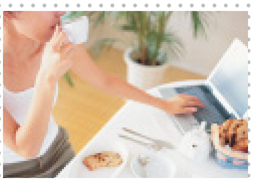
SoftBank

Annual Report 2006

>> The **Next Wave**

www.softbank.co.jp





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Corporate Profile

Since its foundation in 1981, **the SOFTBANK Group** has based its actions on its core management philosophy: "Endeavoring to benefit society and the economy and to maximize enterprise value by fostering the sharing of wisdom and knowledge gained through the IT revolution."

When it was established, the SOFTBANK Group anticipated the coming PC era and staked out a position of leadership in the distribution of packaged software for PCs. In the 1990s, before the Internet era got fully under way, we established Yahoo Japan Corporation and launched *Yahoo! JAPAN,* which has now become Japan's largest Internet portal. And in 2001, we started commercial operation of the high-speed, low-cost *Yahoo! BB ADSL* comprehensive broadband service, thereby becoming the driving force in making Japan a leader in broadband. We also entered the fixed-line communications business with the acquisition of JAPAN TELECOM CO., LTD., in 2004 and the mobile communications business with the acquisition of Vodafone K.K. in 2006. With this business expansion, we have laid the foundation for progress toward the realization of the ubiquitous society, where people can easily communicate anytime, anywhere, and with anyone.

Through the world's most advanced IP backbone network, *Yahoo! JAPAN* and other platforms provided over that network, and a diverse range of high-value-added services and content deployed over those platforms, we will continue making great strides toward the realization of the dreams we have pursued since our first day in business.

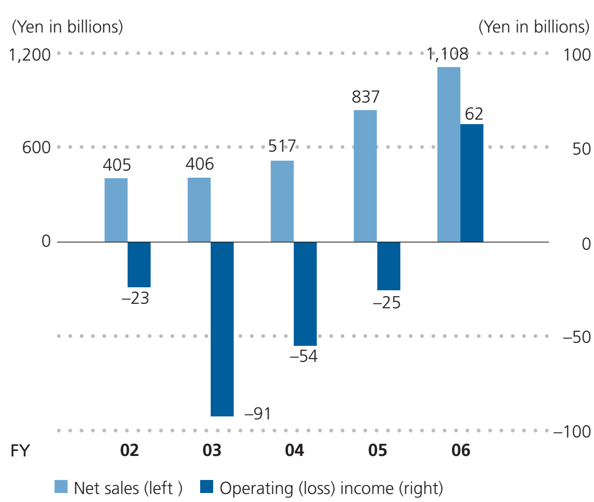
Consolidated Financial Highlights

SOFTBANK CORP. AND ITS SUBSIDIARIES Fiscal years ended March 31

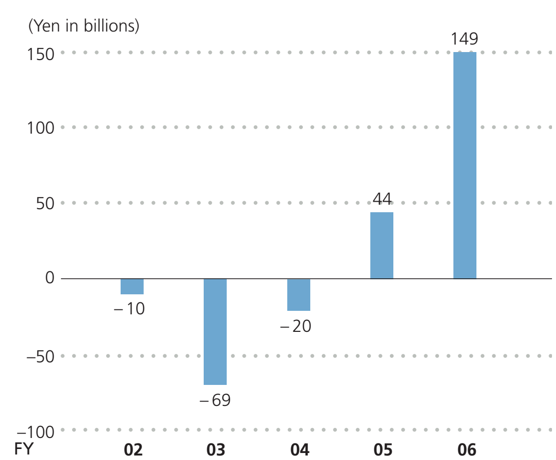
Yen in millions except for per share data, % data, and year-end stock price	FY 2004	FY 2005	FY 2006
For the Fiscal Year:			
Net sales	¥517,394	¥837,018	¥1,108,665
Operating (loss) income	(54,894)	(25,359)	62,299
EBITDA*1	(20,705)	44,095	149,913
(Loss) income before income taxes and minority interest	(76,745)	(9,549)	129,484
Net (loss) income	(107,094)	(59,872)	57,551
Net cash (used in) provided by operating activities	(83,829)	(45,989)	57,806
Net cash provided by (used in) investing activities	81,878	(242,944)	27,852
Net cash provided by (used in) financing activities	306,390	277,771	30,078
At Fiscal Year-End:			
Total assets	¥1,421,207	¥1,704,854	¥1,808,399
Total shareholders' equity	238,081	178,017	242,768
Equity ratio (%)	16.8	10.4	13.4
Interest-bearing debt	575,541	853,918	905,293
Net interest-bearing debt*2	134,858	531,680	454,614
Debt/equity ratio (%)	241.7	479.7	372.9
Net debt/equity ratio (%)*2	56.6	298.7	187.3
Per Share Data (Yen)*3:			
Net (loss) income	¥(104.91)	¥ (57.01)	¥ 54.36
Net assets	225.80	168.62	229.88
Cash dividends	2.33	2.33	2.50
<For reference>			
Stock Information:			
Year-end stock price (Yen)*4	¥ 1,623	¥ 1,473	¥ 3,450
Market capitalization	1,711,497	1,553,622	3,640,549

*1 EBITDA = Operating income (loss) + depreciation, amortization, loss on disposal of fixed assets included in operating expenses.
*2 Net interest-bearing debt and the net debt/equity ratio are calculated by deducting cash and deposits and marketable securities (current assets) and others from interest-bearing debt.
*3 Net (loss) income per share is calculated based on the weighted-average number of shares outstanding during each fiscal year, and net assets per share are calculated based on the number of shares outstanding as of each fiscal year-end.
*4 Year-end stock prices have been retroactively adjusted for the 3:1 stock split carried out on January 5, 2006.

Net Sales / Operating (Loss) Income

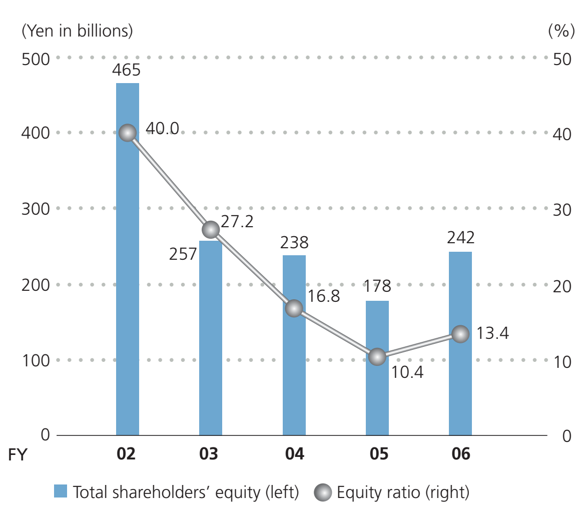


EBITDA

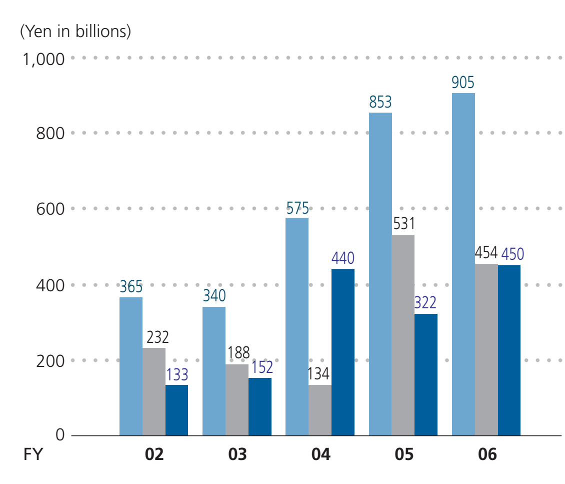


	2005				2006			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
	¥147,312	¥ 156,395	¥258,087	¥275,224	¥258,638	¥264,149	¥287,471	¥298,407
	(3,819)	(2,971)	(7,536)	(11,033)	(3,190)	7,590	23,512	34,387
	6,031	5,985	15,875	16,204	19,505	30,740	44,713	54,955
	(4,271)	17,925	(9,641)	(13,562)	761	25,141	59,687	43,895
	(17,876)	11,830	(26,560)	(27,266)	(11,153)	6,971	22,002	39,731
	(11,937)	6,644	(25,416)	(15,280)	(18,214)	233	61,949	13,838
	(23,301)	(136,910)	(17,353)	(65,380)	(28,703)	(45,593)	86,627	15,521
	98,753	20,469	34,503	124,046	12,925	(11,082)	(46,729)	74,964
	¥1,667,304	¥2,080,361	¥2,090,044	¥1,704,854	¥1,620,883	¥1,578,924	¥1,748,605	¥1,808,399
	230,645	231,847	204,685	178,017	167,346	170,342	219,111	242,768
	13.8	11.1	9.8	10.4	10.3	10.8	12.5	13.4
	620,004	814,646	829,771	853,918	876,145	850,744	810,776	905,293
	112,191	411,676	429,368	531,680	586,241	615,688	469,138	454,614
	268.8	351.4	405.4	479.7	523.6	499.4	370.0	372.9
	48.6	177.6	209.8	298.7	350.3	361.4	214.1	187.3
	¥ (16.96)	¥ (5.73)	¥ (30.93)	¥ (57.01)	¥ (10.58)	¥ (3.97)	¥ 16.90	¥ 54.36
	218.79	219.93	194.13	168.62	158.72	161.56	207.77	229.88
	0.00	0.00	0.00	2.33	0.00	0.00	0.00	2.50
	¥ 1,600	¥ 1,703	¥ 1,663	¥ 1,473	¥ 1,450	¥ 2,100	¥ 4,980	¥ 3,450
	1,686,897	1,795,842	1,753,961	1,553,622	1,529,017	2,214,468	5,252,480	3,640,549

Total Shareholders' Equity / Equity Ratio



Interest-Bearing Debt / Net Interest-Bearing Debt / Liquidity on-Hand*



* Cash and deposits and marketable securities (current assets) and others

The Sky's the Limit—We will continue to target unlimited growth.

1 A Dominant Operational Base

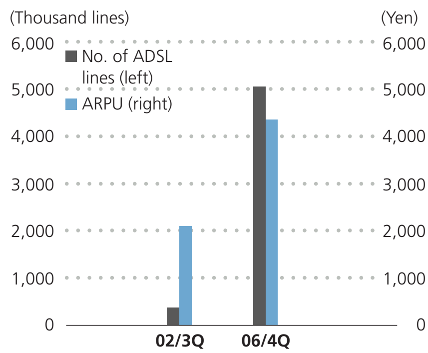
Industry Position

3**S**'s Theory: **S**peed + (**S**cale + Quality) = **S**trongest

- No. 1 in broadband infrastructure
- Dominant customer reach as No. 1 in Internet portals
- Use of portals and platforms to provide diverse, high-value-added services and content, with an emphasis on scale and speed

Industry No. 1, Five Million Lines in Little More Than Four Years—*Yahoo! BB ADSL* Monthly Average Revenue Per User (ARPU) Doubled

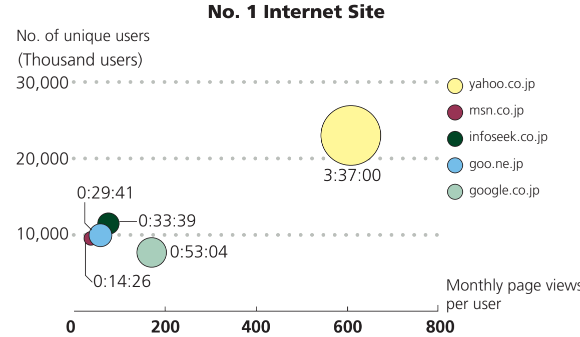
Growth in ADSL Lines and ARPU



Note: For comparison purposes, fiscal 2006 ARPU includes revenues from the modem rental business and the wireless LAN business.

Customer Reach Is the Biggest Competitive Advantage in Advertising, Services, and Content—*Yahoo! JAPAN*

No. 1 Internet Site



Note: The size of the circle shows usage time per person.
Source: Video Research Interactive Web Report, March 2006 data

3 Expanding in All Dimensions

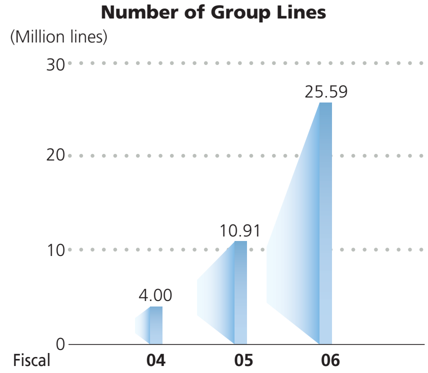
Growth Strategies

Stepping **Forward**

Expanding Customer Base

From Broadband to Fixed-Line and Mobile

Number of Group Lines

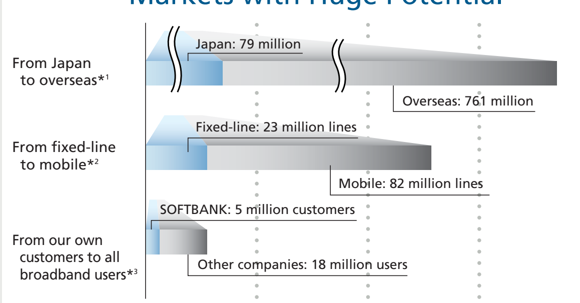


Note: Figures for fiscal 2006 include about 15.2 million Vodafone K.K. lines.

Extending **Horizontally**

Broader Base for Provision of Differentiated Services and Content

Markets with Huge Potential



*1 Source: Ministry of Internal Affairs and Communications (MIC), International Telecommunication Union (ITU); Number of Internet users —Japan: as of the end of March 2005; Overseas: as of the end of December 2004.
*2 Source: MIC; Fixed-line broadband users and mobile Internet connections as of the end of March 2006
*3 Source: MIC; Fixed-line broadband users as of the end of March 2006

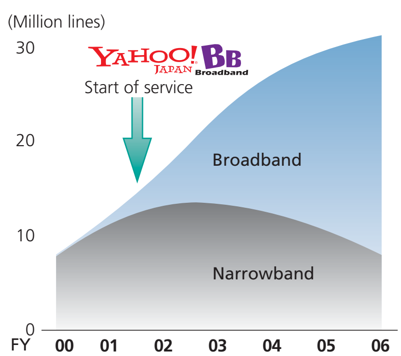
2 Meeting Needs in Growth Fields

Growth Drivers

Targeting Growing Business Fields with Outstanding Services

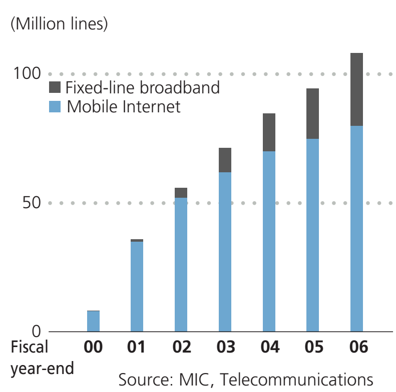
- Further broadband penetration
- Trend toward broadband for mobile Internet; Increase in needs related to the ubiquitous society
- Growth in use of the Internet in entertainment, distribution, and advertising markets

Advancing Broadband



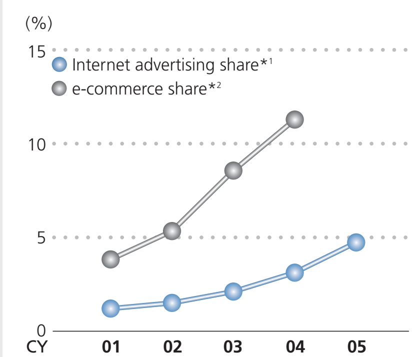
Source: MIC

Room for Further Growth Due to Adoption of Mobile Broadband



Source: MIC, Telecommunications Carriers Association (TCA)

The Internet's Growing Market Share



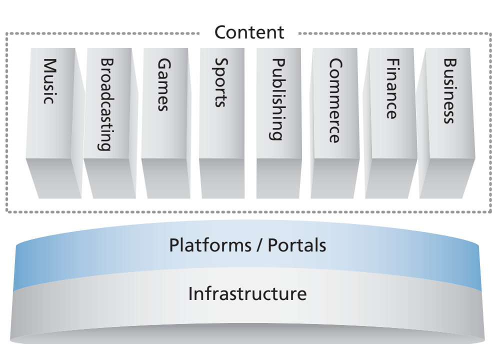
*1 Source: DENTSU INC.
*2 Source: Ministry of Economy, Trade and Industry

Growing **Upward**

More and Better Services and Content Provided Over Our Platforms and Portals

SOFTBANK's Future Goal

NO. 1 in Every Field



We will maintain a strong position in growth fields while simultaneously expanding those fields and provide the most differentiated lineup and the highest-value-added services. As long as we do that, the sky's the limit.

We set our goals high and work to exceed them. Then we set our sights even higher.

Infrastructure. The portals and platforms provided over it. And the services and content deployed over those platforms. In each of these fields, our business model has enabled us to build a strong, highly differentiated market position. Now we are prepared to extend that model. From fixed-line to mobile. From Japan to the world.

The SOFTBANK Group is accelerating its growth as a one-of-a-kind, comprehensive digital information company.

President and Chief Executive Officer
MASAYOSHI SON

SOFTBANK's Consolidated Results in Fiscal 2006, Ended March 2006—A Return to Profitability with Record-High Operating Income

Our upfront investments have paid off, and we have begun to reap the rewards.

Sustaining Fast-Paced Growth

Fiscal 2006 was a great year for the SOFTBANK Group. Our net sales surpassed ¥1 trillion, rising 32% from the previous fiscal year, to ¥1,108.6 billion.

The Broadband Infrastructure segment and the Internet Culture segment, which is centered on Yahoo Japan Corporation, continued to record strong growth, posting year-on-year increases in sales of 31% and 52%, respectively. The elimination of the e-Finance segment had a significant impact on our sales. However, in addition to the rapid expansion in the Broadband Infrastructure and Internet Culture segments, the Fixed-line Telecommunications segment, which has been consolidated since the second half of fiscal 2005, made a full-year contribution to our performance in fiscal 2006. The result was strong growth in consolidated net sales.

A Return to Profitability with Record-Setting Results

Our consolidated EBITDA*[1] increased 3.4 times compared with the previous fiscal year, to ¥149.9 billion, and operating income rose to ¥62.2 billion, the highest level in the Company's history. We were the first to envision the coming of the broadband era, and we moved quickly to back up that vision with substantial forward-looking investment. That strategic investment is the reason why our Broadband Infrastructure segment recorded an operating loss of more than ¥80.0 billion in fiscal 2004. But it's also the reason why we succeeded in carving out a dominant position in the domestic broadband market, and our broadband infrastructure business has now grown to the point where it can contribute to our earnings. And in addition to those direct benefits, broadband is also contributing indirectly to enhanced profit opportunities for the Group. We have played a key, pioneering role in making Japan's broadband market one of the most advanced in the world, and, at the same time, the spread of broadband has driven substantial growth in other markets as well, including e-commerce and Internet advertising. One of our biggest successes has been the growth of our internet culture business, which is centered on Yahoo Japan Corporation, the operator of Japan's dominant number one portal site—*Yahoo! JAPAN*—as well as Internet auction and shopping businesses. In the Fixed-line Telecommunications segment, we have revised our sales system, with an emphasis on efficiency and profitability, and redoubled our sales efforts targeting corporate customers, and in the fourth quarter of fiscal 2006 the segment achieved its first profit ever. In addition to this significant improvement in our operating performance, we have also begun to reap the rewards of the investments we have made overseas. In fiscal 2006, we recorded net income of ¥57.5 billion, an improvement of ¥117.3 billion from the previous fiscal year's loss of ¥59.8 billion.

*1 EBITDA = Operating income (loss) + depreciation, amortization, loss on disposal of fixed assets included in operating expenses.

Mid- and Long-Term Growth Strategies—Our Direction and Current Position

In scale and in quality, we have an unrivaled position. That is the source of the SOFTBANK Group's growth.

Targeting Three-Dimensional Growth

As a corporate group with its roots in Internet businesses, the SOFTBANK Group is instituting a unique business model that entails providing not only infrastructure but also portals that have the power to attract customers and a broad array of services and content, including music, broadcasting, games, sports, and e-commerce. We aim to achieve sustained business expansion through "three-dimensional simultaneous growth" as the number one group in infrastructure, portals, and content.

The first dimension entails growth through the expansion of our customer base, essentially the number of lines provided. *Yahoo! BB ADSL* has built an unshakable position in broadband, with approximately 5.05 million lines installed by the end of fiscal 2006, and the *Otoku Line* direct connection fixed-line voice service has also recorded strong growth. We have built a solid market position, with more than 10 million lines provided by the Group, including other corporate services, as of the end of fiscal 2006.

The second dimension involves growth through the expansion of the services and content that we provide over the Internet. In Japan, we are the largest provider of a diverse range of differentiated services and content, such as Internet auctions, online securities, and online games, and in the future we will further broaden that service range.

The third dimension involves growth through the expansion of our base for the provision of services and content. To that end, we will provide services and content, independent of infrastructure, not just to the SOFTBANK Group's broadband customers but to all users of broadband services, and we will extend our regional coverage to markets overseas.

Steadily implementing forward-looking strategic initiatives.

That is the path toward continuous expansion, toward accelerating growth.

Ready for the Next Growth Stage

In fiscal 2006, we took major steps with significant strategic meaning as we accelerated the pace of our three-dimensional simultaneous growth. In the broadband era, the second stage of Internet growth, the text and still pictures that played the central role in the narrowband era are giving way to video. That's why we launched an entirely new version of *Yahoo! Streaming,* concentrating the SOFTBANK Group's human resources and know-how in video content services. With technically differentiated, leading-edge search functions, *Yahoo! Streaming* makes it possible for users to easily access a huge world of video content, with more than 100,000 videos searchable, including not only video content provided by the SOFTBANK Group but also other content on the Internet. Our establishment of *Yahoo! JAPAN* became the driving force for dramatic growth in the era of text and still pictures. I believe that, in much the same way, the launch of the new *Yahoo! Streaming* will prove to be a key strategic step toward the rapid development of the number one position in portals in the coming video content era.

From Fixed-Line to Mobile

We are also taking other key steps forward. By acquiring Vodafone K.K. in April 2006 and securing its customer base and network in one transaction, we achieved a rapid entry to the mobile communications business. As we develop mobile broadband, our customers will have access to a world of content that is more open and substantially larger than ever before. That's the kind of world we want to create. Until now, mobile phones have provided only a low level of accessibility to the Internet, and customers could enjoy only a limited array of services and content in the small world provided by their telecommunications carriers. In fixed-line communications, we have welcomed customers to a broader world of Internet content by establishing portals and promoting broadband. We have proven results and experience as a market leader in that broader world. And now we aim to do the same in mobile communications—to eliminate the barriers between fixed-line and mobile communications and achieve a real fixed mobile convergence (FMC).

And from Japan to the World

In the Internet and in broadband, we have the experience and the results.

That is what will make the difference—in the mobile communications business and in markets around the world.

We have done more than simply take over the Vodafone Group's mobile communications operations in Japan. We have concluded a strategic alliance with the Vodafone Group, under which we will not only engage in the joint development and procurement of mobile handsets and in the development of new mobile portal and platform software but also procure content on a global scale and provide it to each group's customers around the world. We will record further growth by extending the technology, know-how, services, and content that we have cultivated in fixed-line broadband, from fixed-line to mobile, and from Japan to the world. And I am confident that by doing so, we will fulfill the dream that we have had since our first day in business, which is to make people's lives richer and more enjoyable. When we started our broadband infrastructure operations, we literally had to build them from scratch. But now we have results and experience as well as the confidence obtained through our past success. In that sense, I believe that our chances of sustaining our course of accelerating growth, even in the Internet's second stage of expansion, are higher than they were in the first stage.

Business Administration and Risk Management

Aiming to Be an Established Growth Company

In terms of our growth potential, we are anything but a mature company. In fact, we are going to accelerate our growth. On the other hand, we are now a corporate group with net sales in excess of ¥1 trillion and about 17,000*2 employees, so in terms of our social responsibilities, we face the same expectations as other established companies. We will strive to continually improve our business administration system.

*2 Sum of the number of the Company's employees on a consolidated basis and the number of Vodafone K.K.'s employees on a consolidated basis (at the end of fiscal 2006).

We are no longer a venture company in terms of business administration and risk management.

Establishing a Trusted Management System

In fiscal 2006, we revised the SOFTBANK Group Charter in order to strengthen our Groupwide governance and compliance systems. At the same time, we formulated the SOFTBANK Group Code of Conduct for Officers and Employees which applies to all of the officers and employees throughout the rapidly expanding Group. In strengthening information security, we are working to enhance risk management through periodic meetings of the Group Information Security Committee, which is led by the Group Chief Information Security Officer (GCISO). And we continuously work to increase management transparency through aggressive IR activities.

Looking Ahead

Management that combines a medium to long term vision, definite ideas, and ambitious goals.

That is the type of management that maximizes enterprise value, and it is the first step toward meeting the expectations of all stakeholders.

Rapid Growth as a Comprehensive Digital Information Company

The SOFTBANK Group will continue to grow as a comprehensive digital information company, as a company that is very different from the integrated telecommunications companies that simply provide a variety of means to communicate. Merely offering a choice between fixed and mobile doesn't get your customers beyond the means of communication. We want to do more than just enabling customers to get exactly the information they want, at any time and place. We want to be an entirely new type of company that people look to for new, inspiring lifestyles.

Toward Sustained Growth

The strong support of customers will maximize the three main factors of enterprise value—growth potential, profitability, and safety—and eventually will increase the value of investment in the SOFTBANK Group over the medium to long term. In that sense, there is no need for the SOFTBANK Group to distinguish between management for investors and management for customers and society. We are not focused on increasing enterprise value in the short term. From a medium to long term point of view, we will base our management decisions on solid principles and strive to expand enterprise value in a way that meets the expectations of all of our stakeholders.

July 2006

President and Chief Executive Officer

MASAYOSHI SON

A high rate of growth and a strong financial position. Achieving both will enable us to maximize our enterprise value.

Director, SOFTBANK CORP.
Kazuhiko Kasai

Our Fundamental Strategy—Balancing Growth and Stability

It goes without saying that for the Group to sustain a rapid pace of growth over the medium to long term, we must pay careful attention both to the continued smooth allocation of funds as a source of growth and to the strengthening of our financial position (balance sheet). Meeting these twin objectives is essential for the maximization of the enterprise value of the SOFTBANK Group as a whole.

Flexible and Diverse Fund-Raising

As a general rule, other than the broadband infrastructure and fixed-line telecommunications businesses, our businesses have financed their own operations with their operating cash flows. However, in infrastructure businesses that require heavy upfront investment, we must raise funds from external sources. Rather than simply implementing flexible fund-raising for the purpose of smooth business development, we emphasize a diverse, adaptable financial strategy that will enhance the soundness of our financial position. We raise funds from a diverse range of sources that not only includes direct and indirect financing but also extends from institutional investors to individuals. In fiscal 2006, for individual investors, we issued unsecured straight bonds that utilized the brand name of the Group's professional baseball team and were sold under the name *Fukuoka Softbank Hawks Bonds*. In diversifying our fund-raising methods, we do not limit ourselves to conventional borrowing methods. We also utilize a variety of techniques, such as asset-backed financing, including securitization and liquidation, and the sale of investment assets. At the same time, we also emphasize diversification of currencies and markets. In fiscal 2006, we raised ¥85.0 billion, including future royalties received in advance, through the sale of the modem rental business. We also generated more than ¥200.0 billion in total from investments, including the sale of investment securities.

In preparation for higher long-term interest rates, we have shifted toward long-term debt and expanded our commitment line, a short-term loan facility. Specifically, the ratio*[1] of long-term debt to consolidated interest-bearing debt has increased from 38.1% at the end of fiscal 2003 to 73.5% at the end of fiscal 2006. We expanded the commitment line by ¥56.0 billion from the previous fiscal year, to ¥161.0 billion.

Accompanying our recent advance into the mobile communications business, to fund the acquisition of Vodafone K.K., we raised an aggregate amount of ¥1,280.0 billion based on a bridge facility agreement from 17 financial institutions. This is a non-recourse loan secured mainly by the assets of the acquired company, Vodafone K.K. We plan to complete the transition to permanent financing by around September 2006 through a combination of methods, including syndicated loans, lease financings, and securitization and liquidation of network infrastructure facilities.

Securing Stability

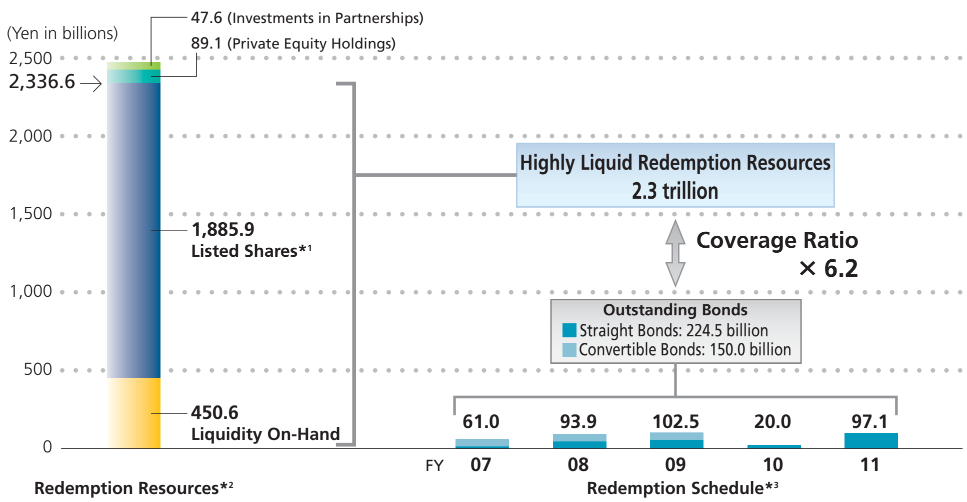
We are working to ensure adequate liquidity on-hand. At the end of fiscal 2006, the Company's liquidity on-hand*2 was ¥450.6 billion, an increase of ¥128.4 billion from the end of fiscal 2005. In addition, the Company held approximately ¥2 trillion in listed shares (market value). Over the five-year period starting from fiscal 2007, the Company's bond redemption is scheduled to total ¥374.5 billion, while at the end of fiscal 2006, the Company had redemption resources, including the listed shares and liquidity on-hand, of ¥2.3 trillion—more than six times the scheduled redemption amount.

Aiming for Both Growth and Financial Soundness

In this way, while smoothly raising the operating funds needed to record the expected growth in key strategic fields, we strive to improve profitability by reducing the cost of raising those funds as much as possible. At the same time, we are implementing a financial strategy that incorporates measures to strengthen our financial position, such as raising liquidity on-hand. Through the efforts of the Group, including these measures, in fiscal 2006 we returned to profitability and recorded the highest level of profits in our history, with a shareholders' equity ratio at the end of the fiscal year of 13.4%, an increase of 3.0 points from the previous fiscal year-end. We will continue striving to enhance the balance among the three factors of enterprise value—growth, profitability, and safety.

*1 Long-term debt (due after 1 year), such as corporate bonds and borrowings, as a percentage of consolidated interest-bearing debt.
*2 Liquidity on-hand = Cash and deposits and marketable securities (current assets) and others.

Bond Redemption Resources



Prepared from materials released for the analyst meeting of fiscal 2006 results.

*1 Listed shares at market value as of May 9, 2006. Excluding secured portion as of the end of March 2006.
*2 Liquidity on-hand, investments, and private equity holdings as of the end of March 2006.
*3 Straight bonds and convertible bonds of SOFTBANK CORP. (stand-alone basis) as of the end of March 2006. Put options attached to three tranches of convertible bonds of ¥50.0 billion each, issued in December 2003, are assumed to be exercised on March 31, 2007, March 31, 2008, and March 31, 2009, respectively.

The Next Wave—
A New Stage of Growth

The SOFTBANK Group is the clear leader. In broadband infrastructure, and in the appealing services and content deployed over that infrastructure, we are far ahead of other companies in foresight, innovation, and speed as well as in comprehensive Group strengths. Japan has developed one of the world's most advanced broadband environments, and we have made a major contribution to that achievement.

Now, the Internet is entering its second stage of growth. In this new era, users can enjoy services and content—such as video and voice content—that utilize the high-speed, high-capacity advantages of broadband. People can exchange information anytime, anywhere, and with anyone, regardless of means of access (PC or mobile). In the first stage of Internet growth, we introduced business models from the United States, which was the Internet leader at that time, and established such industry-leading services as *Yahoo! JAPAN* and *E*TRADE*. Today, Japan is the leader in broadband, and SOFTBANK is prepared to extend successful business models for the new era to markets around the world.

Looking Back at Our Growth Path

Driving Broadband Penetration

The number of broadband lines in Japan has posted dramatic growth, rising by approximately 2.5 times over the past three years and reaching 23.29 million lines*[1] by the end of March 2006. In terms of quality (data transmission speed) and affordability (transmission cost), Japan's telecommunications infrastructure is significantly ahead of those in the United States and Europe. Japan has developed one of the most advanced broadband environments in the world.

Number One in Broadband Infrastructure

The SOFTBANK Group is proud of its achievements in building its broadband infrastructure in Japan, which offers the world's highest levels of quality and affordability. Since the start of commercial service for *Yahoo! BB ADSL* in September 2001, our progress has paralleled the growth of broadband itself. With a share of approximately 22%*[1] of the total number of broadband lines, we have built a rock-solid position far ahead of the other companies in the industry. Moreover, our broadband infrastructure business became profitable in fiscal 2006.

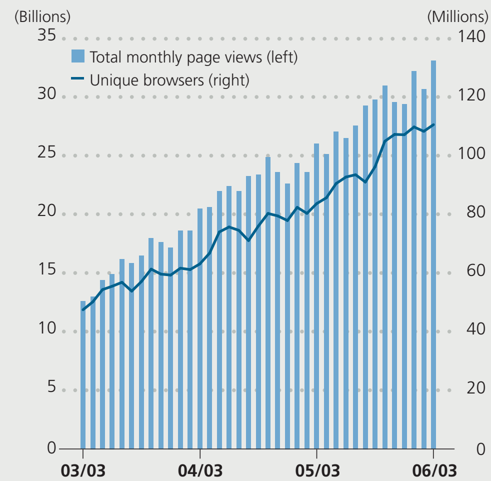
Infrastructure as the Stage for New Lifestyles

SOFTBANK did not make its massive investments simply for the purpose of providing infrastructure services. The ultimate objective of our efforts to increase broadband penetration is the creation of new lifestyles that enable users to comfortably and economically enjoy diverse services and content provided over that advanced infrastructure.

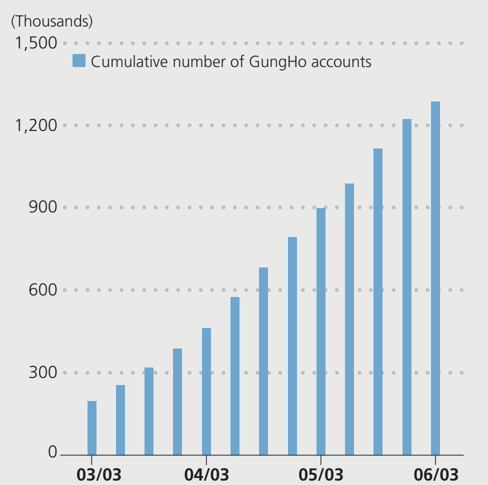
Our Strengths Extend from Infrastructure to Portals, Services, and Content

The SOFTBANK Group has also built strong positions in many service- and content-related fields. For example, Yahoo Japan Corporation, a member of the SOFTBANK Group, operates the dominant number one Internet portal in Japan, which serves more than 1.2 billion page views a day. And in the e-commerce market, such as online shopping and auctions, Yahoo Japan Corporation has built a substantial lead over other companies, with a market share of more than 10%*[2]. E*TRADE SECURITIES Co., Ltd.*[3], is the commanding number one online securities company, with more than a million customer accounts, and, in value of brokerage trading, it is the largest securities company in Japan, eclipsing the Big Three with a market share of about 10%*[4]. GungHo Online Entertainment, Inc. has more than 1.2 million cumulative members, making it one of the largest online game companies in Japan. And other Group companies are also far ahead of their competitors in a wide range of areas, such as operation of game information sites, investments, operation of Internet cafes, and development of game software.

