






ANNUAL REPORT 2007

> **Redrawing** the Map



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**PRECAUTIONS REGARDING FORWARD-LOOKING STATEMENTS**

This annual report includes information regarding the Company’s mid-to-long term strategies, plans, and outlooks. All information that is not based on historical facts does not represent a guarantee regarding future operating results and contains inherent risks and uncertainties. Consequently, as there may be significant changes in the operating environment and other factors, investors are cautioned not to rely entirely on the information in this annual report with regard to the outlook for future operating results.

## ANNUAL REPORT INTENT AND INDEX

### [ Annual Report 2007 Intent ]

The annual report uses graphs and the "At a Glance" section to provide easy to understand explanations so that even readers who do not have specialized knowledge of the SOFTBANK Group and related industries can grasp key points. On the other hand, by providing as much data as possible to back up the assertions and forecasts of the Group from an objective viewpoint, we have endeavored to enable readers to conduct their own analysis and verification.

### [ Index ]

Topic	Pages
> Management environment, such as industry structure and trends	P4-5, P15, P23-24, P32-33, P36-37, P38-39, P40-41, P44-45, P64-65
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> What is SOFTBANK?



This chapter explains the SOFTBANK Group's operating environment, growth path and track record, competitive advantages, challenges, operating results and financial condition.

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**> OPERATING ENVIRONMENT**

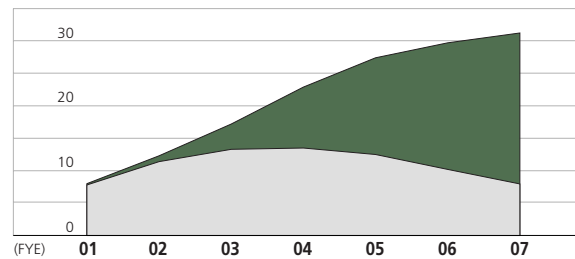
Internet users are increasing, Internet usage becoming more sophisticated, and the places where it is used are expanding.

The number of users and ways of usage in today's Internet world, in which the SOFTBANK Group conducts its business, are increasing as a result of the expansion of broadband. The pace of growth in the Internet world is also accelerating.

### ■ Increasing Numbers of Internet Users and Progress in the Shift to Broadband

In Japan, accompanying the spread of broadband, the Internet has rapidly taken a prominent place in people's daily lives. In 2006, the number of Internet users reached 87.54 million, a penetration rate of 68.5%.

**Continued Growth in Number of Broadband Subscribers**  
(Millions) ■ Broadband subscribers □ Narrowband subscribers



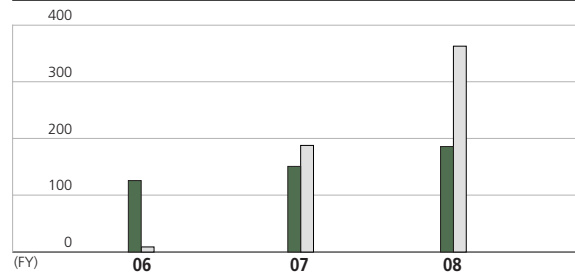
Source: Ministry of Internal Affairs and Communications

### ■ Individual Consumers and Corporations Are Making Increasingly Sophisticated Use of the Internet

Individual consumers are using the Internet in increasingly sophisticated ways on a daily basis, in areas such as shopping and entertainment. The importance of the Internet in business operations is steadily expanding, for instance Internet advertising by corporations is increasing.

**More Sophisticated Internet Use Closely Linked to Daily Lives**

(Billions of yen) ■ Scale of online game market □ Scale of Internet music distribution market



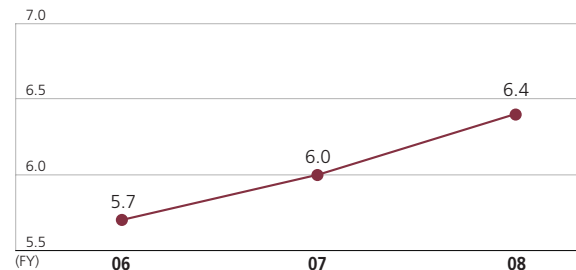
Source: Nomura Research Institute Ltd., figures for fiscal 2008 are estimates

### ■ Increase in Per User Expenditure

The increasingly sophisticated use of the Internet by individual consumers and corporations is driving an increase in per user expenditure on digital communications.

### Continuing Increase in Household Expenditure on Communications

(%) ● Household expenditure on communications as a percentage of total household expenditure



Source: Ministry of Internal Affairs and Communications, FY08 numbers estimated by the Company based on Ministry of Internal Affairs and Communications' data.

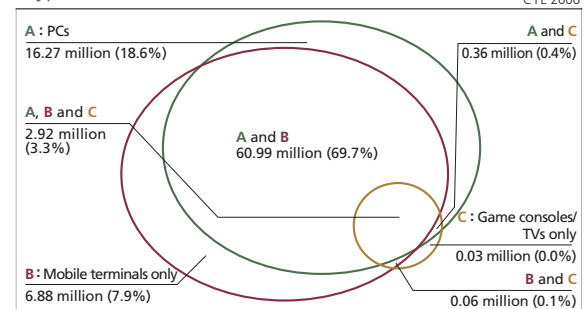
### ■ Increasing Internet Touch Points

The range of terminals used to access the Internet is expanding beyond PCs to include mobile phones, handheld game consoles, and car navigation systems. Speed is also improving, with the penetration of 3G mobile phones fostering growth in communication speeds. An environment that enables users to enjoy seamless Internet content and services has taken shape.

### Expansion of Internet Use Beyond PCs

[ Types of terminals used to access the Internet ]

CYE 2006

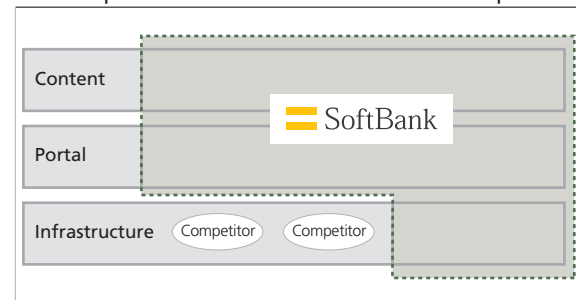


Source: Ministry of Internal Affairs and Communications

### ■ Growth in the Mobile Internet Market

As a result of an increase in touch points and expansion of broadband, the mobile Internet market has finally reached the point of rapid expansion. The SOFTBANK Group, which has developed a comprehensive range of operations based on the Internet, covering infrastructure, portal and content areas, is optimally positioned to benefit from this expansion.

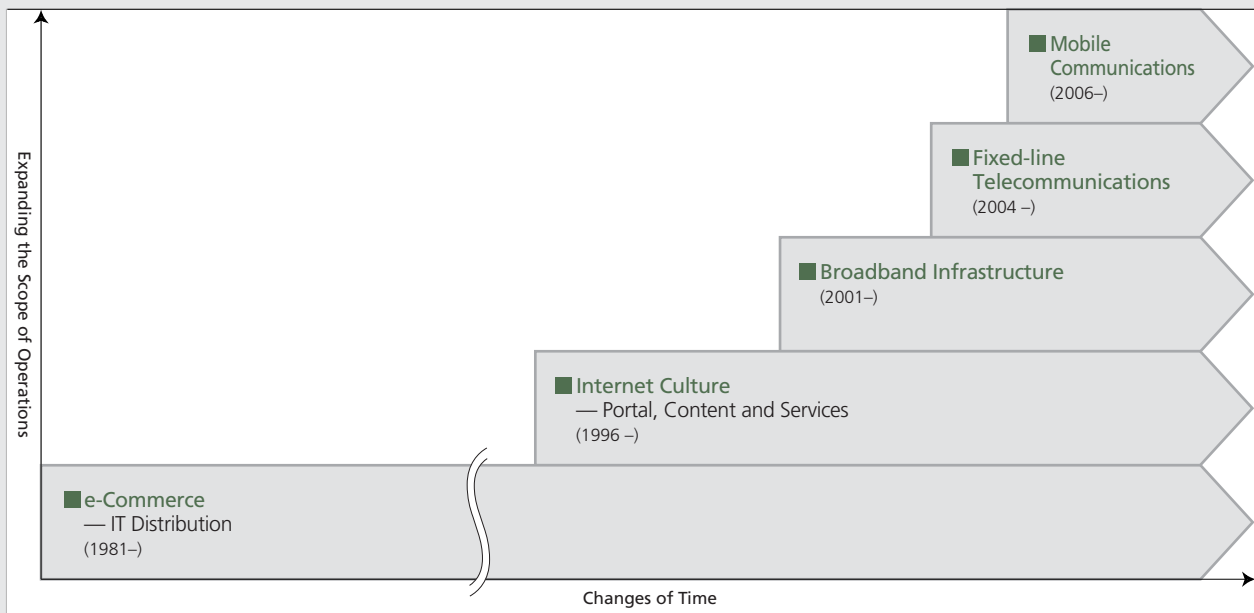
### The Unique Resources of the SOFTBANK Group



> **GROWTH PATH AND TRACK RECORD**

We are not targeting growth for its own sake.

Since the Company was established, SOFTBANK CORP. has always prepared for the Internet era, and developed operations to be one step ahead of external change. Our operations' growing performances have proven this strategy to be right. Entering the mobile communications business was the next step.

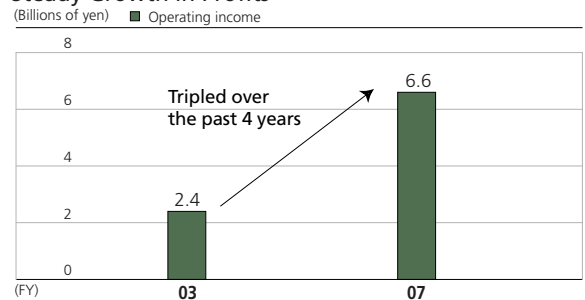


■ **e-Commerce**

28% of operating income CAGR over the past 4 years  
 Since the Group was founded, it has been involved in the distribution of IT products, such as software and hardware. One of the largest IT distribution service operations in Japan has been established by combining a large distribution product lineup including approx. 260 thousand items with a strong sales network consisting out of more than 40 thousand mass appliance retailers.

(Details on P44 – 45)

**Steady Growth in Profits**



Note: e-Commerce segment figures shown before eliminations



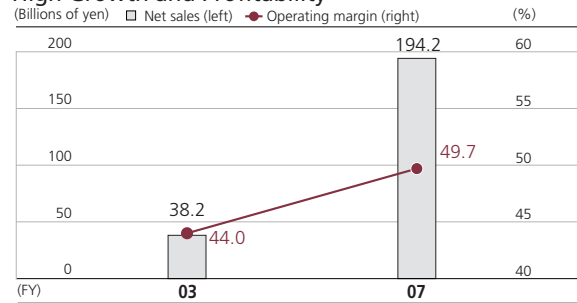
## ■ Internet Culture

50% of net sales CAGR over the past 4 years, FY07 operating margin of 49.7%.

Portals are the gates to the Internet, and Japan's dominant number one portal, *Yahoo! JAPAN*, is a member of the SOFTBANK Group. With this portal, we are developing a range of content and services that are monetized as advertising revenues and commissions.

(Details on P40 – 43)

### High Growth and Profitability



Note: Internet Culture segment figures shown before eliminations

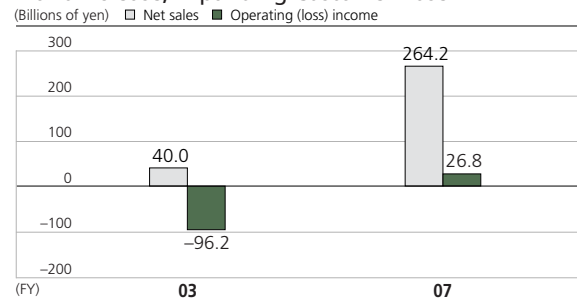
## ■ Broadband Infrastructure

60% of net sales CAGR over the past 4 years, FY07 operating margin of 10.1%.

*Yahoo! BB ADSL* has a large market share of approx. 37% of installed DSL lines and approx. 20% of broadband service lines in the domestic market. In fiscal 2003, an operating loss of ¥96.2 billion was recorded due to significant initial investment, but the segment has now become a source of profits for the SOFTBANK Group, with operating income of ¥26.8 billion in fiscal 2007.

(Details on P36 – 37)

### Profit Increase, Expanding Customer Base



Note: Broadband Infrastructure segment figures shown before eliminations

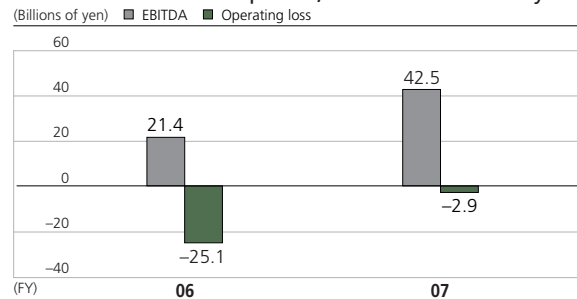
## ■ Fixed-line Telecommunications

Steady improvements toward profitability

The initial investments for the start up of the *Otoku Line* direct connection fixed-line voice service are completed and the profitability of this operation has increased steadily. In addition to the *Otoku Line*, the number of Ethernet lines for corporate customers has grown steadily. Offering of mobile phone communication services to corporate customers is also under development.

(Details on P38 – 39)

### Initial Investment Completed, Close to Profitability



Note: Fixed-line Telecommunications segment figures shown before eliminations

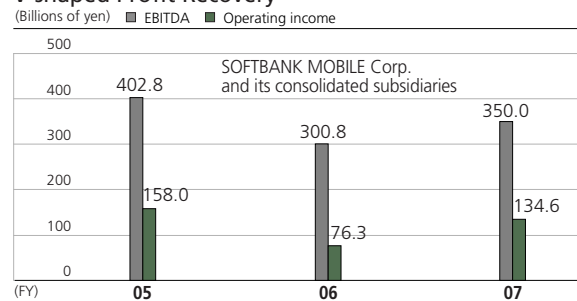
## ■ Mobile Communications

V-shaped profit recovery after joining the Group

Mobile Communications, which was included in the scope of consolidation from the end of April 2006, is the Group's newest business. In less than a year results have improved significantly. The share of annual net additions in mobile phone subscribers surged from 3.5% in fiscal 2006 to 14.2% in fiscal 2007.

(Details on P32 – 35)

### V-shaped Profit Recovery



Note: The graph shows figures for SOFTBANK MOBILE Corp. and its subsidiaries. The figures differ from those for the Mobile Communications segment in SOFTBANK CORP's consolidated accounts. For the figures of the Mobile Communications segment in SOFTBANK CORP's consolidated accounts, please refer to page 77; Management's Discussion and Analysis of Operating Results and Financial Condition; Analysis of Operating Results by Business Segment.

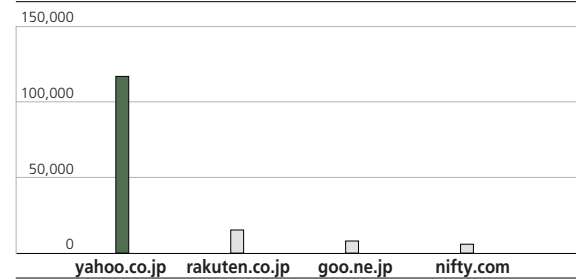
> **COMPETITIVE ADVANTAGES**

Infrastructure is just a stage. Content and services, and their gateway portal are our competitive advantages. These strengths are not only delivering domestic but also global results. Especially in the fast-growing Asia market, where planted seeds are starting to bloom.

■ **Overwhelming Market Share in Internet Portals**

Measured by total monthly hours of use, the Internet portal *Yahoo! JAPAN* is about 10 times the size of its nearest competitor, giving it a dominant position. This overwhelming advantage is unique in the world.

**Japan's Overwhelming No.1 Portal; Yahoo! JAPAN**  
Total Monthly Hours of Use  
(Hours)

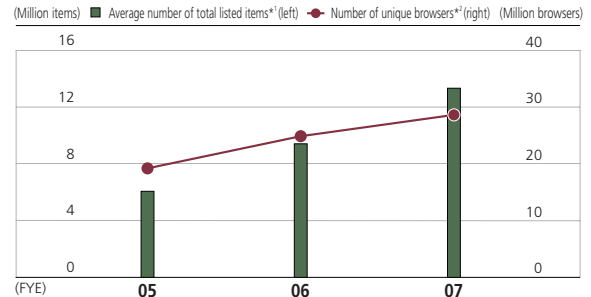


Source: NetRatings Japan Inc., March 2007 Press release

■ **Providing High-Quality Content & Services**

The lineup and quality of content and services, such as auctions, games, and video distribution service, are unrivalled. In addition to the scale of operations, more than anything the accelerating growth in user numbers demonstrates the strong user acceptance achieved.

**Expanding Content & Services**  
*Yahoo! Auctions*

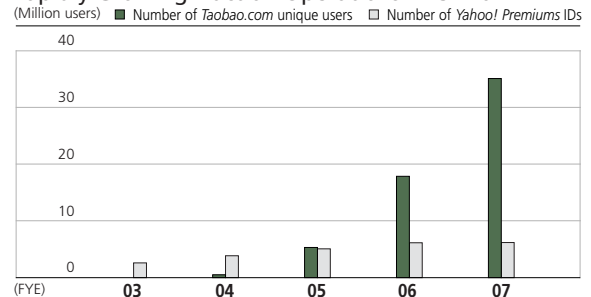


\*1 Daily average number of total listed items during the final month of the fiscal year.  
\*2 Number of browsers that accessed *Yahoo! Auctions* during the final month of the fiscal year.

■ **Overseas Development Capability**

In China, the C2C site *Taobao.com* is operated by Alibaba.com Corporation, SOFTBANK CORP.'s affiliate. In just two years since *Taobao.com* was founded, it has developed into China's number one auction site, with user numbers surpassing even those of *Yahoo! JAPAN*.

**Rapidly Growing Auction Operations in China**

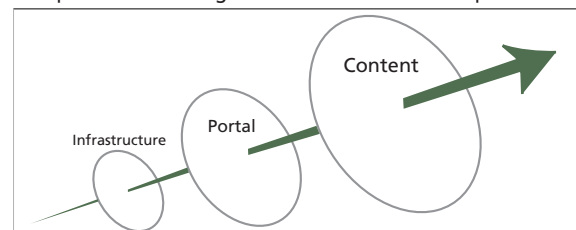


■ **Group Synergies Through Vertical Integration**

Infrastructure, portal, content and service operations all benefit from other operations, thereby creating innovative services and increasing enterprise value further. This business model is the key strength of the SOFTBANK Group.

(For details, please refer to the Special Feature on P22 – 28 "Redrawing the Map")

**Comprehensive Strength Drives Increase in Enterprise Value**



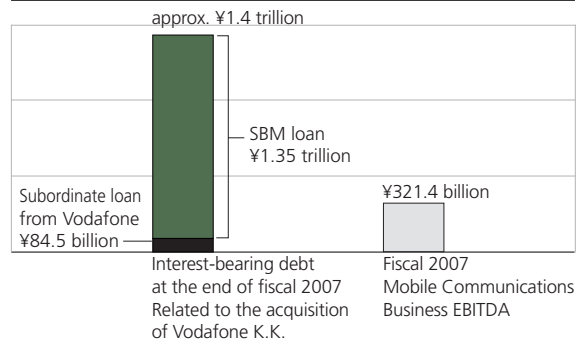
> CHALLENGES

Business growth generates the need for new funds. In fiscal 2007, due to the full-fledged entry into the mobile communications market, through the acquisition of Vodafone K.K., interest-bearing debt increased. This debt will be reduced by increasing profitability in all operations from here on.

■ Financing and Repayment Capabilities Relating to New Business

Due to the acquisition of Vodafone K.K., approx. ¥1.4 trillion out of the increase in interest-bearing debt was a non-recourse loan for the Mobile Communications business. EBITDA for Mobile Communications totaled ¥321.4 billion in fiscal 2007. The Mobile Communications business's substantial repayment capacity made vast financing possible. In the future, by making use of methods such as finance leases for capital investment and securitization of installment sales receivables the financing of the Vodafone K.K. acquisition will be completed. In addition, free cash flow generated from operations will be maximized to steadily repay the debt, and improve the balance sheet.

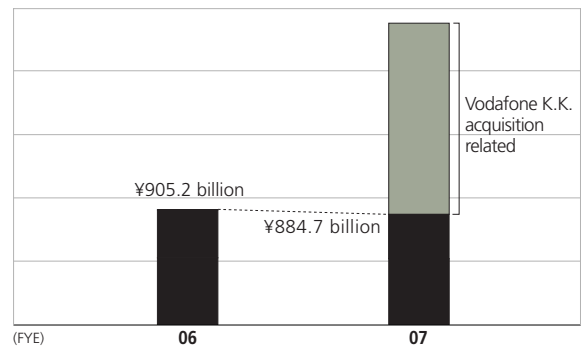
Relationship Between Interest-bearing Debt Related to the Acquisition of Vodafone K.K. and Sources of Repayment



■ Steadily Reducing Debt in Existing Businesses

Excluding interest-bearing debt stemming from the acquisition of Vodafone K.K., the Group's interest-bearing debt has steadily been reduced from ¥905.2 billion at the end of fiscal 2006 to ¥884.7 billion at the end of fiscal 2007. The cash flow from cash generating segments, such as the Broadband Infrastructure segment, were sources for repayment.

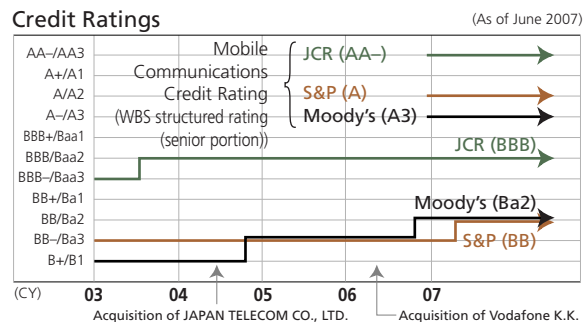
Steadily Reducing Interest-bearing Debt in Existing Businesses



■ Targeting Further Improvement of Balance Sheet

At the end of fiscal 2007, the ratio of long-term debt to interest-bearing debt was approx. 90%; steps to reduce the risk of interest rate hikes over the mid-to-long term are in place. Improvement of shareholders' equity and debt/equity ratios will be continued through steady reduction of interest-bearing debt and accumulation of profits. At the same time, the balance sheet will be improved and as a result, higher credit ratings are expected.

Credit Ratings



## > OPERATING RESULTS AND FINANCIAL CONDITON

### — CONSOLIDATED FINANCIAL HIGHLIGHTS —

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES Fiscal years ended March 31

The Broadband Infrastructure business has entered harvesting stage. In addition, due to the entry into the mobile communications business and improvement in profitability in Fixed-line Telecommunications, the SOFTBANK Group's profitability has increased dramatically.

(Millions of yen, except where noted)	FY		
	2005	2006	2007
<b>For the Fiscal Year:</b>			
Net sales	¥ 837,018	¥1,108,665	¥2,544,219
Operating (loss) income	(25,359)	62,299	271,066
EBITDA* <sup>1</sup>	44,095	149,913	525,428
(Loss) income before income taxes and minority interests	(9,549)	129,484	208,574
Net (loss) income	(59,872)	57,551	28,815
Net cash (used in) provided by operating activities	(45,989)	57,806	311,202
Net cash (used in) provided by investing activities	(242,944)	27,852	(2,097,937)
Net cash provided by (used in) financial activities	277,771	30,078	1,718,385
<b>At Fiscal Year-End:</b>			
Total assets	¥1,704,854	¥1,808,399	¥4,310,853
Total shareholders' equity	178,017	242,768	282,950
Equity ratio (%)	10.4	13.4	6.6
Interest-bearing debt	853,918	905,293	2,394,403
Net interest-bearing debt* <sup>2</sup>	531,680	454,614	2,008,149
Debt/equity ratio (%)	479.7	372.9	846.2
Net debt/equity ratio* <sup>2</sup> (%)	298.7	187.3	709.7
<b>Per Share Data*<sup>3</sup> (Yen):</b>			
Net (loss) income	¥ (57.01)	¥ 54.36	¥ 27.31
Net assets	168.62	229.88	268.02
Cash dividends	2.33	2.50	2.50

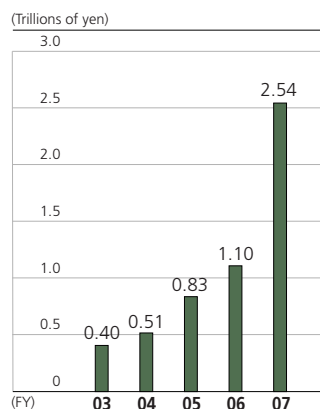
\*1 EBITDA = Operating income (loss) + depreciation, amortization, loss on disposal of fixed assets included in operating expenses.

\*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.

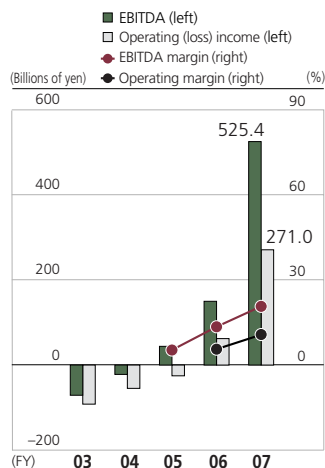
### Net Sales

Continuous impressive growth



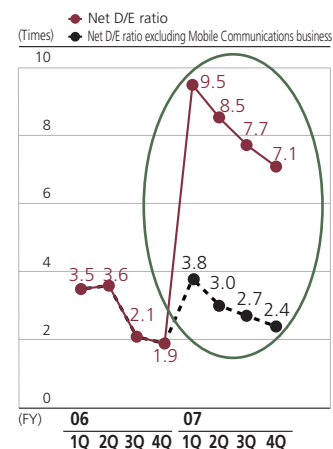
### Operating (loss) Income/EBITDA

Margins rising significantly



### Net Debt/Equity Ratio

Improving trend in ratio after temporary increase due to acquisition of Vodafone K.K.



2006				2007			
1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
¥ 258,638	¥ 264,149	¥ 287,471	¥ 298,407	¥ 494,232	¥ 625,942	¥ 702,195	¥ 721,850
(3,190)	7,590	23,512	34,387	54,358	58,195	84,733	73,780
19,505	30,740	44,713	54,955	104,309	124,091	154,001	143,027
761	25,141	59,687	43,895	29,303	89,596	58,024	31,651
(11,153)	6,971	22,002	39,731	1,418	13,021	7,495	(6,881)
(18,214)	233	61,949	13,838	64,675	122,464	71,194	52,869
(28,703)	(45,593)	86,627	15,521	(1,965,833)	8,847	(71,675)	(69,276)
12,925	(11,082)	(46,729)	74,964	1,743,430	(144,657)	124,059	(4,447)
¥1,620,883	¥1,578,924	¥1,748,605	¥1,808,399	¥ 4,031,003	¥3,986,991	¥4,191,853	¥4,310,853
167,346	170,342	219,111	242,768	235,198	249,163	267,800	282,950
10.3	10.8	12.5	13.4	5.8	6.2	6.4	6.6
876,145	850,744	810,776	905,293	2,529,595	2,390,057	2,470,804	2,394,403
586,241	615,688	469,138	454,614	2,237,071	2,109,098	2,069,008	2,008,149
523.6	499.4	370.0	372.9	1,075.5	959.2	922.6	846.2
350.3	361.4	214.1	187.3	951.1	846.5	772.6	709.7
¥ (10.58)	¥ (3.97)	¥ 16.90	¥ 54.36	¥ 1.34	¥ 13.68	¥ 20.79	¥ 27.31
158.72	161.56	207.77	229.88	229.90	236.14	253.74	268.02
—	—	—	—	—	—	—	—

# Redraw

- Make changes



Continuously redefining the industry standard.

—This is in the SOFTBANK Group's genes, and the driving force of our growth.

SOFTBANK CORP.  
Chairman and CEO  
**MASAYOSHI SON**

Considering stakeholders' interests, queries, and concerns, Group Representative, Masayoshi Son speaks directly and frankly about

...our performance,

...our operating environment, growth strategies and results,

...and how we will overcome challenges on the way to maximizing enterprise value.

> **SOFTBANK CORP.'S CONSOLIDATED RESULTS IN FISCAL 2007  
(APRIL 2006 — MARCH 2007)**

**Contrary to negative forecasts, a year after our entry into the mobile communications business, its business value has increased drastically. I am proud to say that this acquisition was a big success.**

**Substantial Increases in Sales and Profits**

Net sales in fiscal 2007 exceeded ¥2 trillion for the first time, reaching ¥2,544.2 billion, a 2.3-fold increase from fiscal 2006. On the other hand, operating income grew at an even faster pace, reaching ¥271.0 billion, a 4.4-fold increase from fiscal 2006. Even though this was only its second year of being in the black, we recorded a double digit operating margin of 10.7%. EBITDA\*<sup>1</sup> was ¥525.4 billion, a 3.5-fold increase from fiscal 2006, for an EBITDA margin of 20.7%.

**Significant Growth in Mobile Communications, Entered Through Acquisition**

The major reason for our improved results was the addition of the Mobile Communications segment to the scope of consolidation from fiscal 2007. We made a full-fledged entry into the mobile communications market with the acquisition of Vodafone K.K. (hereafter "Vodafone," current SOFTBANK MOBILE Corp.) in April, 2006. However, our results are not simply a reflection of the addition of Vodafone's numbers to our own; our share of the net additions in domestic mobile phone subscribers has surged from 3.5% in fiscal 2006 to 14.2% in fiscal 2007. In addition to significantly expanding operations, in fiscal 2007 we generated an operating income of ¥155.7 billion from the Mobile Communications business and EBITDA of ¥321.4 billion. The fact that we did not just overcome Vodafone's weaknesses at an early stage, as discussed later, but also leveraged the SOFTBANK Group's unique strengths and defied the mobile communications industry's conventional standard as we moved toward our goal of realizing a real mobile Internet, was the key to our enormous success in fiscal 2007.

Note: In April 2006, SOFTBANK completed the acquisition of Vodafone K.K., which is included in scope of consolidation from the end of April 2006, and the financial results were consolidated from May 2006.

**Steady Growth in Existing Businesses**

In addition to Mobile Communications, our other businesses have also performed well. In the Broadband Infrastructure segment, the ADSL business, in which we are already firmly established as the number one provider, we continued to record increases in the number of installed lines and in ARPU\*<sup>2</sup>, and operating income in fiscal 2007 was up by 30% from fiscal 2006. In addition, in the Internet Culture segment, where Yahoo Japan Corporation is the core company, we maintained a high growth rate, recording increases of 24% in net sales and 30% in operating income from fiscal 2006. In the Fixed-line Telecommunications segment, which had been recording substantial operating losses in the initial investment phase after it was consolidated in the second half of fiscal 2005, we have improved profitability to near the breakeven point. This progress is attributable to growth in the market shares of both the direct connection fixed-line voice service and the data transmission service provided to corporate customers. In fiscal 2007, the segment recorded EBITDA of ¥42.5 billion, an increase of 98% from fiscal 2006.

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

\*2 Average Revenue Per User



> OPERATIONAL ENVIRONMENT

**Through progress in broadband, the Internet is permeating all aspects of our daily lives.**

**However, today's mobile Internet has not caught up with the evolving needs of users yet.**

**More Users and Sophisticated Use of the Internet**

The broadband penetration rate for households in Japan already exceeds 50%, this figure is expected to increase further under the influence of the government's policy to eliminate areas without broadband service by 2010. In addition, the ways in which the Internet is used are becoming increasingly sophisticated, and per user expenditures on digital communication services are growing. New ways of use which are intertwined more closely with peoples' daily lives, such as shopping and entertainment, are increasing; people are not just acquiring but also sending information and forming communities.

**Rapid Increase in Places to Use the Internet, But the Real Ubiquitous Society Is Still Unrealized**

Moreover, Internet touch points are increasing. According to Ministry of Internal Affairs and Communications statistics, 80.55 million people use PCs to access the Internet, while almost as many—70.86 million—use mobile terminals. Meanwhile, 60.99 million people use both PCs and mobile terminals. Despite the growth in the number of mobile Internet users, many mobile users are not satisfied with the mobile Internet experience, which still suffers from slow transmission speeds, limited usable content, and high charges in comparison with fixed-line services. Therefore, in terms of usage depth there is still a long way to go before we realize a true mobile Internet.



## > GROWTH STRATEGIES AND RESULTS

Please refer to the following "Special Feature" section, "Redrawing the Map—Who Wins in a Ubiquitous Society?" for more detailed figures and examples of our growth strategy and results.

**The strong support of users for differentiated services has sustained our rapid growth. This would be impossible if the increase in quantity was not accompanied by enhanced quality.**

### **Basic Strategy—Simultaneous Expansion of Quantity and Quality**

The Group is constantly anticipating changes in its operational environment, as mentioned previously, and has repeatedly expanded the scope of its operations up to fiscal 2006; from our original IT distribution business to Internet portal, content and service related business, broadband infrastructure, and fixed-line telecommunications. The success in these businesses was not achieved by simply increasing customer numbers, but by developing innovative services, that truly add ground-breaking value for users and improving customer satisfaction to increase per user revenues. In other words, we have simultaneously expanded quantity and quality. What is most important in these endeavors is what the user considers to be added value and innovative rather than the perspective of the operators or the industry. It is this strategy and business model that have created a positive growth circle, with stronger customer support leading to a larger customer base.

### **Eliminate Weaknesses First, and Turn Them into Strengths**

In fiscal 2007, we entered the mobile communications business. In this field, too, simultaneous expansion of quantity and quality is fundamental. However, we could not compete with our rivals from an inferior position, so our top priority was to eliminate our weaknesses. For example, in network expansion, we have rapidly increased the number of 3G base stations. We expect to have 46,000 base stations during the first half of fiscal 2008, more than double the number that was installed at the end of March 2006, prior to the acquisition. In fiscal 2007, we launched 35 models in a total of 159 colors, including 32 3G models available in 152 colors, thereby outdistancing competitors with our lineup. Also, in response to users' voices that 3G mobile phone handsets were highly functional but bulky and unstylish, we launched unprecedented types of handsets that offer advanced functionalities but are slim and fashionable. As a result, SOFTBANK MOBILE Corp. has created new market trends and is now synonymous with slim, fashionable; and One Seg compatible handsets.

### **Leverage Strengths to Realize What Others Cannot**

On top of turning weaknesses into strengths, it is equally important to reinforce our users' support by implementing measures that competitors cannot. It is in this area that we can fully leverage the Group's competitive advantages and strengths. The unique strengths of the Group are our wealth of experience and performance in Internet business and our high-quality portal, content and services.

**One may say that we are defying conventional industry practices, but doing the right thing for users is just common sense for SOFTBANK.**

### 1. Establishing Internet gateways

First of all we launched *Yahoo! Keitai*. This is a version of *Yahoo! JAPAN*, the nation's number one Internet portal, exclusive for SoftBank mobile phones. It has an interface that the majority of Internet users are already familiar with. The launch of *Yahoo! Keitai* has substantially simplified access from mobile phones to the vast world of Internet content and services.

### 2. Providing functions and operating systems optimized for the Internet

We responded to users' voices stating that the mobile Internet is difficult to access, but also slow, hard to look at and use. For the summer of 2007, we launched six new models at once that were not only HSDPA\*<sup>3</sup> 3G *High Speed* compatible but also had larger screens and improved operability. In addition, these handsets broke new ground in style and design. Also, we plan to launch two smart phones that will be the first in Japan to be mounted with the *Microsoft® Windows Mobile®* operating system.

### 3. Providing Internet unique content

In May 2007, we launched a beta version of *Yahoo! Streaming*, a video content service for SoftBank mobile phones. Users can enjoy over 1,000 content titles a month from genres such as sport or news, all free of information charge\*<sup>4</sup>.

### Defying Conventional Practices on Pricing Too

We put the scalpel into the pricing structure for mobile phones. This was not merely a competitive maneuver; it was a way to demolish the traditional industry practices that were unreasonable from a user's perspective. The prime example of this is our introduction of the installment sales method for mobile phone handsets. The conventional practice in the mobile communications industry was that the operator paid high subsidies to the sales agents, and then recouped these costs from the user through higher basic monthly charges or call charges. But this arrangement is not fair to users who keep one handset for a long period of time, since they will bear a burden that is unfair compared to users who cancel their contracts or upgrade their handsets within a short period of time. By introducing the installment sales method, which separates the price of the handset from other charges, we have created a pricing system that is fair to all users. This effort also enabled us to launch price plans such as the *White Plan*, and *Double White* which offer very attractive pricing. In addition, under the installment sales method, subscribers sign installment contracts of up to two years, so we anticipate an increase in the length of time that handsets are used, a decline in the churn rate, and in turn, a contribution to future operational stability.

\*<sup>3</sup> High-Speed Downlink Packet Access: One of the high speed data communication methods for 3G mobile communication systems

\*<sup>4</sup> Separate communication charges apply for downloading content.

**We have resources that other companies do not.  
This is why we can do things they cannot.**

### **The Group's Comprehensive Strengths and Synergies Drive Progress Further**

Why have we been able to realize break-through measures? The answer is in the comprehensive strength of the Group. For example, we were able to introduce a dedicated mobile portal and launch a video content service for SoftBank mobile phones because of the Group's unrivalled operational base in portal, content and services. The same goes for marketing. The Group's stout distribution channels in its IT distribution operations and solid base of corporate customers in its fixed-line telecommunications business are contributing significantly to our subscriber acquisition in the mobile communications business. In addition, for our broadband infrastructure and fixed-line telecommunications businesses, we built an IP backbone network and wireless LAN network that are among the largest in Japan. These networks add substantial strength in terms of cost competitiveness which is indispensable to compete successfully in a ubiquitous society. Moreover, it is not only the mobile communications business that benefits from the Group strengths. The expansion of the mobile communications business is fostering increased use of content and services using mobile phones, as well as growth in the mobile Internet advertising market. In addition, it is also creating new business opportunities in such areas as sales of software for mobile phones and peripheral equipment.

