365	30,265	75,152	140,418
Lease liabilities	116,593	117,691	26,990	24,225	16,125	12,075	10,314	27,959
Others	903	911	195	178	170	158	125	82
Other financial liabilities	6,019	6,019	671	2,862	473	454	401	1,157
Derivative financial liabilities—								
Other financial liabilities	4,137	4,137	3,749	387	—	—	—	—
Off balance items:								
Committed lines of cash advances (Note 2)	—	4,573,130	4,573,130	—	—	—	—	—
Credit guarantees (Note 2)	—	6,380	6,380	—	—	—	—	—

	Thousands of U.S. Dollars							
	Carrying Amount	Contractual Cash Flow	Within a Year	1–2 Years	2–3 Years	3–4 Years	4–5 Years	5 Years and Thereafter
Non-derivative financial liabilities:								
Trade and other payables	\$ 4,477,092	\$ 4,477,092	\$ 4,477,092	\$ 0	—	—	—	—
Customer deposits in banking business	8,298,428	8,299,595	8,105,237	62,207	\$ 57,686	\$ 24,450	\$ 21,409	\$ 28,576
Interest-bearing liabilities:								
Long-term bank loans	5,647,450	5,680,915	5,279,941	188,743	23,743	12,726	34,466	141,275
Bonds	3,255,784	3,281,687	96,342	142,047	784,388	278,094	690,544	1,290,250
Lease liabilities	1,071,331	1,081,420	248,001	222,594	148,166	110,952	94,771	256,905
Others	8,297	8,370	1,791	1,635	1,562	1,451	1,148	753
Other financial liabilities	55,306	55,306	6,165	26,297	4,346	4,171	3,684	10,631
Derivative financial liabilities—								
Other financial liabilities	38,013	38,013	34,448	3,556	—	—	—	—
Off balance items:								
Committed lines of cash advances (Note 2)	—	42,020,858	42,020,858	—	—	—	—	—
Credit guarantees (Note 2)	—	58,623	58,623	—	—	—	—	—

As of March 31, 2019

	Millions of Yen							
	Carrying Amount	Contractual Cash Flow	Within a Year	1–2 Years	2–3 Years	3–4 Years	4–5 Years	5 Years and Thereafter
Non-derivative financial liabilities:								
Trade and other payables	¥ 394,545	¥ 394,545	¥ 394,545	—	—	—	—	—
Customer deposits in banking business	768,613	768,790	746,519	¥ 6,037	¥ 5,950	¥ 3,159	¥ 2,773	¥ 4,349
Interest-bearing liabilities:								
Long-term bank loans	69,997	70,367	43,906	3,619	20,078	1,513	1,008	241
Bonds	130,000	131,935	5,345	10,338	15,313	25,263	30,177	45,497
Others	15,215	16,204	2,018	2,058	1,975	1,888	1,870	6,392
Other financial liabilities	5,101	5,101	522	1,889	553	534	445	1,155
Derivative financial liabilities—								
Other financial liabilities	3,582	3,582	3,212	370	—	—	—	—
Off balance items:								
Committed lines of cash advances (Note 2)	—	3,854,555	3,854,555	—	—	—	—	—
Credit guarantees (Note 2)	—	7,668	7,668	—	—	—	—	—

Notes: 1. Financial liabilities payable on demand are included in "Within a Year." Customer deposits in banking business include ¥779,566 million (\$7,163,153 thousand) and ¥643,894 million of demand deposits as of March 31, 2020 and 2019, respectively.

2. Please refer to "Note 40. Contingencies."

(3) Categories of Financial Instruments

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

As of March 31, 2020

Financial Assets	Millions of Yen				Total
	Financial Assets at FVTPL	Debt Instruments at FVTOCI	Equity Instruments at FVTOCI	Financial Assets at Amortized Cost	
Trade and other receivables	—	—	—	¥ 386,799	¥ 386,799
Loans in credit card business	—	—	—	342,245	342,245
Investment securities in banking business	¥ 11,717	¥ 361,724	—	42,366	415,809
Loans in banking business	—	—	—	98,752	98,752
Other financial assets	44,582	—	¥ 77,342	142,288	264,213
Total	¥ 56,299	¥ 361,724	¥ 77,342	¥ 1,012,451	¥ 1,507,818

Financial Liabilities	Millions of Yen			Total
	Financial Liabilities at FVTPL	Financial Liabilities at Amortized Cost		
Trade and other payables	—	¥ 487,242		¥ 487,242
Customer deposits in banking business	—	903,118		903,118
Interest-bearing liabilities	—	1,086,436		1,086,436
Other financial liabilities	¥ 4,137	6,019		10,157
Total	¥ 4,137	¥ 2,482,817		¥ 2,486,955

