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Consolidated Financial Report For the Six Months Ended September 30, 2022 (IFRS)

November 4, 2022

(Amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Six Months Ended September 30, 2022

(1) Consolidated operating results

(Percentages are shown as year-on-year changes)

	Revenue		Operating income		Profit before income taxes		Net income		Net income attributable to owners of the Company		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2022	2,808,555	3.1	498,558	(12.7)	422,046	(20.9)	271,624	(22.1)	237,141	(22.8)	409,774	15.3
Six months ended September 30, 2021	2,724,234	12.2	570,846	(3.2)	533,515	0.3	348,663	0.6	307,257	(2.5)	355,472	1.1

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	50.29	49.51
Six months ended September 30, 2021	65.45	64.10

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of September 30, 2022	13,155,528	3,084,501	1,810,975	13.8
As of March 31, 2022	12,707,913	2,888,346	1,675,200	13.2

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	43.00	-	43.00	86.00
Fiscal year ending March 31, 2023	-	43.00			
Fiscal year ending March 31, 2023 (Forecast)			-	43.00	86.00

Note: Revision to the forecast on dividends: No

3. Consolidated Financial Result Forecasts for the Fiscal Year Ending March 31, 2023

(Percentages are shown as year-on-year changes)

	Revenue		Operating income		Net income attributable to owners of the Company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2023	5,900,000	3.7	1,050,000	6.5	540,000	4.3	114.92

Note: Revision to the forecast on financial results: Yes

* Notes

(1) Significant changes in scope of consolidation (changes in scope of consolidation of specified subsidiaries): None

Newly consolidated: None

Excluded from consolidation: None

(2) Changes in accounting policies and accounting estimates

[1] Changes in accounting policies required by IFRS: No

[2] Changes in accounting policies other than those in [1]: No

[3] Changes in accounting estimates: No

(3) Number of issued shares (common stock)

[1] Number of shares issued (including treasury stock)

As of September 30, 2022 4,787,145,170 shares

As of March 31, 2022 4,787,145,170 shares

[2] Number of shares of treasury stock

As of September 30, 2022 60,543,343 shares

As of March 31, 2022 79,843,467 shares

[3] Average number of shares outstanding during the period

Six months ended September 30, 2022 4,715,806,355 shares

Six months ended September 30, 2021 4,694,164,152 shares

*** This consolidated financial report is not subject to audit by certified public accountants or an audit firm.**

*** Explanation on the proper use of the forecast on financial results and other notes**

This document is based on the information available to SoftBank Corp. as of the time hereof and assumptions which it believes are reasonable. Statements contained herein that are not historical facts, including, without limitation, our plans, forecasts, strategies and beliefs about our business and financial prospects, are forward-looking statements. Forward-looking statements often include words such as “targets,” “plans,” “believes,” “hopes,” “continues,” “expects,” “aims,” “intends,” “will,” “may,” “should,” “would,” “could,” “anticipates,” “estimates,” “projects” or words or terms of similar substance or the negative thereof. These forward-looking statements do not represent any guarantee by us or our management of future performance or of any specific outcome and are subject to various risks and uncertainties, including, without limitation, general economic conditions, conditions in the Japanese telecommunications market, our ability to adopt new technologies and business models, competition against competitors, our ability to improve and maintain our telecommunications network, our reliance on third parties in conducting our business, including SoftBank Group Corp. and its other subsidiaries and associates, our major vendors and suppliers, and other third parties, risks relating to M&A and other strategic transactions, risks relating to information security and handling of personally identifiable information, changes in the substance and interpretation of other laws and regulations and other important factors, which may cause actual results to differ materially from those expressed or implied in any forward-looking statement.

SoftBank Corp. expressly disclaims any obligation or responsibility to update, revise or supplement any forward-looking statement in any document or generally to the extent allowed by law or stock exchange rules. Use of or reliance on the information in this material is at your own risk.

For assumptions underlying forecasts, notes on the use of forecasts and related matters, please see “(4) Forecasts” under “1. Results of Operations” on page 18 of the appendix to this consolidated financial report.

(How to obtain supplementary financial materials and information on the earnings results briefing)

On Friday, November 4, 2022 (JST), the Company will hold an earnings results briefing online for the media, institutional investors, and financial institutions. This earnings results briefing is scheduled to be broadcast on the Company’s website in both Japanese and English at <https://www.softbank.jp/en/corp/ir/documents/presentations/>. The Data Sheet is also scheduled to be posted on the Company’s website concurrently with the earnings report, and the materials and videos to be used at the earnings results briefing, along with a summary of the main questions and answers, are scheduled to be posted on the Company’s website promptly after the earnings results briefing.

(Appendix)

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Definition of Company Names and Abbreviations Used in this Appendix

Company names and abbreviations used in this appendix, except as otherwise stated or interpreted differently in the context, are as follows:

Company names / Abbreviations	Definition
The Company	SoftBank Corp. (standalone basis)
The Group	SoftBank Corp. and its subsidiaries
SoftBank Group Corp.	SoftBank Group Corp. (standalone basis)
SoftBank Group	SoftBank Group Corp. and its subsidiaries
Z Holdings	Z Holdings Corporation (standalone basis)
Z Holdings Group	Z Holdings Corporation and its subsidiaries

Reportable Segments

The Group has four reportable segments: Consumer segment, Enterprise segment, Distribution segment, and Yahoo! JAPAN/LINE segment.

The main businesses and core companies of each reportable segment are as follows:

Segments	Main business	Core companies
Reportable segments		
Consumer segment	<ul style="list-style-type: none"> Provision of mobile services to individual customers Provision of broadband services Sale of mobile devices Trading and supply of electric power and provision of electric power trading agency services 	The Company Wireless City Planning Inc. SB Mobile Service Corp. SB Power Corp.
Enterprise segment	<ul style="list-style-type: none"> Provision of mobile services to enterprise customers Provision of fixed-line communications services, such as data communications and fixed-line telephone services Provision of cloud, global, AI²/IoT³ and other solution services 	The Company Wireless City Planning Inc. SB Engineering Corp. IDC Frontier Inc. eMnet Japan. co. ltd.
Distribution segment	<ul style="list-style-type: none"> Provision of products and services addressing ICT, cloud services, IoT solutions and other areas for enterprise customers Provision of mobile and PC peripherals, including accessories, as well as software, IoT products and other items for individual customers 	SB C&S Corp.
Yahoo! JAPAN/LINE segment	<ul style="list-style-type: none"> Provision of media-related services, such as media and advertising, search, marketing solutions, vertical, content, and stamps Provision of commerce-related services such as shopping services, including <i>Yahoo! JAPAN Shopping</i>, <i>PayPay Mall</i>, and <i>ZOZOTOWN</i>; reuse services including <i>YAHUOKU!</i>; and O2O services. Provision of payment, finance, AI, healthcare and other services centered on FinTech⁴ 	Z Holdings ⁶ Yahoo Japan Corporation LINE Corporation ASKUL Corporation ZOZO, Inc. Ikyu Corporation ValueCommerce Co., Ltd. PayPay Card Corporation PayPay Bank Corporation LINE Pay Corporation LINE Financial Corporation LINE Financial Plus Corporation LINE Plus Corporation LINE SOUTHEAST ASIA CORP.PTE.LTD. LINE Financial Taiwan Limited
Other ⁷	<ul style="list-style-type: none"> Provision of settlement services Online security trading service for smartphones Provision of cloud services, security operation monitoring services, and IoT solutions Planning and production of digital media and digital content R&D, manufacturing, operation, management and business planning in the fields of Solar HAPS⁵ and network equipment IoT, Linux/OSS, and authentication and security Others 	The Company SB Payment Service Corp. PayPay Securities Corporation SB Technology Corp. ITmedia Inc. HAPSMobile Inc. Cybertrust Japan Co., Ltd.

Notes:

1. Segment income for reportable segments is calculated as follows:

Segment income = (revenue – operating expenses (cost of sales + selling, general and administrative expenses) ± other operating income and loss) in each segment

2. AI stands for artificial intelligence.

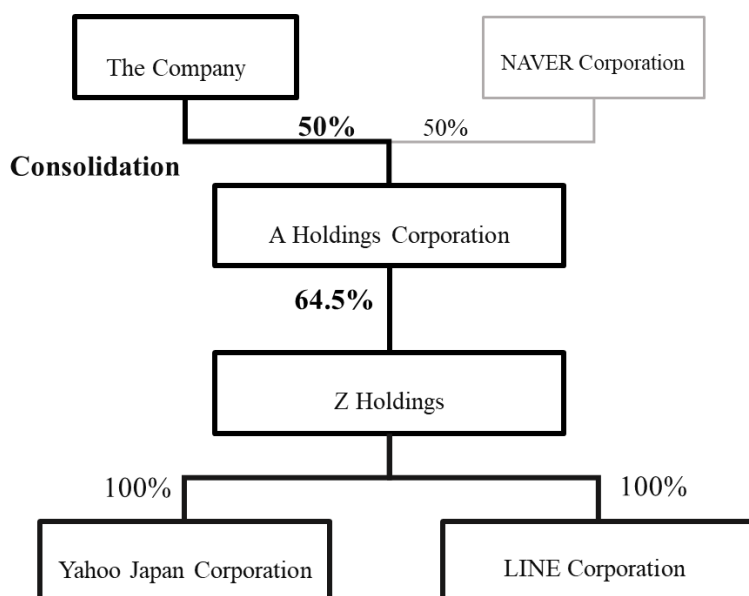
3. IoT stands for Internet of Things, a technology that will enable communications between all manner of things via the Internet.

4. FinTech is a term coined from the combination of finance and technology and refers to a variety of innovative services that combine financial services with information and communication technology.

5. Solar HAPS (High Altitude Platform Station) refers to systems where unmanned objects powered by solar energy and batteries, such as aircraft flying in the stratosphere, can be operated like telecommunications base stations to deliver connectivity across wide areas.

6. As of September 30, 2022, the Company, which is the parent company of A Holdings Corporation, and NAVER Corporation (including its wholly owned subsidiary, NAVER J.Hub Corporation), each hold 50% of the voting rights in A Holdings Corporation. A Holdings Corporation holds 64.5% of the voting rights in Z Holdings. The Company owns the rights to appoint the majority of the Board of Directors of A Holdings Corporation. Also, through A Holdings Corporation, the Company owns the rights to appoint the majority of the Board of Directors of Z Holdings. Accordingly, the Company substantially controls both A Holdings Corporation and Z Holdings.

The diagram below indicates ratio of voting rights as of September 30, 2022.



7. On August 18, 2022, the Company sold a portion of its holdings of Vector Inc. common shares. Consequently, Vector Inc. is no longer a subsidiary of the Company and has been excluded from the scope of consolidation.

