Financial Summary

JGAAP

Years ended March 31	2010	2011	2012	2013
Consolidated Results				(Millions of yen)
Revenue*1	279,856	292,423	302,088	342,989
SG&A expenses	103,385	103,525	109,049	120,244
Operating income	143,825	159,604	165,004	186,351
Net income	83,523	92,174	100,559	115,035
Total assets	418,262	471,745	562,022	743,311
Total liabilities	105,988	86,639	93,721	192,046
Total equity	312,273	385,105	468,300	551,264
Cash flows from operating activities	140,095	67,580	99,736	139,396
Cash flows from investing activities	(7,356)	11,630	(12,309)	51,404
Cash flows from financing activities	(31,381)	(28,924)	(18,846)	(40,184)
Per-share Information*2				(Yen)
Basic net income per share	14.38	15.90	17.34	19.84
Diluted net income per share	14.37	15.88	17.34	19.84
Dividends per share	2.88	3.18	3.47	4.01
Dividend ratio (%)	20.0	20.0	20.0	20.2
Principal Performance Indicators				(%)
Operating margin	51.4	54.6	54.6	54.3
ROA	22.9	20.7	19.5	17.6
ROE	30.7	26.6	23.7	22.8
Total equity/Total assets ratio	74.0	81.1	82.8	73.1
Price earnings ratio (Times)*3	23.67	18.72	15.45	21.82
Number of employees	4,882	4,748	5,124	5,780

IFRS

Years ended March 31	2014	2015	2016	2017	2018
Consolidated Results					(Millions of yen)
Revenue*1	408,514	428,487	652,327	853,730	**897,185**
SG&A expenses	136,215	145,774	239,661	277,430	**339,573**
Other gains and losses*4	—	—	59,703	(10,737)	**10,665**
Operating income	196,437	197,212	224,997	192,049	**185,810**
EBITDA*5	209,890	214,147	255,695	230,096	**230,215**
Profit for the year attributable to owners of the parent	128,605	133,051	171,617	136,589	**131,153**
Total assets	849,987	1,007,602	1,342,799	1,534,212	**2,516,633**
Total liabilities	222,269	267,048	430,035	535,502	**1,394,746**
Total equity	627,718	740,554	912,764	998,709	**1,121,887**
Cash flows from operating activities	132,793	126,239	105,409	127,023	**75,457**
Cash flows from investing activities	(7,274)	(67,864)	(110,537)	(57,047)	**232,556**
Cash flows from financing activities	(53,129)	(37,166)	(49,357)	23,996	**21,289**
Per-share Information					(Yen)
Basic earnings per share attributable to owners of the parent	22.43	23.37	30.15	23.99	**23.04**
Diluted earnings per share attributable to owners of the parent	22.43	23.37	30.14	23.99	**23.03**
Dividends per share	4.43	8.86	8.86	8.86	**8.86**
Dividend ratio (%)	19.8	37.9	29.4	36.9	**38.5**
Principal Performance Indicators					(%)
Operating margin	48.1	46.0	34.5	22.5	**20.7**
ROA	26.1	22.4	19.3	13.4	**9.5**
ROE	22.2	19.8	21.9	15.4	**13.5**
Total equity/Total assets ratio	72.9	72.1	62.9	60.7	**40.3**
Price earnings ratio (Times)*3	22.56	21.22	15.89	21.42	**21.45**
Number of employees	6,291	7,034	9,177	11,231	**12,244**

Yahoo Japan Corporation adopted International Financial Reporting Standards (IFRS) from the fiscal year ended March 31, 2015. Figures for the fiscal year ended March 31, 2014 have been restated on an IFRS basis.

*1 Consumption tax, etc. are not included in revenue.
*2 Per-share figures have been restated to reflect a 100-for-1 stock split made on October 1, 2013. Per-share figures in the table above have been retroactively revised to reflect the impact of this stock split.
*3 Price earnings ratio is calculated using the share price at the fiscal year-end.
*4 The major components of other gains and losses are ¥59,696 million gain from remeasurement relating to business combination resulting from the consolidation of ASKUL Corporation in FY2015, and ¥13,006 million in disaster losses attributable to a fire at the ASKUL Logistics Center in FY2016, ¥6,725 million in insurance proceeds, etc. in FY2017 related to said fire incident, and ¥3,566 million in gain on sales of property and equipment at ASKUL Corporation.
*5 EBITDA = operating income + depreciation and amortization in cash flows from operating activities

Management's Discussion and Analysis

Results of Operations

In fiscal 2017, the year ended March 31, 2018, Yahoo Japan Corporation (the Company) recorded revenue growth of 5.1% compared with fiscal 2016, due in part to higher revenue for advertising-related services, including paid search advertising and Premium Advertising, as well as increased revenue of the ASKUL Group.

Operating income, profit before tax, and profit for the year attributable to owners of the parent decreased year on year, despite the higher revenue, due to such factors as additional investments toward maximizing e-commerce transaction value and toward becoming a data-driven company.

As a result, for fiscal 2017 the Company recorded revenue of ¥897,185 million (5.1% increase), operating income of ¥185,810 million (3.2% decrease), profit before tax of ¥193,177 million (0.2% decrease), and profit for the year attributable to owners of the parent of ¥131,153 million (4.0% decrease).

Financial Position

Assets

Total assets at the end of fiscal 2017 were ¥2,516,633 million, an increase of ¥982,421 million, or 64.0%, from the end of fiscal 2016. The main factors for this change were the following:

Cash and cash equivalents grew from the end of fiscal 2016, due mainly to the consolidation of The Japan Net Bank, Limited.

Call loans in banking business, investment securities in banking business, and loans in banking business were newly recognized as a result of the consolidation of The Japan Net Bank, Limited.

Loans in credit card business rose compared with the end of fiscal 2016, due primarily to the higher transaction value of the credit card business.

Other financial assets increased from the end of fiscal 2016, owing mostly to the consolidation of The Japan Net Bank, Limited.

Assets classified as held for sale were newly recognized as a result of an agreement to transfer the shares of IDC Frontier Inc.

Liabilities

Total liabilities at the end of fiscal 2017 were ¥1,394,746 million, an increase of ¥859,243 million, or 160.5%, from the end of fiscal 2016. The main factors for this change were the following:

Customer deposits in banking business was newly recognized due to the consolidation of The Japan Net Bank, Limited.

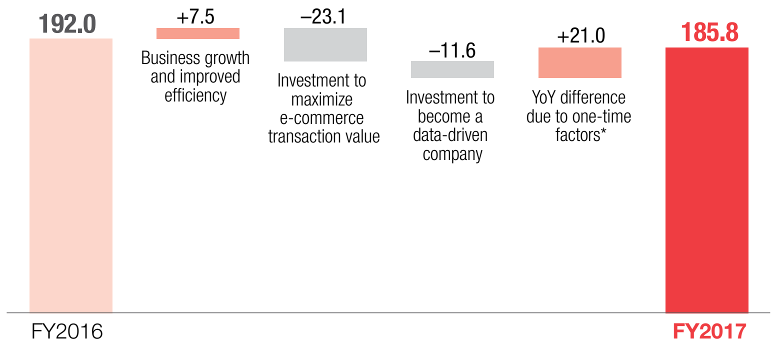
Interest-bearing liabilities rose in comparison with the end of fiscal 2016, due mainly to the issuance of bonds.

Equity

Total equity at the end of fiscal 2017 was ¥1,121,887 million, an increase of ¥123,177 million, or 12.3%, from the end of fiscal 2016. The main factor for this change was the following:

Retained earnings grew from the end of fiscal 2016, due to profit for the year attributable to owners of the parent, despite the decrease from the payment of dividends.

Factors of Change in Operating Income
(Billions of yen)



* Includes loss related to the fire incident at the ASKUL Logistics Center of ¥13.0 billion in FY2016, and insurance proceeds etc. related to the said fire incident of ¥6.6 billion and ASKUL Corporation's gain on sales of property and equipment of ¥3.5 billion in FY2017.

Cash Flows

Cash and cash equivalents at the end of fiscal 2017 were ¥868,325 million, a ¥325,257 million increase from the end of fiscal 2016. This comprised deposits at the Bank of Japan in relation to the banking business of ¥284,234 million. Cash flows for fiscal 2017 are summarized as follows:

Cash flows from operating activities amounted to a cash inflow of ¥75,457 million, due primarily to profit before tax, despite the payment of income taxes and an increase in receivables related to the credit card business.

Cash flows from investing activities amounted to a cash inflow of ¥232,556 million, owing mainly to the consolidation of The Japan Net Bank, Limited, despite the purchase of property and equipment and intangible assets.

Cash flows from financing activities amounted to a cash inflow of ¥21,289 million, due mainly to the issuance of bonds, despite the payment of dividends.

Capital Investment

Capital investment for fiscal 2017 amounted to a total of ¥91,037 million, comprising property and equipment of ¥46,966 million and intangible assets of ¥44,071 million. This was due mainly to the purchase of servers and network-related facilities, the establishment of ASKUL Corporation's new logistics center, and the acquisition of software. Because these assets are utilized throughout the Company's business segments and therefore are not allocable to a specific segment, capital investment is not presented for each reportable segment.

Dividend Policy

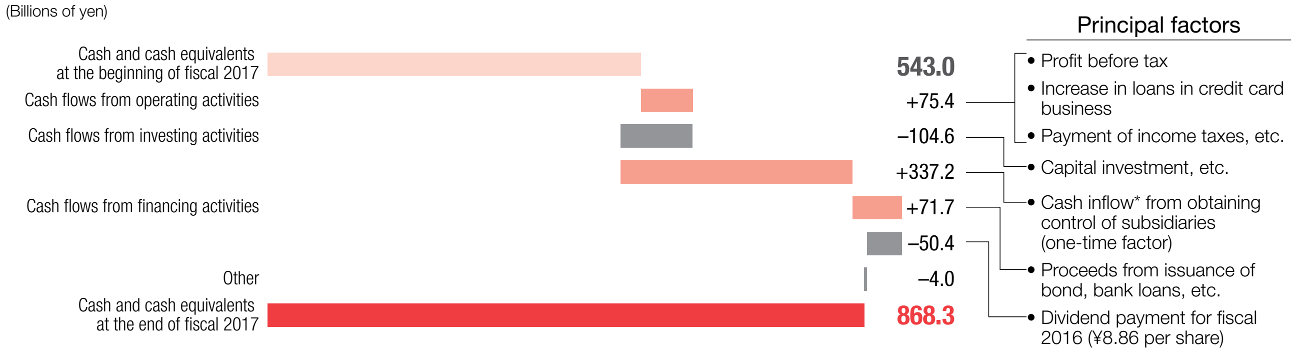
Dividends are determined by the Board of Directors of the Company and paid in principle once a year as a year-end dividend.