Portals—*Yahoo! JAPAN*



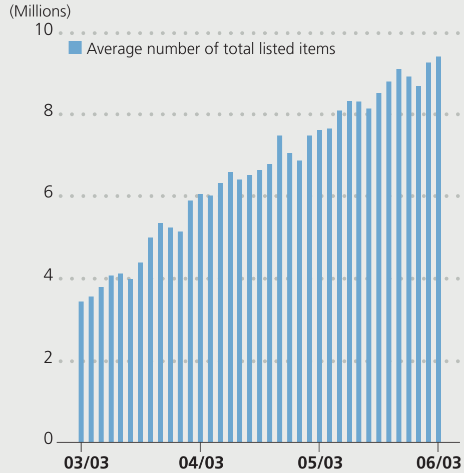
Online Games



Establishing Positions in Japan and Overseas

The SOFTBANK Group has done much more than just developing services and content operations in Japan. In China, for example, where the markets have high growth potential, we made an upfront investment in Alibaba.com Corporation, which operates China's number one B2B marketplace. We also established Tao Bao Holding Limited, a joint venture with Alibaba.com Corporation, and used the know-how that we acquired in Japan to drive the growth of businesses in China. Currently, *Taobao.com,* a site run by Tao Bao Holding Limited, is the dominant number one auction site in China. In fiscal 2006, SOFTBANK, Alibaba.com Corporation, and Yahoo! Inc. agreed to establish a long-term strategic partnership in China, and we are now moving forward with joint activities.

e-Commerce—*Yahoo! Auctions*

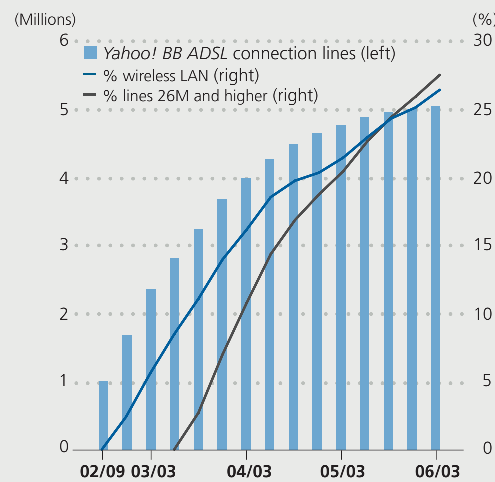


Online Securities—*E*TRADE*

Leveraging Group Synergies, Increasing Added Value

By taking steps to differentiate our *Yahoo! BB* comprehensive broadband services, such as increasing transmission speed and offering bundles combining access services with other services, such as IP telephony or wireless LAN services, we have achieved continued increases in average revenue per user (ARPU) and acquired a commanding market share. With that contribution, a robust broadband environment is now available to support the broadband content markets, which are expected to record a high level of expansion. In those markets, the SOFTBANK Group has established solid positions in a range of services and content fields. Rather than limiting the provision of these services and content to users of our lines, we will provide them to all broadband users. In this way, we will further increase the operational value of these businesses.

Number of *Yahoo! BB* Lines / Proportion of Wireless LAN / Proportion of Lines 26M and Higher



*1 Sources: MIC; the Company

*2 Shares in 2004, calculated by the Company based on *Survey on Actual Condition and Market Size of Electric Commerce for 2004*, Ministry of Economy, Trade and Industry

*3 E*TRADE SECURITIES Co., Ltd., is a subsidiary of SBI Holdings, Inc., which is an equity-method affiliate of the Company. It is not a direct subsidiary or affiliate of the Company.

*4 As of the end of fiscal 2006. Calculated by the Company based on public data from securities companies and the Tokyo Stock Exchange.

Fundamental Strategy for Further Growth—The Next Wave

We are working to build a robust system to ensure that our growth continues to accelerate. To that end, we are developing businesses with steadily rising sales and profits while leveraging synergies throughout the Group.

The New Wave in Services and Content

The penetration of broadband has led to the development of an environment in which users can freely enjoy broadband-based services and content. Now a wave of innovation in services and content is on the way. While the first stage of Internet growth centered on text and still pictures, the second stage will center on video content that effectively utilizes the distinctive features of broadband—high-speed, high-capacity data transmission. In the first stage of Internet growth, we established *Yahoo! JAPAN*; in the same way, with *Yahoo! Streaming* we will build the number one portal in the era of video, and—by developing killer content for the broadband era, such as online games—we will record continuing growth.

The New Wave in Mobile Communications

In the second stage of Internet growth, people will be able to freely exchange information, anytime, anywhere, and with anyone, regardless of location or means of access. We will extend the broadband environment that has been established in fixed-line communications to mobile communications. The SOFTBANK Group will utilize its IP backbone network—the most advanced in the world—to build an environment that will enable it to provide smooth Internet connectivity to mobile users. In this way, we will establish a platform for the provision of the Group's diverse services and content, regardless of whether customers are using fixed-line or mobile access.

The New Wave in Markets around the World

The business model for using the Internet to provide services and content, such as e-commerce and financial transactions, originated in the United States. However, in the broadband era, Japan and other Asian countries have established a lead over the United States and Europe, not only in the quality of their infrastructure but also in the services and content provided over that infrastructure. The extent to which infrastructure operations can be expanded to other countries is limited by such factors as different regulatory environments. On the other hand, the platform for providing services and content over infrastructure and portals can be extended from Japan to other countries around the world. Through a strategic alliance with the Vodafone Group, one of the largest mobile operators in the world, we will aggregate high-quality content from around the world and provide it to customers of both groups around the world. Building on our substantial track record in the Internet and the knowledge cultivated in leading the development of broadband in Japan, we will create a new wave of progress in the provision of services and content in markets around the world.

Focus: Initiatives in the Video Content Era

The company that dominates video will lead the next stage of growth.

Director & COO, TV Bank Corporation
Tomotaka Nakagawa

Number One Video Portal

In the first stage of Internet growth, we established the number one position in portals with *Yahoo! JAPAN*, which has become an important base for our growth. And in the video era, we will strive to quickly build the number one position in video portals, offering a wide range of services, such as content provision and search services.

First Steps toward Realizing Our Goal

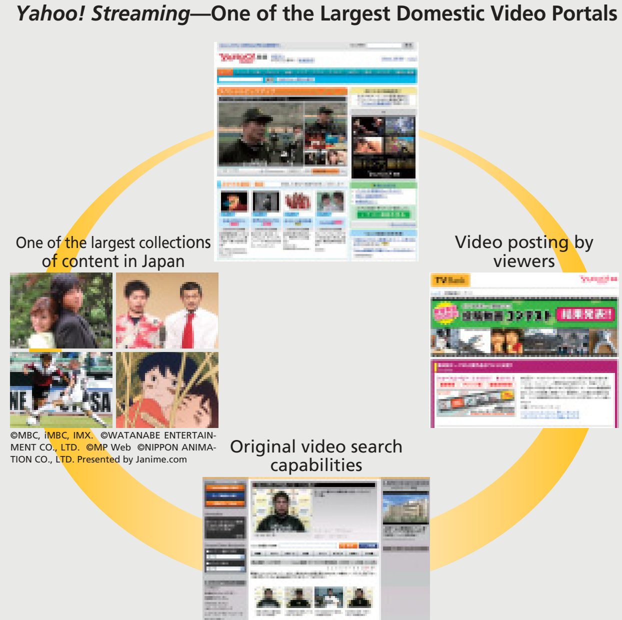
As a new initiative, we concentrated the comprehensive strengths of the Group and completely renewed *Yahoo! Streaming*, our existing video service. By adopting an advertising-based business model, we have made it possible for any broadband user to enjoy these services. Also, in addition to providing more than 30,000 video titles, we are offering highly accurate video search services for more than 100,000 videos on *Yahoo! Streaming* and on the Internet. We have laid a foundation suitable for the number one video portal.

The Difference from Existing Video Streaming Services

There is a clear distinction between the renewed *Yahoo! Streaming* video portal and existing video streaming services. Sales and profit opportunities are limited with the traditional closed business model, whereby a company attracts users to its own video streaming site. We will not operate like a "television station" that produces and aggregates content and then broadcasts that content over its own facilities. Rather, we are aiming to play a role like that of "Tokyo Tower"—to be a channel for the nationwide distribution of a wide range of content, including content produced by other companies. In the future, drawing on the Internet's ability to support on-demand and interactive functionality, we will further differentiate our operations by building a new framework that can provide content and advertisements matched to diverse individual needs and preferences. We will also work to create new communities where users can post and select video content.

The success of an advertising-based business model depends on substantial traffic volumes. Accordingly, in the future we will continue working to further differentiate our services and build the video portal that offers the best experience to all users.

***Yahoo! Streaming*—One of the Largest Domestic Video Portals**



Focus: SOFTBANK's Vision for Mobile Communications

We will transcend the fixed-line/mobile framework and provide the true enjoyment and convenience of broadband to all users.

Executive Officer, Executive Vice President,
Chief Technology Officer, Vodafone K.K.
Junichi Miyakawa

Achieving a Rapid Market Entry

After we were granted a license to enter the mobile market, we evaluated a range of options for the optimal way to develop our business, and in April 2006 we acquired Vodafone K.K.*1 As a result, we instantly obtained a base of 15.20 million customers and a mobile network with coverage of more than 99.9% of Japan's population, and we made a rapid, full-scale entry into the mobile business.

The Four Commitments

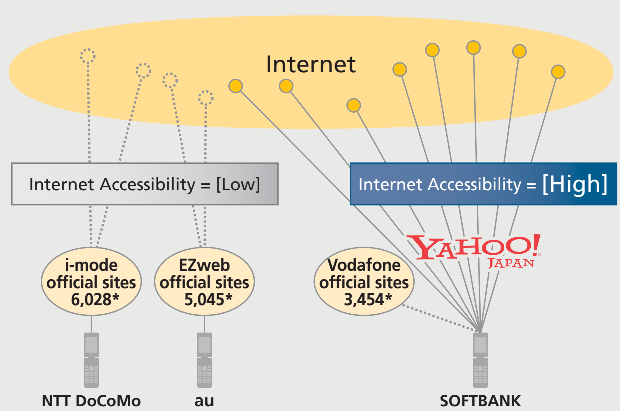
In preparation for the introduction of the mobile number portability system, which is just around the corner, we will quickly reinforce four key areas. The first is third-generation (3G) network enhancement. In fiscal 2007, we will expand the number of base stations to approximately 46,000, giving us one of the largest networks in the country, and eliminate black spots in such places as building shadows and shopping districts. The second is 3G handset enrichment. In cooperation with domestic and overseas handset manufacturers, we will offer multiple handsets that meet the preferences of users in Japan. The third is the enhancement of content. The SOFTBANK Group will also use its diverse, high-quality content, centered on *Yahoo! JAPAN*, in the mobile business. The fourth is the enhancement of the sales structure and brand. Using our strong relationships with mass electronics retailers, which are a key advantage over other carriers, we will expand sales opportunities and, at the same time, utilize *SOFTBANK* in the company and brand names.*2 Through these initiatives, we will further enhance the customer base and profitability built up by Vodafone K.K.

Providing the Broadband Experience to Mobile Users

Until now, mobile communications services have been limited to a small world of individual carriers with low accessibility to the Internet. We will extend broadband to mobile, offering users access to a more open Internet and diverse content, and provide the convenience of broadband to mobile users. Also, through the strategic alliance with the Vodafone Group*3, we will formulate new business schemes that will enable users from around the world to enjoy a wide range of content.

Dramatic Improvement in Internet Accessibility

From a Small World, Limited by Carriers, to a More Open, Larger World of Content



* Sources: IR materials from each company (as of the end of March 2006)

*1 The scheme for the acquisition of Vodafone K.K. is explained in detail in the Management's Discussion and Analysis of Operating Results and Financial Condition section on pages 54 to 67.
*2 From October 2006, we plan to change the company name to SOFTBANK MOBILE Corp. and the brand name to SOFTBANK.
*3 In May 2006, SOFTBANK CORP. and the Vodafone Group agreed on a strategic alliance, including the establishment of a joint venture, for the joint development and procurement of mobile handsets, the joint development of new mobile portal and platform software, and the joint aggregation and distribution of content.

Business Segments

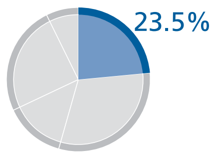
Although our businesses extend across a wide range of fields, they all entail the same commitment to the creation of new lifestyles through the IT revolution. As we strive to increase the value of our infrastructure, portals/platforms, and services and content, we will continue working to leverage synergies and to enhance the enterprise value of the SOFTBANK Group as a whole.

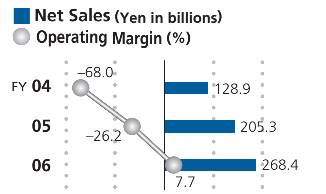
Note: Unless otherwise noted, information for each segment is based on the core companies listed in the Segment Highlights section on pages 20 and 21 of this report.

Segment Highlights

Segment / Composition of Sales*1 | Results*1*2 | Core Companies / Other Operating Companies

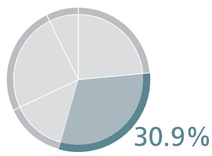
Broadband Infrastructure

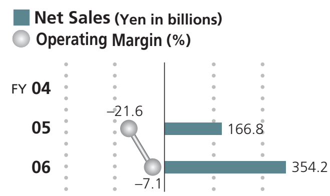




Core Companies
BB TECHNOLOGY Corp.
SOFTBANK BB Corp.
Other Operating Companies
BB Mobile Corp.
BB Cable Corporation

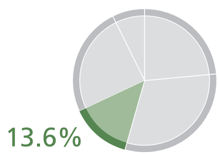
Fixed-line Telecommunications*3

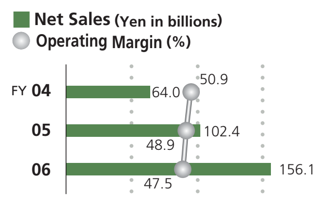




Core Company
JAPAN TELECOM CO., LTD.
Other Operating Company
SOFTBANK IDC Corp.

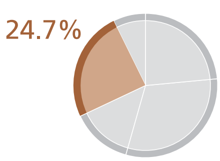
Internet Culture

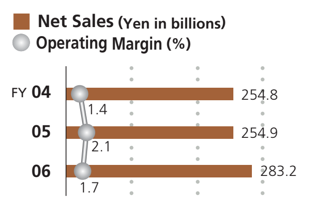




Core Company
Yahoo Japan Corporation
Other Operating Company
Alibaba.com Corporation

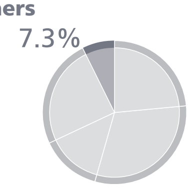
e-Commerce





Core Company
SOFTBANK BB Corp.
Other Operating Companies
Vector Inc.
Carview Corporation
GungHo Online Entertainment, Inc.

Others



Broadmedia

Core Company
Club iT Corporation

Technology Services

Core Company
SOFTBANK TECHNOLOGY CORP.

Media & Marketing

Core Company
SOFTBANK Creative Corp.
Other Operating Company
ITmedia Inc.

Overseas Funds and Other Businesses

Core Company
SOFTBANK Holdings Inc.
Other Operating Companies
Fukuoka Softbank Hawks Corp.
TV Bank Corporation
SBI Holdings, Inc.

*1 Consolidated sales by segment (before eliminations).
*2 Because the segments included in "Others" are different in fiscal 2006 and previous years, comparisons with previous years have not been made. In addition, the e-Finance segment was eliminated from fiscal 2006.
*3 Because this segment was newly established in the second half of fiscal 2005, a simple comparison between fiscal years is not available.

Principal Business Activities	Competitive Environment and Group Positioning
● Broadband infrastructure business (ADSL, FTTH, IP telephony, wireless LAN) ● Provision of broadcast, VOD service	Market leader, with approximately 35% of DSL installed lines and a share of approximately 22% of the entire broadband market. Also have a dominant position in IP telephony service. Recording growth by leveraging synergies among Group companies and enhancing services and content provided over infrastructure, thereby raising value of the infrastructure itself.
● Telecommunications business (voice, data, leased line) ● Solution business ● Data center business	Have entered direct connection voice services market, which was previously monopolized by NTT, by offering new services featuring competitive pricing and transmission quality. In data transmission, a leader in IP-VPN service, and have a market share of around 20%. In integration/outsourcing service market, have differentiated ourselves by using the robust facilities and advanced network technology cultivated as an iDC operator.
● Internet advertising business ● Broadband portal business ● Auction business	Leader in Internet advertising industry. Dominant No. 1 comprehensive Internet site, serving more than 1.2 billion page views a day. Also a leader in e-commerce, especially in Internet auctions, with dominant share.
● Distribution of IT-related products (hardware and software) ● ASP service business (security services, software services, etc.) ● e-commerce related business	One of Japan's largest distributors of IT-related products. In particular, dominant No. 1 share in distribution of PC software to mass electronics retailers. In e-commerce, employment information site *e-career* is one of the largest in Japan by volume of information, and comprehensive car-related site *carview* is the largest in its field in Japan by page views. Leader in online games, developing *Ragnarok Online*, one of Japan's largest titles.
● Game-on-demand business ● CDN business ● Media content business	Have near monopoly in CDN technology-based distribution service market. In game-on-demand and media content markets, where there are many competitors, will differentiate our businesses with original technologies and unique content.
● e-business service ● System solution business ● Broadband solution business	More than 2,000 competitors in domestic system and broadband solution markets, where the Group is a medium-sized player in terms of sales but a leader in productivity and profitability.
● Publication of magazines and books ● Operation of IT-specialized portals ● e-library business ● Digital content business	One of the largest shares in IT-specialized information portals. In the electronic publication market, which is expected to record high growth, developing *FlipBook*, which uses next-generation electronic book media technology to facilitate the use of not only text and still pictures but also video and voice.
● Investment in Internet-related companies, mainly in the U.S. and Asia, etc. ● Leisure services, etc.	In overseas funds, at the end of fiscal 2006, had investments in 413 companies, the top 10 of which had total investment return of about 28 times. Other businesses include a professional base ball team, various content businesses, and SBI Holdings, Inc., an equity-method affiliate that consolidates E*TRADE SECURITIES Co., Ltd., the largest online securities company in Japan.

Broadband Infrastructure Segment

The leader. That's the role SOFTBANK has played in Japan's broadband market. In the years ahead, we will draw on our advanced technical capabilities and Group synergies to provide a wide range of services and content that support the creation of new lifestyles. As we enhance the added value of our infrastructure, we will record sustained growth.

Segment Overview

< Strengths and Key Features >

- **Rapid operational development and wide range of value-added services and content that leverage Group synergies**
- **Powerful IP backbone/network, and advanced technical and sales capabilities**

< Future Growth Drivers >

- **Further broadband penetration**
- **Trend toward rich content, such as video content**
- **Growth in demand for web services**

< Key Challenges >

- **Promoting the establishment of the framework necessary for fair competition in the telecommunications industry, as well as conducting aggressive R&D, especially in the FTTH business**

Overview of Fiscal 2006

The segment maintained a rapid pace of growth, with sales up 31% from the previous fiscal year. In our core ADSL business, our customer base continues to expand, with the cumulative number of lines installed growing from approximately 4.78 million at the end of March 2005 to approximately 5.05 million at the end of March 2006. In addition, we successfully further increased ARPU by providing higher-speed Internet access and offering bundles of high-value-added services, such as *BB Phone* IP telephony and wireless LAN services.

The segment turned profitable in fiscal 2006, with operating income of ¥20.6 billion, compared with an operating loss of ¥53.7 billion in the previous fiscal year. Due primarily to substantial upfront investment needed for customer acquisition at the initial stage, we recorded an operating loss of more than ¥96.0 billion in fiscal 2003. However, with contributions from (1) the expanded customer base, (2) the launch of high-value-added services and increases in the percentage of customers subscribing to those services, and (3) efficient customer acquisition centered on mass electronics retailers, the segment's operations became profitable in the second quarter of fiscal 2006, and since that turning point the level of profits has steadily increased. We achieved these results in little more than four years since the start of the broadband infrastructure business. In December 2005, SOFTBANK BB Corp. was split into BB TECHNOLOGY Corp. (ADSL business) and the new SOFTBANK BB Corp. (business other than ADSL). To focus its management resources on its core broadband businesses, BB TECHNOLOGY Corp. sold its modem rental business, receiving ¥85.0 billion in cash inflow.

Market Trends and Fundamental Strategies

In ADSL services, while the pace of market growth is slowing, we believe that we can increase sales and raise profitability by (1) increasing transmission speeds, (2) accelerating the development of bundles of services, such as with IP telephony and wireless LAN, and (3) enhancing the appeal and lineup of our content.

For example, at the end of March 2006 the *Yahoo! BB 50M* service accounted for about 21% of the total number of broadband lines installed, compared with about 14% a year earlier, and the percentage of in-house wireless LANs was about 26%, up from 22% at the previous fiscal year-end. The number of lines for *BB Phone*, an IP telephony service, was up 7% at fiscal year-end, to about 4.82 million. Moreover, *BB Mobile Point*, a public wireless LAN service*[1], began to charge fees in October 2005 and provides approximately 3,500 access points around the country, including McDonald's Japan outlets.

Our efforts to maintain and extend our customer base by maximizing Group synergies extend not only to these telecommunications services but also to other services and to content. For example, in the field of video content, where rapid growth is anticipated, we are implementing Groupwide development of *Yahoo! Streaming*, which offers clear advantages over competing services in searching and technological capabilities. In parallel with the service's contribution to the Group's results through the generation of advertising revenues and pay-per-view revenues, the service's merits for the segment include retaining and acquiring broadband users. In addition, steps taken to maintain and enhance our customer base by providing services and content that leverage Group synergies include (1) the *Shin Sangoku Muso BB* online game offered through an alliance between KOEI Co., Ltd., and the SOFTBANK Group and (2) web-based software services being developed by the Group, such as *BB Security* and *BB Soft*.

For FTTH service, our fundamental policy is to develop our businesses in line with anticipated profits. At this point, we believe that ADSL will enable us to respond effectively to the trend toward rich content. At the same time, we are expressing our viewpoint regarding deregulation and the framework needed for fair competition and conducting aggressive R&D*[2].

*1 The results of the *BB Mobile Point* service are included in the Fixed-line Telecommunications segment. The number of access points as of June 2006.

*2 We have participated in making a proposal to separate the circuit division from NTT and establish a new company. In regard to Fiber To The Remote terminal (FTTR), a method whereby optical fiber is used for transmission from central offices to equipment located near the user's premises (installed on telephone poles) and metal cable is used only for last mile transmission, we are conducting research and making our viewpoint known to the government.

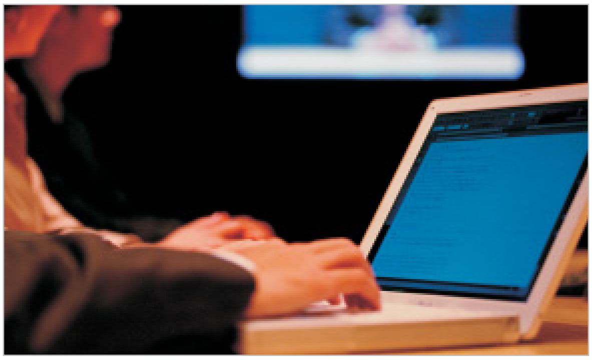
Topics — [*Yahoo! Streaming*]

To bolster the Group's video content services, in December 2005 we established TV Bank Corporation and renewed *Yahoo! Streaming*, making it one of the largest video content portals in Japan, with about 30,000 titles available on its site and more than 100,000 videos searchable on *Yahoo! Streaming* and on the Internet. This is an innovative service featuring many points of differentiation from competing services, such as (1) the capacity to handle temporary spikes in traffic volumes, as with live streaming, (2) the ability to search not only on the site itself but also video content anywhere on the Internet, and (3) the introduction of a next-generation video search engine with a high hit rate. Drawing on the strengths of *Yahoo! JAPAN*, the leading Internet portal site in Japan, *Yahoo! Streaming* has demonstrated an exceptional ability to attract customers since the first day the renewed site was available.

Yahoo! Streaming Search Site

* PPC: Pay Per Click video advertising. A keyword-based system planned to be introduced.

Fixed-line Telecommunications Segment



New lifestyles and corporate activities. Those are the goals that make advances in communications infrastructure important. They're why we provide both network technologies and comprehensive ICT*1 solutions that help our corporate customers resolve their business challenges. And that's how we raise the value we add and accelerate the growth we record.

Segment Overview

< Strengths and Key Features >

- **Leader in shaping the development of next-generation ICT platform services*2**
- **Solutions services and consulting capabilities**
- **Proposal of new business models using comprehensive Group strengths**

< Future Growth Drivers >

- **Growing need for on-demand services that facilitate rapid, flexible operational development**
- **Increased outsourcing orientation and ICT integration**
- **Growing acceptance of new working styles on companies' side**

< Key Challenges >

- **Responding to intensified competition in the markets for voice and data transmission services, strive to increase profitability by proposing comprehensive solutions that utilize platform services, including *Otoku Line,* WAN services, and applications**

Overview of Fiscal 2006

Segment sales continue to grow, increasing from ¥166.8 billion in the second half of the previous fiscal year to ¥171.9 billion in the first half of fiscal 2006, and then to ¥182.3 billion in the second half. In voice transmission services, the *Otoku Line* direct connection fixed-line voice service of JAPAN TELECOM CO., LTD., recorded an increase in the cumulative number of lines installed, principally among corporate customers, and that growth contributed to the segment's performance. In data transmission services, our market share is increasing, especially in wide-area Ethernet services, which are the fastest-growing sector of the market. Moreover, solutions sales are increasing at an annual rate of more than 20%.

The segment's operating loss contracted from ¥36.0 billion in the second half of the previous fiscal year to ¥26.3 billion in the first half of fiscal 2006, and the segment recorded operating income of ¥2.9 billion in the fourth quarter. In voice transmission services, where we have recorded large operating losses, mainly due to the substantial initial investment required for *Otoku Line*, contributions to higher margins were made by (1) growth in the number of lines installed for *Otoku Line*, which is more profitable than conventional services, and (2) a substantial reduction in expenses due to the transfer of agency administration and other operations outside the Group and the implementation of a more efficient sales system targeting corporate customers.

Notes: 1 This segment was established in the second half of the previous fiscal year, so a year-on-year comparison is not available.
2 In addition to the improved profitability mentioned above, temporary factors such as access charge adjustments contributed to the shift to operating income in the fourth quarter of fiscal 2006.

Market Trends and Fundamental Strategies

In the voice transmission services field, the market as a whole is not expected to expand. Accordingly, we will strive to grow by attracting customers to *Otoku Line,* which offers significant pricing advantages. To provide this service, we lease the copper cable (dry copper) of NTT, and—without using NTT switching equipment—we link directly to the customers' premises with our own telecommunications equipment. In this way, we entered the basic charge market which had previously been monopolized by NTT. We also gained new sources of revenues, such as local call charges as well as access charges collected from other carriers. We are able to offer customers attractive pricing while enhancing the profitability of the service. In addition to expanding the number of lines, in fiscal 2006 we took steps to increase the efficiency of our sales system and shifted the target of the sales force to corporate customers, and profitability is on track for significant gains.

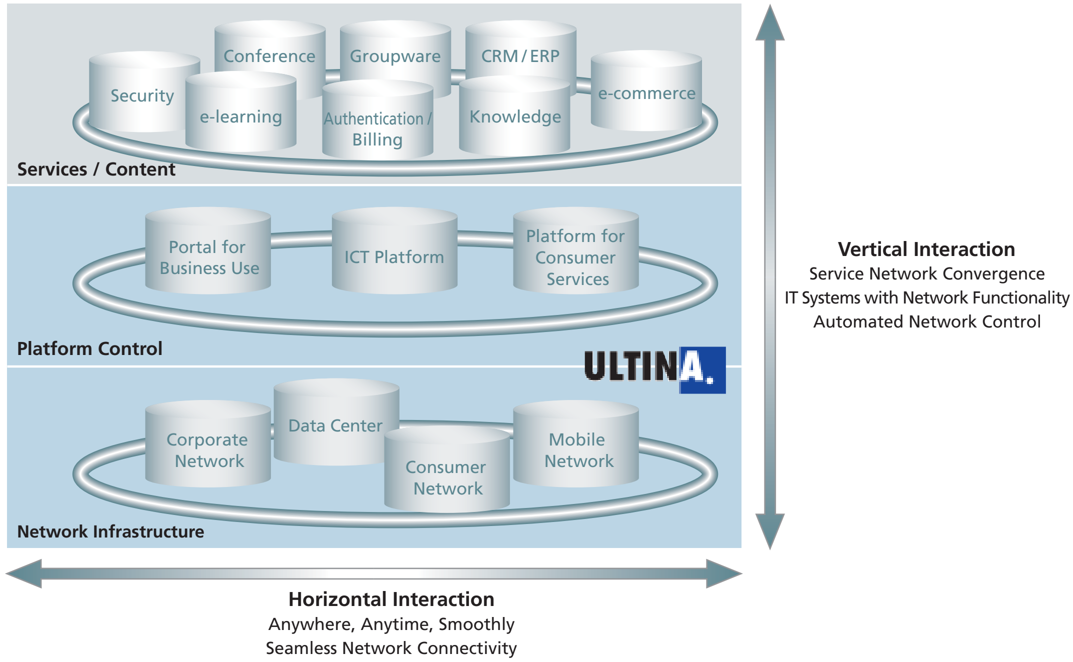
In the data transmission services field, the market is expanding, including wide-area Ethernet services, which offer advantages in transmission efficiency and cost. However, competition is intensifying and prices are declining. In this setting, we are accelerating our development of comprehensive ICT solution businesses that directly resolve a broad range of issues faced by customers. Moreover, we are also taking aggressive steps to respond to (1) corporate demand for enhanced security, which is growing in the wake of the enforcement of the Personal Information Protection Law; (2) demand for managed services, which is expanding in tandem with a growing outsourcing orientation; and (3) the emergence of new working styles that enable people to communicate accurately and efficiently without relying on a fixed work location.

*1 ICT: Information & Communications Technology
*2 Major features include an IT system with network functionality, automated network control, and a seamless, ubiquitous environment.

Topics — [Next-Generation ICT Platform Service Concept]

On broadband networks, there is a clear trend toward the integration of networks and services, which have traditionally been provided separately. We are on the verge of a new age, where virtually every device will be connected to the network, where servers themselves will be embedded in the network, and where any company with a network connection can access the optimal applications and network environment. They will be able to get exactly as much as they need when they need it. In anticipation of this progress, JAPAN TELECOM CO., LTD., is developing ULTINA, a brand that gives concrete shape to the next-generation ICT platform services concept. JAPAN TELECOM CO., LTD., took the first step in the provision of these services with the launch of *KeyPlat (ULTINA On Demand Platform)*, which offers integrated web application functionality and telecommunication lines, in February 2006, and we have already received orders.

Next-Generation ICT Platform Concept



Internet Culture Segment

A strong foundation that includes the extensive customer reach as Japan's number one Internet site. Combined with more and better services. That's how we are recording ongoing growth. And that's the direction we will maintain in the future as we aim to build an environment where people can feel the excitement and convenience of the Internet through a variety of other devices, including mobile phones.

Segment Overview

< Strengths and Key Features >

- **Yahoo! brand power and unrivaled customer reach**
- **The technical capability to handle 1.2 billion page views a day**
- **A diverse range of value-added services and the comprehensive Group strengths that make them possible**

< Future Growth Drivers >

- **Growing value of the Internet as an advertising medium**
- **Increasing share of consumption accounted for by e-commerce**
- **Growth and diversification of demand for high-value-added services**

< Key Challenges >

- **Further expanding our market share in e-commerce**
- **Creating new business opportunities in response to Web 2.0, and enhancing our service lineup**
- **Creating new mobile Internet services**

Overview of Fiscal 2006

Segment sales increased 52% year-on-year. Yahoo Japan Corporation, the core company in this segment, recorded a 76% increase year-on-year in Internet advertising revenue, which rose to ¥68.4 billion, a new record high. In addition to the rising value of the Internet as media in the advertising industry, contributions were made by a range of initiatives, such as efforts to develop new services, improve marketing capabilities, and enhance added value. Business services other than advertising also posted a high level of growth in sales, rising 52%, to ¥35.8 billion. Improved business conditions led to higher demand for employment services, and the *Yahoo! Rikunabi* recruitment information site registered a favorable performance. In addition, e-commerce businesses, such as auctions and shopping, achieved higher sales due to the success of aggressive store recruitment activities undertaken in recent years. In personal businesses, the number of *Yahoo! Premium IDs* recorded continued growth, and sales were up 26% year-on-year, to ¥60.5 billion.

The segment's operating margin declined 1.4 points, but operating income recorded substantial growth of 48%. Targeting sustained, medium to long term growth, Yahoo Japan Corporation moved aggressively to invest in operations and infrastructure and to expand its workforce, and as a result its SG&A expenses rose, but this increase was covered by the high rate of growth in sales aforementioned.

Market Trends and Fundamental Strategies

Internet advertising still has substantial room for growth. The market share of Internet advertising is more than 10%*[1] in terms of how much time users spend in contact with various media, but it is only about 4.7%*[2] in terms of advertising expenditures. Yahoo Japan Corporation will make use of its overwhelming reach as the operator of Japan's number one Internet site, provide appealing advertising products that directly enhance the effectiveness of its clients' marketing initiatives, and continue to recruit advertisers. Specifically, Yahoo Japan Corporation has also begun aggressively marketing *Sponsor Site*—paid search services that are used for promoting sales—and implementing initiatives targeting expansion of the advertising business, such as affiliate advertising that actively utilizes websites offering user-generated information.

In business services and personal services other than advertising, the segment's businesses have been supported by such factors as (1) the growing share of consumption accounted for by e-commerce and (2) expanding demand for services and content that are improved by broadband, such as video. In e-commerce related fields, such as shopping and auctions, Yahoo Japan Corporation has conducted aggressive store recruitment activities in recent years, and the number of stores has increased by about four times over the past two years. In these ways, Yahoo Japan Corporation has enhanced its product lineup and competitiveness. Moreover, to bolster its online settlement functions and improve convenience for users, Yahoo Japan Corporation has concluded a business and capital alliance with Sumitomo Mitsui Banking Corporation and the Japan Net Bank, Limited, targeting the launch of online financial services during 2006*3. In auction services, in addition to further enhancement of security measures, new initiatives have been implemented from the end of fiscal 2006 to expand the customer range, such as relaxing requirements for participation. *Yahoo! Streaming,* through which we are staking out a position for the coming era of video content, has moved toward full-scale development and began to charge advertising fees in May 2006.

One more notable initiative is the segment's participation in the Group's full-fledged development of the mobile communications business. Accompanying the SOFTBANK Group's acquisition of Vodafone K.K., Yahoo Japan Corporation also invested ¥120.0 billion. Until now, the trend in mobile services has been for carriers to provide closed services and content only to their own customers. With low accessibility to the Internet, users have not been able to fully enjoy the comfortable services and content that they can experience in the open PC Internet world. Yahoo Japan Corporation has been providing a diverse range of services for mobile users, such as mobile versions of *Yahoo! Auctions* and *Yahoo! Content Store.* And now, by working together with the Group's mobile operating companies to create a mobile environment that makes it easy to use these high-value-added services, Yahoo Japan Corporation will strive to provide innovative services seamlessly for both PC and mobile users.

*1 Source: Company estimates based on a variety of data.
*2 Source: DENTSU INC., *2005 Advertising Expenditures in Japan*
*3 Premised on the approval of the regulatory authorities.

Topics — [Social Networking Services (SNS)]

SNS, which are based on community participation, have seen dramatic growth in the number of users in recent years. In that environment, *Yahoo! Blog* was launched in 2005, followed by the launch in 2006 of *Yahoo! 360°* (beta version), an SNS that offers an enhanced level of trust to users by requiring them to register.

Such SNS sites as *Yahoo! 360°* (beta version) are free of charge to users, but if the growth in the communities that are formed through these sites is utilized, they offer value as an advertising medium. Yahoo Japan Corporation will work to increase profit through such aggressive measures as implementing affiliate marketing that uses SNS sites.

Yahoo! 360° (beta version)

e-Commerce Segment

A position of leadership. That's what we have already built in the distribution of IT equipment and software. That's what we are now building in new businesses that leverage the distinctive features of broadband, such as software as a service (SaaS). And that's how we will continue to drive progress in the industry.

Segment Overview

< Strengths and Key Features >

- **Provision of information infrastructure, such as *IT-Exchange*, a B2B portal site for IT products, which is clearly differentiated both in quality and quantity**
- **Breaking of new ground with the development of software services, a new form of distribution**
- **Significant lead in per person productivity (distribution business)**

< Future Growth Drivers >

- **Changes in the ways customers purchase software**
- **Rising demand for security solutions**
- **Growth in market scale accompanying the expansion of next-generation, broadband-compatible information technologies**
- **Expansion of e-commerce market**

< Key Challenges >

- **Increasing profitability by restructuring from the distribution business to commerce and services (transitioning from the sale of goods to the provision of services and solutions)**

Overview of Fiscal 2006

Segment sales rose 11% from the previous fiscal year, due in part to favorable results in the distribution business. However, operating income declined 7% on account of upfront investment in the electronic-commerce business. In the distribution business, we achieved growth marked by balance in both customers (mass electronics retailers, corporate customers) and product lines (hardware, software). Moreover, the software services business that was launched in the previous fiscal year recorded rapid growth in sales, surpassing ¥1.0 billion by the end of fiscal 2006. Revenues from the solutions business also increased. We are steadily shifting our business system from the sale of products to the provision of services and solutions.