### **From Japan to the World**

In the past, our growth strategies focused mostly on the Japanese market. Now we are also directing our attention overseas and steadily making strategic moves towards growth. For example, in comparison to Japan there are extremely large latent business opportunities in Asia, in China in particular, accompanying the realization of a ubiquitous society. In China, Alibaba.com Corporation, SOFTBANK CORP.'s affiliate, is developing the C2C auction site *Taobao.com*, which has grown to have a bigger customer base than *Yahoo! JAPAN*. In addition, the expansion of our differentiated technology overseas is starting to take off. For example, the technology used in our concurrent multi-people video distribution system — *BB Broadcast* — is highly regarded overseas. Commercial service as a 24 hour distribution system has been provided since June 2007 to the French state run broadcasting station TV5 Monde for broadcasting in Japan. It is also being used in test distribution by leading South Korean broadcaster Munhwa Broadcasting Corporation.

> **MAXIMIZING ENTERPRISE VALUE**

**Only when we secure our footing, and achieve sustained growth, we can maximize enterprise value.**

**Well Balanced Expansion of Three Main Elements of Enterprise Value**

In order to maximize enterprise value, it is essential to maximize its three main elements — growth, profitability, and sustainability — while maintaining a careful balance among them. As described earlier we are striving to achieve both growth and increased profitability, through the simultaneous expansion of quantity (volume) and quality (added value), by maximizing Group synergies.

**Aggressive Efforts to Strengthen our Financial Base**

Improving sustainability is another key management issue. For example, looking at the financial soundness of the Group, due to the acquisition of Vodafone, interest-bearing debt was ¥2,394.4 billion at the end of fiscal 2007, an increase of ¥1,489.1 billion from the end of fiscal 2006. However, interest-bearing debt not related to the Vodafone acquisition has steadily decreased, from ¥905.2 billion at the end of fiscal 2006 to ¥884.7 billion at the end of fiscal 2007. In terms of the generation of funds for repayment of debt, in addition to the Internet Culture and e-Commerce segments, two segments—Broadband Infrastructure and Fixed-line Telecommunications—recorded EBITDA for the first time in fiscal 2006, and they have subsequently continued to record favorable growth in their performance. Due to the acquisition of Vodafone, approximately ¥1.4 trillion out of interest-bearing debt increased was a non-recourse loan for the Mobile Communications business. EBITDA for Mobile Communications, which is the source for debt repayment, totaled ¥321.4 trillion in fiscal 2007. In the future, by making use of methods such as finance leases for capital investment and securitization of installment sales receivables the financing of the Vodafone acquisition will be completed. In addition, free cash flow generated from operations will be maximized to steadily repay the debt and improve the balance sheet.

**Increase Management Transparency and Flexibility by Enhancing the Governance System**

In order to achieve sustainable growth, we will not only need to strengthen our financial base but also increase management transparency and flexibility. To this end, we have actively sought to strengthen the corporate governance system by enhancing oversight of business operations executed by external directors on the board. In addition, we have implemented a range of policies to further increase management transparency, such as taking steps to provide explanations directly to shareholders and investors.

The SOFTBANK Group is striving to maximize enterprise value on a mid-to-long term basis and continuously meet the expectations of our stakeholders. Moreover, we want to draw the roadmap to this goal as transparently as possible, and run our businesses in a way that takes minimizing investors' risk into account, while increasing growth and profitability.

Market Capitalization of SOFTBANK CORP.





July 2007

**SOFTBANK CORP.**

Chairman and CEO

Masayoshi Son

A handwritten signature in black ink, appearing to be 'Masayoshi Son'.

## Redrawing the Map

### > Who Wins in a Ubiquitous Society?



Anytime, anywhere, and with anyone...

The realization of the true ubiquitous society, through broadband, will make business and private life convenient and enjoyable.

Not all companies involved in its realization can be winners however; the question is who is qualified to be the ultimate winner?

This chapter puts the spotlight on this question.



## > Redrawing the Map

### ■ Multi-Directional Approach

#### From Fixed-line Internet to Mobile

The realization of a true ubiquitous society will require more than just the connection of fixed-line and mobile telecommunications; timely and seamless provision of the functionalities needed by users, including platforms, content and services, will be indispensable. There are two main types of players that can meet these conditions; the

first being those who started in the communications area and later expanded into content and services, such as the NTT Group\*<sup>1</sup> and KDDI CORPORATION. Then there is the SOFTBANK Group which started its business in the Internet and used the content and service business as a basis to expand its operations to telecommunications.

\*1 Nippon Telegraph and Telephone Corporation and its subsidiaries

### ■ The Track Record of the SOFTBANK Group

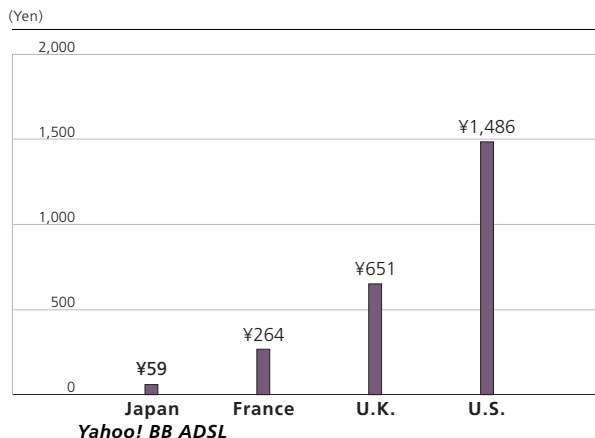
#### High Customer Satisfaction for the SOFTBANK Group Fixed-line Broadband

Let's have a look at the markets the major players have built. It is not an exaggeration to say that the fixed-line broadband service in Japan was created by the SOFTBANK Group. Since we started our ADSL business in 2001, the

number of *Yahoo! BB ADSL* lines has grown in tandem with the growth in broadband service in Japan. Even today, our ADSL service has an approximate 37% share of the total number of DSL installed lines and an approximate 20% share of the entire broadband market.

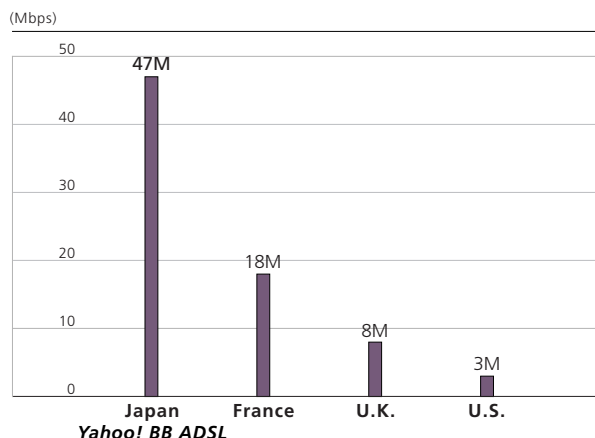
Customer satisfaction is, however, more important than market share. A Ministry of Internal Affairs and Communications (hereafter "MIC") survey (graph 1) indicates that compared to other developed countries, prices in Japan's broadband market are significantly lower and transmission speed is highly superior. The SOFTBANK Group has been the driving force in this market, and we are a leader not only in accelerating service speed but also in adding greater value by offering services bundled with wireless LAN and IP telephony services, etc. ARPU has increased significantly from ¥2,707 in the fourth quarter of fiscal 2002, shortly after we launched the ADSL business, to ¥4,359 in the fourth quarter of fiscal 2007 (graph 2). More than anything, the increased ARPU confirms that the customer satisfaction level of our services is high.

Graph1-1: ADSL Charges per 1 Mbps

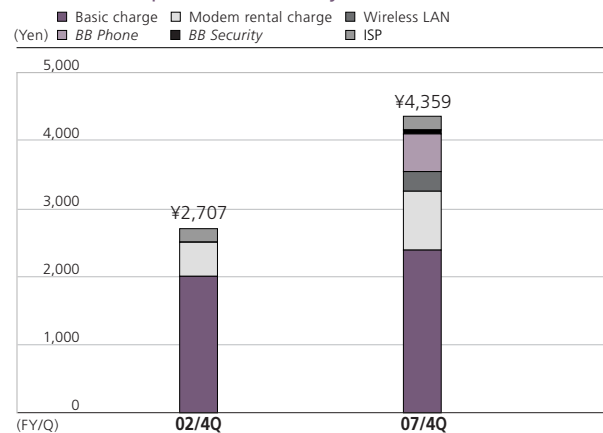


\*Continuous connection for one month (not including modem lease charges)  
Source: Ministry of Internal Affairs and Communications

Graph 1-2: ADSL Communication Speed (downlink)



Graph 2: ARPU for *Yahoo! BB ADSL*  
Steep increase over 5yrs



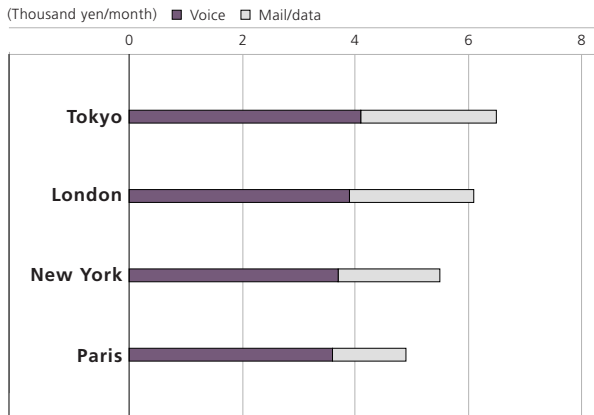
Note: BB TECHNOLOGY CORP. (current SOFTBANK BB Corp.), which operates the *Yahoo! BB ADSL* service, sold its modem rental business in December 2005. The above figures for ARPU are the monthly fees paid by subscribers, without taking the impact of the sale into account.

> Redrawing the Map

**Before the SOFTBANK Group Entered the Mobile Communications Market, Customer Satisfaction Was Mediocre**

Let us also have a look at the situation in mobile communications. The MIC statistics show clearly that compared on a global level, service charges in Japan are high (graph 3).

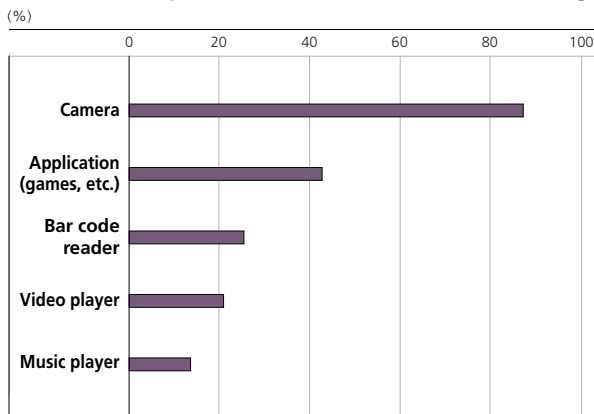
**Graph 3: International Comparison of Mobile Phone Usage Charges**



Source: Ministry of Internal Affairs and Communications

Japan is ahead of other countries in terms of handset functionality and transmission speed, but there are serious questions about the extent to which users actually use these advantages to enjoy services. As shown in graph 4, the usage rate by functionality on mobile phones exceeds 80% for cameras, but is only 20% for video functions and 14% for playing music.

**Graph 4: Usage Percentage of Mobile Phone Functions**  
Mobile phone handsets—Far behind in Internet usage



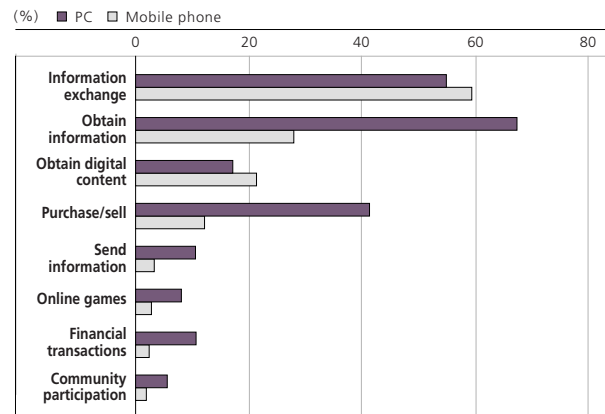
Source: Ministry of Internal Affairs and Communications

**True Mobile Internet Is Still a Long Way Off**

How are mobile phones used to access the Internet? According to MIC statistics, 60.99 million people use both mobile terminals and PCs to access the Internet, approximately 70% of the total. Moreover, 6.88 million people use only mobile terminals, however, in spite of this environment, accessing the Internet is not amongst the most popular uses of mobile phones, as shown in graph 4. This phenomenon is related to how and in how much depth they are used. As shown in graph 5, the objectives to access the Internet from PC vary, including web browsing, e-mail, net auctions, and blogs. However, the objectives for accessing the Internet from a mobile phone are limited to conventional uses—web browsing and email. The true value of the Internet is not being exerted.

Before the SOFTBANK Group entered the mobile communications market it was obstructed; only a very limited range of content was available through the portals provided by each operator, and the majority of the content provided consisted out of fee-based services costing several hundred yen each per month. It can be suggested that, for parallel users, who access the Internet on their PCs from home or in the office and on their mobile phones while on the move, the inability to use many kinds of content and services as on PCs and the limited uses of mobile Internet must have caused dissatisfaction. As mentioned earlier, this type of parallel users accounts for the majority of Internet users (approx. 70%).

**Graph 5: Objectives of Internet Use**



Source: Ministry of Internal Affairs and Communications

## ■ The SOFTBANK Group is Redrawing the Map

The SOFTBANK Group understands users' needs in the mobile world, and introduced a series of ground-breaking initiatives in response to these needs as shown in the table below.

### SOFTBANK Group's Ground-breaking Initiatives in the Mobile Communications Business

Users' Needs and Complaints	Key Points of SOFTBANK Group Initiatives
<b>[ Charges ]</b>	
An economic price plan for voice calls and messaging to designated people.	<i>White Plan</i> : For a basic monthly charge of ¥980, on-net domestic voice calls and messaging*2 is free of charge from 1:00am to 9:00pm.
A reasonable price plan for users who mainly make voice calls to an unspecified number of people.	<i>Double White</i> : For an additional fixed charge of ¥980 a month, on top of the <i>White Plan</i> basic monthly charge, from 1:00am to 9:00pm <i>Double White</i> offers on-net domestic voice calls and calls to other operators' users at half of the <i>White Plan</i> voice call rates.
Pricing that is beneficial for long-tenure users of one handset compared to users who upgrade after a few months.	First in Japan to introduce the installment sales method for mobile handsets and separate the handset cost from the call and basic charges. At the same time, introduced <i>New Super Bonus Discount</i> , which reduces the amount of the handset cost born by the user, and provides substantial benefits to long-tenure users.
<b>[ Mobile Internet ]</b>	
Internet accessibility is poor. In order to use services an ID, password, and PIN code entry is required every single time, and even the smallest services are charged.	Launched the <i>Yahoo! Keitai</i> portal. For SoftBank users, it provides a similar top page to <i>Yahoo! JAPAN</i> , the largest domestic portal. Many free content titles can be accessed easily. Once a <i>Yahoo! JAPAN</i> ID is registered, simple login to much of the <i>Yahoo! JAPAN</i> content and services is available.
Unlike PCs, the screen on mobile handsets is small, and difficult to operate on.	Consecutively launched several models equipped with PC site browser functionality. Amongst the summer 2007 models, two smart phones mounted with <i>Microsoft® Windows Mobile® 6</i> a first in Japan, will be launched.
Want to enjoy more video content on mobile phones.	In May 2007, launched a beta version of <i>Yahoo! Streaming</i> —one of the nation's largest video content portals—for mobile phones. More than 1,000 titles a month from a variety of genres, including news and sports, are available free of information charge*3.
Desire to use handsets from a variety of manufacturers.	Started development of the common mobile platform <i>Pop-i</i> (Portable Open Platform Initiative), targeting a 2008 launch. This enables standardization of applications and middleware, which contributes to shorter development periods for handset manufacturers and lower development costs.
<b>[ Handsets ]</b>	
Since the shift to 3G only functionality has improved, handsets are bulkier and unstylish.	Launched a series of handsets that are slim and stylish without compromising functionality and handset lineup greatly surpasses those of competitors. During the summer of 2007 12 new 3G handsets launched in a lineup that revolves around the keyword "style."

(All prices include tax)

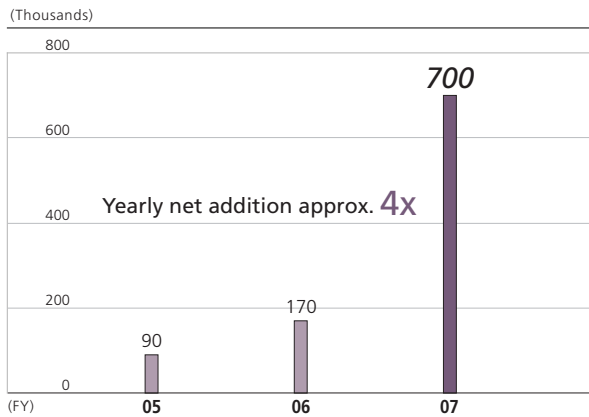
\*2 In case of SoftBank 3G mobile users

\*3 Separate communication charges apply for downloading content.

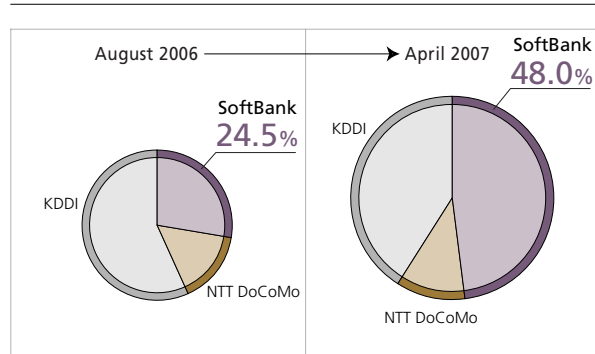
> Redrawing the Map

The majority of these measures might be contradictory to conventional wisdom and traditional industry practices. However, even when measures are not in accord with the industry's general practices, if they meet the users' true needs they will inevitably lead to success. The fact that over the past year, SOFTBANK MOBILE Corp. has experienced a dramatic leap in net subscriber additions, which is the number of new subscribers minus cancellations (graph 6), proves this. Moreover, user perception which is important in garnering market share, is improving remarkably (graphs 7 and 8).

Graph 6: SoftBank Net Addition  
Dramatic increase

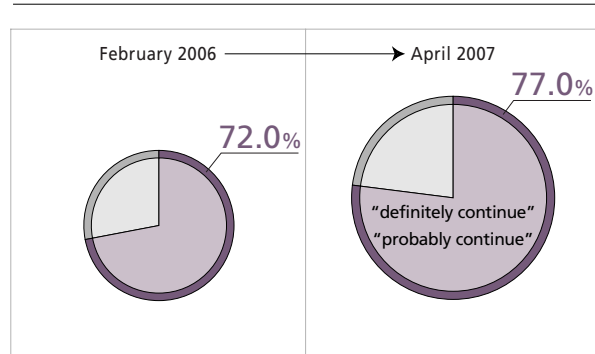


Graph 7: Operator with Most Economical Image



Source: Third-party research

Graph 8: SoftBank Mobile Phones: Intent to Continue Usage Ratio  
Includes "definitely continue" & "probably continue"



Source: Third-party research

■ Why Will the SOFTBANK Group Be the Ultimate Winner in the Ubiquitous Society?

The SOFTBANK Group has a number of decisive advantages over conventional operators. The most prominent are our unique corporate genes and the differentiated business model linked to them, we also possess overwhelming advantages in management resources.

1. Differences in Corporate Genes and Business Model:

The SOFTBANK Group is constantly focusing on offering users convenient, economical, and enjoyable lifestyles through the spread of seamless broadband services. We expanded our business to Internet Culture, Broadband Infrastructure, Fixed-line Telecommunications, and Mobile Communications businesses simply in order to make these

kinds of lifestyles possible. Our most important objective is to first understand and analyze what services we can offer to make our customers' lifestyles more convenient, economical, and enjoyable. Once we do this we have the ability to rapidly implement strategies to provide these services, which is what absolutely differentiates us from other existing telecom operators. In contrast to the existing telecom industry view of our strategies as defying traditional industry practices, we see them as "only natural," and this is probably where the crucial difference exists. The user wants what is normal on PCs to be made normal on mobile phones too, and in our opinion it is only normal for us to strive to respond to these needs.

## 2. Differences in Management Resources:

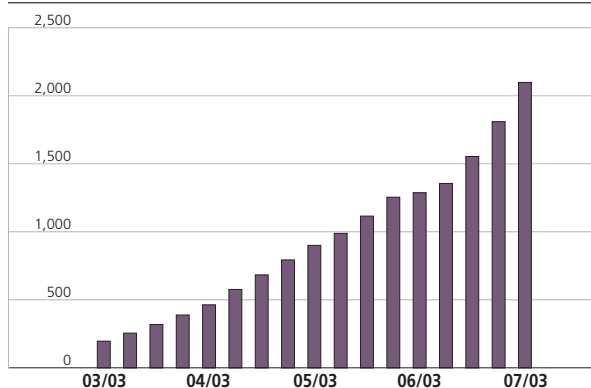
Differences in corporate genes and business models are related to the diverse management resources that a company has cultivated. We possess management resources that other companies do not, especially in the areas of portals, content and services. As mentioned earlier, users only want to experience convenient, economical, enjoyable lifestyles, and do not value infrastructure by itself. Therefore, the most determining factor in the outcome of the competition among the players will be the high quality of the gateway (portal) that enables users to access the Internet freely, and the appeal of successively provided content and services.

*Yahoo! JAPAN*, the nation's largest Internet portal, will be a powerful weapon for competition in the ubiquitous society. In addition to *Yahoo! JAPAN*, the SOFTBANK Group is developing a broad range of content and services that will also be important weapons. In a wide span of fields, we are offering unique, high-added-value content and services, such as music, video, and games in the entertainment area, and news in the business and information area. Moreover, in most of these areas we clearly surpass competitors in user numbers, page views, etc. This track record and experience will be leveraged in the realization of mobile Internet and the ubiquitous society. For example, the success of *Yahoo! Keitai*, a portal, drew heavily on the experience and know-how cultivated through the operation of *Yahoo! JAPAN*, and the beta

version of the *Yahoo! Streaming* video content service is a mobile phone version of *Yahoo! Streaming*, one of the largest domestic video content portals, which is offered by Yahoo Japan Corporation.

Graph 9: Number of Online Game Members  
Continued growth

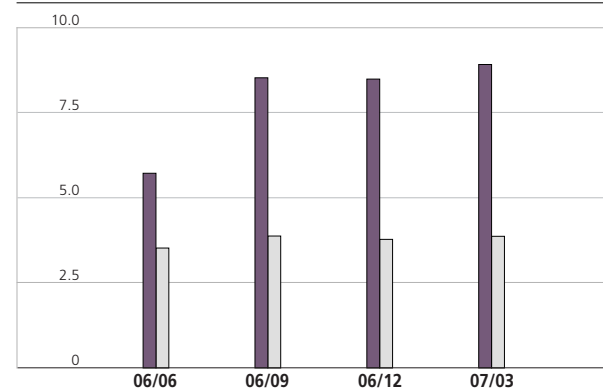
(Thousands) Total number of GungHo-ID registrations



Note: GungHo-ID: ID required to use online games provided by GungHo Online Entertainment, Inc. or its group companies

Graph 10: Unique Video Content Users per Month  
One of the largest in domestic market

(Millions) ■ Yahoo! JAPAN Video services □ No. 2 Domestic company



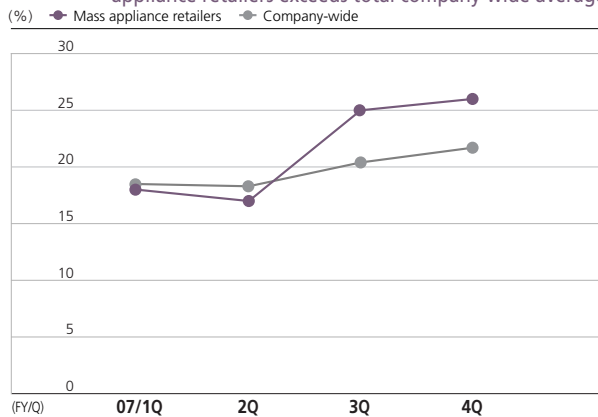
Source: NetRatings Japan Inc., access from home PCs

## > Redrawing the Map

### The exclusive benefits of being a comprehensive digital information company:

In addition to our portal, content and services, other resources are also playing important roles in the competition in the mobile communications industry. For example, in our e-Commerce business, SOFTBANK BB Corp. is one of the largest distributors of IT products in Japan and has a strong sales network extending over more than 40 thousand outlets, centered on mass appliance retailers. These resources have proven to be of tremendous use in SOFTBANK MOBILE Corp.'s subscriber acquisition. This was also the case with the Fixed-line Telecommunications business managed by SOFTBANK TELECOM Corp., which has a strong base of corporate customers that we were able to use in acquiring mobile corporate customers. Moreover, to provide seamless telecommunications, network integration is essential and, SOFTBANK TELECOM Corp.'s nationwide fiber-optic network, abundant experience with network construction and operation, and know-how will prove to be highly useful.

Graph 11: Share of New Subscriber Contracts\*  
SOFTBANK MOBILE Corp.'s acquisition share in mass appliance retailers exceeds total company-wide average

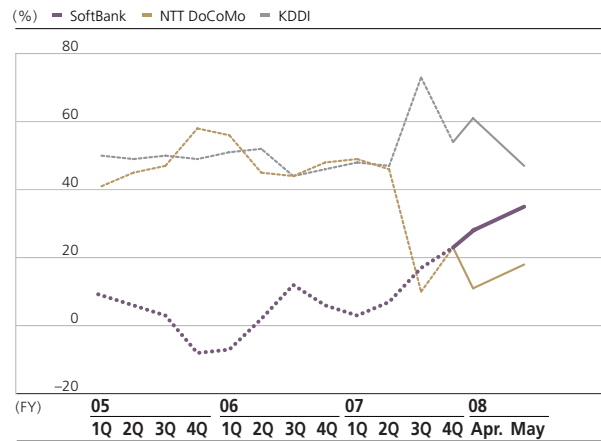


\* SOFTBANK MOBILE Corp. statistics

### Not just one-way benefit but mutual synergies:

The benefits of group synergies do not just flow one-way from the existing businesses to the Mobile Communications business. For example, the realization of a highly accessible mobile Internet service fosters increases in revenues from mobile Internet advertising and in usage charges for fee-based content and services, which help the SOFTBANK Group's operations in portal and content and services. In addition, the e-Commerce business is benefiting from enhanced business opportunities stemming from the activation of the mobile communications market, such as sales of software and peripheral equipment for mobile phones. We also anticipate further growth in our corporate customer base through the provision of seamless office communication environments utilizing mobile phones by the Fixed-line Telecommunications business. In the Broadband Infrastructure business, we are conducting cross-marketing of mobile phone services and ADSL services and working to achieve fixed mobile convergence rapidly.

Graph 12: Growing Share in Net Additions



Source: Telecommunications Carriers Association

### > The SOFTBANK Group Has What It Takes to Win:

Considering the aforementioned factors, the rapid growth in market share achieved in the mobile communications industry is more than just a temporary trend. This success was the natural outcome of the differences with competitors—differences in corporate genes, business models, and comprehensive strengths. Mobile communications is our newest field of business, but as long as competitors fail to meet users' needs and the SOFTBANK Group has these strong competitive advantages, we are confident that we will be the final winner in this area too. Users only want normal things to be made normal; the ultimate winner among the industry players will be the one that simply meets the users' needs. We are proud that the SOFTBANK Group is a couple of steps ahead, leading in the areas that are indispensable to achieve this.

### > Deepening and growth of the Group's businesses

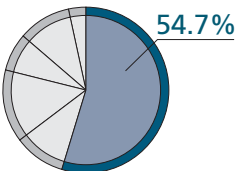
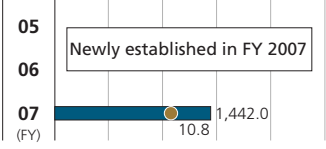
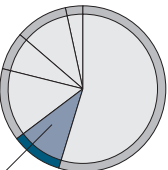
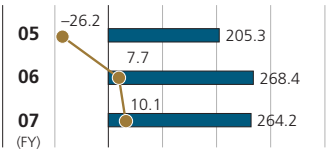
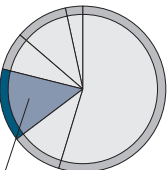
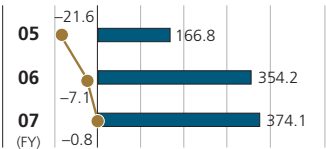
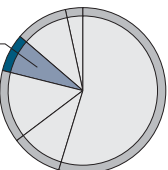
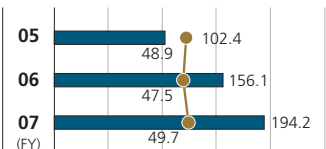
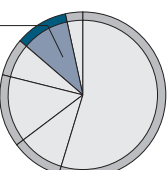
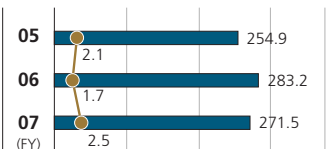


The SOFTBANK Group's unique business model has proved its merits further with the addition of the Mobile Communications business.

While the infrastructure, portal, contents and service operations each increase their business value, the Group's comprehensive strength is boosted by bidirectional synergies.

## BUSINESS SEGMENT HIGHLIGHTS

In addition to the segments on this page, the Group's business segments include the Others segment (for details, please refer to P46).

Segment / Composition of Sales*1	Results*1	Core Companies / Main Other Operating Companies
<p><b>Mobile Communications</b></p>  <p>54.7%</p>	<p>■ Net sales (Billions of yen) ● Operating margin (%)</p>  <p>05 1,442.0 10.8 06 1,442.0 10.8 07 (FY) 1,442.0 10.8</p> <p>Newly established in FY 2007</p>	<p><b>Core Company</b> SOFTBANK MOBILE Corp.</p>
<p><b>Broadband Infrastructure</b></p>  <p>10.0%</p>	<p>■ Net sales (Billions of yen) ● Operating margin (%)</p>  <p>05 205.3 -26.2 06 268.4 7.7 07 (FY) 264.2 10.1</p>	<p><b>Core Company</b> SOFTBANK BB Corp. <b>Main Other Operating Company</b> BB Cable Corporation</p>
<p><b>Fixed-line Telecommunications</b></p>  <p>14.2%</p>	<p>■ Net sales (Billions of yen) ● Operating margin (%)</p>  <p>05 166.8 -21.6 06 354.2 -7.1 07 (FY) 374.1 -0.8</p>	<p><b>Core Company</b> SOFTBANK TELECOM Corp. <b>Main Other Operating Company</b> SOFTBANK IDC Corp.</p>
<p><b>Internet Culture</b></p>  <p>7.4%</p>	<p>■ Net sales (Billions of yen) ● Operating margin (%)</p>  <p>05 48.9 102.4 06 156.1 47.5 07 (FY) 194.2 49.7</p>	<p><b>Core Company</b> Yahoo Japan Corporation</p>
<p><b>e-Commerce</b></p>  <p>10.3%</p>	<p>■ Net sales (Billions of yen) ● Operating margin (%)</p>  <p>05 254.9 2.1 06 283.2 1.7 07 (FY) 271.5 2.5</p>	<p><b>Core Company</b> SOFTBANK BB Corp. <b>Main Other Operating Companies</b> Vector Inc. SOFTBANK Human Capital CORP. Carview Corporation</p>

\*1 Consolidated sales by segment are shown before eliminations



Principal Business Activities	Competitive Environment and Group Positioning
<ul style="list-style-type: none"> <li>• Mobile phone services</li> <li>• Operations related to mobile phone services, such as sales of mobile phone handsets</li> </ul>	<p>Acquired Vodafone K.K. and entered the market in fiscal 2007. Ranked No. 3 in the industry, after NTT DoCoMo, Inc. and KDDI CORPORATION, however share of the net subscriber additions rose to 14.2% in fiscal 2007, compared to 3.5% in fiscal 2006. Driving revolutionary progress in such areas as handset functionality and fashionableness, pricing, and Internet accessibility.</p>
<ul style="list-style-type: none"> <li>• Broadband infrastructure business (ADSL, FTTH, IP telephony, wireless LAN)</li> <li>• Provision of broadcasting and VOD services</li> </ul>	<p>Market leader, with shares of approx. 37% of installed DSL lines and approx. 20% of the entire broadband market. Also dominant position in IP telephony services. Recording growth by leveraging synergies among Group companies and enhancing the services and content provided over infrastructure, thereby raising the value of the infrastructure itself.</p>
<ul style="list-style-type: none"> <li>• Telecommunications business (voice, data, leased lines)</li> <li>• Solution business</li> <li>• Data center business</li> </ul>	<p>Have entered the fixed-line voice service market, which was previously monopolized by the NTT group, by offering new services with a focus on competitive pricing and transmission quality. In data transmission a leader in IP-VPN services, with a market share of around 20%. In the integration/outsourcing services market, differentiated operations by using the robust facilities and advanced network technologies cultivated as an iDC operator.</p>
<ul style="list-style-type: none"> <li>• Internet advertising business</li> <li>• Portal business</li> <li>• Auction business</li> </ul>	<p>Leader in the Internet advertising industry. Dominant No. 1 comprehensive Internet site, which serves more than 1.4 billion page views a day. Also leader in e-commerce, especially in Internet auctions, with a dominant market share.</p>
<ul style="list-style-type: none"> <li>• Distribution of IT-related products (hardware and software)</li> <li>• ASP service business (security services, software services, etc.)</li> <li>• E-commerce related business</li> </ul>	<p>One of Japan's largest distributors of IT-related products, with a dominant No. 1 share in the distribution of PC software to mass appliance retailers. In e-commerce related operations, the <i>e-career</i> employment information site is one of the largest in Japan by volume of information, and the <i>carview</i> comprehensive car-related site is the largest in its field in Japan by page views.</p>

## > Mobile Communications Segment

Making what's normal on PC normal on mobile phones is the goal. By implementing revolutionary measures, unprecedented by competitors, the segment will realize a truly ubiquitous society at the earliest feasible time.



### BUSINESS SEGMENT SWOT ANALYSIS

#### STRENGTHS

- **Ability to respond to user needs and the SOFTBANK Group's comprehensive strengths**

The core company in the segment is SOFTBANK MOBILE Corp. (former Vodafone K.K., hereafter "SBM"). Since its establishment, SBM has worked to build a differentiated business foundation with such services as international roaming.

Moreover, after joining the SOFTBANK Group (hereafter "the Group") in fiscal 2007, SBM has been able to

utilize the resources of other Group operations, including those shown below.

- Abundant accomplishments and experience in portal, content and services
- IP backbone network and wireless LAN network that are amongst the largest in Japan
- Robust customer base and sales force in the business areas of ADSL, IT distribution, and fixed-line telecommunications for corporate customers

#### OPPORTUNITIES

- **Internet penetration**

Compared to fixed-line Internet access, the mobile Internet market and its content and services market are immature; there is substantial room for growth. From a global perspective, prices in the domestic market remain high and Internet accessibility is low, as a result it is hard to reach the abundant content and services, etc. These factors have inhibited the penetration of the mobile Internet.

- **Shift to broadband**

The transition to broadband does not only dramatically increase Internet access but also foster demand for con-

tent. Through the shift to mobile broadband, the convenient and fun content and services of the Internet, such as video distribution, can be enjoyed by users anytime, anywhere, and as a result the expansion of the content market is accelerating more than ever.

- **Increase in demand from corporate market**

The higher functionality and convenience of mobile phones is not only promoting consumer use but also corporate use. In addition, the integration of services with fixed-line communications is generating new demand.

#### THREATS / WEAKNESSES

- **Further expansion of customer base and ARPU**

Over the last year, the segment has mostly resolved the four key challenges faced by Vodafone K.K. (for more details, please refer to the next page), and as a result the number of net additions has increased dramatically. In the

future, the segment will successively implement initiatives aimed not only at further customer base expansion but also at further churn rate reduction and ARPU improvement.

## OPERATING ENVIRONMENT

There were 96.72 million domestic mobile phone subscribers at the end of fiscal 2007, an increase of 4.93 million subscribers compared to the end of fiscal 2006. The population penetration rate reached 76%. The growth rate in subscriber numbers is declining each year, but on the other hand, 3G subscribers account for a growing share of total subscribers. The 3G subscriber ratio at the end of fiscal 2007 was 72.3%, up approximately 20 percentage points year-on-year.

Due to the current spread of high speed data communications and 3G suited for multimedia usage, as was the

case with fixed-line communications, there is plenty of room for expansion in the Internet content and service market. Also, for mobile operators, the acquisition of 3G subscribers, including upgrades from 2G to 3G, and the promotion of the use of a variety of content through the provision of appealing handsets and services are very important factors in determining ARPU and profitability of mobile operators.

Data source: Telecommunications Carriers Association

## BASIC STRATEGIES

For SBM, fiscal 2007 was a year dedicated to meeting existing challenges and reinforcing its customer base. Concerns about an outflow of customers in the wake of the introduction of MNP (Mobile Number Portability) in October 2006 proved unfounded, and it can be said that SBM's initiatives were highly successful. In the future, in addition to "quantity" initiatives targeting growth in subscriber numbers, SBM will also bolster its efforts in "quality" oriented initiatives targeting expanded usage in a variety of settings.

### <Step 1: Overcoming the 4 Challenges and Onwards to Turnaround>

SBM worked to rapidly overcome the four challenges of former Vodafone K.K. and were able to establish a superior position compared to competitors in various areas.

### 3G Network → Expansion of base stations solved connection problems

SBM has increased the number of 3G base stations by approximately 10,000 year-on-year, reaching a total of approximately 31,000 base stations at the end of April 2007. User network satisfaction has increased dramatically due to this expansion. SBM intends to have 46,000 base stations, more than double the number at the end of fiscal 2006, installed during the first half of fiscal 2008.

### 3G Handsets → A new concept appealing to users

In fiscal 2007, 35 models in a total of 159 colors, including 32 3G models in 152 colors, were launched. In particular, since October 2006, when the new *SoftBank* mobile brand was launched, SBM's lineup has clearly outshone competitors'. SBM responded quickly to dissatisfaction of users with 3G and One Seg compatible handsets, which were considered to be too functionality focused and as a result bulky and unstylish. An entirely new concept in the industry—3G and One Seg compatible handsets that are slim and fashionable, while retaining and increasing functionality were launched, which have secured strong support from users. For example, 905SH, which was launched in May 2006, was the best-selling new handset for five

months, from June to October, and 911SH, which was launched in November, was the best-selling new handset for three months, from December to February 2007\*1.

