Yahoo Japan Corporation and Subsidiaries

Consolidated Financial Statements for the Year Ended March 31, 2019, and Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Yahoo Japan Corporation:

We have audited the accompanying consolidated statement of financial position of Yahoo Japan Corporation and its subsidiaries as of March 31, 2019, and the related consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yahoo Japan Corporation and its subsidiaries as of March 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 7, 2019

Yahoo Japan 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,
	2019	2018	2019
ASSETS:			
Cash and cash equivalents (Note 7)	¥ 546,784	¥ 868,325	$ 4,926,425
Call loans in banking business (Note 29)	20,000	78,000	180,196
Trade and other receivables (Notes 8 and 29)	328,281	297,050	2,957,752
Inventories	18,306	17,685	164,933
Loans in credit card business (Note 29)	253,340	186,711	2,282,547
Investment securities in banking business (Notes 9 and 29)	419,551	308,436	3,780,079
Loans in banking business (Note 29)	80,942	76,077	729,272
Other financial assets (Notes 10 and 29)	191,260	163,380	1,723,218
Property and equipment (Note 11)	133,867	123,943	1,206,117
Goodwill (Note 12)	175,301	162,015	1,579,430
Intangible assets (Note 12)	165,293	167,112	1,489,260
Investments accounted for using the equity method (Note 13)	24,510	10,865	220,830
Deferred tax assets (Note 14)	34,551	27,686	311,298
Other assets (Note 15)	37,609	14,373	338,850
Subtotal	2,429,601	2,501,662	21,890,269
Assets classified as held for sale (Note 16)	—	14,970	—
TOTAL ASSETS	¥2,429,601	¥2,516,633	$21,890,269

(Continued)

Yahoo Japan 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,
	2019	2018	2019
LIABILITIES AND EQUITY:			
Liabilities:			
Trade and other payables (Notes 17 and 29)	¥ 394,545	¥ 348,346	$ 3,554,779
Customer deposits in banking business (Notes 18 and 29)	768,613	708,054	6,925,065
Interest-bearing liabilities (Notes 19 and 29)	215,212	190,574	1,939,021
Other financial liabilities (Note 29)	8,683	5,034	78,232
Income taxes payable	24,138	29,094	217,479
Provisions (Note 20)	30,360	30,652	273,538
Deferred tax liabilities (Note 14)	20,403	22,956	183,827
Other liabilities (Note 22)	57,118	56,818	514,622
Subtotal	1,519,077	1,391,532	13,686,611
Liabilities directly attributable to assets classified as held for sale (Note 16)	—	3,214	—
Total liabilities	1,519,077	1,394,746	13,686,611
Equity:			
Equity attributable to owners of the parent:			
Common stock (Note 26)	8,939	8,737	80,538
Capital surplus (Notes 26 and 28)	(12,545)	(4,602)	(113,028)
Retained earnings (Note 26)	832,147	993,894	7,497,495
Treasury stock (Note 26)	(24,440)	(1,316)	(220,200)
Accumulated other comprehensive income	14,190	16,655	127,849
Total equity attributable to owners of the parent	818,291	1,013,368	7,372,655
Non-controlling interests	92,231	108,518	830,984
Total equity	910,523	1,121,887	8,203,648
TOTAL LIABILITIES AND EQUITY	¥2,429,601	¥2,516,633	$21,890,269

See notes to consolidated financial statements.

(Concluded)

Yahoo Japan 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,
	2019	2018	2019
REVENUE (Note 32)	¥954,714	¥897,185	$8,601,801
COST OF SALES (Note 33)	408,912	382,467	3,684,223
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 33)	406,581	339,573	3,663,221
GAIN FROM REMEASUREMENT RELATING TO BUSINESS COMBINATIONS (Note 5)	—	372	—
GAIN ON SALES OF PROPERTY AND EQUIPMENT	—	3,567	—
INSURANCE INCOME (Note 34)	—	4,973	—
GAIN ON DEBT FORGIVENESS (Note 35)	—	1,752	—
GAIN ON SALE OF INVESTMENTS IN A SUBSIDIARY (Note 36)	7,977	—	71,871
IMPAIRMENT LOSSES (Note 37)	6,668	—	60,077
Operating income	140,528	185,810	1,266,132
OTHER NON-OPERATING INCOME	1,622	9,112	14,613
OTHER NON-OPERATING EXPENSES	1,238	2,791	11,154
EQUITY IN (LOSSES) EARNINGS OF ASSOCIATES AND JOINT VENTURES (Note 13)	(17,541)	1,045	(158,041)
PROFIT BEFORE TAX	123,370	193,177	1,111,541
INCOME TAX EXPENSE (Note 14)	45,542	58,764	410,325
PROFIT FOR THE YEAR	¥ 77,828	¥134,412	$ 701,216
ATTRIBUTABLE TO:			
Owners of the parent	¥ 78,677	¥131,153	$ 708,865
Non-controlling interests	(848)	3,258	(7,640)
PROFIT FOR THE YEAR	¥ 77,828	¥134,412	$ 701,216
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT:			
Basic (yen and U.S. dollars) (Note 39)	¥14.74	¥23.04	$0.13
Diluted (yen and U.S. dollars) (Note 39)	14.74	23.03	0.13

See notes to consolidated financial statements.

Yahoo Japan Corporation and Subsidiaries

Consolidated Statement of Comprehensive Income

	Millions of Yen Year Ended March 31 2019	Millions of Yen Year Ended March 31 2018	Thousands of U.S. Dollars (Note 2(3)) Year Ended March 31, 2019
PROFIT FOR THE YEAR	¥77,828	¥134,412	$701,216
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 38)	3,746	—	33,750
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets (Notes 30 and 38)	—	2,656	—
Debt instruments measured at fair value through other comprehensive income (Notes 30 and 38)	1,080	—	9,730
Exchange differences on translating foreign operations (Notes 30 and 38)	911	(1,023)	8,207
Share of other comprehensive income of associates (Notes 13 and 38)	(13)	(0)	(117)
Subtotal	1,979	1,632	17,830
Other comprehensive income, net of tax	5,725	1,632	51,581
TOTAL COMPREHENSIVE INCOME	¥83,554	¥136,045	$752,806
ATTRIBUTABLE TO:			
Owners of the parent	¥83,855	¥132,912	$755,518
Non-controlling interests	(301)	3,132	(2,711)
TOTAL COMPREHENSIVE INCOME	¥83,554	¥136,045	$752,806

See notes to consolidated financial statements.

Yahoo Japan Corporation and Subsidiaries

Consolidated Statement of Changes in Equity

	Millions of Yen							
	Equity Attributable to Owners of the Parent							
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total	Non-controlling Interests	Total
BALANCE AT APRIL 1, 2017	¥8,428	¥ (4,366)	¥913,178	¥ (1,316)	¥14,896	¥ 930,820	¥ 67,888	¥ 998,709
Profit for the year	—	—	131,153	—	—	131,153	3,258	134,412
Other comprehensive income, net of tax	—	—	—	—	1,758	1,758	(126)	1,632
Total comprehensive income for the year	—	—	131,153	—	1,758	132,912	3,132	136,045
Issue of common stock (Note 26)	309	309	—	—	—	618	—	618
Payment of dividends (Note 27)	—	—	(50,438)	—	—	(50,438)	(1,170)	(51,608)
Changes attributable to obtaining or losing control of subsidiaries (Note 5)	—	—	—	—	—	—	37,700	37,700
Changes in ownership interests in subsidiaries without losing control	—	(317)	—	—	—	(317)	1,066	748
Others	—	(228)	—	(0)	—	(228)	(99)	(327)
Total	309	(236)	(50,438)	(0)	—	(50,364)	37,497	(12,867)
BALANCE AT MARCH 31, 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

(Continued)

Yahoo Japan Corporation and Subsidiaries

Consolidated Statement of Changes in Equity

	Thousands of U.S. Dollars (Note 2(3))							
	Equity Attributable to Owners of the Parent							
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total	Non-controlling Interests	Total
BALANCE AT MARCH 31, 2018	$78,718	$ (41,463)	$8,954,806	$ (11,856)	$150,058	$9,130,263	$977,727	$10,108,000
Cumulative effect of adopting a new accounting standard*	—	—	(1,847)	—	1,504	(342)	(180)	(531)
BALANCE AT APRIL 1, 2018—As restated	78,718	(41,463)	8,952,950	(11,856)	151,563	9,129,921	977,538	10,107,460
Profit for the year	—	—	708,865	—	—	708,865	(7,640)	701,216
Other comprehensive income, net of tax	—	—	—	—	46,652	46,652	4,919	51,581
Total comprehensive income for the year	—	—	708,865	—	46,652	755,518	(2,711)	752,806
Issue of common stock (Note 26)	1,810	1,810	—	—	—	3,630	—	3,630
Payment of dividends (Note 27)	—	—	(454,536)	—	—	(454,536)	(16,352)	(470,889)
Transfer of accumulated other comprehensive income to retained earnings	—	—	70,366	—	(70,366)	—	—	—
Purchase of treasury stock	—	—	—	(1,988,503)	—	(1,988,503)	—	(1,988,503)
Disposal of treasury stock	—	—	(1,780,151)	1,780,151	—	—	—	—
Changes attributable to obtaining or losing control of subsidiaries	—	—	—	—	—	—	15,253	15,253
Changes in ownership interests in subsidiaries without losing control	—	(72,529)	—	—	—	(72,529)	(143,003)	(215,541)
Others	—	(837)	—	—	—	(837)	261	(567)
Total	1,810	(71,555)	(2,164,321)	(208,343)	(70,366)	(2,512,784)	(143,832)	(2,656,617)
BALANCE AT MARCH 31, 2019	$80,538	$ (113,028)	$7,497,495	$ (220,200)	$127,849	$7,372,655	$830,984	$ 8,203,648

* 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.

See notes to consolidated financial statements.