The Company aims to achieve sustainable growth in corporate value over the medium to long term. To that end, the Company recognizes the importance of actively pursuing upfront investments to its services, capital investments, and capital and business alliances toward future growth. At the same time, the Company recognizes its responsibility as a listed company to recompense shareholders through the return of profits.

Based on the above policy, the Company resolved at its Board of Directors meeting held on April 27, 2018 to pay year-end dividends of ¥8.86 per share, equivalent to a total dividend payout of ¥50.4 billion, for fiscal 2017.

Going forward, while investing toward future growth, the Company aims to enhance corporate value by providing an appropriate return of profits to shareholders.

Factors of Change in Cash Flows
(Billions of yen)



* Cash and cash equivalents held by The Japan Net Bank Limited on the date of consolidation (Feb. 1, 2018).

Consolidated Statement of Financial Position

Yahoo Japan Corporation and Subsidiaries

	Millions of Yen As of March 31 2018	Millions of Yen As of March 31 2017	Thousands of U.S. Dollars (Note 2(3)) As of March 31, 2018
ASSETS:			
Cash and cash equivalents (Note 7)	¥ 868,325	¥ 543,067	$ 8,173,239
Call loans in banking business (Note 28)	78,000	—	734,186
Trade and other receivables (Notes 8 and 28)	297,050	251,239	2,796,027
Inventories	17,685	14,352	166,462
Loans in credit card business (Note 28)	186,711	129,648	1,757,445
Investment securities in banking business (Notes 9 and 28)	308,436	—	2,903,200
Loans in banking business (Note 28)	76,077	—	716,086
Other financial assets (Notes 10 and 28)	163,380	101,678	1,537,838
Property and equipment (Note 11)	123,943	124,021	1,166,632
Goodwill (Note 12)	162,015	159,505	1,524,990
Intangible assets (Note 12)	167,112	138,692	1,572,966
Investments accounted for using the equity method (Note 13)	10,865	37,748	102,268
Deferred tax assets (Note 14)	27,686	24,511	260,598
Other assets	14,373	9,746	135,288
Subtotal	2,501,662	1,534,212	23,547,270
Assets classified as held for sale (Note 15)	14,970	—	140,907
TOTAL ASSETS	¥ 2,516,633	¥ 1,534,212	$ 23,688,187

	Millions of Yen As of March 31 2018	Millions of Yen As of March 31 2017	Thousands of U.S. Dollars (Note 2(3)) As of March 31, 2018
LIABILITIES AND EQUITY:			
Liabilities:			
Trade and other payables (Notes 16 and 28)	¥ 348,346	¥ 287,978	$ 3,278,859
Customer deposits in banking business (Notes 17 and 28)	708,054	—	6,664,664
Interest-bearing liabilities (Notes 18 and 28)	190,574	104,546	1,793,806
Other financial liabilities (Note 28)	5,034	4,058	47,383
Income taxes payable	29,094	36,490	273,851
Provisions (Note 19)	30,652	30,729	288,516
Deferred tax liabilities (Note 14)	22,956	21,812	216,076
Other liabilities (Note 21)	56,818	49,885	534,807
Subtotal	1,391,532	535,502	13,098,004
Liabilities directly attributable to assets classified as held for sale (Note 15)	3,214	—	30,252
Total liabilities	1,394,746	535,502	13,128,256
Equity:			
Equity attributable to owners of the parent:			
Common stock (Note 25)	8,737	8,428	82,238
Capital surplus (Notes 25 and 27)	(4,602)	(4,366)	(43,317)
Retained earnings (Note 25)	993,894	913,178	9,355,176
Treasury stock (Note 25)	(1,316)	(1,316)	(12,387)
Accumulated other comprehensive income	16,655	14,896	156,767
Total equity attributable to owners of the parent	1,013,368	930,820	9,538,478
Non-controlling interests	108,518	67,888	1,021,442
Total equity	1,121,887	998,709	10,559,930
TOTAL LIABILITIES AND EQUITY	¥ 2,516,633	¥ 1,534,212	$ 23,688,187

See notes to consolidated financial statements.

Consolidated Statement of Profit or Loss

Yahoo Japan Corporation and Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 2(3))
	Year Ended March 31		Year Ended March 31,
	2018	2017	2018
REVENUE (Note 31)	¥ 897,185	¥ 853,730	$ 8,444,888
COST OF SALES (Note 32)	382,467	373,513	3,600,028
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 32)	339,573	277,430	3,196,282
GAIN FROM REMEASUREMENT RELATING TO BUSINESS COMBINATIONS (Note 5)	372	—	3,501
GAIN ON SALES OF PROPERTY AND EQUIPMENT	3,567	2,269	33,574
INSURANCE INCOME (Note 33)	4,973	—	46,809
GAIN ON DEBT FORGIVENESS (Note 34)	1,752	—	16,490
DISASTER LOSSES (Note 35)	—	13,006	—
Operating income	185,810	192,049	1,748,964
OTHER NON-OPERATING INCOME (Note 36)	9,112	2,590	85,768
OTHER NON-OPERATING EXPENSES	2,791	2,112	26,270
EQUITY IN EARNINGS OF ASSOCIATES AND JOINT VENTURE (Note 13)	1,045	947	9,836
PROFIT BEFORE TAX	193,177	193,475	1,818,307
INCOME TAX EXPENSE (Note 14)	58,764	60,841	553,125
PROFIT FOR THE YEAR	¥ 134,412	¥ 132,634	$ 1,265,173
ATTRIBUTABLE TO:			
Owners of the parent	¥ 131,153	¥ 136,589	$ 1,234,497
Non-controlling interests	3,258	(3,955)	30,666
PROFIT FOR THE YEAR	¥ 134,412	¥ 132,634	$ 1,265,173
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT:			
Basic (yen and U.S. dollars) (Note 38)	¥ 23.04	¥ 23.99	$ 0.22
Diluted (yen and U.S. dollars) (Note 38)	23.03	23.99	0.22

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Yahoo Japan Corporation and Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 2(3))
	Year Ended March 31		Year Ended March 31,
	2018	2017	2018
PROFIT FOR THE YEAR	¥ 134,412	¥ 132,634	$ 1,265,173
OTHER COMPREHENSIVE INCOME:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets (Notes 29 and 37)	2,656	2,725	25,000
Exchange differences on translating foreign operations (Notes 29 and 37)	(1,023)	(18)	(9,629)
Share of other comprehensive income of associates (Notes 13 and 37)	(0)	(905)	(0)
Other comprehensive income, net of tax	1,632	1,802	15,361
TOTAL COMPREHENSIVE INCOME	¥ 136,045	¥ 134,436	$ 1,280,544
ATTRIBUTABLE TO:			
Owners of the parent	¥ 132,912	¥ 138,306	$ 1,251,054
Non-controlling interests	3,132	(3,869)	29,480
TOTAL COMPREHENSIVE INCOME	¥ 136,045	¥ 134,436	$ 1,280,544

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Yahoo Japan Corporation and Subsidiaries

	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, 2016	¥ 8,358	¥ (3,081)	¥ 827,024	¥ (1,316)	¥ 13,180	¥ 844,165	¥ 68,598	¥ 912,764
Profit for the year	—	—	136,589	—	—	136,589	(3,955)	132,634
Other comprehensive income, net of tax	—	—	—	—	1,716	1,716	86	1,802
Total comprehensive income for the year	—	—	136,589	—	1,716	138,306	(3,869)	134,436
Issue of common stock (Note 25)	69	69	—	—	—	138	—	138
Payment of dividends (Note 26)	—	—	(50,435)	—	—	(50,435)	(1,094)	(51,529)
Changes attributable to obtaining or losing control of subsidiaries	—	—	—	—	—	—	2,150	2,150
Changes in ownership interests in subsidiaries without losing control	—	(1,310)	—	—	—	(1,310)	1,840	530
Others	—	(43)	—	—	—	(43)	263	219
Total	69	(1,284)	(50,435)	—	—	(51,651)	3,160	(48,490)
BALANCE AT MARCH 31, 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 25)	309	309	—	—	—	618	—	618
Payment of dividends (Note 26)	—	—	(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

	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, 2017	$ 79,329	$ (41,095)	$ 8,595,425	$ (12,387)	$ 140,210	$ 8,761,483	$ 639,006	$ 9,400,498
Profit for the year	—	—	1,234,497	—	—	1,234,497	30,666	1,265,173
Other comprehensive income, net of tax	—	—	—	—	16,547	16,547	(1,185)	15,361
Total comprehensive income for the year	—	—	1,234,497	—	16,547	1,251,054	29,480	1,280,544
Issue of common stock (Note 25)	2,908	2,908	—	—	—	5,817	—	5,817
Payment of dividends (Note 26)	—	—	(474,755)	—	—	(474,755)	(11,012)	(485,768)
Changes attributable to obtaining or losing control of subsidiaries (Note 5)	—	—	—	—	—	—	354,856	354,856
Changes in ownership interests in subsidiaries without losing control	—	(2,983)	—	—	—	(2,983)	10,033	7,040
Others	—	(2,146)	—	(0)	—	(2,146)	(931)	(3,077)
Total	2,908	(2,221)	(474,755)	(0)	—	(474,058)	352,946	(121,112)
BALANCE AT MARCH 31, 2018	$ 82,238	$ (43,317)	$ 9,355,176	$ (12,387)	$ 156,767	$ 9,538,478	$ 1,021,442	$ 10,559,930

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Yahoo Japan Corporation and Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 2(3))
	Year Ended March 31		Year Ended March 31,
	2018	2017	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before tax	¥ 193,177	¥ 193,475	$ 1,818,307
Depreciation and amortization	44,404	38,046	417,959
Disaster losses (Note 35)	—	13,006	—
Increase in call loans in banking business	(8,000)	—	(75,301)
Increase in trade and other receivables	(14,743)	(14,357)	(138,770)
Increase in trade and other payables	42,395	21,719	399,049
Increase in loans in credit card business	(57,063)	(59,785)	(537,114)
Increase in loans in banking business	(2,715)	—	(25,555)
Decrease in customer deposits in banking business	(27,931)	—	(262,904)
(Increase) decrease in other financial assets	(15,707)	3,743	(147,844)
Others	(6,433)	(4,905)	(60,551)
Subtotal	147,381	190,943	1,387,245
Income taxes—paid	(71,924)	(63,919)	(676,995)
Net cash generated by operating activities	75,457	127,023	710,250
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities in banking business	(45,790)	—	(431,005)
Proceeds from sales of investment securities in banking business	14,969	—	140,897
Purchase of other investments	(11,010)	(10,137)	(103,633)
Purchase of property and equipment	(43,284)	(39,807)	(407,417)
Proceeds from sales of property and equipment	20,669	7,345	194,550
Purchase of intangible assets	(44,338)	(16,911)	(417,338)
Net cash inflow on obtaining control of subsidiaries (Note 5)	337,224	—	3,174,171
Others	4,117	2,464	38,751
Net cash generated by (used in) investing activities	232,556	(57,047)	2,188,968
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase of short-term bank loans	4,321	20,200	40,672
Proceeds from long-term bank loans	2,800	25,300	26,355
Proceeds from issuance of bonds	70,000	35,000	658,885
Dividends paid	(50,439)	(50,414)	(474,764)
Others	(5,392)	(6,088)	(50,753)
Net cash generated by financing activities	21,289	23,996	200,385
FORWARD	¥ 329,302	¥ 93,972	$ 3,099,603