### Content → The world of the Internet is just one touch away

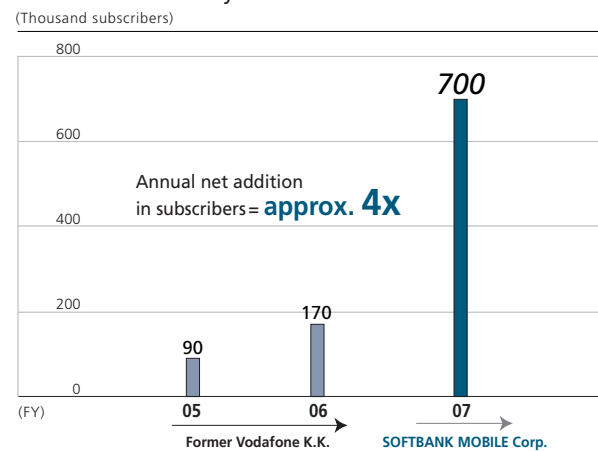
*Yahoo! Keitai* was launched in October 2006. It is a version of the nation's number one Internet portal, *Yahoo! JAPAN* exclusively for SoftBank mobile phones. It is accessible by just pressing the *Y!* button. As a result, users can easily use not only the popular services and high demand content of *Yahoo! JAPAN*, such as auctions and shopping, but also the Internet's unlimited content and services (for details, please refer to P43).

### Sales organization / branding → Aggressive enforcement

By simultaneously increasing the staff in SoftBank shops, and taking full advantage of the solid relationships that the Group has cultivated with mass appliance retailers and the corporate customer base, sales capabilities have been improved markedly.

\*1 Number of new sold mobile handsets with One Seg tuners. Research on dominant domestic mass appliance retailer sales compiled by GfK Japan.

### An Upheaval in the Mobile Communications Market One Year After Entry



In branding activities, SBM aggressively implemented television commercials which were the most preferred series of commercials, among approximately 2,000 corporations' commercial series. This led to a surge in users who are considering the purchase of an SBM handset\*2.

**<Step 2: Strategy to Increase ARPU Further>**

From fiscal 2008, while enforcing the step 1 strategy, SBM will accelerate initiatives targeting the promotion of user content and service usage.

**Example 1: Launch of Internet compatible handsets**

Amongst SBM's 2007 summer models, 6 HSDPA\*3 3G High Speed compatible models were launched. Two models are mounted with Microsoft® Windows Mobile® 6, a first in Japan. The new models incorporate SBM's main marketing concept of functionalities that enable a faster, more convenient mobile Internet experience that can be enjoyed on a variety of handsets.

**Example 2: Shift to common platforms**

SBM has decided to introduce an API\*4 type platform for mobile phones, PoP-i (Portable Open Platform Initiative), and started development targeting its introduction on models to be launched in 2008. As a result, the

differences in major software and chipsets used by handset manufacturers can be handled, and the burden on manufacturers is minimized. Moreover, shorter development periods and reduced development costs are expected. Also, to respond briskly to increasingly sophisticated user needs, it will be possible to rapidly introduce more-advanced, more-competitive services.

**Example 3: Start of video content service for mobile phones**

Yahoo! Streaming (beta) was introduced as a service for mobile phones of Yahoo! Streaming, one of the nation's largest video content portals operated by Yahoo! JAPAN. More than 1,000 content titles a month are available from a range of genres such as sports and news, free of information charges\*5.

\*2 For the third quarter of fiscal 2007; source: CM DATABANK  
 \*3 High Speed Downlink Packet Access: One of the high speed data communication methods for 3G mobile communication systems.  
 \*4 Application Program Interface: A set of commands and functions that can be used when software is developed for a particular platform, such as an OS or middleware. Also, the set of rules that determine the procedures for using them in a program. Because it is difficult and wasteful for individual software developers to program all of the functions of a software program, common functions used by most software programs are offered in a platform. By simply "calling" those functions in accordance with the common API definitions, developers can make software that runs without minding the differences among mobile handsets from different manufacturers.  
 \*5 Separate communication charges apply for downloading content.

**RESULTS AND PERFORMANCE IN FISCAL 2007**

The segment was newly established in fiscal 2007, therefore the results for fiscal 2007 reflect the 11 months from May 2006. Segment net sales were ¥1.4420 trillion. Segment operating income totaled ¥155.7 billion, and EBITDA was ¥321.4 billion. The operating margin was 10.8%, the EBITDA margin was 22.3%.

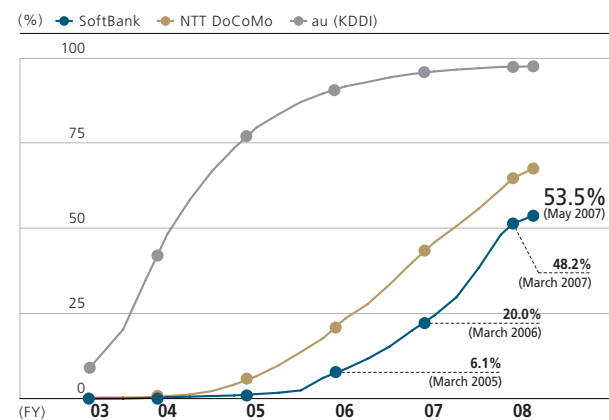
At the end of fiscal 2007, the total number of SBM subscribers increased by approximately 700 thousand year-on-year, to 15.91 million, amounting to a market share of 16.4%. The number of 3G subscribers increased by 4.62 million year-on-year to 7.66 million, and the 3G subscriber ratio was 48.2%, a steep increase of 20.0% year-on-year. In April 2007, this percentage exceeded 50%.

The churn rate improved to 1.50% in fiscal 2007, down by 0.09 percentage points year-on-year, despite a temporary increase following the start of MNP. The number of upgrades increased due to the enhancement of the 3G handset lineup, and the upgrade rate increased by 0.51 percentage points year-on-year to 2.61%.

Total ARPU in fiscal 2007 was ¥5,510, a year-on-year decline of ¥300 from ¥5,810; this decline was mainly due to the full-fledged initiatives made from the third quarter of fiscal 2007, such as free-of-charge campaigns and the New Super Bonus Special Discount (please refer to the "FOCUS" section on P39). The free-of-charge campaigns

included up to two months free of basic monthly charge and up to two months free of fixed charge for the Unlimited Packet Use Discount, for those users who subscribed to New Super Bonus. On the other hand, data ARPU slightly increased to ¥1,360, from ¥1,350 year-on-year. In the fourth quarter of fiscal 2007, it increased ¥40 compared to the fourth quarter of fiscal 2006, to ¥1,380. This was the result of the rapid rise in 3G subscriber ratio among SBM's customer base.

**Rapid Increase in 3G Subscriber Ratio**



Source : Telecommunications Carriers Association

Take the lead in redefining the industry standard from the viewpoint of users — the SOFTBANK Group genes are alive in its new business model in the Mobile Communications business.

**The conventional Japanese mobile phone handset sales model**

Mobile operators pay substantial subsidies to their sales agents which bear the cost of the handsets in order to sell them at discounted prices. The handset subsidy is then collected from subscribers via usage fees, such as basic monthly charges and voice call charges.

**Issues:**

- Unfair pricing; users that use one handset for a long period of time pay the same relatively high prices as users that change or upgrade handsets after a short time
- High basic monthly and voice call charges

**1. Introduction of installment sales method**

No disadvantages for long-tenure users, is NORMAL  
 In 2006, SBM was the first company in the industry to offer installment sales of mobile handsets, establishing a business model that separates handset sales and usage fees. Under this new sales method, the *New Super Bonus* sales price of a handset is paid by the subscriber in installments (or in a lump sum). On the other hand, a fixed amount is discounted from the basic monthly charge, voice call and data communication charges (“Special Discount”). By introducing the installment sales method and special discounts, sales subsidies were reduced, leading to a decline in customer acquisition and retention cost. However, Special Discount can be a factor causing ARPU to decrease, but since most of the users of the installment sales method conclude contracts of up to 26 months with SBM, it expects handsets to be used longer and the churn rate to decline eventually. As a result future revenues and profits are anticipated to improve.

**2. Introduction of new price plans**

“Easy to understand and inexpensive” is NORMAL  
 To make mobile phone pricing simple and easy for everyone to understand, innovative new price plans were introduced.

*1) White Plan*

*White Plan* was introduced in January 2007. The basic monthly charge is just ¥980, domestic voice calls amongst SBM users are free of charge between 1:00am and 9:00pm; calls outside of this time range or to other operators’ users are ¥21 per 30 sec. Domestic messaging to SBM users is free all day\*6, to other operators charges range from ¥3.15 to ¥210. This plan has been well received by users because it is simple, easy to understand, and inexpensive. Applications exceeded 6 million by July 2007. In May 2007, we introduced *White Plan Family Discount 24*, a new family discount service that offers free domestic calls 24 hours a day among family members without any additional charges. This has increased the appeal of *White Plan*.

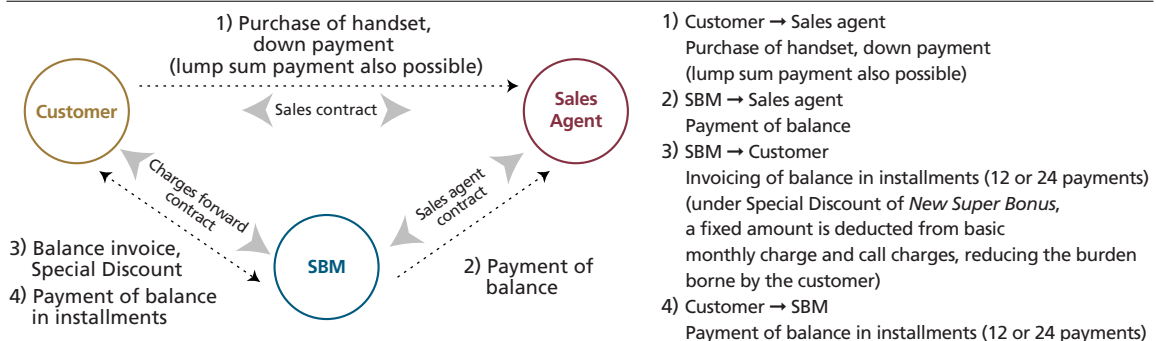
*2) Double White*

*Double White*, a *White Plan* exclusive discount service, was introduced in March 2007. With an additional fixed charge of ¥980 to the *White Plan* charge, on top of the *White Plan* advantages, it offers all domestic voice calls, to SBM and other subscribers made between 1:00am and 9:00pm, at ¥10.5 per 30 sec., half of the *White Plan* price. This service particularly meets the needs of heavy users who make large numbers of calls to a large number of people.

(All prices include tax)

\*6 In case of SoftBank 3G mobile users; call charges mentioned here do not apply to services such as *video call*, *global roaming services*, etc.

**Handset Installment Sales Process**



## > Broadband Infrastructure Segment

Targeting sustainable growth through the continuous provision of broadband services with greater added value, while leveraging Group synergies.



### BUSINESS SEGMENT SWOT ANALYSIS

#### STRENGTHS

- High value added services, a highly reliable infrastructure, and comprehensive SOFTBANK Group strengths

*Yahoo! BB ADSL* has played a pivotal role in making Japan a world leader in broadband. The ADSL service has been built into a powerful brand, with *Yahoo! BB ADSL* accounting for approximately 37% of the nation's DSL connection service contracts and approximately 20% of all broadband service contracts. With an ongoing shift

in the market from DSL to FTTH, *Yahoo! BB ADSL* is continuing to increase ARPU by providing faster speeds and high value added services, such as *BB Phone* IP telephony service and wireless LAN service. This way, the segment is clearly distinguishing its services from those of competitors. By leveraging Group synergies over the highly reliable IP backbone network to provide high-quality services, continuous growth in customer satisfaction is achieved.

#### OPPORTUNITIES

- Further broadband penetration

The broadband penetration rate for households in Japan has reached 51%, meaning one in every two households enjoys broadband service. Based upon the government's policy to eliminate areas without broadband service by 2010, broadband penetration is expected to accelerate further. Moreover, no less than 41% of people in their 50s and 60s indicated that they intended to increase their use of the Internet in the future. The increase in senior users and improved Internet literacy will prove beneficial for the both the SOFTBANK Group's various content and service businesses and the segment.

- Heightened user awareness of the need for security

SOFTBANK BB Corp. (hereafter "SBB"), the core company in the segment, provides *BB Security*, a web security service, to *Yahoo! BB ADSL* users. *BB Security* offers PC protection against viruses, phishing sites, spyware, and other problems. The recent increase in the threats posed by viruses and spyware has boosted the operations in the segment, as Internet users are increasingly aware of security issues.

#### THREATS / WEAKNESSES

##### Growth in the FTTH market

The segment's ADSL connection service is currently highly capable of providing rich content such as music and video and is also highly economical. From a mid-to-long term perspective however, content is expected to become even richer. To prepare for this trend, SBB is advocating

for the establishment of a fair competitive environment in the FTTH connection service market, and at the same time it is striving to develop an alternative technology that offers the same quality as the FTTH connection service but is more economical and more efficient (for details, please refer to P37).

## OPERATING ENVIRONMENT

On a countrywide basis, at the end of fiscal 2007 the number of DSL connection service contracts decreased from the end of fiscal 2006 as the spread of FTTH connection service picked up speed. Nonetheless, *Yahoo! BB ADSL* continued to record increases in number of lines, with installed lines reaching approximately 5.16 million at the end of fiscal 2007, compared to approximately 5.05 mil-

lion at the end of fiscal 2006. In current conditions, the segment's ADSL service is more than suitable for use with broadband content, and the subscriber increase is attributable to price competitiveness and the high-added-value achieved by bundling with SOFTBANK Group content resources, such as wireless LAN and security service, being continuously appreciated by the users.

## BASIC STRATEGIES

### Continued Increases in the Added Value of Services

SBB continues to effectively utilize the Group's management resources, such as *Yahoo! Streaming*, Japan's largest video content portal, and the online games, to maintain and expand its customer base.

### Cooperation with Mobile Communications

SBB is steadily increasing its collaborative efforts, such as establishing *Yahoo! BB* service counters at SoftBank shops. Vice versa, some mass appliance retailers have already established SoftBank mobile counters in their *Yahoo! BB* service sales areas.

### FTTH Response

#### 1. Correction of user perceptions

The king of rich content video content can be enjoyed at the same quality as color TV with a transmission information volume of only 4Mbps on the downlink by using the MPEG-2 standard for compressing image data. To familiarize users with this capability, SBB will continue to actively advertise our service and promote our price competitiveness.

### 2. Efforts toward commercialization of alternative technology

#### 1) FTTR\*<sup>1</sup>

FTTR offers approximately the same transmission speed as FTTH, but installation is simpler and costs are more reasonable as the copper cables are used between the transmission equipment on electrical poles, etc. and the user's premises. SBB has been working on technical testing since the summer of 2006, and started test marketing in certain areas in preparation of full-scale commercialization.

#### 2) High speed PLC\*<sup>2</sup>

PLC uses electric power lines for data transmission, and as a result, users can enjoy low-cost data transmission of up to several hundreds Mbps, simply by connecting a transmission terminal to a power outlet. SBB started verification testing last summer, and is continuing research and development.

\*1 Fiber To The Remote terminal: transmission method using the optic fiber used for FTTH from NTT stations to equipment located near the user's premises. Similar to ADSL for the last mile transmission from this transmission equipment, typically installed on electrical poles etc., to the user copper cables are used.

\*2 Power Line Communication: telecommunication that uses electrical power lines as a transmission medium

## RESULTS AND PERFORMANCE IN FISCAL 2007

Segment net sales reached ¥264.2 billion. Segment operating income increased by 30% year-on-year, to ¥26.8 billion. In addition to the increase in number of lines installed, the main reasons for the increase in operating

income were a rise in ARPU due to expanded added value, such as higher speed and bundles of optional services, and a reduction in operating expenses, by ¥10.3 billion year-on-year.

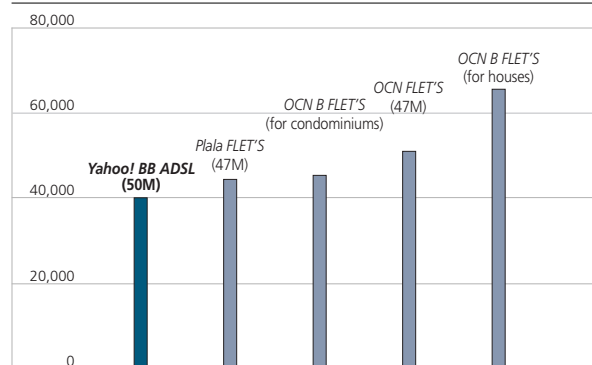
### > FOCUS

#### *BB Support Wide*

In December 2006, *BB Support Wide*, a fee-based support service for Internet novices, was launched for all *Yahoo! BB* members. Customers use specialized software installed on their PC and the telephone to receive support on a wide variety of topics, ranging from PC related questions to home LAN issues and use of various Internet services. By providing this type of fine-tuned services SBB is striving to meet the needs of beginners, who make up the majority of the approximately 25 million households that do not have broadband service yet.

### *Yahoo! BB ADSL (50M) Service Retaining Strong Price Competitiveness in Comparison with Competitors' FTTH and High Speed ADSL Services*

Total cost for initial year in eastern Japan regions as of February 2007 (Yen)



## > Fixed-line Telecommunications Segment

Provide ICT solutions that guide corporate users to success. At the same time, strive to utilize the segment's abundant human resources, strong technical capabilities, and robust network to help maximize Group enterprise value.



### BUSINESS SEGMENT SWOT ANALYSIS

#### STRENGTHS

- **High-level, comprehensive solution capabilities backed by technology and price competitiveness**  
SOFTBANK TELECOM Corp. (hereafter "SBTM"), the core company in the segment, has a portfolio of highly cost competitive services, such as: 1) the *Otoku Line* direct connection fixed-line voice service—For this service SBTM leases copper cables (dry copper) from NTT rather than using NTT switching equipment, and links directly to the customer's premises with its own telecommunication equipment—and 2) *Ether Connect* service—With *Ether Connect* Ethernet access lines based upon an optic-fiber high-speed, wide-area access network are offered (for

more details please refer to the "FOCUS" section on P39).

In addition to these two services, the segment's wide range of network services also includes mobile, IP-VPN, data center, and solutions. Moreover, by adding platform services, which provide the upper-layer control of these services, the segment is able to offer integrated solutions that incorporate a broad range of content and services, including security, e-commerce, authentication, billing, etc. The development capability of the segment's comprehensive ICT solutions operation is one of its key strengths.

#### OPPORTUNITIES

- **Increasing corporate IT investment**  
The Japanese economy continues to expand, and there has been a marked improvement in corporate results, especially in cash flow. Also, in an environment where awareness of communication network optimization and bolstered security is growing, IT investment by domestic companies is accelerating.

- **Companies moving towards IP and FMC (Fixed Mobile Convergence)**

The transition to IP is no longer limited to major companies; it has spread to small and medium-sized companies as well. In addition, the trend towards higher operational efficiency achieved through the introduction of mobile phones has accelerated in the corporate market.

#### THREATS / WEAKNESSES

- **Shrinking voice service market**  
In this market, SBTM will focus on developing its operations, centered on the *Otoku Line* service, which offers high quality, high reliability, and competitive pricing, while reducing costs. Towards customers, SBTM is focusing its efforts on corporate customers that have high levels of ARPU and for which marketing efficiency is higher.

- **Intensifying price competition in the corporate data service market**

SBTM is working to expand its *Ether Connect* service, which offers highly competitive prices, and also striving to respond to the acceleration of the shift in services toward comprehensive solutions as mentioned in the "STRENGTHS" section.



## OPERATING ENVIRONMENT

The number of contracts for fixed-line telephone subscribers continued to follow a declining trend, falling from 58.05 million at the end of fiscal 2006 to 55.16 million at the end of fiscal 2007\*<sup>1</sup>. However, the *Otoku Line* direct connection fixed-line voice service provided by SBTM continued to record growth in its number of lines, reaching approximately 1.22 million lines at the end of fiscal 2007. On the other hand, in the corporate network market, the

shift from conventional leased lines etc. to IP-VPN and wide-area Ethernet accelerated. The scale of the IP-VPN market is expected to grow from ¥163.6 billion in fiscal 2006 to ¥202.9 billion in fiscal 2012, and the wide-area Ethernet market is expected to grow from ¥140.3 billion to ¥229.4 billion over the same period\*<sup>2</sup>.

\*1 Source: Ministry of Internal Affairs and Communications

\*2 Source: Nomura Research Institute, Ltd.

## BASIC STRATEGIES

### Large Corporations Main Target of *Otoku Line* Expansion

SBTM's basic strategy is to position the *Otoku Line* service at the center of its voice services and to strengthen its direct sales operations. By customer type, SBTM will concentrate marketing activities on corporate customers, especially large corporations, whose ARPU is high compared to other users'.

### Expand Corporate Data Transmission Operations and Develop Solutions Centered on *Ether Connect*

SBTM is working to expand Ethernet operations, in particular its *Ether Connect* service. In addition, the segment is increasing the added value of its solutions operation by combining security and other applications with conventional ICT platform services.

### Expand Corporate Mobile Operations

SBTM is working to boost sales through aggressive direct sales initiatives. Through services such as remote lock functions and synchronization with various databases used in a company it is accurately and rapidly meeting corporations' special needs.

### Efficient, Streamlined Management

SBTM is doing its utmost to concentrate managerial resources and increase the efficiency of its operations. Measures taken included the merger with JAPAN TELECOM NETWORK INFORMATION SERVICE CO., LTD., and assuming control of the corporate marketing department of SOFTBANK BB Corp.

## RESULTS AND PERFORMANCE IN FISCAL 2007

The segment recorded a 6% year-on-year increase in net sales, to ¥374.1 billion. Segment operating loss was ¥2.9 billion, a dramatic year-on-year improvement of ¥22.1 billion. Segment EBITDA recovered ¥42.5 billion, a 98% increase year-on-year.

The number of lines installed for *Otoku Line* was approximately 1.22 million at the end fiscal 2007, a 44% increase

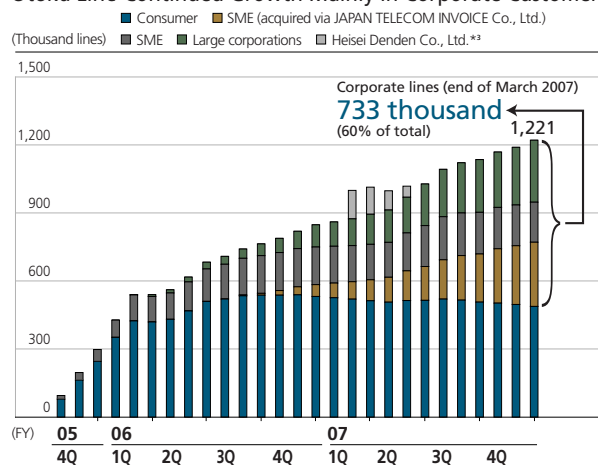
from the end of fiscal 2006. Corporate lines accounted for 60% of the total number of lines, an increase of 23 percentage points from the end of fiscal 2006. The acquisition of new corporate mobile subscriptions also increased steadily. Moreover, as a result of efforts to increase efficiency and streamline operations, SBTM's SGA ratio fell from 25.1% in fiscal 2006 to 22.2% in fiscal 2007.

### > FOCUS

#### *Ether Connect*

*Ether Connect*, the fiber-optic broadband access line service used by corporate customers, was launched in January 2006. By directly linking SBTM's network and users' premises by fiber-optic cable, high speed access circuits are provided. In the access network, by using facilities built for *Otoku Line* and its installation technologies, a low-cost, high-cost-performance data service was realized with minimal capital investment. In fiscal 2007, the service area was expanded to all 47 prefectures in Japan. This enabled SBTM to provide E2E services that are highly competitive in price, such as network construction and solution proposals, to corporate customers.

### *Otoku Line* Continued Growth Mainly in Corporate Customers



\*<sup>3</sup> In June 2006 JAPAN TELECOM CO., LTD. (current SOFTBANK TELECOM Corp.) acquired the telecommunications services, including direct connection fixed-line voice services, of HEISEI DENNEN CO., LTD. and HDD COMMUNICATIONS CO., LTD.

	(Thousand lines)		
	March 2006	March 2007	YOY
Consumer	532	488	(44)
Corporate	316	733	417
Total	848	1,221	373

## > Internet Culture Segment

Enhance quality and quantity of operations by providing various services that meet users' needs and making the Internet services accessible anytime, anywhere; without relying on vast customer base.



### BUSINESS SEGMENT SWOT ANALYSIS

#### STRENGTHS

- **Unrivaled ability to attract (reach) customers**  
Portals are the stations of the Internet; their business value depends on the number of customers that they attract (reach). *Yahoo! JAPAN*, run by Yahoo Japan Corporation (hereafter "Yahoo Japan"), the core company in the segment, has outdistanced its rivals in terms of both number of unique users and monthly page views

per user. The reasons behind its success are the power of the brand in Japan, its system reliability, high-quality search engine and rich and superior content and services. It is exactly this ability to attract customers which is monetized through advertising revenues and e-commerce commissions and is the driving force behind the segment's growth.

#### OPPORTUNITIES

- **Expanding touch points**  
Like a station that serves not only trains but also cars and planes, the Internet is undergoing rapid growth in its ability to attract customers and in its business opportunities. In this segment the scope of terminals to which services can be provided is expanding steadily to include not only PCs but also various other devices, such as mobile phones, TVs, and car navigation systems.

- **New media in advertising and distribution**  
For advertising, the Internet is joining the traditional big four mass media (newspaper, magazine, TV, radio) and, as retail distribution shifts from bricks-and-mortar stores to e-commerce, the Internet is rapidly advancing in rank. With the ongoing transition from paper media to the Internet used for information in our daily lives, such as

housing and employment information, this trend is accelerating further.

- **Expanding business fields using Internet functionalities**

For instance in advertising, the effectiveness of marketing can be improved by utilizing customers' behaviors and location information. On the other hand, in retail distribution information coming from consumers (such as product evaluations and comparisons) can be used and shared, which helps making better decisions and taking more effective actions. This kind of interactivity is representative of the distinctive characteristics of the Internet which is creating new business opportunities that were not possible with conventional media. These opportunities include new business advertising methods, regional community-based services, web 2.0 services, etc.

#### THREATS / WEAKNESSES

*Yahoo! JAPAN* has a dominant position in many of its service areas, but there are some areas, such as SNS (Social Networking Services), where competitors have taken the lead. However, Yahoo Japan will take steps to

clearly differentiate its operations by implementing distinctive development that leverages its traditional strengths, such as linking head content to tail content, and providing both to users in the optimal format.

## OPERATING ENVIRONMENT

The scale of markets such as Internet advertising, e-commerce, and Internet publishing is rapidly expanding. The Internet advertising market has approximately doubled in size in the past two years reaching ¥363.0 billion in 2006\*1. Nevertheless, considering that the scale of the newspaper advertisement market, with a circulation of approximately 52.31 million copies\*2, is ¥998.6 billion it is clear that advertising on the Internet, of which users are estimated to approach 90 million, still has enormous room to grow. The growing use of terminals other than PCs to access the Internet, such as mobile phones and game consoles, provides a tailwind to the expansion of the market.

In 2006, the number of people using PCs to access the Internet was 80.55 million, compared to 70.86 million using mobile terminals, the mobile terminal users reaching a level comparable to PC users\*3. Regarding ways and diversity of usage, PCs are still far ahead but, along with the SOFTBANK Group's entry into the mobile communications business, the improvement of mobile Internet accessibility is contributing to the expansion of the segment's business opportunities.

\*1 Source: DENTSU INC.

\*2 Source: The Japan Newspaper Publishers & Editors Association, as of October 2006

\*3 Source: Ministry of Internal Affairs and Communications

## BASIC STRATEGIES

### Aggressive Organizational Reforms

In order to respond quickly and appropriately to the rapidly changing operating environment, Yahoo Japan spun off key strategic businesses at the beginning of fiscal 2007. The three main newly established operating departments are the Mobile Business Department, Social Net Business Department, and Regional Services Business Department. Each department is responsible for the expansion of the touch points, penetration of web 2.0, and responding to the regional community-based services, mentioned in the "OPPORTUNITIES" section, respectively.

### Mobile Internet Strategies

In order to improve the accessibility of the Internet from mobile phones, Yahoo Japan launched the mobile exclusive *Yahoo! Keitai* portal in October 2006 for SoftBank mobile phones. The portal's extensive features, which are described in the "FOCUS" section on page 43, have been highly evaluated by customers, and as of the end of April 2007, the number of Internet page views from SoftBank mobile phones had already increased by more than 50 times compared to before the introduction of this portal.

### Web 2.0 Strategy

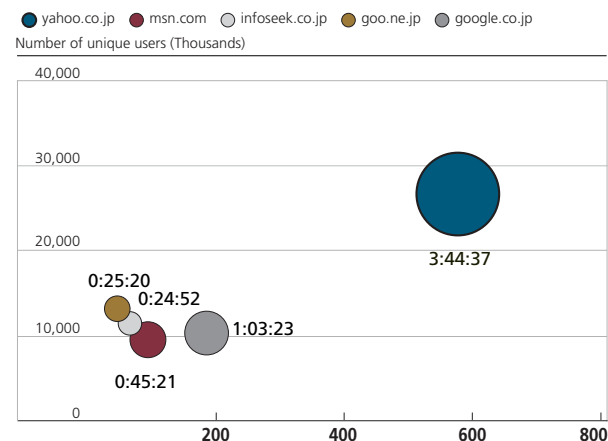
In addition to its existing *Yahoo! Blog* service, Yahoo Japan launched *Yahoo! Days* (beta version), a full-fledged SNS service, in February 2006. Yahoo Japan is providing both highly reliable head content and long tail content which appeals to user preferences and is also appropriate for SNS networking. This way, Yahoo Japan is increasing the added value of the services provided to users, reinforcing and expanding the customer base further.

### Other Strategies—To Sustain a Growth Rate That Exceeds Market Growth

#### 1) Advertising business

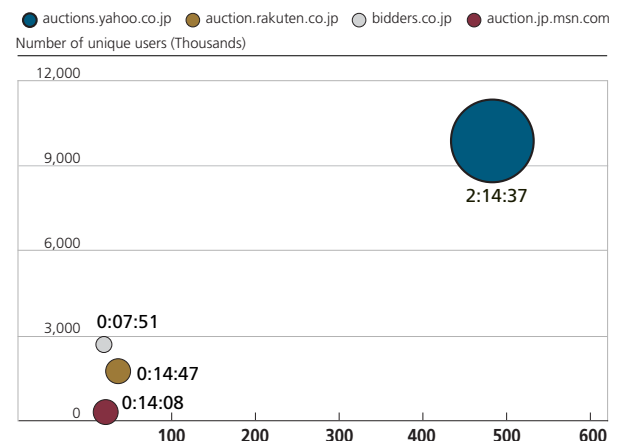
It is essential to ensure that advertisers fully recognize and understand the superiority of the Internet as an advertising medium. Accordingly, Yahoo Japan is using behavioral targeted advertising and advertising that utilizes cutting-edge *Flash*® techniques to aggressively propose and sell products with high marketing effectiveness. Yahoo Japan is also using paid search advertising, affiliate ad programs, and regional targeted advertising to advance the development of business with small and medium-sized companies that hardly advertised on the Internet in the past.

#### No.1 Portal: *Yahoo! JAPAN*



Note: The size of the circle shows usage time per user  
 Monthly page views per user  
 Source: Video Research Interactive, Web Report, March 2007 data

#### No.1 Auction Site: *Yahoo! Auctions*



Note: The size of the circle shows usage time per user  
 Monthly page views per user  
 Source: Video Research Interactive, Web Report, March 2007 data

## 2) E-commerce related services

With an expansion of eligible user scope and active publicity, the number of users on Yahoo Japan's Internet auction site has increased, also various proactive campaigns are attracting new stores to the auction and shopping services. Measures targeting increased usability and security of auctions have translated into higher user numbers. In addition to ongoing efforts relating to the compensation system protecting users in case of nonfulfillment, new payment and financing services were launched in collaboration with The Japan Net Bank, Limited.

## 3) Enhancing content and services

In fiscal 2007, in addition to a major upgrade of *Yahoo! Real Estate* improving its usability, Yahoo Japan particularly improved content and services for mobile phones. The mobile versions of services such as *Yahoo! Answers* and *Yahoo! Photo* were also launched.

## RESULTS AND PERFORMANCE IN FISCAL 2007

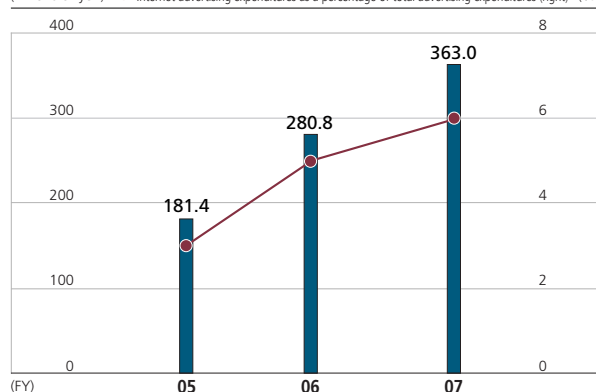
### Sustaining a High Growth Rate and Improving Profitability

Segment net sales rose 24%, and segment operating income rose 30% year-on-year, to ¥194.2 billion and ¥96.5 billion, respectively. Yahoo Japan, the core company in the segment, achieved year-on-year growth of 31% in advertising revenues. Despite moves by some industries to limit advertising expenditures this performance was attributable to the segment's focus on strategies, described on the previous page, and effort to secure new demand and expand advertisement placement opportunities. Yahoo Japan's business service operations and personal service operations recorded high sales growth of 36% and 23% respectively. These gains were attributable

to strong sales for *Yahoo! Rikunabi* and *Yahoo! Real Estate* and to increased royalty revenues etc. from stores. The latter was due to the success of Yahoo Japan's aggressive strategies to attract stores. These strategies led to a 66% year-on-year gain in the total number of auction-site and shopping-site stores. In addition, system usage revenue increased substantially due to a hike in system usage fees for successful bids in C2C auctions. Moreover, as a result of efforts to limit personnel increase while focusing on increasing productivity and service quality, Yahoo Japan's operating margin has increased steadily, reaching 51.3% in the fourth quarter of fiscal 2007, after bottoming at 45.3% in the third quarter of fiscal 2006.

Scale of Internet Advertising Market  
Internet Advertising Expenditures Compared to  
Total Advertising Expenditures

■ Scale of Internet advertising market (left)  
● Internet advertising expenditures as a percentage of total advertising expenditures (right) (%)



Source: DENTSU INC.

## Yahoo! Keitai Innovative Mobile Portal to Realize Real Mobile Internet

With just a press of the Y! button available on SoftBank mobile phones, the Internet's abundant content and services can be accessed directly.

### Point 1: Operability and Visibility

Because the top page of *Yahoo! Keitai* has a similar interface to *Yahoo! JAPAN*'s top page, millions of people who are already familiar with *Yahoo! JAPAN*, which had more than 19 million active *Yahoo! JAPAN* IDs at the end of March 2007, will find *Yahoo! Keitai* extremely easy to use. Also, on models equipped with *Flash® Lite™2.0*, the next menu level down from the main menu can be displayed just by pointing the cursor, and measures are in place to make it easily viewable even on small screen.

### Point 2: Convenience

The most frequently used content is displayed at the top of the screen. In particular, the popular types of mobile phone content, music, games, video, and digital comics are displayed on the upper portion of the top page as recommendations. In addition, services used on a daily basis by the enormous number of *Yahoo! JAPAN* users, such as auctions, shopping, stock price information, and traffic information services, and tools such as mail, calendar, and address book, can be used on mobile phones in the same way they are used on PCs. Once users with a *Yahoo! JAPAN* ID register their ID, they are continuously logged in and can use the content and services without logging in every time.

### Point 3: Search Engine Efficiency and Quality

The high quality of *Yahoo! JAPAN*'s search engine has also been incorporated in the *Yahoo! Keitai* search engine. In *Yahoo! Keitai* the results of a keyword search show both the mobile search hits and the hits on PC sites. In addition, searches through *Yahoo!* services such as *Yahoo! Auctions* etc. are also possible, enabling easy access to various types of content and services.



(As of end of June 2007)

## > e-Commerce Segment

Rapidly responding to new trends and changing roles in the IT distribution industry while taking advantage of new opportunities relating to the mobile communications business.



### BUSINESS SEGMENT SWOT ANALYSIS

#### STRENGTHS

- Far-reaching and robust sales channels and high productivity stemming from efficient use of information infrastructure

The distribution of IT equipment and software is the SOFTBANK Group's original business. The SOFTBANK Group has established far-reaching and robust sales

channels, with mass appliance retailers at the core, which surpass those of competitors. In addition, it provides differentiated information infrastructure, such as *IT-Exchange*, one of the largest B2B portals for IT products in Japan, which has a high level of employee productivity compared to competitors.

#### OPPORTUNITIES

- Shift in industry's competitive landscape (large companies moving toward oligopoly)

While companies' information systems are built and managed comprehensively, it is becoming critical in the IT equipment and software distribution business to not only sell single items, but shift to a "stock business" (or recurring business) model, such as ASP and other value added comprehensive solution businesses.

- Expansion of the mobile communications business

The growth in the range of terminals used to access the Internet—from PCs to mobile phones—has directly expanded the scope of the segment's business. In particular, the Group's entry into the mobile communications business is generating major business opportunities.

#### THREATS / WEAKNESSES

- Sluggish sales of packaged software, growth in direct sales by vendors

The segment is now rapidly shifting its business focus from a "one-time sale of goods" model, in which demand is relatively unstable, towards a "stock business" model, such as the ASP business, etc., that creates

continuous recurring streams of demand after a service has been provided or goods have been sold once.

While taking advantage of its high productivity, which direct sellers cannot match, the segment is expanding its value added consultation business in areas such as comprehensive security measures.

## OPERATING ENVIRONMENT

Favorable industry trends include growth in IT investment and increased numbers of broadband service access points. On the other hand, direct sales by vendors are increasing and competition is intensifying. In this operating environment, success will be determined by a

company's ability to set itself apart from its competitors in three areas: 1) the provision of value added services, 2) the shift of the business model to the "stock business," and 3) productivity.