Yahoo Japan 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,
	2019	2018	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax	¥ 123,370	¥ 193,177	$ 1,111,541
Depreciation and amortization	52,498	44,404	472,997
Impairment losses (Note 37)	6,668	—	60,077
Gain on sale of investments in a subsidiary (Note 36)	(7,977)	—	(71,871)
Equity in losses (earnings) of associates and joint ventures	17,541	(1,045)	158,041
Decrease (increase) in call loans in banking business	58,000	(8,000)	522,569
Increase in trade and other receivables	(40,744)	(14,743)	(367,096)
Increase in trade and other payables	50,274	42,395	452,959
Increase in loans in credit card business	(66,719)	(57,063)	(601,126)
Increase in loans in banking business	(5,057)	(2,715)	(45,562)
Increase (decrease) in customer deposits in banking business	60,559	(27,931)	545,625
Others	(39,100)	(21,095)	(352,283)
Subtotal	209,314	147,381	1,885,881
Income taxes—paid	(59,356)	(71,924)	(534,786)
Net cash generated by operating activities	149,957	75,457	1,351,085
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities in banking business	(312,802)	(45,790)	(2,818,289)
Proceeds from sales and redemption of investment securities in banking business	200,393	14,969	1,805,505
Purchase of other investments	(49,633)	(11,010)	(447,184)
Proceeds from sales and redemption of other investments	25,701	7,651	231,561
Purchase of property and equipment	(41,771)	(43,284)	(376,349)
Purchase of intangible assets	(43,278)	(44,338)	(389,927)
Net cash inflows arising from losing control of subsidiaries	16,353	—	147,337
Others	(7,155)	354,359	(64,465)
Net cash (used in) generated by investing activities	(212,193)	232,556	(1,911,820)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments for acquisition of interests in subsidiaries from non-controlling interests	(19,458)	—	(175,313)
Purchase of treasury stock	(221,014)	(0)	(1,991,296)
Proceeds from issuance of bonds	25,000	70,000	225,245
Dividends paid	(50,463)	(50,439)	(454,662)
Proceeds from sale and leaseback transactions	11,098	—	99,990
Others	(8,467)	1,729	(76,286)
Net cash (used in) generated by financing activities	(263,305)	21,289	(2,372,330)
FORWARD	¥ (325,541)	¥ 329,302	$ (2,933,066)

(Continued)

Yahoo Japan 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,
	2019	2018	2019
FORWARD	¥ (325,541)	¥ 329,302	$ (2,933,066)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	515	(562)	4,640
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DUE TO CLASSIFICATION OF ASSETS AS HELD FOR SALE (Note 16)	3,484	(3,484)	31,390
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(321,540)	325,257	(2,897,017)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Note 7)	868,325	543,067	7,823,452
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note 7)	¥ 546,784	¥ 868,325	$ 4,926,425

See notes to consolidated financial statements.

(Concluded)

1. REPORTING ENTITY

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

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 ¥110.99 to U.S.$1, the approximate rate of exchange at March 29, 2019. 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 cash flows

Equity in earnings of associates and joint ventures amounting to ¥(1,045) million, which was included in "others" in cash flows from operating 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. Increase in other financial assets amounting to ¥(15,707) million, which was presented separately in cash flows from operating activities in the prior-year consolidated statement of cash flows, has been reclassified and aggregated into "others" in the current-year consolidated statement of cash flows due to decreased materiality.

Proceeds from sales and redemption of other investments amounting to ¥7,651 million, which were included in "others" in cash flows from investing 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. Proceeds from sales of property and equipment amounting to ¥20,669 million and net cash inflows arising from obtaining control of subsidiaries amounting to ¥337,224 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.

Purchase of treasury stock amounting to ¥(0) million, which was included in "others" in cash flows from financing 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. Net increase of short-term bank loans amounting to ¥4,321 million and proceeds from long-term bank loans amounting to ¥2,800 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***

New or revised standards and interpretations that have been issued on or before the approval date of the accompanying consolidated financial statements are summarized below. The Company has not adopted these new or revised standards and interpretations.

IFRS 16 "Leases"

(a) Mandatory adoption (for annual periods beginning on or after)

January 1, 2019

(b) Scheduled date of initial application

April 1, 2019

(c) Outline of the new or revised standards and interpretations

IFRS 16, which replaces International Accounting Standard ("IAS") 17 "Leases," removes the current distinction between financing and operating leases in lessee accounting. Instead, 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, 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.

Under IFRS 16, a lessee may apply this standard to its leases either: (a) retrospectively to each prior reporting period presented; or (b) retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group plans to apply (b) above.

The cumulative effect of applying IFRS 16 is expected to increase assets and liabilities by ¥74,167 million and ¥74,263 million, respectively. The impact on the beginning balance of retained earnings is expected to be insignificant.

The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have been straight-line expenses) as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

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 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.

Original measurement classification under IAS 39 and new measurement classification under IFRS 9 are summarized as follows. The reclassification of financial assets at the date of initial application of IFRS 9 did not have any effect on the carrying amounts of the financial assets. There were no reclassification or changes in measurement classification of financial liabilities.

			Carrying Amount			
	Measurement Classification		Millions of Yen		Thousands of U.S. Dollars	
Financial Assets	IAS 39	IFRS 9	IAS 39	IFRS 9	IAS 39	IFRS 9
Call loans in banking business	Loans and receivables	Financial assets at amortized cost	¥ 78,000	¥ 78,000	$ 702,766	$ 702,766
Trade and other receivables	Loans and receivables	Financial assets at amortized cost	297,050	297,050	2,676,367	2,676,367
Loans in credit card business	Loans and receivables	Financial assets at amortized cost	186,711	186,711	1,682,232	1,682,232
Investment securities in banking business	Available-for-sale financial assets	Financial assets at FVTPL	27,090	27,090	244,076	244,076
	Available-for-sale financial assets	Debt instruments at FVTOCI	241,333	241,333	2,174,367	2,174,367
	Held-to-maturity investments	Financial assets at amortized cost	40,013	40,013	360,509	360,509
Loans in banking business	Loans and receivables	Financial assets at amortized cost	76,077	76,077	685,440	685,440
Other financial assets	Financial assets at FVTPL	Financial assets at FVTPL	25,286	25,286	227,822	227,822
	Available-for-sale financial assets	Financial assets at FVTPL	14,574	14,574	131,309	131,309
	Available-for-sale financial assets	Debt instruments at FVTOCI	8,093	8,093	72,916	72,916
	Available-for-sale financial assets	Equity instruments at FVTOCI	56,178	56,178	506,153	506,153
	Loans and receivables	Financial assets at amortized cost	59,247	59,247	533,804	533,804

As a result, the impact of applying the new standard on the consolidated statement of financial position as of the date of initial application was to decrease (a) loans in the credit card business by ¥90 million ($810 thousand), (b) retained earnings by ¥205 million ($1,847 thousand), and (c) non-controlling interests by ¥20 million ($180 thousand), and to increase (a) deferred tax assets by ¥30 million ($270 thousand) and (b) accumulated other comprehensive income by ¥167 million ($1,504 thousand). This change did not have any impact on operating income or profit for the year.

(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:	3–50 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.

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.

(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:	6–14 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*

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.

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 and Intangible Assets Other Than Goodwill***

At the end of each quarter, the Group reviews the carrying amounts of its property and equipment 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) *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 advertising revenue such as 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.

2) *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 YAHUOKU!, and membership services such as Yahoo! Premium. Revenue from corporate customers is classified as "Business revenue," whereas that from individual customers is classified as "Personal revenue." 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. 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.

c. 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.

Based on the aforementioned five-step approach, according to identification of performance obligations under contracts with customers, certain payment fees, which had been included principally in cost of sales, are accounted for as a reduction of the total amount of consideration received from customers.

As a result, the impact of applying the new standard on the consolidated statement of profit or loss for the year ended March 31, 2019 was to decrease revenue by ¥19,997 million ($180,169 thousand), cost of sales by ¥18,693 million ($168,420 thousand), and selling, general and administrative expenses by ¥1,304 million ($11,748 thousand).

In accordance with IFRS 15, cost relating to customer acquisition that is expected to be recoverable, which had been recognized as an intangible asset, is recognized as an asset (cost of obtaining a contract).

As a result, the impact of applying the new standard on the consolidated statement of financial position as of the date of initial application and as of March 31, 2019 was to increase other assets by ¥13,271 million ($119,569 thousand) and ¥23,354 million ($210,415 thousand), respectively, and to decrease intangible assets by ¥13,271 million ($119,569 thousand) and ¥23,354 million ($210,415 thousand), respectively. This change did not have any impact on operating income or profit for the year.

(**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**) ***Changes in Accounting Policies***

Effective April 1, 2018, the Group adopted the following accounting standards and interpretations:

1) *IFRS 9 "Financial Instruments," which revises classification and measurement of financial instruments, impairment of financial assets, hedge accounting, and related disclosure requirements*

2) *IFRS 15 "Revenue from Contracts with Customers," which revises accounting treatments of revenue recognition and related disclosure requirements*

In accordance with the transition requirements under IFRS 9 and IFRS 15, the Group adopted a retrospective approach to restate contracts that are not completed as of April 1, 2018, the date of initial application, by recognizing the cumulative effect as an adjustment to the beginning balance of retained earnings (and other equity items). Therefore, the consolidated financial statements as of and for the year ended March 31, 2018 as comparative information are not restated.

For the major impacts of the adoption of IFRS 9 and IFRS 15 on the consolidated statement of financial position at the date of initial application and consolidated financial statements for the year ended March 31, 2019, please refer to "(3) Financial Instruments" and "(13) Revenue."

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, goodwill and intangible assets ("Note 3. Significant accounting policies (1) and (9)" and "Note 12. 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 and intangible assets ("Note 3. Significant accounting policies (6) and (7)")
- 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 14. Income taxes")

5. BUSINESS COMBINATIONS

For the Year Ended March 31, 2019

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

For the Year Ended March 31, 2018

The Japan Net Bank, Limited

(1) *Outline of business combination*

On August 1, 2017, the Company modified the shareholders agreement with Sumitomo Mitsui Banking Corporation regarding the investments in The Japan Net Bank, Limited ("JNB"), according to the resolution reached at the meeting of the Board of Directors held on the same date. This resulted in the Company accounting for JNB as a subsidiary by holding the majority of JNB's directors in accordance with the resolution reached at the extraordinary meeting of the shareholders of JNB held on February 1, 2018.

The Company had rapidly increased its transaction volume since the commencement of new strategies in its commerce business in October 2013, by implementing various measures such as waiving tenant and other fees, point reward programs, and initiation of the credit card business. The Company believed that it needed to strengthen its settlement- and finance-related business to further revitalize the commerce business. The Company intended to enter fully into the banking business by acquiring JNB and generate synergies within the Group. In addition, the Company planned to lead the management of JNB and provide high value-added financial services for JNB customers by utilizing the customer base and the multi big data that the Company has amassed.

The ratio of JNB voting rights held by the Company remained the same, at 41.2%, as before and did not constitute the majority; however, the Company accounted for JNB as a subsidiary because the Company determined that the Company had substantial control over JNB by holding the majority of JNB's director positions in accordance with the resolution reached at the extraordinary meeting of the shareholders of JNB held on February 1, 2018.

Equity interests of JNB already held by the Company were remeasured at fair value as of the date of the Company acquiring control, and as a result, the Company recorded ¥372 million as gain on a step acquisition. This gain was recorded as "gain from remeasurement relating to business combinations" in the consolidated statement of profit or loss.

(2) *Outline of acquiree*

Company name: The Japan Net Bank, Limited
Businesses: Banking business

(3) *Acquisition date*

February 1, 2018

(4) *Fair value of the Company's previously held interests, acquired assets and assumed liabilities, and non-controlling interests, as of the acquisition date*

	Millions of Yen
Fair value of the Company's previously held interests	¥ 26,224
Fair value of acquired assets and assumed liabilities:	
Assets:	
Cash and cash equivalents	¥337,224
Investment securities in banking business	277,515
Loans in banking business	73,393
Others	130,663
Liabilities:	
Customer deposits in banking business	(735,986)
Others	(18,885)
Equity	63,924
Non-controlling interests (Note)	(37,700)
Total	¥ 26,224

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

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

Information about operating results on and after the acquisition date is not presented because the impact on the consolidated financial statements was not significant.