Financial Assets	Thousands of U.S. Dollars				Total
	Financial Assets at FVTPL	Debt Instruments at FVTOCI	Equity Instruments at FVTOCI	Financial Assets at Amortized Cost	
Trade and other receivables	—	—	—	\$ 3,554,157	\$ 3,554,157
Loans in credit card business	—	—	—	3,144,767	3,144,767
Investment securities in banking business	\$ 107,663	\$ 3,323,752	—	389,286	3,820,720
Loans in banking business	—	—	—	907,396	907,396
Other financial assets	409,648	—	\$ 710,668	1,307,433	2,427,758
Total	\$ 517,311	\$ 3,323,752	\$ 710,668	\$ 9,303,050	\$ 13,854,801

Financial Liabilities	Thousands of U.S. Dollars			Total
	Financial Liabilities at FVTPL	Financial Liabilities at Amortized Cost		
Trade and other payables	—	\$ 4,477,092		\$ 4,477,092
Customer deposits in banking business	—	8,298,428		8,298,428
Interest-bearing liabilities	—	9,982,872		9,982,872
Other financial liabilities	\$ 38,013	55,306		93,329
Total	\$ 38,013	\$ 22,813,718		\$ 22,851,741

As of March 31, 2019

	Millions of Yen				Total
	Financial Assets at FVTPL	Debt Instruments at FVTOCI	Equity Instruments at FVTOCI	Financial Assets at Amortized Cost	
Financial Assets					
Call loans in banking business	—	—	—	¥ 20,000	¥ 20,000
Trade and other receivables	—	—	—	328,281	328,281
Loans in credit card business	—	—	—	253,340	253,340
Investment securities in banking business	¥ 25,927	¥ 348,851	—	44,771	419,551
Loans in banking business	—	—	—	80,942	80,942
Other financial assets	38,944	—	¥ 50,704	101,611	191,260
Total	¥ 64,872	¥ 348,851	¥ 50,704	¥ 828,947	¥ 1,293,375

	Millions of Yen		
	Financial Liabilities at FVTPL	Financial Liabilities at Amortized Cost	Total
Financial Liabilities			
Trade and other payables	—	¥ 394,545	¥ 394,545
Customer deposits in banking business	—	768,613	768,613
Interest-bearing liabilities	—	215,212	215,212
Other financial liabilities	¥ 3,582	5,101	8,683
Total	¥ 3,582	¥ 1,383,473	¥ 1,387,056

(4) Equity Instruments at FVTOCI

1) Fair value of significant investments

An investment, which is held for the purpose of maximizing profit by strengthening the services of the Company with collaboration gained through investments, is designated as equity instruments at FVTOCI. A significant item of such investments is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31, 2020	Year Ended March 31, 2019	Year Ended March 31, 2020
PayPay (preferred shares (Note))	¥ 35,000	—	\$ 321,602
Tpoint Japan Co., Ltd.	15,237	¥ 16,422	140,007
KREO CO., LTD.	1,115	1,356	10,245
GameWith, Inc.	958	2,172	8,802
User Local, Inc.	853	1,204	7,837

Note: The amount as of March 31, 2020 does not include equity in losses of PayPay of ¥6,822 million (\$62,684 thousand) allocated to the preferred shares. For details, please refer to "Summarized consolidated financial information and other information on significant investments accounted for using the equity method" in "(3) Investments accounted for using the equity method" in "Note 14. Disclosure of interests in other entities."

2) *Equity instruments at FVTOCI derecognized during the year*

The fair value at the date of sale of equity instruments at FVTOCI derecognized during the year, which were sold because they were not expected to maximize profit by strengthening the services of the Company, and the related pretax cumulative gains or losses on sale are as follows:

	Millions of Yen		Thousands of
	Year Ended		U.S. Dollars
	March 31		Year Ended
	2020	2019	March 31, 2020
Fair value at the date of sale	¥4,065	¥13,192	\$37,351
Cumulative gains or losses on sale	1,682	10,289	15,455

3) *Transfer to retained earnings*

The Group transfers cumulative gains or losses from changes in the fair value of an equity instrument measured at FVTOCI to retained earnings when the instrument is derecognized or when the fair value has been less than the carrying amount to a significant degree or for a long term. The cumulative gains or losses transferred to retained earnings, which were previously recognized in other comprehensive income, for the years ended March 31, 2020 and 2019, were losses of ¥1,877 million (\$17,247 thousand) and gains of ¥9,823 million, respectively.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

(1) *Categorization by Level within the Fair Value Hierarchy*

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

Levels 1 to 3 of the fair value hierarchy are defined as follows:

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

Level 2: Fair value is measured using inputs, other than those used in 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 Levels 1 and 2 during the fiscal years ended March 31, 2020 and 2019.

Because carrying amounts of financial instruments on the consolidated statement of financial position are equal to or reasonably approximate to their fair values, information regarding comparisons between carrying amounts and fair values for each class of financial instruments is omitted.