Consolidated Statement of Cash Flows

Yahoo Japan Corporation and Subsidiaries

	Millions of Yen Year Ended March 31 2018	2017	Thousands of U.S. Dollars (Note 2(3)) Year Ended March 31, 2018
FORWARD	¥ 329,302	¥ 93,972	$ 3,099,603
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(562)	(70)	(5,289)
DECREASE IN CASH AND CASH EQUIVALENTS DUE TO CLASSIFICATION OF ASSETS AS HELD FOR SALE (Note 15)	(3,484)	—	(32,793)
NET INCREASE IN CASH AND CASH EQUIVALENTS	325,257	93,902	3,061,530
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Note 7)	543,067	449,164	5,111,699
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note 7)	¥ 868,325	¥ 543,067	$ 8,173,239

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Yahoo Japan Corporation and Subsidiaries

1. REPORTING ENTITY

Yahoo Japan Corporation (the "Company") was incorporated and is domiciled in Japan. SoftBank Group Corp. 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 ¥106.24 to U.S.$1, the approximate rate of exchange at March 31, 2018. 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*

1) *Consolidated statement of financial position*

Prior to April 1, 2017, the Group presented current and non-current assets, and current and non-current liabilities, as separate classifications in the consolidated statement of financial position. Given the conversion of The Japan Net Bank, Limited ("JNB") into a subsidiary and the materiality of the assets and liabilities of the banking business and credit card business, beginning in the current fiscal year, the Group has presented all assets and liabilities in order of liquidity in the consolidated statement of financial position. As a result, the Group reclassified the following items:

(a) Other financial assets, which were presented separately as current and non-current in the prior-year consolidated statement of financial position, have been presented as "other financial assets" in total in the current year.

(b) Other financial liabilities, which were presented separately as current and non-current in the prior-year consolidated statement of financial position, have been presented as "other financial liabilities" in total in the current year.

(c) Interest-bearing liabilities, which were presented separately as current and non-current in the prior-year consolidated statement of financial position, have been presented as "interest-bearing liabilities" in total in the current year.

(d) Other current assets and other non-current assets, which were presented separately as current and non-current in the prior-year consolidated statement of financial position, are presented as "other assets" in total in the current year.

(e) Other current liabilities and other non-current liabilities, which were presented separately as current and non-current in the prior-year consolidated statement of financial position, are presented as "other liabilities" in total in the current year.

(f) Loans in credit card business, which were included in trade and other receivables, are reclassified and presented separately in the current-year consolidated statement of financial position due to increased materiality.

2) *Consolidated statement of profit or loss*

After the Group began to consolidate JNB, in order to more relevantly present income and expenses of settlement- and finance-related services and investment results of financial assets and financial liabilities, the Group changed the presentation manner of the consolidated statement of profit or loss. Effective in the current fiscal year, "gross profit," which was presented in the consolidated statement of profit or loss in the previous year, is not presented.

3) *Consolidated statement of cash flows*

Increases in loans in the credit card business, which were included in "increase in trade and other receivables" in the cash flows from operating 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. As a result, the prior-year amount of ¥(59,785) million, which was included in "increase in trade and other receivables" in the cash flows from operating activities in the prior-year consolidated statement of cash flows, has been reclassified and presented separately as ¥(59,785) million in "increase in loans in credit card business."

Decrease in other financial assets, which were included in "others" in cash flows from operating 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. As a result, the prior-year amount of ¥3,743 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 as ¥3,743 million in "decrease in other financial assets."

Net cash outflow on obtaining control of subsidiaries, which was presented separately in the cash flows from investing 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. As a result, the prior-year amount of ¥(1,909) million in cash flows from investing activities in the prior-year consolidated statement of cash flows have been reclassified and aggregated into "others" at ¥(1,909) million.

(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.

1) *IFRS 9 "Financial Instruments"*

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

January 1, 2018

(b) Scheduled date of initial application

April 1, 2018

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

IFRS 9 replaces a part of the previous International Accounting Standard ("IAS") 39. The main revisions are:

(i) to revise classification into measurement categories of financial instruments (amortized costs and fair values) and measurement;

(ii) to revise the treatment of changes in fair values of financial liabilities measured at fair values;

(iii) to revise the eligibility requirement of hedged items and hedging instruments, and requirements related to the effectiveness of the hedge; and

(iv) to revise the measurement approach for impairment by introducing an impairment model based on the expected credit loss.

2) *IFRS 15 "Revenue from Contracts with Customers"*

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

January 1, 2018

(b) Scheduled date of initial application

April 1, 2018

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

The core principle of IFRS 15, which replaces a part of the previous IAS 11 "Construction Contracts" and IAS 18 "Revenue," is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a five-step approach to revenue recognition:

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.

3) *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

Under IFRS 16, which replaces IAS 17 "Leases," a lessee recognizes a right-of-use asset and a lease liability. 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.

In applying the requirements of IFRS 9 for classification and measurement of financial assets, the Group plans to reclassify certain debt instruments out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category.

In applying the requirements for impairment of financial assets of IFRS 9, the Company plans to measure lifetime expected credit losses of a financial instrument at each reporting date if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Group plans to measure the 12-month expected credit losses. For trade and other receivables, the Group plans to apply the simplified approach as provided in IFRS 9 and measure the lifetime expected credit losses. In addition, the Group plans to review the definitions of default and credit-impaired financial assets in accordance with the requirements of IFRS 9.

The impact of applying IFRS 9 on the consolidated financial statements was not significant.

In applying IFRS 15, based on the five-step approach, the Group plans to recognize revenue at an amount of consideration in a contract that the Group expects to be entitled in exchange for transferring promised goods or services to a customer, except for interest and dividend income to which IFRS 9 is applied. The Group plans to recognize as an asset the incremental costs of obtaining a contract with a customer and costs to fulfil a contract if the costs are expected to be recovered. The incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The impact of applying IFRS 15 on the consolidated financial statements was not significant.

The effect of applying IFRS 16 is currently being evaluated.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Change in Accounting Policies

Effective April 1, 2017, the Group applied the following standard:

IAS 7 "Statement of Cash Flows"

Outline of the revised standard is as follows:

The amendments to IAS 7 require entities to disclose the following changes in liabilities arising from financing activities (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The impact of applying this standard on the consolidated financial statements was not significant.

(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."

5) *Investments in associates*

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.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, 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 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. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), 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.

The Group discontinues the use of the equity method from the date when the investee ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate 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 IAS 39 "Financial Instruments: Recognition and Measurement." The difference between the carrying amount of the associate 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 is included in the determination of the gain or loss on disposal of the associate.

The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. 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) *Classification*

(a) Non-derivative financial assets

Non-derivative financial assets are classified as "financial assets at FVTPL," "held-to-maturity investments," "loans and receivables," and "available-for-sale financial assets." The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

i) Financial assets at FVTPL

Financial assets held for trading purposes are initially measured at fair value, with any net gains or losses arising on remeasurement recognized in profit or loss. Transaction costs are recognized in profit or loss when incurred. Interest and dividend income earned on the financial assets are recognized in profit or loss.

ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intention and ability to hold to maturity are classified as "held-to-maturity investments." Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairment. Interest income calculated based on the effective interest method is recognized in profit or loss.

iii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables." Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income calculated based on the effective interest method is recognized in profit or loss.

iv) Available-for-sale financial assets

Non-derivative financial assets are classified as "available-for-sale financial assets," if:

(A) the assets are designated as "available-for-sale financial assets" at initial recognition; or

(B) the assets are not classified as "financial assets at FVTPL," "held-to-maturity investments," or "loans and receivables."

Subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value and gains or losses arising from changes in fair value are recognized in other comprehensive income. When there is objective evidence that an available-for-sale financial asset is impaired, previously recognized accumulated other comprehensive income is reclassified to profit or loss.

Foreign exchange gains and losses arising on monetary financial assets classified as available-for-sale financial assets, interest income calculated using the effective interest method and dividends received are recognized in profit or loss. When an available-for-sale financial asset is derecognized, the accumulated profit or loss recorded in other comprehensive income is reclassified to profit or loss.

(b) Non-derivative financial liabilities

The Group's non-derivative financial liabilities mainly consist of trade and other payables and customer deposits in the banking business. These financial liabilities are measured at amortized cost using the effective interest method, subsequent to initial recognition.

(c) 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 remeasured to their fair value at the end of each quarter. The resulting gain or loss is recognized in profit or loss immediately. Derivative financial assets and financial liabilities are classified as "financial assets at FVTPL" and "financial liabilities at FVTPL," respectively.

3) *Derecognition of financial assets and financial liabilities*

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another party. The difference between the carrying amount of a financial asset derecognized and the consideration received is recognized in profit or loss. The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or they expire. The difference between the carrying amount of a financial liability derecognized and the consideration paid is recognized in profit or loss.

4) *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 set off the recognized amounts, and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

5) *Impairment of financial assets*

The Group assesses financial assets for any objective evidence of impairment at the end of each quarter. Financial assets, other than financial assets at FVTPL, are considered to be impaired when there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the financial assets, and these events have an adverse effect on the estimated future cash flows of the financial assets that can be reliably estimated. For available-for-sale equity instruments, a significant or prolonged decline in the fair value below cost is considered to be objective evidence of impairment.

In recognizing an impairment loss on held-to-maturity investments or loans and receivables, the Group reduces the carrying amount of the asset directly. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. Interest income after impairment recognition is thereafter recognized through reversal of discount due to passage of time.

For available-for-sale financial assets, an impairment loss is measured as the difference between the asset's carrying amount and its fair value and is recognized in profit or loss.

For held-to-maturity investments or loans and receivables, if, in a subsequent period, an event that decreases the amount of the impairment loss occurs, the amount of decrease is reversed through profit or loss to the extent that it does not exceed the amortized cost of the asset.