## BASIC STRATEGIES

### Expanding ASP\*<sup>1</sup> Operations and Solutions Business

The provision of software as a service (SaaS) enables distributors not only to accurately meet the needs of customers, but also to achieve operational stability through the shift to a "stock business" model. Taking the lead over its competitors, the segment has established full-scale SaaS operations with the provision of services such as *BB Security* and *BB Soft*. In fiscal 2008, the segment is expanding its SaaS services to corporate customers as well as consumers. Moreover, through sales of *Microsoft® SoftGrid®*, a new solution that provides virtualized applications on networks to customers with greater cost savings and convenience, the segment is further increasing the added value of services.

### Expanding Mobile Communications Business

The segment will work to differentiate itself from competitors by offering SoftBank mobile phones, together with software services and related equipment, using existing sales channels in a one-stop shopping format. In February 2007, an exclusive organization was established to promote this strategy.

\*1 Application Service Provider: a service in which the customer utilizes the application on the vendor's server on a pay-for-use basis, rather than make an outright purchase of the software from a vendor. This is also known as SaaS (Software as a Service). Demand has been increasing rapidly in recent years as a result of such advantages as 1) no upfront investment and 2) reduced maintenance burden.

## RESULTS AND PERFORMANCE IN FISCAL 2007

Segment net sales declined ¥11.7 billion year-on-year, to ¥271.5 billion. Operating income increased by ¥6.6 billion or 37% year-on-year.

From fiscal 2007 on, SOFTBANK BB Corp. implemented a change in accounting standards for certain software transactions\*<sup>2</sup>. Due to this change both net sales and cost of goods sold decreased by ¥34.1 billion compared to the amounts that would have been recorded according to the previous accounting standards. Excluding this factor, net sales continued to record strong growth, due to contributions from both software and hardware sales. In addition to the growth in

ASP operations, *Windows® Vista™* related sales made a major contribution to software sales. In hardware sales, as a result of the reinforcement of the corporate customer sales organization, PC servers and peripheral equipment recorded strong performances. Within ASP operations, an area the segment is enforcing and expanding, BB Softservice Corp. which provides consumer directed ASP, was spun off in April 2006, and it is recording favorable results.

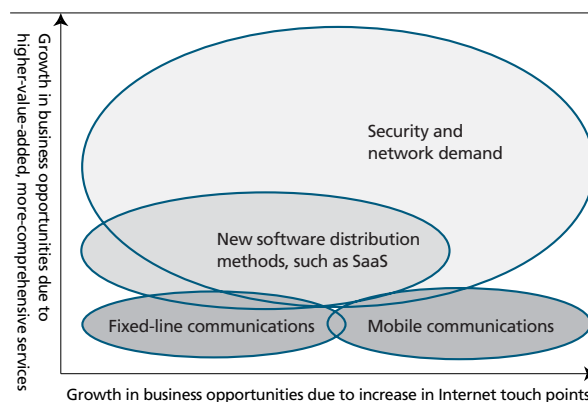
\*2 SOFTBANK BB Corp. applied "Practical solution on accounting for revenue recognition of software" (Financial Accounting Standards Implementation Guideline No. 17 issued on March 30, 2006).

### > FOCUS

#### TEKI-PAKI ASP Service for Corporate Customers

In January 2007, *TEKI-PAKI*, an ASP service for corporate customers, was launched. *TEKI-PAKI* provides a vast array of business applications using the ASP method. Consequently users can introduce applications at low cost while being freed from maintenance and upgrading tasks. Because total support, ranging from installation to operation, is offered, the *TEKI-PAKI* service is especially advantageous for small and medium-sized companies that do not have dedicated IT staff.

### Multifaceted Growth in the Segment's Business Fields



## > Others Segment

(In addition to the three operational areas described below, the Others segment also includes *Fukuoka Softbank Hawks* related operations, the video content distribution business of TV Bank Corporation, etc.)

**Leveraging the SOFTBANK Group's management foundation to achieve growth through differentiated technologies and business models, while also contributing considerably to the increase of Group enterprise value.**

### Broadmedia

Core company: Club iT Corporation\*<sup>1</sup>

#### Scope of Operations and Strengths

The segment's 3 main business areas are: content services which procures and produces video content, technology services offering the CDN\*<sup>2</sup> services, which distributes content in its optimal format, and *G-Cluster*, which distributes games-on-demand. And network sales which strives towards the penetration and expansion of communication infrastructure. Expanding business, leveraging its unique positioning as a content aggregator with a technology platform.

\*1 Club iT Corporation will change its company name (trade name) to Broadmedia Corporation on October 1, 2007.

\*2 Content Delivery Network: an optimized network to deliver content over the Internet

#### Basic Strategies and Results

The content services operations were aggregated into Club iT Corporation. By turning Broadmedia Studios Corporation—a leader in the production of film subtitles and sales of TV broadcast rights—into a subsidiary, and developing a full content lineup, Club iT Corporation is expanding its operations. In technology services, through the start of mobile compatible CDN services, with image conversion functionalities, etc. the lineup is being expanded. The provision of *G-Cluster* services through one of the largest domestic game sites *Yahoo! Game* was started, and provisioning is also being expanded to hotels and Internet cafes around the nation. In network sales provision of SoftBank mobile phones was started.

### Technology Services

Core company: SOFTBANK TECHNOLOGY CORP.

#### Scope of Operations and Strengths

Drawing on the accomplishments and experiences acquired through the development of a variety of the SOFTBANK Group systems, to provide a wide range of solutions including comprehensive support for e-business operations and also solutions for the design, construction, operation and maintenance of various types of networks and systems.

#### Basic Strategies and Results

Aim to expand operations by responding accurately and promptly to emerging trends, such as the outsourcing of system construction and management, the shift to ASP for a variety of IT solutions, and increased needs related to security measures. Focus is on the challenge to respond to ASP needs especially. While expanding ASP service operations, centered on web analytic solutions; the proactive expansion of ASP platform design, construction, and management services for e-commerce operators is producing good results.

### Media & Marketing

Core company: SOFTBANK Creative Corp.

#### Scope of Operations and Strengths

The SOFTBANK Group boasts a wealth of experience and knowledge acquired in IT-related areas, such as PCs and mobile phones, and in entertainment-related areas such as games and music. Drawing on this specialized knowledge, new services are offered through a variety of media, including books, magazines, web, and mobile phones.

#### Basic Strategies and Results

In an environment where information is shifting from paper to digital media, a transition in business operations towards digital media has been implemented. As one of the results of this transition, the comprehensive information media specialized in IT which is operated by ITmedia Inc. reached the highest number of unique users per month. ITmedia Inc. was listed on the Tokyo Stock Exchange Mothers market on April 19, 2007.



## STATUS OF INVESTMENTS

### Fundamental Policy and Strategy

The SOFTBANK Group makes investments in areas related to its core businesses, such as investments in Internet-related companies and broadband-related companies. In recent years, in accordance with the Group's strategy of enhancing content and service operations, the Group has accelerated its investment in content and service related companies, such as video distribution and web 2.0 services. Through these investing activities, the Group is the first to

obtain information on the latest technical and market trends, which is useful in the creation of new operational synergies.

In fiscal 2007, the Group sold all of the shares held in SBI Holdings Inc. and a portion of shares held in cyber communications inc. As a result, the Group generated approximately ¥170.0 billion in cash and realized a gain of approximately ¥145.0 billion.

### ■ Status of Investments and Investment Recovery (fiscal 2007)

#### Status of Investments

Amount of Investment	¥90.2 billion
Number of Companies Invested in	94 (of which public companies 5, non-public companies 89)

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

#### By Region

Region	Investment Amount	Number of Companies
Japan	¥24.9 billion	55
U.S.	6.2 billion	18
Asia	4.2 billion	14
of which, China	0.7 billion	5
of which, Korea	3.3 billion	8
Europe	52.8 billion	2
Others	1.7 billion	5
Total	¥90.2 billion	94

#### Investment Recovery Status

Amount Recovered (market value)	¥165.7 billion
Amount Recovered (book value)	20.5 billion
Gain/Loss at Time of Recovery	145.1 billion

### ■ Information on Major Investments

(Billions of yen)

Company Name	Amount of Investment	Proceeds from Sale	Market Value of the SOFTBANK Group's Portion	Proceeds from Sale + Market Value of the SOFTBANK Group's Portion	Return
Yahoo Japan Corporation	¥ 7.7	¥ 79.0	¥1,014.1	¥1,093.1	141.96X
Yahoo! Inc.	54.7	235.8	193.0	428.8	7.84X
SBI Holdings, Inc.*	6.0	176.0	—	176.0	29.34X
SOFTBANK TECHNOLOGY CORP.	3.3	84.0	7.0	91.0	27.58X
UTStarcom, Inc.	21.5	59.6	14.3	73.9	3.44X
cyber communications inc.	0.5	21.2	2.6	23.8	47.64X
GungHo Online Entertainment, Inc.	4.1	—	19.7	19.7	4.80X
Vector Inc.	1.1	—	4.0	4.0	3.64X
Total (8 companies)	¥98.9	¥655.7	¥1,254.7	¥1,910.4	19.32X

The amount of investments and proceeds from sale in SBI Holdings, Inc. are included in the amount of investments in E\*TRADE Japan K.K., which merged with SOFTBANK INVESTMENT CORPORATION (current SBI Holdings, Inc.) in June 2003.

Notes: 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 SOFTBANK CORP. (including its subsidiaries) are included in the above data (including indirect holdings).

5 The amounts of investments and proceeds from sale have been calculated based on the economic ownership ratio of SOFTBANK CORP. in the company invested in.



### > Targeting Sustained Growth



Stable growth of a company is only possible through persistent efforts towards transparency and flexibility of management. Through further enhancement of the management organization the SOFTBANK Group has secured business growth.

Corporate Governance.....	Page 50
Compliance and Internal Control System.....	Page 54
Directors and Corporate Auditors.....	Page 57
Major Subsidiaries and Affiliates.....	Page 58

In alignment with the SOFTBANK Group fundamental management policy: “to endeavor to benefit society and the economy and maximize enterprise value,” the establishment of a robust corporate governance system is the basis to achieve long-term, stable development, and to enhance enterprise value.

### ■ Framework for Decision-making and Operational Execution, Status of Operations

#### Board of Directors

##### Speedy Decisions With a Small Board

On top of making high-level decisions concerning crucial matters, the Board of Directors is also responsible for supervising the execution of these decisions. There are nine directors on the Board, presided by Chairman and CEO Masayoshi Son. Having a small Board provides a framework that facilitates speedy decision making in response to fast changes in the SOFTBANK Group (hereafter “the Group”)’s business environment and technologies. In fiscal 2008, we invited Mr. Yun Ma, Chairman and CEO of the Alibaba Group, to join the Board. With him on the Board, we are expecting the Group to smoothly expand its operations in Asia, with a focus on China.

##### Efforts to Maintain Flexibility and Objectivity

Three of the nine members of the Board of Directors are external directors, which significantly enhances the flexibility and objectivity of its operation. As in fiscal 2007, we currently have 3 external directors, who are Mr. Tadashi Yanai, Dr. Jun Murai, and Mr. Mark Schwartz. Mr. Yanai, who is the Chairman, President & CEO of FAST RETAILING CO., LTD., has been our external director since June 2001. He is anticipated to leverage his wide-ranging knowledge and experience as a head of one of Japan’s leading retail companies, to offer advice on overall general management and to further strengthen the Board’s supervision of business execution. Dr. Jun Murai, professor in the Faculty of Environmental Information, Keio University, assumed his position as an external director from June 1999. As an academic expert of the Internet, he is counted on to provide technical expertise from a specialist’s perspective. Mr. Schwartz, Chairman of MissionPoint Capital Partners LLC, served as our external director from June 2001 to June 2004, and he was reelected in June 2006. He has served in senior positions in Goldman, Sachs & Co. and affiliated companies, and the Group’s operations draw on his wide-ranging knowledge of overseas management strategies and finance.

#### CEO Conference

##### Balanced Enhancement of Overall Group Value

The Group, which has more than 110 consolidated subsidiaries and operations in a wide range of fields, has adopted a pure holding company system. This system is based on the belief that respecting each company’s independence and expertise enables us to make rapid, accurate responses to changes in the business environment; ultimately this will lead to the enhancement of the enterprise value of each company. At the same time, group-wide management and coordination is also indispensable to establish a foundation for Group synergies. Accordingly, the CEO Conference, which consists out of representatives from each business’s holding company and others, is generally held quarterly. In addition, a number of SOFTBANK CORP. (hereafter “the Company”)’s directors also serve on the Board of Directors of the Group’s telecommunication companies which now form its core. Through focused strategic initiatives and management, we are moving ahead with rapid, efficient business development.

## ■ Framework of Management Supervision

### Optimal Balance of Flexible Management and Robust Supervision

The Company has adopted a Corporate Auditor System to supervise corporate activities. In order to establish an impartial and fair supervision system three of the four corporate auditors are from outside the Company—one lawyer, two certified public/tax accountants. Through periodic meetings, the Board of Corporate Auditors works

closely with the Internal Audit Department, which is completely independent from operations, and with the Company's independent auditors. In addition, the corporate auditors attend the Board of Directors' meeting, where they ask questions and provide opinions from independent perspectives, thereby making significant contributions to management efficiency and soundness.

### From the external corporate auditors to stakeholders



**Soichiro Uno**

SOFTBANK CORP., External Corporate Auditor  
Nagashima Ohno & Tsunematsu, Partner Lawyer

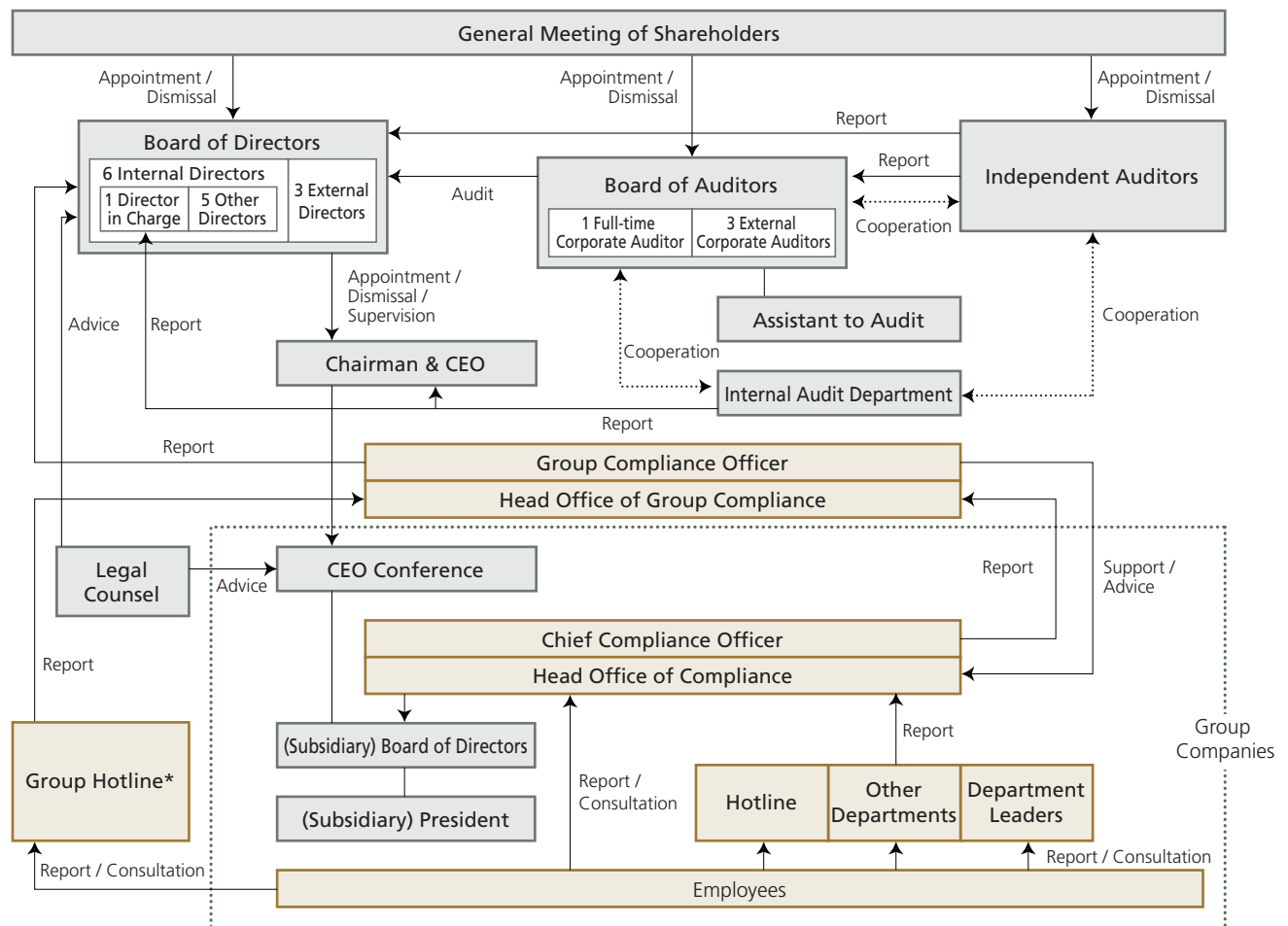
Mobility is SOFTBANK Group's most distinctive management characteristic. In addition to M&A activities, such as the entry into the mobile communications business, business reforming initiatives based on innovative ideas are executed in rapid succession. To ensure rigorous auditing in this environment, a corporate culture that emphasizes compliance, a governance framework, and rapid prioritized responses are all important. In order to achieve this goal, we as corporate auditors attend meetings such as the Board of Directors' meeting where frank discussions are held, observe the decision making process, and organize the Board of Corporate Auditors' meeting frequently to leverage all expertise. At the same time, direct meetings with the person in charge in the relevant division are held regarding material issues.

## ■ Other Material Matters Related to Management

Business execution is conducted by the directors but any material matters, which exceed certain criteria, are discussed by the Board of Directors. Criteria for investment matters are established, and the Investment Committee will meet and carefully discuss cases that exceed these criteria. Remuneration for directors is resolved by the Board of Directors within the scope

approved by the Shareholders' Meeting. The Group has introduced a stock option system for directors, executives and others of the Company and certain domestic subsidiaries. The system acts as an incentive for raising the enterprise value of the Company and the Group, aids in the retention of excellent human resources, and serves to increase Group synergies.

Corporate Governance and Compliance System



\* In regard to the Group Hotline, in May 2007 the external contact was supplemented with the establishment of an internal contact.

■ Status on Initiatives for Stakeholders

Reporting to Shareholders by Chairman

In Japan, many companies tend to hold their Shareholders' Meeting around the same date. As a result, shareholders find it difficult to attend multiple meetings. In this environment, we are striving to ensure that as many shareholders as possible are able to attend our Shareholders' Meeting by holding the meeting on a date avoiding the busy period. In addition, since 2002, ahead of other companies, we have enabled shareholders to execute their voting rights through the Internet. At the Annual General Meeting of Shareholders, the Chairman presents the challenges that the Company faces and our mid-to-long term strategies to tackle these. This way, we strive to enhance shareholders' understanding of our business strategies.

Briefing Sessions Held at

Turning Points During Growth

On the day we release our quarterly earnings results, the Chairman presents and explains the highlights of the results and our management strategies to domestic institutional investors and analysts. In addition, from fiscal 2007 on, we also hold a seminar on the following day in which representatives from accounting and finance departments provide additional detailed numerical explanations. In these ways, we are working to further improve disclosure. Moreover, the Chairman also provides explanations and works to promote understanding of our business strategies when other events occur, such as the start of a major new business or a large-scale acquisition, etc.

### Correction of Information Disparity

As a principle, the earnings results meeting is conducted in both Japanese and English and is available live through web streaming and on demand at all times on the Company's homepage. Due to restrictions of time and distance, there are fewer opportunities to meet with foreign institutional investors compared to Japanese investors. In response, senior executives, general managers of finance, accounting and IR, conduct road shows for investors in Europe, the United States, and other areas to promote understanding of our business, and also actively attend and explain our strategies at conferences and seminars sponsored by security firms.



Presentation of Earnings Results  
(May 8, 2007)

### Towards Sustainable Growth

In its business activities, the Group is guided by its fundamental management policy, "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." As the scale and range of the Group's operations expand, the Group's contribution to society grows in importance. Each Group company is involved in various efforts to enhance corporate social responsibility (CSR).

In May 2007, the Group's three telecommunication companies—SOFTBANK MOBILE Corp., SOFTBANK BB Corp., and SOFTBANK TELECOM Corp. (hereafter the "three telecommunication companies" collectively)—formulated common Basic CSR Guidelines and began working as one to further advance CSR activities for customers, employees, society, and the environment. Yahoo Japan Corporation established the *Yahoo! Charity Fund* in fiscal 2007 as a new initiative. This fund supports the activities of NPOs that are striving for the safe, sound development of the Internet society, and emergency response operations. In addition, a charity auction—*Wa*—was started, the funds raised by this auction are donated to welfare organizations.

### Efforts in Fostering Future Generations



The Group believes that the education and development of children is a top priority for society as a whole. Accordingly, we are implementing a number of initiatives as one facet of our CSR activities.

Through participation in the *E-net Caravan* sponsored by six telecommunication industry organizations and by the Ministry of Internal Affairs and Communications, the Ministry of Education, Culture, Sports, Science and Technology, the Group's three telecommunications companies are vigorously working towards making the Internet safe for children to use. Moreover, SOFTBANK CORP. and the three telecommunication companies are striving to establish a working environment which enables their employees to have and raise children with ease. For example, they provide the "Kodomobile" (Mobile for kids) SoftBank 812T handset, equipped with GPS function for children, free of charge to employees with children in elementary school and waive the basic monthly charge. They are also taking such steps as increasing childcare leave, enhancing the limited working hours system, raising congratulatory allowances for the birth of children, and inviting external speakers to speak to employees on child-raising.

## > COMPLIANCE AND INTERNAL CONTROL SYSTEM

Compliance and internal control are important nowadays but cannot be achieved by simply establishing a framework. The SOFTBANK Group is well aware of the fact that bolstering the compliance and internal control system supports the Group's growth and facilitates reliable and highly efficient management. By sharing this awareness on a group-wide basis, an excellent mechanism is created.

### ■ Compliance System and Its Operation

To share the Group's fundamental concept and core management policy and strengthen the governance and compliance system for the expanding Group, we established the SOFTBANK Group Charter and the SOFTBANK Group Officer and Employee Code of Conduct, which must be observed by all officers and employees of Group companies. To enhance compliance on a group-wide scale, we appointed a Group Compliance Officer (GCO), and each Group company appoints its Chief Compliance Officer (CCO) who is responsible for compliance. The GCO and CCOs meet periodically to share information and maintain appropriate cooperation. They are striving to create a compliance system and implement strategies that will raise compliance awareness among all officers and employees, and are working to track and resolve compliance-related issues.

In addition to the existing Group Hotline, through which officers and employees can directly consult external legal counsel on compliance matters, an internal contact was established in May 2007 in order to enforce the system. Hereby officers and employees have a number of consultation options. Moreover, we plan to revise our Compliance Manual for SOFTBANK Group Officer and Employee, which explains the details of our fundamental SOFTBANK Group Officer and Employee Code of Conduct, in August 2007 to ensure its strict observance across the Group.

#### Deepening Compliance Awareness



Seminar held during the Compliance Awareness Month  
(August 2006)

The SOFTBANK Group Officer and Employee Code of Conduct was formulated in 2005, and efforts were made to further increase compliance awareness within the Group. August 2006 was designated as Compliance Awareness Month for all officers and employees, and seminars and events related to compliance were organized throughout the month. In total, more than a thousand employees attended these events. By holding similar events in the future, the Group will strive to further enhance the effectiveness of the compliance system and policies.



## ■ Basic Approach to Internal Control System and its Implementation

In accordance with the May 2006 revisions to the Japanese Corporate Law, an internal control system has been established and the Board of Directors resolved the following matters as a framework to ensure legal and regulatory compliance of our operations.

### BASIC APPROACH TO INTERNAL CONTROL SYSTEM

#### 1. System to ensure that the execution of directors' and employees' duties is in compliance with laws, regulations, and the Articles of Incorporation of the Company

- In accordance with the Compliance Organizational/ Procedure Regulation, in addition to the appointment of the CCO, each department shall appoint a compliance responsible.
- When a director or employee encounters a compliance issue they can now not only report to or discuss the matter with their supervisors and related internal departments, but also directly with the CCO. Upon receiving a report or providing consultation, the CCO will investigate the details of the situation. If it is determined that a compliance violation has occurred and disciplinary measures are required, the matter will be reported to the Chairman, who is responsible for decisions relating to disciplinary measures, and to the Disciplinary Committee, which is an advisory body to the officer in charge of human resources.
- To supplement the reporting to and consultation with CCO, a Group Hotline has been established to provide a means for officers and employees to report to or consult directly with external legal counsel.

#### 2. Systems for the storage and management of information regarding the execution of duties by directors

- A Chief Information Security Officer (CISO), who is responsible for information security activities, has been appointed, and the Information Security Committee led by the CISO established.
- The Information Security Committee is responsible for information security systems, education relating to these and audit as defined in the Information Security Basic Regulations. Moreover, it formulates the Information Management Regulations, which classify information assets according to importance, stipulates

storage periods and methods as well as measures to be taken in case any incidents occur. The committee is also responsible for announcements, and education related to these regulations.

#### 3. Regulations and system relating to managing the risk of information loss

- In regard to managing the risk of information loss, rules and regulations have been formulated and maintained, guidelines established, training conducted, and manuals prepared and distributed as necessary.
- An Internal Audit Department, which is an internal auditing organization, has been established and risk management audits performed in accordance with Internal Audit Regulations. The results are reported to the Chairman, responsible directors, and the corporate auditors.

#### 4. System to ensure the efficiency of directors in the execution of their duties

- To maintain an efficient management system, the Regulation on Segregation and Authority of Duties, which clarifies the scope of operations, authority, and responsibilities that are necessary for the operations of each department, was established. In addition, regulations pertaining to institutional decision-making, such as the Board of Directors' Meeting Regulation and Approval Regulation were formulated, hereby clarifying decision making authority.

#### 5. System to ensure appropriateness of Group operations

- (1) To promote a fundamental concept and policy shared throughout the Group, the Softbank Group charter, which spells out regulations on matters related to strengthening governance and compliance system and SOFTBANK Group Officer and Employee Code of Conduct in the expanding Group were stipulated.

- (2) A Group Compliance Officer (GCO) has been appointed to promote compliance on a group-wide basis.
- (3) The establishment of an internal compliance consultation system for officers and employees of the Group companies has been promoted. In addition, a Group Hotline that enables all officers and employees of Group companies to directly report to and consult with external legal counsel has been established.
- (4) As a general rule, the CEO Conference that consists out of the representatives of each business's holding company which serves each Group operation, meets quarterly. In addition to promoting Group synergies, the Conference shares measures concerning compliance, risk management, and other matters to increase efficiency.
- (5) The Group Representative Oath System, under this a representative of each Group company must submit a Representative Oath stating that the information contained in the financial reports is useful and accurate, has been adopted. A framework to ensure the accuracy of the financial reports submitted by the Group as a whole has hereby been established.
- (6) Internal audit departments of the Group companies hold periodic meetings to share information relating to various internal auditing matters.
- (7) A Group Chief Information Security Officer (GCISO), who leads The Group Information Security Committee, is appointed. The Committee meets periodically and formulates guidelines on information security countermeasures, reports on the countermeasure status in the Group companies, and conducts a wide range of deliberations. At the same time, the Committee works on sharing knowledge and technologies relating to information security countermeasures.

**6. System relating to support staff that assists the corporate auditors, and matters relating to the independence from the directors of the relevant employees**

- An Assistant to Audit department has been established to support the work of the corporate auditors.
- Directions and instructions to the support staff of the Corporate Auditors Office are issued by the corporate auditors. Any personnel changes, evaluations, and sanctions require the agreement of the corporate auditors.

**7. System for reporting to the corporate auditors**

Directors and employees will report the following matters to the corporate auditors:

- (1) Important matters relating to the Group
- (2) Matters which could cause significant damage to the Company
- (3) Matters relating to violations of laws, regulations, or the Articles of Incorporation of the Company
- (4) Matters relating to operation of the compliance system or use of the Hotline
- (5) Results of audits conducted by Internal Audit Department
- (6) Other matters that the corporate auditors have decided need to be reported in order for them to execute their duties

**8. Other systems to ensure that the audits by the Board of Auditors are conducted effectively**

- When the corporate auditors decide that it is necessary, opportunities shall be provided for them to interview directors or employees.
- Periodic meetings will be held with the independent and corporate auditors of major subsidiaries to ensure cooperation, such as the exchange of information. At the same time, the full-time corporate auditor will attend meetings of major committees, such as the Departmental Liaison Committee, which consists out of the general managers of the Company, and CEO Conference, which is made up of the CEOs of holding companies of each business operation.

> **DIRECTORS AND CORPORATE AUDITORS**

As of June 22, 2007

**DIRECTORS**



Chairman & CEO  
**Masayoshi Son**



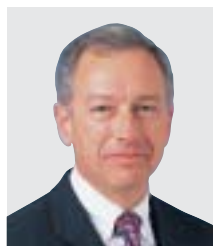
Director  
**Ken Miyauchi**



Director  
**Kazuhiko Kasai**



Director  
**Masahiro Inoue**  
President & CEO,  
Yahoo Japan Corporation



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



Director  
**Yun Ma**  
Chairman and CEO,  
Alibaba Group



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



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



Director  
**Mark Schwartz**  
Chairman,  
MissionPoint Capital Partners LLC

**CORPORATE AUDITORS**

**Mitsuo Sano**

Full-Time Corporate Auditor,  
SOFTBANK CORP.

**Soichiro Uno**

Lawyer

**Kouichi Shibayama**

Certified Public Accountant,  
Certified Tax Accountant

**Hidekazu Kubokawa**

Certified Public Accountant,  
Certified Tax Accountant

Note: Mr. Tadashi Yanai, Dr. Jun Murai, and Mr. Mark Schwartz satisfy the qualifications of external directors as provided in Paragraph 2, Clause 15 of the Corporate 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 Corporate Law.

## &gt; MAJOR SUBSIDIARIES AND AFFILIATES

As of March 31, 2007 except where noted

## Consolidated Subsidiaries

Company Name URL	Fiscal Year-End	Capital (Yen in millions)	Voting Rights (%)	Business Area	Business Activities
<b>SOFTBANK MOBILE Corp.</b> www.softbankmobile.co.jp/en	March	177,251	100.0	Mobile Communications	Mobile communications
<b>BB Mobile Corp.</b> www.bbmobile.co.jp	March	315,155	100.0	Mobile Communications	Holding company
<b>Mobiletech Corporation</b>	March	105,630	100.0	Mobile Communications	Holding company
<b>TELECOM EXPRESS Co., Ltd.</b>	March	100	100.0	Mobile Communications	Mobile phone sales agency
<b>SOFTBANK BB Corp.</b> www.softbankbb.co.jp/en	March	120,301	100.0	Broadband Infrastructure, e-Commerce	ADSL, FTTH, content and services, and distribution
<b>BB Cable Corporation</b> www.bbtv.com	March	100	100.0	Broadband Infrastructure	Broadcasting and VOD service <i>BBTV</i>
<b>Cybertrust Japan Co., Ltd.</b> www.cybertrust.ne.jp	December	1,422	67.0	Broadband Infrastructure	Development and sale of software related to electronic authentication
<b>SOFTBANK TELECOM Corp.</b> www.softbanktelecom.co.jp/english	March	100	100.0	Fixed-line Telecommunications, Broadband Infrastructure	Fixed-line telecommunications
<b>SOFTBANK IDC Corp.</b> www.sbidc.jp/EN	March	100	100.0	Fixed-line Telecommunications	Data center
<b>Yahoo Japan Corporation</b> (Listed on TSE First Section, JASDAQ) www.yahoo.co.jp	March	7,187	41.3	Internet Culture, Broadband Infrastructure	Internet services
<b>Net Culture KK</b>	March	1,000	100.0	Internet Culture	Holding company that invests in and manages Internet culture businesses
<b>ALPS MAPPING K.K.</b> www.alpsmap.co.jp	December	410	100.0	Internet Culture	Planning and production of maps and provision of map data and regional information
<b>Netrust, Ltd</b> www.netrust.ne.jp	March	243	80.0	Internet Culture	Online settlement
<b>INFO PLANT Co., Ltd.*1</b> www.info-plant.co.jp	December	593	72.7	Internet Culture	Online marketing research
<b>Firstserver, Inc.</b> www.firstserver.co.jp	March	363	65.0	Internet Culture	Information processing (rental servers, domain registration, other Internet businesses)
<b>Tavigator, Inc.</b> www.tavigator.co.jp	March	100	58.0	Internet Culture	Online travel agency

\*1 In July 2007 INFO PLANT CO., LTD. was merged with Interscope Inc. and changed its company name (trading name) to Yahoo Japan Value Insight Corporation.

Company Name URL	Fiscal Year-End	Capital (Yen in millions)	Voting Rights (%)	Business Area	Business Activities
<b>Vector Inc.</b> (Listed on OSE Hercules) www.vector.co.jp	March	983	57.9	e-Commerce	Software sales through downloading
<b>SOFTBANK Human Capital CORP.</b> www.softbankhc.co.jp	March	612	99.1	e-Commerce	Online employment information services
<b>Carview Corporation</b> (Listed on TSE Mothers)* <sup>2</sup> www.carview.co.jp	March	274	63.7	e-Commerce	Online provision of automobile-related information.
<b>DeeCorp Limited</b> www.deecorp.jp	March	100	100.0	e-Commerce	Internet-based comprehensive purchasing assistance for companies
<b>BB Softservice Corp.</b> www.bbss.co.jp	March	50	100.0	e-Commerce	Operation of portal for security and software services and direct sales assistance
<b>SOFTBANK Frameworks Corporation</b> www.sbfw.co.jp	March	100	100.0	e-Commerce	Logistics outsourcing and consulting services for IT companies
<b>Club iT Corporation</b> * <sup>3</sup> (Listed on OSE Hercules) www.clubit.co.jp/eng/eng_index.html	March	654	65.6	Broadmedia	Planning and operation of members club "Club iT," Internet connection package sales
<b>SOFTBANK Broadmedia Corporation</b>	March	10	100.0	Broadmedia	Holding company
<b>CDN Solutions K.K.</b> www.cdn-sol.co.jp	March	300	100.0	Broadmedia	Provision of web and streaming content distribution and related solutions
<b>Oy Gamecluster Ltd</b> www.g-cluster.com	December	€0M	100.0	Broadmedia	Development of network solutions for distribution of interactive entertainment
<b>Broadmedia Studios Corporation</b> www.bmstd.com/index_e.html	March	300	100.0	Broadmedia	Sales of broadcasting rights, production of Japanese version of movies, movie distribution, and sales of videos and DVDs
<b>Fishing Vision Co., Ltd.</b> www.fishing-v.co.jp	March	1,141	57.9	Broadmedia	Production and sale of programs for <i>Tsuri (fishing) Vision</i> broadcasts using CS digital broadcasting platforms and cable TV
<b>SOFTBANK TECHNOLOGY CORP.</b> (Listed on TSE First Section) www.tech.softbank.co.jp	March	634	50.4	Technology Services	Contractor for EC site operation, ebusiness service, system solution, broadband solution
<b>SOFTBANK Creative Corp.</b> 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
<b>SOFTBANK Media Marketing Holdings Corp.</b> www.sbmm-holdings.co.jp	March	100	100.0	Media & Marketing	Operating holding company for media and marketing business
<b>ITmedia Inc.</b> (Listed on TSE Mothers)* <sup>4</sup> www.itmedia.co.jp	March	539	71.9	Media & Marketing	Operation of comprehensive IT information site

\*<sup>2</sup> Carview Corporation was listed on TSE Mothers on June 12, 2007.

\*<sup>3</sup> Club iT Corporation will change its company name (trade name) to Broadmedia Corporation on October 1, 2007.

\*<sup>4</sup> IT media Inc. was listed on TSE Mothers on April 19, 2007.

## &gt; MAJOR SUBSIDIARIES AND AFFILIATES

Company Name URL	Fiscal Year-End	Capital (Yen in millions)	Voting Rights (%)	Business Area	Business Activities
<b>Fukuoka Softbank Hawks Corp.</b> www.softbankhawks.co.jp	February	100	100.0	Others	Ownership of professional baseball team and baseball game administration
<b>Fukuoka Softbank Hawks Marketing Corp.</b> www.softbankhawks.co.jp	February	1,160	100.0	Others	Management of baseball stadium and other sports facilities; content delivery services
<b>TV Bank Corporation</b> www.tv-bank.com/en	March	2,505	100.0	Others	Video content services
<b>G.T. Entertainment, Inc.</b>	March	100	100.0	Others	Broadcasting of copyright work, acquisition of rights to automatic public transmission and operation, administration
<b>SOFTBANK PAYMENT SERVICE CORP.</b> www.sbpayment.jp	March	450	100.0	Others	Invoice collection and computation services for businesses, debt guarantee, sales and purchase, provision of information system, etc.
<b>SoftBank Players Corp.</b> www.softbankplayers.co.jp	March	450	100.0	Others	Research, planning, and provision of information for Internet leisure service; sales and redemption of betting slips
<b>Odds Park Corp.</b> www.oddsark.com	March	10	100.0	Others	Aggregation of information regarding horseracing, transmittance and sale of regional horseracing betting slips, etc.
<b>Japan Cyber Educational Institute, Ltd.</b> www.cyber-u.ac.jp	March	505	71.0	Others	Administration of Cyber University
<b>SBBM Corporation</b>	March	100	100.0	Others	Holding company
<b>SOFTBANK Holdings Inc.</b>	March	US\$0M	100.0	Others	Holding company
<b>SOFTBANK America Inc.</b>	March	US\$0M	100.0	Others	Holding company
<b>SB Holdings (Europe) Ltd.</b>	December	US\$48M	100.0	Others	Holding company
<b>SOFTBANK Commerce Korea Corporation</b> www.softbank.co.kr	December	KRW5,732M	85.8	Others	Wholesale and retail distribution of IT-related products in South Korea

## Affiliates and Others

Company Name URL	Fiscal Year-End	Capital (Yen in millions)	Voting Rights (%)	Business Area	Business Activities
<b>Telecom Service Co., Ltd.</b> www.telecom-service.net	March	3,326	39.9	Mobile Communications	Mobile phone agency
<b>M.P. Technologies, Inc.</b> (Listed on TSE Mothers) www.mptech.co.jp/en	July	5,631	32.8	Broadband Infrastructure	Construction of broadband and next generation Internet infrastructure, provision of solutions
<b>ValueCommerce Co., Ltd.</b> www.valuecommerce.ne.jp	December	1,708	44.6	Internet Culture	Affiliate program service, Internet advertisement distribution and administration, Internet sales support, Internet marketing consulting
<b>CREO CO., LTD.</b> (Listed on JASDAQ) www.creo.co.jp	March	3,149	38.0	Internet Culture	Systems development; planning, development, and sales of packaged software, etc.
<b>All About, Inc.</b> (Listed on JASDAQ) http://allabout.co.jp	March	1,140	35.2	Internet Culture	Operation of website offering comprehensive information through specialized guides, Internet advertising business
<b>Alibaba.com Corporation</b> www.alibaba.com	December	US\$0M	33.0	Internet Culture	B2B marketplace, C2C auctions, and Internet portals
<b>Fashion Walker, Inc.</b> www.fashionwalker.com	December	987	29.0	Internet Culture	Operation of apparel online shopping site
<b>YUME NO MACHI SOUZOU IINKAI CO., LTD</b> (Listed on OSE Hercules) www.yumenomachi.co.jp	August	1,064	22.7	Internet Culture	Transmission of comprehensive home-delivery service information through the Internet mainly <i>Demaekan</i> ; planning, development, and operation of e-commerce services
<b>GungHo Online Entertainment, Inc.</b> (Listed on OSE Hercules) www.gungho.jp	December	4,301	43.2	e-Commerce	Distribution, operation, planning, development, sales, and marketing of online games
<b>IMX, Inc.</b> www.imx.ne.jp	June	718	25.1	Others	Distribution of broadcasts, films, etc.
<b>MySpace Japan K.K.</b> http://jp.myspace.com	March	595	50.0	Others	Operation of SNS "MySpace Japan" etc.
<b>icube Corp.</b> www.icube.co.kr/enghome	December	KRW4,824M	49.6	Others	Development of content distribution technology
<b>Roxbeam Media Network Corporation</b> www.roxbeam.com	December	RMB1M	50.0	Others	Development of content distribution technology
<b>Yahoo! Inc.</b> (Listed on U.S. Nasdaq) www.yahoo.com	December	US\$1M	3.9	Internet Culture	Internet services

■ Affiliates   ■ Other securities, etc.