Pro forma Information (Unaudited)

Pro forma consolidated revenue and pro forma profit for the year ended March 31, 2018, assuming that the business combinations were completed and control was obtained as of April 1, 2017, would have been ¥916,922 million and ¥135,298 million, 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.

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) media business and (2) commerce business.

The media business segment comprises (1) planning and sale of internet-based advertising-related services, (2) information listing services, and (3) other corporate services. 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.

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.

The Group periodically reviews the basis of segmentation of its services and subsidiaries in order to provide services more effectively and to respond to the changing market more rapidly. Effective April 1, 2018, the Group reclassified GYAO Corporation and other video-related services, which were formerly included in the commerce business, to the media business.

Consequently, segment information for the year ended March 31, 2018, is restated in accordance with the new basis of segmentation.

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

	Millions of Yen					
	Reportable Segments					
	Media Business	Commerce Business	Total	Other Business	Reconciliation	Consolidated
Revenue:						
Sales to customers	¥301,880	¥646,443	¥948,323	¥ 6,390	—	¥954,714
Intersegment sales	1,591	3,189	4,781	3,518	¥ (8,299)	—
Total sales	¥303,472	¥649,632	¥953,104	¥ 9,908	¥ (8,299)	¥954,714
Segment income (Note)	¥141,018	¥ 55,795	¥196,814	¥10,225	¥(66,511)	¥140,528
Other non-operating income						1,622
Other non-operating expenses						(1,238)
Equity in losses of associates and joint ventures						(17,541)
Profit before tax						¥123,370
Others—Depreciation and amortization	¥ 4,328	¥ 26,570	¥ 30,898	¥ 1,790	¥ 19,809	¥ 52,498

	Thousands of U.S. Dollars					
	Reportable Segments					
	Media Business	Commerce Business	Total	Other Business	Reconciliation	Consolidated
Revenue:						
Sales to customers	$2,719,884	$5,824,335	$8,544,220	$57,572	—	$8,601,801
Intersegment sales	14,334	28,732	43,075	31,696	$ (74,772)	—
Total sales	$2,734,228	$5,853,067	$8,587,296	$89,269	$ (74,772)	$8,601,801
Segment income (Note)	$1,270,546	$ 502,702	$1,773,258	$92,125	$ (599,252)	$1,266,132
Other non-operating income						14,613
Other non-operating expenses						(11,154)
Equity in losses of associates and joint ventures						(158,041)
Profit before tax						$1,111,541
Others—Depreciation and amortization	$ 38,994	$ 239,390	$ 278,385	$16,127	$ 178,475	$ 472,997

Note: Media business includes ¥2,379 million ($21,434 thousand) of impairment losses. Commerce business includes ¥4,289 million ($38,643 thousand) of impairment losses. Other business includes ¥7,977 million ($71,871 thousand) of gain on sale of investments in a subsidiary. (Please refer to "Note 36. Gain on sale of investments in a subsidiary" and "Note 37. Impairment losses.")

Segment information of the Group as of and for the year ended March 31, 2018, which is based on the new basis of segmentation, is as follows:

	Millions of Yen					
	Reportable Segments					
	Media Business	Commerce Business	Total	Other Business	Reconciliation	Consolidated
Revenue:						
Sales to customers	¥289,285	¥588,456	¥877,741	¥19,444	—	¥897,185
Intersegment sales	1,305	3,625	4,931	3,883	¥ (8,815)	—
Total sales	¥290,591	¥592,082	¥882,673	¥23,327	¥ (8,815)	¥897,185
Segment income (Note)	¥156,002	¥ 82,945	¥238,947	¥ 3,822	¥(56,959)	¥185,810
Other non-operating income						9,112
Other non-operating expenses						(2,791)
Equity in earnings of associates and joint ventures						1,045
Profit before tax						¥193,177
Others—Depreciation and amortization	¥ 3,977	¥ 21,015	¥ 24,992	¥ 4,997	¥ 14,415	¥ 44,404

Note: Commerce business includes ¥4,973 million of insurance income, ¥3,561 million of gain on sales of property and equipment, and ¥1,752 million of gain on debt forgiveness. (Please refer to "Note 34. Insurance income" and "Note 35. Gain on debt forgiveness.")

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

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2019	2018	2019
Advertising	¥323,850	¥303,443	$2,917,830
Business	414,272	407,640	3,732,516
Personal	215,088	185,735	1,937,904
Others	1,503	365	13,541
Total	¥954,714	¥897,185	$8,601,801

The natures of major services are as follows:

Advertising
- Paid search, display and other advertising-related services

Business
- Yahoo! Real Estate and other information listing services
- Sale of goods such as ASKUL

Personal
- YAHUOKU!, Yahoo! Shopping, and other e-commerce related services
- Yahoo! Premium and other membership services
- Sale of goods such as LOHACO

7. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2019	2018	2019
Cash and demand deposits	¥508,280	¥698,811	$4,579,511
Time deposits (maturities of three months or less)	31,504	164,013	283,845
Others	6,999	5,499	63,059
Total	¥546,784	¥868,325	$4,926,425

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, 2019 and 2018, cash and cash equivalents include deposits at the Bank of Japan of ¥237,018 million ($2,135,489 thousand) and ¥284,234 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 U.S. Dollars
	As of March 31		As of March 31,
	2019	2018	2019
Trade receivables	¥128,083	¥123,409	$1,154,004
Foreign exchange dealings cash—deposits with trust banks	101,394	98,210	913,541
Other receivables	40,850	31,476	368,051
Others	57,951	43,953	522,128
Total	¥328,281	¥297,050	$2,957,752

9. INVESTMENT SECURITIES IN BANKING BUSINESS

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

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2019	2018	2019
Debt securities	¥279,622	¥252,167	$2,519,344
Trust beneficiary rights	130,115	45,910	1,172,312
Others	9,813	10,359	88,413
Total	¥419,551	¥308,436	$3,780,079

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, 2019 and 2018 were ¥61,595 million ($567,267 thousand) and ¥62,961 million, respectively.

10. OTHER FINANCIAL ASSETS

The components of other financial assets are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2019	2018	2019
Deposits in the central clearing house (Note)	¥ 77,654	¥ 40,259	$ 699,648
Equity securities	50,609	56,072	455,978
Derivative financial assets	19,449	25,284	175,232
Deposits paid	18,129	17,790	163,339
Others	25,416	23,972	228,993
Total	¥191,260	¥163,380	$1,723,218

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						
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Others	Total
As of April 1, 2017	¥38,623	¥48,831	¥22,394	¥11,510	¥ 1,185	¥1,477	¥124,021
Purchase	4,536	20,062	14,535	364	6,499	967	46,966
Business combinations	368	330	9	30	—	—	738
Disposals	(8,299)	(416)	(417)	(8,699)	(86)	(114)	(18,034)
Depreciation	(3,464)	(14,751)	(3,856)	—	—	(465)	(22,537)
Transfer of accounts	241	3,419	377	74	(4,295)	—	(181)
Classification of assets as held for sale	(148)	(3,236)	(2,877)	(0)	(462)	—	(6,726)
Others	54	(298)	2	(18)	(43)	—	(303)
As of March 31, 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 (Note)	(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

	Thousands of U.S. Dollars						
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Others	Total
As of March 31, 2018	$ 287,521	$ 485,989	$ 271,799	$ 29,372	$ 25,191	$ 16,803	$ 1,116,704
Purchase	24,758	216,902	12,748	—	95,738	14,289	364,456
Business combinations	117	9	—	—	—	—	135
Disposals	(207)	(7,406)	(4,522)	—	0	(1,252)	(13,406)
Depreciation	(34,354)	(157,140)	(42,039)	—	—	(6,108)	(239,670)
Impairment losses (Note)	(4,847)	(3,531)	(16,587)	—	—	—	(24,975)
Transfer of accounts	28,389	5,730	11,289	—	(45,643)	—	(216)
Others	414	1,549	0	162	324	621	3,099
As of March 31, 2019	$ 301,801	$ 542,111	$ 232,669	$ 29,543	$ 75,610	$ 24,353	$ 1,206,117

Note: Please refer to "Note 37. Impairment losses."

Acquisition Costs

	Millions of Yen						
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Others	Total
As of April 1, 2017	¥51,659	¥ 91,715	¥36,685	¥11,510	¥1,185	¥1,899	¥194,655
As of March 31, 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

	Thousands of U.S. Dollars						
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Others	Total
As of March 31, 2019	$ 448,752	$ 1,042,247	$ 394,350	$ 29,543	$ 75,610	$ 30,236	$ 2,020,758

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, 2017	¥ (13,036)	¥ (42,884)	¥ (14,290)	—	—	¥ (422)	¥ (70,633)
As of March 31, 2018	(12,126)	(47,589)	(12,456)	—	—	(855)	(73,027)
As of March 31, 2019	(16,309)	(55,510)	(17,944)	—	—	(652)	(90,416)

	Thousands of U.S. Dollars						
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Others	Total
As of March 31, 2019	$ (146,941)	$ (500,135)	$ (161,672)	—	—	$ (5,874)	$ (814,631)

12. 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					
		Intangible Assets with Indefinite Useful Lives	Intangible Assets with Definite Useful Lives			
	Goodwill	Trademarks	Software	Customer Relationships	Others	Total Intangible Assets
As of April 1, 2017	¥ 159,505	¥ 30,250	¥ 43,146	¥ 56,559	¥ 8,737	¥ 138,692
Purchase	—	—	15,288	—	7,924	23,212
Internal development	—	—	20,859	—	—	20,859
Business combinations	2,509	—	6,151	2,690	28	8,870
Disposals	—	—	(1,826)	—	(103)	(1,929)
Amortization	—	—	(13,812)	(6,162)	(1,503)	(21,477)
Classification of assets as held for sale	—	—	(1,106)	—	(0)	(1,106)
Others	—	—	25	—	(33)	(7)
As of March 31, 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 (Note 2)	—	—	(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

	Thousands of U.S. Dollars					
		Intangible Assets with Indefinite Useful Lives	Intangible Assets with Definite Useful Lives			Total Intangible Assets
	Goodwill	Trademarks	Software	Customer Relationships	Others	
As of March 31, 2018	$ 1,459,726	$ 272,547	$ 619,199	$ 478,304	$ 135,588	$ 1,505,649
Cumulative effect of accounting change (Note 1)	—	—	—	—	(119,569)	(119,569)
Purchase	—	—	133,976	—	270	134,246
Internal development	—	—	256,987	—	—	256,987
Business combinations	119,704	—	—	—	18	18
Disposals	—	—	(25,515)	—	(801)	(26,317)
Amortization	—	—	(170,853)	(55,428)	(2,495)	(228,795)
Impairment losses (Note 2)	—	—	(12,424)	(21,434)	—	(33,858)
Others	—	—	1,027	—	(108)	909
As of March 31, 2019	$ 1,579,430	$ 272,547	$ 802,387	$ 401,432	$ 12,893	$ 1,489,260

Notes: 1. Please refer to "Note 3. Significant accounting policies (13)."