1. Results of Operations

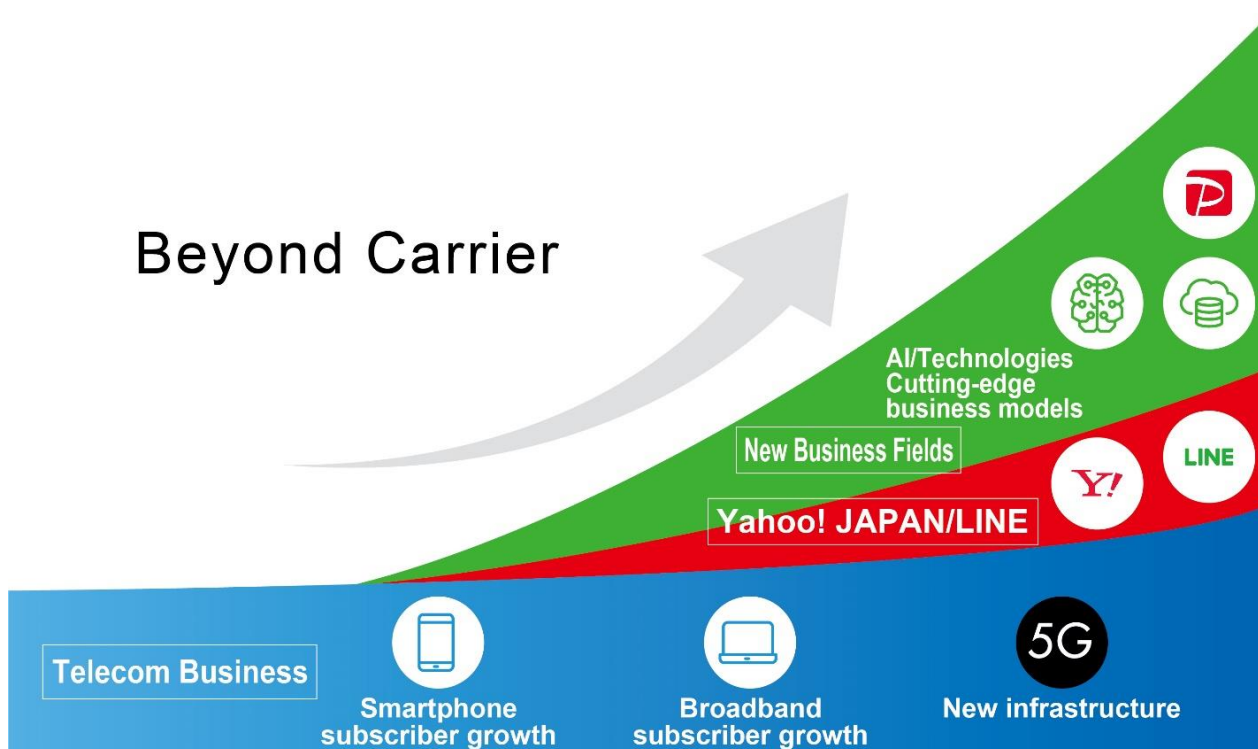
(1) Overview of Consolidated Results of Operations

a. Management Environment and the Group's Initiatives

The business environment surrounding the Group is facing significant changes. Inflation, which had been a concern, has become a reality with soaring prices for various commodities including crude oil prices triggered by international rivalries, and unstable supply chains have been compounded by the yen's depreciation. This inflation is weighing heavily on the economic recovery in Japan, which has contracted due to the COVID-19 outbreak. On the other hand, the trend toward the digitalization of society accelerated by the COVID-19 pandemic has shown no signs of abating. There are growing opportunities to use the data to make daily life more convenient and to mitigate the risks of events such as natural disasters and accidents.

Guided by its corporate philosophy of "Information Revolution—Happiness for everyone," the Group has been aiming to be a corporate group that maximizes enterprise value while providing essential technologies and services to people around the world, through enhancing its telecommunications business and developing various new businesses in the information and technology fields. In April 2020, to contribute to solving various social issues through its core business offering infrastructure for society, such as 5G (5th generation mobile communication system), the Group has identified six material issues¹ to be addressed in order to achieve the SDGs (Sustainable Development Goals) set by the United Nations, under the concept of "a world where all things, information and minds are connected."

The Group has been implementing the *Beyond Carrier* strategy since FY2017. The *Beyond Carrier* strategy is to strengthen the earnings base by going beyond the confines of a conventional telecommunications carrier, while further growing the telecommunications business, and expanding its businesses in three fields: telecommunications business, Yahoo! JAPAN/LINE business, and new businesses. The Group has now become a telecommunication and IT company group with one of Japan's largest user bases, including the smartphone user base, as well as *Yahoo! JAPAN*, which is one of Japan's largest portal websites, the communication service *LINE*, and the cashless payment service *PayPay*. By combining the telecommunications network built up by the Group over the years and these platforms, which are some of the largest of their kind in Japan, the Group will serve as a major driving force behind the digitalization of society.



Telecommunications

The business environment in the domestic telecommunications industry is undergoing major changes mainly driven by the strengthening of pro-competitive policies and new entrants from different industries, and consumers are also increasingly seeking more inexpensive and varied prices and services. The Group is promoting a multi-brand strategy that responds to customers' diverse needs through multiple brands with different characteristics. Specifically, the Group offers multiple brands, including the *SoftBank* brand, a high-value-added brand for customers who require cutting-edge smartphones and mobile devices as well as high-volume flat-rate data plans; the *Y!mobile* brand, a brand that provides services for smartphones to customers who prefer low monthly communication charges; and the *LINEMO* brand, an online-exclusive brand that responds to the growing need for services that can be completed online due to changes in lifestyles.

In the six months ended September 30, 2022, amid competition over new price plans, the *Y!mobile* brand performed particularly well, and the number of smartphone subscribers as of September 30, 2022 increased by 738 thousand from March 31, 2022. In

broadband services, the Company has seen firm growth in the number of subscribers of *SoftBank Hikari*, a high-speed Internet connection service for households, with an increase of 130 thousand from March 31, 2022.

The enterprise business has seen steady growth against the backdrop of the heightened demand for the digitalization of companies and industries. Business solutions and other revenue in the six months ended September 30, 2022 increased by ¥13.2 billion (13.1%) year on year. The Company will continue to promote the digital transformation (“DX”)² of companies. For example, in September 2022, the Company began a collaboration with Hitachi, Ltd., to provide a service that will visualize production conditions at manufacturing sites by gathering, storing and analyzing information on workers’ movements, production equipment utilization data, and other factors.

Expansion of Non-Telecom Businesses

While striving to drive the sustained growth of the telecommunications business, the Company’s core business, the Group aims to continuously expand non-telecom businesses through the launch of businesses that leverage cutting-edge technologies such as AI, IoT and FinTech, notably internet services such as *Yahoo! JAPAN* and *LINE*, and the cashless payment service *PayPay*.

Moreover, the Group is also working to foster collaboration with companies that possess cutting-edge technologies and companies that provide solutions, including investees of the SoftBank Group. Specifically, the Group is working to establish joint ventures with each partner company and expand non-telecom businesses. Many of these joint ventures are equity method affiliates, and they are reflected in the Company’s business results through share of profits or losses of associates accounted for using the equity method.

Z Holdings Group

In April 2022, Z Holdings Corporation introduced and appointed new Chief Product Officers (CPOs) supervising specific business domains and responsible for promoting products in each domain, with the aim of strengthening the management structure for product growth. The CPOs will accelerate decision-making and business promotion with a focus on generating cross-sectional synergies.

As one of the initiatives to generate such synergies, since July 2022, *PayPay Gourmet*, which is a restaurant reservation service operated by Yahoo Japan Corporation, has strengthened collaboration with LINE Corporation, launching a reservation service for dining courses at member restaurants via *LINE De Yokaku* (“Reservations through LINE”), a service that lets users easily book restaurant reservations from within the *LINE* app. Users can now select and book reservations for dining courses, in addition to booking seat reservations only as before, and member restaurants can provide information on dining courses to users through *LINE De Yoyaku* and expect to attract more guests by encouraging them to make reservations and visit their restaurants.

Moreover, in July 2022, LINE NEXT Inc., a subsidiary of LINE Corporation that operates a global NFT³ platform business, signed a strategic investment agreement worth about \$10 million with 10 partner companies, including the Company. The partner companies will cooperate on the launch of DOSI, which is LINE Corporation’s global NFT platform, along with providing business support and developing NFT projects based on their entertainment IP content. One accomplishment of this strategic investment agreement was that in September 2022, LINE NEXT Inc. began providing the beta version of LINE Corporation’s DOSI in 180 countries outside of Japan.

Conversion of PayPay Corporation into a Consolidated Subsidiary

On October 1, 2022, the Company and Z Holdings converted PayPay Corporation into their subsidiary, to maximize the Group’s corporate value. The Company and Z Holdings will jointly operate B Holdings Corporation, the parent company of PayPay Corporation. Through this joint operation, the Company and Z Holdings will strive to increase PayPay Corporation’s revenue opportunities, expand the *PayPay* ecosystem and strengthen synergies within the Group.

In addition, on the same day, PayPay Corporation acquired the shares of PayPay Card Corporation from Yahoo Japan Corporation, which is a subsidiary of the Company, converting PayPay Card Corporation into a subsidiary. PayPay Corporation will conduct integrated management of PayPay Card Corporation, with whom it has a high service affinity. By doing so, PayPay Corporation will work to facilitate faster decision-making and create synergies, with the aim of developing the financial services business further.

Moreover, from the three months ending December 31, 2022, the Company plans to add the Financial segment as a reportable segment. The main operating companies that comprise the Financial segment are expected to be PayPay Corporation, PayPay Card Corporation, PayPay Securities Corporation, and SB Payment Service Corp. The Group will strive to further promote the *Beyond Carrier* strategy by driving growth in the financial services business, with the goal of diversifying revenue further and increasing corporate value.

PayPay Corporation

As of the end of September 30, 2022, the number of *PayPay* registered users⁴ reached 51.21 million, surpassing 50 million users in the short span of 3 years and 10 months since the service began in October 2018. *PayPay* performed steadily, and in the six months ended September 30, 2022, the number of payments⁵ made exceeded 2.38 billion, approximately 1.4 times that in the same period of the previous fiscal year. The gross merchandise value of payments⁵ reached ¥3.5 trillion, approximately 1.4 times year on year. In addition, revenue of PayPay Corporation for the six months ended September 30, 2022 increased substantially to ¥53.2 billion⁶, approximately 2.3 times year on year, in connection with steady growth in the gross merchandise value of payments and the charging of a payment system fee for merchants (with annual sales of ¥1 billion or less), etc.

In August 2022, PayPay Corporation and PayPay Securities Corporation, which is a subsidiary of the Company, began providing *PayPay Asset Management*, which allows users to buy and sell securities from within the *PayPay* app. This is the first service in Japan that allows trading of securities on a cashless payment service⁷. With this service, through a securities account with PayPay Securities Corporation, users can buy and sell securities with their *PayPay Balance (PayPay Money)*, starting from a minimum purchase amount of ¥100. After selling securities, the amount will be immediately topped up to the user’s *PayPay Balance (PayPay*

Money). In these and other ways, *PayPay Asset Management* is designed to be a highly convenient service for first-time investors looking to get started with asset management.

Furthermore, in the same month, PayPay Corporation and PayPay Bank Corporation began providing the *PayPay Bank* mini app, which allows users to access various services offered by PayPay Bank Corporation from within the *PayPay* app. As a result, *PayPay* users can now smoothly use banking services, such as opening accounts, balance inquiries, confirmation of deposit and withdrawal details, and transfers, all through *PayPay*.

Establishment of a Joint Venture to Provide a Used Car Subscription Service Marketplace

The Company and Trusty Cars Pte. Ltd. (“Carro”), the Singapore-based provider of one of Southeast Asia’s leading online automotive retailers, have established the joint venture CARRO JAPAN Corp. (“CARRO JAPAN”). CARRO JAPAN will operate a marketplace that will provide used car subscription services at affordable prices utilizing Carro’s proprietary AI technology to predict the residual values of cars, along with ancillary services. Various enterprises, including car leasing companies, will participate in the marketplace.

ESG

Commitment to Achieving ‘Net Zero’ by 2050 through Removal of Greenhouse Gas Emissions in the Supply Chain

In May 2021, the Company announced its pledge to achieve virtually zero greenhouse gas (GHG) emissions by 2030 under the ‘Carbon Neutral 2030’ declaration. Under this initiative, the Company is working to reduce its own direct GHG emissions (Scope 1) and its indirect GHG emissions (Scope 2), which includes GHG emissions tied to the use of electricity supplied by other companies. As a new long-term target, the Company has announced a pledge to reduce GHG emissions generated by its entire value chain to virtually zero to achieve ‘Net Zero’ emissions by 2050. To meet this target, in addition to the aforementioned ‘Carbon Neutral 2030’ declaration, the Company will work to remove GHG emissions generated by its supply chain (Scope 3). By implementing initiatives to achieve ‘Net Zero’ in this manner, the Company will contribute to the realization of a decarbonized society.