> MAJOR SUBSIDIARIES AND AFFILIATES

Main Overseas Funds Data

Company Name / Fund Name	Category* <sup>1</sup>	Principal Investment Region* <sup>2</sup>	Fund Size	Commitment* <sup>3</sup>	Ownership (%)* <sup>4</sup>	Type
<b>SOFTBANK Ventures Korea Inc</b> www.softbank.co.kr	A	Seoul, South Korea	—	KRW18,000M	100.0	Holding company
<b>SOFTBANK Korea Co., Ltd.</b> www.softbank.co.kr	A	Seoul, South Korea	—	KRW2,200M	100.0	Holding company
<b>SB CHINA HOLDINGS PTE LTD</b> www.sbcvc.com	A	Shanghai, PRC	—	US\$0M	100.0	Holding company
<b>Bodhi China and India Investments LLC</b>	A	China, India	US\$50M	US\$50M	100.0	Venture capital fund
<b>SOFTBANK Ranger Investment Partnership</b>	A	South Korea	KRW40,000M	KRW40,000M	100.0	Venture capital fund
<b>SOFTBANK Capital L.P.</b>	A	U.S.	US\$718M	US\$716M	99.7	Venture capital fund
<b>SB Europe Capital L.P.</b>	A	Europe	US\$250M	US\$249M	99.6	Venture capital fund
<b>SOFTBANK US Ventures VI L.P.</b>	B	U.S.	US\$626M	US\$608M	97.0	Venture capital fund
<b>SOFTBANK Capital Technology Fund III L.P.</b>	B	U.S.	US\$232M	US\$131M	56.3	Venture capital fund
<b>SB Life Science Ventures I, L.P.</b>	A	U.S.	US\$89M	US\$30M	33.7	Venture capital fund
<b>SOFTBANK Technology Ventures IV L.P.</b>	B	U.S.	US\$313M	US\$42M	13.4	Venture capital fund
<b>SOFTBANK Technology Ventures V L.P.</b>	B	U.S.	US\$630M	US\$190M	30.2	Venture capital fund
<b>SOFTBANK Capital Partners LP</b>	A	U.S.	US\$731M	US\$18M	2.6	Venture capital fund
<b>SB Asia Infrastructure Fund L.P.</b>	B	Asia-Pacific region	US\$404M	US\$3M	0.9	Investment in broadband-related companies
<b>SB Asia Investments Fund II LP</b>	B	Asia-Pacific region	US\$643M	US\$51M	8.1	Investment in broadband-related companies

■ Consolidated subsidiaries ■ 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



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> **MACROECONOMIC AND SEMI-MACROECONOMIC DATA**

Fiscal years ended March 31

With its roots in expanding markets, the Group drives further growth by providing innovative services, thereby also increasing revenue and profits. This is the foundation of the SOFTBANK Group growth strategy.

	FYE		
	2005	2006	2007
(Thousands, except where noted)			
<b>Fixed-line Telecommunications</b>			
Internet Penetration			
Internet users	79,480	85,290	87,540
Population penetration rate (%)	62.3	66.8	68.5
DSL	13,676	14,518	14,013
FTTH	2,897	5,458	8,804
CATV	2,960	3,309	3,610
Total number of broadband service subscribers	19,532	23,285	26,427
Household penetration rate*1 (%)	39.2	46.2	51.7
Number of public wireless LAN contracts	117	5,271	6,099
Number of IP-VPN contracts	244	271	298
Number of wide-area Ethernet contracts	117	160	196
Number of IP telephone numbers in use	8,305	11,457	14,331
Subscriber telephones	51,626	50,563	48,159
ISDN	7,981	7,491	6,996
Total	59,067	58,053	55,155

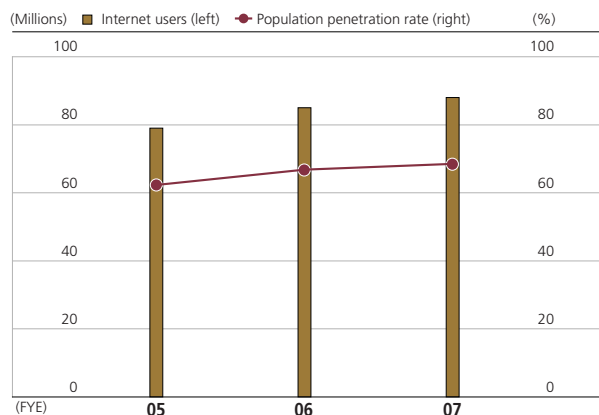
**Mobile Communications**

Number of mobile phone subscribers	86,998	91,792	96,718
Number of Internet provider services	76,548	81,776	87,130

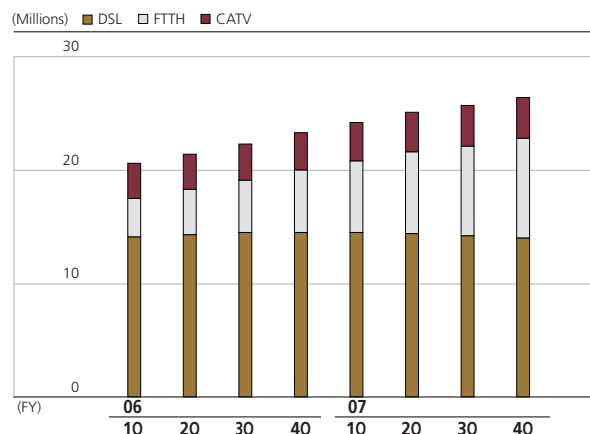
Sources: Ministry of Internal Affairs and Communications, Telecommunications Carriers Association, accuracy of transcription is not guaranteed.

\*1 FYE 2007, FYE 2006, FYE 2005 calculations based on number of households in Basic Resident Register FYE 2006 (51.10 million), FYE2005 (50.38 million), FYE 2004 (49.84 million) respectively.

**Number of Internet Users**

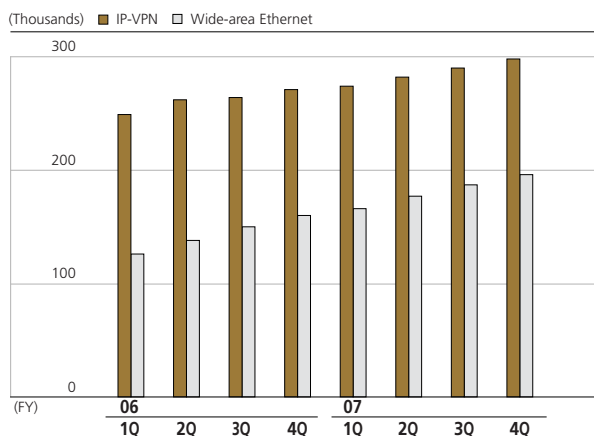


**Broadband Service Subscribers**

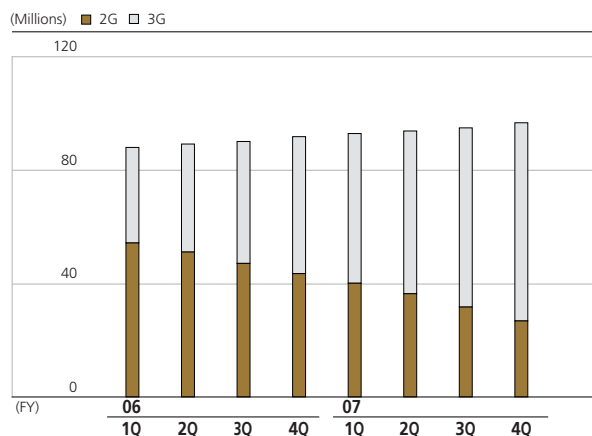


EOQ in FY 2006				EOQ in FY 2007			
1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
—	—	—	85,290	—	—	—	87,540
—	—	—	66.8	—	—	—	68.5
14,082	14,306	14,481	14,518	14,491	14,396	14,236	14,013
3,410	3,979	4,637	5,458	6,306	7,155	7,940	8,804
3,062	3,122	3,236	3,309	3,410	3,478	5,567	3,610
20,555	21,406	22,355	23,285	24,206	25,029	25,743	26,427
—	—	—	46.2	—	—	—	51.7
4,677	4,838	6,253	5,271	5,502	5,704	5,900	6,099
249	262	264	271	274	282	290	298
126	138	150	160	166	177	187	196
9,014	9,767	10,604	11,457	12,097	13,000	13,759	14,331
—	51,414	51,142	50,563	50,098	49,540	48,911	48,159
—	7,753	7,639	7,491	7,354	7,238	7,117	6,996
—	59,167	58,780	58,053	57,452	56,778	56,029	55,155
88,076	89,127	90,178	91,792	92,869	93,812	94,936	96,718
77,755	78,923	80,088	81,776	82,911	84,059	85,181	87,130

Number of IP-VPN, Wide-area Ethernet Contracts



Number of Mobile Phone Subscribers



> **SOFTBANK GROUP IN FIGURES**

Fiscal years ended March 31

■ **Operational Data**

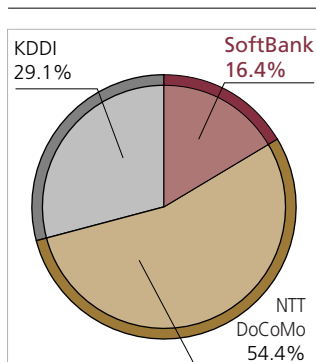
(Except where noted, data is for the end of each fiscal year or the end of each quarter)

	FY			2007			
	2005	2006	2007	1Q	2Q	3Q	4Q
<b>Mobile Communications</b>							
Number of subscribers							
(thousands)	15,040.7	15,209.9	15,908.5	15,240.2	15,307.0	15,496.5	15,908.5
Market share*1 (%)	17.3	16.6	16.4	16.4	16.3	16.3	16.4
2G (thousands)	14,123.5	12,172.3	8,248.4	11,524.8	10,744.6	9,536.0	8,248.4
3G (thousands)	917.2	3,037.6	7,660.1	3,715.4	4,562.4	5,960.5	7,660.1
3G ratio (%)	6.1	20.0	48.2	24.4	29.8	38.5	48.2
(Total for the period)							
Net addition of (thousands)	89.3	169.2	698.6	30.3	66.8	189.5	412.0
Market share*1 (%)	1.7	3.5	14.2	2.8	7.1	16.9	23.1
2G (thousands)	(690.2)	(1,951.2)	(3,923.9)	(647.5)	(780.2)	(1,208.6)	(1,287.6)
3G (thousands)	779.5	2,120.4	4,622.5	677.8	847.0	1,398.1	1,699.6
(Average for the period)							
Blended ARPU							
Total (¥)	6,080	5,810	5,510	5,590	5,700	5,560	5,210
Voice (¥)	4,760	4,460	4,150	4,230	4,320	4,230	3,830
Data (¥)	1,320	1,350	1,360	1,350	1,380	1,330	1,380
Data percentage (%)	21.7	23.2	24.7	24.2	24.2	23.9	26.5
MOU (minutes)	132	130	144	140	144	148	145
Churn rate (%)	1.89	1.59	1.50	1.50	1.27	1.60	1.63
Upgrade rate (%)	2.24	2.46	2.61	1.99	2.53	3.02	2.89
Average acquisition cost per subscriber (¥)	38,300	45,000	33,200	44,400	43,800	22,400	29,000

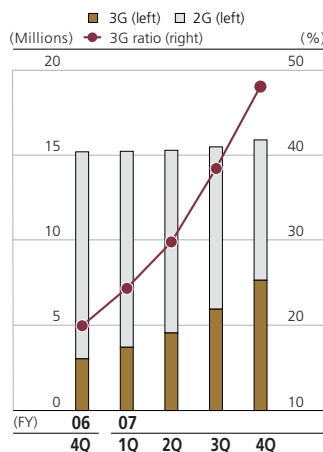
\*1 Source: Telecommunications Carriers Association

**Market Share of Total Mobile Phone Subscribers by Mobile Phone Operator**

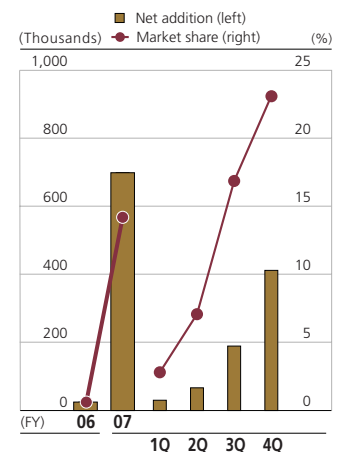
As of March 2007



**SOFTBANK MOBILE Corp. Number of Subscribers (cumulative)**



**SOFTBANK MOBILE Corp. Number of Subscribers (net addition)**



	FY			2007			
	2005	2006	2007	1Q	2Q	3Q	4Q
<b>Broadband Infrastructure</b>							
<i>Yahoo! BB ADSL</i>							
Number of installed lines (thousands)							
lines (thousands)	4,776	5,049	5,164	5,089	5,146	5,161	5,164
<i>BB Phone only (thousands)</i>							
BB Phone only (thousands)	118	90	70	84	79	75	70
<i>8M (thousands)</i>							
8M (thousands)	1,259	1,230	1,276	1,247	1,271	1,265	1,276
<i>12M (thousands)</i>							
12M (thousands)	2,419	2,338	2,137	2,279	2,235	2,187	2,137
<i>26M (thousands)</i>							
26M (thousands)	333	330	294	323	313	303	294
<i>50M (thousands)</i>							
50M (thousands)	647	1,061	1,387	1,157	1,247	1,331	1,387
<i>50M ratio (%)</i>							
50M ratio (%)	13.6	21.0	26.9	22.7	24.2	25.8	26.9
Number of wireless LAN subscriptions (thousands)							
wireless LAN subscriptions (thousands)	1,027	1,337	1,503	1,406	1,460	1,480	1,503
Wireless LAN ratio (%)							
Wireless LAN ratio (%)	21.5	26.4	29.1	27.6	28.4	28.7	29.1
ARPU*1 (¥, average for the period)							
ARPU*1 (¥, average for the period)	—	—	—	4,387	4,395	4,395	4,359
Churn rate (%)							
Churn rate (% average for the period)	1.31	1.48	1.69	1.73	1.54	1.54	1.96

#### Fixed-line Telecommunications

Number of direct connection fixed-line voice service*2 lines (thousands)							
voice service*2 lines (thousands)	298	848	1,221	1,020	1,077	1,136	1,221

#### Internet Culture

<i>Yahoo! JAPAN total monthly page views*3 (millions)</i>							
page views*3 (millions)	26,057	33,132	37,297	32,999	33,305	36,265	37,297
Number of <i>Yahoo! JAPAN</i> unique browsers*4 (millions)							
unique browsers*4 (millions)	83	110	130	118	117	125	130
Average number of total listed items*5 on <i>Yahoo! Auctions</i> (millions)							
on <i>Yahoo! Auctions</i> (millions)	7	9	13	10	11	12	13

\*1 BB TECHNOLOGY CORP. (current SOFTBANK BB Corp.), which operates the *Yahoo! BB ADSL* business, sold its modem rental business in December 2005. The figures for ARPU are the monthly fees paid by subscribers, before taking the influence of the sale into account.

\*2 Principally *Otoku Line*

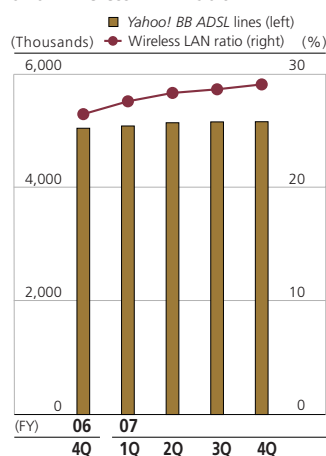
\*3 Number of accesses to *Yahoo! JAPAN* in the final month of each fiscal year or quarter.

\*4 Number of browsers which accessed *Yahoo! JAPAN* services in the final month of each fiscal year or quarter.

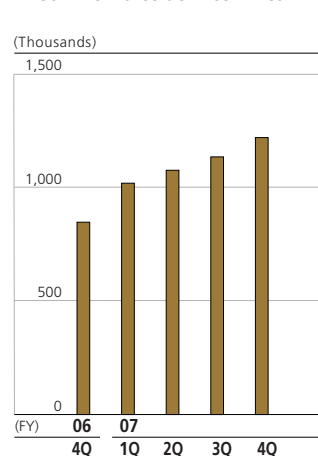
\*5 Daily average number of total listed items for the final month of each fiscal year or quarter.

Note: The figures for Internet Culture business are based on documents disclosed by Yahoo Japan Corporation, figures less than one million are omitted.

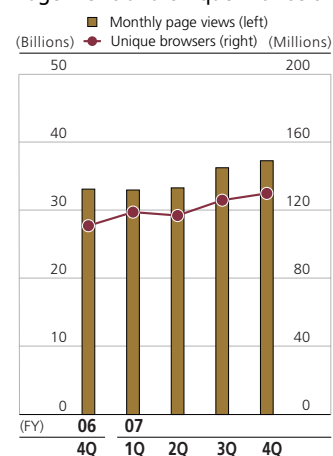
Number of *Yahoo! BB ADSL* Lines and Wireless LAN Ratio



Number of Direct Connection Fixed-line Voice Service Lines



Number of *Yahoo! JAPAN* Monthly Page Views and Unique Browsers



## &gt; SOFTBANK GROUP IN FIGURES

## ■ Business Segment Financial Data

(Millions of yen, except where noted and number of employees)	FY			2007			
	2005	2006	2007	1Q	2Q	3Q	4Q
<b>Mobile Communications*1</b>							
Net sales	—	—	¥1,442,040	¥232,468	¥351,991	¥430,329	¥427,252
Operating income	—	—	155,743	27,294	29,341	56,906	42,202
Operating margin (%)	—	—	10.8	11.7	8.3	13.2	9.9
EBITDA*2	—	—	321,484	55,802	73,616	104,081	87,985
EBITDA margin (%)	—	—	22.3	24.0	20.9	24.2	20.6
<b>Broadband Infrastructure</b>							
Net sales	¥205,307	¥268,452	¥264,228	¥63,322	¥65,729	¥67,267	¥67,910
Operating (loss) income	(53,748)	20,672	26,810	5,480	6,189	7,747	7,394
Operating margin (%)	—	7.7	10.1	8.7	9.4	11.5	10.9
EBITDA	(26,960)	48,910	55,601	11,850	12,600	15,409	15,742
EBITDA margin (%)	—	18.2	21.0	18.7	19.2	22.9	23.2
<b>Fixed-line Telecommunications</b>							
Net sales	¥166,879	¥354,233	¥374,130	¥88,674	¥93,276	¥93,713	¥98,467
Operating (loss) income	(36,065)	(25,159)	(2,965)	1,212	(917)	(2,604)	(656)
Operating margin (%)	—	—	—	1.4	—	—	—
EBITDA	(6,550)	21,496	42,589	12,644	10,248	8,939	10,758
EBITDA margin (%)	—	6.1	11.4	14.3	11.0	9.5	10.9

\*1 The Mobile Communications segment, which was newly established in fiscal 2007, is principally comprised of the results of SOFTBANK MOBILE Corp., starting in May 2006.

\*2 EBITDA = Operating income (loss) + depreciation, amortization, loss on disposal of fixed assets included in operating expenses

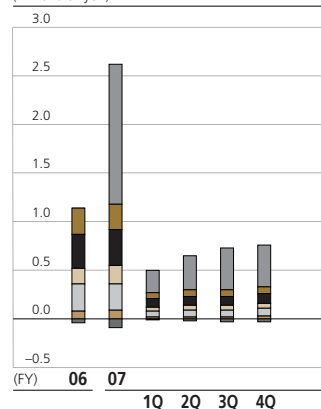
\*3 For fiscal 2005, e-Finance business is included in the Others segment. In fiscal 2005, e-Finance business recorded net sales of ¥78,798 million and operating income of ¥10,718 million. At the end of fiscal 2005, SOFTBANK INVESTMENT CORPORATION (current SBI Holdings, Inc.) was changed from a consolidated subsidiary to an equity-method affiliate. Accompanying this change, the e-Finance business was eliminated from fiscal 2006. For fiscal 2005, segment information was presented for the Broadmedia, Technology Services, Media & Marketing, and Overseas Funds business, which accounted for less than 10% of consolidated net sales and operating income (loss), but this information is included in the Others segment.

\*4 Depreciation and amortization expense includes loss on 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.

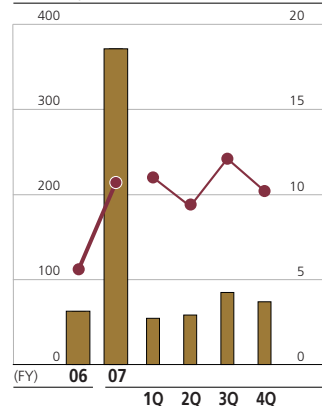
## Net Sales

■ Mobile Communications ■ Broadband Infrastructure  
■ Fixed-line Telecommunications ■ Internet Culture  
■ e-Commerce ■ Others ■ Elimination or corporate  
(Trillions of yen)



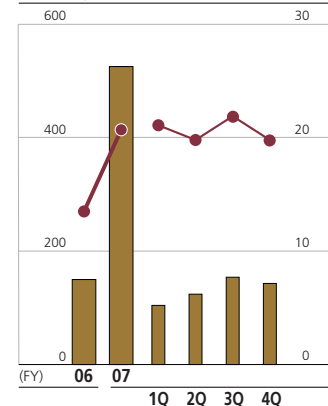
## Operating Income

■ Operating income (left)  
(Billions of yen) ● Operating margin (right) (%)



## EBITDA

■ EBITDA (left)  
(Billions of yen) ● EBITDA margin (right) (%)



	FY			2007			
	2005	2006	2007	1Q	2Q	3Q	4Q
<b>Internet Culture</b>							
Net sales	¥102,448	¥156,121	¥194,212	¥44,643	¥46,677	¥50,050	¥52,842
Operating income	50,080	74,190	96,544	21,630	22,713	25,012	27,189
Operating margin (%)	48.9	47.5	49.7	48.5	48.7	50.0	51.5
EBITDA	54,787	81,637	106,207	23,929	25,243	27,607	29,427
EBITDA margin (%)	53.5	52.3	54.7	53.8	55.8	55.8	55.7
<b>e-Commerce</b>							
Net sales	¥254,922	¥283,276	¥271,571	¥59,143	¥65,037	¥65,369	¥82,022
Operating income	5,240	4,861	6,681	1,461	1,400	2,011	1,809
Operating margin (%)	2.1	1.7	2.5	2.5	2.2	3.1	2.2
EBITDA	6,356	5,977	7,765	1,995	1,979	1,535	2,256
EBITDA margin (%)	2.5	2.1	2.9	3.4	3.0	2.3	2.8
<b>Others**3</b>							
Net sales	¥124,973	¥83,073	¥90,785	¥20,289	¥23,786	¥21,628	¥25,082
Operating income (loss)	13,829	20,555	(4,730)	(717)	547	(4,002)	(558)
Operating margin (%)	9.7	24.7	—	—	2.3	—	—
EBITDA	23,209	(570)	(1,647)	(5)	1,186	(3,053)	225
EBITDA margin (%)	16.2	—	—	—	5.0	—	0.9
<b>Elimination or Corporate</b>							
Net sales	¥(35,511)	¥(36,490)	¥(92,747)	¥(14,307)	¥(20,554)	¥(26,161)	¥(31,725)
Operating (loss) income	(4,695)	(7,505)	(7,017)	(2,002)	(1,078)	(337)	(3,600)
EBITDA	(6,748)	(7,537)	(6,571)	(1,906)	(781)	(517)	(3,366)
<b>Total</b>							
Net sales	¥837,018	¥1,108,665	¥2,544,219	¥494,232	¥625,942	¥702,195	¥721,850
Operating (loss) income	(25,359)	62,299	271,066	54,358	58,195	84,733	73,780
Operating margin (%)	—	5.6	10.7	11.0	9.3	12.1	10.2
EBITDA	44,095	149,913	525,428	104,309	124,091	154,001	143,027
EBITDA margin (%)	5.3	13.5	20.7	21.1	19.8	21.9	19.8
Depreciation and amortization*4	69,454	87,614	254,362	49,951	65,896	69,268	69,247
Capital expenditure*5	294,233	148,916	389,801	—	—	—	—
Number of employees	12,949	14,182	17,804	—	—	—	—

## Redefining the Industry Standard

.....Redrawing the Map



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**> ELEVEN-YEAR SUMMARY**

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES Fiscal years ended March 31

(Millions of yen, except for per share data, % data, and others) FY	1997	1998	1999	2000
<b>For the Fiscal Year:</b>				
Net sales	¥ 359,742	¥ 513,364	¥ 528,159	¥ 423,220
Operating income (loss)	33,670	31,938	12,130	8,377
EBITDA	71,921	88,083	54,650	43,816
Income (loss) before income taxes and minority interest	29,567	33,824	36,640	32,168
Net income (loss)	9,092	10,303	37,538	8,446
Net cash provided by (used in) operating activities	43,422	19,248	(28,668)	349
Net cash (used in) provided by investing activities	(323,817)	(33,677)	281,005	(60,341)
Net cash provided by (used in) financing activities	343,278	21,591	(205,562)	220,914
Net increase (decrease) in cash and cash equivalents	16,676	9,909	53,988	160,615
Cash and cash equivalents at the end of the year	35,249	51,898	105,886	268,060
<b>At Fiscal Year-end:</b>				
Total assets	¥ 790,889	¥ 854,743	¥ 952,578	¥1,168,308
Total shareholders' equity	234,617	242,758	284,976	380,740
Interest-bearing debt	365,578	396,143	444,392	418,706
Net interest-bearing debt	330,329	361,602	351,790	163,997
<b>Major Indicators (%):</b>				
Ratio of operating income to net sales	9.4	6.2	2.3	2.0
Return on equity	5.1	4.3	14.2	2.5
Equity ratio	29.7	28.4	29.9	32.6
Debt/equity ratio	155.8	163.2	155.9	110.0
Net debt/equity ratio	140.8	149.0	123.4	43.1
<b>Per Share Data (Yen):</b>				
Net income (loss)	¥ 124.25	¥ 100.77	¥ 365.38	¥ 78.05
Net income (loss) after retroactive adjustment	10.62	11.20	40.60	8.67
Shareholders' equity	2,980.33	2,375.24	2,719.35	3,456.55
Shareholders' equity after retroactive adjustment	254.73	263.92	302.15	384.06
Cash dividends	20.00	40.00	20.00	20.00
Cash dividends after retroactive adjustment	1.71	4.44	2.22	2.22
<b>Others:</b>				
Shares outstanding (thousands of shares)	78,722	102,204	104,796	110,150
Consolidated subsidiaries	32	63	71	143
Equity-method non-consolidated subsidiaries and affiliates	13	15	20	53
Number of public companies	1	2	7	13
Number of employees	952	1,064	1,002	7,219

**Notes:**

1 For fiscal 1997-2004, EBITDA = operating income (loss) + interest income and dividends + depreciation + amortization.

For fiscal 2005-2007, EBITDA = operating income (loss) + depreciation, amortization, loss on disposal of fixed assets included in operating expenses.

2 For fiscal 1997-1998, 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.

	2001	2002	2003	2004	2005	2006	2007
¥	397,105	¥ 405,315	¥ 406,892	¥ 517,394	¥ 837,018	¥1,108,665	¥ 2,544,219
	16,431	(23,901)	(91,997)	(54,894)	(25,359)	62,299	271,066
	28,866	(10,024)	(69,781)	(20,705)	44,095	149,913	525,428
	87,009	(119,939)	(71,474)	(76,745)	(9,549)	129,484	208,574
	36,631	(88,755)	(99,989)	(107,094)	(59,872)	57,551	28,815
	(91,598)	(79,123)	(68,600)	(83,829)	(45,989)	57,806	311,202
	(42,612)	39,751	119,749	81,878	(242,944)	27,852	(2,097,937)
	24,548	1,313	(17,615)	306,390	277,771	30,078	1,718,385
	(76,200)	(34,479)	27,805	290,980	(9,689)	126,642	(65,277)
	159,105	119,855	147,526	437,133	320,195	446,694	377,521
¥1,146,083	¥1,163,678	¥ 946,331	¥1,421,207	¥1,704,854	¥1,808,399	¥ 4,310,853	
424,261	465,326	257,396	238,081	178,017	242,768	282,950	
413,442	365,644	340,795	575,541	853,918	905,293	2,394,403	
243,042	232,016	188,232	134,858	531,680	454,614	2,008,149	
4.1	—	—	—	—	—	5.6	10.7
9.1	(20.0)	(27.7)	(43.2)	(28.9)	27.4	11.0	
37.0	40.0	27.2	16.8	10.4	13.4	6.6	
97.4	78.6	132.4	241.7	479.7	372.9	846.2	
57.3	49.9	73.1	56.6	298.7	187.3	709.7	
¥ 110.47	¥ (263.53)	¥ (296.94)	¥ (314.72)	¥ (171.03)	¥ 54.36	¥ 27.31	
36.82	(87.84)	(98.98)	(104.91)	(57.01)	54.36	27.31	
1,260.14	1,381.31	767.56	677.40	505.86	229.88	268.02	
420.05	460.44	255.85	225.80	168.62	229.88	268.02	
7.00	7.00	7.00	7.00	7.00	2.50	2.50	
2.33	2.33	2.33	2.33	2.33	2.50	2.50	
336,677	336,872	335,293	351,404	351,457	1,055,082	1,055,704	
216	285	269	177	153	153	118	
117	113	116	103	108	87	66	
21	17	14	14	11	11	11	
4,312	4,375	4,966	5,108	12,949	14,182	17,804	

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 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 1997 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

This analysis has been provided based on the judgment that, to foster a better understanding of the SOFTBANK Group's operating results and financial condition, it is essential to provide report on trends in the operating environment that facilitates comparisons with the SOFTBANK Group's operating results and financial condition.

The SOFTBANK Group (hereafter "the Group")'s businesses extend across a wide range of areas. The operating climate in the Group's major operational areas in general is favorable, as outlined below.

#### 1. Mobile Communications

Continued growth in subscribers

The number of domestic mobile phone subscribers announced by the Telecommunications Carriers Association (TCA) increased 5.4%, to 96.72 million as of March 31, 2007. In addition to growth in the number of subscribers, each mobile carrier recorded growth in 3G subscribers as a percentage of total subscribers, while the number of subscribers to Internet services continued to increase, a trend towards more sophisticated usage could be seen during the past year.

#### 2. Broadband Infrastructure

Ongoing shift to broadband

According to Ministry of Internal Affairs and Communications (hereafter "MIC") research the number of domestic broadband lines maintained double-digit growth, reaching 26.43 million at the end of fiscal 2007, an increase of 13.5% from the end of the previous fiscal year. The number of DSL connection service subscribers decreased slightly from the end of the previous fiscal year, to 14.01 million. Nonetheless, DSL retains a dominant position in this sector, constituting 53% of all installed broadband lines. On the other hand, the number of FTTH connection service subscribers is increasing rapidly, and FTTH accounted for 38.3% of all installed broadband lines at the end of fiscal 2007, up from 23.4% at the end of fiscal 2006. In addition, domestic subscribers to IP phones maintained a high growth rate, rising 25.1% over the same period.

#### 3. Fixed-line Telecommunications

Growth in direct connection fixed-line voice services and data transmission services for corporate customers

The number of domestic subscribers for fixed-line phones continued to decline. However, the number of subscribers for direct connection fixed-line voice services, such as

the *Otoku Line* service provided by the Group company SOFTBANK TELECOM Corp. continued to increase. In addition, according to MIC research, in the field of data transmission services for corporate customers, the number of leased lines is declining, but the markets for IP-VPN services and wide-area Ethernet services, on which SOFTBANK TELECOM Corp. is focusing resources, recorded a year-on-year growth in total number of domestic subscribers of 10.0% and 22.8%, respectively.

#### 4. Internet Services

Continued rapid growth in Internet content and advertising market

Accompanying the rapid penetration of broadband services, a number of markets which utilize the Internet, such as entertainment, commerce, and finance, have experienced continued growth. For example, in fiscal 2007, the B2C e-commerce market and the game market were estimated to have grown by 20.1% and 19.8% year-on-year respectively. Moreover, the music distribution market is estimated to have doubled in size<sup>1</sup>. In addition, accompanying growth in Internet access, the Internet advertising market has sustained a high growth, expanding 29.3% year-on-year in fiscal 2007<sup>2</sup>. This market is an important source of revenues for Internet service providers represented by the Group company Yahoo Japan Corporation.

Other key trends in the Group's operating environment include an increase in the share of per user consumption expenditures accounted for by communications. According to the Family Income and Expenditure Survey by the MIC, the yearly average share of household consumption expenditures accounted for by communication rose from 5.7% in 2005 to 6.0% in 2006, a 0.3 percentage point increase. In addition, with favorable conditions in the Japanese economy, corporations are stepping up investment in telecommunications.

Notes: 1. Source: Nomura Research Institute, Ltd.  
2. Source: DENTSU INC.

## ■ Analysis of Consolidated Operating Results in Fiscal 2007

### Key Point:

#### Substantial increases in sales and profits, net sales and operating income reaching record highs.

Newly established Mobile Communications segment made a significant contribution, higher profits in all existing businesses.

Net sales totaled ¥2,544,219 million, an increase of 129% year-on-year, and operating income was ¥271,066 million, an increase of 335% year-on-year. Net income decreased by 50% year-on-year, to ¥28,815 million. The figures for net sales and operating income represented record highs.

The drastic increases in net sales and operating income were principally attributable to the consolidation of the Mobile Communications business, as a result of the entry into the mobile market in fiscal 2007 through the acquisition of Vodafone K.K., since May 2006.

In addition to the Mobile Communications segment, the existing operations also recorded strong performances. Two segments—Broadband Infrastructure and e-Commerce—recorded year-on-year declines in net sales due to such factors as the sale of certain operations and changes in accounting methods in fiscal 2006. Nonetheless, all segments, including the above two segments, recorded increases in operating income.

The two major reasons why net income decreased, despite the major increase in operating income, were: 1) the gain on sale of investment securities, which decreased by ¥91,932 million year-on-year; and 2) loan obligations related to the acquisition of Vodafone K.K., which resulted in an increase in interest expense of ¥52,516 million and financing related expenses of ¥28,715 million. As a result, the ¥79,090 million year-on-year increase in income before income taxes and minority interest was significantly less than the ¥208,767 million increase in operating income, meanwhile deferred income taxes increased by ¥91,839 million.

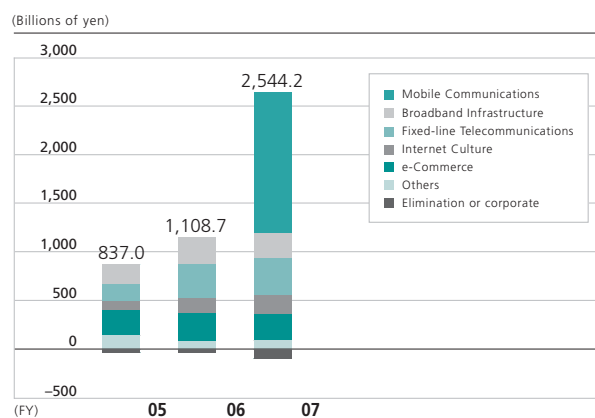
### 1. Net sales

Net sales for fiscal 2007 increased by ¥1,435,554 million from fiscal 2006, or 129%, to ¥2,544,219 million. The consolidation of Vodafone K.K., which was acquired in April 2006, was commenced at the end of April 2006, and its operating results were consolidated from May 2006. The Mobile Communications segment, which was newly established in fiscal 2007, recorded sales of ¥1,442,040 million. The Internet Culture segment recorded a strong performance due to higher advertising revenues and rise in tenant and system commission fee revenues at *Yahoo! Auctions* and *Yahoo! Shopping*. As a result, net sales in the Internet Culture segment increased 24%, or ¥38,091

million year-on-year, to ¥194,212 million. The Fixed-line Telecommunications segment recorded a year-on-year increase of 6%, the Others segment recorded a year-on-year increase of 9%.

The Broadband Infrastructure and e-Commerce segments both recorded slight declines in sales, by 2% and 4% year-on-year, respectively. The decline in sales of the Broadband Infrastructure segment was primarily due to the sale of the modem rental business, and the decrease in the sales of the e-Commerce segment was principally attributable to changes in accounting methods for software transactions. Excluding the effect of these special factors in fiscal 2006, which are described in detail later, both these segments recorded favorable growth.