Market Trends and Fundamental Strategies

On the foundation of the know-how acquired by expanding software services in advance of other companies, we will provide the market with new services as a software service aggregator. The release of Microsoft Corporation's next-generation operating system, *Windows Vista,* and IT investment in response to the Japanese version of the SOX legislation will lead to growth in the market. To take advantage of these opportunities, we will continue taking steps to strengthen our marketing capabilities, such as building a flexible organizational structure and enhancing our sales workforce. We will also bolster our distribution structure and our core systems to reinforce our competitive edge in productivity.

Topics — [SaaS (Software as a Service)]

Under this service, customers pay for the use of software on the provider's server rather than purchasing application software. Benefits to customers include (1) no need for start-up investment, (2) low maintenance requirements, and (3) always being able to use the latest version of the software. Demand for this service is surging. This segment is an industry leader in new business fields, such as providing *Yahoo! BB* members with *BB Security* security service and *BB Soft* software service, among the largest such services in Japan. We will continue working aggressively to maintain our position of leadership.

Others (Broadmedia Segment)

Appealing content and advanced distribution technologies. These are the keys to success in the broadmedia industry. And these are the areas in which the Broadmedia segment strives to set the SOFTBANK Group apart from its competitors and contribute to the Group's continued growth.

Segment Overview

< Strengths and Key Features >

- **Unique *G-cluster* technology (game-on-demand business)**
- **Alliances with global leader Akamai Technologies, Inc., of the United States, and CDNetworks Co., Ltd., of South Korea (CDN*[1] business)**
- **Content aggregation know-how cultivated in the CS broadcasting service business and the *BBTV* business**

< Future Growth Drivers >

- **Growing demand for unique content**
- **Growing demand for stable, advanced distribution services, due to the trend toward rich content**

< Key Challenges >

- **Shifting management resources from CS broadcast services to priority fields (game-on-demand, CDN, media content)**

Overview of Fiscal 2006

(The results of these businesses, which are part of Others segment, are not disclosed, but the following information is provided to facilitate comparisons with the previous fiscal year.)

Club iT Corporation, the core company in this segment, is rapidly restructuring its operations to shift from the CS broadcasting service, which has supported its growth, to content aggregation and distribution technology services, which offer higher growth potential and profitability. In fiscal 2006, overall sales declined slightly, but the game-on-demand and CDN businesses recorded favorable expansion, and we expect these fields to make a growing contribution to sales and profits in the future.

Market Trends and Fundamental Strategies

In the game-on-demand and media content businesses, we will concurrently strive to enhance our lineup of aggregated content and to expand our base of recipients (customer base). The latter objective, in particular, requires both content aggregation capabilities and the technology to provide stable, high-quality distribution of that content, and only a few companies can do both. We have that capability, and that's why we have high expectations for the future. And as we focus on developing potential customers, we will aggressively provide not only games and video but also the technologies and services that serve to maximize the lifetime value of that content.

*1 CDN: Contents Delivery Network

Topics — [*G-cluster*]

With *G-cluster,* users can enjoy games without downloading and installing programs. Moreover, a prominent feature of the technology is its ability to perform real-time compression of the large-volume audio-visual stream and minimize delays in distributing the game stream over broadband to a variety of terminals. The segment is using three business models to drive the adoption of this technology: (1) fee-based distribution to ISPs and portals, (2) provision of server systems to operators in Japan and overseas, and (3) pre-bundling in TVs, PCs, and game terminals in Japan and overseas. In April 2006, *G-cluster* became the first game service in the Japanese market adopted by Microsoft Corporation as its standard function of *Windows XP Media Center Edition 2005*, which is called *Media Online*.

Others (Technology Services Segment)

Indispensable. That's the only way to describe the role of broadband infrastructure in business communications. And to help our customers use that infrastructure more safely and strategically, we offer a comprehensive range of solutions. By meeting increasingly diverse and complex customer needs, we will achieve sustained growth.

Segment Overview

< Strengths and Key Features >

- Track record and experience acquired in building a range of systems for the SOFTBANK Group
- Ability to provide a comprehensive, wide range of solutions and advanced technical capabilities (in particular, secure video and voice transmission systems)

< Future Growth Drivers >

- Trend toward outsourcing of system construction and operation
- Trend toward ASP in operational services
- Growth in security-related needs
- Increased demand to rebuild systems in response to growth in the e-commerce market

< Key Challenges >

- Transitioning to a service-oriented business and strengthening systems in response to growth in demand for outsourcing services

Overview of Fiscal 2006

(The results of these businesses, which are part of Others segment, are not disclosed, but the following information is provided to facilitate comparisons with the previous fiscal year.)

Sales of e-business services, currently this segment's core business, grew about 10% from the previous fiscal year, and the operating margin also increased. In outsourcing services, where we provide back-office operations services to e-commerce companies, sales of anti-virus software were strong, and in addition, website analytics solutions, a new business area, got off to a favorable start. Moreover, in network solutions operations, we recorded solid results in security-related devices and operational services.

Market Trends and Fundamental Strategies

Companies are increasingly outsourcing their system operations and taking steps to bolster security. Also, accompanying expansion of e-commerce, there is growing demand to rebuild systems to facilitate the provision of more-advanced services. We meet those needs through the provision of wide-ranging, advanced solutions that directly boost the profitability and growth potential of our customers. In the future, we will work to maximize Group synergies, such as providing technical support for Group companies engaged in content businesses, such as online games. We will also take aggressive steps to reduce costs, such as shifting system development work to China and using open source software.

Topics — [*SiteCatalyst*]

SiteCatalyst is a website analytics tool developed by Omniture, Inc., of the United States. We began sales of *SiteCatalyst* in June 2005 under an agency agreement with the company. A distinctive feature of this product is that it is easy to use—even without the advanced technical knowledge that previous web analytics tools required—but powerful, facilitating multifaceted analysis linking web access results with business performance data. Also, because *SiteCatalyst* is an ASP-based service, customers do not need to make a substantial upfront investment. This new business is aligned with our strategy of developing proposal-based services that directly improve the business performance of our customers.

Others (Media & Marketing Segment)

By developing, proposing, and cultivating leading-edge digital media, services, and content in advance of competitors, we support continued growth. Not just for the SOFTBANK Group. For the entire broadband market.

Segment Overview

< Strengths and Key Features >

- **Operation of *ITmedia*, the industry's largest IT-specialized information portal in terms of both unique users and page views**
- **Currently developing new operations with significant growth potential, such as *FlipBook*, a next-generation electronic book medium**

< Future Growth Drivers >

- **Trend toward rich content for broadband**
- **Increasing demand for information in specialized fields accompanying diversification in individual preferences**
- **Expansion of the Internet advertising market and diversification of advertising expressions**

< Key Challenges >

- **Accelerating the shift from paper-based publishing to digital media**

Overview of Fiscal 2006

(The results of these businesses, which are part of Others segment, are not disclosed, but the following information is provided to facilitate comparisons with the previous fiscal year.)

With the publishing business in an ongoing phase of contraction, the sales of *ITmedia*, an online media operation that provides IT-specialized information, doubled from the previous fiscal year. In addition to the merits of the merger with atmarkIT Corp., an operator of a site providing specialized information to IT engineers, contributions were made by the increased presence of the Internet in advertising and by an expanded content lineup. E-library business is in the incubation phase, and sales—while relatively low at this point—registered strong growth from the previous fiscal year. In addition, digital content businesses, such as music and sports, recorded favorable growth.

Market Trends and Fundamental Strategy

Simply put, we need to be the first to respond to the wave of media digitization. To that end, our fundamental strategies are to (1) shift our focus from paper-based publishing to digital media, such as *ITmedia,* (2) expand the scope of our business in digital media, (3) accelerate the digitization of content and expand our lineup, and (4) cultivate new businesses, such as electronic book media. Moreover, we need to establish the optimal cost structure for these changes in our operations, and accordingly we are reallocating management resources, such as personnel and funding.

Topics — [*FlipBook*]

FlipBook media operations use *FlipViewer*—specialized viewer software that offers readers a natural reading experience, where even the thickness of the opened pages can be seen at a glance, with content integrating video and voice. Moreover, it offers advantages in copyright management as well as superior advertising effectiveness and other features, and as a result it has been well received not only by readers but also by content creators and advertisers. It has the potential to become the driving force in both the electronic book market and the Internet advertising market, which are expected to show strong growth. We are testing it with three business models—advertising fee based, membership fee based for B-to-C operations, and consigned production.

Others (Overseas Funds Segment and Other Businesses)

Through direct and indirect investment in overseas IT-related companies and the enhancement of content, such as sports-related businesses, we will create increasingly significant synergies in the Group's core businesses.

Segment Overview

< Strengths and Key Features >

- **Advanced market analysis and forecasting capabilities in broadband-related areas (Overseas Funds segment)**
- **Comprehensive Group strengths (Overseas Funds segment and Other Businesses)**

< Future Growth Drivers >

- **Global broadband penetration and emergence of related business fields (Overseas Funds segment)**
- **Diversification and enrichment of content (Overseas Funds segment and Other Businesses)**

< Key Challenges >

- **Creating further Group synergies (Overseas Funds segment and Other Businesses)**

Overseas Funds Segment

The business of the Overseas Funds segment entails strategic direct investment, fund management, and investment in funds in IT-related companies. In conducting these activities, we are able to draw fully on the strengths that we have cultivated in our core businesses. These strengths include advanced Internet technologies, especially in the broadband field, and analysis and forecasting in related markets. Moreover, through funds we conduct a broad range of investment activities in global markets, enabling us to obtain information on developments in related markets, such as cutting-edge technological trends, thereby creating opportunities for the realization of new business synergies. In recent years, in line with the Group's priority focus on enhancing content, we have been expanding investment in companies in content-related fields, such as games and video streaming.

Other Businesses

Our ownership of the *Fukuoka Softbank Hawks* professional baseball team has not only enhanced the brand power and recognition of the SOFTBANK Group but also begun to contribute to our core businesses through the enhancement of our content. Specific initiatives that leverage the Group's comprehensive strengths include the distribution of *Fukuoka Softbank Hawks* baseball team games through *Yahoo! Streaming* and *Baseball Broadband TV* and the sale of tickets through *Yahoo! Auctions.*

Topics — [Live Streaming of *Fukuoka Softbank Hawks* Games]

From the current season, *Yahoo! Streaming* has commenced live streaming of *Hawks* games played at the FUKUOKA Yahoo! JAPAN DOME. In addition to main camera images, dynamic images from above the backstop are also provided. And the live streaming of games will be complemented with a range of information about *Hawks* team members in video format that will appeal to *Hawks* fans.

Management Organization and Operation—Aiming for Sustained Growth

With a stable management organization, we will conduct highly reliable business operations while maintaining a rapid rate of expansion. In this way, we will strive to achieve sustained growth.

[Corporate Governance]

In the broadband business, we have maximized speed and flexibility without sacrificing safety and accuracy. And we'll work to achieve sustained increases in enterprise value by applying that wealth of experience to our management organization.

Basic Approach and Philosophy

In accordance with the fundamental concepts of *free, fair,* and *innovative*, our core management philosophy is "Endeavoring to benefit society and the economy and to maximize enterprise value by fostering the sharing of wisdom and knowledge gained through the IT revolution." We develop operations in fields where speed is especially important, and, in order to continuously increase enterprise value as a company that is attractive to all stakeholders, we must establish a governance organization that strikes a balance among three factors: farsighted management decision making; accurate, rapid execution; and robust management and supervision of the first two factors.

Organizational Structure and Management

To establish a flexible management organization that can respond to changes in the business environment, the SOFTBANK Group has adopted a pure holding company system. Each Group operating company operates with a high level of independence and specialization while the holding company strives to maximize the enterprise value of the Group as a whole. The Group's management organization consists of three principal bodies. The Board of Directors is responsible for high-level decision making and overall supervision, while the CEO Conference manages and coordinates operations among the Group companies and the Board of Auditors supervises management.

Board of Directors

The Board of Directors has eight members*, including two from outside the Group. In addition to regular monthly meetings, extraordinary meetings are held as needed to ensure a swift response to changes in the management environment.

The external directors are Tadashi Yanai, the founder and the Chairman, President & CEO of FAST RETAILING CO., LTD., and Jun Murai, Ph.D., Professor, Faculty of Environmental Information of Keio University. Mr. Yanai offers a wide range of valuable advice from his perspective as a global business executive, including his viewpoint on understanding the rapidly changing needs of end users—one of the keys to success in our businesses. As one of Japan's leading authorities on the Internet, Professor Murai draws on his deep expertise to provide a broad range of precise advice on trends in IT markets and technologies. In addition to the two external directors, as a general rule, an attorney attends board meetings and provides the board with assistance in making decisions regarding social and compliance issues. In this way, we have established a mechanism that incorporates a well-balanced range of outside opinions from specialists in diverse fields.

* At the 26th annual meeting of shareholders held on June 23, 2006, Mark Schwartz was elected to the Board of Directors and assumed his post as a new external director. As of June 23, 2006, the Board of Directors has nine members.

CEO Conference

To manage and coordinate diverse operations across the Group, the CEO Conference, which consists of representatives from each business segment and others, meets once a month as a general rule. The Conference works to maximize Group synergies, and consequently enterprise value, through such means as progress reports on the operations of each business segment, information sharing, and the coordination of management policies.

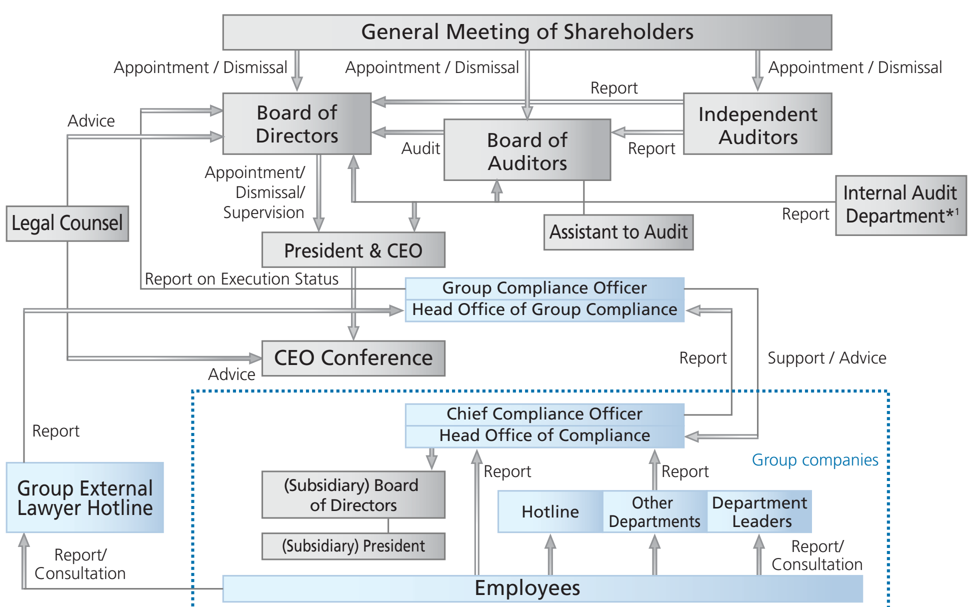
Board of Auditors

The Company has adopted a Corporate Auditor System to monitor corporate activities. With three of the four auditors from outside the Company, we have established an impartial, fair system. The corporate auditors attend meetings of the Board of Directors, the CEO Conference, and other important meetings and obtain management information. In addition, the corporate auditors meet periodically with the independent auditors, internal control departments, and subsidiaries' corporate auditors and exchange information. As a general rule, the Board of Auditors meets once a month, and, based on this information and other information, monitors and verifies the appropriateness of management.

IR System and Activities

We believe that well-balanced management is further reinforced by accurate and prompt information disclosure to capital markets and by the receipt of feedback from a wide range of fields. On the same day with quarterly results announcements, the representative of the Group explains earnings results and business strategies directly to analysts and institutional investors. Furthermore, through overseas IR activities and through participation in seminars and conferences sponsored by securities companies in Japan and overseas, we provide explanations of our corporate strategies and reflect feedback from analysts and institutional investors in our business management. Analyst meetings for announcement of earnings results held in Japan are conducted in both Japanese and English and are available live through web streaming and by telephone. They are also available at all times on our website. In these ways, we are working to ensure that we disclose information in a fair and prompt manner.

Corporate Governance and Compliance Organization



Note: Sections in blue are related to the compliance system.

*1 The Internal Audit Department, which reports directly to top management, provides objective verification and evaluation of the effectiveness of the Group's internal control systems and the legality and reasonableness of the Group's business activities and provides guidance, advice, and recommendations for the purpose of improving operations and increasing management efficiency.

[Compliance and Corporate Social Responsibility (CSR)]

Coexistence and coprosperity with society are more than just principles. We believe that our efforts to earn the trust of society, and to contribute to the development of society, will lead to corporate growth over the long term.

Basic Approach and Philosophy

The speed of growth is not the only factor that increases enterprise value. Growth achieved at the cost of legal and social responsibilities is not sustainable, thus enterprise value will be discounted. As a leading company of the IT revolution, the SOFTBANK Group will always emphasize legal and regulatory compliance and corporate social contribution.

Organizational Structure and Management

1. Compliance

To enhance the governance and compliance structure of the Group as a whole, we revised the SOFTBANK Group Charter and set up the SOFTBANK Group Code of Conduct for Officers and Employees which must be observed by all officers and employees of SOFTBANK Group companies. We also created the position of Group Compliance Officer (GCO), who is responsible for promoting compliance Groupwide, and in January 2006 we established the Group Hotline so that all Group officers and employees can directly report to or consult with outside lawyers on compliance matters.

We have also adopted the Group Representative Oath System, under which a representative of each Group company must submit a Representative Oath stating that (1) the information contained in the financial statements is accurate and (2) self-assessments of internal control systems are periodically implemented. This system fosters enhanced awareness of the importance of compliance and risk management among Group companies, and maintains and strengthens their organizations and systems. In reinforcing information security management, the Group Information Security Committee, led by the Group Chief Information Security Officer (GCISO), meets on a regular basis. In addition to reports on the situation of each company and on the measures implemented by each company, as well as a wide range of deliberations, the committee fosters the sharing of knowledge and techniques in the field of information security.

2. Social Contribution

Our first priority is to contribute to society through our businesses, which entail the proposal of new lifestyles. We continue to provide free broadband environments to education sites throughout Japan, and we are making progress toward the establishment of Cyber University, a four-year university—free from restraints on time, space, and age—that will conduct its operations entirely over the Internet.

We aim to develop human resources who can make wide-ranging contributions to society through the further development of information and telecommunications. Through these initiatives, we strive to ensure that we can provide a steadily increasing contribution to society over the long term.

[Human Resources]

Our people drive our growth. And that's why continually enhancing our human resources is an exceptionally important step toward achieving continuous increases in enterprise value.

Basic Approach and Philosophy

Our comprehensive growth strategy is based on a medium-to-long-term perspective. To implement that strategy, we believe that we need not only specific strategies and tactics in each business but also strong and capable human resources.

Organizational Structure and Management

By transcending the limits of company organization and flexibly shifting human resources to growth fields within the Group, we make effective use of valuable human resources and provide employees with many opportunities for growth. Furthermore, in recruiting new employees the representative of the Group discusses the Group's management philosophy, strategies, and business performance at the recruiting information session, so that new employees, after they join the Group, will share "dreams" and "ambition" and make a united effort for Group growth.

Education and training systems are established and operated by each Group company in accordance with its business environment and growth strategies. Yahoo Japan Corporation, for example, organizes lecture meetings on the latest engineering development methods by Yahoo! Inc. engineers and on research by IT experts, such as university professors. And employees with specialized knowledge also conduct in-house study sessions on their own initiative. JAPAN TELECOM CO., LTD., provides employees with more than 4,000 high-quality learning modules that provide coverage for a wide range of abilities and market sectors. In addition to these modules, an on-demand training environment enables employees to select the optimal module at any time.

Training session at in-house training facilities

Directors and Corporate Auditors (As of June 23, 2006)

PRESIDENT & CEO

Masayoshi Son

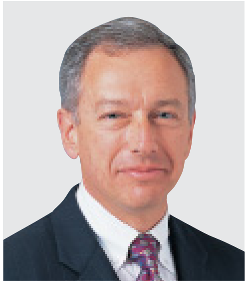
DIRECTORS

Ken Miyauchi
Executive Vice President & COO,
SOFTBANK BB Corp.

Hideki Kurashige
President & CEO,
JAPAN TELECOM CO., LTD.

Kazuhiko Kasai

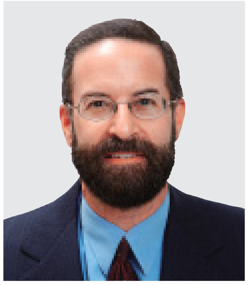
Masahiro Inoue
President & CEO,
Yahoo Japan Corporation



Ronald D. Fisher
Director & President,
SOFTBANK Holdings Inc.

Tadashi Yanai
Chairman, President & CEO,
FAST RETAILING CO., LTD.

Jun Murai, Ph.D.
Professor, Faculty of
Environmental Information,
Keio University



Mark Schwartz
Co-Chairman
Mission Point Capital
Partners LLC

CORPORATE AUDITORS

Mitsuo Sano
Full-Time Corporate Auditor,
SOFTBANK CORP.

Soichiro Uno
Attorney

Kouichi Shibayama
Advisor, Zeirishi-Hojin
PricewaterhouseCoopers

Hidekazu Kubokawa
Certified Public Accountant,
Certified Tax Accountant

Note: Mr. Tadashi Yanai, Professor Jun Murai, and Mr. Mark Schwartz satisfy the qualifications of external directors as provided in Paragraph 2, Clause 15 of the Company Law. Mr. Soichiro Uno, Mr. Kouichi Shibayama, and Mr. Hidekazu Kubokawa satisfy the qualifications of external corporate auditors as provided in Paragraph 2, Clause 16 of the Company Law.

Industry and SOFTBANK Group Data

In this section, to facilitate a better understanding of the SOFTBANK Group we provide statistical data for Internet-related industries and operational and financial data for the Group.

Note: Industry-related data is based on a variety of statistical materials, principally materials from the Ministry of Internal Affairs and Communications, but there is no guarantee as to the accuracy of its transcription.

Industry and SOFTBANK Group Data

Fiscal years ended March 31

Industry Data

	FY 2004	FY 2005	FY 2006	1Q	2Q
Internet Penetration*1					
Internet users (thousands)	77,300	79,480	85,290	—	—
Penetration rate (%)	60.6	62.3	66.8	—	—
Broadband Penetration (thousand subscribers)					
DSL	11,197	13,676	14,518	12,119	12,804
FTTH	1,142	2,897	5,458	1,758	2,034
Cable Internet	2,578	2,960	3,309	2,689	2,793
Total	14,917	19,532	23,285	16,565	17,631
IP Telephony Penetration (thousands)					
IP telephone lines	5,276	8,305	11,457	6,037	7,025
Wireless LAN Penetration					
Wireless LAN subscribers (thousands)	41	117	5,271	53	74
Wireless LAN base stations	5,546	8,324	—	—	7,146
Subscribers of Telecommunications Services (thousands)					
Subscriber telephones	51,592	51,626	50,577	—	—
ISDN	8,627	7,981	7,498	—	—
Mobile phones	81,921	86,998	91,792	83,140	84,313

Sources: MIC, TCA
Accuracy of transcription is not guaranteed.
*1 Calendar year data

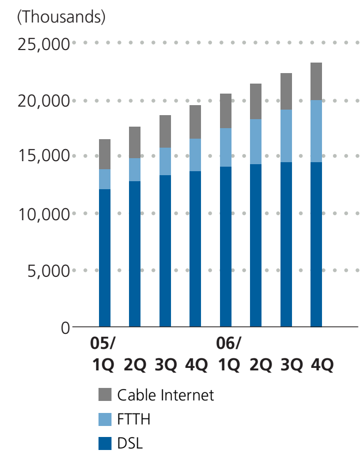
SOFTBANK Group Operational Data

	FY 2004	FY 2005	FY 2006	1Q	2Q
Yahoo! BB ADSL					
Number of ADSL lines (thousands)	4,004	4,776	5,049	4,282	4,490
Number of *BB Phone* lines (thousands)	3,782	4,517	4,816	4,038	4,247
Churn rate (%, average for the period)	1.14	1.31	1.48	1.31	1.24
Proportion of wireless LAN (%)	16.22	21.51	26.49	18.56	19.81
Otoku Line (thousands)					
Number of lines	—	298	848	—	—
Total Number of Group Lines*1 (millions)	4.00	10.91 *2	10.39	4.28	4.49
Corporate voice	—	1.55 *2	1.48	—	—
Corporate data	—	0.09 *2	0.09	—	—
Consumer voice	3.78	8.16 *2	7.85	4.04	4.25
Consumer data	4.00	6.09 *2	6.14	4.28	4.49
Yahoo! JAPAN (millions)					
Number of monthly page views	20,523	26,057	33,132	22,415	23,423
Number of *Yahoo! JAPAN**4 unique browsers	63.19	83.78	110.72	75.79	76.07
Average number of total listed items*5 on *Yahoo! Auctions*	6.07	7.63	9.42	6.60	6.65

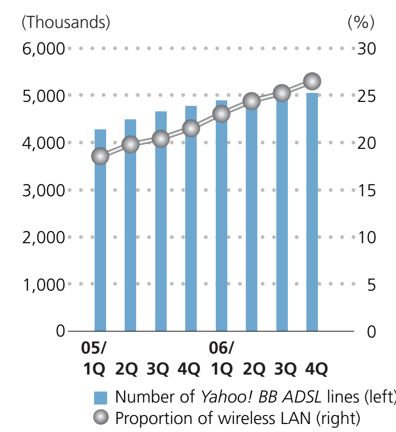
*1 Excluding fiberoptic lines, might include a certain level of multiple counting
*2 As of the end of April 2005
*3 As of the end of January 2005
*4 Number of browsers accessing *Yahoo! JAPAN* in a month
*5 Average number of total listed items in a month

2005		2006			
3Q	4Q	1Q	2Q	3Q	4Q
—	—	—	—	—	—
—	—	—	—	—	—
13,325	13,676	14,082	14,306	14,481	14,518
2,432	2,897	3,410	3,979	4,637	5,458
2,873	2,960	3,062	3,122	3,236	3,309
18,631	19,532	20,555	21,406	22,355	23,285
7,830	8,305	9,014	9,767	10,604	11,457
97	117	4,677	4,838	6,253	5,271
—	8,324	—	8,871	—	—
—	51,626	—	51,414	51,142	50,577
—	7,981	—	7,753	7,639	7,498
85,484	86,998	88,076	89,127	90,178	91,792

Broadband Penetration

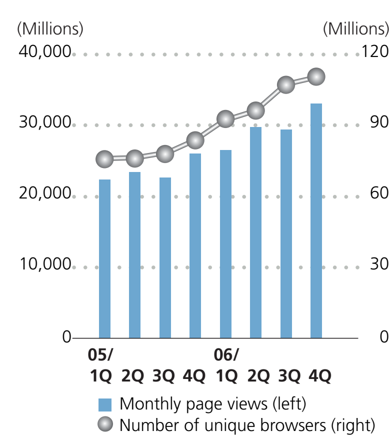


Number of *Yahoo! BB ADSL* Lines and Proportion of Wireless LAN



2005		2006			
3Q	4Q	1Q	2Q	3Q	4Q
4,658	4,776	4,889	4,972	5,007	5,049
4,396	4,517	4,630	4,720	4,773	4,816
1.27	1.44	1.34	1.36	1.41	1.83
20.40	21.51	23.05	24.39	25.24	26.49
—	298	540	683	764	848
10.94 *3	10.91 *2	10.77	10.72	10.62	10.39
1.58 *3	1.55 *2	1.52	1.49	1.46	1.48
0.09 *3	0.09 *2	0.09	0.09	0.09	0.09
8.13 *3	8.16 *2	8.07	8.09	8.07	7.85
6.06 *3	6.09 *2	6.13	6.17	6.15	6.14
22,658	26,057	26,537	29,797	29,427	33,132
78.00	83.78	92.83	96.37	107.28	110.72
7.07	7.63	8.34	8.54	8.94	9.42

Yahoo! JAPAN Monthly Page Views and Number of Unique Browsers



Business Segment Financial Data

Yen in millions except number of employees	FY 2004	FY 2005	FY 2006	1Q	2Q
Net Sales					
Broadband Infrastructure	¥128,907	¥205,307	¥ 268,452	¥ 46,176	¥ 49,819
Fixed-line Telecommunications	—	166,879	354,233	—	—
e-Commerce	254,889	254,922	283,276	58,036	61,575
Internet Culture	64,055	102,448	156,121	21,070	22,725
e-Finance*1	41,427	78,798	—	15,907	14,864
Others*2	—	—	83,073	—	—
Broadmedia	12,893	15,663	—	3,078	4,471
Technology Services	22,603	25,510	—	5,542	6,128
Media & Marketing	14,408	12,480	—	3,021	3,100
Overseas Funds	2,444	2,052	—	569	569
Other Businesses	5,872	8,470	—	2,192	2,617
Elimination or corporate	(30,104)	(35,511)	(36,490)	(8,279)	(9,473)
Total	¥517,394	¥837,018	¥1,108,665	¥147,312	¥156,395
Operating (Loss) Income					
Broadband Infrastructure	¥(87,597)	¥(53,748)	¥ 20,672	¥(18,338)	¥(16,341)
Fixed-line Telecommunications	—	(36,065)	(25,159)	—	—
e-Commerce	3,647	5,240	4,861	1,541	1,040
Internet Culture	32,582	50,080	74,190	11,103	11,094
e-Finance*1	5,911	19,715	—	3,971	3,164
Others*2	—	—	(4,760)	—	—
Broadmedia	(3,305)	(1,019)	—	(838)	(584)
Technology Services	736	1,145	—	161	259
Media & Marketing	(1,093)	(1,064)	—	(328)	(269)
Overseas Funds	1,376	1,313	—	408	419
Other Businesses	(3,966)	(6,261)	—	(781)	(858)
Elimination or corporate	(3,185)	(4,695)	(7,505)	(718)	(895)
Total	¥(54,894)	¥(25,359)	¥ 62,299	¥ (3,819)	¥ (2,971)
Depreciation and Amortization*3	¥ 34,189	¥ 69,454	¥ 87,614	¥9,850	¥8,956
EBITDA*4	(20,705)	44,095	149,913	6,031	5,985
Capital Expenditure*5	64,216	294,233	148,946	—	—
Number of Employees	5,108	12,949	14,182	—	—

*1 At the end of fiscal 2005, SOFTBANK INVESTMENT CORPORATION (currently SBI Holdings, Inc.) was changed from a consolidated subsidiary to an equity-method affiliate. Accompanying this change, the e-Finance segment was eliminated from fiscal 2006.

*2 For fiscal 2005, segment information was presented for the Broadmedia, Technology Services, Media & Marketing, and Overseas Funds segments, which accounted for less than 10% of consolidated net sales and operating income (loss), but this information is included in the "Others" segment for fiscal 2006.

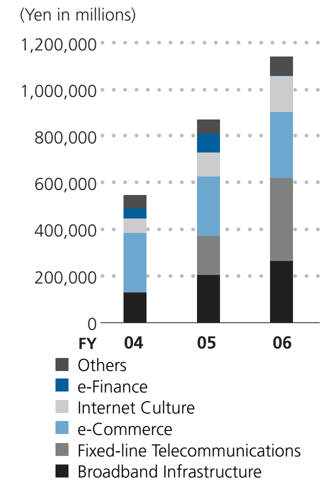
*3 Depreciation and amortization expense includes loss on disposal of fixed assets included in operating expenses.

*4 EBITDA = Operating income (loss) + depreciation, amortization, loss from disposal of fixed assets included in operating expenses.

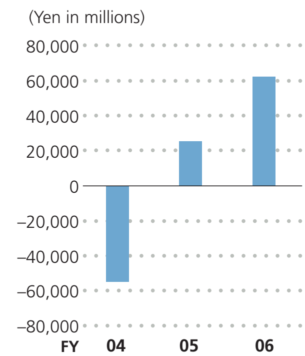
*5 Capital expenditures include capital expenditures made under finance leases in which the ownership of the leased assets is not transferred to the lessee at the end of the term.

2005		2006			
3Q	4Q	1Q	2Q	3Q	4Q
¥ 52,450	¥ 56,862	¥ 61,206	¥ 64,439	¥ 71,544	¥ 71,263
82,076	84,803	88,605	83,300	90,256	92,072
63,389	71,922	60,469	67,688	71,456	83,663
26,989	31,664	34,635	36,896	42,215	42,375
25,294	22,733	—	—	—	—
—	—	20,261	20,633	20,371	21,808
3,894	4,220	—	—	—	—
6,992	6,848	—	—	—	—
3,306	3,053	—	—	—	—
558	356	—	—	—	—
1,799	1,862	—	—	—	—
(8,660)	(9,099)	(6,538)	(8,807)	(8,371)	(12,774)
¥258,087	¥275,224	¥258,638	¥264,149	¥287,471	¥298,407
¥(12,474)	¥ (6,595)	¥ (4,495)	¥ 3,484	¥ 9,362	¥12,321
(14,297)	(21,768)	(14,090)	(12,210)	(1,788)	2,929
1,491	1,168	727	818	1,473	1,843
12,850	15,033	16,469	17,167	19,256	21,298
5,637	6,943	—	—	—	—
—	—	(600)	(400)	(3,770)	10
65	338	—	—	—	—
346	379	—	—	—	—
(201)	(266)	—	—	—	—
336	150	—	—	—	—
(1,542)	(3,080)	—	—	—	—
253	(3,335)	(1,201)	(1,269)	(1,021)	(4,014)
¥ (7,536)	¥(11,033)	¥ (3,190)	¥ 7,590	¥23,512	¥34,387
¥23,411	¥27,237	¥22,695	¥23,150	¥21,201	¥20,568
15,875	16,204	19,505	30,740	44,713	54,955
—	—	—	—	—	—
—	—	—	—	—	—

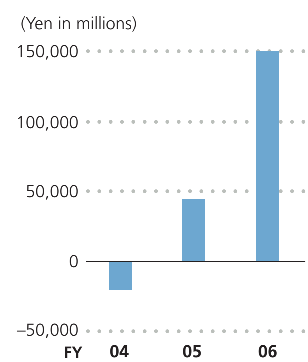
Net Sales



Operating (Loss) Income



EBITDA*4



Fundamental Policy and Strategy

We made investments in areas related to our core businesses, such as investments in Internet- and broadband-related companies. In recent years, in accordance with our strategy of enhancing content, we have increasingly invested in companies in content-related areas, such as games and video streaming. Through our investing activities, we also obtain information on the latest technical and market trends, which is useful in the creation of new operational synergies. In fiscal 2006, we sold investment securities, including shares in four Yahoo! group companies in Europe and South Korea and in Tao Bao Holding Limited, generating more than ¥200.0 billion in cash and realizing a gain of approximately ¥150.0 billion.

Status of Investments (Investment Activities in Fiscal 2006)

1. End of Fiscal 2006*

Amount of Investment	¥161.1 billion
Number of Companies Invested in	132 Companies (of which public companies 13, non-public companies 119)

By Region

Region	Investment Amount	No. of Companies
Japan	¥138.1 billion	89
United States	8.2 billion	21
Asia	13.6 billion	15
Of which, China	8.6 billion	7
Of which, Korea	4.9 billion	8
Europe	0.4 billion	1
Others	0.6 billion	6
Total	¥161.1 billion	132

* Total of new investments and additional investments in companies previously invested

2. For Fiscal 2006

Investment Recovery Status

Amount Recovered (market value)	¥225.1 billion
Amount Recovered (book value)	¥ 75.8 billion
Gain/Loss at Time of Recovery	¥149.2 billion

IPO

Name	Business Activities	Date of IPO
All About, Inc.	Operation of website offering comprehensive information through specialized guides	September 2005

Information on Major Investments

(Yen in billions)

Company Name	Amount of Investment	Proceeds from Sales	Market Vale of SB's Portion	Proceeds from Sales + Market Vale of SB's Portion	Return
GungHo Online Entertainment, Inc.	4.1	—	71.2	71.2	17.21X
Yahoo Japan Corporation	7.7	79.0	1,791.2	1,870.3	242.90X
cyber communications inc.	0.5	8.7	61.5	70.3	140.62X
SOFTBANK TECHNOLOGY CORP.	3.3	84.0	10.4	94.4	28.61X
SBI Holdings, Inc.*	6.0	39.8	216.1	256.0	42.67X
M.P. Technologies, Inc.	4.1	1.1	5.3	6.4	1.55X
Yahoo! Inc.	54.7	235.8	198.2	434.0	7.94X
Vector Inc.	1.1	—	8.7	8.7	7.95X
Internet Research Institute, Inc.	0.3	1.9	1.0	3.0	9.26X
UTStarcom, Inc.	21.5	59.6	10.8	70.4	3.28X
Total (10 companies)	103.4	510.1	2,374.9	2,885.1	27.89X

* Formerly SOFTBANK INVESTMENT CORPORATION

Note: Calculation Methods

1 Investments from affiliates are not included.
2 Cross-holdings and similar investments in companies that are not involved in Internet-related businesses are not included in the number of companies or the amount of investment.
3 In determining the number of companies, multiple Group investments in the same company have been eliminated. Companies using the compulsory devaluation method are not included in the number of companies.
4 The portfolios of funds invested in by the Company (including its subsidiaries) are included in the total (including indirect holdings).