Financial instruments measured at fair value on a recurring basis by level within the fair value hierarchy are as follows:

As of March 31, 2020

	Millions of Yen			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Derivatives used in foreign exchange dealings	—	¥ 28,186	—	¥ 28,186
Equity securities	¥ 6,442	—	¥ 66,479	72,922
Debt securities	5,027	243,571	2,182	250,781
Trust beneficiary rights	—	—	117,126	117,126
Others	<u>4,627</u>	<u>6,069</u>	<u>15,653</u>	<u>26,350</u>
Total	<u>¥ 16,097</u>	<u>¥ 277,827</u>	<u>¥ 201,442</u>	<u>¥ 495,367</u>
Financial liabilities:				
Derivatives used in foreign exchange dealings	—	¥ 3,601	—	¥ 3,601
Others	<u>¥ 91</u>	<u>443</u>	<u>—</u>	<u>535</u>
Total	<u>¥ 91</u>	<u>¥ 4,045</u>	<u>—</u>	<u>¥ 4,137</u>

	Thousands of U.S. Dollars			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Derivatives used in foreign exchange dealings	—	\$ 258,991	—	\$ 258,991
Equity securities	\$ 59,193	—	\$ 610,851	670,054
Debt securities	46,191	2,238,086	20,049	2,304,337
Trust beneficiary rights	—	—	1,076,228	1,076,228
Others	<u>42,515</u>	<u>55,765</u>	<u>143,829</u>	<u>242,120</u>
Total	<u>\$ 147,909</u>	<u>\$ 2,552,853</u>	<u>\$ 1,850,978</u>	<u>\$ 4,551,750</u>
Financial liabilities:				
Derivatives used in foreign exchange dealings	—	\$ 33,088	—	\$ 33,088
Others	<u>\$ 836</u>	<u>4,070</u>	<u>—</u>	<u>4,915</u>
Total	<u>\$ 836</u>	<u>\$ 37,168</u>	<u>—</u>	<u>\$ 38,013</u>

As of March 31, 2019

	Millions of Yen			Total
	Level 1	Level 2	Level 3	
Financial assets:				
Derivatives used in foreign exchange dealings	—	¥ 19,449	—	¥ 19,449
Equity securities	¥ 13,570	—	¥ 37,038	50,609
Debt securities	2,703	254,908	2,896	260,508
Trust beneficiary rights	—	—	104,458	104,458
Others	5,901	9,607	13,894	29,403
Total	¥ 22,175	¥ 283,964	¥ 158,288	¥ 464,427
Financial liabilities:				
Derivatives used in foreign exchange dealings	—	¥ 3,212	—	¥ 3,212
Others	—	370	—	370
Total	—	¥ 3,582	—	¥ 3,582

(2) Valuation Techniques for Financial Instruments

Derivatives used in foreign exchange dealings are categorized as Level 2 as they are measured based on the quoted market price of similar transactions.

As for equity securities, fair values of listed equity securities are evaluated at quoted prices at the end of the year, whereas fair values of non-listed equity securities are measured using 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 perpetual growth rates that are used for the measurement of future cash flows are observable, whereas if inputs include significant unobservable inputs, they are classified as Level 3.

Fair values of debt securities and trust beneficiary rights are measured by using prices based on available information, including reference trading statistics and brokers' quotes. The Group also utilizes the discounted cash flow model using discount rates as inputs after taking into account risk-free interest rates and credit spreads. They are categorized as Level 2 or Level 3 depending on their observability and significance.

Because the fair values of financial assets on the consolidated statement of financial position other than above are the same or reasonably approximate their carrying values, the carrying values are deemed to be their fair values.

(3) Fair Value Measurements of Financial Instruments That Are Categorized as Level 3

1) *Valuation techniques and inputs*

Valuation techniques and significant unobservable inputs used in the Level 3 fair value measurements are as follows:

	Valuation Techniques	Unobservable Inputs	Ranges of Unobservable Inputs	
			As of March 31	
			2020	2019
Equity securities	Discounted cash flow	Capital cost	10.5%–40.0%	11.0%
		Perpetual growth rate	1.0%	1.0%
		EBIT ratio (Note)	20.3%	—

Note: In determining the terminal value, EBIT ratios of similar corporations are used.

Perpetual growth rate and EBIT ratio have a positive correlation with the fair value of equity securities, whereas capital cost has a negative correlation. Other than those above, certain financial assets are measured by using the Guideline Transaction Method.