For equity instruments classified as available-for-sale financial assets, impairment losses are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. For debt instruments classified as available-for-sale financial assets, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

(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:	6–24 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*

Revenue of the Group mainly consists of providing services and sale of goods. Revenue from providing services comprises paid search advertising, display advertising, commission fees related to e-commerce such as YAHUOKU!, and membership fees such as Yahoo! Premium. Revenue from the sale of goods mainly consists of sale of office-related goods by the Company's subsidiaries such as ASKUL Corporation ("ASKUL").

Revenue from providing services is recognized based on the stage of completion of transactions at the end of each quarter. Revenue from paid search advertising is recognized when a visitor of the website clicks the advertisement. Display advertising comprises premium advertising, Yahoo! Display Ad Network ("YDN") and others. Revenue from premium advertising is recognized over a period in which the related advertisement is displayed. Revenue from YDN is recognized when a visitor of the website clicks the advertisement on the page with the related content. Revenue from e-commerce related commission fees is recognized when a transaction occurs. Revenue from membership fees is recognized over an effective period of the membership. Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied: (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) it is probable that the economic benefits associated with the transaction will flow to the Group; and (4) the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(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.

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 29. Fair value of financial instruments")
- 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 19. Provisions")
- Fair value of share options ("Note 3. Significant accounting policies (12)" and "Note 27. Share-based payments")
- 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, 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 JNB, according to the resolution reached at the meeting of 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 has 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 believes that it needs to strengthen its settlement- and finance-related business to further revitalize the commerce business. The Company intends to enter fully into the banking business by acquiring JNB and generate synergies within the Group. In addition, the Company plans 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 remains the same, at 41.2%, as before and does not constitute the majority; however, the Company accounted for JNB as a subsidiary because the Company determined that the Company has 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 ($3,501 thousand) as gain on a step acquisition. This gain is 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	Thousands of U.S. Dollars
Fair value of the Company's previously held interests	¥ 26,224	$ 246,837
Fair value of acquired assets and assumed liabilities:		
Assets:		
Cash and cash equivalents	¥ 337,224	$ 3,174,171
Investment securities in banking business	277,515	2,612,151
Loans in banking business	73,393	690,822
Others	130,663	1,229,885
Liabilities:		
Customer deposits in banking business	(735,986)	(6,927,579)
Others	(18,885)	(177,757)
Equity	63,924	601,694
Non-controlling interests (Note)	(37,700)	(354,856)
Total	¥ 26,224	$ 246,837

Note: Non-controlling interests

Non-controlling interests are 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 is 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 ($8,630,666 thousand) and ¥135,298 million ($1,273,512 thousand), respectively. Amortization expenses of intangible assets newly recognized on the date of acquiring control and others have been reflected in the pro forma information above.

For the Year Ended March 31, 2017

No significant business combinations occurred in the year ended March 31, 2017.

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, 2017, the Group integrated the settlement- and finance-related business, which were formerly included in the other business, into the consumer business and renamed the marketing solutions business and the consumer business to the media business and the commerce business, respectively.

Consequently, segment information for the year ended March 31, 2017, is restated in accordance with the new basis of segmentation.

Segment information of the Group as of and for the year ended March 31, 2018, is as follows:

	Millions of Yen					
	Reportable Segments					
	Media Business	Commerce Business	Total	Other Business	Reconciliation	Consolidated
Revenue:						
Sales to customers	¥ 286,914	¥ 590,457	¥ 877,371	¥ 19,814	—	¥ 897,185
Intersegment sales	1,444	6,110	7,554	4,602	¥ (12,157)	—
Total sales	¥ 288,359	¥ 596,567	¥ 884,926	¥ 24,416	¥ (12,157)	¥ 897,185
Segment income (Note)	¥ 169,180	¥ 75,267	¥ 244,447	¥ 1,840	¥ (60,477)	¥ 185,810
Other non-operating income						9,112
Other non-operating expenses						(2,791)
Equity in earnings of associates and a joint venture						1,045
Profit before tax						¥ 193,177
Others—Depreciation and amortization	¥ 3,287	¥ 21,135	¥ 24,422	¥ 5,221	¥ 14,760	¥ 44,404

	Thousands of U.S. Dollars					
	Reportable Segments					
	Media Business	Commerce Business	Total	Other Business	Reconciliation	Consolidated
Revenue:						
Sales to customers	$ 2,700,621	$ 5,557,765	$ 8,258,386	$ 186,502	—	$ 8,444,888
Intersegment sales	13,591	57,511	71,103	43,317	$ (114,429)	—
Total sales	$ 2,714,222	$ 5,615,276	$ 8,329,499	$ 229,819	$ (114,429)	$ 8,444,888
Segment income (Note)	$ 1,592,432	$ 708,461	$ 2,300,894	$ 17,319	$ (569,248)	$ 1,748,964
Other non-operating income						85,768
Other non-operating expenses						(26,270)
Equity in earnings of associates and a joint venture						9,836
Profit before tax						$ 1,818,307
Others—Depreciation and amortization	$ 30,939	$ 198,936	$ 229,875	$ 49,143	$ 138,930	$ 417,959

Note: Commerce business includes ¥4,973 million ($46,809 thousand) of insurance income, ¥3,561 million ($33,518 thousand) of gain on sales of property and equipment, and ¥1,752 million ($16,490 thousand) of gain on debt forgiveness. (Please refer to "Note 33. Insurance income" and "Note 34. Gain on debt forgiveness.")

Segment information of the Group as of and for the year ended March 31, 2017, 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	¥ 279,898	¥ 553,119	¥ 833,017	¥ 20,713	—	¥ 853,730
Intersegment sales	1,207	7,876	9,084	5,083	¥ (14,168)	—
Total sales	¥ 281,105	¥ 560,995	¥ 842,101	¥ 25,796	¥ (14,168)	¥ 853,730
Segment income (Note)	¥ 164,416	¥ 72,125	¥ 236,542	¥ 5,103	¥ (49,596)	¥ 192,049
Other non-operating income						2,590
Other non-operating expenses						(2,112)
Equity in earnings of associates and a joint venture						947
Profit before tax						¥ 193,475
Others—Depreciation and amortization	¥ 3,255	¥ 17,930	¥ 21,186	¥ 3,662	¥ 13,197	¥ 38,046

Note: Commerce business includes ¥13,006 million of disaster losses. (Please refer to "Note 35. Disaster losses.")

(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,
	2018	2017	2018
Advertising	¥ 303,443	¥ 286,443	$ 2,856,202
Business	407,640	391,552	3,836,972
Personal	185,735	175,733	1,748,258
Others	365	—	3,435
Total	¥ 897,185	¥ 853,730	$ 8,444,888

	Main Services and Goods
Advertising	• Paid search, display and other advertising-related services
Business	• Data center-related and other corporate services • 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, Yahoo! BB, 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,
	2018	2017	2018
Cash and demand deposits	¥ 698,811	¥ 405,983	$ 6,577,663
Time deposits (maturities of three months or less)	164,013	132,584	1,543,797
Others	5,499	4,499	51,760
Total	¥ 868,325	¥ 543,067	$ 8,173,239

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, 2018, cash and cash equivalents include ¥284,234 million ($2,675,395 thousand) of deposits at the Bank of Japan, 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,
	2018	2017	2018
Trade receivables	¥ 123,409	¥ 128,128	$ 1,161,605
Foreign exchange dealings cash—deposits with trust banks	98,210	80,871	924,416
Other receivables	31,476	17,056	296,272
Others	43,953	25,183	413,714
Total	¥ 297,050	¥ 251,239	$ 2,796,027

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,
	2018	2017	2018
Debt securities	¥ 252,167	—	$ 2,373,559
Trust beneficiary rights	45,910	—	432,134
Others	10,359	—	97,505
Total	¥ 308,436	—	$ 2,903,200

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, 2018 was ¥62,961 million ($592,629 thousand).

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,
	2018	2017	2018
Equity securities	¥ 56,072	¥ 46,959	$ 527,786
Deposits in the central clearing house (Note)	40,259	—	378,943
Derivative financial assets	25,284	17,310	237,989
Deposits paid	17,790	18,121	167,451
Others	23,972	19,286	225,640
Total	¥ 163,380	¥ 101,678	$ 1,537,838

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, 2016	¥ 35,235	¥ 44,034	¥ 19,117	¥ 16,888	¥ 4,905	¥ 952	¥ 121,133
Purchase	8,524	16,608	3,715	347	11,233	915	41,345
Business combinations	63	90	0	—	—	—	154
Disposals	(7,589)	(447)	(2,034)	(5,001)	(588)	(80)	(15,742)
Depreciation	(4,257)	(12,884)	(3,009)	—	—	(310)	(20,461)
Transfer of accounts	7,795	1,530	4,790	—	(14,121)	—	(4)
Others	(1,149)	(101)	(185)	(723)	(243)	—	(2,404)
As of March 31, 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

	Thousands of U.S. Dollars						
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Others	Total
As of March 31, 2017	$ 363,544	$ 459,629	$ 210,786	$ 108,339	$ 11,153	$ 13,902	$ 1,167,366
Purchase	42,695	188,836	136,812	3,426	61,172	9,102	442,074
Business combinations	3,463	3,106	84	282	—	—	6,946
Disposals	(78,115)	(3,915)	(3,925)	(81,880)	(809)	(1,073)	(169,747)
Depreciation	(32,605)	(138,846)	(36,295)	—	—	(4,376)	(212,132)
Transfer of accounts	2,268	32,181	3,548	696	(40,427)	—	(1,703)
Classification of assets as held for sale	(1,393)	(30,459)	(27,080)	(0)	(4,348)	—	(63,309)
Others	508	(2,804)	18	(169)	(404)	—	(2,852)
As of March 31, 2018	$ 300,376	$ 507,718	$ 283,951	$ 30,685	$ 26,317	$ 17,554	$ 1,166,632

Acquisition Costs

	Millions of Yen						
	Buildings and Structures	Furniture and Fixtures	Machinery and Equipment	Land	Construction in Progress	Others	Total
As of April 1, 2016	¥ 51,851	¥ 79,056	¥ 31,442	¥ 16,888	¥ 4,905	¥ 1,077	¥ 185,221
As of March 31, 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

	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	$ 414,514	$ 955,657	$ 401,204	$ 30,685	$ 26,317	$ 25,602	$ 1,854,009

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, 2016	¥ (16,616)	¥ (35,021)	¥ (12,325)	—	—	¥ (125)	¥ (64,087)
As of March 31, 2017	(13,036)	(42,884)	(14,290)	—	—	(422)	(70,633)
As of March 31, 2018	(12,126)	(47,589)	(12,456)	—	—	(855)	(73,027)

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	$ (114,137)	$ (447,938)	$ (117,243)	—	—	$ (8,047)	$ (687,377)