Investment Close-Up

ITmedia Inc. (http://www.itmedia.co.jp/)

Amount of Investment (ownership ratio): ¥1,359 million (71.9%)

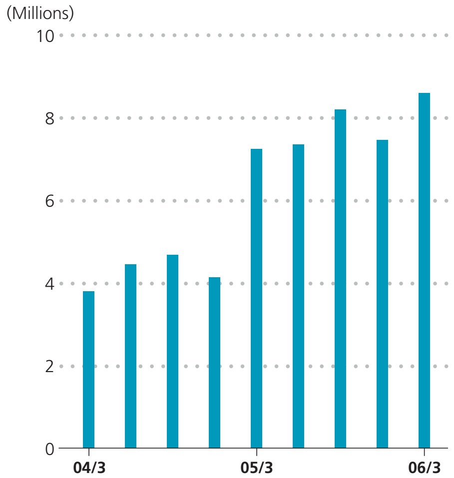
• Industry Position and Competitive Advantage

ITmedia Inc. operates one of Japan's largest websites, which serves more than 8 million unique users a month as comprehensive information media specialized in IT. With outstanding editing and production capabilities that enable it to rapidly deliver highly specialized information, ITmedia Inc. is clearly differentiated from its competitors.

• Growth Drivers, Management, and Key Strategies

In addition to continuously expanding the volume and enhancing the quality of information on its *ITmedia* website, in fiscal 2006 ITmedia Inc., significantly strengthened its customer base when it merged with atmarkIT Corp., the highly regarded operator of the *@IT* website, which provides detailed information for IT professionals in such areas as technology analysis and career enhancement through skills improvement. In addition, the growth of the Internet advertising market is supporting ITmedia's business. In this environment, ITmedia's sales doubled year-on-year in fiscal 2006. In addition to reinforcing its position in the online IT information field, in the future ITmedia will achieve sustainable growth by using its operational know-how to advance into non-IT fields.

ITmedia*—Number of Unique Users



* Sum of *ITmedia* and *@IT*, from March 2005

Carview Corporation (http://www.carview.co.jp/)

Amount of Investment (ownership ratio): ¥1,981 million (63.7%)

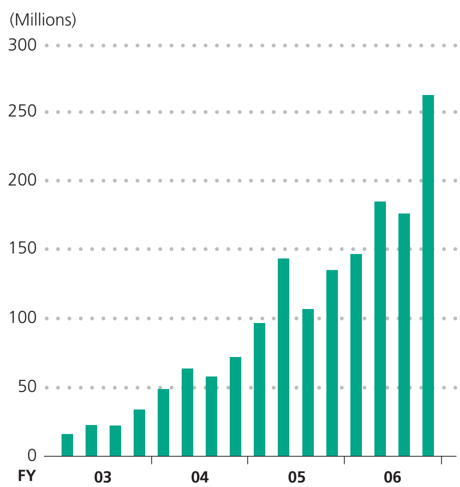
• Industry Position and Competitive Advantage

Carview Corporation operates *carview,* an automotive information website that records more than 260 million page views a month, giving it an overwhelming advantage in its ability to pull in customers. *Carview* has comprehensive strengths in a wide range of information and services related to cars—from the newest models to used cars. It also differentiates itself by providing car-oriented social networking services, such as *Minna no Car Life,* in which everyone can freely participate.

• Growth Drivers, Management, and Key Strategies

Carview Corporation has a dominant advantage over its competitors in terms of website traffic volume and its growth rate—the key to the advertising revenue that is a primary source of Carview's income. That competitive advantage, combined with the rapid increase in the value of the Internet as an advertising medium, is driving Carview's rapid expansion. As a result, in fiscal 2006 Carview recorded a substantial increase in media advertising sales, which more than doubled year-on-year. In the future, Carview will work to increase traffic by further enhancing the services and content of its *carview* website, centered on the *Minna no Car Life* SNS site.

***carview*—Page Views**



Major Subsidiaries and Affiliates

As of the end of March 2006 except where noted

Consolidated Subsidiaries

Company Name (URL)	Fiscal Year-End	Capital (Yen in millions)	SB Voting Rights (%)	Business Segment	Business Activities
SOFTBANK BB Corp. (http://www.softbankbb.co.jp/english/)	March	30,000	100.0	Broadband Infrastructure, e-Commerce	Content services, FTTH, and distribution
BB TECHNOLOGY Corp. (http://www.bbtec.co.jp/)	March	120,155	100.0	Broadband Infrastructure	ADSL
BB Backbone Corporation	March	210	100.0	Broadband Infrastructure	Provision of backbone network
BB Cable Corporation (http://www.bbcable.tv/)	March	100	100.0	Broadband Infrastructure	Broadcasting and *VOD* service *BBTV*
Betrusted Japan Co., Ltd. (http://www.betrusted.co.jp/)	December	1,422	58.7	Broadband Infrastructure	Development and sale of software related to electronic authentication
BB Mobile Corp. (https://www.bbmobile.co.jp/)	March	5,155	100.0	Broadband Infrastructure	Surveys and research on the telecommunications market
JAPAN TELECOM CO., LTD. (http://www.japan-telecom.co.jp/english/)	March	145,800	100.0	Fixed-line Telecommunications	Fixed-line telecommunications
SOFTBANK IDC Corp. (http://www.sbidc.jp/EN/)	March	100	100.0	Fixed-line Telecommunications	Data center
IP Revolution, Inc.*1 (http://www.iprevolution.ne.jp/)	March	100	100.0	Fixed-line Telecommunications	Fiberoptic, ultrahigh-speed Internet connection service
Yahoo Japan Corporation **(listed on TSE, First Section)** (http://www.yahoo.co.jp/)	March	7,032	41.3	Internet Culture	Internet services
Net Culture K.K.	March	1,000	100.0	Internet Culture	Holding company that invests in and manages Internet culture businesses
Firstserver, Inc. (http://www.firstserver.co.jp/)	March	363	65.0	Internet Culture	Server rentals and domain registration
Tavigator, Inc. (http://www.tavigator.co.jp/)	March	100	58.0	Internet Culture	Online travel agency
Netrust, Ltd. (http://www.netrust.ne.jp/)	March	243	80.0	Internet Culture	Online settlement
ALPS MAPPING K.K. (http://www.alpsmap.co.jp/)	December	410	100.0	Internet Culture	Planning and production of maps and provision of map data and regional information
INFO PLANT CO., LTD. (http://www.info-plant.com/company/en/)	December	593	58.2	Internet Culture	Online marketing research
Vector Inc. **(listed on OSE, Hercules market)** (http://www.vector.co.jp/)	March	983	57.6	e-Commerce	Software sales through downloading
SOFTBANK HumanCapital CORP. (http://www.softbankhc.co.jp/)	March	612	99.1	e-Commerce	Online employment information services
Carview Corporation (http://www.carview.co.jp/)	March	274	63.7	e-Commerce	Online provison of automobile-related information

*1 Changed from Broadband Infrastructure segment to Fixed-line Telecommunications segment from April 2006.

Company Name (URL)	Fiscal Year-End	Capital (Yen in millions)	SB Voting Rights (%)	Business Segment	Business Activities
DeeCorp Limited (http://www.deecorp.jp/)	March	100	100.0	e-Commerce	Internet-based comprehensive purchasing assistance for companies
BB Softservice Corp. (http://www.bbss.co.jp/)	March	50	100.0	e-Commerce	Operation of portal for security and software services and direct sales assistance
SOFTBANK Frameworks Corporation (http://www.sbfw.co.jp/)	March	100	100.0	e-Commerce	Logistics outsourcing and consulting services for IT companies
SOFTBANK Broadmedia Corporation (http://www.broadmedia.co.jp/e_intro.html)	March	100	100.0	Broadmedia	Operating holding company in Broadmedia segment
Club iT Corporation **(listed on OSE, Hercules market)** (http://www.clubit.co.jp/eng/eng_index.html)	March	623	66.7	Broadmedia	Content distribution using original technical platform
CDN Solutions K.K. (http://www.cdn-sol.co.jp/)	March	300	100.0	Broadmedia	Provision of web and streaming content distribution and related solutions
Oy Gamecluster Ltd. (http://www.g-cluster.com/)	December	€0M	100.0	Broadmedia	Development of network solutions for distribution of interactive entertainment
Broadmedia Studios Corporation (http://www.bmstd.com/index_e.html)	March	1,025	100.0	Broadmedia	Sales of broadcasting rights, production of Japanese-language versions, movie distribution, and sales of videos and DVDs
SOFTBANK TECHNOLOGY CORP. **(listed on TSE, First Section)** (http://www.tech.softbank.co.jp/)	March	634	50.4	Technology Services	Broadband-based solutions and services for networks, applications, and operations
AIP Bridge CORP. (http://www.aipbridge.co.jp/)	March	100	100.0	Technology Services	Sales of website access data analysis software packages and provision of marketing services
EC Architects Corp. (http://www.ec-architects.co.jp/)	March	150	96.0	Technology Services	Consulting, system design, and project management for EC solutions
MOVIDA SOLUTIONS, Inc.*2 (http://www.movida-solutions.com/)	March	250	60.0	Technology Services	Technical support, business consulting, and other services for EC businesses
SOFTBANK Media Marketing Holdings Corp. (http://www.sbmm-holdings.co.jp/)	March	100	100.0	Media & Marketing	Operating holding company for media and marketing business
SOFTBANK Creative Corp. (http://www.softbankcr.co.jp/)	March	1,300	100.0	Media & Marketing	Media and marketing business incubation, sales of music, sports-related content, publishing, e-library business, learning business
ITmedia Inc. (http://www.itmedia.co.jp/)	March	539	71.9	Media & Marketing	Comprehensive IT information site
JaJa entertainment corp. (http://www.jaja-uma.com/)	February	220	100.0	Media & Marketing	Provision of predictions for horse races and delivery of horseracing and other content and services
Fukuoka Softbank Hawks Corp. (http://softbankhawks.co.jp/)	February	100	100.0	Other Businesses	Ownership of professional baseball team and baseball game administration

*2 The name of E-Cosmos Inc. was changed to MOVIDA SOLUTIONS, Inc., in December 2005.

Company Name (URL)	Fiscal Year-End	Capital (Yen in millions)	SB Voting Rights (%)	Business Segment	Business Activities
Fukuoka Softbank Hawks Marketing Corp. (http://softbankhawks.co.jp/)	February	1,160	100.0	Other Businesses	Management of baseball stadium and other sports facilities; content delivery services
AtWork Corporation (http://www.atwork.co.jp/)	March	90	100.0	Others Businesses	Outsourcing services for personnel, administrative, technological, and other tasks
TV Bank Corporation (http://www.tv-bank.com/)	March	1,505	100.0	Others Businesses	Video content services
SOFTBANK PAYMENT SERVICE CORP. (http://www.sbpayment.jp/)	March	450	100.0	Others Businesses	Invoice collection and computation services for businesses
SoftBank Players Corp. (http://www.softbankplayers.co.jp/)	March	450	100.0	Others Businesses	Research, planning, and provision of information for Internet leisure service; sales and redemption of betting slips
Odds Park Corp. (http://www.oddspark.com/)	March	10	100.0	Others Businesses	Provision of information regarding regional horseracing and sales of betting slips
Japan Cyber Educational Institute, Ltd.	March	505	71.0	Others Businesses	Applications and administration targeting the opening of Cyber University
Chinese Baseball Marketing Corporation	March	100	100.0	Others Businesses	Planning and adminstration related to professional baseball in China
SOFTBANK AM CORPORATION	March	100	100.0	Others Businesses	Holding company
SOFTBANK Holdings Inc.	March	US$0M	100.0	Others Businesses	Holding company
SOFTBANK America Inc.	March	US$0M	100.0	Others Businesses	Holding company
SB Holdings (Europe) Ltd.	December	US$48M	100.0	Others Businesses	Holding company
SOFTBANK Commerce Korea Corporation (http://www.softbank.co.kr/)	December	KRW5,732M	85.8	Others Businesses	Wholesale and retail distribution of IT-related products in South Korea

Equity-Method Non-Consolidated Subsidiaries and Affiliates, and Others

Company Name (URL)	Fiscal Year-End	Capital (Yen in millions)	SB Voting Rights (%)	Business Segment	Business Activities
M.P. Technologies, Inc. (listed on TSE, Mothers market) (http://www.mptech.co.jp/en/)	July	5,627	33.0	Broadband Infrastructure	Construction of next-generation Internet infrastructure, such as broadband, and provision of solutions
MPT BB, Inc. (http://www.mptbb.co.jp/)	July	50	19.0	Broadband Infrastructure	Provision of all-in-one broadband package and broadband infrastructure to hospitality industry
Telecom Service Co., Ltd.*3 (http://www.telecom-service.net/)	March	495	34.0	Fixed-line Telecommunications	Mobile phone sales agency
ValueCommerce Co., Ltd. (http://www.valuecommerce.ne.jp/)	December	833	49.8	Internet Culture	Operation of results-based Internet advertising systems
All About, Inc. (listed on JASDAQ) (http://allabout.co.jp/)	March	1,110	35.7	Internet Culture	Operation of website offering comprehensive information through specialized guides
CREO CO., LTD. (listed on JASDAQ) (http://www.creo.co.jp/)	March	3,149	38.0	Internet Culture	Systems development; planning, development, and sales of packaged software; support services, such as help desk services
Alibaba.com Corporation (http://www.alibaba.com/)	December	US$0M	29.9	Internet Culture	B2B marketplace, C2C auctions, and Internet portals
NC Japan K.K. (http://www.ncjapan.co.jp/)	December	375	40.0	e-Commerce	Distribution of online games; planning, development, design, translation, and sales of game software
GungHo Online Entertainment, Inc. (listed on OSE, Hercules market) (http://www.gungho.jp/)	December	4,211	44.8	e-Commerce	Distribution, operation, planning, development, sales, and marketing of online games
IMX, Inc. (http://www.imx.ne.jp/)	June	718	25.1	e-Commerce	Distribution of broadcasts, films, etc.
MOVIDA HOLDINGS Inc. (http://movida.jp/)	March	100	49.0	e-Commerce	MOVIDA Group holding company
Avanquest BB K.K. (http://www.avanquestbb.co.jp/)	December	100	49.0	e-Commerce	Licensing, development, sales, and support of software products
CJ Internet Japan Corp. (http://www.cjinternet.jp/)	March	1,100	43.8	e-Commerce	Operation of game portal sites
Fishing Vision Co., Ltd. (http://www.fishing-v.co.jp/)	March	1,141	39.8	Broadmedia	Production and sale of programs for *Tsuri (fishing) Vision* broadcasts using CS digital broadcasting platforms and cable TV
Nihon Eiga Satellite Broadcasting Corporation (http://www.nihon-eiga.co.jp/)	March	333	15.0	Broadmedia	Licensed CS broadcaster
cyber communications inc. (listed on TSE, Mothers market) (http://www.cci.co.jp/)	March	2,339	26.5	Media & Marketing	Internet advertising agency
E-Book Systems K.K. (http://www.ebooksystems.co.jp/)	March	182	33.9	Media & Marketing	Sales of software licenses related to electronic publishing and e-books
SBI Holdings, Inc. (listed on TSE, First Section, and OSE, First Section) (http://www.sbigroup.co.jp/english/)	March	54,229	26.6	Other Businesses	Comprehensive financial services
Yahoo! Inc. (listed on U.S. NASDAQ) (http://www.yahoo.com/)	December	US$1M	3.8	Internet Culture	Internet services

Equity-method non-consolidated subsidiaries and affiliates   Other securities, etc.

*3 The name of Handyphone Co., Ltd., was changed to Telecom Service Co., Ltd., in May 2006.

Overseas Funds Data

Company Name / Fund Name	Category*1	Principal Investment Region*2	Fund Size	SB Commitment*3	SB Ownership (%) *4	Type
SB CHINA HOLDINGS PTE LTD (http://www.sbcvc.com/)	A	PRC, Shanghai	—	US$0M	100.0	Holding company
SOFTBANK Korea Co., Ltd. (http://www.softbank.co.kr/)	A	South Korea, Seoul	—	KRW2,200M	100.0	Holding company
SB Sweden Aktiebolag	A	Sweden, Stockholm	—	US$0M	100.0	Holding company
SB Broadband Investments	A	U.S., Delaware	—	US$142M	98.0	Special-purpose company
SOFTBANK Capital Partners	A	U.S.	US$1,449M	US$735M	50.7	Venture capital fund
SB Europe Capital L.P.	A	Europe	US$250M	US$249M	99.6	Venture capital fund
SOFTBANK Capital Technology Fund III L.P.	A	U.S.	US$172M	US$101M	58.7	Venture capital fund
SOFTBANK Technology Ventures IV L.P. (http://www.mobiusvc.com/)	B	U.S.	US$313M	US$42M	13.4	Venture capital fund
SOFTBANK Technology Ventures V L.P. (http://www.mobiusvc.com/)	B	U.S.	US$630M	US$191M	30.3	Venture capital fund
SOFTBANK US Ventures VI L.P. (http://www.mobiusvc.com/)	B	U.S.	US$626M	US$608M	97.1	Venture capital fund
SB Asia Infrastructure Fund L.P.	A	Asia-Pacific region	US$404M	US$3M	0.9	Investment in broadband-related companies

Consolidated subsidiaries　Equity-method non-consolidated subsidiaries and affiliates
Other securities, etc.

*1 A: Funds managed by SOFTBANK; B: Funds other than category A
*2 For companies, location
*3 For companies, common stock
*4 For funds, holdings as percentage of fund size

Financial Section

CONTENTS

Eleven-Year Summary

SOFTBANK CORP. AND ITS SUBSIDIARIES   Fiscal years ended March 31

(Millions of yen, except for per share data, % data, and others) FY	1996	1997	1998	1999
For the Fiscal Year:				
Net sales	¥171,101	¥359,742	¥513,364	¥528,159
Operating income (loss)	15,822	33,670	31,938	12,130
EBITDA	21,535	71,921	88,083	54,650
Income (loss) before income taxes and minority interest	15,982	29,567	33,824	36,640
Net income (loss)	5,794	9,092	10,303	37,538
Net cash provided by (used in) operating activities	5,269	43,422	19,248	(28,668)
Net cash (used in) provided by investing activities	(446,459)	(323,817)	(33,677)	281,005
Net cash provided by (used in) financing activities	434,605	343,278	21,591	(205,562)
Net (decrease) increase in cash and cash equivalents	(18,114)	16,676	9,909	53,988
Cash and cash equivalents at the end of the year	18,573	35,249	51,898	105,886
At Fiscal Year-end:				
Total assets	¥440,618	¥790,889	¥854,743	¥952,578
Total shareholders' equity	119,679	234,617	242,758	284,976
Interest-bearing debt	230,996	365,578	396,143	444,392
Net interest-bearing debt	212,424	330,329	361,602	351,790
Major Indicators (%):				
Ratio of operating income to net sales	9.2	9.4	6.2	2.3
Return on equity	6.9	5.1	4.3	14.2
Equity ratio	27.2	29.7	28.4	29.9
Debt/equity ratio	193.0	155.8	163.2	155.9
Net debt/equity ratio	177.5	140.8	149.0	123.4
Per Share Data (Yen):				
Net income (loss)	¥ 176.33	¥ 124.25	¥ 100.77	¥ 365.38
Net income (loss) after retroactive adjustment	7.69	10.62	11.20	40.60
Shareholders' equity	3,452.06	2,980.33	2,375.24	2,719.35
Shareholders' equity after retroactive adjustment	150.53	254.73	263.92	302.15
Cash dividends	15.00	20.00	40.00	20.00
Cash dividends after retroactive adjustment	0.65	1.71	4.44	2.22
Others:				
Shares outstanding (thousands of shares)	34,669	78,722	102,204	104,796
Consolidated subsidiaries	25	32	63	71
Equity-method non-consolidated subsidiaries and affiliates	9	13	15	20
Number of public companies	0	1	2	7
Number of employees	802	952	1,064	1,002

Notes:

1 For fiscal 1996-2004, EBITDA = operating income (loss) + interest income and dividends + depreciation + amortization. For fiscal 2005 and 2006, EBITDA = operating income (loss) + depreciation, amortization, loss on disposal of fixed assets included in operating expenses.

2 For fiscal 1996-1998, total interest-bearing debt, net interest-bearing debt, total assets, the equity ratio, the debt/equity ratio and the net debt/equity ratio have been adjusted to exclude loans from SOFTBANK to MAC Inc. and borrowings of SOFTBANK Holdings Inc. from MAC Inc.

3 Net interest-bearing debt and the net debt/equity ratio are calculated by deducting cash and deposits and marketable securities (current assets) and others from interest-bearing debt.

2000	2001	2002	2003	2004	2005	**2006**
¥423,220	¥397,105	¥ 405,315	¥406,892	¥517,394	¥837,018	**¥1,108,665**
8,377	16,431	(23,901)	(91,997)	(54,894)	(25,359)	**62,299**
43,816	28,866	(10,024)	(69,781)	(20,705)	44,095	**149,913**
32,168	87,009	(119,939)	(71,474)	(76,745)	(9,549)	**129,484**
8,446	36,631	(88,755)	(99,989)	(107,094)	(59,872)	**57,551**
349	(91,598)	(79,123)	(68,600)	(83,829)	(45,989)	**57,806**
(60,341)	(42,612)	39,751	119,749	81,878	(242,944)	**27,852**
220,914	24,548	1,313	(17,615)	306,390	277,771	**30,078**
160,615	(76,200)	(34,479)	27,805	290,980	(9,689)	**126,642**
268,060	159,105	119,855	147,526	437,133	320,195	**446,694**
¥1,168,308	¥1,146,083	¥1,163,678	¥946,331	¥1,421,207	¥1,704,854	**¥1,808,399**
380,740	424,261	465,326	257,396	238,081	178,017	**242,768**
418,706	413,442	365,644	340,795	575,541	853,918	**905,293**
163,997	243,042	232,016	188,232	134,858	531,680	**454,614**
2.0	4.1	—	—	—	—	**5.6**
2.5	9.1	(20.0)	(27.7)	(43.2)	(28.9)	**27.4**
32.6	37.0	40.0	27.2	16.8	10.4	**13.4**
110.0	97.4	78.6	132.4	241.7	479.7	**372.9**
43.1	57.3	49.9	73.1	56.6	298.7	**187.3**
¥ 78.05	¥ 110.47	¥ (263.53)	¥(296.94)	¥(314.72)	¥(171.03)	**¥ 54.36**
8.67	36.82	(87.84)	(98.98)	(104.91)	(57.01)	**54.36**
3,456.55	1,260.14	1,381.31	767.56	677.40	505.86	**229.88**
384.06	420.05	460.44	255.85	225.80	168.62	**229.88**
20.00	7.00	7.00	7.00	7.00	7.00	**2.50**
2.22	2.33	2.33	2.33	2.33	2.33	**2.50**
110,150	336,677	336,872	335,293	351,404	351,457	**1,055,082**
143	216	285	269	177	153	**153**
53	117	113	116	103	108	**87**
13	21	17	14	14	11	**11**
7,219	4,312	4,375	4,966	5,108	12,949	**14,182**

4 Net income per share is calculated based on the weighted-average number of shares outstanding during each fiscal year, and net assets per share are calculated based on the number of shares outstanding as of each fiscal year-end.
The adjusted figures reflect the following stock splits.
May 19, 1995 1.4:1 / Nov. 20, 1995 1.4:1 / May 20, 1996 1.4:1 / Nov. 20, 1996 1.4:1 / May 20, 1997 1.3:1 / June 23, 2000 3.0:1 / January 5, 2006 3.0:1

5 Cash dividends per share paid in fiscal 1998 include an additional ¥20 per share to commemorate the listing of SOFTBANK's shares.

6 The number of public companies refers to subsidiaries and affiliates.

7 From fiscal 1996 to fiscal 1999, the number of employees is on a stand-alone basis. Accompanying the transition to a pure holding company in October 1999, the number of employees for fiscal 2000 and subsequent years is on a consolidated basis.

Management's Discussion and Analysis of Operating Results and Financial Condition

Operating Environment

Note: Except where stated otherwise, the data and other information in this section regarding the operating environment is based on public, calendar-year statistics available on April 30, 2006.

• Broader Economic Growth

In 2005, the Japanese economy recorded a real GDP growth rate of 2.6%*[1], up from 2.3% in 2004. A notable characteristic of this growth was the extension of private-sector, demand-driven growth from urban areas to outlying regions and from the corporate sector to individuals. Among components of GDP, the real growth rate of private final consumption expenditures, which have a significant influence on the SOFTBANK Group ("the Group") and the industries in which it operates, has accelerated sharply, from 0.6% in 2003 to 1.9% in 2004 and again to 2.1% in 2005.

• Support from Structural Changes

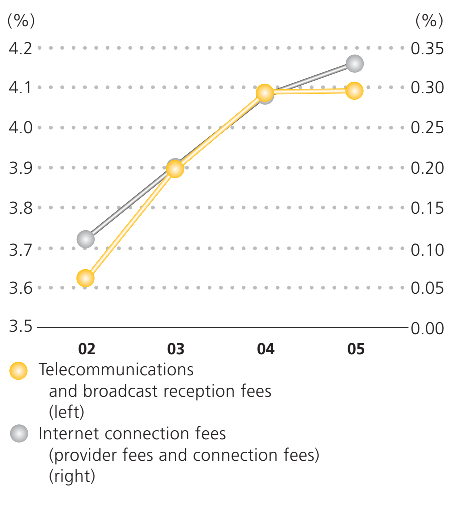
In addition to the general economic recovery, the Group's business has been supported by a variety of structural changes. One is the continued trend in telecommunications toward digital, high-speed, high-capacity infrastructure. Another is the acceleration of the trend toward richer, more diverse services and content provided over that advanced telecommunications infrastructure.

According to a survey of household expenditures by the Ministry of Internal Affairs and Communications, the share of household expenditures accounted for by telecommunications and broadcast reception fees rose from 3.62% in 2002 to 4.09% in 2005. The total number of broadband lines in Japan was more than 22.35 million at the end of 2005*[2], an increase of about 1.5 times over four years. DSL, in which the Group has a dominant share, is strongly positioned, with more than 14.48 million lines, or about 65% of the total number of broadband lines as of the end of 2005.

Structural changes other than those mentioned include such changes as (1) the growing presence of the Internet as an advertising medium, (2) the rapid growth of e-commerce, and (3) the growing demand for reconstruction of telecommunications networks to provide companies with higher productivity and efficiency. SOFTBANK ("the Company") believes that these changes have worked together to support its business. With the goal of being a comprehensive digital information company that transcends the framework of existing comprehensive telecommunications companies, the Group has developed innovative services in infrastructure, portals, and content from an early stage. Information about additional growth drivers and challenges in the Group's operations is provided in the Business Segments section on pages 19 to 32 of this annual report.

*1 Source: Cabinet Office, Government of Japan
*2 Source: Ministry of Internal Affairs and Communications

Share of Household Expenditures



Overview of Results in Fiscal 2006

• Net Sales Surpassed ¥1 Trillion

Fiscal 2006, ended March 31, 2006 was a historic year for the Comapny, which recorded the highest levels of net sales, operating income, and net income in its history. Net sales surpassed ¥1 trillion, rising ¥271,647 million, or 32%, from the previous fiscal year, to ¥1,108,665 million. While changes in the scope of consolidation, principally the e-Finance segment*[1], and a difference of the period*[2] for which the results of the Fixed-line Telecommunications segment were recorded, influenced the Company's results, higher sales were recorded in the Broadband Infrastructure, Internet Culture, and e-Commerce segments.

*1 At the end of March 2005, SOFTBANK INVESTMENT CORPORATION (currently, SBI Holdings, Inc.) was changed from a consolidated subsidiary to an equity-method affiliate. Accompanying this change, the e-Finance segment was abolished, and in fiscal 2006, the results of the e-Finance business are not recorded in the Company's sales and operating income (loss).

*2 The Fixed-line Telecommunications segment was established from the second half of fiscal 2005, and the segment's results were only included for six months in fiscal 2005, while the segment's results were included for the entire fiscal year in fiscal 2006. As a result, there is a difference in the periods for which results were included.

• Return to Operating Profitability with a Record-Setting Performance

Operating income was ¥62,299 million, a substantial improvement from the operating loss of ¥25,359 million recorded in fiscal 2005. These results were not only the Company's first full-year operating profit in five years but also approximately double the Company's previous record high operating profit, achieved in fiscal 1997. The largest contributions to the improvement in operating performance from fiscal 2005, which totaled ¥87,658 million, were made by the Broadband Infrastructure segment and the Internet Culture segment, which recorded increases of ¥74,420 million and ¥24,110 million, respectively. In the Broadband Infrastructure segment, higher sales from increases in the number of paying subscribers and in ARPU and a reduction in subscriber acquisition costs led to the first operating profit in this segment. In the Internet Culture segment, operating income increased by ¥24,110 million, to ¥74,190 million, due to strong advertising revenues. The Fixed-line Telecommunications segment reported an operating loss of ¥25,159 million, but accompanying a change in sales operation system for the *Otoku Line* service, profitability improved, and in the fourth quarter the segment recorded a profit for the first time since it was established. Depreciation and amortization rose ¥18,979 million, to ¥88,520 million, from ¥69,541 million in fiscal 2005, due primarily to the inclusion of the Fixed-line Telecommunications segment's results for the full fiscal year. As a result, EBITDA*[3] rose 3.4 times, to ¥149,913 million, from ¥44,095 million in fiscal 2005.

*3 EBITDA = Operating income (loss) + depreciation, amortization and loss on disposal of fixed assets included in operating expenses

• Net Income Also a Record High

In comparison with fiscal 2005, net income (loss) showed a significant improvement of ¥117,423 million, rising to a net income of ¥57,551 million. In addition to the improvement in operating income mentioned above, other factors included the following changes at the non-operating level.

(1) Gain on sale of investment securities, net, and dilution gain from changes in equity interest, net

Gain on sale of investment securities, net, recorded a substantial increase of ¥115,744 million from fiscal 2005, to ¥171,784 million. This increase principally resulted from the sale of shares in four Yahoo! group companies in Europe and Korea, Tao Bao Holding Limited, Yahoo Japan Corporation, and others. There were a number of reasons behind the sale of those shares, including the establishment of a strategic partnership*[4] designed to further expand operations in China and other reasons. In addition, dilution gain from changes in equity interest, net, mainly SBI Holdings, Inc., and Alibaba.com Corporation, was ¥21,806 million.

*4 In fiscal 2006, the Company established a strategic partnership with its affiliates Alibaba.com Corporation and Yahoo! Inc. for the promotion of Internet businesses in China. As a result, the Company recorded a ¥40,763 million gain on the sale to Yahoo! Inc. of shares in Tao Bao Holding Limited, the Company's consolidated subsidiary. Accompanying a change in the Company's equity interest in Alibaba.com Corporation resulting from Yahoo! Inc.'s capital participation in Alibaba.com Corporation, the Company recorded dilution gain from changes in equity interest of ¥9,846 million.

(2) Loss on contract revision relating to sales operation change, impairment loss in fixed-line telecommunication business, and restructuring charge relating to *BBTV* business

Accompanying a sales operation change and an operational restructuring, the following non-operating losses were recorded. After a change in the sales operation system*5 for the *Otoku Line* service to improve profitability, loss on contract revision relating to sales operation change of ¥25,496 million was recorded. In addition, impairment loss in fixed-line telecommunication business of ¥18,052 million was recorded. Moreover, accompanying the reorganization and strengthening of the Group's video content service business*6 in anticipation of the early advent of an era of widespread use of video content, restructuring charge relating to *BBTV* business of ¥14,750 million was recorded.

*5 The Group reevaluated its *Otoku Line* sales structure, which was centered on its sales agent network, and entered a business and capital alliance with INVOICE INC. Accompanying the alliance, a new sales structure was established, with agency sales to small and medium-sized companies and SOHO enterprises handled by JAPAN TELECOM INVOICE Co., Ltd., a joint venture of INVOICE INC. and JAPAN TELECOM CO., LTD., and direct sales to large corporations handled by JAPAN TELECOM CO., LTD.

*6 To rapidly establish a number one position in video portals, the Group reorganized its video content services. Accompanying that move, the Group reevaluated the level of future revenue to be generated from the assets used exclusively in the *BBTV* business, and revalued those assets.

(3) Others

SOFTBANK INVESTMENT CORPORATION (currently, SBI Holdings, Inc.) was changed from a consolidated subsidiary to an equity-method affiliate, and equity in earnings under the equity method, net, increased ¥4,097 million, to ¥9,522 million. In addition, foreign exchange loss, net, increased ¥2,280 million, to ¥6,321 million, and interest expense increased ¥4,034 million, to ¥27,006 million, due to the inclusion of the Fixed-line Telecommunications segment's interest expense on a full-year basis.

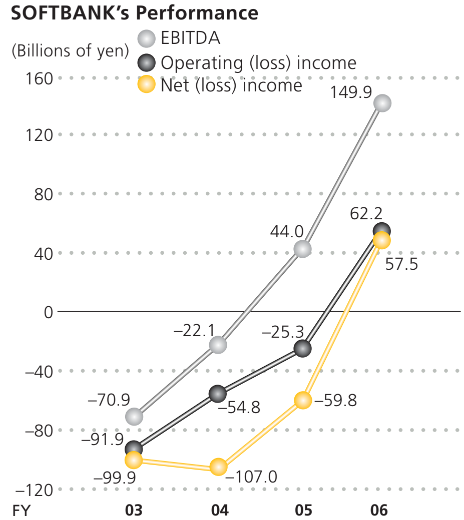
• Income Taxes and Minority Interest

Current income taxes, which were ¥40,753 million, were mainly attributable to Yahoo Japan Corporation. Deferred income taxes of ¥1,838 million were recorded. As a result, income taxes totaled ¥42,591 million, and the effective tax rate was 32.89%. Minority interest, which was ¥29,342 million, was mainly attributable to Yahoo Japan Corporation.

• Dividends

Given the Company's favorable performance, per-share dividends for fiscal 2006 were ¥2.50. Although the year-end dividend for fiscal 2005 was ¥7.00 per share, the Company conducted a three-for-one share split in January 2006. As a result, the dividend for fiscal 2006 is an increase of ¥0.50 per share from fiscal 2005.

SOFTBANK's Performance



Outline of Consolidated Business Results by Segment

In addition to this section, please refer to the results for each business segment that are presented in the Business Segments section on pages 19 to 32 of this annual report.

• Broadband Infrastructure

Segment sales increased ¥63,145 million, or 31%, from the previous fiscal year, to ¥268,452 million*7. Operating income was ¥20,672 million, an improvement of ¥74,420 million from the previous fiscal year's operating loss of ¥53,748 million.

Yahoo! BB ADSL service, the driving force for expanding the usage of broadband Internet services in Japan, had approximately 5.05 million cumulative lines installed as of March 31, 2006, compared with approximately 4.78 million lines as of March 31, 2005. ARPU continued to increase as a result of the provision of higher-speed service plans and bundles of high-value-added services, such as IP telephony and wireless LAN services. On the other hand, the churn rate remained stable at a low level, between 1% and 2%. In addition to these factors, an improved cost structure resulting from a shift in subscriber acquisition to effective channels, such as large consumer electronics retailers, also contributed to the substantial improvement in operating income (loss).

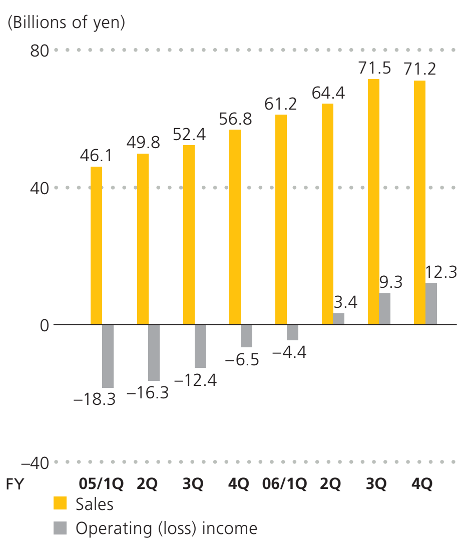
*7 To restructure broadband operations, in December 2005, SOFTBANK BB Corp. was split into BB TECHNOLOGY Corp., which focuses on the ADSL business, and (new) SOFTBANK BB Corp., which assumes responsibility for the businesses other than ADSL. With the aim of concentrating management resources on the broadband business, which is a core business of the Company, BB TECHNOLOGY Corp. sold its modem rental business. For details, please refer to Note 6 (page 79).