2) *Reconciliation of financial instruments categorized as Level 3*

Reconciliation of financial instruments categorized as Level 3 is as follows:

For the Year Ended March 31, 2020

	Millions of Yen			
	Equity Securities (Note 3)	Debt Securities	Trust Beneficiary Rights	Other
As of April 1, 2019	¥37,038	¥2,896	¥ 104,458	¥ 13,894
Gains or losses:				
Profit for the year (Note 1)	(31)	60	—	1,046
Other comprehensive income (Note 2)	(2,859)	(3)	(12)	(6)
Purchases (Note 3)	38,767	—	33,774	1,024
Sales or redemption	(1,616)	(770)	(21,094)	—
Others (Note 3)	(4,818)	—	—	(305)
As of March 31, 2020	<u>¥66,479</u>	<u>¥2,182</u>	<u>¥ 117,126</u>	<u>¥ 15,653</u>

	Thousands of U.S. Dollars			
	Equity Securities (Note 3)	Debt Securities	Trust Beneficiary Rights	Other
As of April 1, 2019	\$ 340,328	\$ 26,610	\$ 959,827	\$ 127,667
Gains or losses:				
Profit for the year (Note 1)	(284)	551	—	9,611
Other comprehensive income (Note 2)	(26,270)	(27)	(110)	(55)
Purchases (Note 3)	356,216	—	310,337	9,409
Sales or redemption	(14,848)	(7,075)	(193,825)	—
Others (Note 3)	(44,270)	—	—	(2,802)
As of March 31, 2020	<u>\$ 610,851</u>	<u>\$ 20,049</u>	<u>\$ 1,076,228</u>	<u>\$ 143,829</u>

- Notes: 1. Gains or losses included in profit for the year are included in "Other non-operating income" and "Other non-operating expenses" in the consolidated statement of profit or loss.
2. Gains or losses included in other comprehensive income are included in "Equity instruments measured at fair value through other comprehensive income," "Debt instruments measured at fair value through other comprehensive income," and "Exchange differences on translating foreign operations" in the consolidated statement of comprehensive income.
3. The Group acquired and holds preferred shares of PayPay and the acquisition cost of ¥35,000 million (\$321,602 thousand) of which is included in "Purchases" in the table above. In addition, equity in losses of PayPay of ¥6,822 million (\$62,684 thousand) allocated to the preferred shares of PayPay is included in "Others" in the table above. For details, please refer to "Summarized consolidated financial information and other information on significant investments accounted for using the equity method" in "(3) Investments accounted for using the equity method" in "Note 14. Disclosure of interests in other entities."

For the Year Ended March 31, 2019

	Millions of Yen			
	Equity Securities	Debt Securities	Trust Beneficiary Rights	Other
As of April 1, 2018	¥31,145	¥3,942	¥ 25,336	¥ 8,354
Gains or losses:				
Profit for the year (Note 1)	(124)	(101)	—	607
Other comprehensive income (Note 2)	3,779	—	86	133
Purchases	8,957	—	86,346	5,156
Sales or redemption	(1,683)	(939)	(7,312)	(157)
Transfer due to obtaining control	(5,003)	—	—	—
Others	(31)	(5)	—	(199)
As of March 31, 2019	<u>¥37,038</u>	<u>¥2,896</u>	<u>¥ 104,458</u>	<u>¥ 13,894</u>

Notes: 1. Gains or losses included in profit for the year are included in "Other non-operating income" and "Other non-operating expenses" in the consolidated statement of profit or loss.

2. Gains or losses included in other comprehensive income are included in "Equity instruments measured at fair value through other comprehensive income," "Debt instruments measured at fair value through other comprehensive income," and "Exchange differences on translating foreign operations" in the consolidated statement of comprehensive income.

3) *Sensitivity analysis*

For financial instruments classified as Level 3, no significant changes in fair value are expected to occur as a result of changing unobservable inputs to other alternative assumptions that are considered reasonable.

4) *Valuation processes*

The fair value of Level 3 financial instruments is measured by our personnel in the investment management department, taking into account external specialists' advice and using the most appropriate valuation techniques and inputs that reflect the nature, characteristics, and risks of the financial instruments subject to fair valuation. The result of the fair value measurement, including the valuation by the external specialists, is reviewed by managers of the investment management department and approved by the Chief Financial Officer (Managing Corporate Officer and Executive Vice President).

31. TRANSFERS OF FINANCIAL ASSETS

The Company enters into securitization transactions involving certain trade receivables included in trade and other receivables and certain monthly clear receivables (right to claim for charges for products or services provided to a credit cardholder who purchased such products or services by choosing a payment method in which the cardholder pays the total amount one month after the purchase) included in loans in credit card business. Certain securitized receivables have recourse that makes the Group obliged to pay in the case of the debtor's default and other conditions. The Group bears credit risks arising from such transactions until collection of receivables. Such receivables are not derecognized because they do not meet the criteria for derecognition of financial assets. The proceeds from such transfers are recorded as a borrowing and included in interest-bearing liabilities.

The Group recorded ¥3,995 million (\$36,708 thousand) and ¥3,994 million of transferred assets that do not meet the criteria for derecognition of financial assets included in trade and other receivables as of March 31, 2020 and 2019, respectively. The Group also recorded ¥1,360 million (\$12,496 thousand) of such transferred assets included in loans in credit card business as of March 31, 2020. In addition, the Group recorded ¥63,995 million (\$588,027 thousand) and ¥3,994 million of other financial liabilities in relation to the transferred assets as of March 31, 2020 and 2019, respectively. This liability will be settled without significant delay when the payment for the transferred assets by the original debtors is executed; however, the Group is unable to utilize the transferred assets until the related liabilities are settled or the original debtors paid. The difference between the amount of transferred assets and related financial liabilities for the year ended March 31, 2020 is treated as collection of loans in credit card business.