2. Please refer to "Note 37. Impairment losses."

Acquisition Costs

	Millions of Yen					
		Intangible Assets with Indefinite Useful Lives	Intangible Assets with Definite Useful Lives			Total Intangible Assets
	Goodwill	Trademarks	Software	Customer Relationships	Others	
As of April 1, 2017	¥ 159,505	¥ 30,250	¥ 90,613	¥ 67,877	¥ 10,553	¥ 199,294
As of March 31, 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

	Thousands of U.S. Dollars					
		Intangible Assets with Indefinite Useful Lives	Intangible Assets with Definite Useful Lives			Total Intangible Assets
	Goodwill	Trademarks	Software	Customer Relationships	Others	
As of March 31, 2019	$ 1,579,430	$ 272,547	$ 1,611,784	$ 635,796	$ 29,948	$ 2,550,085

Accumulated Amortization and Impairment Losses

	Millions of Yen					
		Intangible Assets with Indefinite Useful Lives	Intangible Assets with Definite Useful Lives			Total Intangible Assets
	Goodwill	Trademarks	Software	Customer Relationships	Others	
As of April 1, 2017	—	—	¥ (47,467)	¥ (11,317)	¥ (1,816)	¥ (60,601)
As of March 31, 2018	—	—	(75,372)	(17,479)	(3,345)	(96,198)
As of March 31, 2019	—	—	(89,835)	(26,011)	(1,893)	(117,740)

	Thousands of U.S. Dollars					
		Intangible Assets with Indefinite Useful Lives	Intangible Assets with Definite Useful Lives			Total Intangible Assets
	Goodwill	Trademarks	Software	Customer Relationships	Others	
As of March 31, 2019	—	—	$ (809,397)	$ (234,354)	$ (17,055)	$ (1,060,816)

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, 2019 and 2018 were ¥1,015 million ($9,144 thousand) and ¥697 million, respectively.

The carrying amounts of internally-generated intangible assets related to software as of March 31, 2019 and 2018 were ¥45,712 million ($411,856 thousand) and ¥32,711 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

		Millions of Yen		Thousands of U.S. Dollars
		As of March 31		As of March 31,
	Cash-Generating Unit	2019	2018	2019
Reportable segment:				
Media business	Marketing solutions	¥ 24,191	¥ 10,904	$ 217,956
Commerce business	Shopping	60,180	60,180	542,211
	Ikyu	72,044	72,044	649,103
	Settlement- and finance-related	16,437	16,437	148,094
	Others	2,447	2,447	22,047
Total		¥ 175,301	¥ 162,015	$ 1,579,430

Intangible Assets with Indefinite Useful Lives

		Millions of Yen		Thousands of U.S. Dollars
		As of March 31		As of March 31,
	Cash-Generating Unit	2019	2018	2019
Reportable segment:				
Commerce business	Shopping	¥ 20,130	¥ 20,130	$ 181,367
	Ikyu	10,120	10,120	91,179
Total		¥ 30,250	¥ 30,250	$ 272,547

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, 2019 and 2018 were 0.7% and 0.6%, respectively. The pretax discount rates used in measurement of value in use for the years ended March 31, 2019 and 2018 were 9.1%–12.0% and 7.0%–12.3%, respectively.

In the settlement- and finance-related business, if the pretax discount rate increases by 1%, the recoverable amount may become equal to its carrying amount.

For groups of cash-generating units other than those mentioned above, because 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, which were reflected in the discount rates for the year ended March 31, 2018, were reflected in the business plan for the year ended March 31, 2019.

13. DISCLOSURE OF INTERESTS IN OTHER ENTITIES

(1) *Subsidiaries*

The Company's major subsidiaries as of March 31, 2019 and 2018 are as follows:

		Ownership Percentage of Voting Rights (%)	
		As of March 31	
Name of Subsidiary	Location	2019	2018
GYAO Corporation	Tokyo	75.5	75.5
ValueCommerce Co., Ltd.	Tokyo	52.0	52.1
YJFX, Inc.	Tokyo	100.0	100.0
YJ Card Corporation	Fukuoka	100.0	65.0
ASKUL Corporation (Note 1)	Tokyo	45.1	45.2
Ikyu Corporation	Tokyo	100.0	100.0
eBOOK Initiative Japan Co., Ltd. (Note 2)	Tokyo	43.6	44.0
The Japan Net Bank, Limited (Note 3)	Tokyo	46.6	41.2

Notes:

1. 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.

2. 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.

3. The Company does not have a majority of the voting rights of 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 occupy the majority of JNB's directors through the resolution in the extraordinary meeting of the shareholders of JNB held on February 1, 2018.

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

ASKUL Group

(a) General information

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2019	2018	2019
Proportion of ownership interests held by the non-controlling interests (%)	54.9	54.8	
Accumulated non-controlling interests of ASKUL	¥48,887	¥51,058	$440,463

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2019	2018	2019
(Loss) profit allocated to the non-controlling interests of ASKUL	¥(1,708)	¥4,237	$(15,388)

(b) Summarized consolidated financial information

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2019	2018	2019
Assets	¥229,602	¥237,174	$2,068,672
Liabilities	142,742	145,544	1,286,079
Equity	86,859	91,629	782,584

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2019	2018	2019
Revenue	¥385,566	¥351,085	$3,473,880
(Loss) profit for the year	(3,632)	7,324	(32,723)
Comprehensive (loss) income	(3,631)	7,327	(32,714)

Note: Dividends paid by ASKUL to the non-controlling interests for the years ended March 31, 2019 and 2018 were ¥1,007 million ($9,072 thousand) and ¥1,003 million, respectively.

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2019	2018	2019
Cash flows from operating activities—net	¥12,734	¥11,675	$114,731
Cash flows from investing activities—net	(5,527)	(3,948)	(49,797)
Cash flows from financing activities—net	1,701	(3,525)	15,325
Effects of exchange rate changes on cash and cash equivalents	(4)	(3)	(36)
Net increase in cash and cash equivalents	¥ 8,904	¥ 4,198	$ 80,223

JNB

(a) General information

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2019	2018	2019
Proportion of ownership interests held by the non-controlling interests (%)	53.4	58.8	
Accumulated non-controlling interests of JNB	¥31,139	¥37,690	$280,556

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2019	2018	2019
Profit allocated to the non-controlling interests of JNB	¥475	¥124	$4,279

(b) Summarized consolidated financial information

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2019	2018	2019
Assets	¥883,244	¥834,799	$7,957,870
Liabilities	824,951	770,743	7,432,660
Equity	58,292	64,056	525,200

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2019	2018	2019
Revenue	¥22,884	¥3,690	$206,180
Profit for the year	774	210	6,973
Comprehensive income (loss)	1,849	(16)	16,659

Note: The figures for the year ended March 31, 2018 in the above table are revenue, profit for the year, and total comprehensive income earned on and after the acquisition date. Dividends paid by JNB to non-controlling interests for the year ended March 31, 2019 were ¥364 million ($3,279 thousand).

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2019	2018	2019
Cash flows from operating activities—net	¥ 73,361	¥ (7,332)	$ 660,969
Cash flows from investing activities—net	(114,873)	(31,180)	(1,034,985)
Cash flows from financing activities—net	(7,613)	—	(68,591)
Effects of exchange rate changes on cash and cash equivalents	(19)	(21)	(171)
Net decrease in cash and cash equivalents	¥ (49,144)	¥(38,534)	$ (442,778)

Note: The figures for the year ended March 31, 2018 in the above table are cash flows of JNB 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

	As of March 31, 2019	
	Millions of Yen	Thousands of U.S. Dollars
Assets	¥40,775	$ 367,375
Cash and cash equivalents	33,572	302,477
Liabilities	31,563	284,376
Equity	9,212	82,998
Ownership interests (%)	50.0	
Carrying amount of the investments	4,606	41,499

	Year Ended March 31, 2019	
	Millions of Yen	Thousands of U.S. Dollars
Revenue	¥ 595	$ 5,360
Selling, general and administrative expenses	37,157	334,777
Loss for the year	(36,787)	(331,444)
Comprehensive loss	(36,787)	(331,444)
Comprehensive loss attributable to the Group	(18,393)	(165,717)
Loss for the year	(18,393)	(165,717)
Comprehensive loss	(18,393)	(165,717)

Note: No dividends were received from PayPay for the year ended March 31, 2019.

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

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2019	2018	2019
Carrying amount	¥19,904	¥10,865	$ 179,331

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

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2019	2018	2019
Profit for the year attributable to the Group	¥851	¥1,045	$7,667
Other comprehensive loss, net of tax, attributable to the Group	(13)	(0)	(117)
Comprehensive income attributable to the Group	838	1,044	7,550

(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:

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2019	2018	2019
Other financial assets	¥15,107	¥10,040	$ 136,111

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

14. INCOME TAXES

(1) *Deferred Taxes*

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

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	¥27,686				¥34,551
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	¥22,956				¥20,403

	Thousands of U.S. Dollars				
	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	$ 13,424	$ (1,423)	—	—	$ 11,992
Property and equipment and intangible assets	85,971	25,614	—	—	111,586
Net operating loss carryforwards	96,378	(20,172)	—	$ 117	76,322
Liabilities related to employee benefits (Note 1)	51,851	531	—	99	52,482
Allowance for doubtful receivables (Note 2)	24,984	14,956	—	270	40,219
Provision for interest repayment claims	43,445	(6,351)	—	—	37,093
Others	90,530	6,063	—	10,748	107,352
Total deferred tax assets before offset	406,604	19,217	—	11,253	437,075
Offset of deferred tax assets and liabilities	(157,149)				(125,777)
Total deferred tax assets, net	$ 249,445				$ 311,298
Deferred tax liabilities:					
Property and equipment and intangible assets	$ 244,571	$ (28,930)	—	—	$ 215,632
Available-for-sale financial assets	71,348	—	$ 5,477	$ (19,217)	57,608
Others	48,067	(11,712)	—	—	36,345
Total deferred tax liabilities before offset	363,987	(40,643)	5,477	(19,217)	309,604
Offset of deferred tax assets and liabilities	(157,149)				(125,777)
Total deferred tax liabilities, net	$ 206,829				$ 183,827

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).")

As of March 31, 2018

	Millions of Yen				
	As of April 1, 2017	Recognized in Profit for the Year	Recognized in Other Comprehensive Income	Others	As of March 31, 2018
Deferred tax assets:					
Enterprise tax payable	¥ 1,462	¥ 24	—	¥ 4	¥ 1,490
Property and equipment and intangible assets	11,814	(2,253)	—	(18)	9,542
Net operating loss carryforwards	7,627	3,085	—	(15)	10,697
Liabilities related to employee benefits (Note)	4,255	1,435	—	64	5,755
Allowance for doubtful receivables	1,848	891	—	33	2,773
Provision for interest repayment claims	5,799	(977)	—	—	4,822
Others	8,746	1,538	—	(236)	10,048
Total deferred tax assets before offset	41,554	3,743	—	(168)	45,129
Offset of deferred tax assets and liabilities	(17,043)				(17,442)
Total deferred tax assets, net	¥ 24,511				¥ 27,686
Deferred tax liabilities:					
Property and equipment and intangible assets	¥ 28,604	¥ (2,990)	—	¥ 1,530	¥ 27,145
Available-for-sale financial assets	6,599	—	¥ 1,197	122	7,919
Others	3,652	1,682	—	—	5,335
Total deferred tax liabilities before offset	38,855	(1,307)	1,197	1,653	40,399
Offset of deferred tax assets and liabilities	(17,043)				(17,442)
Total deferred tax liabilities, net	¥ 21,812				¥ 22,956

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

Deferred tax assets which belong to individual entities that recorded losses as of March 31, 2019 and 2018 are ¥12,632 million ($113,812 thousand) and ¥12,687 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,
	2019	2018	2019
Deductible temporary differences	¥2,352	¥2,539	$21,191
Net operating tax loss carryforwards which expire:			
Within one year	—	—	—
In one year to five years	¥ 716	¥ 284	$ 6,451
After five years	5,308	2,148	47,824
Total	¥6,025	¥2,432	$54,284

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, 2019 and 2018 are ¥39,945 million ($359,897 thousand) and ¥37,817 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,
	2019	2018	2019
Current tax expense	¥52,186	¥63,815	$470,186
Deferred tax expense	(6,644)	(5,050)	(59,861)
Total	¥45,542	¥58,764	$410,325

Reconciliations between the statutory effective tax rate and the actual tax rates for the years ended March 31, 2019 and 2018 were as follows. The actual tax rate represents the ratio of income tax expense to profit before tax.