### Net Sales



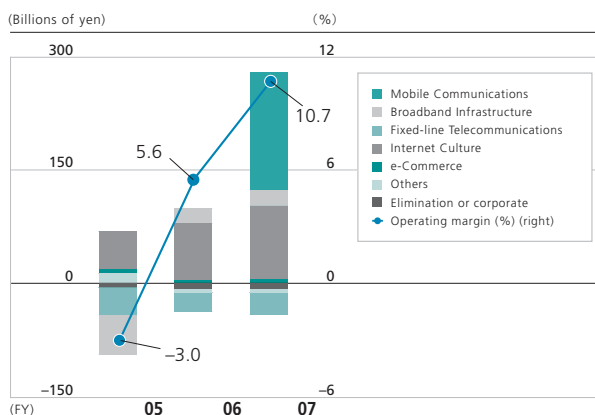
Note: Operating results of SOFTBANK MOBILE Corp. (former Vodafone K.K.)'s results were consolidated from May 2006.

## > MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION

### 2. Operating income

Operating income increased 335% year-on-year, or ¥208,767 million, to ¥271,066 million. The Mobile Communications segment, which was established in fiscal 2007, recorded operating income of ¥155,743 million. The Broadband Infrastructure segment generated operating income of ¥26,810 million, an increase of 30%, or ¥6,138 million. Operating income in the Internet Culture segment was up 30%, or ¥22,354 million, to ¥96,544 million. In the Fixed-line Telecommunications segment, SOFTBANK TELECOM Corp. was able to reduce operating loss through reduction of costs related to changes in the marketing strategy for the *Otoku Line*, direct connection fixed-line voice service, and as a result the segment's operating loss was ¥2,965 million, compared to ¥25,159 million in fiscal 2006.

### Operating Income



Note: Operating results of SOFTBANK MOBILE Corp. (former Vodafone K.K.)'s results were consolidated from May 2006.

### 3. Income before income taxes and minority interests

Income before income taxes and minority interests totaled ¥208,574 million, an increase of 61%, or ¥79,090 million, from fiscal 2006. While operating income rose substantially, interest expense increased ¥52,516 million, to ¥79,522 million, and financing related expenses totaled ¥28,715 million, primarily due to the bridge loan accompanying the acquisition of Vodafone K.K. and its refinancing. All financing related expenses were recorded in fiscal 2007 and will not affect operating results in future years. Gain on sales of investment securities decreased by ¥91,932 million from fiscal 2006. Loss on redemption of bonds, which had not occurred in fiscal 2006, was ¥10,429 million in fiscal 2007. This loss was due to the repurchase and redemption of Euro-denominated Senior Notes due 2011 and to a trust-based debt assumption regarding straight bonds issued by SOFTBANK MOBILE Corp.

### 4. Net income

Net income totaled ¥28,815 million, a decline of 50%, or ¥28,736 million, from fiscal 2006. Current income taxes totaled ¥48,726 million, an increase of ¥7,973 million year-on-year, but deferred income taxes increased by a substantial margin, rising ¥91,839 million from fiscal 2006, to ¥93,677 million. The reasons for the increase in the effective tax rate, calculated as the total of current and deferred income taxes, is outlined in the tables below.

### Effect of Tax Adjustments for fiscal 2007

#### Breakdown of tax expenses

(Billions of yen)

Item	Amount	%	Main details
1 Income before income taxes and minority interest	208.5	100%	
2 Current income taxes	48.7		Yahoo Japan 44.2
3 Deferred income taxes	93.6		SBM: Use of deferred tax assets (loss carry-forwards), etc. 36.4 SBM: Depreciation and amortization adjustments 34.8 SB: Use of deferred tax assets 249
4 Total income taxes (= 2+3)	142.4	68%	(= 4/1)

#### Reconciliation between normal effective statutory tax rate (40%) and the actual effective tax rate (68%)

1	Amortization of goodwill (mainly SBM)	10%
2	Use of deferred tax assets etc, for SB stand-alone	19%
3	Unrecognized deferred tax assets in consolidated subsidiaries that recorded net losses (BBM, SBTM)	11%
4	Non-tax provision for gain on sale of investment securities in SBI (use of loss carry-forwards in SBTM)	(13%)
	Net	27%

(Abbreviations)

Yahoo Japan: Yahoo Japan Corporation

SBM: SOFTBANK MOBILE Corp.

SB: SOFTBANK CORP.

BBM: BB Mobile Corp.

SBTM: SOFTBANK TELECOM Corp.

SBI: SBI Holdings, Inc.

## ■ Analysis of Operating Results by Business Segment

### Mobile Communications

Net sales in fiscal 2007 were ¥1,442,040 million, and operating income was ¥155,743 million. This segment, which was newly established in fiscal 2007, is principally comprised of the results of SOFTBANK MOBILE Corp. starting in May 2006.

#### (Quarterly trends)

(Millions of yen)

	FY2006				FY2007			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales					232,468	351,991	430,329	427,252
Operating income	Newly established in FY2007				27,294	29,341	56,906	42,202

#### [Number of Subscribers]

As of the end of March 2007, SOFTBANK MOBILE Corp. had a market share of 16.4 % with a total of 15,908,500 subscribers, an increase of 698,600 subscribers from the end of fiscal 2006. For 3 consecutive months, January, February, and March, the net increase (new subscribers minus cancellations) exceeded 100,000, the total gain in the fourth quarter of fiscal 2007 amounted to 412,000. The number of 3G subscribers reached 48.2% of the total number of subscribers, increasing by 4,622,500 subscribers from the end of March 2006, to 7,660,100 subscribers. As of the end of April 2007, 3G subscribers accounted for more than 50% of the total number of subscribers.

#### [Churn Rate and Upgrade Rate]

The churn rate in fiscal 2007 was 1.50%, a decline of 0.09 percentage points from 1.59% in fiscal 2006. Due to the introduction of Mobile Number Portability and other factors, there was a temporary increase in the churn rate, but nonetheless the churn rate was down year-on-year. The upgrade rate increased to 2.61% in fiscal 2007, an increase of 0.15 percentage points year-on-year, due to an increase in upgrades following the enhancement of the 3G handset lineup.

#### [Average Acquisition Cost per User and ARPU]

SOFTBANK MOBILE Corp. introduced a new sales method for handsets in September 2006. Under the previous subsidized sales method, customers received discounts on handsets and price rates were set at a level that provided for recovery of subsidies. Under this framework, the burden placed on customers who kept a single handset for a long period of time was greater than that on customers who cancelled or upgraded after a short period of time. Under the new framework, customers who purchase a handset at the *New Super Bonus* sales price will bear a

portion of the previous sales subsidy as a part of the handset price, and payments are made in installments (lump-sum payment is also possible). On the other hand, the application of the *New Super Bonus* Special Discount, in which a fixed amount is deducted from the basic monthly charge and voice call charge, reduces the actual burden borne by the customer.

Due to the introduction of this sales method, average acquisition cost per user, which had been about ¥40,000-¥50,000 per handset before the second quarter, has declined substantially from the third quarter, to ¥20,000-¥30,000 per handset. For customers who purchased handsets at the *New Super Bonus* price and subscribed to the *New Super Bonus*, from January 16, 2007, to April 15, 2007, SOFTBANK MOBILE Corp. offered a special service with up to two months free of basic monthly charges and fixed rate packet charges (*Unlimited Packet Use Discount*). In the fourth quarter of fiscal 2007, total ARPU was ¥5,210, a decline of ¥350 from the third quarter due to this free-of-charge period, *New Super Bonus* discounts, and seasonal factors, such as a lower number of business days. On the other hand, the data ARPU was ¥1,380, an increase of ¥50 from the third quarter, due primarily to an increase in the number of 3G subscribers.

SOFTBANK MOBILE Corp. is aware that the introduction of installment sales and special discounts, while reducing customer acquisition and retention costs, will also reduce ARPU. However, SOFTBANK MOBILE Corp. believes that these practices will also result in longer handset usage periods and reduced churn rates. Furthermore, to increase the percentage of 3G subscribers, SOFTBANK MOBILE Corp. will strive to provide appealing content and services, in order to increase data ARPU.

## > MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION

In fiscal 2007 SOFTBANK MOBILE Corp. worked on the implementation of four key initiatives: 3G Network Enhancement, 3G Handset Lineup Enrichment, Content Enhancement, and Enhancement of Sales Structure.

### [3G Network Enhancement]

As of March 31, 2007, the number of 3G base stations was 29,404, an increase of approximately 8,200 in fiscal 2007. The current target for the number of installed 3G base stations is 46,000, and this target is expected to be reached in the first half of fiscal 2008.

### [3G Handset Lineup Enrichment]

In fiscal 2007, 35 new handsets available in 159 colors (of which, 3G handsets accounted for 32 models available in 152 colors) were launched. This was a major expansion in comparison with fiscal 2006, when 19 new models available in 49 colors (of which, 3G handsets accounted for 11 models available in 30 colors) were launched.

### [Content Enhancement]

From October 2006, the new *Yahoo! Keitai* mobile Internet portal which links to *Yahoo! JAPAN* with just a press of the *Y!* button was provided, and in February 2007 the *Yahoo! Kids* portal, which provides content that can be enjoyed by elementary school students, was

launched. While continuing to strengthen the relationship with Yahoo Japan Corporation, SOFTBANK MOBILE Corp. will enhance mobile content offerings through alliances with content providers.

### [Enhancement of Sales Structure]

Development of the SoftBank Shops was expanded to further strengthen sales structure. As a result, as of March 31, 2007, the total number of SoftBank Shops nationwide reached 2,075, an increase of 217 from March 31, 2006.

From October 2006, through introduction of new price plans, flat-rate services, and discount services, the pricing structure was enhanced. Further, a simple plan, the *White Plan* was introduced in January 2007. The basic monthly charge is ¥980 (including tax), domestic voice calls between SoftBank users are free between 1:00am and 9:00pm, and other calls are charged at a flat rate of ¥21 per 30 seconds (including tax). Moreover, for heavy users, in March a *White Plan* exclusive discount service under the name *Double White* was introduced. With an additional monthly fixed charge of ¥980 (including tax), it offers domestic calls at half price, ¥10.5 per 30 seconds (including tax). As of March 31, 2007, the number of *White Plan* applications had surpassed 3 million, becoming a driving force behind higher subscriber numbers.

### Broadband Infrastructure

Net sales decreased by ¥4,224 million, or 2% from fiscal 2006, to ¥264,228 million. Operating income was ¥26,810 million, an increase of ¥6,138 million or 30%, year-on-year.

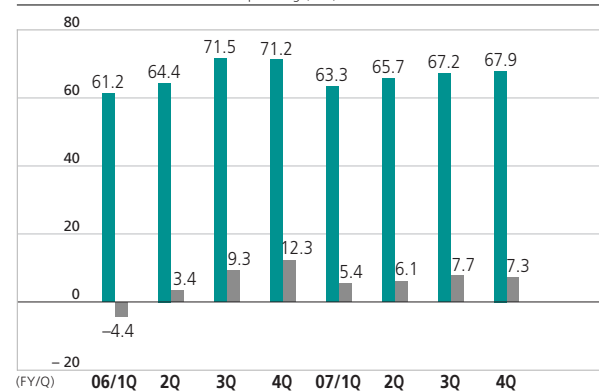
#### (Quarterly trends)

(Millions of yen)

	FY2006				FY2007			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	61,206	64,439	71,544	71,263	63,322	65,729	67,267	67,910
Operating (loss) income	(4,495)	3,484	9,362	12,321	5,480	6,189	7,747	7,394

### Broadband Infrastructure

(Billions of yen) ■ Net sales ■ Operating (loss) income





### [ADSL]

The number of *Yahoo! BB ADSL* lines installed continued to increase steadily, reaching a total of approximately 5.16 million as of March 31, 2007, an increase of approximately 120 thousand from March 31, 2006. For subscriber acquisition, SOFTBANK BB Corp.'s efforts remain centered on mass appliance retailers. In the future, SOFTBANK BB Corp. will strive to take advantage of synergies, such as cross-selling *Yahoo! BB ADSL* services to SOFTBANK MOBILE Corp.'s subscribers, and to increase profitability through greater efficiency.

### [FTTH]

Concerning FTTH connection service, SOFTBANK BB Corp. is maintaining a state of readiness that will enable it to start full-fledged operations as soon as a fair competitive environment is established. Until that point is reached, however, the basic policy is to develop operations in line with anticipated revenues. The profitability of the FTTH

business is improving. R&D in technologies to succeed ADSL, such as trial services aimed at the commercialization of FTTR connection service and R&D in high-speed PLC service will be continued.

### [Impact of Sale of Modem Rental Business]

Modem rental income is declining following the sale by BB TECHNOLOGY Corp. (current SOFTBANK BB Corp.) of its modem rental business in December 2005. In comparison with fiscal 2006, modem rental revenues declined, on the other hand, under the terms of a service agreement with BB Modem Rental Yugen Kaisha, servicing fees, incentives, and royalties are being received. In fiscal 2007, net sales declined from fiscal 2006 due to a decrease in incentives payments from BB Modem Rental Yugen Kaisha. However the ADSL business continues to record strong results, and the Broadband Infrastructure segment recorded higher profits overall.

### Fixed-line Telecommunications

Net sales increased by ¥19,897 million, or 6%, year-on-year to ¥374,130 million. Operating loss was ¥2,965 million, compared to an operating loss of ¥25,159 million in fiscal 2006.

#### (Quarterly trends)

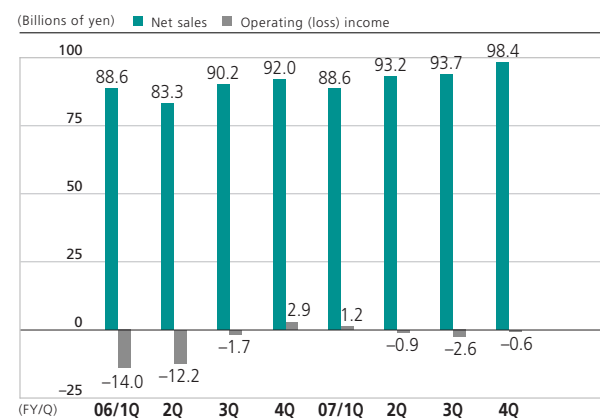
(Millions of yen)

	FY2006				FY2007			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	88,605	83,300	90,256	92,072	88,674	93,276	93,713	98,467
Operating (loss) income	(14,090)	(12,210)	(1,788)	2,929	1,212	(917)	(2,604)	(656)

SOFTBANK TELECOM Corp. positioned the *Otoku Line*, direct connection fixed-line voice service, as its core voice service and continued to focus on marketing the service directly to corporate customers. The number of lines installed reached approximately 1.22 million as of March 31, 2007, an increase of approximately 380 thousand from March 31, 2007. In the second half of the fiscal year, agent management and other responsibilities related to this business were transferred to JAPAN TELECOM INVOICE Co., Ltd. As a result, the profitability of the *Otoku Line* business is improving.

The future will see greater specialization in operations for corporate customers, centered upon the *Otoku Line* and data services for corporate customers, and mobile solutions utilizing SOFTBANK MOBILE Corp. services. In conjunction with these efforts, the Group will seek to increase management efficiency and reduce costs by pursuing marketing synergies for its three telecommunication companies.

### Fixed-line Telecommunications



## > MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION

### Internet Culture

Compared to fiscal 2006, in fiscal 2007 net sales increased by ¥38,091 million, or 24%, to ¥194,212 million, and operating income increased by ¥22,354 million, or 30% year-on-year, to ¥96,544 million.

#### (Quarterly trends)

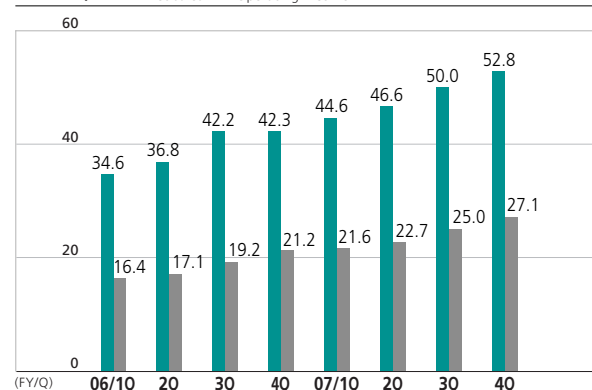
(Millions of yen)

	FY2006				FY2007			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	34,635	36,896	42,215	42,375	44,643	46,677	50,050	52,842
Operating income	16,469	17,167	19,256	21,298	21,630	22,713	25,012	27,189

Yahoo Japan Corporation recorded improved sales in Internet advertising due to the provision of advertising products that meet the needs of advertisers, such as mega-banners and targeted advertisements that utilize advanced *Flash*® techniques. In addition, sponsor sites contributed to its strong sales performance. In non-advertising business services, efforts were made to increase the number of stores registered in *Yahoo! Auctions* and *Yahoo! Shopping*. As a result, the number of stores registered as of March 31, 2007, increased to 27,044. In consumer services, the number of first-time bidders on *Yahoo! Auctions* increased substantially. This increase was the result of a campaign started from the third quarter of fiscal 2007 that enabled anyone with a *Yahoo! JAPAN* ID to place bids. Moreover, revenues from system commission fees recorded strong gains, primarily due to an increase in commission charges for the *Yahoo! Auctions* bidding system.

### Internet Culture

(Billions of yen) ■ Net sales ■ Operating income



### e-Commerce

Compared to fiscal 2006, in fiscal 2007 net sales decreased by ¥11,705 million, or 4%, to ¥271,571 million, while operating income rose ¥1,820 million, or 37%, to ¥6,681 million.

From fiscal 2007 on, SOFTBANK BB Corp. applied "Practical solution on accounting for revenue recognition of software" (Financial Accounting Standards Implementation Guideline No.17 issued on March 30, 2006). As a result, SOFTBANK BB Corp. is required to present certain software sales transactions as the net retained amount, calculated by offsetting the amount billed to a user and the amount paid to a supplier, and net sales from fiscal 2007 were recorded at ¥1,245 million, which would have been the amount of gross profit if the previous accounting standard had been applied. Due to the netting, net sales and cost of sales each decreased by ¥34,160 million.

#### (Quarterly trends)

(Millions of yen)

	FY2006				FY2007			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	60,469	67,688	71,456	83,663	59,143	65,037	65,369	82,022
Operating income	727	818	1,473	1,843	1,461	1,400	2,011	1,809

In SOFTBANK BB Corp.'s distribution business, the sales system for corporate customers was reinforced, and as a result, shipments of hardware, such as PC servers and peripherals, increased. Growth in sales of software to mass appliance retailers was primarily driven by security

related products. In addition, wholesale business to e-commerce companies was also strong.

A shift of strategy in the distribution business towards the e-commerce and service businesses was implemented from fiscal 2007. As one facet of this initiative, BB

Softservice Corp. was established in April 2006, through the corporate separation of SOFTBANK BB Corp's consumer SaaS department, and made a full-scale operational start, and its performance has been strong. SoftBank's handsets have also been offered to corporate customers. In the future, by leveraging synergies among the Group companies, SOFTBANK BB Corp. will strengthen and extend services offered to corporate customers further.

### Others

The results of this segment include the performance of Broadmedia business (mainly Club iT Corporation), Technology Services business (mainly SOFTBANK TECHNOLOGY CORP.), Media & Marketing business (mainly SOFTBANK Creative Corp. and ITmedia Inc.), and Other businesses (mainly TV Bank Corp. and Fukuoka Softbank Hawks related businesses).

## Financial Position

### Assets, Liabilities, and Net Assets

[Effect of the Vodafone K.K. acquisition on the balance sheet]

In SOFTBANK CORP. (hereafter "the Company")'s consolidated balance sheet as of March 31, 2007, the new consolidation of Vodafone K.K. (current SOFTBANK MOBILE Corp.) from the end of April 2006 had the effect of increasing current assets by ¥677,817 million, non-current assets by ¥2,000,517 million (out of which goodwill is ¥981,411 million), current liabilities by ¥480,453 million, and long-term liabilities by ¥1,562,942 million. The issuance of BB Mobile Corp. preferred stock allocated to Vodafone International Holdings B.V. raised minority interests by ¥300,000 million.

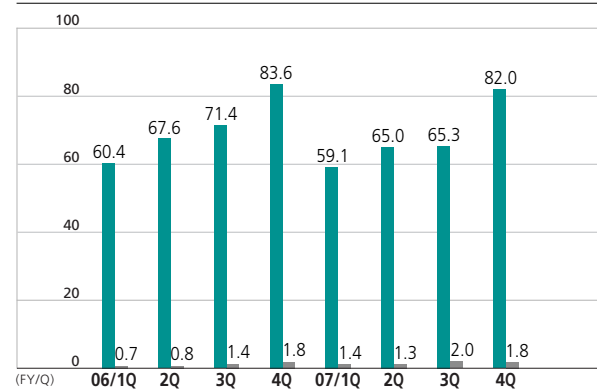
Furthermore, in accordance with "Practical Guidance regarding capital consolidation procedure on consolidated financial statements" (Accounting System Committee report No.7, revised on March 29, 2007), goodwill was retroactively reduced by ¥100,540 million at the time of acquisition when SOFTBANK MOBILE Corp. revaluated the collectability of deferred tax assets and reversed all of the valuation allowance on loss carry-forwards as of March 31, 2007.

Long-term liabilities include ¥1,355,091 million financed through whole business securitization and ¥84,596 million financed through subordinated loan from Vodafone Overseas Finance Ltd.<sup>3</sup> The Group plans to repay the liabilities as scheduled by striving to improve profitability in the future.

Note: 3. Lender changed from Vodafone International Holdings B.V., as of December 1, 2006.

### e-Commerce

(Billions of yen) ■ Net sales ■ Operating income



### [Assets]

Current assets increased by ¥502,303 million from March 31, 2006, to ¥1,247,433 million. Principally as a result of the new consolidation of SOFTBANK MOBILE Corp., the Group recorded increases of ¥395,052 million in notes and accounts receivable-trade, ¥94,888 million in short-term deferred tax assets, and ¥26,301 million in inventories, such as mobile phone handsets. In addition, other current assets increased by ¥71,590 million due to increases in receivables and prepaid expenses. On the other hand, cash and cash equivalents declined by ¥69,173 million.

In fiscal 2007, notes and accounts receivable increased as a result of higher receivables from customers, due to full-fledged sales of handsets under the installment sales method from the third quarter of fiscal 2007 on, and higher receivables from sales agents due to a larger number of handsets sold.

Property and equipment, net increased by ¥611,247 million from March 31, 2006, to ¥1,029,853 million. Primarily as a result of the new consolidation of SOFTBANK MOBILE Corp., the Group recorded increases of ¥499,815 million in telecommunications equipment, such as base stations and switching equipment, and ¥32,141 million in buildings and structures, such as network centers, etc. In addition, construction-in-progress increased by ¥43,902 million.

Intangible assets increased by ¥1,177,425 million from March 31, 2006, to ¥1,279,711 million. Primarily as a result of the new consolidation of SOFTBANK MOBILE Corp., goodwill increased by ¥987,349 million and software increased by ¥166,944 million.

## > MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION

Investments and other assets increased by ¥211,479 million from March 31, 2006, to ¥753,856 million. Primarily as a result of the new consolidation of SOFTBANK MOBILE Corp., long-term deferred tax assets increased ¥132,744 million and other assets including long-term prepaid expenses rose ¥55,964 million.

### [Liabilities]

Current liabilities increased by ¥556,000 million from March 31, 2006, to ¥1,142,903 million. Principally due to the new consolidation of SOFTBANK MOBILE Corp., accounts payable-other and accrued expenses rose ¥301,438 million, and accounts payable-trade rose ¥134,735 million. In addition, cash receipts as collateral rose ¥50,000 million. The Group does not utilize notes payable to settle accounts.

Long-term liabilities increased by ¥1,577,481 million from March 31, 2006, to ¥2,451,713 million. Due primarily to the refinancing used in the acquisition of Vodafone K.K., long-term debt rose ¥1,486,284 million. In addition, as part of the new capital equipment used by SOFTBANK MOBILE Corp. is leased, lease obligations of ¥74,964 million were recorded. Accompanying the new consolidation of SOFTBANK MOBILE Corp., an allowance for point mileage of ¥43,787 million was also recorded.

### [Equity]

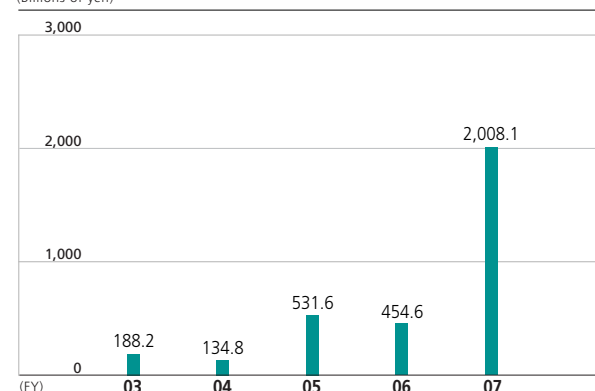
Total equity increased by ¥368,973 million from March 31, 2006, to ¥716,237 million. Accumulated deficit decreased

by ¥26,290 million due to the recording of net income. In addition, minority interest in consolidated subsidiaries rose ¥328,761 million, primarily due to the issuance of BB Mobile Corp. preferred stock allocated to Vodafone International Holdings B.V.

Note: On December 9, 2005, the Accounting Standards Board of Japan published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights and minority interests. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard. The comparisons of balance sheets accounts at March 31, 2006 and 2007 are presented based on the reclassified accounts in accordance with this new accounting standard.

### Net Interest-Bearing Debt

(Billions of yen)



### Cash Flow

During fiscal 2007, net cash provided by operating and financing activities was ¥311,202 million and ¥1,718,385 million, respectively, while net cash used in investing activities was ¥2,097,937 million. As a result, cash and cash equivalents as of March 31, 2007, amounted to ¥377,521 million, a decrease of ¥69,173 million from March 31, 2006.

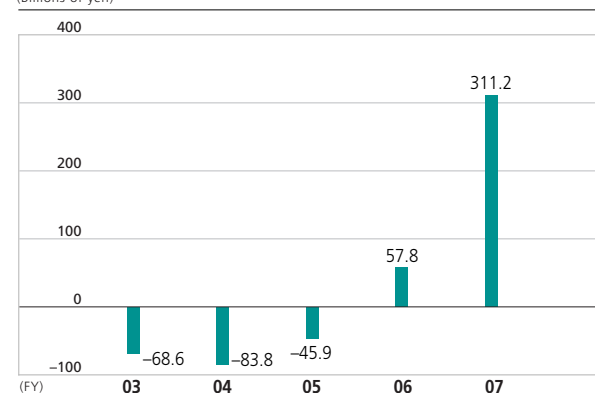
### [Cash Flows from Operating Activities]

Net cash provided by operating activities was ¥311,202 million. Income before income taxes and minority interest amounted to ¥208,574 million. Non-cash items included depreciation and amortization totaling ¥189,092 million and amortization of goodwill amounting to ¥53,595 million. Adjustments included the subtraction of gain on sales of marketable and investment securities, net, of ¥79,885 million, which is included in income before income taxes and minority interest. In addition, increase in receivables was ¥225,490 million and increase in payables

was ¥91,184 million. Income taxes paid, for Yahoo Japan Corporation and others, was ¥45,964 million.

### Cash Flows from Operating Activities

(Billions of yen)



#### [Cash Flows from Investing Activities]

Net cash used in investing activities was ¥2,097,937 million. This principally reflected the payment of ¥1,844,850 million for acquisition of interests in subsidiaries newly consolidated related to the acquisition of Vodafone K.K. The purchase of property and equipment, and intangibles totaled ¥297,765 million as a result of capital investment mainly in the telecommunications segments. In addition, purchase of marketable and investment securities was ¥114,022 million, while proceeds from sales of marketable and investment securities, due primarily to the sale of all of the shares held in SBI Holdings, Inc. and the sale of a portion of the shares held in cyber communications inc. was ¥168,354 million.

#### [Cash Flows from Financing Activities]

Net cash provided by financing activities was ¥1,718,385 million. Proceeds from long-term debt were ¥1,586,970 million, principally on account of funds raised for the acquisition of Vodafone K.K. Due primarily to the issuance of BB Mobile Corp. preferred stock that was allocated to Vodafone International Holdings B.V., proceeds from issuance of shares to minority shareholders were ¥300,378 million. In addition, proceeds from issuance of bonds were ¥72,559 million, redemption of bonds was ¥205,334 million, repayment of long-term debt was ¥98,152 million, and proceeds from sale and lease back of equipment newly acquired were ¥65,818 million.

#### [Trends in Cash Flow Related Indicators]

A summary of trends in cash flow related indicators is presented below.

	FY2005	FY2006	FY2007
Equity ratio	10.4%	13.4%	6.6%
Equity ratio (Market cap.)	91.1%	201.3%	74.2%
Debt repayment period	—	15.6 years	7.6 years
Interest coverage ratio	—	2.1	3.9

Notes: 1. The above indicators are calculated using the following formulas based on consolidated figures.

Equity ratio: Shareholders' equity divided by total assets

Equity ratio (Market cap.): Market capitalization divided by total assets

Debt repayment period: Interest-bearing debt divided by net operating cash inflows

Interest coverage ratio: Net operating cash inflows divided by interest expenses

2. Market capitalization is calculated by multiplying the closing stock price by the number of shares outstanding, net of treasury stock, as of March 31, 2007.

3. Interest-bearing debt is the sum of all liabilities on the consolidated balance sheet on which interest is paid.

4. Net operating cash flows and interest expenses are the corresponding figures shown on the "Cash flows from operating activities" of the Consolidated Statements of Cash Flows and "Interest expense" of the Consolidated Statements of Income.

5. Negative figures are indicated by "—".

#### [Reference]

Summary of cash flow related indicators, excluding the Mobile Communications segment, is as follows:

	FY 2007
Debt repayment period	9.9 years
Interest coverage ratio	3.1

## > MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION

### ■ Risk Factors

The following is a list of some significant risk factors that have the potential to affect the operating results, financial position, stock price, 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 broad range of markets, including mobile communications market, broadband services related market, fixed-line telecommunications market, IT-related distribution market, and other markets. Demand for services and products supplied by the Group is dependent on economic conditions, trends in these markets, and other factors.

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

#### [Mobile Communications]

In conjunction with the introduction of Mobile Number Portability, mobile operators enhanced own development of products and services, which led to the further intensified competition among operators. In addition, new market entrants are expected to change the market environment. As a result, if new subscriber acquisition and retention does not proceed as planned, ARPU declines, or subscriber acquisition and retention costs, etc., increase, profits could be substantially affected.

Moreover, it is possible that the new pricing plans and discount services, and flat-rate services introduced by SOFTBANK MOBILE Corp. starting in 2006 could lead to declines in ARPU, with an adverse effect on profitability. In addition, if the growth in the number of subscribers exceeds the Group's plans, capital investment for the purpose of expansion of the communications networks could

increase, with a temporary adverse affect on cash flow and profitability.

These operations have large amounts of deferred tax assets and goodwill. If the profitability of these operations worsens markedly, there is a possibility that the deferred tax assets might have to be reversed due to a revaluation of the collectability of the deferred tax assets. Also, due to a decline in or loss of the excess earning power that was initially anticipated, there is a possibility that it might be necessary to take an impairment loss on goodwill. In the event that it becomes necessary to reverse deferred tax assets or take an impairment loss on goodwill, there could be an effect on the Group's operating results or financial position.

#### [Broadband Infrastructure]

If the market penetration of broadband services offered by other companies, such as 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 severely constrained. Also, if market trends lead to higher subscriber acquisition costs or lower ARPU, profitability could be adversely affected.

#### [Fixed-line Telecommunications]

Accompanying the penetration of mobile phones, IP phones, and other services, the scale of the fixed-line market for consumers has been shrinking each year. On the other hand, competition in the corporate market is intensifying. As a result, the profitability of the fixed-line services offered by SOFTBANK TELECOM Corp. could be adversely affected.

#### [Internet Culture]

In the Internet Culture segment, the Internet advertising business conducted by Yahoo Japan Corporation and other companies is extremely sensitive to economic trends, particularly during sluggish economic conditions, when the tendency in all industries is to put a high priority on cutting 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.

#### [e-Commerce]

In the e-Commerce segment, wholesale sales of security-related software and PC peripheral equipment to corporate users and mass retailers remain favorable, but if the Group is not able to respond to changes in the market

environment, such as changes in the methods of distribution for products handled by the Group companies or rapid shifts in consumer preferences, this business could be adversely affected.

## **2. Risks related to technological innovation**

In the telecommunications and IT industries in which the Group is developing businesses, technologies and standards are changing rapidly on an industry-wide scale, including the fields of telecommunications networks and telecommunications systems technologies. The Group must respond flexibly to these changes.

However, if the Group is unable to respond appropriately for any reason, 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 or the cost of new introductions will increase. These trends and the Group's response to them could affect the Group's results.

## **3. Risks related to dependence on the management resources of other companies**

In developing its mobile telecommunications, broadband infrastructure, and fixed-line telecommunications 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 is 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 of a number of reasons, 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, the Broadband Infrastructure segment's primary service, *Yahoo! BB*, and the Mobile Communications segment's *Yahoo! Keitai* portal employ the *Yahoo!* brand

of Yahoo! Inc. This is based on the license agreement between Yahoo! Inc. and Yahoo Japan Corporation. If the agreement is terminated or revised in a manner unfavorable to Yahoo Japan Corporation, it is possible that the Group will not be able to develop its business as expected.

## **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 March 31, 2007, consolidated interest-bearing debt totaled ¥2,394,404 million, and interest expense in fiscal 2007 was ¥79,522 million.

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 to be significant risks. The Group strives to minimize the risks it faces, utilizing long-term fixed rates and other means to minimize interest rate risks and currency hedges on major assets and liabilities denominated in foreign currencies. However, depending on market trends, it might not be possible to completely avoid these risks.

Stocks of Internet-related companies in Japan, the United States, and other countries constitute the majority of the Group's investments. Investing activities are a source of cash flows for the Group. Fluctuations 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, 2007, unrealized gain on available-for-sale securities totaled ¥122,619 million. In addition, the Group's equity in listed and publicly traded consolidated subsidiaries and affiliates accounted for under the equity-method amounted to ¥1,065,859 million at market value. The consolidated book value of these securities was ¥96,386 million and the unrealized gain (the difference between the market value of the portion held by the Group and the consolidated book value) was ¥969,473 million.

## > MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION

### 5. Risks related to operational expansion based on investments accompanying M&A activities and business alliances

For a merger, acquisition, or alliance, the Group does its utmost to understand risks by conducting due diligence regarding such matters as the financial position of the target company. However, it is possible that unexpected liabilities 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 will be hindered. There could also be a risk that the Group might not be able to generate the synergies with the relevant companies that had been initially anticipated due to such factors as a loss of customers or important employees. As a result, it is possible that the Group might not adequately recover investments that have already been made and might not be able to develop its operations as expected.

### 6. Risks related to rules and regulations

#### [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 the Mobile Business Research Group and various study groups to consider future mobile communications business models, such as so-called SIM lock<sup>4</sup>, the appropriateness of sales incentives, the development of MVNO<sup>5</sup>, etc. Policies based on these reports could have an adverse influence on the development of the Group's communications business in the future.

Notes: 4. Restriction of the use of mobile handsets through IC chip cards (SIM cards) that contain information such as other operator's mobile phone numbers.

5. Mobile Virtual Network Operator: An operator that leases a mobile communications network from another operator and provides communication services.

#### [Rules and regulations related to intellectual property]

The Group makes reasonable efforts to ensure that the video contents handled in the Group's video distribution operations, including *Yahoo! Streaming*, and *BBTV*, do not infringe on any rights or interests of others including intellectual property rights. However, in the event that the Group's actions violate rights and interests of others

including intellectual property rights, the Group could be prevented from using such video content or claimed to pay damages.

With regard to intellectual property, as there are many companies which are actively developing Internet technologies and business models including broadband service, the Group might be sued by a third party for damages for patent infringement and, in the future, the Group's business activities might be restricted in providing contents and/or using technologies.

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

#### [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, etc. 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" (Notice of Ministry of Internal Affairs and Communications, No. 695 issued on August 31, 2006). Nonetheless, despite the aforementioned policies being implemented by the Group, it is possible that the Group will not be able to completely prevent leaks of personal information. As a result, trust in the Group could decline and the Group's operations could be adversely affected.

### 7. Risks related to compliance

The Group's operations extend across a wide span of fields, and the Group must observe a range of laws, guidelines, and regulations, including not only the Telecommunications Business Law and the Radio Law in the Group's telecommunications operations but also the Act on the Protection of Personal Information, the Law on the Prevention of Unauthorized Use of Cellular Phones, the Financial Instruments and Exchange Law, the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, and the Act Against Unjustifiable Premiums and



Misleading Representations. The Group continues to take steps to further enhance its compliance system, such as the formulation of the SOFTBANK Group Officer and Employee Code of Conduct. However, despite these measures, it is possible that compliance related risks cannot be completely avoided, and in the event that laws or regulations are infringed, the Group's business performance could be adversely affected.

#### **8. Risks related to impairment of fixed assets**

As a result of such factors as a decline in asset profitability, it is possible that the Group might not be able to recover its investment in fixed assets, leading to the recognition of an impairment loss as stipulated in the "Accounting Standards for Impairment of Fixed Assets." In that event, the Group's results and financial position could be affected.

#### **9. Risks related to disruption of system services**

To provide comprehensive telecommunications services, the Group has created networks for mobile phone, fixed-line telephone, ADSL, FTTH and other modes of telecommunication. To prevent system disruptions on these communications networks and to provide stable services, 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.

#### **10. Risks related to financial covenants**

The Group's interest-bearing debt includes financial covenants, and the Group is in compliance with those covenants. The major financial covenants are described in section Notes to Consolidated Financial Statements 6. Short-term borrowings, long-term debt and lease obligations (7) Financial covenants.

The ¥1,366 billion loan raised through SOFTBANK MOBILE Corp.'s whole business securitization, as described in Notes to Consolidated Financial Statements 6. Short-term borrowings, long-term debt and lease obligations (7),

Financial covenants, entails certain financial and operating performance criteria. In accordance with the loan agreement, if SOFTBANK MOBILE Corp. fails to meet these criteria, capital expenditures will be limited and prior approval from the lenders will be necessary for new service development, which could influence the Group's operational development. Furthermore, in the event that SOFTBANK MOBILE Corp. cannot meet these criteria on a cumulative basis, the lenders can appoint a majority of the board of directors and might exercise their collateral rights for assets provided as collateral, including shares of SOFTBANK MOBILE Corp.