• Fixed-line Telecommunications

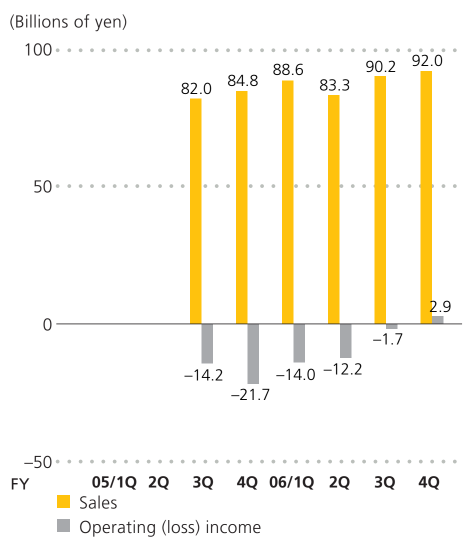
Segment sales were ¥354,233 million and operating loss was ¥25,159 million*8. Operating income loss has improved steadily each quarter. Although such temporary factors as access charge adjustments are included, improved profitability in the *Otoku Line* service made a contribution, and the segment recorded its first-ever operating profit in the fourth quarter of fiscal 2006. Major reasons for this improvement included the following: (1) an increase in the cumulative total number of lines installed for *Otoku Line* (840,000 at the end of fiscal 2006 compared with 300,000 at the end of fiscal 2005); (2) a substantial reduction in agency administration expenses following a reorganization of the sales structure; and (3) reinforced marketing to corporate customers, including sales of voice-network solutions using the *Otoku Line* service.

*8 This segment was established from the second half of fiscal 2005, and because its results are included for different periods of time in fiscal 2005 and fiscal 2006, a simple year-on-year comparison is not possible.

Broadband Infrastructure



Fixed-line Telecommunications



• e-Commerce

Segment sales increased ¥28,354 million, or 11%, to ¥283,276 million, while operating income decreased ¥379 million, to ¥4,861 million. Sales of PC software and peripheral equipment through large consumer electronics retailers increased, and the marketing of PC servers and software to corporate customers was favorable. As a result of initial investment in e-commerce related business, operating income for the year declined 7% from fiscal 2005, but during fiscal 2006 the operating margin* showed an improving trend each quarter.

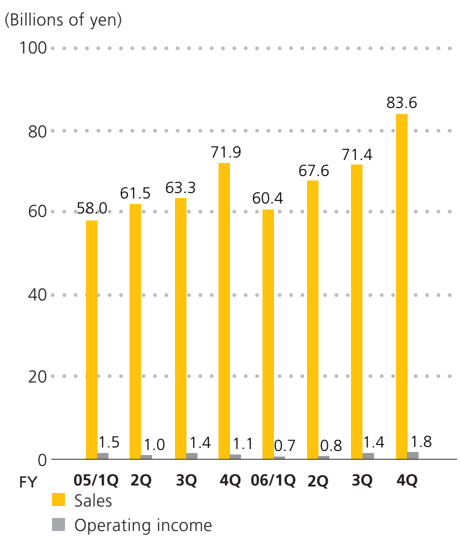
* Operating margin: Operating income divided by sales

• Internet Culture

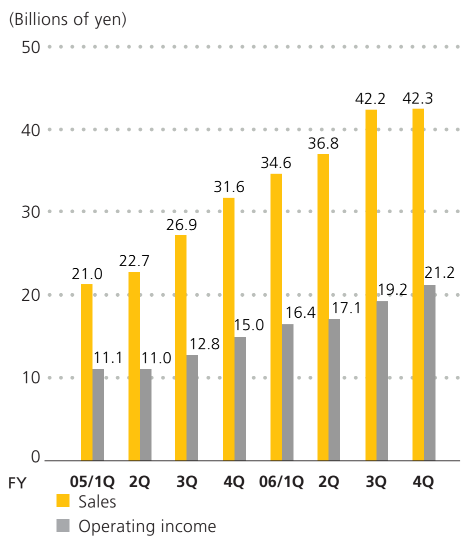
Segment sales and operating income both recorded substantial increases, with sales up ¥53,673 million, or 52%, to ¥156,121 million, and operating income rising ¥24,110 million, to ¥74,190 million.

The presence of the Internet as an advertising medium continued to increase, and Yahoo Japan Corporation, the core operating company in this segment, continued to record growth in advertising sales. In non-advertising business services, the *Yahoo! Rikunabi* employment information service recorded a strong performance accompanying economic growth, and in consumer services, the transaction volume at *Yahoo! Auctions* and the number of *Yahoo! Premium* members increased steadily.

e-Commerce



Internet Culture



Balance Sheet Analysis

• Growth in Assets

At the end of fiscal 2006, total assets were ¥1,808,399 million, an increase of ¥103,545 million from the end of fiscal 2005. Current assets increased ¥139,012 million from the end of the previous fiscal year, to ¥745,130 million, while non-current assets declined ¥35,467 million, to ¥1,063,269 million.

The principal reason for the increase in current assets was an increase in cash and deposits of ¥158,327 million mainly due to an increase in borrowing, which offset a decrease in marketable securities of ¥35,031 million. In non-current assets, property and equipment, net, decreased ¥33,112 million, due in part to the divestiture and sale of the modem rental business in the Broadband Infrastructure segment. Intangible assets, net, decreased ¥1,765 million, principally as a result of a decline of ¥4,176 million in goodwill due to amortization. In investments and other assets, investment securities decreased ¥43,710 million mainly from the sale of SOFTBANK INTERNET TECHNOLOGY FUND, No. 1 and No. 2. On the other hand, investments in non-consolidated subsidiaries and affiliates increased ¥73,919 million due primarily to: (1) ¥37,560 million from the acquisition of convertible bonds and dilution gain from changes in equity interest for Alibaba.com Corporation; (2) ¥22,125 million in equity in earnings under the equity method and dilution gain from changes in equity interest for SBI Holdings, Inc.; and (3) ¥10,152 million following Yahoo Japan Corporation's acquisition of ValueCommerce Co., Ltd. Principally as the result of the Company's receipt of dividends from consolidated subsidiaries, non-current deferred tax assets declined ¥15,432 million.

• Stronger, Sounder Financial Position

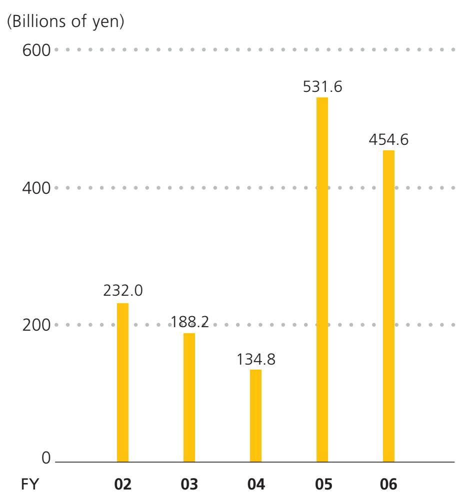
In liabilities and shareholders' equity, total liabilities increased ¥6,392 million, to ¥1,464,285 million, and total shareholders' equity rose ¥64,751 million, to ¥242,768 million.

Major increases in liabilities included corporate bonds, which increased ¥40,828 million due to the Company's issuance of domestic straight bonds*9, and deferred revenue, which increased ¥41,840 million following the sale of the modem rental business. At the end of fiscal 2005, accounts payable – other and accrued expenses reflected a temporary increase in accounts payable stemming from the initial investment required to start up new businesses, such as FTTH and *Otoku Line*. At the end of fiscal 2006, however, accounts payable – other and accrued expenses decreased ¥114,141 million due to the completion of these payments. Total interest-bearing debt increased, but net interest-bearing debt—the difference between total interest-bearing debt and cash and cash equivalents—decreased ¥77,066 million from the end of fiscal 2005.

Total shareholders' equity increased ¥64,751 million from the end of fiscal 2005, to ¥242,768 million, due primarily to a decrease in accumulated deficit of ¥54,801 million and an increase in foreign currency translation adjustments of ¥12,365 million. As a result, the equity ratio was 13.4%, an increase of 3.0 points from the end of fiscal 2005. The net debt-to-equity ratio improved from 298.7% at the end of fiscal 2005 to 187.3% at the end of fiscal 2006.

*9 The unsecured bonds issued in fiscal 2006 included the 20th (issue amount: ¥12.5 billion) and the 23rd (issue amount: ¥20.0 billion), for which the Company took steps to diversify its base of investors, expanding the targeted investor group from the wholesale market to individual investors, with the bonds sold under the label "Fukuoka Softbank Hawks Bonds."

Net Interest-Bearing Debt



Cash Flow Analysis

During fiscal 2006, net cash provided by operating, investing, and financing activities were ¥57,806 million, ¥27,852 million, and ¥30,078 million, respectively. As a result, cash and cash equivalents at the end of fiscal 2006 totaled ¥446,694 million, an increase of ¥126,499 million from the end of fiscal 2005.

• Significant Growth in Operating Cash Flows

Due primarily to substantial improvement in income before income taxes and minority interest, net cash provided by operating activities was ¥57,806 million, compared with net cash used in operating activities of ¥45,989 million in fiscal 2005. Cash inflows included income before income taxes and minority interest of ¥129,484 million, depreciation and amortization of ¥80,418 million, and increase in deferred revenue of ¥40,000 million due to royalties received in advance following the sale of the modem rental business. Adjustment items included gain on sale of marketable and investment securities, net, of ¥171,865 million and dilution gain from changes in equity interest, net of ¥21,806 million. In addition, interest paid was ¥22,332 million, and income taxes paid, net, of refund, were ¥28,525 million, which was attributable to Yahoo Japan Corporation and others.

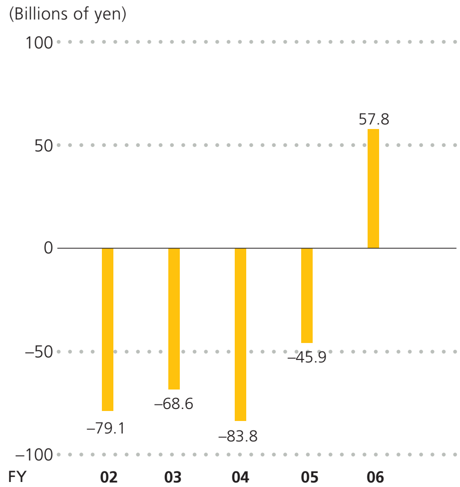
• Substantial Proceeds from Sale of Investments

Net cash provided by investing activities was ¥27,852 million in fiscal 2006. Cash outflows included ¥189,490 million for the purchase of property and equipment and intangibles, mainly in connection with the Broadband Infrastructure and Fixed-line Telecommunications segments, and ¥88,480 million for the purchase of marketable and investment securities. On the other hand, the Company recorded ¥178,022 million in proceeds from sale of marketable and investment securities principally following the sale of shares in four Yahoo! group companies in Europe and Korea; ¥45,000 million in proceeds from sale of modem rental business; ¥39,827 million in sale of interests in subsidiaries previously consolidated, net, principally following the sale of shares in Tao Bao Holding Limited; and ¥29,232 million in proceeds from sale of interests in consolidated subsidiaries, principally Yahoo Japan Corporation.

• Fund-Raising

Net cash provided by financing activities was ¥30,078 million. Proceeds from long-term debt were ¥125,550 million, proceeds from the issuance of bonds totaled ¥91,849 million, and increase in short-term borrowings, net, was ¥32,043 million, while repayment of long-term debt was ¥158,212 million and redemption of bonds totaled ¥53,548 million.

Cash Flows (Used in) Provided by Operating Activities



Factors That May Have a Material Impact on Cash Flows in the Following Fiscal Year

• Need for Funds to Support Growth in the Group's Telecommunications Business

In addition to broadband infrastructure and fixed-line telecommunications, in which the Group has concentrated its management resources, the Group has made a full-scale entry into the mobile communications business with the acquisition of Vodafone K.K. The capital investment accompanying such business expansion and subscriber acquisition cost associated with the strengthening of the Group's subscriber base will have a temporary negative effect on the Group's cash flows.

• Commitment Line Contract

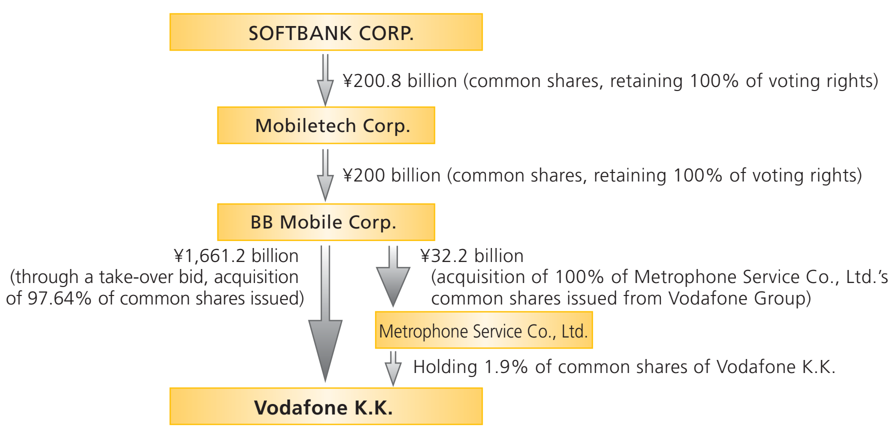
In October 2005, when a commitment line established in the previous fiscal year reached the end of its term, the Company entered into a ¥109.0 billion commitment line with 8 financial institutions, which was arranged by Mizuho Corporate Bank, Ltd. In November 2005, the Company expanded the commitment line to 24 participating financial institutions and an amount of ¥161.0 billion. As of March 31, 2006, the balance of commitment line borrowings totaled ¥100.0 billion.

• Legal Defeasance for Euro-Denominated Senior Notes

On April 3, 2006, in regard to Euro-denominated Senior Notes due 2011 with aggregate principal of €400 million, the Company deposited with the trustee cash sufficient for the payment of principal and interest on the notes and implemented legal defeasance. As a result, the Company has been released from most of the financial covenants included under the terms of indenture, but until the notes reach maturity the Company will continue to be responsible for payments on them and they will continue to be recorded as corporate bonds in the consolidated balance sheets of the Company.

Mobile Communications Business

In fiscal 2006, BB Mobile Corp. focused principally on research and development activities targeting its entry into mobile communications. The results of BB Mobile Corp. for the year are included in the Broadband Infrastructure segment. In April 2006, the Group made a full-scale entry into the mobile communications market with the acquisition of Vodafone K.K. (Please refer to the following chart.) For fiscal 2007 and thereafter, the Company plans to establish the Mobile Communications segment, which will include the operations of the Group companies involved in mobile communications, such as BB Mobile Corp. and Vodafone K.K. The Company plans to include consolidated results of operations of Vodafone K.K. in the Company's consolidated financial statements from May 2006.



Through a take-over bid of Vodafone K.K. and acquisition of 100% of common shares, acquisition of 99.54% of common shares of Vodafone K.K.

• Acquisition of Vodafone K.K. and Funds Needed for the Acquisition

In April 2006, BB Mobile Corp., a wholly-owned subsidiary of the Company, acquired 99.54% of the stock of Vodafone K.K. through a take-over bid and the acquisition of Metrophone Service Co., Ltd., for ¥1,693.5 billion.

To raise funds for the acquisition, BB Mobile Corp. entered into a bridge facility contract*10 with a period of approximately one year totaling ¥1,280 billion with a group of 17 financial institutions, centered on 7 co-lead managers. This bridge facility was structured as a non-recourse loan. Including this contract, the financing scheme of BB Mobile Corp. for the acquisition of Vodafone K.K. is as follows.

1. LBO bridge loan from financial institutions ¥1,166 billion
   (Funds for acquisition of Vodafone K.K. stock, repayment of inter-company loan to the Vodafone Group, and other expenses.)
2. Subordinated loans by Vodafone International Holdings B.V. ¥100 billion
3. Preferred shares subscribed by Vodafone International Holdings B.V. ¥300 billion
4. Preferred shares subscribed by Yahoo Japan Corporation ¥120 billion
5. Common shares subscribed by Mobiletech Corporation ¥200 billion
   (The Company subscribed ¥200.8 billion in common stock of Mobiletech Corporation, the Company's wholly owned subsidiary, in advance of this transaction.)

*10 This bridge facility contract includes ¥100 billion to be used as working capital by Vodafone K.K.

Risk Factors

The following is a list of some significant risk factors that may have an effect on the operating results, financial position, and other aspects of the Group's operations. Furthermore, factors other than those listed below could have a significant effect on the Group's business. The following risks associated with the business are those apparent to the Company at present and are not intended to be all-inclusive.

(1) Risks Related to Economic Conditions and Market Trends

The Group is active in a wide range of markets, including broadband-related markets, fixed-line telecommunications markets, IT-related distribution markets, and other markets. Moreover, the Group will enter the mobile communications market in the fiscal year ending March 2007 following the acquisition of Vodafone K.K. Demand for services and products supplied by the Group is dependent on economic conditions, trends in these markets, and other factors.

In particular, the deregulation of the telecommunications industry has facilitated easier market entry, resulting in extremely tough competition in Japan's broadband, fixed-line telecommunications, and mobile phone markets. As a result, broadband usage fees in Japan are the lowest in the world, and competition is intensifying in the fixed-line telecommunications and mobile communications markets. Nonetheless, it is possible that price competition will continue in each of these markets. Some of the Group's competitors boast capital strength, price competitiveness, subscriber bases, and brand recognition that exceed those of the Group. As a result of these factors, the Group's competitiveness could decline.

Specifically, in the Broadband Infrastructure segment, the emergence of new market trends may result in increased subscriber acquisition costs. In addition, if the market penetration of FTTH connection service exceeds the Group's projections and the churn rate of the ADSL connection service increases, or if Japan's broadband market penetration approaches saturation, the growth in this business could be substantially constrained.

In the Fixed-line Telecommunications segment, accompanying the growing penetration of mobile communications and other services, the fixed-line telephony market has been shrinking each year, and if the ARPU for the *MYLINE* service offered by JAPAN TELECOM CO., LTD., declines, or if the churn rate for the service increases, it is possible that revenue could be significantly influenced. The sales of the *Otoku Line* direct connection voice service to small and medium-sized companies was transferred to JAPAN TELECOM INVOICE Co., Ltd., a joint venture with INVOICE INC. The *Otoku Line* service is directly sold to large companies by JAPAN TELECOM CO., LTD. Generally, the lines provided to large companies generate higher profits per line than those provided to small and medium-sized companies but require more time for construction work, so it is possible that it will take longer to realize profits than initially projected.

In the e-Commerce segment, wholesale sales of PC security-related software and peripheral equipment to large consumer electronics retailers remain favorable, but if the Group is not able to respond to changes in the market environment, such as changes in sales channels for products handled by the Group companies or rapid shifts in consumer preferences, this business could be adversely affected.

In the Internet Culture segment, the Internet advertising business conducted by Yahoo Japan Corporation and other companies is extremely sensitive to economic trends in general, particularly in sluggish economic conditions, when the tendency in all industries is to put a high priority on controlling advertising spending. Furthermore, as the Internet advertising business has a short history, it is also easily affected by overseas markets that are ahead of Japan in this field, such as the United States.

In the mobile communications segment that the Group plans to establish in the fiscal year ending March 2007, prior to the implementation of mobile number portability, scheduled for fall 2006, it is possible that competition among companies will intensify and subscriber acquisition will not proceed as planned, or that subscriber acquisition costs will rise and revenues will be significantly affected. Also, for the Group, it is possible that time will be required to achieve recognition as a new brand and new subscriber acquisition could be sluggish, while on the other hand the Group might not be able to stop the loss of existing subscribers, and as a result that the subscriber base might be affected. Moreover, due to price competition stemming from intensified competition, ARPU might fall below the Group's projections, with a major influence on revenue in this segment.

(2) Risks Related to Technological Innovation

In the telecommunications and IT industries in which the Group is developing business, technologies and industry standards are changing rapidly on an industry-wide scale, including the fields of telecommunications networks and telecommunications systems technologies. The industries are undergoing rapid progress and change, and the Group must respond on a daily basis.

However, if the Group is unable to respond appropriately for any of a number of reasons, it is possible that the services offered by the Group in the telecommunications and IT industries could become obsolete or lose competitiveness, accompanied by a loss of the Group's competitive advantage in these industries.

Furthermore, even if the Group is able to respond to such changes, it is possible that the cost of improving existing equipment and the cost of new development will increase. These trends and the Group's response to them could affect the Group's results.

(3) Risks Related to Rules and Regulations

1. Rules and regulations related to telecommunications operations

A number of laws and regulations—including the Telecommunications Business Law and the Radio Law—apply to the Group's telecommunications operations. In the event of changes in these laws and regulations or the implementation of new laws and regulations in the future, the Group might not be able to develop its business as expected. Furthermore, the Ministry of Internal Affairs and Communications has set up study groups that have the potential to influence future competition policies in the telecommunications industry, such as the "Study Group on a Framework for Competition Rules to Address Progress in the Move to IP" and the "Study Group on a Framework for Telecommunications and Broadcasting." The final reports of these study groups are scheduled for delivery in June and September, respectively, and depending on the results of the deliberations, they could have a significant influence on the development of the Group's operations in the future.

2. Rules and regulations related to intellectual property

The Group strives to ensure that the video content handled in the Group's video distribution operations, including *TV Bank, Yahoo! Streaming,* and *BBTV,* does not infringe on any rights or interests, including the intellectual property rights of holders of various intellectual property rights. However, it is possible that the Group's actions might infringe on rights or interests of intellectual property right holders, and that the Group might be subject to demands that it stop using video content or that it pay compensatory damages.

With regard to intellectual property, a number of companies are aggressively promoting the development of Internet technologies and business models that include broadband technology, and as a result there is the possibility that the Group might be sued by a third party for compensatory damages for patent infringement and that, in the future, the Group's business activities might be restricted in regard to the provision of content and/or the use of technologies.

In addition, if laws and regulations regarding intellectual property, such as the Copyright Law, are revised, the Group might not be able to develop its operations as expected.

3. Rules and regulations related to the protection of personal information

In regard to the management of personal information, the Group has implemented measures to prevent leaks of personal information by significantly strengthening its customer information management system, establishing handling methods for personal information that it acquires and retains, and restricting access to databases that contain personal information. In particular, telecommunications carriers of the Group are handling personal information appropriately in accordance with the "Guidelines on the Protection of Personal Data in Telecommunications Business" (MPT Notice No. 570 of 1998, revised on April 1, 2005). Nonetheless, despite the aforementioned policies being implemented by the Group, it is possible that the Group might not be able to completely prevent leaks of personal information.

(4) Risks Related to Foreign Exchange Rates, Interest Rates, and Stock Markets

The value of investment in listed securities in the Group's possession depends on economic conditions and trends in stock and foreign exchange markets in Japan and overseas, and imports of telecommunications equipment are influenced by trends in the foreign exchange market.

As of March 31, 2006, consolidated interest-bearing debt totaled ¥905,293 million, and interest expense was ¥27,006 million. In April 2006, in order to raise funds for the acquisition of Vodafone K.K., the Group borrowed ¥1,280 billion.

The Group has a substantial amount of interest-bearing debt and holds large amounts of assets and liabilities denominated in foreign currencies. The Group considers interest rate and foreign exchange rate risks as significant risks. The Group strives to minimize the risks it faces, utilizing long-term fixed rates to minimize interest rate risks and currency hedges on major assets and liabilities denominated in foreign currencies.

Investing activities are a primary source of cash flows for the Group, and an overall decline in the market prices of its investments could adversely affect the Group's ability to raise funds. Stocks of Internet-related companies in Japan, the United States, and other countries constitute the majority of the Group's investments. Changes in the stock prices of these companies could be extreme, and a decline in the value of these assets could have a significant effect on the Group's ability to raise funds for its operations. As of March 31, 2006, the net unrealized gain on other securities totaled ¥129,051 million. In addition, the Group's equity in listed and publicly traded consolidated subsidiaries and affiliates accounted for under the equity method amounted to ¥2,203,143 million at market value. The consolidated book value of these securities was ¥140,770 million and the unrealized gain (the difference between the market value of the portion held by the Group and the consolidated book value) was ¥2,062,373 million.

(5) Risks Related to Operational Expansion Based on Investments Accompanying M&A Activities and Business Alliances

The Group is developing a comprehensive range of operations, from telecommunications infrastructure to content and portal businesses. The Group believes that M&A activities and alliances are effective means of rapidly building competitive advantages in these operational fields. In past fiscal years, the Group has made major acquisitions and investments, such as investing in Yahoo! Inc. (1995), establishing Yahoo Japan Corporation in conjunction with Yahoo! Inc. (1996), acquiring JAPAN TELECOM CO., LTD., (2004), and acquiring Cable & Wireless IDC Inc., (2005). These acquisitions and investments have made a major contribution to the establishment of the foundation of a comprehensive digital information company as well as a major contribution to the establishment of differentiation from and competitive advantage against other companies, and the Group believes that a certain level of results has been observed. Also, in regard to the recent acquisition of Vodafone K.K., the Company believes that similar results will be generated. The Group will continue to place importance on mergers with, acquisitions of, and alliances with companies that hold key content in these fields and companies that hold technologies that will be essential for progress in broadband operations, and the Group will consider this kind of actions as necessary.

For a merger, acquisition, or alliance, the Group does its utmost to avoid risks by conducting due diligence regarding such matters as the financial position of the other party. However, it is possible that contingent liabilities or unrecognized debts might be identified after an acquisition, or due to changes in the business environment or competitive conditions, it is possible that the execution of initial operating plans might be hindered. There could also be other risks that the Group might not be able to adequately recover investments due to various reasons such as a case that the expected synergy effects with the relevant companies might not be generated. As a result, it is possible that the Group might not be able to develop its operations as expected.

(6) Risks Related to Dependence on Management Resources of Other Companies

In developing its broadband infrastructure, fixed-line telecommunications, and mobile communications operations, the Group uses telecommunications facilities owned by NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (hereafter "NTT East-West"). In building its network, the Group uses telecommunications facilities, including dark fiber and dry copper, owned by NTT East-West and installs telecommunications equipment at NTT East-West central offices. Under the Telecommunications Business Law, NTT East-West are required to provide access to their dark fiber and dry copper, which are classified as designated telecommunications facilities. Therefore, at this point, the Group believes that the possibility of its operational development being hindered is low, but in the future, for any reason, if the continued use of these network facilities becomes difficult, or if usage fees are increased, there could be an adverse influence on the Group's performance.

In addition, JAPAN TELECOM CO., LTD., which handles fixed-line telecommunications, in accordance with a facilities leasing contract with seven JR group companies, is leasing conduits for laying fiberoptic cable and machinery rooms. In the event that this contract cannot be continued, for any reason, it might have an influence on the continuance of the Group's telecommunications operations.

In addition, the Broadband Infrastructure segment's primary service, *Yahoo! BB,* employs the Yahoo! brand of Yahoo! Inc. Currently, the Group has a good relationship with Yahoo! Inc., but if there is a significant change in this relationship in the future, it is possible that the Group will not be able to develop its business as forecast.

(7) Risks Related to Disruption of System Services

To provide comprehensive telecommunications services, the Group has built networks for fixed-line, mobile, FTTH, ADSL, and other modes of telecommunication. To prevent disruption of services on these networks, the Group pays maximum attention to continuity through internal control activities, but there is a possibility of disruption due to human error. In addition, it is also possible that major natural and other disasters (such as typhoons, earthquakes, and terrorist incidents) could result in disruption of services. In such an event, the Group's ability to provide continuing telecommunication services may be significantly affected and considerable time might be required to restore these services. As a result, such circumstances could have an adverse impact on the performance of the Group.

(8) Risks Related to Contingencies Concerning Management

The Company's existing and new businesses are planned and promoted by the Group's officers and employees. Contingencies concerning the top management—especially President and Chief Executive Officer Masayoshi Son—could cause an obstacle to smooth operational progress and influence the Group's operations.

Significant Contracts

(1) Basic Agreement and Related Contracts Regarding the Sale of the Modem Rental Business

On September 30, 2005, the Company; BB TECHNOLOGY Corp., (on December 1, 2005, the name of SOFTBANK BB Corp., was changed to BB TECHNOLOGY Corp.); JAPAN TELECOM CO., LTD.; Citibank, N.A., Tokyo Branch; Gemini BB Holdings (a company in the Cayman Islands); and Citylease Company Ltd. entered into a basic agreement by which BB TECHNOLOGY Corp. agreed to sell its modem rental business to Yugen Kaisha Gemini BB, a subsidiary of Gemini BB Holdings. In accordance with this agreement, BB TECHNOLOGY Corp. established a modem rental operating company, BB Modem Rental Yugen Kaisha, through a corporate divestiture on November 1, 2005, and sold BB Modem Rental Yugen Kaisha to Yugen Kaisha Gemini BB for ¥45.0 billion on December 8, 2005. On December 1, 2005, BB TECHNOLOGY Corp., through a corporate divestiture, established new SOFTBANK BB Corp., which assumes businesses other than ADSL, such as FTTH and IT distribution businesses.

On November 1, 2005, BB TECHNOLOGY Corp., Citylease Company Ltd., and BB Modem Rental Yugen Kaisha entered into an agreement regarding the ADSL services provided by BB TECHNOLOGY Corp. and the rental modems provided by BB Modem Rental Yugen Kaisha. In accordance with the agreement, modem management and subscriber acquisition are to be consigned to BB TECHNOLOGY Corp., and BB TECHNOLOGY Corp., is to receive from BB Modem Rental Yugen Kaisha (1) subcontracting fees, (2) incentives for acquiring new subscribers, (3) incentives for retaining existing subscribers during the contract term, and (4) royalties (on December 8, 2005, a royalty of ¥40 billion was received in advance).

(2) Establishment of a Joint Venture with INVOICE INC. and Related Contracts

1. In September 2005, JAPAN TELECOM CO., LTD., established JAPAN TELECOM INVOICE Co., Ltd., as a joint venture with INVOICE INC., principally to increase the efficiency of the sales of the *Otoku Line* service to small and medium-sized companies and to SOHO enterprises. On September 28, 2005, JAPAN TELECOM CO., LTD. entered into a shareholders agreement regarding administration and other matters with INVOICE INC. JAPAN TELECOM CO., LTD., retains 14.9% of the shares in JAPAN TELECOM INVOICE Co., Ltd.
2. Following the conclusion of the shareholders agreement described above, JAPAN TELECOM CO., LTD., on September 29, 2005, entered into a telecommunications service sales agency agreement under which JAPAN TELECOM INVOICE Co., Ltd., assumed sole responsibility for the agency sales of the *Otoku Line* service for small and medium-sized companies and SOHO enterprises.
3. Following the conclusion of the shareholders agreement described above, on September 29, 2005, JAPAN TELECOM CO., LTD., and JAPAN TELECOM INVOICE Co., Ltd., concluded a service contract regarding the representative contractor for the *Otoku Line* volume discount service. Under this special agreement, JAPAN TELECOM INVOICE Co., Ltd., is designated as representative contractor for the *Select Saver* (volume discount) stipulated in the standard telephone service contract of JAPAN TELECOM CO., LTD.

(3) Change in Consignment Contracts Related to Call Center Operations

On August 4, 2004, SOFTBANK BB Corp., entered into an inbound service*[11] contract with BB Call Corp., for its call center operations (under which the total estimated payment for the period from 2004 to 2010 was ¥209,205 million, and the payment balance remaining as of the end of February 2006 was ¥167,505 million). On August 4, 2004, JAPAN TELECOM CO., LTD., entered into an inbound service contract (under which the total estimated payment for the period from 2004 to 2010 was ¥83,493 million, and the payment balance remaining as of the end of February 2006 was ¥69,802 million) and an outbound service contract*12 (under which the total payment was not determined) with BB Call Corp., for its call center operations. On March 9, 2006, SOFTBANK BB Corp., JAPAN TELECOM CO., LTD., and BB Call Corp. entered into a new consignment contract, whereby the above contracts were invalidated. Under the new contract, the contract period is from March 2006 to February 2015, and the total amount to be paid by SOFTBANK BB Corp. and JAPAN TELECOM CO., LTD., to BB Call Corp. is changed from payment per fixed number of committed booths, as in the previous contract, to payment per work hours of service personnel.

Also, JAPAN TELECOM CO., LTD., entered into lease contracts for the procurement of outbound operation facilities and a lease contract for a part of the communication facilities. (The total payment for the period from 2004 to 2011 is ¥110,930 million, and the remaining payment balance stipulated in the contract for procurement of outbound operation facilities was ¥19,788 million as of the end of February 2006. As for the lease contract for communication facilities, BB Call Corp. transferred it to another company in June 2005). JAPAN TELECOM CO., LTD., purchased for ¥16,498 million the leased assets under the contract for the procurement of outbound operation facilities, and the relevant contract was invalidated.

*11 Inbound services: Customer support activities, using telephone, e-mail, and other communication media, related to the services provided to existing and potential customers by consolidated subsidiaries of the Company.

*12 Outbound services: Marketing activities, using telephone, e-mail, and other communication media, to promote services that consolidated subsidiaries of the Company provide or will provide in the future to existing and potential customers.

(4) Acquisition of Vodafone K.K. and Business Alliance with Yahoo Japan Corporation Regarding Mobile Operations

On March 17, 2006, the Company and BB Mobile Corp., entered into an agreement with Vodafone International Holdings B.V., Vodafone International Inc., and Vodafone Europe B.V., for the acquisition of Vodafone K.K. The details of the acquisition of Vodafone K.K. in accordance with this agreement are provided in the Subsequent Events section of the notes to consolidated financial statements.

As of the same date, the Company and Yahoo Japan Corporation agreed on a business alliance in mobile operations, including a portal site for mobile terminals offering comprehensive services and content.

R&D Activities

The Company spent ¥3,698 million on R&D during the fiscal year. These expenditures were principally for R&D activities in the Broadband Infrastructure and Fixed-line Telecommunication segments.