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			Total Intangible Assets
	Goodwill	Trademarks	Software	Customer Relationships	Others	
As of April 1, 2016	¥ 156,362	¥ 30,250	¥ 32,829	¥ 60,755	¥ 4,876	¥ 128,711
Purchase	—	—	8,625	1,837	4,467	14,930
Internal development	—	—	12,509	—	—	12,509
Business combinations	3,143	—	663	—	268	931
Disposals	—	—	(1,017)	—	—	(1,017)
Amortization	—	—	(10,416)	(6,033)	(872)	(17,322)
Others	—	—	(47)	—	(2)	(50)
As of March 31, 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

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, 2017	$ 1,501,364	$ 284,732	$ 406,118	$ 532,370	$ 82,238	$ 1,305,459
Purchase	—	—	143,900	—	74,585	218,486
Internal development	—	—	196,338	—	—	196,338
Business combinations	23,616	—	57,897	25,320	263	83,490
Disposals	—	—	(17,187)	—	(969)	(18,157)
Amortization	—	—	(130,007)	(58,000)	(14,147)	(202,155)
Classification of assets as held for sale	—	—	(10,410)	—	(0)	(10,410)
Others	—	—	235	—	(310)	(65)
As of March 31, 2018	$ 1,524,990	$ 284,732	$ 646,884	$ 499,689	$ 141,650	$ 1,572,966

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, 2016	¥ 156,362	¥ 30,250	¥ 70,190	¥ 66,040	¥ 5,798	¥ 172,279
As of March 31, 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

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	$ 1,524,990	$ 284,732	$ 1,356,334	$ 664,222	$ 173,145	$ 2,478,445

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, 2016	—	—	¥ (37,360)	¥ (5,284)	¥ (922)	¥ (43,568)
As of March 31, 2017	—	—	(47,467)	(11,317)	(1,816)	(60,601)
As of March 31, 2018	—	—	(75,372)	(17,479)	(3,345)	(96,198)

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	—	—	$ (709,450)	$ (164,523)	$ (31,485)	$ (905,478)

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, 2018 and 2017 were ¥697 million ($6,560 thousand) and ¥389 million, respectively.

The carrying amounts of internally-generated intangible assets related to software as of March 31, 2018 and 2017 are ¥32,711 million ($307,897 thousand) and ¥22,013 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

	Cash-Generating Unit	Millions of Yen As of March 31 2018	Millions of Yen As of March 31 2017	Thousands of U.S. Dollars As of March 31, 2018
Reportable segment:				
Media business	Marketing solutions	¥ 10,904	¥ 10,904	$ 102,635
Commerce business	Shopping	60,180	58,327	566,453
	Ikyu	72,044	72,044	678,125
	Settlement- and finance-related	16,437	16,437	154,715
	Others	2,447	1,791	23,032
Total		¥ 162,015	¥ 159,505	$ 1,524,990

Intangible Assets with Indefinite Useful Lives

	Cash-Generating Unit	Millions of Yen As of March 31 2018	Millions of Yen As of March 31 2017	Thousands of U.S. Dollars As of March 31, 2018
Reportable segment:				
Commerce business	Shopping	¥ 20,130	¥ 20,130	$ 189,476
	Ikyu	10,120	10,120	95,256
Total		¥ 30,250	¥ 30,250	$ 284,732

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, 2018 and 2017 were 0.6% and 1.7%, respectively. The pretax discount rates used in measurement of value in use for the years ended March 31, 2018 and 2017 were 7.0%–12.3% and 7.9%–13.1%, respectively.

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.

13. DISCLOSURE OF INTERESTS IN OTHER ENTITIES

(1) *Subsidiaries*

The Company's major subsidiaries as of March 31, 2018 and 2017 are as follows:

Name of Subsidiary	Location	Ownership Percentage of Voting Rights (%) As of March 31 2018	Ownership Percentage of Voting Rights (%) As of March 31 2017
GYAO Corporation	Tokyo	75.5	66.7
ValueCommerce Co., Ltd.	Tokyo	52.1	52.3
YJFX, Inc.	Tokyo	100.0	100.0
YJ Card Corporation	Fukuoka	65.0	65.0
ASKUL Corporation (Note 1)	Tokyo	45.2	45.3
Ikyu Corporation	Tokyo	100.0	100.0
eBOOK Initiative Japan Co., Ltd. (Note 2)	Tokyo	44.0	44.3
The Japan Net Bank, Limited (Note 3)	Tokyo	41.2	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, which remains the same at the same percentage (41.2%) as at March 31, 2017; 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. (Please refer to "Note 5. Business combinations.")

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

ASKUL Group (ASKUL and its group companies)

(a) General information

	Millions of Yen As of March 31 2018	Millions of Yen As of March 31 2017	Thousands of U.S. Dollars As of March 31, 2018
Proportion of ownership interests held by the non-controlling interests (%)	54.8	54.7	
Accumulated non-controlling interests of ASKUL	¥ 51,058	¥ 47,656	$ 480,591

	Millions of Yen Year Ended March 31 2018	Millions of Yen Year Ended March 31 2017	Thousands of U.S. Dollars Year Ended March 31, 2018
Profit (loss) allocated to the non-controlling interests of ASKUL	¥ 4,237	¥ (3,695)	$ 39,881

(b) Summarized consolidated financial information

	Millions of Yen As of March 31 2018	Millions of Yen As of March 31 2017	Thousands of U.S. Dollars As of March 31, 2018
Assets	¥ 237,174	¥ 212,362	$ 2,232,435
Liabilities	145,544	126,498	1,369,954
Equity	91,629	85,863	862,471

	Millions of Yen Year Ended March 31 2018	Millions of Yen Year Ended March 31 2017	Thousands of U.S. Dollars Year Ended March 31, 2018
Revenue	¥ 351,085	¥ 334,812	$ 3,304,640
Profit (loss) for the year	7,324	(7,375)	68,938
Comprehensive income (loss)	7,327	(7,350)	68,966

Note: Dividends paid by ASKUL to the non-controlling interests for the years ended March 31, 2018 and 2017 were ¥1,003 million ($9,440 thousand) and ¥1,031 million, respectively.

	Millions of Yen Year Ended March 31 2018	Millions of Yen Year Ended March 31 2017	Thousands of U.S. Dollars Year Ended March 31, 2018
Cash flows from operating activities—net	¥ 11,675	¥ 10,339	$ 109,892
Cash flows from investing activities—net	(3,948)	(3,428)	(37,161)
Cash flows from financing activities—net	(3,525)	6,522	(33,179)
Effects of exchange rate changes on cash and cash equivalents	(3)	5	(28)
Net increase in cash and cash equivalents	¥ 4,198	¥ 13,439	$ 39,514

JNB

(a) General information

	As of March 31, 2018 Millions of Yen	As of March 31, 2018 Thousands of U.S. Dollars
Proportion of ownership interests held by the non-controlling interests (%)	58.8	
Accumulated non-controlling interests of JNB	¥ 37,690	$ 354,762

	Year Ended March 31, 2018 Millions of Yen	Year Ended March 31, 2018 Thousands of U.S. Dollars
Profit allocated to the non-controlling interests of JNB	¥ 124	$ 1,167

(b) Summarized consolidated financial information

	As of March 31, 2018 Millions of Yen	As of March 31, 2018 Thousands of U.S. Dollars
Assets	¥ 834,799	$ 7,857,671
Liabilities	770,743	7,254,734
Equity	64,056	602,936

	Year Ended March 31, 2018 Millions of Yen	Year Ended March 31, 2018 Thousands of U.S. Dollars
Revenue	¥ 3,690	$ 34,732
Profit for the year	210	1,976
Comprehensive loss	(16)	(150)

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.

	Year Ended March 31, 2018	
	Millions of Yen	Thousands of U.S. Dollars
Cash flows from operating activities—net	¥ (7,332)	$ (69,013)
Cash flows from investing activities—net	(31,180)	(293,486)
Cash flows from financing activities—net	—	—
Effects of exchange rate changes on cash and cash equivalents	(21)	(197)
Net decrease in cash and cash equivalents	¥ (38,534)	$ (362,707)

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***

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,
	2018	2017	2018
Carrying amount	¥ 10,865	¥ 37,748	$ 102,268

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,
	2018	2017	2018
Profit for the year attributable to the Group	¥ 1,045	¥ 947	$ 9,836
Other comprehensive loss, net of tax, attributable to the Group	(0)	(905)	(0)
Comprehensive income attributable to the Group	1,044	42	9,826

(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,
	2018	2017	2018
Other financial assets	¥ 10,040	¥ 8,327	$ 94,503

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, 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

	Thousands of U.S. Dollars				
	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	$ 13,761	$ 225	—	$ 37	$ 14,024
Property and equipment and intangible assets	111,201	(21,206)	—	(169)	89,815
Net operating loss carryforwards	71,790	29,038	—	(141)	100,687
Liabilities related to employee benefits (Note)	40,050	13,507	—	602	54,169
Allowance for doubtful receivables	17,394	8,386	—	310	26,101
Provision for interest repayment claims	54,583	(9,196)	—	—	45,387
Others	82,323	14,476	—	(2,221)	94,578
Total deferred tax assets before offset	391,133	35,231	—	(1,581)	424,783
Offset of deferred tax assets and liabilities	(160,419)				(164,175)
Total deferred tax assets, net	$ 230,713				$ 260,598
Deferred tax liabilities:					
Property and equipment and intangible assets	$ 269,239	$ (28,143)	—	$ 14,401	$ 255,506
Available-for-sale financial assets	62,114	—	$ 11,266	1,148	74,538
Others	34,375	15,832	—	—	50,216
Total deferred tax liabilities before offset	365,728	(12,302)	11,266	15,559	380,261
Offset of deferred tax assets and liabilities	(160,419)				(164,175)
Total deferred tax liabilities, net	$ 205,308				$ 216,076

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

As of March 31, 2017

	Millions of Yen				
	As of April 1, 2016	Recognized in Profit for the Year	Recognized in Other Comprehensive Income	Others	As of March 31, 2017
Deferred tax assets:					
Enterprise tax payable	¥ 1,962	¥ (501)	—	¥ 1	¥ 1,462
Property and equipment and intangible assets	8,877	2,897	—	39	11,814
Net operating loss carryforwards	4,750	2,699	—	178	7,627
Liabilities related to employee benefits (Note)	4,292	(101)	—	65	4,255
Allowance for doubtful receivables	1,304	543	—	0	1,848
Provision for interest repayment claims	6,968	(1,168)	—	—	5,799
Others	6,737	1,985	—	23	8,746
Total deferred tax assets before offset	34,893	6,353	—	307	41,554
Offset of deferred tax assets and liabilities	(11,562)				(17,043)
Total deferred tax assets, net	¥ 23,331				¥ 24,511
Deferred tax liabilities:					
Property and equipment and intangible assets	¥ 30,530	¥ (1,925)	—	—	¥ 28,604
Available-for-sale financial assets	5,457	—	¥ 1,141	¥ 0	6,599
Others	3,090	562	—	—	3,652
Total deferred tax liabilities before offset	39,078	(1,363)	1,141	0	38,855
Offset of deferred tax assets and liabilities	(11,562)				(17,043)
Total deferred tax liabilities, net	¥ 27,515				¥ 21,812

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, 2018 and 2017 are ¥12,687 million ($119,418 thousand) and ¥10,769 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,
	2018	2017	2018
Deductible temporary differences	¥ 2,539	¥ 1,504	$ 23,898
Net operating tax loss carryforwards which expire:			
Within one year	—	—	—
In one year to five years	¥ 284	¥ 1,026	$ 2,673
After five years	2,148	1,343	20,218
Total	¥ 2,432	¥ 2,369	$ 22,891

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, 2018 and 2017 are ¥37,817 million ($355,958 thousand) and ¥35,500 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,
	2018	2017	2018
Current tax expense	¥ 63,815	¥ 68,558	$ 600,668
Deferred tax expense	(5,050)	(7,716)	(47,533)
Total	¥ 58,764	¥ 60,841	$ 553,125

The statutory effective tax rate for each of the years ended March 31, 2018 and 2017 was 31.69%. The actual tax rates for the years ended March 31, 2018 and 2017 were 30.42% and 31.45%, respectively. The actual tax rate represents the ratio of income tax expense to profit before tax.