32. REVENUE

(1) Disaggregation of Revenue

Revenue of each reporting segment is disaggregated into "Advertising," "Business," "Personal," and "Others." Revenues from these businesses are recognized based on the contracts with customers. The amount of revenue which includes variable consideration is not significant. The promised amounts of consideration do not contain significant financing components. The components of revenue are as follows:

For the Year Ended March 31, 2020

	Millions of Yen			Total
	Commerce Business	Media Business	Other Business	
Advertising	¥ 37,807	¥ 303,238	—	¥ 341,045
Business	474,490	3,622	¥3,600	481,713
Personal	226,179	811	1,204	228,195
Others	1,988	—	—	1,988
Total	¥ 740,466	¥ 307,672	¥4,804	¥ 1,052,943
Revenue from contracts with customers	¥ 696,346	¥ 307,672	¥2,754	¥ 1,006,773
Revenue from other resources	44,119	—	2,050	46,169

	Thousands of U.S. Dollars			Total
	Commerce Business	Media Business	Other Business	
Advertising	\$ 347,395	\$ 2,786,345	—	\$ 3,133,740
Business	4,359,919	33,281	\$ 33,079	4,426,288
Personal	2,078,278	7,451	11,063	2,096,802
Others	18,267	—	—	18,267
Total	\$ 6,803,877	\$ 2,827,088	\$ 44,142	\$ 9,675,117
Revenue from contracts with customers	\$ 6,398,474	\$ 2,827,088	\$ 25,305	\$ 9,250,877
Revenue from other resources	405,393	—	18,836	424,230

For the Year Ended March 31, 2019

	Millions of Yen			Total
	Commerce Business	Media Business	Other Business	
Advertising	¥ 30,103	¥ 293,746	—	¥ 323,850
Business	402,017	6,996	¥5,258	414,272
Personal	212,818	1,137	1,131	215,088
Others	1,503	—	—	1,503
Total	¥ 646,443	¥ 301,880	¥6,390	¥ 954,714
Revenue from contracts with customers	¥ 610,518	¥ 301,880	¥3,372	¥ 915,771
Revenue from other resources	35,925	—	3,017	38,942

Note: Revenue from other resources includes ¥44,119 million (\$405,393 thousand) and ¥35,925 million of finance income generated mainly from financial assets at amortized cost for the years ended March 31, 2020 and 2019, respectively.

- Advertising • Paid search, display, and other advertising-related services
- Business • YAHUOKU!, Yahoo! Shopping, ZOZOTOWN, and other e-commerce related services
 - Sale of goods such as ASKUL
- Personal • YAHUOKU! and other e-commerce related services
 - Yahoo! Premium and other membership services
 - Sale of goods such as LOHACO
 - Credit card and other settlement- and finance-related services

(2) Contract Balances

The components of contract balances are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	As of April 1, 2018	As of March 31, 2019	As of March 31, 2020	As of March 31, 2020
Receivables arising from contracts with customers	¥ 125,157	¥ 129,742	¥ 157,146	\$ 1,443,958
Contract liabilities	11,618	12,403	12,868	118,239

Revenue recognized in the years ended March 31, 2020 and 2019 that was included in the contract liability balance at the beginning of each year was ¥10,682 million (\$98,153 thousand) and ¥8,604 million, respectively. Revenue recognized in the years ended March 31, 2020 and 2019 from performance obligations satisfied (or partially satisfied) in previous years was not significant.

(3) Transaction Price Allocated to the Remaining Performance Obligations

Information on transaction price allocated to the remaining performance obligations is not presented because the Group does not have any significant contracts that have an original expected duration of more than a year.

(4) Assets Recognized from Contract Costs

1) *Contract costs*

Assets recognized from the contract costs are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31, 2020
	2020	2019	
Assets recognized from the costs to obtain a contract	¥4,487	¥3,618	\$41,229

Note: For assets with amortization periods of one year or less, costs to obtain a contract are recognized as an expense when incurred.

Contract costs mainly consist of sales commissions to acquire credit card members. The Group recognizes the incremental costs of obtaining a contract with a customer as assets if the Group expects to recover those costs.

2) *Amount of amortization and impairment losses*

Amount of amortization and impairment losses of assets recognized from the contract costs are as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	Year Ended March 31		Year Ended March 31,
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Amortization	¥516	¥282	\$4,741
Impairment losses	—	—	—

33. COST OF SALES AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The components of cost of sales and selling, general and administrative expenses presented by nature of the expenses are as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	Year Ended March 31		Year Ended March 31,
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Cost of goods sold	¥ 305,102	¥ 291,145	\$ 2,803,473
Personnel expenses	111,644	99,166	1,025,856
Depreciation and amortization	83,419	52,498	766,507
Business commissions	74,395	70,840	683,589
Sales promotion costs	72,900	71,167	669,852
Information services	56,812	52,474	522,025
Packing and freight expenses	35,208	26,100	323,513
Others	<u>161,185</u>	<u>158,768</u>	<u>1,481,071</u>
Total	<u>¥ 900,667</u>	<u>¥ 822,162</u>	<u>\$ 8,275,907</u>

34. GAIN ON SALE OF INVESTMENTS IN A SUBSIDIARY

Gain on sale of investments in a subsidiary was recorded due to the sale of all shares of IDC Frontier Inc.