(1) Major research themes in broadband infrastructure business
1. Verification and development of next-generation visual image transmission technologies
2. Comprehensive study regarding direct connection VDSL business
3. Verification and development of mobile communication technology
4. R&D on wireless LAN systems
5. Verification of VoIP Gate Way IP PBX
6. FMC related R&D
7. Fiberoptic cable related R&D
8. Verification and development of next-generation xDSL technology

(2) Major research themes in fixed-line telecommunication business
1. R&D targeting the realization of the ubiquitous information age
2. R&D on next-generation networks
3. R&D on security services

Consolidated Balance Sheets

SOFTBANK CORP. AND ITS SUBSIDIARIES   March 31, 2005 and 2006

ASSETS	Millions of yen 2005	Millions of yen 2006	Thousands of U.S. dollars (Note 4) 2006
Current assets:			
Cash and deposits (Notes 13 and 27)	¥ 287,979	¥ **446,306**	$ **3,799,321**
Notes and accounts receivable – trade (Notes 7 and 13)	168,263	**188,921**	**1,608,252**
Marketable securities (Notes 11 and 27)	39,404	**4,373**	**37,225**
Inventories (Note 8)	47,225	**50,597**	**430,724**
Deferred tax assets (Note 18)	3,025	**14,107**	**120,090**
Other current assets (Note 31)	67,542	**48,250**	**410,744**
Less: allowance for doubtful accounts	(7,320)	**(7,424)**	**(63,202)**
Total current assets	606,118	**745,130**	**6,343,154**
Property and equipment, net (Notes 3, 9, 13 and 29):			
Buildings and structures	56,860	**57,304**	**487,822**
Telecommunications equipment	198,599	**194,970**	**1,659,745**
Telecommunications service lines	99,133	**91,725**	**780,835**
Land	19,397	**19,405**	**165,190**
Construction-in-progress	49,355	**27,876**	**237,302**
Others	28,374	**27,326**	**232,618**
Total property and equipment	451,718	**418,606**	**3,563,512**
Intangible assets, net:			
Goodwill (Note 27)	48,313	**44,137**	**375,728**
Other intangibles	56,732	**59,143**	**503,477**
Total intangible assets	105,045	**103,280**	**879,205**
Investments and other assets:			
Investment securities (Notes 11 and 13)	313,544	**269,834**	**2,297,045**
Investments in non-consolidated subsidiaries and affiliates (Notes 5, 10, 13 and 27)	120,898	**194,817**	**1,658,438**
Deferred tax assets (Note 18)	40,472	**25,040**	**213,156**
Other assets (Note 29)	75,728	**61,241**	**521,336**
Less: allowance for doubtful accounts	(8,669)	**(9,549)**	**(81,287)**
Total investments and other assets	541,973	**541,383**	**4,608,688**
Total assets	¥1,704,854	**¥1,808,399**	**$15,394,559**

The accompanying notes are an integral part of these consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2005	2006	Thousands of U.S. dollars (Note 4) 2006
Current liabilities:			
Accounts payable – trade (Note 13)	¥ 63,684	¥ **60,433**	$ **514,453**
Short-term borrowings (Notes 12 and 13)	135,245	**167,301**	**1,424,205**
Commercial paper (Note 12)	15,500	**10,400**	**88,533**
Current portion of long-term debt (Notes 12 and 13)	94,088	**62,093**	**528,587**
Accounts payable – other and accrued expenses (Notes 13 and 31)	228,264	**114,123**	**971,507**
Income taxes payable (Note 18)	21,601	**29,138**	**248,046**
Deferred tax liabilities (Note 18)	527	**—**	**—**
Cash receipts as collateral (Note 14)	100,000	**100,000**	**851,283**
Other current liabilities (Notes 6 and 15)	31,887	**46,565**	**396,396**
Total current liabilities	690,796	**590,053**	**5,023,010**
Long-term liabilities:			
Long-term debt (Notes 12 and 13)	609,085	**665,499**	**5,665,266**
Deferred revenue (Notes 6 and 15)	—	**41,840**	**356,178**
Deferred tax liabilities (Note 18)	57,419	**48,642**	**414,083**
Accrued retirement benefits (Note 17)	17,360	**17,280**	**147,101**
Other liabilities (Notes 13 and 31)	83,233	**100,971**	**859,545**
Total long-term liabilities	767,097	**874,232**	**7,442,173**
Total liabilities	1,457,893	**1,464,285**	**12,465,183**
Minority interest in consolidated subsidiaries	68,944	**101,346**	**862,740**
Shareholders' equity (Note 19):			
Common stock			
Authorized: 3,600,000,000 shares			
Issued: 351,498,126 shares in 2005 and 1,055,231,478 shares in 2006	162,398	**162,917**	**1,386,877**
Pre-stock issuance paid-in capital	—	**6**	**48**
Additional paid-in capital	186,784	**187,303**	**1,594,476**
Accumulated deficit	(273,362)	**(218,561)**	**(1,860,570)**
Net unrealized gain on other securities (Note 11)	136,662	**129,051**	**1,098,591**
Net unrealized loss on derivative instruments (Note 3)	(41,057)	**(36,841)**	**(313,620)**
Foreign currency translation adjustments	6,698	**19,063**	**162,280**
Less:			
Treasury stock: 40,956 shares in 2005 and 149,391 shares in 2006	(106)	**(170)**	**(1,446)**
Total shareholders' equity	178,017	**242,768**	**2,066,636**
Contingent liabilities (Note 30)			
Total liabilities and shareholders' equity	¥1,704,854	**¥1,808,399**	**$15,394,559**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Operations

SOFTBANK CORP. AND ITS SUBSIDIARIES For the years ended March 31, 2005 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2005	2006	2006
Net sales (Notes 3, 6, 15 and 33)	¥837,018	¥1,108,665	$9,437,860
Cost of sales (Notes 3 and 33)	547,402	723,812	6,161,679
Gross profit	289,616	384,853	3,276,181
Selling, general and administrative expenses (Notes 3, 6, 20 and 33)	314,975	322,554	2,745,838
Total operating (loss) income (Note 33)	(25,359)	62,299	530,343
Non-operating income (expenses):			
Interest income	2,398	2,136	18,185
Interest expense	(22,972)	(27,006)	(229,893)
Equity in earnings under the equity method, net	5,425	9,522	81,056
Foreign exchange loss, net	(4,041)	(6,321)	(53,807)
Payment for capital lease assets to be used (Note 29)	(841)	(7,898)	(67,231)
Gain on sale of investment securities, net (Note 21)	56,040	171,784	1,462,365
Dilution gain from changes in equity interest, net	25,201	21,806	185,631
Valuation loss on investment securities	(7,162)	(7,188)	(61,194)
Loss on contract revision relating to sales operation change (Note 22)	—	(25,496)	(217,039)
Impairment loss in fixed-line telecommunication business (Note 25)	—	(18,052)	(153,677)
Restructuring charge relating to BBTV business (Notes 23 and 25)	—	(14,750)	(125,564)
Penalty for unfulfilled contract commitment (Note 24)	(6,148)	(3,565)	(30,350)
Refinance arrangement fee	—	(3,154)	(26,847)
Bond covenant amendment fee	(4,071)	—	—
Provision for doubtful accounts	(2,473)	—	—
Office relocation expenses	(2,266)	—	—
Other, net (Notes 14 and 25)	(23,280)	(24,633)	(209,704)
(Loss) income before income taxes and minority interest	(9,549)	129,484	1,102,274
Income taxes (Note 18):			
Current	(34,740)	(40,753)	(346,925)
Refunded	2,897	—	—
Deferred	21,964	(1,838)	(15,645)
	(9,879)	(42,591)	(362,570)
Minority interest	(40,444)	(29,342)	(249,787)
Net (loss) income	¥ (59,872)	¥ 57,551	$ 489,917

	Yen		U.S. dollars (Note 4)
	2005	2006	2006
Net (loss) income per share (Note 26):			
- Basic	¥(171.03)	¥54.36	$0.46
- Diluted (see note below)	—	50.71	0.43

Note: Diluted net income per share in 2005 is not disclosed due to the loss position.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

SOFTBANK CORP. AND ITS SUBSIDIARIES For the years ended March 31, 2005 and 2006

Millions of yen

	Number of shares issued and outstanding	Common stock	Pre-stock issuance paid-in capital	Additional paid-in capital	Accumulated deficit	Net unrealized gain on other securities	Net unrealized loss on derivative instruments	Foreign currency translation adjustments	Treasury stock	Total
Balance at March 31, 2004	351,404,096	¥162,304	¥—	¥186,690	¥(210,626)	¥105,198	¥ (9,463)	¥ 4,044	¥ (66)	¥238,081
Net loss	—	—	—	—	(59,872)	—	—	—	—	(59,872)
Cash dividends	—	—	—	—	(2,460)	—	—	—	—	(2,460)
Bonuses to directors (see note (1) below)	—	—	—	—	(177)	—	—	—	—	(177)
Net adjustments to accumulated deficit due to changes in the scope of the consolidation (see note (2) below)	—	—	—	—	(97)	—	—	—	—	(97)
Increase due to merger	—	—	—	—	17	—	—	—	—	17
Decrease due to merger	—	—	—	—	(147)	—	—	—	—	(147)
Exercise of warrants	61,300	94	—	94	—	—	—	—	—	188
Increase in net unrealized gain on other securities (Note 11)	—	—	—	—	—	31,464	—	—	—	31,464
Increase in net unrealized loss on derivative instruments	—	—	—	—	—	—	(31,594)	—	—	(31,594)
Foreign currency translation adjustments	—	—	—	—	—	—	—	2,654	—	2,654
Acquisition of treasury stock (Note 19)	(8,226)	—	—	—	—	—	—	—	(40)	(40)
Balance at March 31, 2005	351,457,170	¥162,398	¥—	¥186,784	¥(273,362)	¥136,662	¥(41,057)	¥ 6,698	¥(106)	¥178,017
Net income	—	—	—	—	57,551	—	—	—	—	57,551
Cash dividends (Note 19)	—	—	—	—	(2,460)	—	—	—	—	(2,460)
Bonuses to directors (see note (1) below)	—	—	—	—	(87)	—	—	—	—	(87)
Net adjustments to accumulated deficit due to changes in the scope of the consolidation (see note (2) below)	—	—	—	—	13	—	—	—	—	13
Decrease due to merger	—	—	—	—	(216)	—	—	—	—	(216)
Exercise of warrants	590,100	519	—	519	—	—	—	—	—	1,038
Cash receipt before stock issuance (Note 19)	—	—	6	—	—	—	—	—	—	6
Stock split (Note 19)	703,143,252	—	—	—	—	—	—	—	—	—
Decrease in net unrealized gain on other securities (Note 11)	—	—	—	—	—	(7,611)	—	—	—	(7,611)
Increase in net unrealized loss on derivative instruments	—	—	—	—	—	—	4,216	—	—	4,216
Foreign currency translation adjustments	—	—	—	—	—	—	—	12,365	—	12,365
Acquisition of treasury stock (Note 19)	(108,435)	—	—	—	—	—	—	—	(64)	(64)
Balance at March 31, 2006	**1,055,082,087**	**¥162,917**	**¥ 6**	**¥187,303**	**¥(218,561)**	**¥129,051**	**¥(36,841)**	**¥19,063**	**¥(170)**	**¥242,768**

Thousands of U.S. dollars (Note 4)

	Number of shares issued and outstanding	Common stock	Pre-stock issuance paid-in capital	Additional paid-in capital	Accumulated deficit	Net unrealized gain on other securities	Net unrealized loss on derivative instruments	Foreign currency translation adjustments	Treasury stock	Total
Balance at March 31, 2005	351,457,170	$1,382,458	$ —	$1,590,057	$(2,327,082)	$1,163,382	$(349,507)	$ 57,018	$ (903)	$1,515,423
Net income	—	—	—	—	489,917	—	—	—	—	489,917
Cash dividends (Note 19)	—	—	—	—	(20,943)	—	—	—	—	(20,943)
Bonuses to directors (see note (1) below)	—	—	—	—	(739)	—	—	—	—	(739)
Net adjustments to accumulated deficit due to changes in the scope of the consolidation (see note (2) below)	—	—	—	—	111	—	—	—	—	111
Decrease due to merger	—	—	—	—	(1,834)	—	—	—	—	(1,834)
Exercise of warrants	590,100	4,419	—	4,419	—	—	—	—	—	8,838
Cash receipt before stock issuance (Note 19)	—	—	48	—	—	—	—	—	—	48
Stock split (Note 19)	703,143,252	—	—	—	—	—	—	—	—	—
Decrease in net unrealized gain on other securities (Note 11)	—	—	—	—	—	(64,791)	—	—	—	(64,791)
Increase in net unrealized loss on derivative instruments	—	—	—	—	—	—	35,887	—	—	35,887
Foreign currency translation adjustments	—	—	—	—	—	—	—	105,262	—	105,262
Acquisition of treasury stock (Note 19)	(108,435)	—	—	—	—	—	—	—	(543)	(543)
Balance at March 31, 2006	**1,055,082,087**	**$1,386,877**	**$ 48**	**$1,594,476**	**$(1,860,570)**	**$1,098,591**	**$(313,620)**	**$162,280**	**$(1,446)**	**$2,066,636**

Notes: (1) In accordance with accounting principles generally accepted in Japan, bonuses to directors, to be appropriated in accordance with a resolution of the shareholders at an ordinary meeting held subsequent to the fiscal year-end, are recorded in the consolidated statements of changes in shareholders' equity in the fiscal year in which the resolution was passed.

(2) In accordance with accounting principles generally accepted in Japan, the cumulative effect arising from any changes in the scope of the consolidation (as described in Note 5) is treated as an adjustment to retained earnings in the consolidated statement of changes in shareholders' equity.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

SOFTBANK CORP. AND ITS SUBSIDIARIES For the years ended March 31, 2005 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2005	2006	2006
Cash flows from operating activities:			
(Loss) income before income taxes and minority interest	¥ (9,549)	¥ 129,484	$ 1,102,274
Adjustments to reconcile (loss) income before income taxes and minority interest to net cash (used in) provided by operating activities:			
Depreciation and amortization	66,417	80,418	684,582
Impairment loss	—	36,479	310,538
Equity in earnings under the equity method, net	(5,425)	(9,522)	(81,056)
Dilution gain from changes in equity interest, net	(25,201)	(21,806)	(185,631)
Valuation loss on investments	7,162	7,188	61,194
Gain on sale of marketable and investment securities, net	(56,049)	(171,865)	(1,463,054)
Foreign exchange loss, net	5,325	5,498	46,801
Interest and dividend income	(2,863)	(2,403)	(20,456)
Interest expense	22,972	27,006	229,893
Changes in operating assets, liabilities and others			
Increase in receivables – trade	(15,854)	(23,333)	(198,632)
Increase in payables – trade	2,373	4,331	36,872
Increase in deferred revenue (Notes 6 and 15)	—	40,000	340,512
Increase in other receivables	(70,813)	(9,865)	(83,975)
Increase (decrease) in other payables	97,096	(26,774)	(227,921)
Other, net	(15,843)	40,525	344,981
Sub-total	(252)	105,361	896,922
Interest and dividends received	2,506	3,302	28,105
Interest paid	(17,924)	(22,332)	(190,111)
Income taxes paid, net of refund	(30,319)	(28,525)	(242,823)
Net cash (used in) provided by operating activities	(45,989)	57,806	492,093
Cash flows from investing activities:			
Purchase of property and equipment and intangibles	(90,943)	(189,490)	(1,613,093)
Purchase of marketable and investment securities	(29,582)	(88,480)	(753,213)
Proceeds from sale of marketable and investment securities	57,099	178,022	1,515,471
Acquisition of interests in subsidiaries newly consolidated, net of cash acquired (Note 27)	(172,320)	(4,526)	(38,527)
Sale of interests in subsidiaries previously consolidated, net (Note 27)	34,840	39,827	339,037
Proceeds from sale of interests in consolidated subsidiaries	8,110	29,232	248,848
Increase in loan receivables	(21,388)	(17,425)	(148,336)
Collection of loans	9,106	16,584	141,176
Purchase of business rights and others (Note 27)	(13,113)	—	—
Proceeds from sale of modem rental business (Notes 6 and 15)	—	45,000	383,076
Other, net	(24,753)	19,108	162,661
Net cash (used in) provided by investing activities	(242,944)	27,852	237,100
Cash flows from financing activities:			
Increase in short-term borrowings, net	53,468	32,043	272,779
Increase (decrease) in commercial paper, net	4,500	(5,100)	(43,415)
Proceeds from long-term debt	166,400	125,550	1,068,784
Repayment of long-term debt	(192,837)	(158,212)	(1,346,827)
Proceeds from issuance of bonds	153,378	91,849	781,895
Redemption of bonds	(36,124)	(53,548)	(455,841)
Proceeds from issuance of shares	188	1,038	8,839
Proceeds from issuance of shares to minority shareholders	30,299	1,620	13,788
Proceeds from issuance of shares through public offering and allocation to a third party in SOFTBANK INVESTMENT CORPORATION	51,362	—	—
Redemption of preferred shares held by minority shareholder	(33,909)	—	—
Cash dividends paid	(2,457)	(2,457)	(20,912)
Cash dividends paid to minority shareholders	(2,160)	(2,442)	(20,792)
Increase in cash receipts as collateral, net	90,000	—	—
Other, net	(4,337)	(263)	(2,249)
Net cash provided by financing activities	277,771	30,078	256,049
Effect of exchange rate changes on cash and cash equivalents	1,473	10,906	92,838
Net (decrease) increase in cash and cash equivalents	(9,689)	126,642	1,078,080
Increase in cash and cash equivalents due to newly consolidated companies	12	—	—
Decrease in cash and cash equivalents due to exclusion of previously consolidated entities	(107,529)	(143)	(1,214)
Increase in cash and cash equivalents due to merger	268	—	—
Cash and cash equivalents at the beginning of the year	437,133	320,195	2,725,757
Cash and cash equivalents at the end of the year (Note 27)	¥ 320,195	¥ 446,694	$ 3,802,623

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization and nature of business

SOFTBANK CORP. (hereafter the "Company") was incorporated in September 1981 in Japan. The Company and its consolidated subsidiaries and affiliates (hereafter the "Group") are involved in the following businesses.

- **Broadband Infrastructure:** ADSL and fiber-optic high-speed Internet connection service, IP telephony service, provision of content and other operations
- **Fixed-line Telecommunications:** Fixed-line telecommunications such as voice transmission service, data transmission service and private leased circuit
- **e-Commerce:** Distribution of PC software and such hardware as PCs and peripherals, enterprise solutions, and diversified e-commerce businesses, including business transaction platform (B2B) and consumer-related e-commerce (B2C)
- **Internet Culture:** Internet-based advertising operations, broadband portal business, and Internet-based auction business
- **Others:**
  - > Broadmedia: Supporting for procurement of contents for broadband service such as broadcasting and communications
  - > Technology Services: System solution business and business solution business
  - > Media & Marketing: Book and magazine publication in such areas as PCs, the Internet, entertainment, etc., and development of web content specializing in IT
  - > Overseas Funds: U.S.- and Asia-focused global venture capital business with a main focus on Internet-related companies
  - > Other Businesses: Leisure and service business, holding company functions for overseas operations, and back-office services in Japan

2. Basis of presenting the consolidated financial statements

The Company and its subsidiaries in Japan maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan ("Japanese GAAP") while its foreign subsidiaries maintain their records and prepare their financial statements in conformity with generally accepted accounting principles in their respective countries of domicile. The accompanying consolidated financial statements of the Group are an English translation of the Japanese consolidated financial statements of the Group, which have been prepared in accordance with Japanese GAAP, which are different in certain respects to the application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements incorporate certain reclassifications and rearrangements in order to present them in a form that is more familiar to readers outside Japan. In addition, the notes of the consolidated financial statements include information that is not required under Japanese GAAP, but which is provided herein as additional information for the benefit of readers outside Japan. None of the reclassifications or rearrangements has a material effect on the consolidated financial statements.

3. Summary of significant accounting policies

(1) Consolidation and investments in affiliates

The accompanying consolidated financial statements include the accounts of the Company and those of its subsidiaries that are controlled by the Company. Under the effective control approach, all majority-owned companies are to be consolidated. Additionally, companies in which share ownership equals 50% or less may be required to be consolidated in cases where such companies are effectively controlled by the Company or controlled through the interests held by a party who has a close relationship with the Company in accordance with Japanese GAAP.

Inter-company transactions and accounts and unrealized inter-company profits are eliminated upon consolidation, and the portion thereof attributable to minority shareholders is credited or charged to them.

Investments in affiliates over which the Company and its consolidated subsidiaries have significant influence are accounted for under the equity method. Consolidated income includes the Company's and its consolidated subsidiaries' current equity in the net income of affiliates, after elimination of unrealized inter-company profits.

The excess of cost over the underlying net equity of investments in consolidated subsidiaries and affiliates accounted for under the equity method is recognized as goodwill and is amortized on a straight-line basis over reasonably estimated periods, in which economic benefits are expected to be realized, except for the goodwill held by consolidated subsidiaries in the United States of America that have adopted Statement of Financial Accounting Standards ("SFAS") No.142, "Goodwill and Other Intangible Assets," which is not amortized but rather subject to annual impairment tests.

Certain consolidated subsidiaries have a fiscal year ending on December 31, while the Company's fiscal year ends on March 31. For consolidation purposes, the fiscal year of these subsidiaries ending December 31 has been used, with adjustments being made for significant transactions taking place in the intervening period.

(2) Translation of foreign currency transactions and accounts

Foreign currency transactions are generally translated using the foreign exchange rates prevailing at the respective transaction dates. All assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates prevailing at the respective balance sheet dates. Foreign exchange gains or losses are credited or charged to current income when incurred.

Revenues and expenses of foreign consolidated subsidiaries are translated into Japanese yen, the reporting currency, using the average foreign exchange rates for the period. Assets and liabilities are translated into Japanese yen using the foreign exchange rates prevailing at the balance sheet dates, and capital stock is translated using historical rates.

Foreign currency translation adjustments are presented as a separate component of "Shareholders' equity," except for the portion pertaining to minority shareholders, which is included in "Minority interest in consolidated subsidiaries."

(3) Inventories

Inventories held by the Company and its consolidated subsidiaries are stated mainly at cost, where cost is determined primarily using the moving-average method.

(4) Allowance for doubtful accounts

Allowance for doubtful accounts is calculated based on the aggregate amount of estimated credit losses on doubtful receivables, plus an amount for receivables other than doubtful receivables calculated using historical experience of write-off ratios.

(5) Depreciation and amortization

Property and equipment are carried at cost less accumulated depreciation.

Buildings and structures are depreciated primarily using the straight-line method. Telecommunications equipment and telecommunications service lines are depreciated using the straight-line method. Other property and equipment are depreciated primarily using the straight-line method for Broadband Infrastructure and Fixed-line Telecommunications segments and Corporate assets. For other segments, other property and equipment are depreciated primarily using the declining balance method for other segments.

Transmitters, exchangers and power supply facilities of JAPAN TELECOM CO., LTD. had primarily been depreciated over a period of six years. Effective from April 1, 2005, the Company changed the estimated useful life of a portion of the equipment, which is included in "Telecommunications equipment" in the Company's consolidated balance sheets, to ten years based on a reassessment of the assets' operational lives taking into consideration of the years of service provided by the equipment, technological innovation cycles in the telecommunications industry and other relevant factors. As a result, the depreciation expense included in cost of sales decreased by ¥14,126 million ($120,250 thousand). Operating income and income before income taxes and minority interest increased by the same amount for the fiscal year ended March 31, 2006 as compared with the amounts which would have been recognized if the previous estimated useful life had been used. The effect of the change in accounting policy on segment information is disclosed in "Segment information."

The depreciation method of assets used internally by the Company, SOFTBANK BB Corp., and another subsidiary (mainly fixtures and equipment presented as "Buildings and structures" and "Others" in "Property and equipment, net") has been changed from the declining balance method to the straight-line method. The Company relocated its headquarters to the Tokyo Shiodome Building in fiscal year 2005 and purchased a large number of assets internally used in the Company, SOFTBANK BB Corp. and other subsidiaries. Based on a reassessment of expense allocation, the change of the depreciation method has been made because the straight line method represents a more appropriate allocation of expenses, while equally recording the depreciation expense for each period to reflect the decline in usefulness of property and equipment from period to period. As a result, for the fiscal year ended March 31, 2006, cost of goods sold and selling, general and administrative expense decreased by ¥318 million ($2,704 thousand) and ¥706 million ($6,007 thousand), respectively. Operating income and income before income taxes and minority interest increased by ¥1,024 million ($8,711 thousand) as compared to the amounts that would have been recognized if the declining balance method had been applied. The effect of the change in accounting policy on segment information is disclosed in "Segment information."

Intangible assets are amortized using the straight-line method over their estimated useful lives.

The Company's consolidated subsidiaries in the United States of America applied SFAS No.142, "Goodwill and Other Intangible Assets." Under SFAS No.142, goodwill and certain other intangible assets that are determined to have an indefinite life are no longer amortized, but rather are tested for impairment on an annual basis, and between annual tests when events occur or circumstances change that would more likely than not reduce the fair value below its carrying amounts.

Beginning April 1, 2005, the accounting policy for network line construction expenses has been changed to capitalize the expenses as non-current assets which were previously recognized as selling, general and administrative expense. The capitalized network line construction expenses relate to cost incurred for each individual network set up prior to network activation. This change in accounting policy is considered a more appropriate way to reflect the allocation of such network line construction costs over the period of future economic benefit. As a result, for the fiscal year ended March 31, 2006, cost of goods sold increased by ¥29 million ($245 thousand) and selling, general and administrative expense decreased by ¥3,269 million ($27,831 thousand). Operating income and income before income taxes and minority interest increased by ¥3,240 million ($27,586 thousand) as compared to the amounts that would have been recognized under the original method. The effect of the change in accounting policy on segment information is disclosed in "Segment information."

As mentioned above, three changes in accounting policies; (a) Change in estimated useful life of equipment in fixed-line telecommunication business; (b) Change in method of depreciation of other property and equipment; and (c) Change in accounting policy for network line construction expenses, were made. In aggregate, operating income and income before income taxes and minority interest increased by ¥18,390 million ($156,547 thousand) as compared to the amounts that would have been recognized under the original method. The effects of the changes in accounting policies on segment information are disclosed in "Segment information."

(6) Investments in debt and equity securities

Investments in debt and equity securities are classified into three categories: 1) trading securities; 2) held-to-maturity debt securities; and 3) other securities, which are substantially similar to available-for-sale securities, as defined in International Accounting Standard No.39, "Available-for-Sale Financial Assets." These categories are treated differently for the purposes of measuring and accounting for changes in fair value of the securities.

Trading securities held for the purpose of generating profits from changes in market value are recognized at their fair value in the consolidated balance sheets. Unrealized gains and losses are included in current income. Held-to-maturity debt securities are expected to be held to maturity and are recognized at historical or amortized cost in the consolidated balance sheets. Securities classified as other than trading securities and held-to-maturity debt securities are recognized at fair value in the consolidated balance sheets. Unrealized gains and losses, net of tax, on these other securities are reported as a separate component of "Shareholders' equity." Declines in the value of other securities and unlisted securities that are deemed to be other than temporary are reflected in current income.

In addition, debt and equity securities held and classified as available-for-sale securities by consolidated subsidiaries in the United States of America are reported at fair value with unrealized gains and losses, net of tax, being included as "Net unrealized gain on other securities," a separate component of "Shareholders' equity" in accordance with SFAS No.115, "Accounting for Certain Investments in Debt and Equity Securities."

(7) Retirement benefits

The Company and most of its domestic consolidated subsidiaries have defined contribution pension plans.

The Company and most of its domestic consolidated subsidiaries also participate in a multi-employer contributory defined benefit welfare pension plan (the "welfare pension plan"). The welfare pension plan is funded in conformity with the funding requirements of the Japanese Welfare Pension Insurance Law, and includes a portion relating to the governmental welfare pension program and other portion into which contributions are made by the respective companies and their employees.

Contributions made by the Company and most of its domestic consolidated subsidiaries into both pension plans, as described in the previous two paragraphs, are expensed when paid.

Certain domestic consolidated subsidiaries, mainly JAPAN TELECOM CO., LTD., have defined benefit pension plans. The liability for these companies' retirement benefits, based on the projected benefit obligations, is included in "Accrued retirement benefits" in the consolidated balance sheets.

(8) Appropriation of retained earnings

Appropriations of retained earnings reflected in the accompanying consolidated financial statements have been recorded after the approval of the shareholders as required under the Commercial Code of Japan.

(9) Change in presentation of "Revenue from financial business" and "Financial business expenses"

"Revenue from financial business" and "Financial business expenses," which were separately disclosed by the year ended March 31, 2005, were included in "Net sales," "Cost of sales" and "Selling, general and administrative expenses," respectively, from the fiscal year ended March 31, 2006 due to decreased significance following the change of SBI Holdings, Inc. (former SOFTBANK INVESTMENT CORPORATION) from a consolidated subsidiary to an equity method affiliate. For the year ended March 31, 2005, the amount of "Revenue from financial business" were ¥75,287 and "Financial business expense" were ¥54,372 of which ¥17,095 were reclassified to "Cost of sales" and ¥37,277 were reclassified to "Selling, general and administrative expenses," respectively, in the current year presentation.

(10) Impairment loss

The Company applied "Accounting Standards for Impairment on Fixed Assets" ("Opinions Concerning Establishment of Accounting Standards for Impairment of Fixed Assets" issued on August 9, 2002 by the Business Accounting Council in Japan), and "Application Guideline for Accounting Standards for Impairment of Fixed Assets" (Financial Accounting Standards Implementation Guideline No. 6 issued on October 31, 2003) from the fiscal year ended March 31, 2006. These standards have been effective from the fiscal years beginning April 1, 2005.

As a result of the application of these standards and guideline, for the fiscal year ended March 31, 2006, the Company recorded an impairment loss of ¥36,479 million ($310,538 thousand). As a result, operating expense and Non-operating expense decreased by ¥492 million ($4,187 thousand) and ¥37 million ($313 thousand), respectively. Operating income increased by ¥492 million ($4,187 thousand), and income before income taxes and minority interest decreased ¥35,950 million ($306,038 thousand). The Company disclosed the amount of fixed assets after deducting the accumulated impairment loss. Balance of allowance for impairment loss on lease assets was included in "Other liabilities."

(11) Income taxes

Provision for income taxes is computed based on income before income taxes and minority interest in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

A valuation allowance is established against deferred tax assets to the extent that it is more likely than not that the deferred tax assets may not be realized within the foreseeable future.

(12) Net income (loss) per share

Net income (loss) per share (basic and diluted) is computed based on the weighted-average number of shares of common stock issued and outstanding during each fiscal year, taking into account potentially dilutive common stock equivalents, such as bonds with warrants and warrants, during the relevant years.

Bonuses to directors, to be appropriated at an ordinary shareholders' meeting held subsequent to fiscal year-end, are reflected in the calculation of net income (loss) per share as if bonuses to directors were charged to operations in the current fiscal year.

Per share information is disclosed in Note 26, "Per share data."

(13) Scope of cash and cash equivalents in the consolidated statements of cash flows

"Cash and cash equivalents" comprise cash on hand, demand deposits at banks and highly liquid investments with initial maturities of three months or less and a low risk of fluctuation in value.

(14) Derivatives

The Company and its domestic consolidated subsidiaries entered into forward exchange contracts, currency and interest rate swaps, and interest cap transactions for the year ended March 31, 2005 and 2006 and forward exchange contracts and interest rate swap transactions existed as of March 31, 2006 to hedge against adverse fluctuations in foreign currency exchange rates and interest rates. These derivative instruments are recognized as either assets or liabilities at their respective fair values at the balance sheet dates. The Company and its domestic consolidated subsidiaries that do not apply hedge accounting on such derivative instruments recognize gains and losses arising from changes in fair values in current income. The domestic consolidated subsidiaries that apply hedge accounting defer recognition of gains and losses resulting from fluctuations in fair value of derivative instruments as assets or liabilities until the maturity of the hedged transactions.

The consolidated subsidiary in the United States of America has entered into a variable share prepaid forward contract (the "collar transaction") utilizing its shares of an equity security. The purpose of this collar transaction is to hedge the variability of cash flows associated with the future market price of the underlying security, which is used for the settlement of loans at their maturity. The subsidiary applies SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" for this derivative instrument, and has designated the instrument as a cash flow hedge. According to SFAS No. 133, unrealized gains and losses, net of tax, on the effective portion of the cash flow hedge as defined are reported as a separate component of "Shareholders' equity" until gains and losses on the hedged item are recognized in earnings.

The Company and its consolidated subsidiaries are exposed to credit-related losses in the event of non-performance by counter parties to derivative financial instruments. However, it is not expected that any counter parties will fail to meet their obligations since they are all creditworthy financial institutions.

(15) Leases

Under Japanese GAAP, capital leases, as defined therein, other than those whereby ownership of the assets is transferred to the lessee at the end of the lease term, are permitted to be accounted for as operating leases with a footnote disclosure of the estimated acquisition cost, estimated accumulated depreciation and future lease payments or receipts.

Foreign subsidiaries account for capital leases as assets and obligations at an amount equal to the present value of the lease payments during the lease term.

4. U.S. dollar amounts

The Company maintains its accounting records in Japanese yen. U.S. dollar amounts presented in the accompanying consolidated financial statements and notes thereto are included solely for the convenience of readers outside Japan, and represent the arithmetical result of translating Japanese yen into U.S. dollars at the rate of ¥117.47 = US$1, the effective rate of exchange at March 31, 2006. These translations should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into U.S. dollar amounts, at that or any other rate.

5. Changes in scope of consolidation

As of March 31, 2005 and 2006, the Company consolidated 153 subsidiaries, and excluded from consolidation 13 and 7 subsidiaries, respectively, due to their immateriality in terms of consolidated total assets, sales and revenues, net loss and accumulated deficit.

Changes in the Company's scope of consolidation for the fiscal years ended March 31, 2005 and 2006 were as follows:

Newly consolidated subsidiaries (including partnerships) — 2005

Subsidiary	Reason
JAPAN TELECOM CO., LTD.	Newly acquired
JAPAN TELECOM IDC INC. (former Cable & Wireless IDC Inc.)	Newly acquired
Fukuoka Softbank Hawks Corp. (former the Fukuoka Daiei Hawks)	Newly acquired
Plus 28 other companies	

Subsidiaries (including partnerships) excluded from consolidation — 2005

Subsidiary	Reason
SOFTBANK TECHNOLOGY HOLDINGS CORP.	Merger
BB Call Corp.	Sale of all shares
SOFTBANK INVESTMENT CORPORATION (currently, SBI Holdings Inc.)	Decrease in ownership percentage
E*TRADE SECURITIES Co., Ltd.	Due to exclusion of its parent company, SOFTBANK INVESTMENT CORPORATION (currently, SBI Holdings Inc.) from consolidation
WORLD NICHIEI FRONTIER Securities Co., Ltd.	Due to exclusion of its parent company, SOFTBANK INVESTMENT CORPORATION (currently, SBI Holdings Inc.) from consolidation
Plus 50 other companies	

As of March 31, 2005, the Company had eight non-consolidated subsidiaries and 100 affiliated companies including partnerships accounted for under the equity method.

Other than the above, five non-consolidated subsidiaries and two affiliated companies were not accounted for under the equity method due to their immateriality in terms of consolidated net loss and accumulated deficit.

Newly consolidated subsidiaries (including partnerships)	**2006**
Subsidiary	Reason
SOFTBANK Media Marketing Holdings Corp.	Newly established
SOFTBANK BB Corp.	Newly established due to spin-off
Plus 21 other companies	

Subsidiaries (including partnerships) excluded from consolidation	**2006**
Subsidiary	Reason
SOFTBANK Publishing Inc.	Merger
Tao Bao Holding Limited	Sale of shares
Plus 21 other companies	

As of March 31, 2006, the Company had three non-consolidated subsidiaries and 84 affiliated companies including partnerships accounted for under the equity method.

Other than the above, four non-consolidated subsidiaries and five affiliated companies were not accounted for under the equity method due to their immateriality in terms of consolidated net income and accumulated deficit.

Changes in non-consolidated subsidiaries and affiliated companies including partnerships (hereafter the "Entities") accounted for under the equity method for the fiscal years ended March 31, 2005 and 2006 were as follows:

Entities newly accounted for under the equity method	2005
Subsidiary or affiliate	Reason
SOFTBANK INVESTMENT CORPORATION (currently, SBI Holdings Inc.)	Change from a consolidated subsidiary
All About, Inc.	Newly acquired
CREO CO., LTD.	Newly acquired
Plus 15 other companies	

Thirteen entities were no longer accounted for under the equity method as of March 31, 2005.

Entities newly accounted for under the equity method	**2006**
Subsidiary or affiliate	Reason
ValueCommerce Co., Ltd.	Newly acquired
Plus 14 other companies	

Entities no longer accounted for under the equity method	**2006**
Subsidiary or affiliate	Reason
Morningstar, Inc.	Sale of shares
Yahoo! UK Limited	Sale of shares
Yahoo! France SAS	Sale of shares
Yahoo! Deutschland GmbH	Sale of shares
Yahoo! Korea Corporation	Sale of shares
Plus 31 other companies	

6. Business transfers

Sale of modem rental business relating to reorganization of the broadband business

On November 1, 2005, the Company's wholly-owned subsidiary, SOFTBANK BB Corp. (hereafter "SOFT-BANK BB"), spun off its modem rental business and established BB Modem Rental Yugen Kaisha. (hereafter "BB Modem Rental"). Furthermore, on December 1, 2005, SOFTBANK BB was split into BB TECHNOLOGY Corp. (the surviving company; the name of SOFTBANK BB was changed to this name; hereafter "BB TECH-NOLOGY") to focus on the ADSL business while all other businesses remained with SOFTBANK BB Corp. (newly established company) such as the FTTH business and the e-Commerce business.

On December 8, 2005, BB TECHNOLOGY sold its modem rental business for cash (the sale of all BB Modem Rental's whole ownership interest) to Yugen Kaisha Gemini BB for ¥45,000 million ($383,077 thousand) and the gain on the sale of the business was ¥21,559 million ($183,531 thousand). At the time of the sale, BB TECHNOLOGY also entered into a service agreement with Yugen Kaisha Gemini BB. Since the gain on the sale of the modem rental business is considered to be realized as the service is rendered, the gain was deferred and will be amortized over five years, which is the estimated economic useful life of modem equipment, which was the revenue source of the modem rental operations. For the fiscal year ended March 31, 2006, revenue earned and attributed to recognition of deferred revenue were ¥1,437 million ($12,235 thousand) (a).

Based on the service agreement mentioned above, BB TECHNOLOGY received royalties relating to future revenue from the modem rental business. An advance payment for future royalties was made by Yugen Kaisha Gemini BB totaling ¥40,000 million ($340,512 thousand) and was included in deferred revenue. The deferred revenue will be reversed in conjunction with the recognition of revenue in future periods in proportion to the actual business performance of the ADSL business, such as the number of paying customers. For the fiscal year ended March 31, 2006, royalty fees totaling ¥3,986 million ($33,929 thousand) (b) were recorded as revenue.

The current portion of the total amount of the deferred gain on the sale of the modem rental business and advance royalty amounting to ¥14,096 million ($120,005 thousand) was included in "Other current liabilities" and the non-current portion of the total amount amounting to ¥41,840 million ($356,178 thousand) was reported as "Deferred revenue" in the consolidated balance sheet as of March 31, 2006.

BB TECHNOLOGY received ¥45,000 million ($383,077 thousand) on the sale of the modem rental business and ¥40,000 million ($340,512 thousand) in advance royalties, totaling ¥85,000 million ($723,589 thousand). In the consolidated cash flow statement, those amounts are presented as "Proceeds from sale of modem rental business" and "Increase in deferred revenue," respectively.

BB TECHNOLOGY will continue to offer services to Yugen Kaisha Gemini BB in accordance with the service agreement following the sale of the modem rental business. For the fiscal year ended March 31, 2006, servicing fees of ¥4,208 million ($35,820 thousand) (c), incentive fees of ¥11,839 million ($100,783 thousand) for retaining ADSL service users (d), and incentive fees of ¥9,524 million ($81,074 thousand) for new subscribers based on applications for new subscription, the subscription ratio of Wireless LAN card applicants, and the number of paying customers (e) were recognized as revenue. As a result, BB TECHNOLOGY recorded revenue of ¥30,994 million ($263,841 thousand) (the sum of (a) through (e)) relating to the modem rental business after its sale and incidental expenses relating to the sale of ¥500 million ($4,256 thousand) are included in selling, general and administrative expenses for the fiscal year ended March 31, 2006.