Awareness of Business Environment

The main external environmental factors identified by the Group and its measures to address those factors are as follows:

Rising interest rates	The Company borrows approximately 80% of its long-term borrowings at fixed interest rates ⁸ , so rising interest rates will have no immediate material effect.
Currency movements	Although its currency risk exposure is limited, the Company utilizes forward foreign exchange contracts to reduce its exposure to currency risk as necessary.
Surging fuel prices	The Company uses a large amount of electricity at its base stations and network centers. To reduce the impact of surging fuel prices, it is replacing these facilities with energy-efficient equipment. In addition, it plans to reduce power consumption by controlling base station radios during periods of low traffic. The annual impact of an increase of ¥1 in the price of electricity per kWh would be approximately ¥2.1 billion ⁹ . The Company had previously set a maximum price for the fuel cost adjustment amount billed to customers for electricity services, including the <i>Ouchi Denki (Home Electricity)</i> service. However, against the backdrop of surging fuel prices, the Company abolished the maximum price on November 1, 2022 to ensure a stable supply of electricity.
Semiconductor shortage	The semiconductor shortage has caused longer lead times in deliveries of certain telecommunications equipment and related facilities. In response, the Company has taken measures such as placing orders for such equipment ahead of schedule based on the longer lead times, so there is no material effect on the build out of 5G networks at this time.

Notes:

1. For details on SDGs and the material issues, please see the Company's website:
<https://www.softbank.jp/en/corp/sustainability/materiality/>
2. Digital transformation (DX) refers to the use of data and digital technologies by companies to reshape organizations, processes, business operations and other elements.
3. An NFT (Non-Fungible Token) is a unique and irreplaceable digital token on the blockchain, which is a mechanism to prove the uniqueness and the owner of digital items and content.
4. The number of users who have registered for a PayPay account.
5. Does not include the number of times PayPay balance "send/receive" function is used between users. Figures from the three months ended March 31, 2022 include payments via Alipay and LINE Pay, etc. Figures also include the GMV of PayPay *Atobarai* (deferred payment) launched in February 2022.
6. This revenue is an unaudited figure. Furthermore, in the three months ended March 31, 2022, PayPay Corporation changed its accounting treatment of the portion of rebates, etc. that exceed revenue from recording it as an expense to deducting it from revenue. When calculating year-on-year changes, revenue in the previous fiscal year was calculated by assuming that this change in accounting treatment was applied beginning with the three months ended June 30, 2021, and this revenue was then used to calculate the year-on-year changes.
7. Research by PayPay Securities Corporation, regarding major cashless payment service providers in Japan (as of July 29, 2022)
8. This includes certain borrowings with floating interest rates for which a fixed interest expense is obtained through interest rate swap transactions.
9. This figure is an estimate based on the electricity consumption of 2,117,259MWh in the Company and its main subsidiaries for the fiscal year ended March 31, 2022.

b. Consolidated Results of Operations

(Billions of yen)

	Six Months Ended September 30		Change	Change %
	2021	2022		
Revenue	2,724.2	2,808.6	84.3	3.1%
Operating income	570.8	498.6	(72.3)	(12.7)%
Profit before income taxes	533.5	422.0	(111.5)	(20.9)%
Income taxes	(184.9)	(150.4)	34.4	(18.6)%
Net income	348.7	271.6	(77.0)	(22.1)%
Net income attributable to:				
Owners of the Company	307.3	237.1	(70.1)	(22.8)%
Non-controlling interests	41.4	34.5	(6.9)	(16.7)%
Adjusted EBITDA ¹	946.4	858.2	(88.2)	(9.3)%

Note:

1. Adjusted EBITDA = operating income + depreciation and amortization (including loss on disposal of non-current assets) + stock compensation expenses ± other adjustments

An overview of the consolidated results of operations for the six months ended September 30, 2022 is as follows:

(a) Revenue

For the six months ended September 30, 2022, revenue increased by ¥84.3 billion (3.1%) year on year to ¥2,808.6 billion, increasing in all segments. Revenue increased by ¥33.9 billion in the Yahoo! JAPAN/LINE segment, mainly due to increased revenue from account advertising at LINE Corporation and search advertising at Yahoo Japan Corporation, in addition to increased commerce revenue, by ¥36.8 billion in the Distribution segment, mainly due to a solid increase in revenue from subscription services, by ¥11.7 billion in the Enterprise segment, mainly due to an increase in demand for solutions associated with digitalization, and by ¥7.1 billion in the Consumer segment. The increase in revenue in the Consumer segment was mainly due to an increase in electricity revenue reflecting volatilities in trade volume, price, and other factors in the electricity market, while there was a decrease in revenues from sales of goods and others, and mobile revenue decreased due to factors such as the impact of the introduction of new price plans.

(b) Operating income

For the six months ended September 30, 2022, operating income decreased by ¥72.3 billion (12.7%) year on year to ¥498.6 billion. Operating income decreased by ¥49.0 billion in the Consumer segment mainly due to the impact of the introduction of new price plans, by ¥16.0 billion in the Yahoo! JAPAN/LINE segment mainly due to an increase in expenses to bolster human resources recruitment to achieve growth, and by ¥2.8 billion in the Enterprise segment due to factors such as the recording of a provision for litigation, and the impact of the reversal of a one-time expense recorded in the same period of the previous fiscal year, while there was the recording of a gain on step acquisition in connection with the conversion of HEALTHCARE TECHNOLOGIES Corp. into a subsidiary.

(c) Net income

For the six months ended September 30, 2022, net income decreased by ¥77.0 billion (22.1%) year on year to ¥271.6 billion. This mainly reflected a decrease in profit before income taxes, primarily due to a decrease in operating income, an increase in financing costs, which reflected the recording of losses on valuation of investment securities held and delay damages associated with litigation, and the recording of an impairment loss on equity method investments. Income taxes decreased mainly due to the abovementioned decrease in profit before income taxes.

(d) Net income attributable to owners of the Company

For the six months ended September 30, 2022, net income attributable to owners of the Company decreased by ¥70.1 billion (22.8%) year on year to ¥237.1 billion.

(e) Adjusted EBITDA

For the six months ended September 30, 2022, adjusted EBITDA decreased by ¥88.2 billion (9.3%) year on year to ¥858.2 billion. The main component of this change was a decrease in operating income. The Group believes that adjusted EBITDA, which excludes the impact of non-cash transactions, is a useful and necessary indicator for evaluating its business performance.

c. Principal Operational Data

Mobile Services

Figures represent the total number of mobile subscribers served by the Consumer segment and Enterprise segment. All operational data for mobile services includes the *SoftBank*, *Y!mobile*, *LINEMO*, and *LINE MOBILE* brands.

Cumulative Subscribers	(Thousands)		
	March 31, 2022	September 30, 2022	Change
Total	49,509	50,438	929
Main subscribers*	38,569	38,908	339
Of which, smartphones	27,580	28,318	738
Communication modules and others	10,603	11,347	744
PHS	337	183	(154)

Net Additions	(Thousands)		
	Six Months Ended September 30		Change
	2021	2022	
Main subscribers*	77	339	262
Of which, smartphones	578	738	160

Churn Rate and Total ARPU		Three Months Ended September 30		
		2021	2022	Change
Main subscribers*	Churn rate	1.04%	1.07%	+0.02pp
	Total ARPU (yen)	4,090	3,880	(200)
	ARPU before discount (yen)	4,420	4,140	(280)
	Discount on ARPU (yen)	(330)	(250)	80
Smartphones	Churn rate	0.91%	0.95%	+0.04pp

Notes:

- The number of main subscribers includes subscribers to the *Wireless Home Phone* service, which was launched in July 2017.
- ARPU and churn rate are calculated and presented excluding this service.

Broadband Services

Data for high-speed Internet connection services for households provided in the Consumer segment.

Cumulative Subscribers	(Thousands)		
	March 31, 2022	September 30, 2022	Change
Total	8,313	8,352	38
<i>SoftBank Hikari</i>	7,306	7,436	130
<i>Yahoo! BB Hikari with FLET'S</i>	625	597	(28)
<i>Yahoo! BB ADSL</i>	383	319	(64)

<Definitions and Calculation Methods of Principal Operational Data>

Mobile Services

Main subscribers: smartphones, feature phones, tablets, mobile data communication devices, *Wireless Home Phone*, and others

* On March 31, 2021, the Company stopped accepting new applications for *LINE MOBILE*.

Communication modules and others: communication modules, *Mimamori Phone*, prepaid mobile phones, and others

* Communication modules that use PHS networks are included under PHS.

Churn rate: average monthly churn rate (rounded to the nearest 0.01%)

(Calculation method)

Churn rate = number of churn/number of active subscribers

* Number of churn: the total number of subscribers who canceled the service during the relevant period. The number of churn excludes the number of subscribers who switch between *SoftBank*, *Y!mobile*, *LINEMO*, and *LINE MOBILE*, using Mobile Number Portability (MNP).

* Churn rate (smartphones): Churn rate for smartphone subscribers within main subscribers

* Number of active subscribers: the total of the monthly numbers of active subscribers for the relevant period ((cumulative subscribers at the beginning of the month + cumulative subscribers at the end of the month) / 2)

ARPU: Average Revenue Per User per month (rounded to the nearest ¥10)

(Calculation method)

Total ARPU = (data-related revenue + basic monthly charges and voice-related revenue + device warranty service revenue + content-related revenue + advertising revenue, etc.) / number of active subscribers

* Data-related revenue: packet communication and flat-rate charges, basic monthly Internet connection charges, etc.

* Basic monthly charges and voice-related revenue: basic monthly charges, voice call charges, revenues from incoming calls, etc.

Discount on ARPU = monthly discount + broadband service bundle discount (including *Home Bundle Discount Hikari Set* and *Fiber-optic Discount*)

Broadband Services

SoftBank Hikari: integrated service that combines fiber-optic service using the wholesale fiber-optic connection of NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION (hereinafter “NTT East”) and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (hereinafter “NTT West”) with an Internet service provider (ISP) service

Cumulative subscribers: the number of users for which physical connection of a fiber-optic line at the central office of NTT East or NTT West is complete (includes the number of subscribers to *SoftBank Air*)

Yahoo! BB Hikari with FLET'S: ISP service offered as a package with NTT East and NTT West’s *FLET'S Hikari Series* fiber-optic connection

Cumulative subscribers: the number of users for which physical connection of a fiber-optic line at the central office of NTT East or NTT West is complete and who are provided with services

Yahoo! BB ADSL: service combining an ADSL connection service and an ISP service

Cumulative subscribers: the number of users of *Yahoo! BB ADSL* for which the physical connection of an ADSL line at the central office of NTT East or NTT West is complete

Figures for “Change” in “c. Principal Operational Data” are calculated based on numbers before rounding. Accordingly, the figures for “Change” may not match the changes in figures calculated based on rounded numbers presented in “c. Principal Operational Data.”

d. Results by Segment

(a) Consumer Segment

OVERVIEW

In the Consumer segment, the Group provides services, such as mobile services, broadband services and electricity services, including the *Ouchi Denki (Home Electricity)* service, to individual customers in Japan. The Company procures mobile devices from mobile device manufacturers and sells the mobile devices to distributors operating SoftBank shops, etc. and individual customers.

FINANCIAL RESULTS

(Billions of yen)

	Six Months Ended September 30			
	2021	2022	Change	Change %
Revenue	1,378.4	1,385.5	7.1	0.5%
Operating expenses ¹	1,013.8	1,069.9	56.1	5.5%
Of which, depreciation and amortization	210.5	212.0	1.5	0.7%
Segment income	364.7	315.6	(49.0)	(13.4)%

Note:

1. Operating expenses include cost of sales, selling, general and administrative expenses, and other operating income and other operating expenses.