Moreover, in the event that the Group fails to meet debt covenants other than those outlined above, the related interest-bearing debt may become due immediately and the Group's fund flows might be adversely affected. In addition, accompanying a change in interest-bearing debt conditions, profitability could be adversely affected.

#### **11. Risks related to unforeseen situations concerning management**

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

## > MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATING RESULTS AND FINANCIAL CONDITION

### Significant Contracts

Name of contract	Names of contracted companies	Counterparties	Country of counterparties	Contract content	Contract date
SBM Loan Agreement	SOFTBANK MOBILE Corp. Japan System Solution Co., Ltd TELECOM EXPRESS Co., Ltd SBM Tokai Hanbai Corp. Softbank Mobile Support Corp.	Mizuho Trust & Banking Co., Ltd.	Japan	Loan for repayment, of takeover bid funds for acquisition of Vodafone K.K. etc.	Nov. 28, 2006
Deed of Trust Agreement (B) (Tokutei Kinsen Trust)	SOFTBANK MOBILE Corp.	Mizuho Trust & Banking Co., Ltd. Aoyama Sogo Accounting Office	Japan	Deed of trust agreement (tokutei kinsen trust) for management of funds for repayment of borrowings in accordance with SBM Loan Agreement	Nov. 28, 2006
Cash Management Agreement	SOFTBANK MOBILE Corp. Japan System Solution Co., Ltd. TELECOM EXPRESS Co., Ltd. SBM Tokai Hanbai Corp. Softbank Mobile Support Corp.	Mizuho Trust & Banking Co., Ltd. Aoyama Sogo Accounting Office Citilease Company Ltd. Mizuho Corporate Bank, Ltd.	Japan	Cash transfer and management of funds for repayment of borrowings in accordance with SBM Loan Agreement	Nov. 28, 2006
Security Assignment over BBM Loan Agreement (Joto-Tampo)	SOFTBANK MOBILE Corp.	Mizuho Trust & Banking Co., Ltd.	Japan	Setting security assignment for BB Mobile Corp. from SOFTBANK MOBILE Corp. over loan obligations and right to claim compensation	Nov. 28, 2006
Security Assignment of Downstream Loan Agreement (Joto-Tampo)	BB Mobile Corp.	Mizuho Trust & Banking Co., Ltd.	Japan	Setting security assignment over, of loan obligations for SOFTBANK MOBILE Corp. from BB Mobile Corp.	Nov. 28, 2006
Security Assignment of Shares (Joto-Tampo)	BB Mobile Corp.	Mizuho Trust & Banking Co., Ltd.	Japan	Setting security assignment of shares over SOFTBANK MOBILE Corp. held by BB Mobile Corp.	Nov. 28, 2006
Security Assignment of Shares (Joto-Tampo)	Mobiletech Corporation	Mizuho Trust & Banking Co., Ltd.	Japan	Setting security assignment over shares over BB Mobile Corp. held by Mobile Tech Corporation	Nov. 28, 2006
Security over Trust Beneficial Interest Agreement (Shichiken)	SOFTBANK MOBILE Corp.	Mizuho Trust & Banking Co., Ltd.	Japan	Setting security over SOFTBANK MOBILE Corp. trust beneficial interest in accordance with Deed of trust agreement (B) (Tokutei Kinsen Trust)	Nov. 28, 2006

Name of contract	Names of contracted companies	Counterparties	Country of counterparties	Contract content	Contract date
Security over Shares Agreement (Shichiken)	SOFTBANK MOBILE Corp.	Mizuho Trust & Banking Co., Ltd.	Japan	Setting security over shares of SOFTBANK MOBILE Corp. subsidiaries Japan System Solutions Co., Ltd., TELECOM EXPRESS Co., Ltd., SBM Tokai Hanbai Corp., and Softbank Mobile Support Corp. held by SOFTBANK MOBILE Corp.	Nov. 28, 2006
Security Assignment of Receivables and Subscriber Contracts (Joto-Tampo)	SOFTBANK MOBILE Corp.	Mizuho Trust & Banking Co., Ltd.	Japan	Setting security assignment of receivables from subscribers based on subscriber contracts in regard to SOFTBANK MOBILE Corp. subscribers	Nov. 28, 2006
Security over Future Insurance Proceeds Agreement (Shichiken)	SOFTBANK MOBILE Corp.	Mizuho Trust & Banking Co., Ltd.	Japan	Setting security over SOFTBANK MOBILE Corp. future insurance proceeds	Nov. 28, 2006
Security Assignment of Intra-Group Indebtedness (Joto-Tampo)	SOFTBANK MOBILE Corp.	Mizuho Trust & Banking Co., Ltd.	Japan	Security assignment of SOFTBANK MOBILE Corp. Group company indebtedness held by SOFTBANK MOBILE Corp.	Nov. 28, 2006
Security Assignment of Intra-Group Indebtedness (Joto-Tampo)	Japan System Solution Co., Ltd.	Mizuho Trust & Banking Co., Ltd.	Japan	Security assignment of SOFTBANK MOBILE Corp. Group company indebtedness held by Japan System Solution Co., Ltd.	Nov. 28, 2006
Security Assignment of Intra-Group Indebtedness (Joto-Tampo)	TELECOM EXPRESS Co., Ltd.	Mizuho Trust & Banking Co., Ltd.	Japan	Security assignment of SOFTBANK MOBILE Corp. Group company indebtedness held by TELECOM EXPRESS Co., Ltd.	Nov. 28, 2006
Security Assignment of Intra-Group Indebtedness (Joto-Tampo)	SBM Tokai Hanbai Corp.	Mizuho Trust & Banking Co., Ltd.	Japan	Security assignment of SOFTBANK MOBILE Corp. Group company indebtedness held by SBM Tokai Hanbai Corp.	Nov. 28, 2006
Security Assignment of Intra-Group Indebtedness (Joto-Tampo)	Softbank Mobile Support Corp.	Mizuho Trust & Banking Co., Ltd.	Japan	Security assignment of SOFTBANK MOBILE Corp. Group company indebtedness held by Softbank Mobile Support Corp.	Nov. 28, 2006

**> MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF OPERATING RESULTS AND FINANCIAL CONDITION**

Name of contract	Names of contracted companies	Counterparties	Country of counterparties	Contract content	Contract date
Mortgage Agreement	SOFTBANK MOBILE Corp.	Mizuho Trust & Banking Co., Ltd.	Japan	Setting mortgage over real estate held by SOFTBANK MOBILE Corp.	Nov. 28, 2006
Security Assignment of Intellectual Property (Joto-Tampo)	SOFTBANK MOBILE Corp.	Mizuho Trust & Banking Co., Ltd.	Japan	Setting security assignment of intellectual property held by SOFTBANK MOBILE Corp.	Nov. 28, 2006
Security Assignment of Tangible Moveable Property (Joto-Tampo)	SOFTBANK MOBILE Corp.	Mizuho Trust & Banking Co., Ltd.	Japan	Setting security assignment of movable property held by SOFTBANK MOBILE Corp.	Nov. 28, 2006
Debt Assumption, Amendment and Restatement Agreement	SOFTBANK MOBILE Corp. BB Mobile Corp.	Vodafone International Holdings B.V.	The Netherlands	Setting debt assumption (discharge), SOFTBANK MOBILE Corp. for BB Mobile Corp. existing subordinated loan from Vodafone International Holdings B.V.	Nov. 28, 2006
Facility Agreement	SOFTBANK MOBILE Corp.	Vodafone International Holdings B.V.	The Netherlands	SOFTBANK MOBILE Corp.'s Debt assumption (discharge) in accordance with Debt assumption, Amendment and Restatement Agreement, and amended existing subordinated loan from Vodafone International Holdings B.V.	Nov. 30, 2006
Shareholders' Agreement	SOFTBANK CORP. Mobiletech Corporation BB Mobile Corp. SOFTBANK MOBILE Corp.	Yahoo Japan Corporation Vodafone International Holdings B.V.	Japan The Netherlands	Shareholders' agreement regarding management, etc. for BB Mobile Corp. and SOFTBANK MOBILE Corp.	Nov. 28, 2006
Stock underwriting contract	BB Mobile Corp.	Mizuho Trust & Banking Co., Ltd.	Japan	Underwriting of type 2 preferred stock issued by BB Mobile Corp.	Nov. 28, 2006

## ■ R&D Activities

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The Company spent ¥833 million on R&D during the fiscal 2007. These expenditures were principally for R&D activities in the Mobile Communications, Broadband Infrastructure, and Fixed-line Telecommunications segments.

### (1) Major research themes

#### in Mobile Communications business

1. Research regarding wireless base stations and added equipment for wireless communications networks
2. Research related to design of mobile handsets
3. Investigation and research related to security technologies, short-distance communications/sensing technologies
4. Research related to next-generation mobile communications (WiMAX) technologies

### (2) Major research themes

#### in Broadband Infrastructure business

1. Research related to next-generation networks
2. Research related to next-generation visual image transmission technologies and formats

3. Comprehensive research regarding FTTH service, direct connection VDSL service, etc.
4. Research related to services and applications using artificial intelligence

### (3) Major research themes

#### in Fixed-line Telecommunications business

1. R&D need for the realization of the ubiquitous society
2. Development of *IRIS*, next generation concept based on service-network convergence (SNC) and fixed-mobile convergence (FMC)

### (4) R&D related to all businesses

Research related to FMC

**> CONSOLIDATED BALANCE SHEETS**

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES March 31, 2006 and 2007

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2007	2007
Current assets:			
Cash and cash equivalents (Note 6)	¥ 446,694	¥ 377,521	\$ 3,197,974
Marketable securities (Note 5)	2,585	6,744	57,131
Notes and accounts receivable-trade (Notes 6 and 18)	188,921	583,973	4,946,824
Inventories (Note 4)	50,597	76,898	651,403
Deferred tax assets (Note 10)	14,107	108,995	923,291
Other current assets (Note 6)	49,650	121,240	1,027,022
Allowance for doubtful accounts	(7,424)	(27,938)	(236,652)
Total current assets	745,130	1,247,433	10,566,993
Property and equipment, net (Notes 2 (5) and 6):			
Land	19,405	27,748	235,052
Buildings and structures	57,304	89,445	757,684
Telecommunications equipment	194,970	694,785	5,885,515
Telecommunications service lines	91,725	92,235	781,323
Construction in progress	27,876	71,778	608,029
Other	27,326	53,862	456,264
Total property and equipment	418,606	1,029,853	8,723,867
Intangible assets, net:			
Goodwill	45,578	1,032,927	8,749,912
Software	33,672	200,616	1,699,412
Other intangibles	23,036	46,168	391,090
Total intangible assets	102,286	1,279,711	10,840,414
Investments and other assets:			
Investment securities (Notes 5 and 6)	269,834	381,885	3,234,940
Investments in unconsolidated subsidiaries and affiliated companies (Note 6)	194,817	105,537	894,000
Deferred tax assets (Note 10)	25,040	157,784	1,336,584
Other assets	52,686	108,650	920,380
Total investments and other assets	542,377	753,856	6,385,904
Total assets	¥1,808,399	¥4,310,853	\$36,517,178

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2007	2007
Current liabilities:			
Short-term borrowings (Note 6)	¥ 167,301	¥ 128,658	\$ 1,089,858
Commercial paper	10,400	5,000	42,355
Current portion of long-term debt (Note 6)	62,093	108,963	923,021
Accounts payable–trade	60,433	195,168	1,653,263
Accounts payable–other and accrued expenses	114,123	415,561	3,520,216
Income taxes payable	29,138	33,070	280,137
Current portion of lease obligations (Note 6)	—	18,049	152,894
Cash receipts as collateral (Note 7)	100,000	150,000	1,270,650
Other current liabilities (Note 8)	46,565	88,434	749,123
Total current liabilities	590,053	1,142,903	9,681,517
Long-term liabilities:			
Long-term debt (Note 6)	665,499	2,151,783	18,227,726
Deferred revenue (Note 8)	41,840	26,393	223,572
Liability for retirement benefits (Note 9)	17,280	16,702	141,479
Allowance for point mileage	—	43,787	370,921
Lease obligations (Note 6)	—	74,964	635,022
Deferred tax liabilities (Note 10)	48,642	50,136	424,705
Other liabilities	100,971	87,948	745,001
Total long-term liabilities	874,232	2,451,713	20,768,426
Minority interests	101,346	—	—
Commitments and contingent liabilities (Notes 18 and 19)			
Equity (Notes 6, 11, 12 and 21):			
Common stock			
Authorized: 3,600,000,000 shares			
Issued: 1,055,231,478 shares in 2006 and 1,055,862,978 shares in 2007	162,917	163,310	1,383,393
Cash receipts for new stock subscriptions	6	2	15
Additional paid-in capital	187,303	187,669	1,589,744
Stock acquisition rights	—	3,181	26,942
Accumulated deficit	(218,561)	(192,271)	(1,628,727)
Unrealized gain on available-for-sale securities	129,051	122,619	1,038,706
Deferred loss on derivatives under hedge accounting	(36,841)	(26,996)	(228,682)
Foreign currency translation adjustments	19,063	28,810	244,055
Treasury stock—at cost			
149,391 shares in 2006 and 158,611 shares in 2007	(170)	(194)	(1,639)
Total	242,768	286,130	2,423,807
Minority interests	—	430,107	3,643,428
Total equity	242,768	716,237	6,067,235
Total liabilities and equity	¥1,808,399	¥4,310,853	\$36,517,178

See notes to consolidated financial statements.





Financial Section

> CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES For the years ended March 31, 2006 and 2007

Millions of yen

	Number of shares outstanding	Common stock	Cash receipts for new stock subscriptions	Additional paid-in capital	Stock acquisition rights	Accumulated deficit	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
Balance, April 1, 2005	351,457,170	¥162,398	¥—	¥186,784	¥—	¥(273,362)	¥136,662	¥(41,057)	¥ 6,698	¥(106)	¥178,017	¥—	¥178,017
Net income	—	—	—	—	—	57,551	—	—	—	—	57,551	—	57,551
Cash dividends, ¥2.50 per share	—	—	—	—	—	(2,460)	—	—	—	—	(2,460)	—	(2,460)
Bonuses to directors and corporate auditors	—	—	—	—	—	(87)	—	—	—	—	(87)	—	(87)
Adjustments of additional paid-in capital and accumulated deficit due to change in scope of the consolidation	—	—	—	—	—	13	—	—	—	—	13	—	13
Decrease due to merger	—	—	—	—	—	(216)	—	—	—	—	(216)	—	(216)
Cash receipts for new stock subscriptions	—	—	6	—	—	—	—	—	—	—	6	—	6
Purchase of treasury stock	(108,435)	—	—	—	—	—	—	—	—	(64)	(64)	—	(64)
Stock splits	703,143,252	—	—	—	—	—	—	—	—	—	—	—	—
Exercise of warrants	590,100	519	—	519	—	—	—	—	—	—	1,038	—	1,038
Decrease in unrealized gain on available-for-sale securities	—	—	—	—	—	—	(7,611)	—	—	—	(7,611)	—	(7,611)
Decrease in deferred loss on derivatives under hedge accounting	—	—	—	—	—	—	—	4,216	—	—	4,216	—	4,216
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	12,365	—	12,365	—	12,365
Increase in minority interests	—	—	—	—	—	—	—	—	—	—	—	—	—
Balance, March 31, 2006	1,055,082,087	¥162,917	¥ 6	¥187,303	¥—	¥(218,561)	¥129,051	¥(36,841)	¥19,063	¥(170)	¥242,768	¥—	¥242,768
Reclassified balance as of March 31, 2006 (Note 2 (11))	—	—	—	—	3,150	—	—	—	—	—	3,150	101,346	104,496
Net income	—	—	—	—	—	28,815	—	—	—	—	28,815	—	28,815
Cash dividends, ¥2.50 per share	—	—	—	—	—	(2,638)	—	—	—	—	(2,638)	—	(2,638)
Bonuses to directors and corporate auditors	—	—	—	—	—	(90)	—	—	—	—	(90)	—	(90)
Adjustments of additional paid-in capital and accumulated deficit due to change in scope of the consolidation	—	—	—	(27)	—	203	—	—	—	—	176	—	176
Cash receipts for new stock subscriptions	—	—	2	—	—	—	—	—	—	—	2	—	2
Purchase of treasury stock	(9,220)	—	—	—	—	—	—	—	—	(24)	(24)	—	(24)
Exercise of warrants	631,500	393	(6)	393	—	—	—	—	—	—	780	—	780
Decrease in unrealized gain on available-for-sale securities	—	—	—	—	—	—	(6,432)	—	—	—	(6,432)	—	(6,432)
Decrease in deferred loss on derivatives under hedge accounting	—	—	—	—	—	—	—	9,845	—	—	9,845	—	9,845
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	9,747	—	9,747	—	9,747
Issuance of stock acquisition rights	—	—	—	—	31	—	—	—	—	—	31	—	31
Increase in minority interests	—	—	—	—	—	—	—	—	—	—	—	328,761	328,761
Balance, March 31, 2007	1,055,704,367	¥163,310	¥ 2	¥187,669	¥3,181	¥(192,271)	¥122,619	¥(26,996)	¥28,810	¥(194)	¥286,130	¥430,107	¥716,237

See notes to consolidated financial statements.

Thousands of U.S. dollars (Note 1)

	Number of shares outstanding	Common stock	Cash receipts for new stock subscriptions	Additional paid-in capital	Stock acquisition rights	Accumulated deficit	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Treasury stock	Total	Minority interests	Total equity
Balance, April 1, 2006	1,055,082,087	\$1,380,063	\$ 48	\$1,586,642	\$—	\$(1,851,428)	\$1,093,193	\$(312,079)	\$161,482	\$(1,438)	\$2,056,483	\$—	\$2,056,483
Reclassified balance as of March 31, 2006 (Note 2 (11))	—	—	—	—	26,683	—	—	—	—	—	26,683	858,502	885,185
Net income	—	—	—	—	—	244,092	—	—	—	—	244,092	—	244,092
Cash dividends, ¥2.50 per share	—	—	—	—	—	(22,344)	—	—	—	—	(22,344)	—	(22,344)
Bonuses to directors and corporate auditors	—	—	—	—	—	(766)	—	—	—	—	(766)	—	(766)
Adjustments of additional paid-in capital and accumulated deficit due to change in scope of the consolidation	—	—	—	(227)	—	1,719	—	—	—	—	1,492	—	1,492
Cash receipts for new stock subscriptions	—	—	15	—	—	—	—	—	—	—	15	—	15
Purchase of treasury stock	(9,220)	—	—	—	—	—	—	—	—	(201)	(201)	—	(201)
Exercise of warrants	631,500	3,330	(48)	3,329	—	—	—	—	—	—	6,611	—	6,611
Decrease in unrealized gain on available-for-sale securities	—	—	—	—	—	—	(54,487)	—	—	—	(54,487)	—	(54,487)
Decrease in deferred loss on derivatives under hedge accounting	—	—	—	—	—	—	—	83,397	—	—	83,397	—	83,397
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	82,573	—	82,573	—	82,573
Issuance of stock acquisition rights	—	—	—	—	259	—	—	—	—	—	259	—	259
Increase in minority interests	—	—	—	—	—	—	—	—	—	—	—	2,784,926	2,784,926
Balance, March 31, 2007	1,055,704,367	\$1,383,393	\$ 15	\$1,589,744	\$26,942	\$(1,628,727)	\$1,038,706	\$(228,682)	\$244,055	\$(1,639)	\$2,423,807	\$3,643,428	\$6,067,235

See notes to consolidated financial statements.

**> CONSOLIDATED STATEMENTS OF CASH FLOWS**

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES For the years ended March 31, 2006 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2007	2007
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 129,484	¥ 208,574	\$ 1,766,823
Adjustments for:			
Income taxes paid, net of refund	(28,525)	(45,964)	(389,366)
Depreciation and amortization	79,744	189,092	1,601,799
Amortization of goodwill	6,946	53,595	454,003
Equity in earnings of affiliated companies	(9,522)	(2,131)	(18,049)
Dilution gain from changes in equity interest, net	(21,806)	(2,484)	(21,042)
Valuation loss on investment securities	8,718	5,351	45,329
Gain on sale of marketable and investment securities, net	(171,865)	(79,885)	(676,705)
Foreign exchange loss, net	5,498	1,137	9,629
Changes in assets and liabilities, net of effects from changes in scope of the consolidation:			
Increase in receivables–trade	(23,333)	(225,490)	(1,910,121)
Increase in payables–trade	4,331	91,184	772,419
Increase in deferred revenue	40,000	—	—
Other, net	38,136	118,223	1,001,467
Total adjustments	(71,678)	102,628	869,363
Net cash provided by operating activities	57,806	311,202	2,636,186
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment, and intangibles	(189,490)	(297,765)	(2,522,362)
Purchase of marketable and investment securities	(88,480)	(114,022)	(965,881)
Proceeds from sale of marketable and investment securities	178,022	168,354	1,426,125
Acquisition of interests in subsidiaries newly consolidated, net of cash acquired (Note 3)	(4,526)	(1,844,850)	(15,627,697)
Sale of interests in subsidiaries previously consolidated, net	39,827	(90)	(759)
Proceeds from sale of interests in consolidated subsidiaries	29,232	10	85
Increase in loan receivables	(17,425)	(16,519)	(139,935)
Collection of loan receivables	16,584	15,750	133,416
Proceeds from sale of modem rental business	45,000	—	—
Other, net	19,108	(8,805)	(74,589)
Net cash provided by (used in) investing activities	27,852	(2,097,937)	(17,771,597)
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term borrowings, net (Note 16)	32,043	(8,849)	(74,960)
Decrease in commercial paper, net	(5,100)	(5,400)	(45,743)
Proceeds from long-term debt	125,550	1,586,970	13,443,202
Repayment of long-term debt	(158,212)	(98,152)	(831,443)
Proceeds from issuance of bonds	91,849	72,559	614,646
Redemption of bonds	(53,548)	(205,334)	(1,739,384)
Exercise of warrants	1,038	786	6,659
Proceeds from issuance of shares to minority shareholders	1,620	300,378	2,544,499
Cash dividends paid	(2,457)	(2,641)	(22,371)
Cash dividends paid to minority shareholders	(2,442)	(3,143)	(26,626)
Proceeds from sale and lease back of equipment newly acquired (Note 16)	—	65,818	557,548
Increase in cash receipts as collateral, net	—	50,000	423,549
Other, net	(263)	(34,607)	(293,161)
Net cash provided by financing activities	30,078	1,718,385	14,556,415
<b>Effect of exchange rate changes on cash and cash equivalents</b>	10,906	3,073	26,034
<b>Net increase (decrease) in cash and cash equivalents</b>	126,642	(65,277)	(552,962)
<b>Decrease in cash and cash equivalents due to exclusion of previously consolidated subsidiaries</b>	(143)	(3,896)	(33,004)
<b>Cash and cash equivalents, beginning of year</b>	320,195	446,694	3,783,940
<b>Cash and cash equivalents, end of year</b>	¥ 446,694	¥ 377,521	\$ 3,197,974

See notes to consolidated financial statements.

**> NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES

**1 Basis of presenting consolidated financial statements**

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The statement of changes in shareholder's equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under generally accepted accounting principles in Japan and has been renamed "the statement of changes in equity" in the current fiscal year.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2006 financial statements to confirm to the classifications used in 2007.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which SOFTBANK CORP. ("the Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥118.05 to \$1, the approximate rate of exchange at March 31, 2007. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

**2 Summary of significant accounting policies****(1) Consolidation**

The consolidated financial statements as of March 31, 2007 include the accounts of the Company and its 118 significant (153 in 2006) subsidiaries (together, the "Group"). The Company does not consolidate other subsidiaries due to their immateriality in terms of consolidated total assets, net sales, net income and retained earnings (accumulated deficit).

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in 66 affiliated companies (three unconsolidated subsidiaries and 84 affiliated companies in 2006) are accounted for by the equity method.

Investments in 63 unconsolidated subsidiaries and 26 affiliated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired consolidated

subsidiary at the date of acquisition is being amortized over reasonably estimated periods, in which economic benefits are expected to be realized. The goodwill resulted from acquisition of Vodafone K.K. (current SOFTBANK MOBILE Corp.) is being amortized over a 20-year-period.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

**(2) Cash equivalents**

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include highly liquid investments with original maturities of three months or less and a low risk of fluctuation in value.

**(3) Marketable and investment securities**

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

(a) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are

included in earnings, (b) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and (c) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

#### (4) Inventories

Inventories are stated at cost, determined by the moving-average method.

#### (5) Property and equipment, and intangible assets

Property and equipment, and intangible assets are stated at cost less accumulated depreciation. Accumulated depreciation at March 31, 2006 and 2007 was ¥603,314 million and ¥719,298 million (\$6,093,161 thousand), respectively.

Buildings and structures are depreciated primarily using the straight-line method over the estimated useful lives of the assets. Telecommunications equipment and telecommunications service lines are depreciated using the straight-line method over the estimated useful lives of the assets. Other property and equipment are depreciated primarily using the straight-line method over the estimated useful lives of the assets.

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

#### (6) Revenue recognition of software

The Group applied "Practical solution on accounting for revenue recognition of software" (ASBJ Practical Issues Task Force No.17 issued on March 30, 2006) from the year ended March 31, 2007. The Group is required to report revenue based on the net amount retained for certain software sale transactions. As a result, the amount billed to customers and the amount paid to suppliers were offset by ¥34,160 million (\$289,370 thousand), and net sales of ¥1,245 million (\$10,545 thousand) were recorded for the year ended March 31, 2007.

#### (7) Impairment of Long-lived assets

In August 2002, the Business Accounting Council (the "BAC") issued a Statement of Opinion, Accounting for Impairment of Fixed Assets, and in October 2003, the ASBJ issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements were effective for fiscal years beginning on or after April 1, 2005.

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amounts of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

As a result of the application of the new accounting standard for impairment of fixed assets, for the year ended March 31, 2006, the Company recorded an impairment loss of ¥36,479 million. No impairment loss was recognized for the year ended March 31, 2007.

#### (8) Allowance for point mileage

SOFTBANK MOBILE Corp. has an allowance for point mileage which is accrued based on the estimated future obligation arising from point service, based on past experience.

#### (9) Retirement and pension plans

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

The Company and most of 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 domestic consolidated subsidiaries into these pension plans are expensed when paid.

Certain domestic consolidated subsidiaries, mainly SOFTBANK MOBILE Corp. and SOFTBANK TELECOM Corp., have defined benefit pension plans. The liability for retirement benefits for these companies are accounted for based on the projected benefit obligations at the balance sheet date.

#### **(10) Stock Options**

On December 27, 2005, the ASBJ issued ASBJ statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is included in stock acquisition rights until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value. As a result, the effect of the adoption of these standards and guidance was not material.

#### **(11) Presentation of equity**

On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights and minority interests. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

#### **(12) Research and development costs**

Research and development costs are charged to income as incurred and were ¥3,698 million and ¥833 million (\$7,059 thousand) for the years ended March 31, 2006 and 2007, respectively.

#### **(13) Leases**

Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

#### **(14) Bonuses to directors and corporate auditors**

Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force No. 13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors," which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

As a result, the effect of the application of these standards and guideline was not material.

#### **(15) Income taxes**

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. 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. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

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.

**(16) Appropriation of retained earnings**

Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.

**(17) Foreign currency transactions**

All short-term and long-term monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

**(18) Foreign currency financial statements**

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation were shown as foreign currency translation adjustments in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

**(19) Derivatives and hedging activities**

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, currency options and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group also enters 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 Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses

on derivatives are deferred until maturity of the hedged transactions.

Long-term debt denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

**(20) Per share information**

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year, retroactively adjusted for stock splits.

**(21) New accounting pronouncements**

On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

### 3 Acquisition

The Company acquired 99.54% shares of Vodafone K.K. (current SOFTBANK MOBILE Corp.) in April 2006 and all the rest of shares in August 2006. By acquiring Vodafone K.K., the third largest mobile communication company in Japan, the Group took a large step towards its goal of offering ubiquitous communications.

The results of operation of Vodafone K.K. are included in the consolidated financial statements from May 2006.

The acquisition cost was ¥1,706,667 million (\$14,457,150 thousand). The total cost of acquisition has been allocated to the assets acquired and the liabilities assumed based on their respective fair values.

The estimated fair values of the assets acquired and the liabilities assumed at the acquisition date are as follows:

		Millions of yen	Thousands of U.S. dollars
Current assets	(Note 1)	¥ 324,184	\$ 2,746,147
Non-current assets	(Note 1)	952,443	8,068,151
Goodwill		1,028,553	8,712,855
Current liabilities	(Note 1)	(453,848)	(3,844,540)
Long-term liabilities		(144,665)	(1,225,463)
Acquisition cost	(Note 2)	1,706,667	14,457,150
Loans made by the Company	(Note 3)	163,000	1,380,771
Cash and cash equivalents of newly consolidated companies		(25,420)	(215,332)
Payments for the acquisition		¥1,844,247	\$15,622,589

Notes 1. Intercompany transactions are eliminated.

2. The acquisition cost includes the cost to acquire all the rest of shares in August, 2006.

3. This represents loans made by the Company up to the acquisition date.

### 4 Inventories

Inventories at March 31, 2006 and 2007 consisted of the following:

March 31,	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Merchandise	¥11,208	¥52,003	\$440,516
Transmission supplies	35,725	21,429	181,528
Other inventories	3,664	3,466	29,359
Total	¥50,597	¥76,898	\$651,403

### 5 Marketable and investment securities

Most marketable and investment securities in debt and equity securities at March 31, 2006 and 2007 were classified as available-for-sale securities.

The Group does not hold trading securities at March 31, 2006 and 2007.

## &gt; NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The carrying amounts and aggregate fair values of marketable and investment securities at March 31, 2006 and 2007 were as follows:

March 31, 2006	Millions of yen			
	Cost	Unrealized		Fair Value
		Gains	Losses	
Equity securities	¥34,810	¥202,313	¥(2,804)	¥234,319
Other	60	—	—	60
Total	¥34,870	¥202,313	¥(2,804)	¥234,379

March 31, 2007	Millions of yen			
	Cost	Unrealized		Fair Value
		Gains	Losses	
Equity securities	¥40,068	¥191,740	¥(19)	¥231,789
Other	1,101	0	—	1,101
Total	¥41,169	¥191,740	¥(19)	¥232,890

March 31, 2007	Thousands of U.S. dollars			
	Cost	Unrealized		Fair Value
		Gains	Losses	
Equity securities	\$339,418	\$1,624,227	\$(160)	\$1,963,485
Other	9,323	2	—	9,325
Total	\$348,741	\$1,624,229	\$(160)	\$1,972,810

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2006 and 2007 were as follows:

March 31,	Millions of yen		Thousands of
	2006	2007	U.S. dollars
Held-to-maturity debt securities			2007
Debt securities	¥ —	¥ 170	\$ 1,440
Available-for-sale securities			
Equity securities	26,760	141,790	1,201,105
Money Management Fund	2,363	5,380	45,578
Investments in limited partnerships	6,494	5,803	49,154
Preferred fund certificates	2,000	2,000	16,942
Foreign debt securities	94	148	1,257
Other	329	448	3,785
Total	¥38,040	¥155,739	\$1,319,261

Proceeds from sales of available-for-sale securities for the years ended March 31, 2006 and 2007 were ¥101,300 million and ¥17,947 million (\$152,027 thousand), respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥42,020

million and ¥175 million, respectively, for the year ended March 31, 2006 and ¥7,865 million (\$66,625 thousand) and ¥4,255 million (\$36,042 thousand), respectively, for the year ended March 31, 2007.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2007 are as follows:

Debt securities (Corporate bonds)	Millions of yen	Thousands of
	2007	U.S. dollars
Due in one year or less	¥248	\$2,104
Due after one year through five years	70	593
Due after five years through ten years	—	—
Due after ten years	—	—
Total	¥318	\$2,697



## 6 Short-term borrowings, long-term debt and lease obligations

(1) Short-term borrowings at March 31, 2006 and 2007 borrowings ranged from 1.38% to 2.83% and 0.93% to mainly consisted of notes to banks and bank overdrafts. 7.90% at March 31, 2006 and 2007, respectively. The annual interest rates applicable to the short-term

(2) Long-term debt at March 31, 2006 and 2007 consisted of the following:

March 31,	Millions of yen		Thousands of
	2006	2007	U.S. dollars
Unsecured borrowings principally from financial institutions:			
Due on various date through 2020 - generally at 0.58% to 7.50%	¥132,356	¥ 314,285	\$ 2,662,302
Collateralized borrowings principally from financial institutions:			
Due on various date through 2019 - generally at 1.86% to 9.38%	128,014	1,479,897	12,536,191
Unsecured straight bonds:			
Due on various date through 2016 - generally at 0.48% to 9.38%	317,192	316,564	2,681,606
Convertible bonds:			
Due on various date through 2015 - generally at 1.50% to 2.00%, convertible into common stock ranging from ¥1,828 (\$15.49) to ¥2,165 (\$18.34)	150,030	150,000	1,270,648
Subtotal	727,592	2,260,746	19,150,747
Less current portion	(62,093)	(108,963)	(923,021)
Long-term debt, less current portion	¥665,499	¥2,151,783	\$18,227,726

(3) Current portion of lease obligations and lease obligations at March 31, 2007 consisted of the following:

March 31,	Millions of yen	Thousand of
	2007	U.S. dollars
Current-portion of lease obligations -		
3.03% to 5.02%	¥18,049	\$152,894
Lease obligations -		
3.03% to 5.02%	74,964	635,022

(4) The aggregate annual maturities of borrowings from financial institutions outstanding at March 31, 2007 were as follows:

For the years ending March 31,	Millions of yen	Thousands of
		U.S. dollars
2008	¥ 64,999	\$ 550,603
2009	103,897	880,107
2010	150,473	1,274,659
2011	126,639	1,072,762
2012 and thereafter	1,348,174	11,420,362
Total	¥1,794,182	\$15,198,493

(5) The aggregate annual maturities of corporate bonds outstanding at March 31, 2007 were as follows:

For the years ending March 31,	Millions of yen	Thousands of
		U.S. dollars
2008	¥ 43,964	\$ 372,418
2009	52,540	445,066
2010	65,000	550,614
2011	38,673	327,594
2012 and thereafter	266,387	2,256,562
Total	¥466,564	\$3,952,254

## &gt; NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(6) Assets pledged as collateral at March 31, 2007 for the collateralized borrowings of ¥1,479,897 million (\$12,536,191 thousand) and account payables of ¥1,370 million (\$11,607 thousand) were as follows:

Assets pledged as collateral	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents	¥ 70,019	\$ 593,125
Notes and accounts receivable–trade	303,486	2,570,827
Other current assets	879	7,448
Land	15,566	131,864
Buildings and structures	13,987	118,480
Telecommunications equipment	362,644	3,071,953
Telecommunications service lines	227	1,923
Property and equipment–other	0	0
Investment securities and investments in Unconsolidated subsidiaries and affiliated companies	196,552	1,664,991
Investments and other assets–other	115	977
Total	¥963,475	\$8,161,588

Consolidated subsidiaries shares owned by SOFTBANK MOBILE Corp, SOFTBANK MOBILE Corp. shares owned by BB Mobile Corp. and BB Mobile Corp. shares owned by Mobiletech Corporation are pledged as collateral for long-term debt (totaled to ¥1,355,091 million (\$11,478,958 thousand)) resulted from the refinancing of the loan accompanying the acquisition of SOFTBANK MOBILE Corp., in addition to the assets pledged as collateral above.

## (7) Financial covenants

The Group's interest-bearing debt includes financial covenants, with which the Group is in compliance. The major financial covenants are as follows. If the Group conflict with the following covenants, creditors may require repayment of all debt. (In the events where the covenants set several conditions, the strictest condition is presented below.)

The amount of net assets shown in the Company's balance sheet at the end of the year and first half of the year must not fall below 75% of the amount of net assets shown in the balance sheet at the end of the same period in the previous year.

The amount of the Company's net assets at the end of each quarter must not fall below the larger of [1] or [2] below.

[1] 75% of the amount of the Company's net assets at the end of the most recent year.

[2] 60% of the amount of the Company's net assets at March 31, 2005.

At the end of the year and the first half of the year, balance sheets of SOFTBANK BB Corp. and SOFTBANK TELECOM Corp. must not show excessive debt. The consolidated balance sheets of BB Mobile Corp. at the end of the year and the first half of the year must not show excessive debt.

Other than the exceptions listed below, as a general rule, members of the following restricted group of companies (the "restricted group"), will not take on debt obligations\* from any company not included in the restricted group or issue any preferred stock after October 12, 2006, the issuance date of these Euro-denominated Senior Notes due 2013.

(Restricted group)

- (a) SOFTBANK CORP.
- (b) SOFTBANK BB Corp.
- (c) SOFTBANK TELECOM Corp.
- (d) SOFTBANK MOBILE Corp.
- (e) Mobiletech Corporation
- (f) BB Mobile Corp.
- (g) TELECOM EXPRESS Co., Ltd.
- (h) Japan System Solution Co., Ltd.
- (i) SBBM Corporation

(Exceptions)

The major exceptions are as follows:

- i. SOFTBANK CORP. is permitted to borrow up to ¥200 billion through its commitment line, etc.
- ii. Borrowing related to the acquisition of Vodafone K.K. (current SOFTBANK MOBILE Corp.) (including refinancing) is permitted up to a principal amount of ¥1,450 billion.
- iii. Among the restricted group, those involved in the Mobile Communications business segment (d, f, g, h) are permitted to incur capital expenditure related debt incurring activities\* up to a principal amount of ¥400 billion.
- iv. SOFTBANK TELECOM Corp. is permitted to borrow up to a principal amount of ¥175 billion.
- v. The refinancing of the outstanding debt of the restricted group as of October 12, 2006, the issuance date of those notes, is permitted up to the same level of principal amount.
- vi. In the event that [1] a company in the restricted group incurs lease obligations or [2] a subsidiary of SOFTBANK CORP. other than the members of the restricted group incur lease obligations, SOFTBANK CORP. is permitted to provide guarantees to leasing companies up to a principal amount of ¥400 billion for the total of [1] and [2].
- vii. SOFTBANK CORP. is permitted to make security lending transactions using the stock of Yahoo Japan Corporation up to, as a general rule, ¥200 billion.
- viii. Other than (i) to (vii) above, debt-incurring activities\* which are pari passu with those notes are permitted up to ¥150 billion.