	Year Ended March 31	
	2019	2018
Statutory effective tax rate	31.46%	31.69%
Equity in earnings or losses of associates and joint ventures	4.47	(0.17)
Other	0.98	(1.10)
Actual tax rate	36.91%	30.42%

15. OTHER ASSETS

The components of other assets are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2019	2018	2019
Consideration paid to customers (Note)	¥19,735	—	$ 177,808
Prepaid expenses	12,045	¥10,160	108,523
Others	5,829	4,212	52,518
Total	¥37,609	¥14,373	$ 338,850

Note: 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.

16. ASSETS OR DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

For the Year Ended March 31, 2019

No assets or disposal groups were classified as held for sale for the year ended March 31, 2019.

For the Year Ended March 31, 2018

On March 20, 2018, the Company entered into a sales and purchase agreement with SBG to transfer all of its shares held in its subsidiary, IDC Frontier Inc. ("IDC"), after transferring certain Company assets in the data center business and the cloud business to IDC. As a result, assets and liabilities of IDC have been reclassified to a disposal group classified as held for sale. IDC's assets are measured at their carrying amounts because their fair values less costs to sell (scheduled sales price) exceed their carrying amounts.

On May 1, 2018, the Group sold all of its shares held in IDC to SBG and no longer accounted for IDC as a subsidiary.

Assets classified as held for sale are as follows:

	As of March 31, 2018
	Millions of Yen
Cash and cash equivalents	¥ 3,484
Trade and other receivables	1,958
Property and equipment	6,726
Others	2,801
Total	¥14,970

Liabilities directly attributable to assets classified as held for sale are as follows:

	As of March 31, 2018
	Millions of Yen
Trade and other receivables	¥ 745
Provisions	649
Others	1,819
Total	¥3,214

17. TRADE AND OTHER PAYABLES

The components of trade and other payables are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2019	2018	2019
Other payables	¥123,691	¥ 99,316	$1,114,433
Foreign exchange dealings deposits from customers	115,372	116,537	1,039,481
Trade payables	88,234	76,915	794,972
Others	67,247	55,577	605,883
Total	¥394,545	¥348,346	$3,554,779

18. CUSTOMER DEPOSITS IN BANKING BUSINESS

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

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2019	2018	2019
Savings deposits	¥643,894	¥573,572	$5,801,369
Time deposits	124,718	134,482	1,123,686
Total	¥768,613	¥708,054	$6,925,065

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,	As of March 31,	As of March 31,
	2019	2018	2019	2019	2019
Bank loans	¥ 69,997	¥ 69,782	$ 630,660	0.53	From April 2019 to September 2026
Bonds (Note)	130,000	105,050	1,171,276	0.25	From February 2020 to December 2028
Others	15,215	15,741	137,084	—	—
Total	¥215,212	¥190,574	$1,939,021		

Note: Outline of terms and conditions of the bonds are as follows:

	Date of Issue	Millions of Yen As of March 31, 2019	Thousands of U.S. Dollars As of March 31, 2019	Interest Rate (%) As of March 31, 2019	Redemption Date As of March 31, 2019
The Company:					
1st Series Unsecured Bonds	February 28, 2017	¥ 5,000	$ 45,049	0.04	February 28, 2020
2nd Series Unsecured Bonds	February 28, 2017	15,000	135,147	0.17	February 28, 2022
3rd Series Unsecured Bonds	February 28, 2017	15,000	135,147	0.37	February 28, 2024
4th Series Unsecured Bonds	December 7, 2017	10,000	90,098	0.07	December 7, 2020
5th Series Unsecured Bonds	December 7, 2017	25,000	225,245	0.2	December 7, 2022
6th Series Unsecured Bonds	December 7, 2017	25,000	225,245	0.35	December 6, 2024
7th Series Unsecured Bonds	December 7, 2017	10,000	90,098	0.4	December 7, 2027
8th Series Unsecured Bonds	December 6, 2018	15,000	135,147	0.2	December 6, 2023
9th Series Unsecured Bonds	December 6, 2018	10,000	90,098	0.5	December 6, 2028
Total		¥130,000	$1,171,276		

20. PROVISIONS

The components of provisions are as follows:

	Millions of Yen As of March 31 2019	 2018	Thousands of U.S. Dollars As of March 31, 2019
Provision for interest repayment claims (Notes 1 and 2)	¥12,017	¥14,054	$ 108,271
Asset retirement obligations (Note 1)	7,965	7,587	71,763
Others (Notes 1 and 3)	10,378	9,010	93,503
Total	¥30,360	¥30,652	$ 273,538

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, 2018	¥14,054	¥7,587	¥ 9,010	¥30,652
Recognition of provisions	—	410	10,886	11,297
Used	(2,037)	(80)	(1,261)	(3,379)
Others	—	48	(8,257)	(8,209)
As of March 31, 2019	¥12,017	¥7,965	¥10,378	¥30,360

	Thousands of U.S. Dollars			
	Provision for Interest Repayment Claims	Asset Retirement Obligations	Others	Total
As of April 1, 2018	$ 126,624	$ 68,357	$ 81,178	$ 276,169
Recognition of provisions	—	3,694	98,080	101,783
Used	(18,353)	(720)	(11,361)	(30,444)
Others	—	432	(74,394)	(73,961)
As of March 31, 2019	$ 108,271	$ 71,763	$ 93,503	$ 273,538

21. PURCHASE COMMITMENTS

Commitments to purchase property and equipment and intangible assets as of March 31, 2019 and 2018 are ¥2,308 million ($20,794 thousand) and ¥8,523 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 U.S. Dollars
	As of March 31		As of March 31,
	2019	2018	2019
Contract liabilities	¥12,403	—	$ 111,748
Accrued bonuses	9,386	¥10,107	84,566
Accrued paid absences	8,513	7,552	76,700
Accrued expenses	8,352	8,974	75,250
Consumption taxes payable	4,174	4,933	37,606
Others	14,287	25,250	128,723
Total	¥57,118	¥56,818	$ 514,622

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 U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2019	2018	2019
Contributions to defined contribution pension plans	¥1,178	¥1,049	$ 10,613

24. LEASES

(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 and 2018 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2019	2018	2019
Software	¥ 51	¥ 127	$ 459
Machinery and equipment	13,938	14,720	125,578
Furniture and fixtures	450	296	4,054
Total	¥14,440	¥15,144	$ 130,101

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

	Millions of Yen			
	Total of Future Minimum Lease Payments		Present Value of the Total of Future Minimum Lease Payments	
	As of March 31		As of March 31	
	2019	2018	2019	2018
Not later than one year	¥ 2,016	¥ 2,111	¥ 1,803	¥ 1,887
Later than one year and not later than five years	7,791	7,349	7,202	6,706
Later than five years	6,392	7,401	6,206	7,142
Total	16,200	16,862	¥15,211	¥15,735
Less: Future finance costs	(988)	(1,127)		
Present value of the total of future minimum lease payments	¥15,211	¥15,735		

	Thousands of U.S. Dollars	
	Total of Future Minimum Lease Payments	Present Value of the Total of Future Minimum Lease Payments
	As of March 31, 2019	As of March 31, 2019
Not later than one year	$ 18,163	$ 16,244
Later than one year and not later than five years	70,195	64,888
Later than five years	57,590	55,914
Total	145,959	$ 137,048
Less: Future finance costs	(8,901)	
Present value of the total of future minimum lease payments	$ 137,048	

(**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 years ended March 31, 2019 and 2018 were ¥24,046 million ($216,650 thousand) and ¥21,426 million, respectively.

Non-cancelable Operating Leases

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

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2019	2018	2019
Not later than one year	¥ 19,294	¥16,991	$ 173,835
Later than one year and not later than five years	50,902	58,892	458,617
Later than five years	35,497	22,637	319,821
Total	¥105,694	¥98,521	$ 952,283

Total future minimum lease payments as of March 31, 2019 and 2018 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, 2019

	Millions of Yen		
	Expected Period to Recover or Settle		
	No More than 12 Months	More than 12 Months	Total
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

	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	$ 4,926,425	—	$ 4,926,425
Call loans in banking business	180,196	—	180,196
Trade and other receivables	2,957,752	—	2,957,752
Inventories	164,933	—	164,933
Loans in credit card business	1,614,217	$ 668,330	2,282,547
Investment securities in banking business	682,881	3,097,188	3,780,079
Loans in banking business	101,495	627,777	729,272
Other financial assets	184,719	1,538,489	1,723,218
Property and equipment	—	1,206,117	1,206,117
Goodwill	—	1,579,430	1,579,430
Intangible assets	—	1,489,260	1,489,260
Investments accounted for using the equity method	—	220,830	220,830
Deferred tax assets	—	311,298	311,298
Other assets	91,440	247,409	338,850
Total assets	$ 10,904,081	$ 10,986,178	$ 21,890,269
Liabilities:			
Trade and other payables	$ 3,554,779	—	$ 3,554,779
Customer deposits in banking business	6,725,912	$ 199,153	6,925,065
Interest-bearing liabilities	454,815	1,484,196	1,939,021
Other financial liabilities	33,642	44,589	78,232
Income taxes payable	217,479	—	217,479
Provisions	112,037	161,501	273,538
Deferred tax liabilities	—	183,827	183,827
Other liabilities	437,552	77,060	514,622
Total liabilities	$ 11,536,255	$ 2,150,346	$ 13,686,611