15. ASSETS OR DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

On March 20, 2018, the Company entered into a sales and purchase agreement with Softbank Group Corp. 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 Softbank Group Corp. 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	Thousands of U.S. Dollars
Cash and cash equivalents	¥ 3,484	$ 32,793
Trade and other receivables	1,958	18,429
Property and equipment	6,726	63,309
Others	2,801	26,364
Total	¥ 14,970	$ 140,907

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

	As of March 31, 2018	
	Millions of Yen	Thousands of U.S. Dollars
Trade and other receivables	¥ 745	$ 7,012
Provisions	649	6,108
Others	1,819	17,121
Total	¥ 3,214	$ 30,252

16. 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,
	2018	2017	2018
Foreign exchange dealings deposits from customers	¥ 116,537	¥ 94,730	$ 1,096,922
Other payables	99,316	83,007	934,826
Trade payables	76,915	72,200	723,974
Others	55,577	38,040	523,126
Total	¥ 348,346	¥ 287,978	$ 3,278,859

17. 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,
	2018	2017	2018
Savings deposits	¥ 573,572	—	$ 5,398,832
Time deposits	134,482	—	1,265,832
Total	¥ 708,054	—	$ 6,664,664

18. 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,
	2018	2017	2018	2018	2018
Bank loans	¥ 69,782	¥ 64,019	$ 656,833	0.32	From April 2018 to September 2026
Bonds (Note)	105,050	35,100	988,798	0.25	From October 2018 to December 2027
Others	15,741	5,427	148,164	—	—
Total	¥ 190,574	¥ 104,546	$ 1,793,806		

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

	Date of Issue	Millions of Yen	Thousands of U.S. Dollars	Interest Rate (%)	Redemption Date
		As of March 31, 2018	As of March 31, 2018	As of March 31, 2018	As of March 31, 2018
The Company:					
1st Series Unsecured Bonds	February 28, 2017	¥ 5,000	$ 47,063	0.04	February 28, 2020
2nd Series Unsecured Bonds	February 28, 2017	15,000	141,189	0.17	February 28, 2022
3rd Series Unsecured Bonds	February 28, 2017	15,000	141,189	0.37	February 28, 2024
4th Series Unsecured Bonds	December 7, 2017	10,000	94,126	0.07	December 7, 2020
5th Series Unsecured Bonds	December 7, 2017	25,000	235,316	0.2	December 7, 2022
6th Series Unsecured Bonds	December 7, 2017	25,000	235,316	0.35	December 6, 2024
7th Series Unsecured Bonds	December 7, 2017	10,000	94,126	0.4	December 7, 2027
Other (Note)	October 30, 2015	50	470	0.26	October 31, 2018
Total		¥ 105,050	$ 988,798		

Note: This figure includes ¥50 million ($470 thousand) of current portion of bonds as of March 31, 2018.

19. PROVISIONS

The components of provisions are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2018	2017	2018
Provision for interest repayment claims (Notes 1 and 2)	¥ 14,054	¥ 16,889	$ 132,285
Asset retirement obligations (Note 1)	7,587	6,883	71,413
Others (Notes 1 and 3)	9,010	6,955	84,807
Total	¥ 30,652	¥ 30,729	$ 288,516

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, 2017	¥ 16,889	¥ 6,883	¥ 6,955	¥ 30,729
Recognition of provisions	—	1,452	9,488	10,941
Business combinations	—	74	120	194
Used	(2,835)	(63)	(1,166)	(4,065)
Others	—	(759)	(6,387)	(7,147)
As of March 31, 2018	¥ 14,054	¥ 7,587	¥ 9,010	¥ 30,652

	Thousands of U.S. Dollars			
	Provision for Interest Repayment Claims	Asset Retirement Obligations	Others	Total
As of April 1, 2017	$ 158,970	$ 64,787	$ 65,464	$ 289,241
Recognition of provisions	—	13,667	89,307	102,983
Business combinations	—	696	1,129	1,826
Used	(26,684)	(592)	(10,975)	(38,262)
Others	—	(7,144)	(60,118)	(67,272)
As of March 31, 2018	$ 132,285	$ 71,413	$ 84,807	$ 288,516

20. PURCHASE COMMITMENTS

Commitments to purchase property and equipment and intangible assets as of March 31, 2018 and 2017 are ¥8,523 million ($80,224 thousand) and ¥15,061 million, respectively. The commitments are mainly attributable to executory contracts of purchase of assets to be used in data centers.

21. 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,
	2018	2017	2018
Advance received	¥ 12,504	¥ 12,839	$ 117,695
Accrued bonuses	10,107	5,616	95,133
Accrued expenses	8,974	5,835	84,469
Accrued paid absences	7,552	6,819	71,084
Consumption taxes payable	4,933	5,742	46,432
Others	12,746	13,032	119,973
Total	¥ 56,818	¥ 49,885	$ 534,807

22. 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,
	2018	2017	2018
Contributions to defined contribution pension plans	¥ 1,049	¥ 924	$ 9,873

23. 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, 2018 and 2017 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2018	2017	2018
Software	¥ 127	¥ 225	$ 1,195
Machinery and equipment	14,720	4,481	138,554
Furniture and fixtures	296	384	2,786
Total	¥ 15,144	¥ 5,091	$ 142,545

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	
	2018	2017	2018	2017
Not later than one year	¥ 2,111	¥ 930	¥ 1,887	¥ 872
Later than one year and not later than five years	7,349	2,565	6,706	2,431
Later than five years	7,401	2,162	7,142	2,123
Total	16,862	5,658	¥ 15,735	¥ 5,427
Less: Future finance costs	(1,127)	(230)		
Present value of the total of future minimum lease payments	¥ 15,735	¥ 5,427		

	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, 2018	As of March 31, 2018
Not later than one year	$ 19,870	$ 17,761
Later than one year and not later than five years	69,173	63,121
Later than five years	69,663	67,225
Total	158,716	$ 148,108
Less: Future finance costs	(10,608)	
Present value of the total of future minimum lease payments	$ 148,108	

(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, 2018 and 2017 were ¥21,426 million ($201,675 thousand) and ¥18,303 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,
	2018	2017	2018
Not later than one year	¥ 16,991	¥ 11,379	$ 159,930
Later than one year and not later than five years	58,892	44,653	554,329
Later than five years	22,637	6,918	213,074
Total	¥ 98,521	¥ 62,951	$ 927,343

Total future minimum lease payments as of March 31, 2018 include sale and leaseback transactions entered into at ASKUL Logi PARK Tokyo Metropolitan and ASKUL Logi PARK Fukuoka on November 9, 2017.

24. CURRENT/NON-CURRENT DISTINCTION

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

	Thousands of U.S. Dollars		
	Expected Period to Recover or Settle		
	No More than 12 Months	More than 12 Months	Total
Assets:			
Cash and cash equivalents	$ 8,173,239	—	$ 8,173,239
Call loans in banking business	734,186	—	734,186
Trade and other receivables	2,796,027	—	2,796,027
Inventories	166,462	—	166,462
Loans in credit card business	1,214,900	$ 542,545	1,757,445
Investment securities in banking business	448,992	2,454,207	2,903,200
Loans in banking business	93,618	622,458	716,086
Other financial assets	321,583	1,216,246	1,537,838
Property and equipment	—	1,166,632	1,166,632
Goodwill	—	1,524,990	1,524,990
Intangible assets	—	1,572,966	1,572,966
Investments accounted for using the equity method	—	102,268	102,268
Deferred tax assets		260,598	260,598
Other assets	96,733	38,544	135,288
Assets classified as held for sale	140,907	—	140,907
Total assets	$ 14,186,690	$ 9,501,496	$ 23,688,187
Liabilities:			
Trade and other payables	$ 3,278,859	—	$ 3,278,859
Customer deposits in banking business	6,436,681	$ 227,974	6,664,664
Interest-bearing liabilities	409,817	1,383,989	1,793,806
Other financial liabilities	40,747	6,626	47,383
Income taxes payable	273,851	—	273,851
Provisions	109,516	179,000	288,516
Deferred tax liabilities	—	216,076	216,076
Other liabilities	456,720	78,087	534,807
Liabilities directly attributable to assets classified as held for sale	30,252	—	30,252
Total liabilities	$ 11,036,474	$ 2,091,773	$ 13,128,256

As of March 31, 2017

	Millions of Yen		
	Expected Period to Recover or Settle		
	No More than 12 Months	More than 12 Months	Total
Assets:			
Cash and cash equivalents	¥ 543,067	—	¥ 543,067
Trade and other receivables	251,239	—	251,239
Inventories	14,352	—	14,352
Loans in credit card business	93,091	¥ 36,557	129,648
Other financial assets	21,712	79,965	101,678
Property and equipment	—	124,021	124,021
Goodwill	—	159,505	159,505
Intangible assets	—	138,692	138,692
Investments accounted for using the equity method	—	37,748	37,748
Deferred tax assets	—	24,511	24,511
Other assets	6,798	2,948	9,746
Total assets	¥ 930,261	¥ 603,950	¥ 1,534,212
Liabilities:			
Trade and other payables	¥ 287,978	—	¥ 287,978
Interest-bearing liabilities	36,889	¥ 67,657	104,546
Other financial liabilities	3,631	427	4,058
Income taxes payable	36,490	—	36,490
Provisions	9,790	20,938	30,729
Deferred tax liabilities	—	21,812	21,812
Other liabilities	41,387	8,498	49,885
Total liabilities	¥ 416,168	¥ 119,334	¥ 535,502

25. EQUITY

(1) *Common Stock and Treasury Stock*

Numbers of authorized shares and issued shares are as follows:

	Year Ended March 31	
	2018	2017
Authorized shares—Common stock	24,160,000,000	24,160,000,000
Issued shares:		
Balance at the beginning of the year	5,695,577,600	5,695,291,400
Increase (Note)	1,288,700	286,200
Decrease	—	—
Balance at the end of the year	5,696,866,300	5,695,577,600

Note: For the year ended March 31, 2018

This item represents the exercise of share subscription rights and issue of shares with restriction on transfer.