7. Accounts receivable sold

Certain consolidated subsidiaries entered into factoring agreements of accounts receivable related to the e-Commerce business with financial institutions containing a repurchase clause. "Accounts receivable – trade" amounting to ¥7,856 million and ¥8,477 million ($72,166 thousand) at March 31, 2005 and 2006, respectively, have been excluded from the consolidated balance sheets, accordingly.

It is generally permissible under Japanese GAAP to derecognize these sold receivables from the consolidated balance sheets. However, in certain cases, for example, when it is probable that the repurchase clause will be invoked upon the default of an original debtor, the receivable and any related write-down is included in the Company's accounts.

8. Inventories

Inventories at March 31, 2005 and 2006 consisted of the following:

March 31,	Millions of yen 2005	Millions of yen 2006	Thousands of U.S. dollars 2006
Merchandise	¥10,813	**¥11,208**	**$ 95,410**
Transmission supplies	31,147	**35,725**	**304,123**
Other inventories	5,265	**3,664**	**31,191**
Total	¥47,225	**¥50,597**	**$430,724**

9. Accumulated depreciation—property and equipment

Accumulated depreciation at March 31, 2005 and 2006 was ¥625,281 million and ¥603,314 million ($5,135,898 thousand), respectively.

10. Investments in non-consolidated subsidiaries and affiliates

Investments in non-consolidated subsidiaries and affiliates including partnerships at March 31, 2005 and 2006 were accounted for under the equity method and are shown in the table below:

March 31,	Millions of yen 2005	Millions of yen 2006	Thousands of U.S. dollars 2006	(%) Voting rights 2006	(%) Ownership interest percentage 2006
SBI Holdings, Inc. (Former SOFTBANK INVESTMENT CORPORATION)	¥ 45,002	**¥ 67,127**	**$ 571,439**	**26.6**	**26.6**
Alibaba.com Corporation	1,462	**42,180**	**359,069**	**29.9**	**29.9**
ValueCommerce Co., Ltd.	—	**10,152**	**86,422**	**49.8**	**20.6**
M.P.Technologies, Inc.	—	**5,071**	**43,171**	**33.0**	**33.0**
GungHo Online Entertainment Inc.	—	**4,954**	**42,176**	**44.8**	**44.8**
All About, Inc.	2,234	**2,228**	**18,965**	**35.7**	**14.7**
cyber communications inc.	1,436	**1,733**	**14,751**	**26.5**	**26.5**
SOFTBANK US Ventures VI L.P.	25,412	**31,234**	**265,892**	**97.0** (Note)	**—**
SOFTBANK Technology Ventures V L.P.	5,334	**4,604**	**39,196**	**30.3** (Note)	**—**
Morningstar, Inc.	3,462	**—**	**—**	**—**	**—**
Yahoo! Korea Corporation	3,219	**—**	**—**	**—**	**—**
Others	33,337	**25,534**	**217,357**		
Total	¥120,898	**¥194,817**	**$1,658,438**		

Note: Voting rights in these funds represent percentages calculated based on relative size of the Group's funding commitments, as the ownership interest percentages were not determinable due to the fund structure.

11. Investments in debt and equity securities

Most investments in debt and equity securities at March 31, 2005 and 2006 were classified as other securities as described in Note 3 (6). The Company and its consolidated subsidiaries do not hold trading securities at March 31, 2005 and 2006.

The aggregate cost, gross unrealized gain (loss) and market value (carrying value) of other securities at March 31, 2005 and 2006 were as follows:

				Millions of yen
		Gross unrealized		Market value
March 31, 2006	Cost	Gain	(Loss)	(carrying value)
Equity securities	**¥34,810**	**¥202,313**	**¥(2,804)**	**¥234,319**
Other	**60**	**—**	**—**	**60**
Total	**¥34,870**	**¥202,313**	**¥(2,804)**	**¥234,379**

				Thousands of U.S. dollars
		Gross unrealized		Market value
March 31, 2006	Cost	Gain	(Loss)	(carrying value)
Equity securities	**$296,332**	**$1,722,258**	**$(23,872)**	**$1,994,718**
Other	**507**	**—**	**—**	**507**
Total	**$296,839**	**$1,722,258**	**$(23,872)**	**$1,995,225**

				Millions of yen
		Gross unrealized		Market value
March 31, 2005	Cost	Gain	(Loss)	(carrying value)
Equity securities	¥29,924	¥199,513	¥(25)	¥229,412
Debt securities	5,134	7	—	5,141
Other	20	0	—	20
Total	¥35,078	¥199,520	¥(25)	¥234,573

Unlisted investment securities at March 31, 2005 and 2006 had carrying amounts as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2005	**2006**	**2006**
Unlisted other securities:			
Equity securities (excluding over-the-counter stocks)	¥ 16,466	**¥26,760**	**$227,797**
Investments in limited partnerships (see note below)	63,374	**6,494**	**55,283**
Money Management Fund	1,836	**2,960**	**25,194**
Preferred fund certificates	2,000	**2,000**	**17,026**
Designated money trust	—	**1,000**	**8,513**
Mid-term government bonds fund	191	**191**	**1,630**
Foreign debt securities	1,108	**94**	**801**
Investment trust without market quotations	30,389	**—**	**—**
Others	3,011	**329**	**2,801**
Total	¥118,375	**¥39,828**	**$339,045**

Note: Difference between cost and fair value of the investment securities held by limited partnerships at March 31, 2005 and 2006, net of tax, is recorded in "Net unrealized gain on other securities" in the consolidated balance sheets.

The redemption schedule for debt securities with maturity dates subsequent to March 31, 2006 is as follows:

				Millions of yen
	April 1, 2006 to March 31, 2007	April 1, 2007 to March 31, 2011	April 1, 2011 to March 31, 2016	April 1, 2016 and thereafter
Debt securities				
Corporate bonds	¥—	¥94	¥—	¥—
Total	¥—	¥94	¥—	¥—

				Thousands of U.S. dollars
	April 1, 2006 to March 31, 2007	April 1, 2007 to March 31, 2011	April 1, 2011 to March 31, 2016	April 1, 2016 and thereafter
Debt securities				
Corporate bonds	$—	$801	$—	$—
Total	$—	$801	$—	$—

12. Short-term borrowings and long-term debt

(1) "Short-term borrowings" and "Commercial paper" at March 31, 2005 and 2006 consisted of the following:

March 31,	Millions of yen 2005	Millions of yen 2006	Thousands of U.S. dollars 2006
Short-term borrowings principally from banks with interest rates ranging from:			
1.44% to 3.75%	¥135,245	¥ —	$ —
1.38% to 2.83%	—	**167,301**	**1,424,205**
Commercial paper with an interest rate of:			
0.14% to 0.18% per annum	15,500	—	—
0.15% to 0.47% per annum	—	**10,400**	**88,533**

(2) "Long-term debt" outstanding at March 31, 2005 and 2006 consisted of borrowings from financial institutions and corporate bonds, as shown below:

March 31,	Millions of yen 2005	Millions of yen 2006	Thousands of U.S. dollars 2006
Unsecured borrowings from financial institutions:			
Due 2006 to 2011 with interest rates ranging from 1.35% to 9.38%	¥276,779	¥ —	$ —
Due 2007 to 2015 with interest rates ranging from 1.00% to 9.38%	—	**260,370**	**2,216,480**
Unsecured straight bond:			
Due 2005 to 2016 with interest rates ranging from 1.23% to 9.38%	276,364	—	—
Due 2006 to 2016 with interest rates ranging from 0.48% to 9.38%	—	**317,192**	**2,700,196**
Convertible bonds:			
Due 2005 to 2015 with interest rates ranging from 1.50% to 2.00%	150,030	—	—
Due 2006 to 2017 with interest rates ranging from 1.50% to 2.00%	—	**150,030**	**1,277,177**
Subtotal	703,173	**727,592**	**6,193,853**
Less: portion due within one year	(94,088)	**(62,093)**	**(528,587)**
Total long-term debt	¥609,085	**¥665,499**	**$5,665,266**

(3) The aggregate annual maturities of borrowings from financial institutions outstanding at March 31, 2006 were as follows:

For the years ending March 31,	Millions of yen	Thousands of U.S. dollars
2007	**¥ 50,999**	**$ 434,146**
2008	**40,935**	**348,475**
2009	**37,928**	**322,872**
2010	**22,683**	**193,095**
2011 and thereafter	**107,825**	**917,892**
Total	**¥260,370**	**$2,216,480**

(4) The aggregate annual maturities of corporate bonds outstanding at March 31, 2006 were as follows:

For the years ending March 31,	Millions of yen	Thousands of U.S. dollars
2007	**¥ 11,094**	**$ 94,441**
2008	**43,964**	**374,257**
2009	**52,540**	**447,263**
2010	**65,000**	**553,333**
2011 and thereafter	**294,624**	**2,508,079**
Total	**¥467,222**	**$3,977,373**

13. Assets pledged as collateral

Assets pledged as collateral at March 31, 2006 were as follows:

(1) For short-term borrowings and long-term debt

Assets pledged as collateral	Millions of yen	Thousands of U.S. dollars
Cash and deposits	¥ 337	$ 2,868
Notes and accounts receivable – trade	1,061	9,036
Buildings and structures	868	7,385
Telecommunications equipment	1,513	12,884
Land	5,002	42,578
Property and equipment – others	1	5
Investment securities and investments in non-consolidated subsidiaries and affiliates	201,293	1,713,572
Total	¥210,075	$1,788,328

	Carrying amount	
Secured liabilities	Millions of yen	Thousands of U.S. dollars
Accounts payable – trade	¥ 975	$ 8,302
Short-term borrowings	8,209	69,885
Accounts payables – other and accrued expenses	25	216
Long-term debt	119,805	1,019,878
Other long-term liabilities	113	965
Total	¥129,127	$1,099,246

(2) For future lease obligations

The collateral for future lease liabilities of ¥23,846 million ($203,000 thousand) at March 31, 2006, was provided by mortgaging the aggregate of the current and future receivables due from the customers of certain consolidated subsidiaries.

Current receivables, held as collateral for the above future lease liabilities at March 31, 2006, consisted of "Notes and accounts receivable – trade" of ¥10,654 million ($90,694 thousand).

14. Cash receipts as collateral

Cash receipts as collateral from financial institutions, to whom the Company lent shares of its subsidiary under security deposit agreements, are presented as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2005	**2006**	**2006**
Cash receipts as collateral	¥100,000	**¥100,000**	**$851,283**

The Company paid certain amounts calculated using a fixed rate as stock bailment fees and other fees totaling ¥1,692 million and ¥2,859 million ($24,340 thousand) for the fiscal years ended March 31, 2005 and 2006, respectively according to the security deposit agreements, and recorded the fees as other non-operating expenses in the consolidated statements of operations.

15. Deferred revenue

As described in Note 6, on December 2005, BB TECHNOLOGY sold its modem rental business for cash. At the time of sale, BB TECHNOLOGY also entered into a service agreement with Yugen Kaisha Gemini BB. Since the gain on the sale of the modem rental business is considered to be realized as the service is rendered, the gain was deferred and will be amortized over five years, which is the estimated economic useful life of modem equipment, which was revenue source of the modem rental operations. For the year ended March 31, 2006, the Company recorded revenue of ¥1,437 million ($12,235 thousand), as a result of amortization.

Based on the service agreement with BB Modem Rental Yugen Kaisha, BB TECHNOLOGY received royalties relating to future revenue from the modem rental business and recorded as deferred revenue. The deferred revenue will be reversed in conjunction with the recognition of revenue in proportion to the actual business performance of the ADSL business, such as the number of paying customers. For the year ended March 31, 2006, royalty fees totaling ¥3,986 million ($33,929 thousand) was recorded as revenue. Ending balance of deferred revenue as of March 31, 2006 is as follows:

	Millions of yen	Thousands of U.S. dollars
Other current liabilities	**¥14,097**	**$120,005**
Deferred revenue	**¥41,840**	**$356,178**

16. Line of credit as a creditor (not used)

The Company has line of credit contracts mainly with certain affiliates which require the Company's support for their capital demands. On demand from those affiliates, the Company is required to make loans to them. As of March 31, 2005 and 2006, ¥200 million and ¥16,097 million ($137,035 thousand), respectively, remains as unused line of credit mainly by the affiliates.

17. Retirement benefits

The Company and most of its domestic consolidated subsidiaries participate in defined contribution pension plans and the welfare pension plans. Certain domestic consolidated subsidiaries have defined benefit pension plans. Contributions to the defined contribution pension plans for the fiscal years ended March 31, 2005 and 2006 were ¥511 million and ¥592 million ($5,046 thousand), respectively.

On April 1, 2006, JAPAN TELECOM CO., LTD. amended its pension plan by suspending the current defined benefit plan and implementing a new defined contribution plan. The severance payment existed and calculated under current plan as of March 31, 2006 was fixed and will be paid at the retirement of applicable employees. As the result of this amendment, JAPAN TELECOM CO., LTD. expects the projected benefit obligation to decrease by ¥2,575 million ($21,925 thousand) in the fiscal year ending March 31, 2007.

Information on liabilities for retirement benefits was as follows:

Funded status:

	Millions of yen		Thousands of U.S. dollars
March 31,	2005	**2006**	**2006**
Projected benefit obligations	¥17,202	**¥17,280**	**$147,101**
Plan assets at fair value	—	**—**	**—**
Unfunded projected benefit obligations	17,202	**17,280**	**147,101**
Unrecognized actuarial (loss) gain	158	**—**	**—**
Net liability for retirement benefits	17,360	**17,280**	**147,101**
Prepaid pension costs	—	**—**	**—**
Accrued retirement benefits	¥17,360	**¥17,280**	**$147,101**

Note: The fair value of the pooled fund assets of the welfare pension plan at March 31, 2006 belonging to employees of the Company and most of its domestic consolidated subsidiaries amounted to ¥16,592 million ($141,246 thousand).

Composition of net periodic pension costs:

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31,	2005	**2006**	**2006**
Service costs	¥1,714	**¥2,601**	**$22,140**
Interest costs	213	**330**	**2,810**
Expected return on plan assets	(42)	**—**	**—**
Recognized actuarial loss	212	**(645)**	**(5,494)**
Net periodic pension costs	2,097	**2,286**	**19,456**
Contributions	511	**592**	**5,046**
Loss on transfer of pension plans	138	**—**	**—**
Total periodic pension costs	¥2,746	**¥2,878**	**$24,502**

The assumptions used for the actuarial computation of the retirement benefit obligations for the fiscal year ended March 31, 2005 and 2006 were as follows.

	2005	2006
Allocation of projected benefit obligations	The projected unit-credit method	The projected unit-credit method
Discount rate	Primarily 2.0%	Primarily 2.0%
Expected return on plan assets	Primarily 2.5%	—
Amortization of prior service cost	Primarily expensed in the fiscal year incurred	Primarily expensed in the fiscal year incurred
Actuarial gains / losses	Primarily expensed in the fiscal year incurred	Primarily expensed in the fiscal year incurred

18. Income taxes

The Group is subject to a number of different income taxes, which, in aggregate, resulted in a statutory income tax rate in Japan of 40.69% for the years ended March 31, 2005 and 2006, respectively.

The differences between the statutory income tax rate and the income tax rate reflected in the consolidated statements of operations can be reconciled as follows:

	2005	2006
Statutory income tax rate	40.69%	**40.69%**
Reconciliation:		
Dilution gain (loss) from changes in equity interest	111.94	**(3.71)**
Differences related to investments in affiliates	33.81	**(4.35)**
Tax rate differential	17.68	**(2.17)**
Tax deduction for IT industry and others development	—	**(1.27)**
Changes in valuation allowance	(354.40)	**4.21**
Tax reserve reversal in the Company's subsidiary in the United States of America	46.05	**—**
Other	0.78	**(0.51)**
Income tax rate per statements of operations	(103.45)%	**32.89%**

The significant components of deferred tax assets and liabilities at March 31, 2005 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2005	**2006**	**2006**
Deferred tax assets:			
Loss carry-forwards	¥195,151	**¥ 181,802**	**$ 1,547,647**
Valuation loss on investment securities	76,289	**63,777**	**542,925**
Depreciation, amortization and impairment loss	41,511	**52,759**	**449,130**
Net unrealized loss on derivative instruments	21,950	**19,665**	**167,405**
Allowance for doubtful accounts	16,789	**17,687**	**150,563**
Accrued expenses	9,697	**17,531**	**149,242**
Exchange gain on affiliates' stock	—	**11,429**	**97,293**
Deferred revenue	—	**8,657**	**73,694**
Valuation loss on inventories	6,452	**3,856**	**32,823**
Enterprise tax payable	2,409	**2,898**	**24,668**
Unrealized profit	1,306	**898**	**7,640**
Others	8,211	**4,826**	**41,080**
Gross deferred tax assets	379,765	**385,785**	**3,284,110**
Less: valuation allowance	(305,825)	**(318,184)**	**(2,708,644)**
Total deferred tax assets	73,940	**67,601**	**575,466**
Deferred tax liabilities:			
Unrealized gain on other securities	(79,677)	**(70,265)**	**(598,152)**
Valuation gain on investment securities	(6,078)	**(6,372)**	**(54,242)**
Foreign exchange gain on long-term receivables	(2,093)	**(227)**	**(1,934)**
Others	(541)	**(232)**	**(1,975)**
Total deferred tax liabilities	(88,389)	**(77,096)**	**(656,303)**
Net amount of deferred tax assets (liabilities)	¥ (14,449)	**¥ (9,495)**	**$ (80,837)**

The valuation allowance was provided mainly against the deferred tax assets relating to future tax-deductible temporary differences and operating tax loss carry-forwards of certain consolidated subsidiaries, as it is more likely than not that these deferred tax assets will not be realized within the foreseeable future. The net change in total valuation allowance for the fiscal year ended March 31, 2006 was an increase of ¥12,359 million ($105,215 thousand).

19. Shareholders' equity

(1) Common stock and treasury stock

The total number of common stock outstanding as of March 31, 2005 and 2006 were 351,457,170 shares and 1,055,082,087 shares, respectively. The Company agreed the three-for-one split of the Company's common stock at the Board of Directors' meeting held on November 10, 2005, and conducted the split on January 5, 2006. As a result of the share split, total number of common stock outstanding increased 703,143,252 shares.

The Company held 40,956 shares and 149,391 shares of treasury stocks at March 31, 2005 and 2006, respectively.

(2) Stock-based compensation plans

The Company has stock option plans and stock options were granted by March 31, 2006 based on the condition as follows:

Date of approval	Type of shares	Exercise price Yen (U.S. Dollars)	Number of shares	Entitled to	Exercisable period
June 21, 2001	Common stock	¥ 996 ($ 8.48)	876,000	8 board of directors	July 1, 2002 – June 30, 2007
June 24, 2003	Common stock	1,440 (12.26)	3,018,000	8 board of directors 80 employees 16 board of directors in consolidated subsidiaries 1,746 employees in consolidated subsidiaries	July 1, 2004 – June 30, 2009
June 24, 2004	Common stock	1,827 (15.55)	420,000	12 corporate officers in consolidated subsidiary	July 1, 2005 – June 30, 2010
June 22, 2005	Common stock	4,172 (35.52)	923,300	16 employees 1 board of directors in consolidated subsidiary 3 corporate officers in consolidated subsidiary 152 employees in consolidated subsidiaries	July 1, 2006 – June 30, 2011

Following the application of the Accounting Standards Board of Japan, Statement No. 8 "Accounting Standard for Share-based Payment," stock options granted after the Corporate Law takes effect on May 1, 2006 will be recorded as operating expense in the fiscal year ending March 31, 2007.

(3) Pre-stock issuance paid-in capital

Pre-stock issuance paid-in capital represents amounts paid at the exercise of warrants, but the shares were not issued. At the issuance of 3,900 new shares in April 2006, pre-stock issuance paid-in capital was converted into common stock of ¥3 million ($24 thousand) and additional paid-in capital of ¥3 million ($24 thousand).

(4) Retained earnings (accumulated deficit)

Under the Commercial Code of Japan, any appropriation of retained earnings for a fiscal year is made upon a resolution of the shareholders at an ordinary meeting, to be held within three months of the balance sheet date, and any approved appropriations are reflected in the accounts in the period in which the resolution is passed.

In June 2005, the Company paid a year-end cash dividend of ¥7 per share, or ¥2,460 million in total, to the shareholders on the register at March 31, 2005 in accordance with a resolution passed at the shareholders' meeting on June 22, 2005, and recorded the dividend in the consolidated financial statements for the fiscal year ended March 31, 2006.

In the shareholders' meeting on June 23, 2006, a cash dividend payment of ¥2.5 per share, or ¥2,638 million ($22,454 thousand) in total, to the shareholders on the register at March 31, 2006, was approved.
In January 2006, the Company conducted a share split (three-for-one), and as a result, the year-end dividend for the fiscal year 2006 is an increase of ¥0.5 per share from the previous fiscal year.

20. Selling, general and administrative expenses

The main components of "Selling, general and administrative expenses" for the fiscal years ended March 31, 2005 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
For the year ended March 31,	2005	**2006**	**2006**
Payroll and bonuses	¥45,551	**¥69,505**	**$591,684**
Sales promotion expenses	95,132	**59,671**	**507,972**
Fees for outsourced services	37,666	**38,045**	**323,872**
Allowance for doubtful accounts	3,720	**4,320**	**36,773**

In addition, research and development costs of ¥4,099 million and ¥3,698 million ($31,478 thousand) for the fiscal year ended March 31, 2005 and 2006, respectively were included in cost of sales and selling, general and administrative expenses.

21. Gain (loss) on sale of investment securities, net

Gain (loss) on sale of investment securities for the fiscal years ended March 31, 2005 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31,	2005	**2006**	**2006**
Yahoo! Europe and Yahoo! Korea Corporation	¥ —	**¥ 52,366**	**$ 445,776**
Tao Bao Holdings Limited	—	**40,763**	**347,008**
Yahoo Japan Corporation	—	**22,599**	**192,378**
SOFTBANK INTERNET TECHNOLOGY Fund, No.1 & No.2	—	**11,893**	**101,246**
Advanced Media,Inc.	—	**9,145**	**77,853**
BroadBand Tower,Inc.	—	**8,544**	**72,735**
Morningstar, Inc.	—	**5,916**	**50,364**
Club iT Corporation	604	**5,605**	**47,716**
Cisco Systems, K.K.	—	**2,666**	**22,691**
BB Call Corp.	38,706	**—**	**—**
E*TRADE SECURITIES Co., Ltd.	2,909	**—**	**—**
Morningstar Japan K.K.	2,749	**—**	**—**
eAccess Ltd.	(2,173)	**—**	**—**
Others	13,245	**12,287**	**104,598**
Total	¥56,040	**¥171,784**	**$1,462,365**

22. Loss on contract revision relating to sales operation change

The Company recorded "Loss on contract revision relating to sales operating change" of ¥25,496 million ($217,039 thousand) for the fiscal year ended March 31, 2006 following the reconsideration of the sales operation in JAPAN TELECOM CO., LTD. The amount consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Charge for contract revision with agents	**¥ 7,350**	**$ 62,569**
Loss relating to close of the call center	**259**	**2,206**
Loss on cancellation of out-bound booth lease contract	**17,229**	**146,663**
Loss on cancellation of order for Add-Drop Multiplexer	**658**	**5,601**
Total	**¥25,496**	**$217,039**

23. Restructuring charge relating to BBTV business

The Group launched the new video content service, TV Bank, and Yahoo! Streaming, and restructured BBTV business. As a result of this restructuring, the Company recorded "Restructuring charge relating to BBTV business" of ¥14,750 million ($125,564 thousand) for the year ended March 31, 2006 following the reconsideration of the future revenue generated from the use of the assets solely used in the BBTV business. The amount consisted of impairment loss on property and equipment of ¥3,686 million ($31,375 thousand), impairment loss on capital lease assets of ¥8,271 million ($70,406 thousand), and valuation loss on other assets of ¥2,793 million ($23,783 thousand).

24. Penalty for unfulfilled contract commitment

"Penalty for unfulfilled contract commitment" of ¥6,148 million and ¥3,565 million ($30,350 thousand) for the years ended March 31, 2005 and 2006, respectively was calculated based on the estimated penalty amount relating to the contracts for line installation. These penalties are yet to be finalized and settled.

25. Impairment loss

The Company recorded impairment loss for the year ended March 31, 2006 for the following asset groups:

Segment	Purpose of use	Type of assets	Notes
Broadband Infrastructure	Assets relating to BBTV business	Capital lease assets Buildings and structures Telecommunications equipment Construction-in-progress	¥11,956 million ($101,781 thousand) in restructuring charge relating to BBTV business
		Other assets	¥2,057 million ($17,513 thousand) in other non-operating expenses
Fixed-line telecommunications	Access gateway, leased assets, and equipment, etc.	Capital lease assets Construction-in-progress	¥18,052 million ($153,677 thousand) impairment loss in fixed-line telecommunications business
Other segments	Other	Goodwill	¥4,414 million ($37,567 thousand) in other non-operating expenses

When reviewing impairment, assets are grouped based on the business unit conducted by the Group. Moreover, assets related to disposition or restructuring of business, idled assets, and assets leased to others are grouped individually.

(1) Impairment loss in the broadband infrastructure segment

Impairment loss relating to BBTV business

As described in Note 23, the Company recorded an impairment loss of ¥11,956 million ($101,781 thousand) included in restructuring charge relating to BBTV business. The amounts of impairment loss for the year ended March 31, 2006 are as follows:

Type of assets	Millions of yen	Thousands of U.S. dollars
Capital lease assets	¥ 8,271	$ 70,406
Buildings and structures	113	966
Telecommunications equipment	709	6,039
Construction-in-progress	941	8,009
Other intangibles	945	8,048
Other assets	977	8,313
Total	¥11,956	$101,781

In the calculation of amount of impaired lease assets, the present value of future lease payment were considered as the carrying value of the lease assets.

Impairment loss relating to other assets

The Company included impairment loss relating to the other assets of ¥1,097 million ($9,343 thousand) in other non-operating expense, the amount by which the carrying value reduced to ¥0. The amounts of impairment loss for the year ended March 31, 2006 are as follows:

Type of assets	Millions of yen	Thousands of U.S. dollars
Other intangibles	¥ 590	$5,020
Telecommunications equipment	389	3,316
Other assets	118	1,007
Total	¥1,097	$9,343

Also, the amount of goodwill impaired of ¥960 million ($8,170 thousand) included in the other non-operating expense.

(2) Impairment loss in the fixed-line telecommunications segment

Impairment loss of leased access gateway (AGW) and other assets

The Group changed the sales target for the Otoku line from household consumers to corporate customers in this fiscal year. As a result, certain assets have been impaired. In addition to this, certain assets which are related to services or operations to be discontinued were also impaired. The amounts of impairment loss for the year ended March 31, 2006 are as follows:

Type of assets	Millions of yen	Thousands of U.S. dollars
Capital lease assets	¥15,160	$129,054
Construction-in-progress	1,927	16,408
Other assets	965	8,215
Total	¥18,052	$153,677

In the calculation of amount of impaired lease assets, the present values of future lease payment were considered as the carrying value of the lease assets.

(3) Impairment loss in other segments

The Company included impairment loss in other segments of ¥4,414 million ($37,567 thousand) in other non-operating expense. The amounts of impairment loss for the year ended March 31, 2006 are as follows:

Type of assets	Millions of yen	Thousands of U.S. dollars
Goodwill relating to subsidiaries	¥ 659	$ 5,609
Goodwill relating to affiliates	1,440	12,260
Other assets	2,315	19,698
Total	¥4,414	$37,567

26. Per share data

Per share information is disclosed as follows:

For the years ended March 31,	2005	2006	2006
Net (loss) income per share			
Basic	¥(171.03)	¥ 54.36	$0.46
Diluted	—	50.71	0.43
Shareholders' equity per share	¥ 505.86	¥229.88	$1.96

Note: Diluted net loss per share for the year ended March 31, 2005 is not disclosed due to the loss position.

The Company conducted the three-for one share split of the Company's common stock on January 5, 2006. Per share data for the fiscal year ended March 31, 2006 were calculated supposing the share split was conducted at the beginning of the fiscal year.

Supposing that the share split was conducted at the beginning of the year, per share data for the fiscal year ended March 31, 2005, is as follows;

For the year ended March 31,	2005
Net loss per share	
Basic	¥(57.01)
Diluted	—
Shareholders' equity per share	¥168.62

Basic data for the computation of per share data is shown below:

For the year ended March 31,	2005 (Millions of yen)	2006 (Millions of yen)	2006 (Thousands of U.S. dollars)
Net (loss) income	¥(59,872)	**¥57,551**	**$489,917**
Bonuses to directors	(230)	**(225)**	**(1,913)**
Net (loss) income allocated to common stock outstanding	¥(60,102)	**¥57,326**	**$488,004**
Weighted-average number of common stock issued and outstanding during each fiscal year (unit: shares)	351,418,709	**1,054,478,501**	
Adjustment for net income used to calculate net per share-diluted	—	**¥ 371**	**$ 3,157**
• Interest expense (after tax deduction)	—	**1,557**	**13,253**
• Adjustment for net income used to calculate net per share-diluted in consolidated subsidiaries and affiliates under the equity method	—	**(1,186)**	**(10,096)**
Increase of common stock used to calculate net income per share-diluted (unit: shares)	—	**83,390,701**	
• Bonds with stock acquisition rights	—	**75,649,003**	
• Stock acquisition rights	—	**7,102,071**	
• Warrants	—	**639,627**	

Note: There was no residual securities which do not dilute net income per share for the year ended March 31, 2005. Stock subscription rights specially approved at shareholders' meeting on June 22, 2005, did not dilute net income per share for the year ended March 31, 2006.

27. Cash flow information

(1) "Cash and cash equivalents" at March 31, 2005 and 2006 consisted of the following:

March 31,	2005 (Millions of yen)	2006 (Millions of yen)	2006 (Thousands of U.S. dollars)
Cash and deposits	¥287,979	**¥446,306**	**$3,799,321**
Marketable securities	39,404	**4,373**	**37,225**
Subtotal	327,383	**450,679**	**3,836,546**
Less:			
Time deposits with maturity over three months	(1,456)	**(1,400)**	**(11,920)**
Stocks and bonds with maturity over three months	(5,732)	**(2,585)**	**(22,003)**
Cash and cash equivalents	¥320,195	**¥446,694**	**$3,802,623**

(2) Assets and liabilities of companies newly consolidated through acquisitions for the fiscal year ended March 31, 2005

1. JAPAN TELECOM CO., LTD. and ten companies acquired in connection with the acquisition of JAPAN TELECOM CO., LTD.

As of September 30, 2004	Millions of yen
Current assets (Note 1)	¥ 163,748
Non-current assets (Note 1)	333,419
Goodwill	38,836
Current liabilities (Note 1)	(159,117)
Long-term liabilities (Note 1)	(152,973)
Minority interest	(33,954)
Acquisition cost (Note 2)	189,959
Loans made by the Company (Note 3)	29,462
Cash and cash equivalents of newly consolidated companies (Note 4)	(60,584)
Payments for the acquisition	¥ 158,837

Notes: 1. Inter-company transactions are eliminated.
2. Ancillary expenses related to the acquisition and additional investments up to September 30, 2004, the deemed acquisition date, are included.
3. This represents loans made by the Company up to September 30, 2004, the deemed acquisition date.
4. Funds used for the redemption of preferred stocks of ¥33,909 million on October 4, 2004 are included.

2. Cable & Wireless IDC Inc. (current SOFTBANK IDC Corp.)

As of March 31, 2005	Millions of yen
Current assets	¥ 11,504
Non-current assets	14,474
Goodwill	2,924
Current liabilities	(12,667)
Long-term liabilities	(3,537)
Acquisition cost	12,698
Cash and cash equivalents of a newly consolidated company	(3,620)
Payments for the acquisition	¥ 9,078

(3) Assets and liabilities of previously consolidated companies for the fiscal year ended March 31, 2005

1. Exclusion from consolidation due to the decrease in ownership percentage

SOFTBANK INVESTMENT CORPORATION (currently, SBI Holdings Inc.) and its consolidated subsidiaries

As of March 31, 2005	Millions of yen
Current assets	¥717,170
Non-current assets	39,288
Deferred charges	458
Total assets	¥756,916
Current liabilities	¥532,335
Long-term liabilities	38,544
Reserves under special laws	2,675
Minority interest	53,943
Total liabilities and minority interest	¥627,497

2. Exclusion from consolidation due to the sale of all shares

BB Call Corp.

As of July 31, 2004	Millions of yen
Current assets	¥9,928
Non-current assets	—
Total assets	¥9,928
Current liabilities	¥ 1
Long-term liabilities	—
Total liabilities	¥ 1

(4) Payments for the acquisition of the Fukuoka Daiei Hawks (current Fukuoka Softbank Hawks Corp.) for the fiscal year ended March 31, 2005

1. Payments for the acquisition of the Fukuoka Daiei Hawks (current Fukuoka Softbank Hawks Corp.)

As of February 28, 2005	Millions of yen
Acquisition cost	¥4,155
Cash and cash equivalents of a newly consolidated company	(169)
Payments for the acquisition	¥3,986

Note: In addition to the above payments, the Company assumed interest-bearing debt of ¥1,045 million.

2. Payments for the purchase of business rights and others related to the Dome business of Fukuoka Softbank Hawks Marketing Corp.

As of January 28, 2005	Millions of yen
Acquisition cost for the Dome business related assets	¥15,000
Cash and cash equivalents included in the above assets	(1,887)
Payments for the purchase of business rights and others	¥13,113

28. Derivative transactions

The Company and its consolidated subsidiaries use derivative transactions for hedging purposes.

The fair value of the derivatives outstanding as of March 31, 2005 and 2006, excluding derivatives for which hedge accounting applies, was as follows:

	Millions of yen		
March 31, 2006	Contract amounts	Fair value (See note below)	Unrealized loss
Forward exchange contracts to:			
Purchase U.S. dollars and sell Japanese yen	**¥29,132**	**¥29,129**	**¥ (3)**
			¥ (3)

	Thousands of U.S. dollars		
March 31, 2006	Contract amounts	Fair value (See note below)	Unrealized loss
Forward exchange contracts to:			
Purchase U.S. dollars and sell Japanese yen	**$247,996**	**$247,967**	**$ (29)**
			$ (29)

	Millions of yen		
March 31, 2005	Contract amounts	Fair value (See note below)	Unrealized loss
Forward exchange contracts to:			
Purchase U.S. dollars and sell Japanese yen	¥ 3,193	¥3,249	¥ 56
Currency swaps	1,000	13	13
Interest rate swaps to:			
Receive fixed rate and pay floating rate	1,143	40	40
Receive floating rate and pay fixed rate	11,571	(149)	(149)
Receive fixed rate (receipt later) and pay fixed rate (prepayment)	1,000	35	35
			¥ (5)

Note: Fair value is based on information provided by financial institutions.

29. Leases

(1) Lessee

As described in Note 3 (15), the Group, as a lessee, charges periodic capital lease payments to expenses when incurred in accordance with a lease contract. Such payments for the fiscal years ended March 31, 2005 and 2006 amounted to ¥27,366 million and ¥56,518 million ($481,125 thousand), respectively.

If capital leases that do not transfer the ownership of the assets to the lessee at the end of the lease term had been capitalized, capital lease assets at March 31, 2005 and 2006 would have been as follows:

Capital lease assets

	Millions of yen		Thousands of U.S. dollars
March 31,	2005	**2006**	**2006**
Equivalent to acquisition cost:			
Telecommunications equipment and telecommunications service lines	¥195,682	**¥197,728**	**$1,683,217**
Less: accumulated depreciation	(45,685)	**(64,551)**	**(549,508)**
Less: accumulated impairment loss	—	**(21,703)**	**(184,756)**
Total	149,997	**111,474**	**948,953**
Equivalent to acquisition cost:			
Buildings and structures	47,057	**46,999**	**400,096**
Less: accumulated depreciation	(350)	**(2,674)**	**(22,767)**
Less: accumulated impairment loss	—	**—**	**—**
Total	46,707	**44,325**	**377,329**
Equivalent to acquisition cost:			
Property and equipment	15,938	**13,604**	**115,811**
Less: accumulated depreciation	(10,293)	**(5,701)**	**(48,531)**
Less: accumulated impairment loss	—	**(1,658)**	**(14,110)**
Total	5,645	**6,245**	**53,170**
Equivalent to acquisition cost:			
Software	2,728	**2,624**	**22,339**
Less: accumulated amortization	(1,076)	**(1,238)**	**(10,543)**
Less: accumulated impairment loss	—	**(288)**	**(2,452)**
Total	1,652	**1,098**	**9,344**
Net book value	¥204,001	**¥163,142**	**$1,388,796**

Depreciation and amortization expense for these leased assets for the fiscal years ended March 31, 2005 and 2006 would have been ¥24,210 million and ¥44,596 million ($379,636 thousand), respectively, if it had been computed using the straight-line method over the period of the capital leases, assuming no residual value except in cases where the residual value is guaranteed in the lease contract.