As of March 31, 2018

	Millions of Yen		
	Expected Period to Recover or Settle		
	No More than 12 Months	More than 12 Months	Total
Assets:			
Cash and cash equivalents	¥ 868,325	—	¥ 868,325
Call loans in banking business	78,000	—	78,000
Trade and other receivables	297,050	—	297,050
Inventories	17,685	—	17,685
Loans in credit card business	129,071	¥ 57,640	186,711
Investment securities in banking business	47,701	260,735	308,436
Loans in banking business	9,946	66,130	76,077
Other financial assets	34,165	129,214	163,380
Property and equipment	—	123,943	123,943
Goodwill	—	162,015	162,015
Intangible assets	—	167,112	167,112
Investments accounted for using the equity method	—	10,865	10,865
Deferred tax assets	—	27,686	27,686
Other assets	10,277	4,095	14,373
Assets classified as held for sale	14,970	—	14,970
Total assets	¥1,507,194	¥1,009,439	¥2,516,633
Liabilities:			
Trade and other payables	¥ 348,346	—	¥ 348,346
Customer deposits in banking business	683,833	¥ 24,220	708,054
Interest-bearing liabilities	43,539	147,035	190,574
Other financial liabilities	4,329	704	5,034
Income taxes payable	29,094	—	29,094
Provisions	11,635	19,017	30,652
Deferred tax liabilities	—	22,956	22,956
Other liabilities	48,522	8,296	56,818
Liabilities directly attributable to assets classified as held for sale	3,214	—	3,214
Total liabilities	¥1,172,515	¥ 222,230	¥1,394,746

26. EQUITY

(1) *Common Stock and Treasury Stock*

The number of authorized shares is as follows:

	As of March 31	
	2019	2018
Authorized shares—Common stock	24,160,000,000	24,160,000,000

The number of issued shares is as follows:

	Number of Issued Shares
Balance as of April 1, 2017	5,695,577,600
Increase (Note 1)	1,288,700
Decrease	—
Balance as of March 31, 2018	5,696,866,300
Increase (Note 1)	910,100
Decrease (Note 2)	546,146,785
Balance as of March 31, 2019	5,151,629,615

Notes: 1. This item represents the exercise of share subscription rights 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, 2019 and 2018 was 67,879,000 shares and 2,818,585 shares, respectively. At the meeting of the Board of Directors held on July 10, 2018, the Company decided to purchase its treasury stock. The number of treasury stock increased by 611,207,200 shares for the year ended March 31, 2019 mainly as a result of the transaction to purchase treasury stock. At the meeting of the Board of Directors held on September 26, 2018, the Company decided to dispose of its treasury stock. The number of treasury stock decreased by 546,146,785 shares for the year ended March 31, 2019 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:

Resolution	Millions of Yen Total Dividends	Thousands of U.S. Dollars Total Dividends	Yen Dividends per Share	U.S. Dollars Dividends per Share	Record Date	Effective Date
Year Ended March 31, 2019						
Board of Directors meeting held on April 27, 2018	¥50,449	$454,536	¥8.86	$0.08	March 31, 2018	June 26, 2018 (Note)
Year Ended March 31, 2018						
Board of Directors meeting held on May 19, 2017	¥50,438		¥8.86		March 31, 2017	June 6, 2017

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, 2020 are as follows:

Resolution	Millions of Yen Total Dividends	Thousands of U.S. Dollars Total Dividends	Yen Dividends per Share	U.S. Dollars Dividends per Share	Record Date	Effective Date
Board of Directors meeting held on May 16, 2019	¥45,042	$405,820	¥8.86	$0.08	March 31, 2019	June 4, 2019

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, 2019 and 2018 are not presented because they are not significant.

(1) *Share Option Plans*

1) *Details of share option plans*

The details of the Company's share option plans for the year ended March 31, 2019 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.

Options Series	Grant Date	Exercise Period
2008 (Note 1)	From May 9, 2008 to February 10, 2009	From April 25, 2018 to January 27, 2019
2009 (Note 1)	From May 12, 2009 to February 10, 2010	From April 28, 2019 to January 27, 2020
2010 (Note 1)	From May 11, 2010 to February 8, 2011	From April 27, 2020 to January 25, 2021
2011 (Note 1)	From June 3, 2011 to February 17, 2012	From May 20, 2021 to February 3, 2022
2012		
1st (Note 1) 2nd (Note 2)	From May 16, 2012 to March 1, 2013	From May 2, 2022 to February 28, 2023
2013		
1st (Note 3) 2nd (Note 4)	From May 17, 2013 to November 19, 2013	From May 16, 2023 to November 18, 2023
2014		
1st (Note 4)	May 26, 2014	May 25, 2024

Notes:

1. Vesting condition

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

2. Vesting condition

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

   (i) If the operating income exceeds ¥250 billion

   Period of achievement: By fiscal year ending March 31, 2016;
   Exercisable ratio: 20%
   Period of achievement: By fiscal year ending March 31, 2017;
   Exercisable ratio: 14%
   Period of achievement: By fiscal year ending March 31, 2018;
   Exercisable ratio: 8%
   Period of achievement: By fiscal year ending March 31, 2019;
   Exercisable ratio: 2%

(ii) If the operating income exceeds ¥330 billion

Period of achievement: By fiscal year ending March 31, 2016;
Exercisable ratio: 80%
Period of achievement: By fiscal year ending March 31, 2017;
Exercisable ratio: 56%
Period of achievement: By fiscal year ending March 31, 2018;
Exercisable ratio: 32%
Period of achievement: By fiscal year ending March 31, 2019;
Exercisable ratio: 8%

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

3. Vesting condition

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

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

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

4. Vesting condition

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

(**2**) ***Fair Value of 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:

		Number of Shares	Weighted Average Exercise Price (Yen) (U.S. Dollars)
Balance at March 31, 2017	Unexercised	61,255,300	¥429
	Granted	—	—
	Forfeited	(4,500,400)	¥430
	Exercised	(483,700)	¥341
	Matured	(284,100)	¥438
Balance at March 31, 2018	Unexercised	55,987,100	¥430
	Granted	—	—
	Forfeited	(8,171,800)	¥420 ($3.78)
	Exercised	(86,100)	¥306 ($2.76)
	Matured	(483,000)	¥424 ($3.82)
Balance at March 31, 2019	Unexercised	47,246,200	¥431 ($3.88)

		Number of Shares	Weighted Average Exercise Price (Yen) (U.S. Dollars)
Balance at March 31, 2018	Exercisable	1,997,100	¥334
Balance at March 31, 2019	Exercisable	1,393,200	¥305 ($2.75)

The unexercised share options as of March 31, 2019, 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	580,600	¥272 ($2.45)	2.3
301–400	18,802,600	¥324 ($2.92)	3.8
401–500	9,023,000	¥493 ($4.44)	4.4
501–600	18,840,000	¥514 ($4.63)	4.6
Total	47,246,200	¥431 ($3.88)	4.2

(**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					
2019			2018		
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)
2007	—	—	2007	139,500	¥499
2008	17,700	¥444 ($4.00)	2008	58,700	¥515
2009	18,100	¥429 ($3.87)	2009	50,500	¥505
2010	5,300	¥481 ($4.33)	2010	70,700	¥504
2011	30,000	¥364 ($3.28)	2011	94,800	¥508
2012	15,000	¥387 ($3.49)	2012	69,500	¥521

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) *The Company*

The Company is subject to the Payment Services Act and is required to maintain equity (net assets) of at least ¥100 million.

2) *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.

3) *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

4) *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, 2019 and 2018.

(**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,
	2019	2018	2019
Decrease in profit before tax	¥(183)	¥(65)	$(1,648)
Decrease in other comprehensive income before tax effect	(63)	(86)	(567)

(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,
	2019	2018	2019
Decrease in other comprehensive income before tax effect	¥2,235	¥3,445	$20,136

(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 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,
	2019	2018	2019
Decrease in profit before tax	¥ 410	¥388	$3,694
Decrease in other comprehensive income before tax effect	1,021	724	9,199

(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 (flattening or steepening) 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, 2019 would decrease by ¥92 million ($828 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 ¥92 million ($828 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 individual loans that are exposed to credit risk of individual 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 in the banking business are guaranteed by guarantee companies.

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 42. Contingencies."

Trade and other receivables include security deposits received as credit enhancements. Such deposits as of March 31, 2019 and 2018 were ¥1,376 million ($12,397 thousand) and ¥1,356 million, respectively. Non-business individual loans in the banking business are guaranteed for credit enhancements. The guaranteed amounts as of March 31, 2019 and 2018 were ¥76,675 million ($690,828 thousand) and ¥72,506 million, respectively.

Foreign exchange dealings deposits from customers include security deposits received from customers. Such deposits as of March 31, 2019 and 2018 were ¥115,372 million ($1,039,481 thousand) and ¥116,537 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, 2019

	Millions of Yen			
	Financial Assets for Which Loss Allowance Is Measured at an Amount Equal to 12-Month Expected Credit Losses	Financial Assets for Which Loss Allowance Is Measured at an Amount Equal to the Lifetime Expected Credit Losses		
Past Due Dates		Financial Assets for Which Credit Risk Has Increased Significantly Since Initial Recognition	Credit-Impaired Financial Assets	Total
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

	Thousands of U.S. Dollars			
	Financial Assets for Which Loss Allowance Is Measured at an Amount Equal to 12-Month Expected Credit Losses	Financial Assets for Which Loss Allowance Is Measured at an Amount Equal to the Lifetime Expected Credit Losses		
Past Due Dates		Financial Assets for Which Credit Risk has Increased Significantly Since Initial Recognition	Credit-Impaired Financial Assets	Total
None	$2,063,942	—	—	$2,063,942
Within 30 days	190,629	—	—	190,629
30 days to 90 days	—	$27,398	—	27,398
Over 90 days	—	—	$85,286	85,286
Total	$2,254,572	$27,398	$85,286	$2,367,267

As of March 31, 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, 2019

	Millions of Yen			
		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	Total
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

	Thousands of U.S. Dollars			
		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	Total
Beginning balance	$6,559	$ 9,748	$39,012	$55,329
Increase—Provision	2,675	2,639	24,777	30,101
Decrease—Used	—	—	(729)	(729)
Total	$9,235	$12,397	$63,059	$84,710

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 mainly 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, 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
Lease liabilities	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	—	3,854,555	3,854,555	—	—	—	—	—
Credit guarantees	—	7,668	7,668	—	—	—	—	—

	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	$3,554,779	$ 3,554,779	$ 3,554,779	—	—	—	—	—
Customer deposits in banking business	6,925,065	6,926,660	6,726,002	$54,392	$ 53,608	$ 28,462	$ 24,984	$ 39,183
Interest-bearing liabilities:								
Long-term bank loans	630,660	633,994	395,585	32,606	180,899	13,631	9,081	2,171
Bonds	1,171,276	1,188,710	48,157	93,143	137,967	227,615	271,889	409,919
Lease liabilities	137,084	145,995	18,181	18,542	17,794	17,010	16,848	57,590
Other financial liabilities	45,959	45,959	4,703	17,019	4,982	4,811	4,009	10,406
Derivative financial liabilities—								
Other financial liabilities	32,273	32,273	28,939	3,333	—	—	—	—
Off balance items:								
Committed lines of cash advances	—	34,728,849	34,728,849	—	—	—	—	—
Credit guarantees	—	69,087	69,087	—	—	—	—	—

As of March 31, 2018

	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	¥348,346	¥348,346	¥348,346	—	—	—	—	—
Customer deposits in banking business	708,054	708,290	683,846	¥6,326	¥ 5,445	¥ 3,253	¥ 3,331	¥ 6,085
Interest-bearing liabilities:								
Long-term bank loans	69,782	70,165	41,825	3,013	3,541	20,061	1,500	223
Bonds	105,050	106,688	317	5,265	10,258	15,233	25,183	50,430
Lease liabilities	15,741	16,868	2,114	1,929	1,894	1,806	1,723	7,401
Other financial liabilities	1,226	1,226	525	700	0	0	—	—
Derivative financial liabilities—								
Other financial liabilities	3,807	3,807	3,804	3	—	—	—	—
Off balance items:								
Committed lines of cash advances	—	426,258	426,258	—	—	—	—	—
Credit guarantees	—	9,404	9,404	—	—	—	—	—

Note: Financial liabilities payable on demand are included in "Within a Year." Customer deposits in banking business include ¥643,894 million ($5,801,369 thousand) and ¥573,572 million of demand deposits as of March 31, 2019 and 2018, respectively.