35. OTHER NON-OPERATING INCOME

The components of other non-operating income are as follows:

	<u>Millions of Yen</u>		<u>Thousands of U.S. Dollars</u>
	Year Ended March 31		Year Ended March 31,
	<u>2020</u>	<u>2019</u>	<u>2020</u>
Gain from changes in ownership interests	¥ 11,693	—	\$ 107,442
Others	<u>1,260</u>	<u>¥ 1,320</u>	<u>11,577</u>
Total	<u>¥ 12,954</u>	<u>¥ 1,320</u>	<u>\$ 119,029</u>

36. OTHER COMPREHENSIVE INCOME

The amount arising during the year, reclassification adjustments and income tax effects on each item in other comprehensive (loss) income for the years ended March 31, 2020 and 2019 were as follows:

	<u>Millions of Yen</u>		<u>Thousands of</u>
	<u>Year Ended</u>	<u>Year Ended</u>	<u>U.S. Dollars</u>
	<u>March 31</u>	<u>March 31,</u>	<u>Year Ended</u>
	<u>2020</u>	<u>2019</u>	<u>March 31,</u>
			<u>2020</u>
Items that may not be reclassified subsequently to profit or loss:			
Equity instruments at FVTOCI:			
Amount arising during the year	¥(7,517)	¥3,878	\$(69,071)
Before tax effect	(7,517)	3,878	(69,071)
Income tax effect	839	(132)	7,709
Equity instruments at FVTOCI, after tax effect	<u>(6,677)</u>	<u>3,746</u>	<u>(61,352)</u>
Total	<u>(6,677)</u>	<u>3,746</u>	<u>(61,352)</u>
Items that may be reclassified subsequently to profit or loss:			
Debt instruments at FVTOCI:			
Amount arising during the year	(1,625)	1,675	(14,931)
Reclassification adjustments	(414)	(118)	(3,804)
Before tax effect	(2,039)	1,557	(18,735)
Income tax effect	624	(476)	5,733
Debt instruments at FVTOCI, after tax effect	<u>(1,415)</u>	<u>1,080</u>	<u>(13,001)</u>
Exchange differences on translating foreign operations:			
Amount arising during the year	(535)	911	(4,915)
Reclassification adjustments	—	—	—
Before tax effect	(535)	911	(4,915)
Income tax effect	—	—	—
Exchange differences on translating foreign operations, after tax effect	<u>(535)</u>	<u>911</u>	<u>(4,915)</u>
Share of other comprehensive income of associates:			
Amount arising during the year	0	(13)	0
Income tax effect	—	—	—
Share of other comprehensive income of associates, after tax effect	<u>0</u>	<u>(13)</u>	<u>0</u>
Total	<u>(1,949)</u>	<u>1,979</u>	<u>(17,908)</u>
Other comprehensive (loss) income, net of tax	<u>¥(8,627)</u>	<u>¥5,725</u>	<u>\$(79,270)</u>

37. EARNINGS PER SHARE

Basic and diluted earnings per share attributable to owners of the parent are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31, 2020
	2020	2019	
Basic earnings per share (yen and U.S. dollars)	¥16.88	¥14.74	\$0.16
Profit for the year attributable to owners of the parent	¥81,675	¥78,677	\$ 750,482
Profit for the year not attributable to owners of the parent	—	—	—
Profit for the year used in the calculation of basic earnings per share	¥81,675	¥78,677	\$ 750,482
Weighted-average number of common stock (thousands of shares)	4,838,708	5,338,012	
Diluted earnings per share (yen and U.S. dollars)	¥16.88	¥14.74	\$0.16
Adjustments on profit for the year	—	—	—
Increase in the number of common stock (thousands of shares)	110	214	
Potential common stock that are anti-dilutive and therefore excluded from the calculation of diluted earnings per share	Options series: 2010—1st and 2010— 2nd (Please refer to "Note 28. Share-based payments.")	Options series: 2010—1st, 2012—2nd, 2013—1st and 2nd; 2014—1st (Please refer to "Note 28. Share-based payments.")	

38. SUPPLEMENTAL INFORMATION TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(1) Significant Non-cash Transactions

Significant non cash investing and financing transactions (transactions that do not require the use of cash or cash equivalents) are as follows:

For the amounts of assets acquired under lease contracts in the year ended March 31, 2020, please refer to "New Finance Leases" in "(2) Reconciliation of liabilities arising from financing activities."