Breakdown of Revenue

(Billions of yen)

	Six Months Ended September 30			
	2021	2022	Change	Change %
Service revenues	1,081.8	1,124.2	42.4	3.9%
Mobile	811.9	782.9	(29.0)	(3.6)%
Broadband	202.5	198.8	(3.7)	(1.8)%
Electricity	67.3	142.4	75.1	111.5%
Revenues from sales of goods and others	296.6	261.4	(35.3)	(11.9)%
Total revenue	1,378.4	1,385.5	7.1	0.5%

Consumer segment revenue increased by ¥7.1 billion (0.5%) year on year to ¥1,385.5 billion. Within Consumer segment revenue, service revenues increased by ¥42.4 billion (3.9%) year on year to ¥1,124.2 billion, and revenues from sales of goods and others decreased by ¥35.3 billion (11.9%) year on year to ¥261.4 billion.

Within service revenues, mobile revenue decreased by ¥29.0 billion (3.6%) year on year. The decrease mainly reflected a decline in ARPU due to mobile service price reduction, while there was an increase in smartphone subscribers led by the *Y!mobile* brand. The decline in ARPU due to mobile service price reduction was mainly due to the effects of further switching of subscribers from the *SoftBank* brand to the *Y!mobile* and *LINEMO* brands and introduction of new price plans under the *SoftBank* and *Y!mobile* brands.

Broadband revenue decreased by ¥3.7 billion (1.8%) year on year. This decrease was due to a decline in ARPU because of campaign initiatives, while there was an increase in subscribers of the *SoftBank Hikari* fiber-optic service.

Electricity revenue increased by ¥75.1 billion (111.5%) year on year. This increase was mainly due to an increase in subscribers of the *Ouchi Denki (Home Electricity)* service and fluctuation of transaction volume and price in the electricity market.

The decrease in revenues from sales of goods and others was mainly due to a decrease in sales volume of mobile devices associated with a decrease in the number of mobile device upgrades.

Operating expenses were ¥1,069.9 billion, an increase of ¥56.1 billion (5.5%) year on year. This increase was mainly due to an increase in the cost of products related to the *Ouchi Denki* service, while there was a decline in the cost of products associated with the abovementioned decrease in sales volume of mobile devices.

As a result, segment income decreased by ¥49.0 billion (13.4%) year on year to ¥315.6 billion.

(b) Enterprise Segment

OVERVIEW

In the Enterprise segment, the Group provides a wide range of services for enterprise customers. These include mobile services such as mobile lines and mobile device rental, fixed-line communications services such as fixed-line telephones and data communications, as well as various solutions for enterprises such as data center, cloud, security, global, AI, IoT, and digital marketing services.

FINANCIAL RESULTS

(Billions of yen)

	Six Months Ended September 30		Change	Change %
	2021	2022		
Revenue	350.9	362.5	11.7	3.3%
Operating expenses ¹	276.8	291.3	14.5	5.2%
Of which, depreciation and amortization	79.5	76.7	(2.8)	(3.6)%
Segment income	74.0	71.3	(2.8)	(3.8)%

Note:

1. Operating expenses include cost of sales, selling, general and administrative expenses, and other operating income and other operating expenses.

Breakdown of Revenue

(Billions of yen)

	Six Months Ended September 30		Change	Change %
	2021	2022		
Mobile	156.4	155.9	(0.5)	(0.3)%
Fixed-line	93.3	92.3	(1.1)	(1.2)%
Business solution and others	101.2	114.4	13.2	13.1%
Total revenue	350.9	362.5	11.7	3.3%

Enterprise segment revenue increased by ¥11.7 billion (3.3%) year on year to ¥362.5 billion. Within Enterprise segment revenue, mobile revenue decreased by ¥0.5 billion (0.3%) to ¥155.9 billion, fixed-line revenue decreased by ¥1.1 billion (1.2%) to ¥92.3 billion, and business solution and others revenue increased by ¥13.2 billion (13.1%) to ¥114.4 billion.

The decrease in mobile revenue was due to a decline in sales of mobile devices in line with lower sales volume of mobile devices, while there was an increase in telecommunications revenue.

The decrease in fixed-line revenue was mainly due to a decrease in the number of subscribers to telephone services.

The increase in business solution and others revenue was mainly from increased revenue from cloud services and security solutions as a result of capturing enterprise customers' demand for digitalization arising from the COVID-19 outbreak.

Operating expenses were ¥291.3 billion, an increase of ¥14.5 billion (5.2%) year on year. This increase mainly reflected an increase in costs following the abovementioned increase in business solution and others revenue, the recording of a provision for litigation, and a reversal of a one-time expense in the same period of the previous fiscal year, while there was a decrease in operating expenses due to the recording of a gain on step acquisition in connection with the conversion of HEALTHCARE TECHNOLOGIES Corp. into a subsidiary.

As a result, segment income decreased by ¥2.8 billion (3.8%) year on year to ¥71.3 billion.

(c) Distribution Segment

OVERVIEW

In the Distribution segment, the Group provides cutting-edge products and services that quickly capture the ever-changing market environment. For enterprise customers, the Group offers products and services primarily addressing cloud services and advanced technologies including AI. For individual customers, the Group undertakes the planning and provision of products and services across a wide range of areas such as software, mobile accessories, and IoT products, as a manufacturer and distributor.

FINANCIAL RESULTS

(Billions of yen)

	Six Months Ended September 30			
	2021	2022	Change	Change %
Revenue	236.2	273.0	36.8	15.6%
Operating expenses ¹	224.0	260.7	36.7	16.4%
Of which, depreciation and amortization	1.8	2.0	0.2	8.2%
Segment income	12.3	12.3	0.1	0.5%

Note:

1. Operating expenses include cost of sales, selling, general and administrative expenses, and other operating income and other operating expenses.

Distribution segment revenue increased by ¥36.8 billion (15.6%) year on year to ¥273.0 billion. This increase was mainly due to solid growth in subscription services such as cloud and SaaS, which have been strategic areas of focus.

Operating expenses were ¥260.7 billion, an increase of ¥36.7 billion (16.4%) year on year. This increase was mainly due to an increase in cost of sales associated with the increase in revenue.

As a result, segment income increased by ¥0.1 billion (0.5%) year on year to ¥12.3 billion.

(d) Yahoo! JAPAN/LINE Segment

OVERVIEW

In the Yahoo! JAPAN/LINE segment, the Group offers services that center on media, commerce, finance and payment-related businesses, covering online to offline services in a comprehensive manner. In the media field, the Group provides advertising-related services on the Internet and *LINE*. In the commerce field, the Group provides e-commerce services such as *Yahoo! JAPAN Shopping*, *PayPay Mall* and *ZOZOTOWN*, and reuse services such as *YAHUOKU!*. In the strategy field, the Group provides finance, payment and similar services centered on FinTech, which the Group is working to develop into new drivers of earnings alongside media and commerce.

FINANCIAL RESULTS

(Billions of yen)

	Six Months Ended September 30			
	2021	2022	Change	Change %
Revenue	751.0	784.9	33.9	4.5%
Operating expenses ¹	635.5	685.4	49.9	7.9%
Of which, depreciation and amortization	66.6	69.0	2.3	3.5%
Segment income	115.5	99.5	(16.0)	(13.8)%

Note:

1. Operating expenses include cost of sales, selling, general and administrative expenses, and other operating income and other operating expenses.

Breakdown of Revenue

(Billions of yen)

	Six Months Ended September 30			
	2021	2022	Change	Change %
Media	301.3	304.3	3.0	1.0%
Commerce	387.8	410.6	22.9	5.9%
Strategy	55.6	62.4	6.8	12.2%
Other	6.3	7.6	1.3	20.6%
Total revenue	751.0	784.9	33.9	4.5%

Note: In the six months ended September 30, 2022, the Z Holdings Group revised its management categories and reclassified the categories of certain services. Accordingly, the breakdown of Media, Strategy, and Other within the revenue of the Yahoo! JAPAN/LINE segment for the six months ended September 30, 2021 has been restated to reflect these changes.

Yahoo! JAPAN/LINE segment revenue increased by ¥33.9 billion (4.5%) year on year to ¥784.9 billion. Within Yahoo! JAPAN/LINE segment revenue, media revenue increased by ¥3.0 billion (1.0%) to ¥304.3 billion, commerce revenue increased by ¥22.9 billion (5.9%) to ¥410.6 billion, strategy revenue increased by ¥6.8 billion (12.2%) to ¥62.4 billion, and other revenue increased by ¥1.3 billion (20.6%) to ¥7.6 billion.

The increase in media revenue mainly reflected the acquisition of new official *LINE* account customers and an increase in advertising-related revenue associated with an increase in the number of broadcast messages by major customers at LINE Corporation, along with an increase in search advertising revenue at Yahoo Japan Corporation, while display advertising was adversely affected by business sentiment.

The increase in commerce revenue is mainly due to an increase in transaction value of the ASKUL Group (ASKUL Corporation and its subsidiaries) and the ZOZO Group (ZOZO, Inc. and its subsidiaries) and an increase in travel-related revenue due to the restarting of economic activity.

The increase in strategy revenue mainly reflected an increase in revenue in the FinTech field.

Operating expenses were ¥685.4 billion, an increase of ¥49.9 billion (7.9%) year on year. This increase mainly reflected an increase in personnel expenses in step with growth in the workforce at LINE Corporation, an increase in cost of sales at the ASKUL Group, and an increase in sales promotion expenses at Yahoo Japan Corporation, in addition to a one-time factor increasing expenses. The one-time factor increasing expenses was due to an increase of ¥15.1 billion reflecting the absence of a gain on the sale of YJFX, Inc. (currently Gaika ex byGMO, Inc.), which was recorded in the same period of the previous fiscal year, while there was a decrease of ¥9.2 billion in operating expenses, reflecting the recording of a gain on step acquisition in connection with the conversion of LINE MUSIC Corporation into a subsidiary in the six months ended September 30, 2022.

As a result, segment income decreased by ¥16.0 billion (13.8%) year on year to ¥99.5 billion.

(2) Overview of Consolidated Financial Position

(Billions of yen)

	March 31, 2022	September 30, 2022	Change	Change %
Current assets	4,131.1	4,284.1	153.0	3.7%
Non-current assets	8,576.8	8,871.5	294.6	3.4%
Total assets	12,707.9	13,155.5	447.6	3.5%
Current liabilities	5,342.8	5,429.1	86.3	1.6%
Non-current liabilities	4,476.8	4,642.0	165.1	3.7%
Total liabilities	9,819.6	10,071.0	251.5	2.6%
Total equity	2,888.3	3,084.5	196.2	6.8%

(Billions of yen)

	Six Months Ended September 30		
	2021	2022	Change
Capital expenditures ¹	299.2	337.4	38.2
Of which, capital expenditures in the Consumer and Enterprise segments ²	166.6	174.2	7.5

Notes:

1. Acceptance basis.
2. Capital expenditures in the Consumer and Enterprise segments exclude capital expenditures in the Z Holdings Group, capital expenditures in the Distribution segment and Other, investments in devices for rental services, shared equipment (contributions by other operators), and the impact of adopting IFRS 16 "Leases."

ASSETS

Total assets amounted to ¥13,155.5 billion as of September 30, 2022, an increase of ¥447.6 billion (3.5%) from the previous fiscal year-end. This mainly reflected an increase of ¥169.6 billion in cash and cash equivalents, an increase of ¥136.9 billion in investment securities, and an increase of ¥90.4 billion in property, plant and equipment. The increase in cash and cash equivalents mainly reflected fund procurement implemented in the Z Holdings Group. The increase in investment securities was mainly because PayPay Corporation preferred shares held by the Group were measured at fair value.