(3) ***Categories of Financial Instruments***

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

As of March 31, 2019

Financial Assets	Millions of Yen Financial Assets at FVTPL	Debt Instruments at FVTOCI	Equity Instruments at FVTOCI	Financial Assets at Amortized Cost	Total
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

Financial Liabilities	Millions of Yen Financial Liabilities at FVTPL	Financial Liabilities at Amortized Cost	Total
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

Financial Assets	Thousands of U.S. Dollars Financial Assets at FVTPL	Debt Instruments at FVTOCI	Equity Instruments at FVTOCI	Financial Assets at Amortized Cost	Total
Call loans in banking business	—	—	—	$ 180,196	$ 180,196
Trade and other receivables	—	—	—	2,957,752	2,957,752
Loans in credit card business	—	—	—	2,282,547	2,282,547
Investment securities in banking business	$ 233,597	$ 3,143,084	—	403,378	3,780,079
Loans in banking business	—	—	—	729,272	729,272
Other financial assets	350,878	—	$ 456,833	915,496	1,723,218
Total	$ 584,485	$ 3,143,084	$ 456,833	$ 7,468,663	$ 11,653,076

Financial Liabilities	Thousands of U.S. Dollars Financial Liabilities at FVTPL	Financial Liabilities at Amortized Cost	Total
Trade and other payables	—	$ 3,554,779	$ 3,554,779
Customer deposits in banking business	—	6,925,065	6,925,065
Interest-bearing liabilities	—	1,939,021	1,939,021
Other financial liabilities	$ 32,273	45,959	78,232
Total	$ 32,273	$ 12,464,843	$ 12,497,125

As of March 31, 2018

Financial Assets	Millions of Yen Financial Assets at FVTPL	Available-for-Sale Financial Assets	Loans and Receivables	Held-to-Maturity Investments	Total
Call loans in banking business	—	—	¥ 78,000	—	¥ 78,000
Trade and other receivables	—	—	297,050	—	297,050
Loans in credit card business	—	—	186,711	—	186,711
Investment securities in banking business	—	¥268,423	—	¥40,013	308,436
Loans in banking business	—	—	76,077	—	76,077
Other financial assets	¥25,286	78,846	59,247	—	163,380
Total	¥25,286	¥347,270	¥697,087	¥40,013	¥1,109,656

Financial Liabilities	Millions of Yen Financial Liabilities at FVTPL	Financial Liabilities at Amortized Cost	Total
Trade and other payables	—	¥ 348,346	¥ 348,346
Customer deposits in banking business	—	708,054	708,054
Interest-bearing liabilities	—	190,574	190,574
Other financial liabilities	¥3,807	1,226	5,034
Total	¥3,807	¥1,248,202	¥1,252,009

(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:

	As of March 31, 2019 Millions of Yen	Thousands of U.S. Dollars
Tpoint Japan Co., Ltd.	¥16,422	$ 147,959
GameWith, Inc.	2,172	19,569
istyle, Inc.	1,694	15,262
KREO CO., LTD.	1,356	12,217
SoldOut, Inc.	1,354	12,199

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:

	Year Ended March 31, 2019 Millions of Yen	Thousands of U.S. Dollars
Fair value at the date of sale	¥13,192	$ 118,857
Cumulative gains or losses on sale	10,289	92,702

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 year ended March 31, 2019 were ¥9,823 million ($88,503 thousand).

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, 2019 and 2018.

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, 2019

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
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

	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivatives used in foreign exchange dealings	—	$ 175,232	—	$ 175,232
Equity securities	$ 122,263	—	$ 333,705	455,978
Debt securities	24,353	2,296,675	26,092	2,347,130
Trust beneficiary rights	—	—	941,147	941,147
Others	53,166	86,557	125,182	264,915
Total	$ 199,792	$ 2,558,464	$ 1,426,146	$ 4,184,404
Financial liabilities:				
Derivatives used in foreign exchange dealings	—	$ 28,939	—	$ 28,939
Others	—	3,333	—	3,333
Total	—	$ 32,273	—	$ 32,273

As of March 31, 2018

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivatives used in foreign exchange dealings	—	¥ 25,283	—	¥ 25,283
Equity securities	¥24,926	—	¥31,145	56,072
Debt securities	6,704	230,173	3,942	240,820
Trust beneficiary rights	—	—	25,336	25,336
Others	10,359	6,328	8,354	25,042
Total	¥41,990	¥261,785	¥68,779	¥372,556
Financial liabilities:				
Derivatives used in foreign exchange dealings	—	¥ 3,804	—	¥ 3,804
Others	—	3	—	3
Total	—	¥ 3,807	—	¥ 3,807

(**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 mainly 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 2019	2018
Equity securities	Discounted cash flow	Capital cost	11.0%	13.0%
		Perpetual growth rate	1.0%	1.8%

Perpetual growth rate has 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, 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	¥37,038	¥2,896	¥104,458	¥13,894

	Thousands of U.S. Dollars			
	Equity Securities	Debt Securities	Trust Beneficiary Rights	Other
As of April 1, 2018	$ 280,610	$ 35,516	$ 228,272	$ 75,268
Gains or losses:				
Profit for the year (Note 1)	(1,117)	(909)	—	5,468
Other comprehensive income (Note 2)	34,048	—	774	1,198
Purchases	80,700	—	777,961	46,454
Sales or redemption	(15,163)	(8,460)	(65,879)	(1,414)
Transfer due to obtaining control	(45,076)	—	—	—
Others	(279)	(45)	—	(1,792)
As of March 31, 2019	$ 333,705	$ 26,092	$ 941,147	$ 125,182

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.

For the Year Ended March 31, 2018

	Millions of Yen			
	Equity Securities	Debt Securities	Trust Beneficiary Rights (Note 5)	Other (Note 6)
As of April 1, 2017	¥25,139	¥1,032	—	¥9,249
Gains or losses:				
Profit for the year (Note 1)	(1,046)	—	—	(40)
Other comprehensive income (Note 2)	1,933	(5)	¥ (30)	(78)
Business combinations (Note 3)	—	—	2,174	—
Purchases	5,154	3,610	23,299	1,348
Others (Note 4)	(35)	(694)	(106)	(2,123)
As of March 31, 2018	¥31,145	¥3,942	¥25,336	¥8,354

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 "Available-for-sale financial assets" and "Exchange differences on translating foreign operations" in the consolidated statement of comprehensive income.

3. Due mainly to JNB, a new subsidiary.

4. Others mainly comprise transfers between levels of fair value hierarchy due to inputs that became observable.

5. Trust beneficiary rights have been reclassified from "Other."

6. Financial assets at FVTPL have been reclassified into "Other."

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 trade and other receivables. Certain securitized receivables have recourse that makes the Group obliged to pay in the case of the debtor's default. Such receivables are not derecognized because they do not meet the criteria for derecognition of financial assets.

The Group recorded ¥3,994 million ($35,985 thousand) and ¥7,499 million of such transferred assets in trade and other receivables as of March 31, 2019 and 2018, respectively. In addition, the Group recorded ¥3,994 million ($35,985 thousand) and ¥7,499 million of other financial liabilities for the cash received at the time of transfer of the securitized assets as of March 31, 2019 and 2018, respectively. This liability will be settled when the payment for the transferred assets is executed; however, the Group is unable to utilize the transferred assets until then.

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, 2019

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

	Thousands of U.S. Dollars			
	Media Business	Commerce Business	Other Business	Total
Advertising	$2,646,598	$ 271,222	—	$2,917,830
Business	63,032	3,622,101	$47,373	3,732,516
Personal	10,244	1,917,452	10,190	1,937,904
Others	—	13,541	—	13,541
Total	$2,719,884	$5,824,335	$57,572	$8,601,801
Revenue from contracts with customers	$2,719,884	$5,500,657	$30,381	$8,250,932
Revenue from other resources	—	323,677	27,182	350,860

Note: Revenue from other resources includes ¥35,925 million ($323,677 thousand) and ¥24,357 million of finance income generated mainly from financial assets at amortized cost for the years ended March 31, 2019 and 2018, respectively.

Advertising
- Paid search, display, and other advertising-related services

Business
- Yahoo! Real Estate and other information listing services
- Sale of goods such as ASKUL

Personal
- YAHUOKU!, Yahoo! Shopping, and other e-commerce-related services
- Yahoo! Premium and other membership services
- Sale of goods such as LOHACO

(**2**) ***Contract Balances***

The components of contract balances are as follows:

For the Year Ended March 31, 2019

	Millions of Yen		Thousands of U.S. Dollars
	As of April 1, 2018	As of March 31, 2019	As of March 31, 2019
Receivables arising from contracts with customers	¥125,157	¥129,742	$1,127,642
Contract liabilities	11,618	12,403	104,676

Revenue recognized in the year ended March 31, 2019 that was included in the contract liability balance at April 1, 2018, was ¥8,604 million ($77,520 thousand). Revenue recognized in the year ended March 31, 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:

	Year Ended March 31, 2019	
	Millions of Yen	Thousands of U.S. Dollars
Assets recognized from the costs to obtain a contract	¥3,618	$32,597

Note: For assets with amortization periods of one year or less to be recognized, 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 as an asset the incremental costs of obtaining a contract with a customer 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:

	Year Ended March 31, 2019	
	Millions of Yen	Thousands of U.S. Dollars
Amortization	¥282	$2,540
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:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2019	2018	2019
Cost of goods sold	¥291,145	¥264,997	$2,623,164
Personnel expenses	99,166	89,556	893,467
Sales promotion costs	71,167	53,838	641,201
Business commissions	70,840	74,273	638,255
Depreciation and amortization	52,498	44,404	472,997
Information services	52,474	42,277	472,781
Sales commissions	27,670	26,727	249,301
Others	150,529	125,966	1,356,239
Total	¥815,493	¥722,041	$7,347,445

34. INSURANCE INCOME

Insurance income represents the receipt of insurance proceeds for damages caused by a fire that occurred at a logistics center of ASKUL, namely, ASKUL Logi PARK Tokyo Metropolitan in February 2017.

35. GAIN ON DEBT FORGIVENESS

Gain on debt forgiveness represents a gain arising from forgiveness of obligations to pay damages caused by a fire that occurred at ASKUL Logi PARK Tokyo Metropolitan in February 2017.

36. 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.