For the year ended March 31, 2017

This item represents the exercise of share subscription rights.

The number of treasury stock included in issued shares as of March 31, 2018 and 2017 was 2,818,585 shares and 2,800,000 shares, respectively.

(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.

26. DIVIDENDS

The total amount of dividends was as follows:

	Millions of Yen	Thousands of U.S. Dollars	Yen	U.S. Dollars		
Resolution	Total Dividends	Total Dividends	Dividends per Share	Dividends per Share	Record Date	Effective Date
Year Ended March 31, 2018						
Board of Directors meeting held on May 19, 2017	¥ 50,438	$ 474,755	¥8.86	$0.08	March 31, 2017	June 6, 2017
Year Ended March 31, 2017						
Board of Directors meeting held on May 18, 2016	¥ 50,435		¥8.86		March 31, 2016	June 7, 2016

Dividends to become effective during the year ending March 31, 2019 are as follows:

	Millions of Yen	Thousands of U.S. Dollars	Yen	U.S. Dollars		
Resolution	Total Dividends	Total Dividends	Dividends per Share	Dividends per Share	Record Date	Effective Date (Note)
Board of Directors meeting held on April 27, 2018	¥ 50,449	$ 474,858	¥8.86	$0.08	March 31, 2018	June 26, 2018

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.

27. 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, 2018 and 2017 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, 2018 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
2007 (Note 1)	From May 8, 2007 to February 13, 2008	From April 24, 2017 to January 30, 2018
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)	From May 16, 2012	From May 2, 2022
2nd (Note 2)	to March 1, 2013	to February 28, 2023
2013		
1st (Note 3)	From May 17, 2013	From May 16, 2023
2nd (Note 4)	to November 19, 2013	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 ending 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 ending 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 ending 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, 2016	Unexercised	63,973,500	¥429
	Granted	—	—
	Forfeited	(2,088,700)	¥445
	Exercised	(286,200)	¥347
	Matured	(343,300)	¥471
Balance at March 31, 2017	Unexercised	61,255,300	¥429
	Granted	—	—
	Forfeited	(4,500,400)	¥430 ($4.05)
	Exercised	(483,700)	¥341 ($3.21)
	Matured	(284,100)	¥438 ($4.12)
Balance at March 31, 2018	Unexercised	55,987,100	¥430 ($4.05)

		Number of Shares	Weighted Average Exercise Price (Yen) (U.S. Dollars)
Balance at March 31, 2017	Exercisable	2,899,300	¥346
Balance at March 31, 2018	Exercisable	1,997,100	¥334 ($3.14)

The unexercised share options as of March 31, 2018, 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	639,800	¥271 ($2.55)	3.3
301–400	22,816,500	¥324 ($3.05)	4.8
401–500	9,868,000	¥489 ($4.60)	5.1
501–600	22,662,800	¥514 ($4.84)	5.6
Total	55,987,100	¥430 ($4.05)	5.2

(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					
2018			2017		
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)
2006	—	—	2006	31,600	¥491
2007	139,500	¥499 ($4.70)	2007	51,200	¥525
2008	58,700	¥515 ($4.85)	2008	22,900	¥505
2009	50,500	¥505 ($4.75)	2009	37,300	¥510
2010	70,700	¥504 ($4.74)	2010	58,000	¥521
2011	94,800	¥508 ($4.78)	2011	69,100	¥501
2012	69,500	¥521 ($4.90)	2012	16,100	¥501

28. 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, 2018 and 2017.

(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 investing in 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,
	2018	2017	2018
(Decrease) increase in profit before tax	¥ (65)	¥ 6	$ (611)
Decrease in other comprehensive income before tax effect	(86)	(100)	(809)

(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,
	2018	2017	2018
Decrease in other comprehensive income before tax effect	¥ 3,445	¥ 2,143	$ 32,426

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

The Group's use of funds for investing 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,
	2018	2017	2018
Decrease in profit before tax	¥ 388	¥ 337	$ 3,652
Decrease in other comprehensive income before tax effect	724	597	6,814

(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, 2018 would decrease by ¥96 million ($903 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 ¥96 million ($903 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 Group recognizes impairment losses after evaluating collectability of trade and other receivables based on the debtor's credit status. The Group does not have any experience of material impairment losses. For trade and other receivables that are neither past due nor impaired, there is no indication that any debtor would be unable to meet their obligations at the time of this report.

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 41. Contingencies."

Trade and other receivables include security deposits received as credit enhancements. Such deposits as of March 31, 2018 and 2017 were ¥1,356 million ($12,763 thousand) and ¥1,257 million, respectively. Non-business individual loans in the banking business are guaranteed for credit enhancements. The guaranteed amount as of March 31, 2018 was ¥72,506 million ($682,473 thousand).

Foreign exchange dealings deposits from customers include security deposits received from customers. Such deposits as of March 31, 2018 and 2017 were ¥116,537 million ($1,096,922 thousand) and ¥94,730 million, respectively.

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 with bank loans 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, 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	—	—	—	—	—

	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	$ 3,278,859	$ 3,278,859	$ 3,278,859	—	—	—	—	—
Customer deposits in banking business	6,664,664	6,666,886	6,436,803	$ 59,544	$ 51,251	$ 30,619	$ 31,353	$ 57,275
Interest-bearing liabilities:								
Long-term bank loans	656,833	660,438	393,684	28,360	33,330	188,827	14,118	2,099
Bonds	988,798	1,004,216	2,983	49,557	96,554	143,382	237,038	474,679
Lease liabilities	148,164	158,772	19,898	18,157	17,827	16,999	16,217	69,663
Other financial liabilities	11,539	11,539	4,941	6,588	0	0	—	—
Derivative financial liabilities—								
Other financial liabilities	35,833	35,833	35,805	28	—	—	—	—
Off balance items:								
Committed lines of cash advances	—	4,012,217	4,012,217	—	—	—	—	—
Credit guarantees	—	88,516	88,516	—	—	—	—	—

As of March 31, 2017

	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	¥ 287,978	¥ 287,978	¥ 287,978	—	—	—	—	—
Interest-bearing liabilities:								
Long-term bank loans	64,019	64,430	36,167	¥ 2,991	¥ 2,712	¥ 2,504	¥ 20,054	—
Bonds	35,100	35,594	132	133	5,081	81	15,055	¥ 15,111
Lease liabilities	5,427	5,658	930	813	628	602	521	2,162
Other financial liabilities	441	441	19	421	0	0	0	—
Derivative financial liabilities—								
Other financial liabilities	3,616	3,616	3,611	5	—	—	—	—
Off balance items:								
Committed lines of cash advances	—	261,696	261,696	—	—	—	—	—
Credit guarantees	—	10,920	10,920	—	—	—	—	—

Note: Financial liabilities payable on demand are included in "Within a Year." Customer deposits in banking business include ¥573,572 million ($5,398,832 thousand) of demand deposits as of March 31, 2018.

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

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

As of March 31, 2018

	Millions of Yen				
Financial Assets	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

	Millions of Yen		
Financial Liabilities	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

	Thousands of U.S. Dollars				
Financial Assets	Financial Assets at FVTPL	Available-for-Sale Financial Assets	Loans and Receivables	Held-to-Maturity Investments	Total
Call loans in banking business	—	—	$ 734,186	—	$ 734,186
Trade and other receivables	—	—	2,796,027	—	2,796,027
Loans in credit card business	—	—	1,757,445	—	1,757,445
Investment securities in banking business	—	$ 2,526,571	—	$ 376,628	2,903,200
Loans in banking business	—	—	716,086	—	716,086
Other financial assets	$ 238,008	742,149	557,671	—	1,537,838
Total	$ 238,008	$ 3,268,731	$ 6,561,436	$ 376,628	$ 10,444,804

	Thousands of U.S. Dollars		
Financial Liabilities	Financial Liabilities at FVTPL	Financial Liabilities at Amortized Cost	Total
Trade and other payables	—	$ 3,278,859	$ 3,278,859
Customer deposits in banking business	—	6,664,664	6,664,664
Interest-bearing liabilities	—	1,793,806	1,793,806
Other financial liabilities	$ 35,833	11,539	47,383
Total	$ 35,833	$ 11,748,889	$ 11,784,723

As of March 31, 2017

Financial Assets	Millions of Yen Financial Assets at FVTPL	Available-for-Sale Financial Assets	Loans and Receivables	Total
Trade and other receivables	—	—	¥ 251,239	¥ 251,239
Loans in credit card business	—	—	129,648	129,648
Other financial assets	¥ 17,310	¥ 64,640	19,727	101,678
Total	¥ 17,310	¥ 64,640	¥ 400,615	¥ 482,566

Financial Liabilities	Millions of Yen Financial Liabilities at FVTPL	Financial Liabilities at Amortized Cost	Total
Trade and other payables	—	¥ 287,978	¥ 287,978
Interest-bearing liabilities	—	104,546	104,546
Other financial liabilities	¥ 3,616	441	4,058
Total	¥ 3,616	¥ 392,967	¥ 396,584

29. 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, 2018 and 2017.