LIABILITIES

Total liabilities amounted to ¥10,071.0 billion as of September 30, 2022, an increase of ¥251.5 billion (2.6%) from the previous fiscal year-end. This increase was mainly due to an increase of ¥135.3 billion in interest-bearing debt, an increase of ¥70.4 billion in deferred tax liabilities, and an increase of ¥55.4 billion in deposits for banking business, while there was a decrease of ¥89.8 billion in trade and other payables, among other items. The increase in interest-bearing debt was mainly due to various types of fund procurement implemented in the Z Holdings Group.

EQUITY

Total equity amounted to ¥3,084.5 billion as of September 30, 2022, an increase of ¥196.2 billion (6.8%) from the previous fiscal year-end. Equity attributable to owners of the Company increased by ¥135.8 billion. This mainly reflected an increase of ¥237.1 billion due to the recording of net income for the six months ended September 30, 2022 and an increase of ¥86.1 billion due to the recording of accumulated other comprehensive income associated with the measurement at fair value of PayPay Corporation preferred shares, while there was a decrease of ¥202.4 billion due to cash dividends. Non-controlling interests increased by ¥60.4 billion. As with equity attributable to owners of the Company, this was mainly due to an increase of ¥52.0 billion in accumulated other comprehensive income.

CAPITAL EXPENDITURES

In the six months ended September 30, 2022, capital expenditures were ¥337.4 billion, an increase of ¥38.2 billion year on year. This increase was mainly due to an increase in the capital expenditures for 5G and the renewal of contracts for colocation services.

(3) Overview of Consolidated Cash Flows

(Billions of yen)

	Six Months Ended September 30		Change
	2021	2022	
Net cash inflow from operating activities	723.5	604.0	(119.5)
Net cash outflow from investing activities	(723.8)	(233.2)	490.6
Net cash inflow (outflow) from financing activities	(59.3)	(211.4)	(152.1)
Cash and cash equivalents at the end of the period	1,526.7	1,716.4	189.7
Free cash flow ¹	(0.3)	370.8	371.1
Effect of securitization of installment sales receivables	68.1	(27.5)	(95.6)
Adjusted free cash flow ²	67.8	343.4	275.5
Adjusted free cash flow (excluding Z Holdings Group and others) ³	250.9	243.9	(7.0)

Notes:

1. Free cash flow = net cash inflow from operating activities + net cash outflow from investing activities
2. Adjusted free cash flow = free cash flow + (proceeds from the securitization of installment sales receivables – repayments thereof)
3. Excluding adjustments for free cash flow of both A Holdings Corporation and the Z Holdings Group, and loans to board directors, etc., and including dividend payments received from A Holdings Corporation.

a. Cash flows from operating activities

In the six months ended September 30, 2022, net cash inflow from operating activities was ¥604.0 billion, a decrease of ¥119.5 billion year on year. This decrease mainly reflected a decline in profit before income taxes for the six months ended September 30, 2022, and a decrease in inflows related to deposits in the banking business, while there was a decrease in income taxes paid.

b. Cash flows from investing activities

In the six months ended September 30, 2022, net cash outflow from investing activities was ¥233.2 billion, a decrease of ¥490.6 billion year on year. This decrease mainly reflected the following outflows recorded in the previous fiscal year: payments for the acquisition of trademarks and other assets for ¥178.5 billion in connection with the license agreement entered into by Yahoo Japan Corporation and payments for the purchase of shares of LINE Corporation (currently A Holdings Corporation¹) that were less than one unit for ¥115.2 billion as a result of the reverse share split.

c. Cash flows from financing activities

In the six months ended September 30, 2022, net cash outflow from financing activities was ¥211.4 billion. While there were cash inflows of ¥1,217.3 billion from fund procurement, including bank loans, leases, corporate bonds, and the securitization of receivables, there were cash outflows of ¥1,428.7 billion for factors including the scheduled payment of loans and payment of cash dividends.

d. Cash and cash equivalents at the end of the period

As a result of (a) through (c) above, cash and cash equivalents at September 30, 2022 were ¥1,716.4 billion, an increase of ¥189.7 billion year on year.

e. Adjusted free cash flow

In the six months ended September 30, 2022, adjusted free cash flow was positive ¥343.4 billion, an increase of ¥275.5 billion year on year. This increase reflected, as described above, the decrease in net cash outflow from investing activities, while there were decreases in net cash inflow from operating activities and effect of securitization of installment sales receivables.

Note:

1. Refers to LINE Corporation, the surviving company in the absorption-type merger conducted by Shiodome Z Holdings GK. For details, refer to “Acquisition of LINE Corporation and business integration of the LINE Group and Z Holdings Corporation” in 4. Business combinations, (6) Notes to Condensed Interim Consolidated Financial Statements, 3. Condensed Interim Consolidated Financial Statements and Primary Notes.

(4) Forecasts

Revision of the full-year forecasts of consolidated results for the fiscal year ending March 31, 2023

(Billions of yen)

	Fiscal Year Ending March 31, 2023 (Initial)	Fiscal Year Ending March 31, 2023 (Revised)
Revenue	5,900.0	5,900.0
Operating income	1,000.0 or more	1,050.0
Net income attributable to owners of the Company	530.0 or more	540.0

Revision of the full-year forecasts of operating income by segment for the fiscal year ending March 31, 2023

(Billions of yen)

	Fiscal Year Ending March 31, 2023 (Initial)	Fiscal Year Ending March 31, 2023 (Revised)
Consumer segment	480.0	480.0
Enterprise segment	150.0	141.0
Distribution segment	23.5	23.5
Financial segment ¹	-	(19.0)
Yahoo! JAPAN/LINE segment		170.0
Other ²		(40.3)
Estimated amount of gain on step acquisition in connection with the conversion of PayPay Corporation into a subsidiary	346.5 or more	294.8
Total	1,000.0 or more	1,050.0

Notes:

1. The main operating companies that will comprise the Financial segment are expected to be PayPay Corporation, PayPay Card Corporation, PayPay Securities Corporation, and SB Payment Service Corp.
2. Other includes information not included in any of the reportable segments, which are the Consumer, Enterprise, Distribution, Financial and Yahoo! JAPAN/LINE segments, and adjustments including eliminations of intersegment transactions and expenses not allocated to each reportable segment.

For the fiscal year ending March 31, 2023, the Company has revised its forecast of operating income from “¥1,000.0 billion or more” to ¥1,050.0 billion, and its forecast of net income attributable to owners of the Company from “¥530.0 billion or more” to ¥540.0 billion, in accordance with the estimated amount of gain on step acquisition in connection with the conversion of PayPay Corporation into a subsidiary.

In terms of the forecasts of operating income by segment, the Company has separately disclosed forecasts for Yahoo! JAPAN/LINE segment, Other, and Estimated amount of gain on step acquisition in connection with the conversion of PayPay Corporation into a subsidiary, which were previously combined. Moreover, from the three months ending December 31, 2022, the Company plans to add the Financial segment as a reportable segment. In line with this change, the Company has newly disclosed its full-year forecast of operating income for the Financial segment.

The revision of the full-year forecasts of consolidated results is based on changes in accounting policies on transactions under common control undertaken in conjunction with the conversion of PayPay Corporation into a subsidiary. For details, together with the reclassification of segments, refer to “Consolidation of PayPay Corporation into a subsidiary and changes in accounting policies” in 12. Subsequent events, (6) Notes to Condensed Interim Consolidated Financial Statements, 3. Condensed Interim Consolidated Financial Statements and Primary Notes.

2. Notes to Summary Information

(1) Significant Changes in Scope of Consolidation for the Six Months Ended September 30, 2022

There are no significant changes in the scope of consolidation to be disclosed.

(2) Changes in Accounting Policies and Accounting Estimates

There are no changes in accounting policies and accounting estimates to be disclosed.

3. Condensed Interim Consolidated Financial Statements and Primary Notes

(1) Condensed Interim Consolidated Statement of Financial Position

	As of March 31, 2022	(Millions of yen) As of September 30, 2022
ASSETS		
Current assets		
Cash and cash equivalents	1,546,792	1,716,428
Trade and other receivables	2,128,934	2,092,970
Other financial assets	194,031	175,924
Inventories	136,247	169,758
Other current assets	125,072	128,994
Total current assets	<u>4,131,076</u>	<u>4,284,074</u>
Non-current assets		
Property, plant and equipment	1,491,842	1,582,220
Right-of-use assets	824,090	786,370
Goodwill	1,257,889	1,284,338
Intangible assets	2,254,070	2,261,351
Contract costs	332,197	359,440
Investments accounted for using the equity method	251,924	280,602
Investment securities	469,220	606,102
Investment securities in banking business	309,225	272,858
Other financial assets	1,236,240	1,276,869
Deferred tax assets	48,763	59,403
Other non-current assets	101,377	101,901
Total non-current assets	<u>8,576,837</u>	<u>8,871,454</u>
Total assets	<u><u>12,707,913</u></u>	<u><u>13,155,528</u></u>

	As of March 31, 2022	(Millions of yen) As of September 30, 2022
LIABILITIES AND EQUITY		
Current liabilities		
Interest-bearing debt	2,036,579	2,076,603
Trade and other payables	1,462,619	1,372,867
Contract liabilities	104,293	115,004
Deposits for banking business	1,406,205	1,461,559
Other financial liabilities	3,440	3,254
Income taxes payable	125,050	124,029
Provisions	26,304	56,775
Other current liabilities	178,263	218,980
Total current liabilities	<u>5,342,753</u>	<u>5,429,071</u>
Non-current liabilities		
Interest-bearing debt	3,962,946	4,058,254
Other financial liabilities	29,790	27,224
Provisions	99,541	88,505
Deferred tax liabilities	319,313	389,712
Other non-current liabilities	65,224	78,261
Total non-current liabilities	<u>4,476,814</u>	<u>4,641,956</u>
Total liabilities	<u>9,819,567</u>	<u>10,071,027</u>
Equity		
Equity attributable to owners of the Company		
Common stock	204,309	204,309
Capital surplus	366,098	366,591
Retained earnings	1,167,903	1,206,366
Treasury stock	(106,462)	(80,728)
Accumulated other comprehensive income	43,352	114,437
Total equity attributable to owners of the Company	<u>1,675,200</u>	<u>1,810,975</u>
Non-controlling interests	<u>1,213,146</u>	<u>1,273,526</u>
Total equity	<u>2,888,346</u>	<u>3,084,501</u>
Total liabilities and equity	<u><u>12,707,913</u></u>	<u><u>13,155,528</u></u>

(2) Condensed Interim Consolidated Statement of Income and Condensed Interim Consolidated Statement of Comprehensive Income

For the six months ended September 30, 2021 and 2022

Condensed Interim Consolidated Statement of Income

	(Millions of yen)	
	Six months ended September 30, 2021	Six months ended September 30, 2022
Revenue	2,724,234	2,808,555
Cost of sales	(1,322,860)	(1,431,508)
Gross profit	1,401,374	1,377,047
Selling, general and administrative expenses	(847,921)	(890,666)
Other operating income	17,393	21,161
Other operating expenses	—	(8,984)
Operating income	570,846	498,558
Share of losses of associates accounted for using the equity method	(24,523)	(23,196)
Financing income	17,272	8,511
Financing costs	(33,585)	(52,091)
Gain on sales of equity method investments	3,505	591
Impairment loss on equity method investments	—	(10,327)
Profit before income taxes	533,515	422,046
Income taxes	(184,852)	(150,422)
Net income ¹	348,663	271,624
Net income attributable to		
Owners of the Company	307,257	237,141
Non-controlling interests	41,406	34,483
	348,663	271,624
Earnings per share attributable to owners of the Company		
Basic earnings per share (Yen)	65.45	50.29
Diluted earnings per share (Yen)	64.10	49.51

Note:

1. All net income of SoftBank Corp. and its subsidiaries for the six months ended September 30, 2021 and 2022 were generated from continuing operations.