37. IMPAIRMENT LOSSES

The Group recorded impairment losses for the year ended March 31, 2019 mainly for assets in a logistic center of ASKUL (the commerce business) and property and equipment and intangible assets of Synergy Marketing, Inc. (the media business).

The Group reviewed the business plans of the logistic center of ASKUL and Synergy Marketing, Inc. after identifying the cash-generating unit which was the smallest identifiable group of assets generating independent cash inflows. As a result, there was indication that certain assets might be impaired. The Group performed impairment tests for such assets and recorded impairment losses for property and equipment and intangible assets with recoverable amounts that were less than their carrying amounts.

The recoverable amount is value in use and is measured by discounting the future cash flows determined based on the business plans at a discount rate from 9.8% to 11.9%.

38. OTHER COMPREHENSIVE INCOME

The amount arising during the year, reclassification adjustments and income tax effects on each item in other comprehensive income for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen Year Ended March 31 2019	Millions of Yen Year Ended March 31 2018	Thousands of U.S. Dollars Year Ended March 31, 2019
Items that may not be reclassified subsequently to profit or loss:			
Equity instruments at FVTOCI:			
Amount arising during the year	¥3,878	—	$34,940
Before tax effect	3,878	—	34,940
Income tax effect	(132)	—	(1,189)
Equity instruments at FVTOCI, after tax effect	3,746	—	33,750
Total	3,746	—	33,750
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets:			
Amount arising during the year	—	¥8,540	—
Reclassification adjustments	—	(4,686)	—
Before tax effect	—	3,854	—
Income tax effect	—	(1,197)	—
Available-for-sale financial assets, after tax effect	—	2,656	—
Debt instruments at FVTOCI:			
Amount arising during the year	1,675	—	15,091
Reclassification adjustments	(118)	—	(1,063)
Before tax effect	1,557	—	14,028
Income tax effect	(476)	—	(4,288)
Debt instruments at FVTOCI, after tax effect	1,080	—	9,730
Exchange differences on translating foreign operations:			
Amount arising during the year	911	(1,023)	8,207
Reclassification adjustments	—	—	—
Before tax effect	911	(1,023)	8,207
Income tax effect	—	—	—
Exchange differences on translating foreign operations, after tax effect	911	(1,023)	8,207
Share of other comprehensive income of associates:			
Amount arising during the year	(13)	(0)	(117)
Income tax effect	—	—	—
Share of other comprehensive income of associates, after tax effect	(13)	(0)	(117)
Total	1,979	1,632	17,830
Other comprehensive income, net of tax	¥5,725	¥1,632	$51,581

39. 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,
	2019	2018	2019
Basic earnings per share (yen and U.S. dollars)	¥14.74	¥23.04	$0.13
Profit for the year attributable to owners of the parent	¥78,677	¥131,153	$ 708,865
Profit for the year not attributable to owners of the parent	—	—	—
Profit for the year used in the calculation of basic earnings per share	¥78,677	¥131,153	$ 708,865
Weighted-average number of common stock (thousands of shares)	5,338,012	5,693,586	
Diluted earnings per share (yen and U.S. dollars)	¥14.74	¥23.03	$0.13
Adjustments on profit for the year	—	—	—
Increase in the number of common stock (thousands of shares)	214	765	
Potential common stock that are anti-dilutive and therefore excluded from the calculation of diluted earnings per share	Options series: 2010—1st, 2012—2nd, 2013—1st and 2nd; 2014—1st (Please refer to "Note 28. Share-based payments.")	Options series: 2012—2nd, 2013—1st and 2nd; 2014—1st (Please refer to "Note 28. Share-based payments.")	

40. 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 finance lease contracts, please refer to "New Finance Leases" in "(2) Reconciliation of liabilities arising from financing activities."

During the year ended March 31, 2018, JNB became a subsidiary of the Company as a result of the Company holding the majority of JNB's director positions. For fair value of the acquired assets and assumed liabilities, and non-controlling interests, please refer to "Note 5. Business combinations."

(2) *Reconciliation of Liabilities Arising from Financing Activities*

Changes in liabilities arising from financing activities for the years ended March 31, 2019 and 2018 are as follows:

For the Year Ended March 31, 2019

	Millions of Yen					
			Non-cash Changes			
	April 1, 2018	Financing Cash Flows	Obtaining Control	New Finance Leases	Others	March 31, 2019
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

	Thousands of U.S. Dollars					
			Non-cash Changes			
	April 1, 2018	Financing Cash Flows	Obtaining Control	New Finance Leases	Others	March 31, 2019
Bonds	$946,481	$224,786	—	—	—	$1,171,276
Bank loans	628,723	1,423	$495	—	—	630,660
Lease liabilities	141,769	(16,569)	—	$12,577	$(729)	137,048

For the Year Ended March 31, 2018

	Millions of Yen					
			Non-cash Changes			
	April 1, 2017	Financing Cash Flows	Obtaining Control	New Finance Leases	Others	March 31, 2018
Bonds	¥35,100	¥69,950	—	—	—	¥105,050
Bank loans	64,019	3,586	¥2,177	—	—	69,782
Lease liabilities	5,427	(1,008)	45	¥11,792	¥(521)	15,735

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," which is included in "others," in cash flows from financing activities in the consolidated statement of cash flows.

41. 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, 2019

			Millions of Yen	
Nature of Relationship	Name of Company or Individual	Nature of Transaction	Amount of Transaction	Outstanding Balance at Year-End
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	—

			Thousands of U.S. Dollars	
Nature of Relationship	Name of Company or Individual	Nature of Transaction	Amount of Transaction	Outstanding Balance at Year-End
Parent company	SoftBank Group Japan Corporation	Purchase of treasury stock (Note 1)	$1,982,151	—
Sister company	SoftBank Corp.	Sale of shares (Notes 2 and 3)	175,691	—
Sister company	SB Payment Service Corp.	Purchase of shares (Note 4)	175,313	—
Associate	PayPay Corporation	Subscription of new shares	206,324	—

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 ($3.24) 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 ("SBC").

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.

Year Ended March 31, 2018

No significant related party transactions occurred during the year ended March 31, 2018. No significant unsettled related party balances remained as of March 31, 2018.

(2) *Remuneration for Major Executives*

Remuneration for major executives is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2019	2018	2019
Short-term benefits	¥379	¥455	$3,414
Retirement benefits	0	0	0
Share-based payments	39	22	351
Total	¥419	¥478	$3,775

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

42. 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. The shopping limit in the credit card business has been treated as a committed line of cash advance since the year ended March 31, 2019. The total amount, outstanding balance, and remaining balance as of March 31, 2018 including the shopping limit in the credit card business were ¥3,239,626 million, ¥245,248 million, and ¥2,994,378 million, respectively.

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2019	2018	2019
Total amount of committed lines of cash advances	¥4,172,094	¥510,533	$37,589,818
Outstanding balance	(317,538)	(84,274)	(2,860,960)
Remaining balance	¥3,854,555	¥426,258	$34,728,849

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 U.S. Dollars
	As of March 31		As of March 31,
	2019	2018	2019
Total amount of credit guarantees	¥13,904	¥14,360	$ 125,272
Balance of credit guarantees	7,668	9,404	69,087

43. SIGNIFICANT SUBSEQUENT EVENT

Issuance of New Shares through a Third-Party Allotment and Repurchase of Treasury Stock

On May 8, 2019, the Company resolved at its Board of Directors meeting to (a) issue new shares to SBC through a third-party allotment (the "Third-Party Allotment") and (b) to repurchase its own shares by means of an issuer self-tender offer (the "Tender Offer," and together with the Third-Party Allotment, the "Transactions") in accordance with Article 156, Paragraph (1) of the Companies Act, as applicable pursuant to Article 165, Paragraph (3) of the Companies Act, and in accordance with the provisions of the Company's articles of incorporation. As a result of the repurchase of treasury stock from SoftBank Group Japan Corp. ("SBGJ"), the parent company of the Company will change from SBGJ to SBC; however, SBG is expected to remain as the Company's ultimate parent company.

(1) *Purposes of the transactions*

The Company reached a conclusion that executing the Transactions would benefit the Company's shareholders for the following reasons:

(a) Converting the Company into a subsidiary of SBC through acquisition of additional common shares of the Company is expected to further solidify the alliance between the Company and SBC, and to promote collaboration in an integrated and active manner, thereby contributing to further growth and development of the Company and SBC and enhancement of corporate value.

(b) It is possible to keep SBG's shareholding of the Company's common shares at around the current level and maintain independence of the Company as a listed company, as well as reinforce the tie between the Company and SBC, through the Company's acquisition of its own shares from SBGJ simultaneously with SBC's acquisition of additional common shares.

(c) In addition to the tender offer for the Company's shares executed from July 11, 2018 to August 9, 2018, the Company has been looking for ways to enhance returns to shareholders and improve capital efficiency. As a means to do so, taking the share price and other factors into account, the Company was considering shareholder return measures, including acquisition of a certain number of its shares that would contribute both to the improvement of capital efficiency, such as the Company's earnings per share and return on equity attributable to owners of the parent, and to the enhancement of shareholder value.

(d) Acquiring a larger number of its shares from SBGJ than the number of new shares to be issued through the Third-Party Allotment concurrently with the Third-Party Allotment will result in enhancement, rather than dilution, of minority shareholders' shareholder value.

(e) It is possible to prevent the outflow of corporate assets and also achieve enhancement of shareholder value by making the Tender Offer for its shares at a market price discounted by a certain amount while implementing the Third-Party Allotment at an issuance price based on the market price with a view to respecting the benefit of shareholders who would continue holding the Company's common stock even after the Tender Offer.

(f) Since most of the funds required for acquiring the treasury stock will be sourced through the Third-Party Allotment, the Company will still have sufficient excess cash reserves to acquire its own shares even when considering investments that will be necessary to implement the Company's growth strategies.

(g) A tender offer is an appropriate means to acquire shares from the perspective of equality among shareholders and transparency of transactions.

(2) *Outline of the resolution of the Board of Directors regarding the Third-Party Allotment*

(a)	Type of shares:	Common stock
(b)	Number of shares to be issued:	1,511,478,050 shares
(c)	Issue price:	¥302 per share
(d)	Total amount of issuance:	¥456,466,371,100
(e)	Method of offering or allotment:	All new issued shares are to be allotted to SBC through a third-party allotment.
(f)	Amount of common stock to be increased:	¥228,233,185,550 (¥151 per share)
(g)	Amount of capital surplus to be increased:	¥228,233,185,550 (¥151 per share)
(h)	Use of funds:	Settlement of the Tender Offer
(i)	Application date:	June 27, 2019
(j)	Payment date:	June 27, 2019
(k)	Starting date of dividend calculation:	April 1, 2019

(3) *Outline of the resolution of the Board of Directors regarding the repurchase of treasury stock*

(a)	Type of shares:	Common stock
(b)	Number of shares to repurchase:	1,834,377,700 shares (maximum)
(c)	Total amount of repurchase:	¥526,466,399,900 (maximum, ¥287 per share)
(d)	Repurchase period:	From May 9, 2019 to June 28, 2019

The Tender Offer was completed on June 5, 2019, whereby the Company acquired 1,834,377,600 shares of its common stock for ¥526,466,371,200.

44. 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 7, 2019.

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