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

As of March 31, 2018

	Millions of Yen Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Derivatives used in foreign exchange dealings	—	¥ 25,283	—	¥ 25,283
Others	—	—	¥ 2	2
Available-for-sale financial assets:				
Equity securities	¥ 24,926	—	31,145	56,072
Debt securities	6,704	230,173	3,942	240,820
Others	10,359	6,328	33,689	50,376
Total	¥ 41,990	¥ 261,785	¥ 68,779	¥ 372,556
Financial liabilities at FVTPL:				
Derivatives used in foreign exchange dealings	—	¥ 3,804	—	¥ 3,804
Others	—	3	—	3
Total	—	¥ 3,807	—	¥ 3,807

	Thousands of U.S. Dollars Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Derivatives used in foreign exchange dealings	—	$ 237,980	—	$ 237,980
Others	—	—	$ 18	18
Available-for-sale financial assets:				
Equity securities	$ 234,619	—	293,157	527,786
Debt securities	63,102	2,166,538	37,104	2,266,754
Others	97,505	59,563	317,102	474,171
Total	$ 395,237	$ 2,464,090	$ 647,392	$ 3,506,739
Financial liabilities at FVTPL:				
Derivatives used in foreign exchange dealings	—	$ 35,805	—	$ 35,805
Others	—	28	—	28
Total	—	$ 35,833	—	$ 35,833

As of March 31, 2017

	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Derivatives used in foreign exchange dealings	—	¥ 17,004	—	¥ 17,004
Others	—	—	¥ 306	306
Available-for-sale financial assets:				
Equity securities	¥ 21,820	—	25,139	46,959
Debt securities	—	7,585	1,032	8,617
Others	—	120	8,942	9,063
Total	¥ 21,820	¥ 24,710	¥ 35,420	¥ 81,951
Financial liabilities at FVTPL:				
Derivatives used in foreign exchange dealings	—	¥ 3,605	—	¥ 3,605
Others	—	11	—	11
Total	—	¥ 3,616	—	¥ 3,616

(2) ***Valuation Techniques for Financial Instruments***

Financial assets and liabilities at FVTPL mainly consist of foreign exchange dealings and are categorized as Level 2 as they are measured based on the quoted market price of similar transactions.

As to available-for-sale financial assets, 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 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 2018	2017
Available-for-sale financial assets (equity securities)	Discounted cash flow	Capital cost	13.0%	13.0%
		Perpetual growth rate	1.8%	1.6%

Perpetual growth rate has a positive correlation with the fair value of available-for-sale 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, 2018

	Millions of Yen			
	Financial Assets at FVTPL	Available-for-Sale Financial Assets		
	Other	Equity Securities	Debt Securities	Other
As of April 1, 2017	¥ 306	¥ 25,139	¥ 1,032	¥ 8,942
Gains or losses:				
Profit for the year (Note 1)	(305)	(1,046)	—	265
Other comprehensive income (Note 2)	—	1,933	(5)	(109)
Business combinations (Note 3)	—	—	—	2,174
Purchases	1	5,154	3,610	24,646
Others (Note 4)	0	(35)	(694)	(2,229)
As of March 31, 2018	¥ 2	¥ 31,145	¥ 3,942	¥ 33,689

	Thousands of U.S. Dollars			
	Financial Assets at FVTPL	Available-for-Sale Financial Assets		
	Other	Equity Securities	Debt Securities	Other
As of April 1, 2017	$ 2,880	$ 236,624	$ 9,713	$ 84,167
Gains or losses:				
Profit for the year (Note 1)	(2,870)	(9,845)	—	2,494
Other comprehensive income (Note 2)	—	18,194	(47)	(1,025)
Business combinations (Note 3)	—	—	—	20,463
Purchases	9	48,512	33,979	231,984
Others (Note 4)	0	(329)	(6,532)	(20,980)
As of March 31, 2018	$ 18	$ 293,157	$ 37,104	$ 317,102

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 of transfers between levels of fair value hierarchy due to inputs that became observable.

For the Year Ended March 31, 2017

	Millions of Yen			
	Financial Assets at FVTPL	Available-for-Sale Financial Assets		
	Other	Equity Securities	Debt Securities	Other
As of April 1, 2016	¥ 306	¥ 23,197	¥ 1,327	¥ 6,803
Gains or losses:				
Profit for the year (Note 1)	—	(786)	6	(232)
Other comprehensive income (Note 2)	—	1,364	13	112
Purchases	—	4,715	151	2,510
Sales	—	(2,251)	(420)	—
Others	—	(1,099)	(45)	(251)
As of March 31, 2017	¥ 306	¥ 25,139	¥ 1,032	¥ 8,942

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) *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 (Vice President and Executive Director).

30. 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 ¥7,499 million ($70,585 thousand) and ¥7,497 million of such transferred assets in trade and other receivables as of March 31, 2018 and 2017, respectively. In addition, the Group recorded ¥7,499 million ($70,585 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, 2018 and 2017, 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.

31. REVENUE

The components of revenue are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2018	2017	2018
Services (Note)	¥ 557,672	¥ 531,472	$ 5,249,171
Sale of goods	339,512	322,258	3,195,707
Total	¥ 897,185	¥ 853,730	$ 8,444,888

Note: Services include ¥24,357 million ($229,263 thousand) and ¥18,583 million of finance income for the years ended March 31, 2018 and 2017, respectively.

32. 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,
	2018	2017	2018
Cost of goods sold	¥ 264,997	¥ 254,559	$ 2,494,324
Personnel expenses	89,556	77,596	842,959
Business commissions	74,273	72,111	699,105
Sales promotion costs	53,838	34,404	506,758
Depreciation and amortization	44,404	38,046	417,959
Information services	42,277	36,555	397,938
Sales commissions	26,727	27,233	251,571
Others	125,966	110,435	1,185,673
Total	¥ 722,041	¥ 650,943	$ 6,796,319

33. 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. (Please refer to "Note 35. Disaster losses.")

34. 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. (Please refer to "Note 35. Disaster losses.")

35. DISASTER LOSSES

In February 2017, a fire occurred at ASKUL Logi PARK Tokyo Metropolitan. The fire inflicted damages to ASKUL's property and equipment and inventories resulting in a temporary shutdown of its operations. The loss from the fire consisted of ¥10,230 million of damage on property and equipment, ¥2,510 million of destroyed inventories, and ¥266 million of other costs.

36. OTHER NON-OPERATING INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2018	2017	2018
Gain on sale of investment securities	¥ 6,414	¥ 1,934	$ 60,372
Others	2,697	655	25,385
Total	¥ 9,112	¥ 2,590	$ 85,768

37. 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, 2018 and 2017 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Year Ended March 31		Year Ended March 31,
	2018	2017	2018
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets:			
Amount arising during the year	¥ 8,540	¥ 5,428	$ 80,384
Reclassification adjustments	(4,686)	(1,561)	(44,107)
Before tax effect	3,854	3,867	36,276
Income tax effect	(1,197)	(1,141)	(11,266)
Available-for-sale financial assets, after tax effect	2,656	2,725	25,000
Exchange differences on translating foreign operations:			
Amount arising during the year	(1,023)	(18)	(9,629)
Reclassification adjustments	—	—	—
Before tax effect	(1,023)	(18)	(9,629)
Income tax effect	—	—	—
Exchange differences on translating foreign operations, after tax effect	(1,023)	(18)	(9,629)
Share of other comprehensive income of associates:			
Amount arising during the year	(0)	(905)	(0)
Income tax effect	—	—	—
Share of other comprehensive income of associates, after tax effect	(0)	(905)	(0)
Other comprehensive income, net of tax	¥ 1,632	¥ 1,802	$ 15,361

38. 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,
	2018	2017	2018
Basic earnings per share (yen and U.S. dollars)	¥23.04	¥23.99	$0.22
Profit for the year attributable to owners of the parent	¥131,153	¥136,589	$ 1,234,497
Profit for the year not attributable to owners of the parent	—	—	—
Profit for the year used in the calculation of basic earnings per share	¥131,153	¥136,589	$ 1,234,497
Weighted-average number of common stock (thousands of shares)	5,693,586	5,692,618	
Diluted earnings per share (yen and U.S. dollars)	¥23.03	¥23.99	$0.22
Adjustments on profit for the year	—	—	—
Increase in the number of common stock (thousands of shares)	765	790	
Potential common stock that are anti-dilutive and therefore excluded from the calculation of diluted earnings per share	Options series: 2012—2nd, 2013—1st and 2nd; 2014—1st (Please refer to "Note 27. Share-based payments.")	Options series: 2007—3rd and 4th, 2008—1st, 2012—2nd, 2013—1st and 2nd; 2014—1st (Please refer to "Note 27. Share-based payments.")	

39. 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, 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 year ended March 31, 2018 are as follows:

	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

	Thousands of U.S. Dollars					
			Non-cash Changes			
	April 1, 2017	Financing Cash Flows	Obtaining Control	New Finance Leases	Others	March 31, 2018
Bonds	$ 330,384	$ 658,414	—	—	—	$ 988,798
Bank loans	602,588	33,753	$ 20,491	—	—	656,833
Lease liabilities	51,082	(9,487)	423	$ 110,993	$ (4,903)	148,108

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.

40. RELATED PARTY TRANSACTIONS

The Company's ultimate parent company is SoftBank Group Corp. (a Japanese company).

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, 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.

Year Ended March 31, 2017

			Millions of Yen	
Nature of Relationship	Name of Company or Individual	Nature of Transaction	Amount of Transaction	Outstanding Balance at Year-End
Other related party	Yahoo! Inc.	Payment of royalty (Note 1)	¥ 14,147	¥ 3,747
A company in which a majority of its voting rights is held by a close family member of the Company's director	Creative Link Corporation (Note 2)	Commission for providing news content (Note 1)	14	—

Notes:

1. Terms and conditions of the transactions are negotiated and determined based on the nature of the services to be rendered.

2. Mr. Taizo Son, a family member of the Company's director, Mr. Masayoshi Son, holds a majority of the voting rights.

3. Amount of transactions does not include consumption taxes, whereas outstanding balance at year-end includes consumption taxes.

4. Outstanding balances at year-end are not secured by any collateral and are subsequently settled by cash. No guarantee is given or received for such balances.

(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,
	2018	2017	2018
Short-term benefits	¥ 345	¥ 326	$ 3,247
Retirement benefits	—	0	0
Share-based payments	22	0	207
Total	¥ 367	¥ 326	$ 3,454

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

41. CONTINGENCIES

(1) ***Committed Line of Cash Advances***

The Group provides cash advance services to customers in its credit card business and banking business. The remaining balances at year-end are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	As of March 31		As of March 31,
	2018	2017	2018
Total amount of committed lines of cash advances	¥ 510,533	¥ 271,491	$ 4,805,468
Outstanding balance	(84,274)	(9,794)	(793,241)
Remaining balance	¥ 426,258	¥ 261,696	$ 4,012,217

(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,
	2018	2017	2018
Total amount of credit guarantees	¥ 14,360	¥ 14,554	$ 135,165
Balance of credit guarantees	9,404	10,920	88,516

42. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been authorized for issue by Mr. Manabu Miyasaka, President and Representative Director, and Mr. Ryosuke Sakaue, Corporate Officer, Executive Vice President and Chief Financial Officer, on June 5, 2018.

* * * * * *

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, 2018, and the related consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yahoo Japan Corporation and its subsidiaries as of March 31, 2018, 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 5, 2018

Member of
Deloitte Touche Tohmatsu Limited