Condensed Interim Consolidated Statement of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net income	348,663	271,624
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to profit or loss		
Changes in the fair value of equity instruments at FVTOCI	3,087	109,878
Share of other comprehensive income (loss) of associates accounted for using the equity method	156	(416)
Total items that will not be reclassified to profit or loss	3,243	109,462
Items that may be reclassified subsequently to profit or loss		
Changes in the fair value of debt instruments at FVTOCI	304	(936)
Cash flow hedges	1,198	(254)
Exchange differences on translation of foreign operations	1,650	23,494
Share of other comprehensive income of associates accounted for using the equity method	414	6,384
Total items that may be reclassified subsequently to profit or loss	3,566	28,688
Total other comprehensive income (loss), net of tax	6,809	138,150
Total comprehensive income	355,472	409,774
Total comprehensive income attributable to		
Owners of the Company	310,036	323,270
Non-controlling interests	45,436	86,504
	355,472	409,774

For the three months ended September 30, 2021 and 2022
Condensed Interim Consolidated Statement of Income

	Three months ended September 30, 2021	Three months ended September 30, 2022
	(Millions of yen)	
Revenue	1,367,660	1,446,556
Cost of sales	(668,446)	(754,889)
Gross profit	699,214	691,667
Selling, general and administrative expenses	(426,529)	(447,902)
Other operating income	15,062	16,666
Other operating expenses	—	(8,984)
Operating income	287,747	251,447
Share of losses of associates accounted for using the equity method	(15,523)	(14,082)
Financing income	6,113	5,010
Financing costs	(17,284)	(31,871)
Impairment loss on equity method investments	—	(10,327)
Profit before income taxes	261,053	200,177
Income taxes	(81,800)	(78,336)
Net income ¹	179,253	121,841
Net income attributable to		
Owners of the Company	156,293	108,599
Non-controlling interests	22,960	13,242
	179,253	121,841
Earnings per share attributable to owners of the Company		
Basic earnings per share (Yen)	33.27	23.01
Diluted earnings per share (Yen)	32.62	22.65

Note:

1. All net income of SoftBank Corp. and its subsidiaries for the three months ended September 30, 2021 and 2022 were generated from continuing operations.

Condensed Interim Consolidated Statement of Comprehensive Income

(Millions of yen)

	Three months ended September 30, 2021	Three months ended September 30, 2022
Net income	179,253	121,841
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to profit or loss		
Changes in the fair value of equity instruments at FVTOCI	(2,202)	101,281
Share of other comprehensive income of associates accounted for using the equity method	45	(229)
Total items that will not be reclassified to profit or loss	(2,157)	101,052
Items that may be reclassified subsequently to profit or loss		
Changes in the fair value of debt instruments at FVTOCI	(71)	(432)
Cash flow hedges	762	(1,220)
Exchange differences on translation of foreign operations	117	4,727
Share of other comprehensive income (loss) of associates accounted for using the equity method	2	1,301
Total items that may be reclassified subsequently to profit or loss	810	4,376
Total other comprehensive income (loss), net of tax	(1,347)	105,428
Total comprehensive income	177,906	227,269
Total comprehensive income attributable to		
Owners of the Company	157,510	174,715
Non-controlling interests	20,396	52,554
	177,906	227,269

(3) Condensed Interim Consolidated Statement of Changes in Equity

For the six months ended September 30, 2021

(Millions of yen)

	Equity attributable to owners of the Company						Non-controlling interests	Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)	Total		
As of April 1, 2021 ¹	204,309	363,773	1,066,228	(134,218)	35,631	1,535,723	1,201,389	2,737,112
Comprehensive income								
Net income	-	-	307,257	-	-	307,257	41,406	348,663
Other comprehensive income (loss)	-	-	-	-	2,779	2,779	4,030	6,809
Total comprehensive income	-	-	307,257	-	2,779	310,036	45,436	355,472
Transactions with owners and other transactions								
Cash dividends	-	-	(201,519)	-	-	(201,519)	(29,804)	(231,323)
Purchase of treasury stock	-	-	-	(0)	-	(0)	-	(0)
Disposal of treasury stock	-	(9,252)	-	20,774	-	11,522	-	11,522
Changes from business combinations	-	-	-	-	-	-	1,572	1,572
Changes from loss of control	-	-	-	-	-	-	(591)	(591)
Changes in interests in existing subsidiaries	-	(10,318)	-	-	-	(10,318)	(5,558)	(15,876)
Share-based payment transactions	-	928	-	-	-	928	-	928
Transfer from retained earnings to capital surplus	-	9,299	(9,299)	-	-	-	-	-
Transfer from accumulated other comprehensive income to retained earnings	-	-	327	-	(327)	-	-	-
Other	-	5	942	-	-	947	984	1,931
Total transactions with owners and other transactions	-	(9,338)	(209,549)	20,774	(327)	(198,440)	(33,397)	(231,837)
As of September 30, 2021	204,309	354,435	1,163,936	(113,444)	38,083	1,647,319	1,213,428	2,860,747

Note:

- As described in “Acquisition of LINE Corporation and business integration of the LINE Group and Z Holdings Corporation” under “Note 4. Business combinations,” provisional accounting treatment pertaining to the business combination has been completed and accordingly the balances as of April 1, 2021 are retrospectively amended.

For the six months ended September 30, 2022

(Millions of yen)

	Equity attributable to owners of the Company							Total equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income (loss)	Total	Non-controlling interests	
As of April 1, 2022	204,309	366,098	1,167,903	(106,462)	43,352	1,675,200	1,213,146	2,888,346
Comprehensive income								
Net income	-	-	237,141	-	-	237,141	34,483	271,624
Other comprehensive income (loss)	-	-	-	-	86,129	86,129	52,021	138,150
Total comprehensive income	-	-	237,141	-	86,129	323,270	86,504	409,774
Transactions with owners and other transactions								
Cash dividends	-	-	(202,414)	-	-	(202,414)	(41,964)	(244,378)
Purchase of treasury stock	-	-	-	(0)	-	(0)	-	(0)
Disposal of treasury stock	-	(10,830)	-	25,734	-	14,904	-	14,904
Changes from business combinations	-	-	-	-	-	-	1,461	1,461
Changes from loss of control	-	-	-	-	-	-	754	754
Changes in interests in existing subsidiaries	-	188	-	-	-	188	13,671	13,859
Share-based payment transactions	-	235	-	-	-	235	-	235
Transfer from retained earnings to capital surplus	-	10,889	(10,889)	-	-	-	-	-
Transfer from accumulated other comprehensive income to retained earnings	-	-	15,044	-	(15,044)	-	-	-
Other	-	11	(419)	-	-	(408)	(46)	(454)
Total transactions with owners and other transactions	-	493	(198,678)	25,734	(15,044)	(187,495)	(26,124)	(213,619)
As of September 30, 2022	204,309	366,591	1,206,366	(80,728)	114,437	1,810,975	1,273,526	3,084,501

(4) Condensed Interim Consolidated Statement of Cash Flows

	(Millions of yen)	
	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Net income	348,663	271,624
Depreciation and amortization	362,747	363,523
Loss on disposal of property, plant and equipment and intangible assets	6,085	5,524
Gain relating to loss of control over subsidiaries	(15,062)	(3,233)
Financing income	(17,272)	(8,511)
Financing costs	33,585	52,091
Share of losses of associates accounted for using the equity method	24,523	23,196
Gain on sales of equity method investments	(3,505)	(591)
Impairment loss on equity method investments	—	10,327
Income taxes	184,852	150,422
(Increase) decrease in trade and other receivables	168,386	58,894
(Increase) decrease in inventories	937	(33,577)
Purchases of mobile devices leased to enterprise customers	(17,919)	(20,876)
Increase (decrease) in trade and other payables	(124,993)	(43,175)
Increase (decrease) in consumption taxes payable	(16,334)	12,598
Increase (decrease) in deposits in banking business	125,852	55,354
(Increase) decrease in loans in banking business	(36,794)	(47,979)
Other	(60,047)	(94,118)
Subtotal	963,704	751,493
Interest and dividends received	4,380	4,656
Interest paid	(30,858)	(30,576)
Income taxes paid	(223,539)	(143,566)
Income taxes refunded	9,854	22,002
Net cash inflow from operating activities	723,541	604,009
Cash flows from investing activities		
Purchases of property, plant and equipment and intangible assets	(465,401)	(319,038)
Proceeds from sales of property, plant and equipment and intangible assets	252	563
Payments for acquisition of investments	(285,440)	(49,525)
Proceeds from sales/redemption of investments	5,739	9,978
Purchase of investment securities in banking business	(103,981)	(55,217)
Proceeds from sales/redemption of investment securities in banking business	127,276	123,503
Proceeds from (payments for) obtaining control of subsidiaries	270	(5,971)
Other	(2,508)	62,537
Net cash outflow from investing activities	(723,793)	(233,170)

	(Millions of yen)	
	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from financing activities		
Increase (decrease) in short-term interest-bearing debt, net	37,185	108,117
Proceeds from interest-bearing debt	1,168,463	1,085,892
Repayment of interest-bearing debt	(1,029,107)	(1,174,341)
Proceeds from stock issuance to non-controlling interests	2,657	23,262
Cash dividends paid	(201,481)	(202,307)
Cash dividends paid to non-controlling interests	(29,794)	(41,974)
Other	(7,259)	(10,069)
Net cash inflow (outflow) from financing activities	<u>(59,336)</u>	<u>(211,420)</u>
Effect of exchange rate changes on cash and cash equivalents	1,384	10,217
Increase (decrease) in cash and cash equivalents	(58,204)	169,636
Cash and cash equivalents at the beginning of the period	<u>1,584,892</u>	<u>1,546,792</u>
Cash and cash equivalents at the end of the period	<u><u>1,526,688</u></u>	<u><u>1,716,428</u></u>

(5) Notes on Going Concern Assumption

There are no applicable items.

(6) Notes to Condensed Interim Consolidated Financial Statements

1. Reporting entity

SoftBank Corp. (the “Company”) is a corporation (kabushiki kaisha) under the Companies Act of Japan and is domiciled in Japan. The registered address of its head office is 7-1 Kaigan 1-chome, Minato-ku, Tokyo, Japan. These condensed interim consolidated financial statements are comprised of the Company and its subsidiaries (the “Group”). The parent of the Company is SoftBank Group Japan Corporation. The ultimate parent company of the Company is SoftBank Group Corp.

The Group is engaged in a variety of businesses in the telecommunication and information technology industry centering on its Consumer, Enterprise, Distribution, and Yahoo! JAPAN/LINE businesses. For details, refer to “(1) Summary of reportable segments” under “Note 5. Segment information.”

2. Significant accounting policies

The significant accounting policies applied in the condensed interim consolidated financial statements are consistent with those of the consolidated financial statements as of and for the fiscal year ended March 31, 2022. Income tax expenses for the six months ended September 30, 2022 are calculated based on the estimated annual effective income tax rate.

3. Significant judgments and estimates

In preparing the condensed interim consolidated financial statements under IFRS, management makes judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenue, and expenses.

These estimates and underlying assumptions are based on management’s best judgments, through their evaluation of various factors that were considered reasonable as of the respective period-end, based on historical experience and by collecting available information.

By the nature of its estimates or assumptions, however, actual results in the future may differ from those projected estimates or assumptions.

Estimates and underlying assumptions are continuously reviewed. Revisions to accounting estimates are recognized in the period in which the estimate is revised as well as in future periods.

The judgments, estimates and assumptions that have significant impact on the amounts in the condensed interim consolidated financial statements are consistent with those described in the consolidated financial statements for the fiscal year ended March 31, 2022.

In addition, there have been no significant changes in the assumptions regarding coronavirus disease 2019 (COVID-19), such as how COVID-19 will spread and the timing of containment of COVID-19.