As the Group adopted IFRS 16 at the beginning of the year ended March 31, 2020, the Group's obligation to make lease payments are recognized as a lease liability. For details, please refer to "(19) Changes in accounting policies" in "Note 3. Significant accounting policies."

For the amounts of assets acquired under finance lease contracts in the year ended March 31, 2019, please refer to "New Finance Leases" in "(2) Reconciliation of liabilities arising from financing activities."

(2) Reconciliation of Liabilities Arising from Financing Activities

Changes in liabilities arising from financing activities for the years ended March 31, 2020 and 2019 are as follows:

For the Year Ended March 31, 2020

	Millions of Yen							March 31, 2020
	April 1, 2019	Effect of Applying a New Accounting Standard	April 1, 2019 as Restated	Financing Cash Flows	Non-cash Changes			
				Obtaining Control	New Leases	Others		
Bonds	¥ 130,000	—	¥ 130,000	¥ 224,217	—	¥ 109	¥ 354,327	
Bank loans	69,997	—	69,997	521,057	¥ 22,000	1,557	614,612	
Lease liabilities	—	¥ 89,588	89,588	(23,630)	20,589	(208)	116,593	

	Thousands of U.S. Dollars							March 31, 2020
	April 1, 2019	Effect of Applying a New Accounting Standard	April 1, 2019 as Restated	Financing Cash Flows	Non-cash Changes			
				Obtaining Control	New Leases	Others		
Bonds	\$ 1,194,523	—	\$ 1,194,523	\$ 2,060,249	—	\$ 1,001	\$ 3,255,784	
Bank loans	643,177	—	643,177	4,787,806	\$ 202,150	14,306	5,647,450	
Lease liabilities	—	\$ 823,192	823,192	(217,127)	189,184	(1,911)	1,071,331	

For the Year Ended March 31, 2019

	Millions of Yen						March 31, 2019
	April 1, 2018	Financing Cash Flows	Obtaining Control	Non-cash Changes			
				New Finance Leases	Others		
Bonds	¥ 105,050	¥ 24,949	—	—	—	¥ 130,000	
Bank loans	69,782	158	¥ 55	—	—	69,997	
Lease liabilities	15,735	(1,839)	—	¥ 1,396	¥ (81)	15,211	

The figure of financing cash flows from bonds above is the net amount of "proceeds from issuance of bonds" and "repayment of bonds," which is included in "others," in cash flows from financing activities in the consolidated statement of cash flows.

The figure of financing cash flows from bank loans above is the net amount of "net increase of short-term bank loans," "proceeds from long-term bank loans," and "repayment of bank loans," which is included in "others," in cash flows from financing activities in the consolidated statement of cash flows.

The figure of financing cash flows from lease liabilities above is "repayment of lease liabilities" in cash flows from financing activities in the consolidated statement of cash flows. Interest expenses related to lease liabilities for the year ended March 31, 2020 were ¥282 million (\$2,591 thousand).

39. RELATED PARTY TRANSACTIONS

The Company's ultimate parent company is SBG.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed herein. Details of transactions between the Group and other related parties that are not members of the Group are disclosed below.

(1) **Related Party Transactions and Outstanding Balances**

Year Ended March 31, 2020

<u>Nature of Relationship</u>	<u>Name of Company or Individual</u>	<u>Nature of Transaction</u>	<u>Millions of Yen</u>	
			<u>Amount of Transaction</u>	<u>Outstanding Balance at Year-End</u>
Parent company	SoftBank Corp.	Issue of new shares (Note 1)	¥ 456,466	—
Parent company	SoftBank Group Japan Corporation	Purchase of treasury stock (Note 2)	514,539	—
Associate	PayPay Corporation	Subscription of new shares	35,000	—

<u>Nature of Relationship</u>	<u>Name of Company or Individual</u>	<u>Nature of Transaction</u>	<u>Thousands of U.S. Dollars</u>	
			<u>Amount of Transaction</u>	<u>Outstanding Balance at Year-End</u>
Parent company	SoftBank Corp.	Issue of new shares (Note 1)	\$4,194,303	—
Parent company	SoftBank Group Japan Corporation	Purchase of treasury stock (Note 2)	4,727,915	—
Associate	PayPay Corporation	Subscription of new shares (Note 3)	321,602	—

- Notes: 1. According to the resolution reached at the meeting of the Board of Directors held on May 8, 2019, the Company purchased 1,511,478,050 of its own shares by way of a third-party allotment. The price of the tender offer was ¥302 (\$2.77) per share and was determined based on the closing price of the Company's common stock as of May 7, 2019, the day before the date of the resolution of the meeting of the Board of Directors.
2. According to the resolution reached at the meeting of the Board of Directors held on May 8, 2019, the Company purchased 1,792,819,200 of its own shares by way of a self-tender offer. The price of the tender offer was ¥287 (\$2.64) per share and was determined based on the closing price of the Company's common stock as of May 7, 2019, the day before the announcement date of the tender offer dated on May 8, 2019.
3. The issue price was negotiated and reasonably determined based on the evaluation of a third-party appraiser. The Company's ownership percentage of voting rights of PayPay did not change because this transaction was subscription of preferred shares of PayPay.