Interest expense on lease payments under these capital leases for the fiscal years ended March 31, 2005 and 2006 would have been ¥5,179 million and ¥15,808 million ($134,572 thousand), respectively.

Reversal of allowance for impairment loss on leased assets for the fiscal year ended March 31, 2006 was ¥301 million ($2,561 thousand).

Impairment loss for the fiscal year ended March 31, 2006 was ¥23,728 million ($201,991 thousand).

Future lease payments for capital leases at March 31, 2005 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2005	**2006**	**2006**
Due within one year	¥ 40,343	**¥ 34,560**	**$ 294,206**
Due after one year	167,676	**158,801**	**1,351,843**
Total	¥208,019	**¥193,361**	**$1,646,049**

Future lease payments for capital lease at March 31, 2005 decreased by ¥17,405 million ($148,162 thousand) accompanying with the cancellation of out-bound booth lease contract, for which the loss incurred is included in "Loss on contract revision relating to sales operation change."

Balance of allowance for impairment loss on leased assets for the fiscal year ended March 31, 2006 was ¥23,427 million ($199,430 thousand).

Future lease payments for non-cancelable operating leases at March 31, 2005 and 2006 are as follows:

March 31,	Millions of yen 2005	Millions of yen 2006	Thousands of U.S. dollars 2006
Due within one year	¥ 6,265	**¥ 9,905**	**$ 84,318**
Due after one year	15,551	**11,041**	**93,994**
Total	¥21,816	**¥20,946**	**$178,312**

Long-term prepaid expense of ¥1,989 million ($16,935 thousand) relating to mainly ten year term lease contract with payment completed in initial five years is included in "Other assets" of "Investments and other assets" in the consolidated balance sheet for the fiscal year ended March 31, 2006.

(2) Lessor

Lease income recognized during the fiscal years ended March 31, 2005 and 2006 was ¥350 million and ¥47 million ($400 thousand), respectively.

Assets leased to third parties under capital lease contracts at March 31, 2005 and 2006 were as follows:

March 31,	Millions of yen 2005	Millions of yen 2006	Thousands of U.S. dollars 2006
Equivalent acquisition cost:			
Property and equipment	¥ 2,644	**¥ 164**	**$ 1,400**
Less: accumulated depreciation	(2,576)	**(138)**	**(1,175)**
Net book value	¥ 68	**¥ 26**	**$ 225**

Depreciation expense for assets leased to third parties for the fiscal years ended March 31, 2005 and 2006 was ¥211 million and ¥41 million ($350 thousand), respectively.

Interest income under these capital leases for the fiscal years ended March 31, 2005 and 2006 amounted to ¥3 million and ¥3 million ($29 thousand), respectively.

Future lease receivables for capital leases at March 31, 2005 and 2006 are as follows:

March 31,	Millions of yen 2005	Millions of yen 2006	Thousands of U.S. dollars 2006
Due within one year	¥44	**¥29**	**$247**
Due after one year	29	**—**	**—**
Total	¥73	**¥29**	**$247**

Future lease receivables for non-cancelable operating lease at March 31, 2005 and 2006 are as follows:

March 31,	Millions of yen 2005	Millions of yen 2006	Thousands of U.S. dollars 2006
Due within one year	¥ 973	**¥1,306**	**$11,116**
Due after one year	1,816	**1,921**	**16,358**
Total	¥2,789	**¥3,227**	**$27,474**

(3) Payment for capital lease assets to be used

Payment for capital lease assets which are not used in operation was recorded as "Payment for capital lease assets to be used" of ¥841 million and ¥7,898 million ($67,231 thousand) for the years ended March 31, 2005 and 2006, respectively.

30. Contingent liabilities

There were no material contingent liabilities at March 31, 2006

31. Related party transactions with the Company

For the fiscal year ended March 31, 2006

(1) Parent company and major corporate shareholders

N/A

(2) Directors and Major Individual Shareholders

Title	Name	Address	Amount of capital	Nature of business or occupation	Proportionate interest	Relationship		Nature of transaction	Amount of transaction		Account	Balance at March 31, 2006	
						Concurrent directors	Business relationship		Millions of yen	Thousands of U.S dollars		Millions of yen	Thousands of U.S. dollars
Director and shareholder	Masayoshi Son	—	—	Son Assets Management, Inc.	31%	—	—	Cash paid on behalf of Son Assets Management Inc.	¥185	$1,576	Other current assets	¥ 28	$ 235
								Facility use fee	5	43			
								Transfer of fixed assets	627	5,334	Accounts payable- other and accured expenses	658	5,601
								Deposits received	142	1,209	Other long-term liabilities	142	1,209

Note: Consumption taxes are not included in the amount of the transaction but in the amount of year end balance.

1. "Facility use fee" and "Deposits received" are determined based on a proportion of usage of the assets.
2. Fixed assets are transferred at book value.

(3) Subsidiaries

N/A

(4) Affiliates

N/A

For the fiscal year ended March 31, 2005

(1) Parent company and major corporate shareholders

N/A

(2) Directors and Major Individual Shareholders

Title	Name	Address	Amount of capital	Nature of business or occupation	Proportionate interest	Relationship		Nature of transaction	Amount of transaction	Account	Balance at March 31, 2006
						Concurrent directors	Business relationship		Millions of yen		Millions of yen
Director and shareholder	Masayoshi Son	—	—	Son Assets Management, Inc. President	31%	—	—	Cash paid on behalf of Son Assets Management Inc.	¥25	Other current assets	¥9

Note: Consumption taxes are not included in the amount of the transaction but in the amount of year end balance.

(3) Subsidiaries

N/A

(4) Affiliates

N/A

32. Subsequent events

(1) Acquisition of Vodafone K.K.

BB Mobile Corp. (hereafter "BB Mobile"), the Company's wholly-owned subsidiary, agreed on its commencement of a take-over bid for Vodafone K.K. at its Board of Directors' meeting held on April 3, 2006. Based on this agreement, BB Mobile conducted a take-over bid from April 4, 2006 to April 24, 2006 and acquired 5,299,814 shares (ownership: 97.64%) of common stock outstanding for approximately ¥1,661.2 billion (approximately $14,141 million) on April 27, 2006.

Moreover, BB Mobile agreed on the acquisition of the entire common stock of Metrophone Service Co., Ltd. (hereafter "Metrophone") a wholly-owned subsidiary of Vodafone International Holdings B.V., for ¥32.2 billion (approximately $274 million) and Metrophone became a consolidated subsidiary of BB Mobile. Through the acquisition of Metrophone, BB Mobile acquired 1.90% of the common stock outstanding of Vodafone K.K. held in Metrophone.

As a result, BB Mobile acquired 99.54% of common stock outstanding of Vodafone K.K. for ¥1,693.5 billion (approximately $14,416 million).

1. Purpose of the acquisition

By acquiring Vodafone K.K., the third largest mobile communication company in Japan, the SOFTBANK Group will take a large step towards its goal of offering ubiquitous communications.

2. About Vodafone K.K.

Head office: 1-9-1 Higashi-shimbashi, Minato-ku, Tokyo
Paid-in capital: ¥177.2 billion (approximately $1,508 million)
Main business: Mobile communication business through cellular phone service and sale of mobile terminals associated with the service
Revenue for the fiscal year ended March 31, 2005: ¥1,470 billion (approximately $12,514 million)

3. Summary of the acquisition

Number of shares acquired and purchase price:

- 5,299,814 (97.64%) shares of the issued and outstanding common stock of Vodafone K.K. by take-over bid for ¥1,661.2 billion (approximately ¥14,141 million)
- 103,099 (1.90%) shares of the issued and outstanding common stock of Vodafone K.K. through the acquisition of Metrophone for ¥32.2 billion (approximately $274 million)

Seller: Vodafone International Holdings B.V. and other Vodafone group companies
Date of acquisition: April 27, 2006

4. Financing structure

In order to raise funds for the acquisition of Vodafone K.K., BB Mobile entered into approximately one year bridge facility contract*, totaling ¥1,280 billion (approximately $10,896 million): with a group of 17 financial institutions, centered on 7 co-lead managers. This bridge facility contract was structured as a non-recourse loan. Including this contract, BB Mobile's financing structure is as follows:

1. Loan based on bridge facility contract (Including consideration of Vodafone K.K., repayment of inter-company loan to Vodafone group, and other expenses)	¥1,166 billion (approximately $9,926 million)
2. Subordinated loans by Vodafone International Holdings B.V.	¥100 billion (approximately $851 million)
3. Preferred shares subscribed by Vodafone International Holdings B.V.	¥300 billion (approximately $2,554 million)
4. Preferred shares subscribed by Yahoo Japan Corporation	¥120 billion (approximately $1,022 million)

5. Common shares subscribed by Mobiletech Corporation (The Company subscribed common stock of Mobiletech Corporation, the Company's wholly-owned subsidiary for ¥200.8 billion (approximately $1,709 million) in advance.)	¥200 billion (approximately $1,703 million)

* This ¥1,280 billion bridge facility contract includes the amount to be used for the working capital of ¥100 billion of Vodafone K.K.

Overview of fund raising

Loan based on bridge facility contract

1. Name of lender:	7 co-lead financial institutions and others syndications
2. Principal amount:	¥1,166 billion (approximately, $9,926 million)
3. Interest rate:	TIBOR +2.5% (from April 27, 2006 to September 30, 2006) TIBOR +3.0% (from October 1, 2006 to December 31, 2006) TIBOR +3.5% (from January 1, 2007 to March 31, 2007)
4. Period:	From April 27, 2006 to March 31, 2007
5. Assets pledged as collateral:	Acquired Vodafone K.K. shares

Vodafone International Holdings B.V. subordinated loans

1. Name of lender:	Vodafone International Holdings B.V.
2. Principal amount:	¥100 billion (approximately $851 million)
3. Interest rate:	5.0%
4. Period:	From April 27, 2006 to September 30, 2013

Interest rate and period addressed above may change under the condition of bridge facility refinancing.

Preferred shares subscribed by Vodafone International Holdings B.V.

1. Amount:	¥300 billion (approximately $2,554 million)

Loan conducted by Yahoo Japan Corporation for preferred shares subscription

1. Name of lender:	Mainly Mizuho Corporate Bank and others syndications
2. Principal amount:	¥80 billion (approximately $681 million)
3. Interest rate:	TIBOR +0.3%
4. Period:	From April 25, 2006 to May 25, 2010 (repayment in installments)

5. Issuance of stock acquisition rights of BB Mobile

BB Mobile issued stock acquisition rights under the following conditions

1. Class and shares:	343,000 shares of common stock
2. Total number of stock acquisition rights:	343 units (1 thousand shares per unit)
3. Issuance price:	Zero
4. Subscription date / issuance date:	April 27, 2006
5. Exercise price:	¥95,098 (approximately $810)
6. Exercisable period:	From April 1, 2013 to April 27, 2016
7. Condition for exercise:	Accumulated EBITDA of Vodafone K.K. exceeds ¥3,350 billion (approximately $28,518 million) from April 1, 2006 to March 31, 2013.
8. Allotment:	Vodafone International Holdings B.V.: 245 units (1 thousand shares per unit) Yahoo Japan Corporation: 98 units (1 thousand shares per unit)

(2) Loan relating to legal defeasance

The Company conducted an unsecured loan of ¥60 billion (approximately $511 million) on April 28, 2006 based on the agreement of its Board of Directors' meeting held on April 26, 2006.

1. Purpose:	Financing working capital to cover deposited amount for the implementation of legal defeasance on April 3, 2006
2. Terms of loan:	
(1) Name of lender:	Deutsche Bank AG, Tokyo Branch
(2) Interest rate:	1. LIBOR+3.0% (¥30 billion: approximately $255 million) 2. LIBOR+3.5% (¥30 billion: approximately $255 million)
(3) Period of loan:	1. From April 28, 2006 to March 15, 2007 (¥30 billion: approximately $255 million) 2. From April 28, 2006 to April 15, 2008 (¥30 billion: approximately $255 million)
3. Details of legal defeasance:	
(1) Conducted date:	April 3, 2006
(2) Overview of bond:	
1. Name of lender:	SOFTBANK CORP. Euro-denominated Senior Notes due 2011 (hereafter "the Notes")
2. Interest rate:	9.375%
3. Issue date:	March 8, 2004
4. Maturity date:	March 15, 2011 (with optional redemption which is expected to become effective on and after March 15, 2008)
5. Aggregate principal amount:	€400 million (translated amount in yen: approximately ¥57.1 billion (approximately $486 million); exchange rate: €1 = ¥142.89)
6. Outstanding amount as of March 31, 2006:	€400 million (translated amount in yen: same as above)

(3) Purpose and effect of implementation of legal defeasance:

The legal defeasance was conducted in order to facilitate the implementation of group business and financial strategies, including the mobile business. Along with this transaction, the Company deposited €493 million (approximately ¥70.5 billion, approximately $600 million, €1 = ¥142.89), which is sufficient for the payment of principal and interest on the Notes, with the trustee. Under the terms of the indenture, the Company will continue to be responsible for payments on the Notes until maturity or redemption. The Notes continue to be recorded as corporate bonds in its consolidated balance sheets of the Company until maturity or redemption of the Notes.

(3) Financing through securities lending transaction

Based on the agreement made at the Board of Directors' meeting held on April 12, 2006, the Company lent common stocks of its affiliate company, which are held by SOFTBANK AM CORPORATION and received ¥64 billion (approximately $545 million) on April 19, 2006 and April 21, 2006. Financing amount may change in conjunction with the fluctuation of the market price of the stock.

1. Purpose:	Financing working capital for the Group companies
2. Terms of financing:	
(1) Name of lender:	Nikko Citigroup Limited
(2) Interest rate:	2.5%
(3) Period:	1. From April 19, 2006 to April 19, 2007 (¥50 billion: approximately $426 million)
	2. From April 21, 2006 to April 19, 2007 (¥14 billion: approximately $119 million)
3. Amount of securities to be lent as of March 31, 2006:	
Investment securities	¥37,226 million (approximately $317 million)

(4) Financing through secured loan agreement

The Company's consolidated subsidiary, SOFTBANK AM CORPORATION financed ¥50 billion on April 17, 2006 based on the agreement of the Board of Directors' meeting held on April 12, 2006.

1. Purpose:	Investment in securities
2. Terms of financing:	
(1) Name of lender:	Deutsche Bank AG, Tokyo Branch
(2) Interest rate:	LIBOR +3.0% from April 17, 2006 to October 17, 2006
	LIBOR +4.0% from October 17, 2006 to April 17, 2007
(3) Period:	From April 17, 2006 to April 17, 2007

3. Assets pledged as collateral

The following assets are pledged as collateral relating to this transaction:

•Shares of consolidated subsidiaries eliminated in consolidation – at cost as of March 31, 2006	¥667 million (approximately $6 million)
•Investment securities	¥5,862 million (approximately $50 million)

33. Segment information

(1) Business segment information

Business segments are categorized primarily based on the nature of business operations, type of services, and similarity of sales channels, etc., which the Group uses for its internal management purpose.

"Fixed-line Telecommunications" business segment was established as of September 30, 2004. Consequently, this segment included only six-month results for the fiscal year ended March 31, 2005.

The former "e-Finance" business segment ended, since SOFTBANK INVESTMENT CORPORATION (current SBI Holdings, Inc.) changed to an equity-method affiliate from a consolidated subsidiary on March 31, 2005.

The table below summarizes the business segment information of the Group for the fiscal years ended March 31, 2005 and 2006:

Millions of yen

For the year ended March 31, 2006	Business: Broadband Infrastructure	Fixed-line Telecommu-nications	e-Commerce	Internet Culture	Others	Total	Elimination or corporate	Consolidated
Net sales:								
Customers	¥267,273	¥347,448	¥272,740	¥155,551	¥ 65,653	¥1,108,665	¥ —	¥1,108,665
Inter-segment	1,179	6,785	10,536	570	17,420	36,490	(36,490)	—
Total	268,452	354,233	283,276	156,121	83,073	1,145,155	(36,490)	1,108,665
Operating expenses	247,780	379,392	278,415	81,931	87,833	1,075,351	(28,985)	1,046,366
Operating income (loss)	¥ 20,672	¥ (25,159)	¥ 4,861	¥ 74,190	¥ (4,760)	¥ 69,804	¥ (7,505)	¥ 62,299
Identifiable assets	¥247,593	¥517,975	¥ 72,136	¥439,178	¥291,172	¥1,568,054	¥240,345	¥1,808,399
Depreciation and amortization	28,485	46,282	1,121	7,461	4,212	87,561	959	88,520
Capital expenditures	26,257	62,255	2,170	16,339	3,415	110,436	914	111,350

Thousands of U.S. dollars

For the year ended March 31, 2006	Business: Broadband Infrastructure	Fixed-line Telecommu-nications	e-Commerce	Internet Culture	Others	Total	Elimination or corporate	Consolidated
Net sales:								
Customers	$2,275,243	$2,957,758	$2,321,784	$1,324,173	$ 558,902	$ 9,437,860	$ —	$ 9,437,860
Inter-segment	10,038	57,763	89,687	4,848	148,289	310,625	(310,625)	—
Total	2,285,281	3,015,521	2,411,471	1,329,021	707,191	9,748,485	(310,625)	9,437,860
Operating expenses	2,109,304	3,229,694	2,370,092	697,452	747,712	9,154,254	(246,737)	8,907,517
Operating income (loss)	$ 175,977	$ (214,173)	$ 41,379	$ 631,569	$ (40,521)	$ 594,231	$ (63,888)	$ 530,343
Identifiable assets	$2,107,711	$4,409,423	$ 614,081	$3,738,641	$2,478,693	$13,348,549	$2,046,010	$15,394,559
Depreciation and amortization	242,489	393,993	9,544	63,519	35,848	745,393	8,160	753,553
Capital expenditures	223,517	529,962	18,471	139,089	29,084	940,123	7,778	947,901

Millions of yen

For the year ended March 31, 2005	Business: Broadband Infrastructure	Fixed-line Telecommu-nications	e-Commerce	Internet Culture	Others	Total	Elimination or corporate	Consolidated
Net sales:								
Customers	¥204,975	¥165,969	¥244,972	¥101,913	¥119,189	¥ 837,018	¥ —	¥ 837,018
Inter-segment	332	910	9,950	535	23,784	35,511	(35,511)	—
Total	205,307	166,879	254,922	102,448	142,973	872,529	(35,511)	837,018
Operating expenses	259,055	202,944	249,682	52,368	129,144	893,193	(30,816)	862,377
Operating income (loss)	¥ (53,748)	¥ (36,065)	¥ 5,240	¥ 50,080	¥ 13,829	¥ (20,664)	¥ (4,695)	¥ (25,359)
Identifiable assets	¥250,808	¥583,488	¥ 76,408	¥345,737	¥346,701	¥1,603,142	¥101,712	¥1,704,854
Depreciation and amortization	26,796	28,251	1,333	4,720	9,686	70,786	(1,245)	69,541
Capital expenditures	69,692	115,411	5,234	12,513	28,815	231,665	596	232,261

<Change in presentation>

In fiscal year ended March 31, 2005, segment information for net sales and operating income (loss) of Broadmedia, Technology Services, Media & Marketing, and Overseas Funds segments were presented although the portions of net sales and operating income (loss) were less than 10% of consolidated net sales and operating income (loss). Due to increase in importance on the Broadband Infrastructure, Fixed-line Telecommunications, e-Commerce, and Internet Culture operations, it is appropriate that disclosure of segment information relatively focusing on those segments. Consequently, from the fiscal year ended March 31, 2006, Broadmedia, Technology Services, Media & Marketing, and Overseas Funds segments are included in the "Others" segment.

Business segment information based on previous segment method:

Millions of yen

For the year ended March 31, 2006	Broadband Infrastructure	Fixed-line Telecommu-nications	e-Commerce	Internet Culture	Broadmedia	Technology Services	Media & Marketing	Overseas Funds	Others	Business Total	Elimination or corporate	Consolidated
Net sales:												
Customers	¥267,273	¥347,448	¥272,740	¥155,551	¥ 8,375	¥20,205	¥10,405	¥ 1,417	¥ 25,251	¥1,108,665	¥ —	¥1,108,665
Inter-segment	1,179	6,785	10,536	570	4,929	6,249	1,062	—	5,180	36,490	(36,490)	—
Total	268,452	354,233	283,276	156,121	13,304	26,454	11,467	1,417	30,431	1,145,155	(36,490)	1,108,665
Operating expenses	247,780	379,392	278,415	81,931	10,965	25,141	12,970	2,652	36,105	1,075,351	(28,985)	1,046,366
Operating income (loss)	¥ 20,672	¥ (25,159)	¥ 4,861	¥ 74,190	¥ 2,339	¥ 1,313	¥ (1,503)	¥ (1,235)	¥ (5,674)	¥ 69,804	¥ (7,505)	¥ 62,299
Identifiable assets	¥247,593	¥517,975	¥ 72,136	¥439,178	¥14,942	¥14,006	¥11,534	¥86,398	¥164,292	¥1,568,054	¥240,345	¥1,808,399
Depreciation and amortization	28,485	46,282	1,121	7,461	1,112	245	190	17	2,648	87,561	959	88,520
Capital expenditures	26,257	62,255	2,170	16,339	901	186	520	10	1,798	110,436	914	111,350

Thousands of U.S. dollars

For the year ended March 31, 2006	Broadband Infrastructure	Fixed-line Telecommu-nications	e-Commerce	Internet Culture	Broadmedia	Technology Services	Media & Marketing	Overseas Funds	Others	Business Total	Elimination or corporate	Consolidated
Net sales:												
Customers	$2,275,243	$2,957,758	$2,321,784	$1,324,173	$ 71,299	$172,001	$ 88,577	$ 12,068	$ 214,957	$ 9,437,860	$ —	$ 9,437,860
Inter-segment	10,038	57,763	89,687	4,848	41,959	53,197	9,037	—	44,096	310,625	(310,625)	—
Total	2,285,281	3,015,521	2,411,471	1,329,021	113,258	225,198	97,614	12,068	259,053	9,748,485	(310,625)	9,437,860
Operating expenses	2,109,304	3,229,694	2,370,092	697,452	93,344	214,021	110,408	22,581	307,358	9,154,254	(246,737)	8,907,517
Operating income (loss)	$ 175,977	$ (214,173)	$ 41,379	$ 631,569	$ 19,914	$ 11,177	$(12,794)	$(10,513)	$ (48,305)	$ 594,231	$ (63,888)	$ 530,343
Identifiable assets	$2,107,711	$4,409,423	$ 614,081	$3,738,641	$127,194	$119,232	$ 98,189	$735,490	$1,398,588	$13,348,549	$2,046,010	$15,394,559
Depreciation and amortization	242,489	393,993	9,544	63,519	9,466	2,083	1,615	142	22,542	745,393	8,160	753,553
Capital expenditures	223,517	529,962	18,471	139,089	7,670	1,585	4,431	89	15,309	940,123	7,778	947,901

Millions of yen

For the year ended March 31, 2005	Broadband Infrastructure	Fixed-line Telecommu-nications	e-Commerce	Internet Culture	e-Finance	Broadmedia	Technology Services	Media & Marketing	Overseas Funds	Others	Business Total	Elimination or corporate	Consolidated
Net sales:													
Customers	¥204,975	¥165,969	¥244,972	¥101,913	¥ 73,235	¥10,040	¥16,032	¥11,052	¥ 2,052	¥ 6,778	¥ 837,018	¥ —	¥ 837,018
Inter-segment	332	910	9,950	535	5,563	5,623	9,478	1,428	—	1,692	35,511	(35,511)	—
Total	205,307	166,879	254,922	102,448	78,798	15,663	25,510	12,480	2,052	8,470	872,529	(35,511)	837,018
Operating expenses	259,055	202,944	249,682	52,368	59,083	16,682	24,365	13,544	739	14,731	893,193	(30,816)	862,377
Operating income (loss)	¥ (53,748)	¥ (36,065)	¥ 5,240	¥ 50,080	¥ 19,715	¥ (1,019)	¥ 1,145	¥ (1,064)	¥ 1,313	¥ (6,261)	¥ (20,664)	¥ (4,695)	¥ (25,359)
Identifiable assets	¥250,808	¥583,488	¥ 76,408	¥345,737	¥115,508	¥ 8,786	¥22,442	¥10,758	¥73,091	¥116,116	¥1,603,142	¥101,712	¥1,704,854
Depreciation and amortization	26,796	28,251	1,333	4,720	5,900	2,307	248	186	17	1,028	70,786	(1,245)	69,541
Capital expenditures	69,692	115,411	5,234	12,513	4,175	2,798	357	223	46	21,216	231,665	596	232,261

The Company made a change of estimated useful life as described in Note 3 (5). As a result of the change, operating expense and operating loss decreased by ¥14,126 million ($120,250 thousand) in the "Fixed-line Telecommunications" business segment, as compared with the amounts which would have been recognized if the previous estimated useful life had been used.

The Company made a change in method of depreciation as described in Note 3 (5). As a result of the change, operating expense decreased by $716 million ($6,092 thousand) and operating income increased by the same amount in the "Broadband Infrastructure" business segment, operating expense decreased by ¥205 million ($1,748 thousand) and operating income increased by the same amount in the "e-Commerce" business segment, and operating expense and operating loss decreased by ¥103 million ($871 thousand) in the "Corporate"business segment, as compared to the amounts that would have been recognized if the declining balance method had been applied.

The Company made a change in accounting policy for network line construction expense as described in Note 3 (5). As a result of the change, operating expense decreased by ¥1,664 million ($14,167 thousand) and operating income increased by the same amount in the "Broadband Infrastructure" business segment, and operating expense and operating loss decreased by ¥1,576 million ($13,419 thousand) in the "Fixed-line Telecommunications" business segment, as compared to the amounts that would have been recognized under the original method.

In aggregate, operating expense decreased by ¥2,380 million ($20,259 thousand) and operating income increased by the same amount in the "Broadband Infrastructure" business segment, operating expense and operating loss decreased by the ¥15,702 million ($133,669 thousand) in the "Fixed-line Telecommunications" business segment, operating expense decreased by ¥205 million ($1,748 thousand) and operating income increased by the same amount in the "e-Commerce" business segment, and operating expense decreased by ¥103 million ($871 thousand) in the "Corporate" business segment as compared to the amounts that would have been recognized under the original method.

The Company applied "Accounting Standard for Impairment on Fixed Assets" as described in Note 3 (10). As a result of applying the new standard, operating expense decreased by ¥381 million ($3,240 thousand) and operating income increased by the same amount in the "Broadband Infrastructure" business segment, operating expense and operating loss decreased by ¥50 million ($426 thousand) in the "Fixed-line Telecommunications" business segment, operating expense deceased ¥29 million ($251 thousand) and operating income increased by the same amount in the "Internet Culture" business segment, and operating expense and operating loss decreased by ¥32 million ($270 thousand) in the "Others" business segment.

Unallocated operating expenses for the fiscal years ended March 31, 2005 and 2006 in the column "Elimination or corporate," which mainly represent expenses of the corporate division of the Company, were ¥6,867 million and ¥7,842 million ($66,754 thousand), respectively.

Corporate assets at March 31, 2005 and 2006 in the column "Elimination or corporate" were ¥151,911 million and ¥275,511 million ($2,345,371 thousand), respectively. Corporate assets represent mainly surplus operating funds (cash and marketable securities), long-term investment securities of the Company and assets held by the corporate division of the Company.

"Capital expenditures" included acquisition of long-term prepaid expenses and deferred charges. "Depreciation and amortization" included the amortization of long-term prepaid expenses and deferred charges.

(2) Geographic segment information

The table below summarizes the geographic segment information of the Group for the fiscal years ended March 31, 2005 and 2006:

Millions of yen

	Geographic region					
For the year ended March 31, 2006	Japan	North America	Others	Total	Elimination or corporate	Consolidated
Net sales:						
Customers	¥1,100,447	¥ 1,351	¥ 6,867	¥1,108,665	¥ —	¥1,108,665
Inter-segment	3,326	687	413	4,426	(4,426)	—
Total	1,103,773	2,038	7,280	1,113,091	(4,426)	1,108,665
Operating expenses	1,028,151	2,935	12,209	1,043,295	3,071	1,046,366
Operating income (loss)	¥ 75,622	¥ (897)	¥ (4,929)	¥ 69,796	¥ (7,497)	¥ 62,299
Identifiable assets	¥1,179,018	¥261,177	¥110,864	¥1,551,059	¥257,340	¥1,808,399

Thousands of U.S. dollars

	Geographic region					
For the year ended March 31, 2006	Japan	North America	Others	Total	Elimination or corporate	Consolidated
Net sales:						
Customers	$ 9,367,897	$ 11,505	$ 58,458	$ 9,437,860	$ —	$ 9,437,860
Inter-segment	28,312	5,848	3,512	37,672	(37,672)	—
Total	9,396,209	17,353	61,970	9,475,532	(37,672)	9,437,860
Operating expenses	8,752,459	24,981	103,930	8,881,370	26,147	8,907,517
Operating income (loss)	$ 643,750	$ (7,628)	$ (41,960)	$ 594,162	$ (63,819)	$ 530,343
Identifiable assets	$10,036,754	$2,223,351	$943,768	$13,203,873	$2,190,686	$15,394,559

Millions of yen

	Geographic region					
For the year ended March 31, 2005	Japan	North America	Others	Total	Elimination or corporate	Consolidated
Net sales:						
Customers	¥ 828,768	¥ 1,910	¥ 6,340	¥ 837,018	¥ —	¥ 837,018
Inter-segment	465	372	224	1,061	(1,061)	—
Total	829,233	2,282	6,564	838,079	(1,061)	837,018
Operating expenses	845,651	3,221	9,742	858,614	3,763	862,377
Operating loss	¥ (16,418)	¥ (939)	¥ (3,178)	¥ (20,535)	¥ (4,824)	¥ (25,359)
Identifiable assets	¥1,184,087	¥270,988	¥102,833	¥1,557,908	¥146,946	¥1,704,854

Net sales by geographic region were recognized based on geographic location.

The significant countries in each region are shown below:

North America: United States of America and Canada

Others: Europe, Korea, China, Hong Kong and Singapore

The Company made a change of estimated useful life as described in Note 3 (5). As a result of the change, operating expense decreased by ¥14,126 million ($120,250 thousand) and operating income increased by the same amount in the “Japan” segment, as compared to the amounts that would have been recognized if the previous estimated useful life had been used.

The Company made a change in method of depreciation as described in Note 3 (5). As a result of the change, operation expense decreased by ¥921 million ($7,840 thousand) and operating income increased by the same amount in the “Japan” segment, and operating expense and operating loss decreased by ¥103 million ($871 thousand) in the “Corporate” segment as compared to the amounts that would have been recognized if the declining balance method had been applied.

The Company made a change in accounting policy for network line construction expense as described in Note 3 (5). As a result of the change, operating expense decreased by ¥3,240 million ($27,586 thousand) and operating income increased by the same amount in the "Japan"segment, as compared to the amounts that would have been recognized under the original method.

In aggregate, operating expense decreased by ¥18,287 million ($155,676 thousand) and operating income increased by the same amount in the "Japan" segment and operating expense and operating loss decreased by ¥103 million ($871 thousand) in the "Corporate" segment, as compared to the amounts that would have been recognized under the original method.

The Company applied "Accounting Standard for Impairment on Fixed Assets" as described in Note 3 (10). As a result of applying the new standard, operating expense decreased by ¥492 million ($4,187 thousand) and operating income increased by the same amount in the "Japan" segment.

Unallocated operating expenses for the fiscal years ended March 31, 2005 and 2006 in the column "Elimination or corporate," which mainly represent the expenses of the corporate division of the Company, was ¥6,867 million and ¥7,842 million ($66,754 thousand), respectively.

Corporate assets at March 31, 2005 and 2006 in the column "Elimination or corporate" were ¥151,911 million and ¥275,511 million ($2,345,371 thousand), respectively. Corporate assets represent mainly surplus operating funds (cash and marketable securities), long-term investment securities of the Company and assets held by the corporate division of the Company.

(3) Sales to overseas customers

Sales to overseas customers for the fiscal years ended March 31, 2005 and 2006 were omitted because total overseas sales were less than 10% of total consolidated sales.

Report of Independent Auditors

ChuoAoyama PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
Tokyo 100-6088, Japan

To the Board of Directors and Shareholders of SOFTBANK CORP.

We have audited the accompanying consolidated balance sheets of SOFTBANK CORP. and its subsidiaries as of March 31, 2005 and 2006, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SOFTBANK CORP. and its subsidiaries as of March 31, 2005 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 3 (5), effective for the year ended March 31, 2006, SOFTBANK CORP. and its subsidiaries changed their accounting policies and disclose the aggregate amount of the effect of the changes.

As described in Note 3 (10), SOFTBANK CORP. and its subsidiaries applied "Accounting Standards for Impairment on Fixed Assets" ("Opinions Concerning Establishment of Accounting Standards for Impairment of Fixed Assets" by the Business Accounting Council in Japan), and "Application Guideline for Accounting Standards for Impairment of Fixed Assets" (Financial Accounting Standards Implementation Guideline No. 6) from the fiscal year ended March 31, 2006.

As described in Note 32 (1), BB Mobile Corp., SOFTBANK CORP's wholly-owned subsidiary, acquired 99.54% of outstanding common stock of Vodafone K.K. on April 27, 2006, in accordance with the agreement at the board meeting held on April 3, 2006.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 4 to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers

Tokyo, Japan
June 23, 2006

Corporate Data and Stock Information

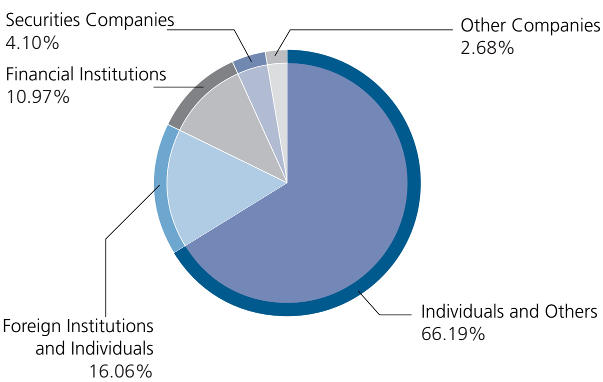
1. Corporate Data (As of March 31, 2006)

Corporate Name:	SOFTBANK CORP.
Founded:	September 3, 1981
Paid-in Capital:	¥162,916,488,101
Corporate Headquarters:	1-9-1, Higashi-Shimbashi, Minato-ku, Tokyo 105-7303, Japan
Tel:	+81-3-6889-2000
Fiscal Year-End:	March 31
Consolidated Subsidiaries:	153 (of which, 55 are overseas)
Equity-Method Affiliates:	87 (of which, 48 are overseas)
Number of Employees:	103 (consolidated basis: 14,182)

2. Stock Information (As of March 31, 2006)

Shareholder Registrar:	Mitsubishi UFJ Trust and Banking Corporation
Stock Exchange Registration:	Tokyo Stock Exchange, First Section
Number of Shares:	
Shares authorized	3,600,000,000 shares
Shares issued	1,055,231,478 shares
Number of Shareholders:	412,210

Distribution of Ownership among Shareholders



Principal Shareholders

Name	Number of shares held (Thousands)	Percentage of total shares issued (%)
Masayoshi Son	332,147	31.47
Japan Trustee Services Bank, Ltd.	26,422	2.50
The Master Trust Bank of Japan, Ltd.	26,068	2.47
Japan Securities Finance Co., Ltd.	15,631	1.48
Trust & Custody Services Bank, Ltd.	15,021	1.42
Clearstream Banking SA (Agent: Tokyo Branch of HSBC Securities)	14,865	1.40
State Street Bank and Trust Company (Agent: Mizuho Corporate Bank, Ltd.'s Kabutocho Custody & Proxy Department within the Settlement & Clearing Services Division)	11,760	1.11
JPMCB Omnibus USA Pension Treaty JASDEC 380052 (Agent: Mizuho Corporate Bank, Ltd.'s Kabutocho Custody & Proxy Department within the Settlement & Clearing Services Division)	11,700	1.10
Son Holdings Inc.	10,741	1.01
The Chase Manhattan Bank N.A. London (Agent: Mizuho Corporate Bank, Ltd.'s Kabutocho Custody & Proxy Department within the Settlement & Clearing Services Division)	9,639	0.91
Top 10 Shareholders	473,997	44.91

Note:
The above table includes shares held as part of trust operations as follows:

Japan Trustee Services Bank, Ltd.	26,422 thousand shares
The Master Trust Bank of Japan, Ltd.	26,068 thousand shares
Trust & Custody Services Bank, Ltd.	15,021 thousand shares

Stock Price and Trading Volume

Note: Stock prices are average prices for each month, and trading volumes are average volumes for each month (retroactively adjusted).

SoftBank

SOFTBANK CORP.

1-9-1, Higashi-Shimbashi, Minato-ku, Tokyo 105-7303, Japan

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