4. Business combinations

Six months ended September 30, 2021

Acquisition of LINE Corporation and business integration of the LINE Group and Z Holdings Corporation
(Amendment of provisional amounts)

The Company obtained control of LINE Corporation¹ on February 28, 2021. Consideration transferred was allocated to assets acquired and liabilities assumed based on their fair value on the acquisition date. As the allocation of the consideration transferred was completed during the three months ended September 30, 2021, the consolidated financial statements for the fiscal year ended March 31, 2021 have been retrospectively amended.

The main effects of the retrospective adjustments to the acquired assets and the assumed liabilities in the consolidated statement of financial position as of March 31, 2021 comprise decrease in property, plant and equipment of ¥2,762 million, decrease in intangible assets including identifiable intangible assets of ¥14,092 million, decrease in deferred tax liabilities of ¥5,352 million, decrease in non-controlling interests of ¥5,861 million, and increase in goodwill of ¥5,861 million.

(1) Consideration and its breakdown

	(Millions of yen)
	Acquisition Date (February 28, 2021)
Fair value of LINE Corporation shares held as of the acquisition date	172,922
Fair value of Shiodome Z Holdings G.K. shares transferred as of the acquisition date	689,150
Total consideration	A <u>862,072</u>

(2) The table below shows the fair value of assets and liabilities, non-controlling interests, and goodwill as of the acquisition date:

	(Millions of yen)
	Acquisition date (February 28, 2021)
Cash and cash equivalents	312,791
Trade and other receivables	67,553
Other current assets	46,687
Property, plant and equipment	21,905
Right-of-use assets	62,940
Intangible assets ²	395,947
Investments accounted for using the equity method	167,873
Other non-current assets	104,809
Total assets	<u>1,180,505</u>
Interest-bearing debt (current and non-current)	244,248
Trade and other payables	233,671
Other current liabilities	49,169
Deferred tax liabilities	150,504
Other non-current liabilities	20,745
Total liabilities	<u>698,337</u>
Net assets	B <u>482,168</u>
Non-controlling interests ³	C <u>250,760</u>
Goodwill ⁴	A-(B-C) <u>630,664</u>

Notes:

1. Refers to LINE Corporation, the surviving company in the absorption-type merger conducted by Shiodome Z Holdings G.K. LINE Corporation, the acquiree, transferred all business to LINE Split Preparation Corporation (currently, LINE Corporation) and changed its name to A Holdings Corporation effective February 28, 2021.
2. The amount of intangible assets includes ¥394,413 million of identifiable assets and the table below shows the breakdown of the identifiable assets. The estimated useful lives of customer relationships and technology assets are from 12 to 18 years and 8 years, respectively. The trademarks are classified as intangible assets with indefinite useful lives. The amount of intangible assets recognized from business combinations is measured based on assumptions such as estimated future cash flows, discount rate, attrition rate of existing customers, future sales forecast generated by trademarks, and royalty rate.

	(Millions of yen)
	Acquisition date (February 28, 2021)
Intangible assets with indefinite useful lives	
Trademarks	160,116
Intangible assets with definite useful lives	
Customer relationships	232,019
Technology assets	2,278
Total	394,413

3. Non-controlling interests are measured at the fair values of the acquiree's identifiable net assets as of the acquisition date, multiplied by the ratio of the non-controlling interests.

4. Goodwill reflects the ability to generate excess earnings resulting from expected future business development and synergies between the Group and the acquiree.

Six months ended September 30, 2022

There are no significant business combinations to be disclosed.

5. Segment information

(1) Summary of reportable segments

The reportable segments of the Group are based on operating segments for which separate financial information is available, and which the Board of Directors (the Group's chief operating decision maker) regularly reviews to determine the allocation of management resources and evaluate their performance. The Group has "Consumer," "Enterprise," "Distribution," and "Yahoo! JAPAN/LINE" as its reportable segments. No operating segments have been aggregated in arriving at the reportable segments of the Group.

In the "Consumer" segment, the Group provides mobile, broadband and electricity services to individual customers. In mobile services, the Group provides mobile services under the *SoftBank*, *Y!mobile*, *LINEMO*, and *LINE MOBILE* brands, and sells mobile devices such as phones and tablets. In broadband services, the Group provides internet services, including *SoftBank Hikari*, and sells and rents related customer-premises equipment for broadband services. In electricity services, the Group provides purchase and sale, supply and intermediation of electricity services, including *Ouchi Denki*.

In the "Enterprise" segment, the Group provides a wide range of services to enterprise customers, including mobile services, voice call services and fixed-line communications services, data transmission and dedicated services, telecommunications consulting and construction for telecommunications carriers and general service providers, rental and maintenance of telecommunications facilities, housing, data center services, and sales and rental of telecommunications equipment.

In the "Distribution" segment, the Group provides hardware, software, and services in relation to ICT, cloud, and IoT solutions to enterprise customers. The Group also provides PC software, IoT products, and mobile device accessories to individual customers.

In the "Yahoo! JAPAN/LINE" segment, the Group is engaged in the "Media business," the "Commerce business," and the "Strategy business." The "Media business" comprises planning and sales of internet-based advertising-related services, information listing services, and other corporate services. The "Commerce business" comprises sales of products, and planning and provision of services, all of which are provided via the internet for small to medium-sized businesses and individual customers. The "Strategy business" comprises settlement- and finance-related services.

Information not included in the preceding reportable segments is summarized in "Other." "Other" mainly includes operating results of subsidiaries, such as SB Payment Service Corp., PayPay Securities Corporation, and others.

"Adjustments" includes eliminations of intersegment transactions and expenses not allocated to any reportable segment.

(2) Segment revenue, income, and other information of reportable segments

Income of reportable segments is defined as “Operating income.” Intersegment transaction prices are determined by taking into consideration the equivalent prices for an arm’s length transaction or gross costs after price negotiation.

Income and loss which are not attributable to operating income and loss, such as financing income, financing costs, and income and loss on equity method investments, are not managed by each reportable segment and therefore these income and losses are excluded from segment income. Assets and liabilities are not allocated to reportable segments and are not monitored by the Board of Directors.

Six months ended September 30, 2021

	Reportable segments					Other	Adjustments	Consolidated
	Yahoo!							
	Consumer	Enterprise	Distribution	JAPAN/LINE	Total			
Revenue								
Sales to external customers	1,375,361	345,336	212,285	738,373	2,671,355	52,879	-	2,724,234
Intersegment revenue or transferred revenue	3,053	5,522	23,917	12,589	45,081	22,975	(68,056)	-
Total	1,378,414	350,858	236,202	750,962	2,716,436	75,854	(68,056)	2,724,234
Segment income	364,651	74,044	12,252	115,470	566,417	5,349	(920)	570,846
Depreciation and amortization ¹	210,538	79,547	1,839	66,630	358,554	4,193	-	362,747

Six months ended September 30, 2022

	Reportable segments					Other	Adjustments	Consolidated
	Yahoo!							
	Consumer	Enterprise	Distribution	JAPAN/LINE	Total			
Revenue								
Sales to external customers	1,380,344	356,812	241,264	770,966	2,749,386	59,169	-	2,808,555
Intersegment revenue or transferred revenue	5,168	5,712	31,714	13,942	56,536	25,940	(82,476)	-
Total	1,385,512	362,524	272,978	784,908	2,805,922	85,109	(82,476)	2,808,555
Segment income	315,640	71,260	12,316	99,479	498,695	1,997	(2,134)	498,558
Depreciation and amortization ¹	212,034	76,701	1,989	68,954	359,678	4,806	(961)	363,523

Note:

1. Depreciation and amortization includes amortization of long-term prepaid expenses which are presented as “Other non-current assets” in the condensed interim consolidated statement of financial position.

Reconciliations of segment income to consolidated profit before income taxes are as follows:

	(Millions of yen)	
	Six months ended September 30, 2021	Six months ended September 30, 2022
Segment income	570,846	498,558
Share of losses of associates accounted for using the equity method	(24,523)	(23,196)
Financing income	17,272	8,511
Financing costs	(33,585)	(52,091)
Gains on sales of equity method investments	3,505	591
Impairment loss on equity method investments	-	(10,327)
Profit before income taxes	533,515	422,046

Three months ended September 30, 2021

	Reportable segments						(Millions of yen)	
	Consumer	Enterprise	Distribution	Yahoo	Total	Other	Adjustments	Consolidated
Revenue								
Sales to external customers	683,729	176,413	108,148	371,138	1,339,428	28,232	-	1,367,660
Intersegment revenue or transferred revenue	1,514	2,935	10,967	6,472	21,888	11,361	(33,249)	-
Total	685,243	179,348	119,115	377,610	1,361,316	39,593	(33,249)	1,367,660
Segment income	180,138	35,528	6,116	64,085	285,867	3,046	(1,166)	287,747
Depreciation and amortization ¹	104,891	39,527	920	32,521	177,859	2,128	-	179,987

Three months ended September 30, 2022

	Reportable segments						(Millions of yen)	
	Consumer	Enterprise	Distribution	Yahoo	Total	Other	Adjustments	Consolidated
Revenue								
Sales to external customers	716,143	183,283	129,217	386,535	1,415,178	31,378	-	1,446,556
Intersegment revenue or transferred revenue	1,954	2,674	13,530	7,808	25,966	12,698	(38,664)	-
Total	718,097	185,957	142,747	394,343	1,441,144	44,076	(38,664)	1,446,556
Segment income	160,755	34,727	6,782	49,758	252,022	258	(833)	251,447
Depreciation and amortization ¹	106,290	38,485	1,017	34,551	180,343	2,472	(473)	182,342

Note:

1. Depreciation and amortization includes amortization of long-term prepaid expenses which are presented as “Other non-current assets” on the condensed interim consolidated statement of financial position.

Reconciliations of segment income to consolidated profit before income taxes are as follows:

	(Millions of yen)	
	Three months ended September 30, 2021	Three months ended September 30, 2022
Segment income	287,747	251,447
Share of losses of associates accounted for using the equity method	(15,523)	(14,082)
Financing income	6,113	5,010
Financing cost	(17,284)	(31,871)
Impairment loss on equity method investments	—	(10,327)
Profit before income taxes	261,053	200,177

6. Interest-bearing debt

The components of interest-bearing debt are as follows:

	As of March 31, 2022	(Millions of yen) As of September 30, 2022
Current		
Short-term borrowings	528,630	638,479
Commercial papers	270,401	170,001
Current portion of long-term borrowings	916,790	941,623
Current portion of lease liabilities	225,719	201,505
Current portion of corporate bonds	94,985	124,949
Current portion of installment payables	54	46
Total	2,036,579	2,076,603
Non-current		
Long-term borrowings	2,446,389	2,566,215
Lease liabilities	538,241	543,814
Corporate bonds	978,244	948,176
Installment payables	72	49
Total	3,962,946	4,058,254

7. Equity

Changes in treasury stock are as follows:

	Six months ended September 30, 2021	(Thousands of shares) Six months ended September 30, 2022
Balance at the beginning of the period	100,660	79,843
Increase during the period	0	0
Decrease during the period ¹	(15,580)	(19,300)
Balance at the end of the period	85,080	60,543

Notes:

1. For the six months ended September 30, 2021, due to the exercise of stock acquisition rights, the number of treasury stock decreased by 15,580 thousand shares. As a result, "Treasury stock" decreased by ¥20,774 million and a loss on disposal of treasury stock of ¥9,252 million was recognized as a decrease in "Capital surplus," of which ¥9,299 million was transferred from "Retained earnings."

In addition, for the six months ended September 30, 2022, due to the exercise of stock acquisition rights, the number of treasury stock decreased by 19,300 thousand shares. As a result, "Treasury stock" decreased by ¥25,734 million and a loss on disposal of treasury stock of ¥10,830 million was recognized as a decrease in "Capital surplus," of which ¥10,889 million was transferred from "Retained earnings."