Year Ended March 31, 2019

<u>Nature of Relationship</u>	<u>Name of Company or Individual</u>	<u>Nature of Transaction</u>	<u>Millions of Yen</u>	
			<u>Amount of Transaction</u>	<u>Outstanding Balance at Year-End</u>
Parent company	SoftBank Group Japan Corporation	Purchase of treasury stock (Note 1)	¥ 219,999	—
Sister company	SoftBank Corp.	Sale of shares (Notes 2 and 3)	19,500	—
Sister company	SB Payment Service Corp.	Purchase of shares (Note 4)	19,458	—
Associate	PayPay Corporation	Subscription of new shares	22,900	—

- Notes: 1. According to the resolution reached at the meeting of the Board of Directors held on July 10, 2018, the Company purchased 611,109,700 of its own shares by way of a self-tender offer. The price of the tender offer was ¥360 per share and was determined based on the closing price of the Company's common stock as of July 9, 2018, the day before the announcement date of the tender offer dated on July 10, 2018.
2. The Company sold all shares of IDC Frontier Inc. to SoftBank Corp.
3. The sales price was negotiated and determined based on the evaluation of a third-party appraiser at the time of sale and other factors in a comprehensive manner.
4. The purchase price was negotiated and determined based on the evaluation of a third-party appraiser at the time of sale and other factors in a comprehensive manner.

(2) Remuneration for Major Executives

Remuneration for major executives is as follows:

	Millions of Yen		Thousands of
	Year Ended		U.S. Dollars
	March 31		Year Ended
	2020	2019	March 31, 2020
Short-term benefits	¥470	¥379	\$4,318
Retirement benefits	0	0	0
Share-based payments	93	39	854
Total	<u>¥563</u>	<u>¥419</u>	<u>\$5,173</u>

Note: Remuneration for major executives represents remuneration for the Company's directors (including external directors) and other executive officers.

40. CONTINGENCIES

(1) Committed Lines of Cash Advances

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

	Millions of Yen		Thousands of
	As of		U.S. Dollars
	March 31		As of
	2020	2019	March 31, 2020
Total amount of committed lines of cash advances	¥4,979,095	¥4,172,094	\$ 45,751,125
Outstanding balance	<u>(405,965)</u>	<u>(317,538)</u>	<u>(3,730,267)</u>
Remaining balance	<u>¥4,573,130</u>	<u>¥3,854,555</u>	<u>\$ 42,020,858</u>

The remaining balance of the shopping limit and cashing limit do not indicate that the total amount of the balance will be used in the future because (1) customers may use the credit card up to the limit at any time and do not always use the full amount of the limit and (2) the Group may change the limit arbitrarily. The remaining balance of the credit lines becomes due within a year as it is payable on demand.

(2) Credit Guarantee

In its credit guarantee business, the Group implemented debt guarantees against customers' loans from partnered financial institutions.

	Millions of Yen		Thousands of
	As of		U.S. Dollars
	March 31		As of
	2020	2019	March 31, 2020
Total amount of credit guarantees	¥ 13,745	¥ 13,904	\$ 126,297
Balance of credit guarantees	6,380	7,668	58,623

41. SIGNIFICANT SUBSEQUENT EVENT

Issuance of Unsecured Bonds

On June 5, 2020, the Company determined terms of issuance and issued the following unsecured bonds:

<u>Series</u>	<u>Total Amount of Issuance</u>	<u>Interest Rate Per Annum</u>	<u>Maturity Date</u>
Unsecured Bond #14	¥25,000 million (\$229,716 thousand)	0.200%	December 10, 2021
Unsecured Bond #15	¥80,000 million (\$735,091 thousand)	0.350%	June 9, 2023
Unsecured Bond #16	¥70,000 million (\$643,204 thousand)	0.600%	June 11, 2025
Unsecured Bond #17	¥15,000 million (\$137,829 thousand)	0.790%	June 11, 2027
Unsecured Bond #18	¥10,000 million (\$91,886 thousand)	0.900%	June 11, 2030

All bonds above include inter-bond pari passu clause and are redeemable in a lump-sum at their respective maturity date. The issue price of all bonds above is ¥100 (\$0.92) for ¥100 (\$0.92). The payment date of all bonds above are June 11, 2020. Proceeds from all bonds above are planned to be used for working capital, capital investments, investing and financing activities, repayment of borrowings, redemption of bonds, and purchase of treasury stock.

42. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been authorized for issue by Mr. Kentaro Kawabe, President and Representative Director, and Mr. Ryosuke Sakaue, Managing Corporate Officer, Executive Vice President and Chief Financial Officer, on June 16, 2020.

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