8. Dividends

Dividends paid are as follows:

Six months ended September 30, 2021

(1) Dividends paid

Resolution	Class of shares	Dividends per share (Yen)	Total dividends (Millions of yen)	Record date	Effective date
Board of Directors' meeting held on May 21, 2021	Common stock	43.00	201,519	March 31, 2021	June 8, 2021

(2) Dividends whose record date is in the six months ended September 30, 2021 but whose effective date is after September 30, 2021

Resolution	Class of shares	Dividends per share (Yen)	Total dividends (Millions of yen)	Record date	Effective date
Board of Directors' meeting held on October 22, 2021	Common stock	43.00	202,189	September 30, 2021	December 6, 2021

Six months ended September 30, 2022

(1) Dividends paid

Resolution	Class of shares	Dividends per share (Yen)	Total dividends (Millions of yen)	Record date	Effective date
Board of Directors' meeting held on May 20, 2022	Common stock	43.00	202,414	March 31, 2022	June 9, 2022

(2) Dividends whose record date is in the six months ended September 30, 2022 but whose effective date is after September 30, 2022

Resolution	Class of shares	Dividends per share (Yen)	Total dividends (Millions of yen)	Record date	Effective date
Board of Directors' meeting held on October 20, 2022	Common stock	43.00	203,244	September 30, 2022	December 6, 2022

9. Revenue

The components of revenue are as follows:

	(Millions of yen)	
	Six months ended September 30, 2021	Six months ended September 30, 2022
Consumer business		
Service revenues		
Mobile	808,863	779,227
Broadband	202,515	198,829
Electricity	67,340	140,935
Revenues from sales of goods and others	296,643	261,353
Subtotal	1,375,361	1,380,344
Enterprise business		
Mobile ³	153,716	154,107
Fixed-line	91,681	90,120
Business solution and others ³	99,939	112,585
Subtotal	345,336	356,812
Distribution business	212,285	241,264
Yahoo! JAPAN/LINE business		
Media ⁴	299,303	301,864

Commerce	380,640	402,627
Strategy ⁴	52,884	59,693
Other ⁴	5,546	6,782
Subtotal	738,373	770,966
Other	52,879	59,169
Total	2,724,234	2,808,555

Notes:

1. The components of revenue represent sales to external customers.
2. The components of revenue include revenues from other sources, excluding those arising from IFRS 15 “Revenue from Contracts with Customers” (mainly from Enterprise business leases). Revenues from other sources for the six months ended September 30, 2021 and 2022 were ¥65,510 million and ¥66,933 million, respectively.
3. “Mobile” and “Business solution and others” under “Enterprise business” include telecommunications service revenues and revenues from sales of goods and others. Telecommunications service revenues for the six months ended September 30, 2021 and 2022 were ¥200,304 million and ¥207,734 million, respectively. Revenues from sales of goods and others for the six months ended September 30, 2021 and 2022 were ¥53,351 million and ¥58,958 million, respectively.
4. Effective April 1, 2022, the business categories of “Yahoo JAPAN/LINE businesses” have been reevaluated and some services were transferred between the business categories. As a result, the components of revenue for “Media,” “Strategy,” and “Other” under “Yahoo JAPAN/LINE business” for the six months ended September 30, 2021, have been restated.

10. Earnings per share

Basic earnings per share and diluted earnings per share are as follows:

Six months ended September 30, 2021 and 2022

(1) Basic earnings per share

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net income used in the calculation of basic earnings per share (Millions of yen)		
Net income attributable to owners of the Company	307,257	237,141
Weighted-average number of shares of common stock outstanding (Thousands of shares)	4,694,164	4,715,806
Basic earnings per share (Yen)	65.45	50.29

(2) Diluted earnings per share

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net income used in the calculation of diluted earnings per share (Millions of yen)		
Net income attributable to owners of the Company	307,257	237,141
Effect of dilutive securities issued by subsidiaries and associates	(3,111)	(1,488)
Total	304,146	235,653
Weighted-average number of shares of common stock used in the calculation of diluted earnings per share (Thousands of shares)		
Weighted-average number of shares of common stock outstanding	4,694,164	4,715,806
Increase in the number of shares of common stock due to stock acquisition rights	50,370	43,990
Total	4,744,534	4,759,796

Diluted earnings per share (Yen)	64.10	49.51
Three months ended September 30, 2021 and 2022		
(1) Basic earnings per share	Three months ended September 30, 2021	Three months ended September 30, 2022
Net income used in the calculation of basic earnings per share (Millions of yen)		
Net income attributable to owners of the Company	156,293	108,599
Weighted-average number of shares of common stock outstanding (Thousands of shares)	4,697,649	4,720,056
Basic earnings per share (Yen)	33.27	23.01
(2) Diluted earnings per share	Three months ended September 30, 2021	Three months ended September 30, 2022
Net income used in the calculation of diluted earnings per share (Millions of yen)		
Net income attributable to owners of the Company	156,293	108,599
Effect of dilutive securities issued by subsidiaries and associates	(1,384)	(732)
Total	154,909	107,867
Weighted-average number of shares of common stock used in the calculation of diluted earnings per share (Thousands of shares)		
Weighted-average number of shares of common stock outstanding	4,697,649	4,720,056
Increase in the number of shares of common stock due to stock acquisition rights	51,641	43,235
Total	4,749,290	4,763,291
Diluted earnings per share (Yen)	32.62	22.65

11. Contingencies

The Group is a party to several pending legal and administrative proceedings. When it is difficult to reasonably estimate the outcomes of such matters, provisions have not been recorded. Based on the information currently available, management does not expect that the results of these proceedings will have a material adverse effect on the Group's financial position or results of operations.

- a. On April 30, 2015, the Company filed a lawsuit with the Tokyo District Court against Japan Post Information Technology Co., Ltd. ("JPiT"), claiming for payment of remuneration for additional services provided in connection with the installation of telecommunications lines, as well as other items, that were ordered by JPiT in relation to a project to migrate the communications network connecting approximately 27,000 sites (post offices, etc.) countrywide to a new network, the 5th PNET.

Pursuant to a contract dated February 7, 2013, the Company was requested by JPiT to carry out, among other services, installation services for telecommunications lines for Japan Post Group's business sites existing countrywide. The Company performed such services, and upon JPiT's request, the Company also performed services that exceeded the scope of services stipulated in the contract.

Although the Company negotiated with JPiT over an extended period regarding the remuneration for these additional services, the Company and JPiT were unable to arrive at a settlement. Accordingly, the Company duly filed the lawsuit, claiming for payment of remuneration for such additional services.

- b. On April 30, 2015, JPiT filed a lawsuit against the Company and Nomura Research Institute, Ltd. ("NRI") as co-defendants.

In this lawsuit, JPiT alleges that the Company and NRI delayed performance of the ordered services related to the project for migration to the 5th PNET mentioned in a. above and alleges that such delay caused damages to JPiT. JPiT made joint and several claims against both the Company and NRI for the alleged damages.

An order to consolidate the abovementioned lawsuits was made on July 29, 2015. Subsequently, on September 9, 2022, the Tokyo District Court rendered a judgment ordering JPiT to pay ¥1,921 million as remuneration for the additional services and delay damages, and the Company to pay JPiT ¥10,854 million in damages and delay damages. The Company appealed this judgment to the Tokyo High Court on September 22, 2022. And for the three months ended September 30, 2022, the Company recorded a total of ¥18,522 million, consisting of ¥8,984 million in damages and ¥9,538 million in delay damages, which offset against the amount allowed under this judgment, in "Provisions (current liabilities)" in the condensed interim consolidated statement of financial position. In the condensed interim consolidated statement of income, the damages amount of ¥8,984 million and the delay damages amount of ¥9,538 million were recorded in "Other operating expenses" and "Financing costs", respectively.

12. Subsequent events

Consolidation of PayPay Corporation into a subsidiary and changes in accounting policies

1. Summary of the Transactions

The Company converted PayPay Corporation (hereinafter, "PayPay") into a subsidiary through a series of transactions based on a transaction agreement between the Company and Z Holdings Corporation (hereinafter, "Z Holdings"), a subsidiary of the Company, concluded on July 27, 2022 (hereinafter, the "Transaction Agreement"). The consolidation was intended to maximize the corporate value of the Company and its subsidiaries, and the Group will work towards improving revenue opportunities in PayPay, expanding the PayPay ecosystem and reinforcing group synergy by jointly operating B Holdings Corporation, which became the parent company of PayPay, with Z Holdings.

Pursuant to the Transaction Agreement, PayPay Class A preferred shares held by the Company and Z Intermediate Holdings Corporation, a wholly-owned subsidiary of Z Holdings, were converted into PayPay common shares. Consequently, the Group acquired a majority of the voting rights in PayPay, and PayPay became a subsidiary of the Company on October 1, 2022. As a result of the series of transactions, the Group's voting rights in PayPay reached 69.8%.

Additionally, the consolidation of PayPay made an opportunity to reconsider accounting policies. The Group is to change the accounting policy to apply the acquisition method to transactions under common control involving non-controlling

interests from the three months ending December 31, 2022.

2. Effects of consolidation of PayPay

a. Summary of the acquiree

Name PayPay Corporation

Business Development and provision of e-payment services, including mobile payments

b. Acquisition date

October 1, 2022

c. Gain on step acquisition by the business combination

For consolidation of PayPay, the Company expects to recognize a gain on step acquisition of ¥294,843 million in the three months ending December 31, 2022.

Since the initial accounting for the business combination is yet to be completed, the fair values of the assets acquired and liabilities assumed are not disclosed.

3. Changes in accounting policies and effects on prior financial statements arising from retrospective application

The Group previously accounted for transactions under common control based on the carrying amount of the parent company's assets and liabilities, and regardless of the actual date of the transaction under common control, retrospectively combined the financial statements of the transferred companies as if such transactions were executed by the Group on the later of the date when the parent obtained control of the transferred companies prior to the transfer, or the opening balance sheet date of the comparative period as part of the consolidated financial statements of the Group. However, the Group has now been listed for three years, conducting business with more focus on a large number of non-controlling interests and implementing corporate restructuring with autonomous management perspective and growth strategy. The consolidation of PayPay, a transaction under common control, is similar to business combinations under IFRS 3 in that it has a significant impact on a large number of non-controlling interests of the Group. Based on these grounds, the Group has considered that applying the acquisition method to transactions under common control involving non-controlling interests and reporting them in the financial statements as with business combinations subject to IFRS 3 will lead to the appropriate assessment of potential business value and provide relevant and reliable information to users of financial statements in making their economic decisions. For these reasons, the Group is to change the accounting policy to apply the acquisition method from the three months ending December 31, 2022, and the new accounting policy will be retrospectively applied to transactions under common control involving non-controlling interests.

In accordance with this change in accounting policy, accounting treatment will be retrospectively amended to the acquisition method to transactions under common control involving non-controlling interests, such as the consolidation of Yahoo Japan Corporation (currently, Z Holdings) by the Company implemented in June 2019. The Group expects that the cumulative effects arising from retrospective adjustments as of March 31, 2022 would include an increase in assets of ¥376,500 million, an increase in liabilities of ¥58,147 million and an increase in equity of ¥318,353 million. The Group also expects to record amortization of ¥23,328 million by recognizing identifiable intangible assets for the fiscal year ending March 31, 2023.

Changes in Segment Classification

The Company had four reportable segments, "Consumer," "Enterprise," "Distribution," and "Yahoo! JAPAN/LINE". However, due to the consolidation of PayPay by the Company on October 1, 2022, operating segments that are subject to regular review by the Company's Board of Directors (the Group's chief operating decision maker) have changed. Accordingly, from the three months ending December 31, 2022, the Company has revised its segment classifications to the following five reportable segments: "Consumer," "Enterprise," "Distribution," "Financial," and "Yahoo! JAPAN/LINE".

The main companies that will constitute the newly added "Financial" reportable segment are expected to be PayPay, PayPay

Card Corporation, PayPay Securities Corporation, and SB Payment Service Corp.

Segment revenue, income and other information of reportable segments for the six months ended September 30, 2022, in accordance with the new segment classifications are currently being calculated.