\*Note: Debt-incurring activities include new borrowings, leasing, etc.

SOFTBANK MOBILE Corp. received a loan (the "SBM loan") from Mizuho Trust & Banking Co., Ltd. (the "lender"), which, as the Tokutei Kingai Trust Trustee, was entrusted with the proceeds by WBS Funding\*<sup>1</sup>. Under the terms of the SBM loan agreement, SOFTBANK MOBILE Corp. is allowed a certain degree of flexibility in its

business operations, as a general rule. However, in the event that the loan agreement's financial performance targets (reduction in cumulative debt, adjusted EBITDA\*<sup>2</sup>, leverage ratio\*<sup>3</sup>) or operational performance targets (number of subscribers) are not met, depending on the importance and the timing of issue, the influence of the lender on the operations of SOFTBANK MOBILE Corp. might be increased. It is possible that limits will be placed on capital investment, that prior approval will be required for development of new services, that a majority of the board directors will be appointed, and that rights to assets pledged as collateral, including shares of SOFTBANK MOBILE Corp., will be exercised. As of March 31, 2007, there is no infringement of the debt covenants.

Note: \*1. WBS Funding (Whole Business Securitization Funding)

A special purpose company for the purpose of allocating the total amount raised from domestic and foreign financial institutions—¥1,441.9 billion—under the WBS scheme through the Tokutei Kingai Trust Trustee for the SBM loan to SOFTBANK MOBILE Corp. SOFTBANK MOBILE Corp. borrowed from Tokutei Kingai Trust Trustee an amount of ¥1,366 billion, representing the total amount of ¥1,441.9 billion raised by WBS Funding less such items as interest hedge costs and interest reserve.

\*2. Adjusted EBITDA (Adjusted Earning Before Interests, Taxes, Depreciation, and Amortization)  
Lease payments, which are included in operating expenses are added back to EBITDA.

\*3. Leverage ratio  
Leverage ratio = Debt / Adjusted EBITDA. The balance of debt does not include capital financing, subordinated loans from the SOFTBANK Group or Vodafone Oversea Financial Limited or existing bonds.

The amount of net assets shown in SOFTBANK TELECOM Corp.'s balance sheets for the end of each interim period and the end of each fiscal year must not fall below the larger of [1] or [2] below.

[1] 75% of the net assets shown in the consolidated balance sheets of SOFTBANK TELECOM Corp. at the end of the most recent fiscal year.

[2] 60% of the amount of net assets shown in the consolidated balance sheets for SOFTBANK TELECOM Corp. as of March 31, 2005.

**7 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:

March 31,	Millions of yen		Thousands of
	2006	2007	U.S. dollars
Cash receipts as collateral	¥100,000	¥150,000	\$1,270,650

The Company paid certain amounts calculated using a fixed rate as stock bailment fees and other fees totaling ¥2,859 million and ¥3,540 million (\$29,985 thousand) for the years ended March 31, 2006 and 2007, respectively

according to the security deposit agreements, and recorded the fees as other non-operating expenses in the consolidated statements of income.

**8 Deferred revenue**

On December 8, 2005, BB TECHNOLOGY Corp. (current SOFTBANK BB Corp.) sold its modem rental business to Yugen Kaisha Gemini BB. The gain on sale of the business was deferred and is being amortized over five years, which is the estimated economic useful life of modem equipment as a revenue source of the modem rental operations. For the years ended March 31, 2006 and 2007, the Company recorded operating income of ¥1,437 million and ¥4,312 million (\$36,526 thousand), respectively, 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. Royalty fees totaling ¥3,986 million and ¥9,721 million (\$82,349 thousand) for the years ended March 31, 2006 and 2007, respectively were recorded as revenue.

Ending balances of deferred revenue as of March 31, 2006 and 2007 were as follows:

	Millions of yen		Thousands of
	2006	2007	U.S. dollars
Other current liabilities	¥14,097	¥15,026	\$127,282
Deferred revenue	¥41,840	¥26,393	\$223,572

In accordance with the service agreement, SOFTBANK BB Corp. must refund a part of the above deferred revenue, which is attributable to the service agreement, if its certain financial performance targets are not met.

## 9 Retirement and pension plans

The Company and most of domestic consolidated subsidiaries participate in defined contribution pension plans and the welfare pension plans. Certain domestic consolidated subsidiaries have defined benefit pension plans.

The liability for employees' retirement benefits at March 31, 2006 and 2007 consisted of the following:

March 31,	Millions of yen		Thousands of
	2006	2007	U.S. dollars
Projected benefit obligation	¥17,280	¥16,702	\$141,479
Fair value of plan assets	—	—	—
Unrecognized actuarial gain (loss)	—	—	—
Net liability	¥17,280	¥16,702	\$141,479

Note: The fair value of the pooled fund assets of the welfare pension plan at March 31, 2006 and 2007 belonging to employees of the Company and most of domestic consolidated subsidiaries amounted to ¥16,592 million and ¥18,669 million (\$158,141 thousand), respectively.

The components of net periodic benefit costs are as follows:

For the years ended March 31,	Millions of yen		Thousands of
	2006	2007	U.S. dollars
Service cost (Note 1)	¥2,601	¥ 1,568	\$ 13,284
Interest cost	330	369	3,123
Recognized actuarial (gain) loss	(645)	29	247
Prior service cost (Note 2)	—	(2,838)	(24,048)
Contributions to the defined contribution pension plan	592	2,127	18,021
Net periodic benefit costs	¥2,878	¥ 1,255	\$ 10,627

Notes: 1. Service cost for the years ended March 31, 2006 and 2007 include ¥998 million and ¥1,024 million (\$8,674 thousand) of contributions to multi-employer contributory defined benefit welfare pension plans, respectively.

2. Prior service cost for the year ended March 31, 2007 resulted from the revision of the pension plans of SOFTBANK TELECOM Corp. and SOFTBANK MOBILE Corp. In 2007, SOFTBANK TELECOM Corp. and SOFTBANK MOBILE Corp. amended pension plans by suspending the defined benefit pension plans and implementing defined contribution pension plans. The retirement benefit existed and calculated under the benefit pension plans was fixed and will be paid at the retirement of applicable employees.

Assumptions used for the years ended March 31, 2006 and 2007 are set forth as follows:

	2006	2007
Discount rate	Primarily 2.0%	Primarily 2.0%
Amortization period of prior service cost	Primarily expensed in the fiscal year incurred	Primarily expensed in the fiscal year incurred
Recognition period of actuarial gain/loss	Primarily expensed in the fiscal year incurred	Primarily expensed in the fiscal year incurred

## 10 Income taxes

The Company and domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.69% for the years ended March 31, 2006 and 2007.

## &gt; NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2006 and 2007 are as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Deferred tax assets:			
Loss carryforwards	¥ 181,802	¥ 219,224	\$ 1,857,045
Valuation of assets and liabilities of acquired consolidated subsidiaries at fair market value	—	96,971	821,440
Depreciation, amortization and impairment loss	52,759	71,044	601,816
Investment securities	75,206	69,460	588,395
Allowance for doubtful accounts	17,687	24,238	205,320
Deferred revenue	8,657	18,971	160,700
Allowance for point mileage	—	18,568	157,288
Deferred losses on derivatives under hedge accounting	19,665	14,363	121,669
Other	30,009	73,245	620,459
Gross deferred tax assets	385,785	606,084	5,134,132
Less: valuation allowance	(318,184)	(317,231)	(2,687,267)
Total deferred tax assets	67,601	288,853	2,446,865
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(70,265)	(65,810)	(557,475)
Other	(6,831)	(6,400)	(54,220)
Total deferred tax liabilities	(77,096)	(72,210)	(611,695)
Net deferred tax assets (liabilities)	¥ (9,495)	¥ 216,643	\$ 1,835,170

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2006 and 2007 is as follows:

	2006	2007
Normal effective statutory tax rate	40.69%	40.69%
Reconciliation—		
Consolidation adjustments resulting from gain on sale of investments in affiliated companies under equity method	—	13.21
Amortization of goodwill	1.97	10.38
Consolidation adjustments resulting from gain and loss on sale of investments in consolidated subsidiaries	—	7.85
Dilution loss from changes in equity interest	(3.71)	—
Nontaxable capital gain in foreign countries	(11.41)	—
Tax rate differential	(2.17)	(2.31)
Tax deduction for IT industry and others development	(1.27)	—
Changes in valuation allowance	4.21	(2.48)
Other—net	4.58	0.93
Actual effective tax rate	32.89%	68.27%

At March 31, 2007, the Group has have tax loss carryforwards aggregating approximately ¥219,224 million (\$1,857,045 thousand) which are available to be offset against taxable income in future years. These tax loss carryforwards, if not utilized, will expire as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2007		2007
2008	¥ 6,189		\$ 52,428
2009		3,486	29,528
2010		91,092	771,636
2011		17,429	147,645
2012		36,622	310,223
2013 and thereafter		64,406	545,585
Total		¥219,224	\$1,857,045

## 11 Equity

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

### (1) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

### (2) Increase/decrease and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of accumulated deficit) or as additional paid-in capital depending on the equity account charged upon the payment of such dividends until the total of the aggre-

gate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation.

The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

### (3) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

### (4) Cash receipts for new stock subscriptions

Cash receipts for new stock subscriptions represent amounts paid at the exercise of warrants, but the shares were not issued. At the issuance of 3,900 and 1,200 new shares in April 2006 and 2007, respectively, cash receipts for new stock subscriptions was converted into common stock of ¥3 million and ¥1 million (\$8 thousand) and additional paid-in capital of ¥3 million and ¥1 million (\$7 thousand), respectively.

### (5) Stock acquisition rights

As of March 31, 2007, the Company records stock acquisition rights of 24 million shares at ¥3,150 million (\$26,683 thousand) and a consolidated subsidiary records stock acquisition rights of ¥31 million (\$259 thousand).

## 12 Stock Options

(1) The stock option outstanding as of March 31, 2007 is mainly as follows:

	Stock Subscription Rights (2001)	The First Series of Stock Acquisition Rights (2003)
Company name	The Company	The Company
Persons granted	Directors of the Company: 8	Directors of the Company: 8 Employees of the Company: 80 Directors of Subsidiaries: 16 Employees of Subsidiaries: 1,746
Class and number of shares	1,650,000 shares of common stock of the Company	4,200,000 shares of common stock of the Company
Grant date	September 29, 2001	December 9, 2003
Exercise period	A. 30% of allotment shares from July 1, 2002 to June 30, 2007 B. 30% of allotment shares from July 1, 2003 to June 30, 2007 C. 40% of allotment shares from July 1, 2004 to June 30, 2007	Directors A. 25% of allotment shares from November 29, 2004 to June 30, 2009 B. 25% of allotment shares from November 29, 2005 to June 30, 2009 C. 25% of allotment shares from November 29, 2006 to June 30, 2009 D. 25% of allotment shares from November 29, 2007 to June 30, 2009 Employees A. 50% of allotment shares from November 29, 2005 to June 30, 2009 B. 25% of allotment shares from November 29, 2006 to June 30, 2009 C. 25% of allotment shares from November 29, 2007 to June 30, 2009
	The Third Series of Stock Acquisition Rights (2004)	The Fifth Series of Stock Acquisition Rights (2005)
Company name	The Company	The Company
Persons granted	Executive officers of Subsidiaries: 12	Employees of the Company: 16 Directors of Subsidiaries: 1 Executive officers of Subsidiaries: 3 Employees of Subsidiaries: 152
Class and number of shares	822,000 shares of common stock of the Company	923,300 shares of common stock of the Company
Grant date	October 8, 2004	February 10, 2006
Exercise period	A. 25% of allotment shares from October 1, 2005 to June 30, 2010 B. 25% of allotment shares from October 1, 2006 to June 30, 2010 C. 25% of allotment shares from October 1, 2007 to June 30, 2010 D. 25% of allotment shares from October 1, 2008 to June 30, 2010	A. 50% of allotment shares from July 1, 2007 to June 30, 2011 B. 25% of allotment shares from July 1, 2008 to June 30, 2011 C. 25% of allotment shares from July 1, 2009 to June 30, 2011



	The First Series of Stock Subscription Rights	The Second Series of Stock Subscription Rights
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 20	Employees of Yahoo Japan Corporation: 7
Class and number of shares	57,344 shares of common stock of Yahoo Japan Corporation	11,264 shares of common stock of Yahoo Japan Corporation
Grant date	January 31, 2000	June 27, 2000
Exercise period	A. 50% of allotment shares from January 22, 2002 to January 21, 2010 B. 25% of allotment shares from January 22, 2003 to January 21, 2010 C. 25% of allotment shares from January 22, 2004 to January 21, 2010	A. 50% of allotment shares from June 17, 2002 to June 16, 2010 B. 25% of allotment shares from June 17, 2003 to June 16, 2010 C. 25% of allotment shares from June 17, 2004 to June 16, 2010
	The Third Series of Stock Subscription Rights	The Fourth Series of Stock Subscription Rights
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Directors of Yahoo Japan Corporation: 3 Employees of Yahoo Japan Corporation: 84	Directors of Yahoo Japan Corporation: 3 Employees of Yahoo Japan Corporation: 72
Class and number of shares	148,992 shares of common stock of Yahoo Japan Corporation	108,544 shares of common stock of Yahoo Japan Corporation
Grant date	December 18, 2000	June 29, 2001
Exercise period	A. 50% of allotment shares from December 9, 2002 to December 8, 2010 B. 25% of allotment shares from December 9, 2003 to December 8, 2010 C. 25% of allotment shares from December 9, 2004 to December 8, 2010	A. 50% of allotment shares from June 21, 2003 to June 20, 2011 B. 25% of allotment shares from June 21, 2004 to June 20, 2011 C. 25% of allotment shares from June 21, 2005 to June 20, 2011
	The Fifth Series of Stock Subscription Rights	The First Series of Stock Acquisition Rights (2002)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Directors of Yahoo Japan Corporation: 3 Employees of Yahoo Japan Corporation: 72	Directors of Yahoo Japan Corporation: 2 Employees of Yahoo Japan Corporation: 65
Class and number of shares	112,640 shares of common stock of Yahoo Japan Corporation	47,616 shares of common stock of Yahoo Japan Corporation
Grant date	December 18, 2001	July 29, 2002
Exercise period	A. 50% of allotment shares from December 8, 2003 to December 7, 2011 B. 25% of allotment shares from December 8, 2004 to December 7, 2011 C. 25% of allotment shares from December 8, 2005 to December 7, 2011	A. 50% of allotment shares from June 21, 2004 to June 20, 2012 B. 25% of allotment shares from June 21, 2005 to June 20, 2012 C. 25% of allotment shares from June 21, 2006 to June 20, 2012

## &gt; NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	The Second Series of Stock Acquisition Rights (2002)	The First Series of Stock Acquisition Rights (2003)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 19	Directors of Yahoo Japan Corporation: 5 Employees of Yahoo Japan Corporation: 83
Class and number of shares	5,888 shares of common stock of Yahoo Japan Corporation	19,840 shares of common stock of Yahoo Japan Corporation
Grant date	November 20, 2002	July 25, 2003
Exercise period	A. 50% of allotment shares from November 21, 2004 to June 20, 2012 B. 25% of allotment shares from November 21, 2005 to June 20, 2012 C. 25% of allotment shares from November 21, 2006 to June 20, 2012	A. 50% of allotment shares from June 21, 2005 to June 20, 2013 B. 25% of allotment shares from June 21, 2006 to June 20, 2013 C. 25% of allotment shares from June 21, 2007 to June 20, 2013
	The Second Series of Stock Acquisition Rights (2003)	The Third Series of Stock Acquisition Rights (2003)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 43	Employees of Yahoo Japan Corporation: 38
Class and number of shares	2,464 shares of common stock of Yahoo Japan Corporation	2,400 shares of common stock of Yahoo Japan Corporation
Grant date	November 4, 2003	January 29, 2004
Exercise period	A. 50% of allotment shares from November 5, 2005 to June 20, 2013 B. 25% of allotment shares from November 5, 2006 to June 20, 2013 C. 25% of allotment shares from November 5, 2007 to June 20, 2013	A. 50% of allotment shares from January 30, 2006 to June 20, 2013 B. 25% of allotment shares from January 30, 2007 to June 20, 2013 C. 25% of allotment shares from January 30, 2008 to June 20, 2013
	The Fourth Series of Stock Acquisition Rights (2003)	The First Series of Stock Acquisition Rights (2004)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 41	Directors of Yahoo Japan Corporation: 5 Employees of Yahoo Japan Corporation: 131
Class and number of shares	1,168 shares of common stock of Yahoo Japan Corporation	9,856 shares of common stock of Yahoo Japan Corporation
Grant date	May 13, 2004	July 29, 2004
Exercise period	A. 50% of allotment shares from May 14, 2006 to June 20, 2013 B. 25% of allotment shares from May 14, 2007 to June 20, 2013 C. 25% of allotment shares from May 14, 2008 to June 20, 2013	A. 50% of allotment shares from June 18, 2006 to June 17, 2014 B. 25% of allotment shares from June 18, 2007 to June 17, 2014 C. 25% of allotment shares from June 18, 2008 to June 17, 2014

	The Second Series of Stock Acquisition Rights (2004)	The Third Series of Stock Acquisition Rights (2004)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 46	Employees of Yahoo Japan Corporation: 29
Class and number of shares	712 shares of common stock of Yahoo Japan Corporation	344 shares of common stock of Yahoo Japan Corporation
Grant date	November 1, 2004	January 28, 2005
Exercise period	A. 50% of allotment shares from November 2, 2006 to June 17, 2014 B. 25% of allotment shares from November 2, 2007 to June 17, 2014 C. 25% of allotment shares from November 2, 2008 to June 17, 2014	A. 50% of allotment shares from January 29, 2007 to June 17, 2014 B. 25% of allotment shares from January 29, 2008 to June 17, 2014 C. 25% of allotment shares from January 29, 2009 to June 17, 2014

	The Fourth Series of Stock Acquisition Rights (2004)	The First Series of Stock Acquisition Rights (2005)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 42	Directors of Yahoo Japan Corporation: 5 Employees of Yahoo Japan Corporation: 180
Class and number of shares	276 shares of common stock of Yahoo Japan Corporation	5,716 shares of common stock of Yahoo Japan Corporation
Grant date	May 12, 2005	July 28, 2005
Exercise period	A. 50% of allotment shares from May 13, 2007 to June 17, 2014 B. 25% of allotment shares from May 13, 2008 to June 17, 2014 C. 25% of allotment shares from May 13, 2009 to June 17, 2014	A. 50% of allotment shares from June 18, 2007 to June 17, 2015 B. 25% of allotment shares from June 18, 2008 to June 17, 2015 C. 25% of allotment shares from June 18, 2009 to June 17, 2015

	The Second Series of Stock Acquisition Rights (2005)	The Third Series of Stock Acquisition Rights (2005)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 31	Employees of Yahoo Japan Corporation: 65
Class and number of shares	234 shares of common stock of Yahoo Japan Corporation	316 shares of common stock of Yahoo Japan Corporation
Grant date	November 1, 2005	January 31, 2006
Exercise period	A. 50% of allotment shares from November 2, 2007 to June 17, 2015 B. 25% of allotment shares from November 2, 2008 to June 17, 2015 C. 25% of allotment shares from November 2, 2009 to June 17, 2015	A. 50% of allotment shares from February 1, 2008 to June 17, 2015 B. 25% of allotment shares from February 1, 2009 to June 17, 2015 C. 25% of allotment shares from February 1, 2010 to June 17, 2015

## &gt; NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	The Fourth Series of Stock Acquisition Rights (2005)	The First Series of Stock Acquisition Rights (2006)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 49	Directors of Yahoo Japan Corporation: 5 Employees of Yahoo Japan Corporation: 157
Class and number of shares	112 shares of common stock of Yahoo Japan Corporation	8,569 shares of common stock of Yahoo Japan Corporation
Grant date	May 2, 2006	September 6, 2006
Exercise period	A. 50% of allotment shares from May 3, 2008 to June 17, 2015 B. 25% of allotment shares from May 3, 2009 to June 17, 2015 C. 25% of allotment shares from May 3, 2010 to June 17, 2015	A. 50% of allotment shares from August 24, 2008 to August 23, 2016 B. 25% of allotment shares from August 24, 2009 to August 23, 2016 C. 25% of allotment shares from August 24, 2010 to August 23, 2016
	The Second Series of Stock Acquisition Rights (2006)	The Third Series of Stock Acquisition Rights (2006)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 49	Employees of Yahoo Japan Corporation: 62
Class and number of shares	313 shares of common stock of Yahoo Japan Corporation	360 shares of common stock of Yahoo Japan Corporation
Grant date	November 6, 2006	February 7, 2007
Exercise period	A. 50% of allotment shares from October 24, 2008 to October 23, 2016 B. 25% of allotment shares from October 24, 2009 to October 23, 2016 C. 25% of allotment shares from October 24, 2010 to October 23, 2016	A. 50% of allotment shares from January 25, 2009 to January 24, 2017 B. 25% of allotment shares from January 25, 2010 to January 24, 2017 C. 25% of allotment shares from January 25, 2011 to January 24, 2017

The stock option activity is as follows:

	Stock Subscription Rights (2001)	The First Series of Stock Acquisition Rights (2003)	The Third Series of Stock Acquisition Rights (2004)	The Fifth Series of Stock Acquisition Rights (2005)
Company name	The Company	The Company	The Company	The Company
Non-vested shares				
At the beginning of the year	—	1,509,000	315,000	923,300
Granted during the year	—	—	—	—
Forfeited and expired during the year	—	28,050	36,000	28,400
Vested during the year	—	742,725	93,000	—
At the end of the year	—	738,225	186,000	894,900
Vested shares				
At the beginning of the year	876,000	1,509,000	105,000	—
Vested during the year	—	742,725	93,000	—
Exercised during the year	330,000	241,500	60,000	—
Forfeited or expired during the year	—	37,050	12,000	—
Unexercised at the end of the year	546,000	1,973,175	126,000	—
Exercise price - yen	¥996	¥1,440	¥1,827	¥4,172
(U.S. dollars)	(\$8.44)	(\$12.20)	(\$15.48)	(\$35.34)
Average stock price at exercise – yen	2,746	2,744	2,430	—
(U.S. dollars)	(23.26)	(23.24)	(20.58)	—
Fair value price at the grant date - yen	—	—	—	—

	The First Series of Stock Subscription Rights	The Second Series of Stock Subscription Rights	The Third Series of Stock Subscription Rights	The Fourth Series of Stock Subscription Rights
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation
Non-vested shares				
At the beginning of the year	—	—	—	—
Granted during the year	—	—	—	—
Forfeited and expired during the year	—	—	—	—
Vested during the year	—	—	—	—
At the end of the year	—	—	—	—
Vested shares				
At the beginning of the year	22,428	2,048	57,048	23,152
Vested during the year	—	—	—	—
Exercised during the year	—	—	6,600	3,375
Forfeited or expired during the year	3,996	—	—	—
Unexercised at the end of the year	18,432	2,048	50,448	19,777
Exercise price- yen	¥51,270	¥38,086	¥19,416	¥9,559
(U.S. dollars)	(\$434.31)	(\$322.63)	(\$164.47)	(\$80.97)
Average stock price at exercise – yen	—	—	52,993	53,147
(U.S. dollars)	—	—	(448.90)	(450.21)
Fair value price at the grant date - yen	—	—	—	—

## &gt; NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	The Fifth Series of Stock Subscription Rights	The First Series of Stock Acquisition Rights (2002)	The Second Series of Stock Acquisition Rights (2002)	The First Series of Stock Acquisition Rights (2003)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation
Non-vested shares				
At the beginning of the year	—	19,200	4,096	10,560
Granted during the year	—	—	—	—
Forfeited and expired during the year	—	—	—	128
Vested during the year	—	19,200	4,096	3,136
At the end of the year	—	—	—	7,296
Vested shares				
At the beginning of the year	32,516	13,312	—	6,912
Vested during the year	—	19,200	4,096	3,136
Exercised during the year	6,038	6,912	1,792	128
Forfeited or expired during the year	—	—	—	—
Unexercised at the end of the year	26,478	25,600	2,304	9,920
Exercise price- yen (U.S. dollars)	¥8,497 (\$71.98)	¥10,196 (\$86.37)	¥11,375 (\$96.36)	¥33,438 (\$283.25)
Average stock price at exercise – yen (U.S. dollars)	52,501 (444.74)	50,465 (427.49)	44,871 (380.10)	50,650 (429.06)
Fair value price at the grant date - yen	—	—	—	—

	The Second Series of Stock Acquisition Rights (2003)	The Third Series of Stock Acquisition Rights (2003)	The Fourth Series of Stock Acquisition Rights (2003)	The First Series of Stock Acquisition Rights (2004)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation
Non-vested shares				
At the beginning of the year	1,568	1,216	864	9,440
Granted during the year	—	—	—	—
Forfeited and expired during the year	128	160	128	144
Vested during the year	128	128	240	4,016
At the end of the year	1,312	928	496	5,280
Vested shares				
At the beginning of the year	384	448	—	—
Vested during the year	128	128	240	4,016
Exercised during the year	—	32	—	—
Forfeited or expired during the year	96	32	64	48
Unexercised at the end of the year	416	512	176	3,968
Exercise price - yen (U.S. dollars)	¥51,478 (\$436.07)	¥47,813 (\$405.02)	¥78,512 (\$665.07)	¥65,290 (\$553.07)
Average stock price at exercise – yen (U.S. dollars)	—	46,200 (391.36)	—	—
Fair value price at the grant date - yen	—	—	—	—

	The Second Series of Stock Acquisition Rights (2004)	The Third Series of Stock Acquisition Rights (2004)	The Fourth Series of Stock Acquisition Rights (2004)	The First Series of Stock Acquisition Rights (2005)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation
Non-vested shares				
At the beginning of the year	632	304	248	5,632
Granted during the year	—	—	—	—
Forfeited and expired during the year	96	40	16	160
Vested during the year	184	64	—	—
At the end of the year	352	200	232	5,472
Vested shares				
At the beginning of the year	—	—	—	—
Vested during the year	184	64	—	—
Exercised during the year	—	—	—	—
Forfeited or expired during the year	—	—	—	—
Unexercised at the end of the year	184	64	—	—
Exercise price - yen (U.S. dollars)	¥62,488 (\$529.34)	¥65,375 (\$553.79)	¥60,563 (\$513.03)	¥58,500 (\$495.55)
Average stock price at exercise – yen (U.S. dollars)	—	—	—	—
Fair value price at the grant date - yen	—	—	—	—

	The Second Series of Stock Acquisition Rights (2005)	The Third Series of Stock Acquisition Rights (2005)	The Fourth Series of Stock Acquisition Rights (2005)	The First Series of Stock Acquisition Rights (2006)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation
Non-vested shares				
At the beginning of the year	234	314	—	—
Granted during the year	—	—	112	8,569
Forfeited and expired during the year	48	32	14	51
Vested during the year	—	—	—	—
At the end of the year	186	282	98	8,518
Vested shares				
At the beginning of the year	—	—	—	—
Vested during the year	—	—	—	—
Exercised during the year	—	—	—	—
Forfeited or expired during the year	—	—	—	—
Unexercised at the end of the year	—	—	—	—
Exercise price- yen (U.S. dollars)	¥62,000 (\$525.20)	¥79,500 (\$673.44)	¥67,940 (\$575.52)	¥47,198 (\$399.81)
Average stock price at exercise – yen (U.S. dollars)	—	—	—	—
Fair value price at the grant date - yen (U.S. dollars)	—	—	A 30,958 (262.24)	A 24,564 (208.08)
	—	—	B 35,782 (303.11)	B 26,803 (227.05)
	—	—	C 39,196 (332.03)	C 28,156 (238.51)
	—	—		

## &gt; NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	The Second Series of Stock Acquisition Rights (2006)	The Third Series of Stock Acquisition Rights (2006)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Non-vested shares		
At the beginning of the year	—	—
Granted during the year	313	360
Forfeited and expired during the year	11	—
Vested during the year	—	—
At the end of the year	302	360
Vested shares		
At the beginning of the year	—	—
Vested during the year	—	—
Exercised during the year	—	—
Forfeited or expired during the year	—	—
Unexercised at the end of the year	—	—
Exercise price- yen	¥44,774	¥47,495
(U.S. dollars)	(\$379.28)	(\$402.33)
Average stock price at exercise - yen	—	—
(U.S. dollars)	—	—
Fair value price at the grant date - yen	A 23,832	A 20,435
(U.S. dollars)	(201.88)	(173.10)
	B 25,311	B 23,448
	(214.41)	(198.63)
	C 26,766	C 25,578
	(226.73)	(216.67)

Note: A, B, and C are corresponded to those in the table of Stock Option outstanding.



## (2) Estimated method of major stock options issued

The assumptions used to measure fair value of Stock option of Yahoo Japan Corporation granted in 2007.

Estimated method: Black-Scholes option pricing model with following assumptions:

	The Fourth Series of Stock Acquisition Rights (2005)	The First Series of Stock Acquisition Rights (2006)	The Second Series of Stock Acquisition Rights (2006)	The Third Series of Stock Acquisition Rights (2006)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation
Volatility of stock price (Note 2)	A 55.5% B 62.8% C 67.4%	A 62.2% B 66.6% C 68.4%	A 61.7% B 63.9% C 66.2%	A 54.2% B 60.9% C 65.2%
Estimated remaining outstanding period (in years) (Note 3)	A 5.17 B 5.67 C 6.17	A 5.96 B 6.46 C 6.96	A 5.96 B 6.46 C 6.96	A 5.96 B 6.46 C 6.96
Estimated dividend yield (Note 4)	0.24%	0.35%	0.36%	0.36%
Interest rate with risk free: (Note 5)	A 1.39% B 1.48% C 1.56%	A 1.32% B 1.38% C 1.44%	A 1.39% B 1.44% C 1.50%	A 1.38% B 1.43% C 1.48%

Notes: 1. A, B, and C are corresponded to those in the table of Stock Option outstanding.

2. Volatility of stock price is computed based on the actual stock prices traded within the following terms:

The Fourth Series of Stock Acquisition Rights (2005)

A. From March 19, 2001 to May 1, 2006

B. From September 18, 2000 to May 1, 2006

C. From March 20, 2000 to May 1, 2006

The First Series of Stock Acquisition Rights (2006)

A. From September 11, 2000 to August 28, 2006

B. From March 13, 2000 to August 28, 2006

C. From September 13, 1999 to August 28, 2006

The Second Series of Stock Acquisition Rights (2006)

A. From November 13, 2000 to October 30, 2006

B. From May 15, 2000 to October 30, 2006

C. From November 15, 1999 to October 30, 2006

The Third Series of Stock Acquisition Rights (2006)

A. From February 12, 2001 to January 29, 2007

B. From August 14, 2000 to January 29, 2007

C. From February 14, 2000 to January 29, 2007

3. The Estimated remaining outstanding period is based on the assumption that stock acquisition rights are exercised in the middle of their exercisable periods because it is not reasonably estimated due to the insufficient accumulated data.

4. Estimated dividend yield is based on the dividends paid in 2006.

5. Interest rate with risk free is based on government bond yield for a term consistent with the estimated remaining outstanding period.

Yahoo Japan Corporation recognized compensation expense for employee stock options as selling, general and administrative expense. The effect of this expense is not material.

**13 Selling, general and administrative expenses**

The main components of selling, general and administrative expenses for the fiscal years ended March 31, 2006 and 2007 were as follows:

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Sales Commission	¥ 9,211	¥260,478	\$2,206,509
Sales Promotion expense	59,671	145,383	1,231,536
Payroll and bonuses	69,505	94,724	802,405
Provision for allowance for doubtful accounts	4,320	16,614	140,741

**14 Other income (expense), net**

Other income (expense), net, for the years ended March 31, 2006 and 2007 consisted of the following:

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Financing related expenses (Note 1)	¥ —	¥(28,715)	\$(243,247)
Loss on contract revision relating to sales operation business (Notes 2 and 5)	(25,496)	—	—
Impairment loss in fixed-line telecommunications business (Notes 3 and 5)	(18,052)	—	—
Restructuring charge relating to <i>BBTV</i> business (Notes 4 and 5)	(14,750)	—	—
Other, net (Note 5)	(37,720)	(35,930)	(304,365)
Total	¥ (96,018)	¥(64,645)	\$(547,612)

## Notes 1. Financing related expenses

The expenses represent financing and refinancing fees for the acquisition of Vodafone K.K. (current SOFTBANK MOBILE Corp.).

## 2. 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 for the year ended March 31, 2006 following the reconsideration of the sales operation in JAPAN TELECOM CO., LTD.(current SOFTBANK TELECOM Corp.). The amount consisted of the following:

	Millions of yen
Charge for contract revision with agents	¥ 7,350
Loss relating to close of the call center	259
Loss on cancellation of out-bound booth lease contract	17,229
Loss on cancellation of order for Add-Drop Multiplexer	658
Total	¥25,496

## 3. 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 the year ended March 31, 2006. 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
Finance lease assets	¥15,160
Construction in progress	1,927
Other assets	965
Total	¥18,052

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.

4. 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 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, and intangible assets of ¥3,686 million, impairment loss on finance lease assets of ¥8,271 million, and valuation loss on other assets of ¥2,793 million.

5. Impairment of Long-Lived Assts

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 <i>BBTV</i> business	Finance lease assets	¥11,956 million in restructuring charge relating to <i>BBTV</i> business	
		Buildings and structures		
		Telecommunications equipment		¥2,057 million in other, net
		Construction in progress		
		Other assets		
Fixed-line Telecommunications	Access gateway, leased assets, and equipment, etc.	Finance lease assets Construction in progress	¥18,052 million impairment loss in fixed-line telecommunications business	
Other segments	Other	Goodwill	¥4,414 million in other, net	

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

The amounts of impairment loss for the year ended March 31, 2006 are as follows:

	Millions of yen
Finance lease assets	¥ 8,271
Buildings and structures	113
Telecommunications equipment	709
Construction in progress	941
Other intangibles	945
Other assets	977
Total	¥11,956

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 amounts of impairment loss for the year ended March 31, 2006 are as follows:

Type of assets	Millions of yen
Goodwill	¥ 960
Telecommunications equipment	389
Other intangibles	590
Other assets	118
Total	¥2,057

(2) Impairment loss in other segments

The amounts of impairment loss for the year ended March 31, 2006 are as follows:

Type of assets	Millions of yen
Goodwill relating to subsidiaries	¥ 659
Goodwill relating to affiliated companies	1,440
Other assets	2,315
Total	¥4,414

### 15 Net income per share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2006 and 2007 is as follows:

	Millions of yen	Number of shares	Yen	
	Net income	Weighted average shares	EPS	
<b>For the year ended March 31, 2006:</b>				
Basic EPS				
Net income	¥57,551			
Bonuses to directors	(225)	—		
Net income available to common shareholders	¥57,326	1,054,478,501	¥54.36	
Effect of Dilutive Securities				
Warrants	—	7,741,698		
Convertible bonds	1,557	75,649,003		
Effects of dilutive securities issued by consolidated subsidiaries and affiliated companies under the equity method	(1,186)	—		
Diluted EPS				
Net income for computation	¥57,697	1,137,869,202	¥50.71	
	Millions of yen	Number of shares	Yen	Dollars
	Net income	Weighted average shares	EPS	
<b>For the year ended March 31, 2007:</b>				
Basic EPS				
Net income available to common shareholders	¥28,815	1,055,264,814	¥27.31	\$0.23
Effect of Dilutive Securities				
Warrants	—	8,742,459		
Convertible bonds	1,557	75,648,626		
Effects of dilutive securities issued by consolidated subsidiaries and affiliated companies under the equity method	(36)	—		
Diluted EPS				
Net income for computation	¥30,336	1,139,655,899	¥26.62	\$0.23

### 16 Supplemental cash flow information

#### (1) Proceeds from sale and lease back of equipment newly acquired

Once SOFTBANK MOBILE Corp. purchases telecommunication equipment for the purpose of assembly, installation and inspection, SOFTBANK MOBILE Corp. sells the equipment to lease companies for sale and lease back purpose. The leased asset and lease obligation are recorded on the consolidated balance sheet.

The cash outflows from the purchase of the equipment from vendors are included in purchase of property and equipment, and intangibles, and the cash inflows from the sale of the equipment to lease companies are included in proceeds from sales and lease back of equipment newly acquired.

#### (2) Repayment of short-term borrowings for the acquisition of Vodafone K.K.

The repayment of short-term borrowings of ¥1,173,830 million (\$9,943,499 thousand) for the acquisition of Vodafone K.K. (current SOFTBANK MOBILE Corp.) was completed by refinancing to long-term debts in November 2006. The increase in borrowings and the decrease in borrowings are offset in increase (decrease) in short-term borrowings, net. The new borrowings (totaled to ¥1,366,000 million (\$11,571,368 thousand)) from refinancing are included in proceeds from long-term debts.



## 18 Leases

### (1) Lessee

The Group leases certain telecommunications equipment and telecommunications service lines, buildings and structures, other property and equipment, and software.

Total rental expense including lease payments under finance lease for the years ended March 31, 2006 and 2007 were ¥84,811 million and ¥82,440 million (\$698,350 thousand), respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance lease, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2006 and 2007 was as follows:

Finance lease assets:

March 31,	Millions of yen		Thousands of
	2006	2007	U.S. dollars
Telecommunications equipment and telecommunications service lines			2007
Acquisition cost	¥197,728	¥185,251	\$1,569,260
Accumulated depreciation	(64,551)	(60,295)	(510,758)
Accumulated impairment loss	(21,703)	(21,703)	(183,848)
Net leased property	111,474	103,253	874,654
Buildings and structures			
Acquisition cost	46,999	48,238	408,620
Accumulated depreciation	(2,674)	(6,128)	(51,910)
Accumulated impairment loss	—	—	—
Net leased property	44,325	42,110	356,710
Other property and equipment			
Acquisition cost	13,604	20,187	171,012
Accumulated depreciation	(5,701)	(6,168)	(52,253)
Accumulated impairment loss	(1,658)	(1,389)	(11,763)
Net leased property	6,245	12,630	106,996
Software			
Acquisition cost	2,624	10,125	85,763
Accumulated depreciation	(1,238)	(2,255)	(19,099)
Accumulated impairment loss	(288)	(235)	(1,988)
Net leased property	1,098	7,635	64,676
Total	¥163,142	¥165,628	\$1,403,036

Obligations under finance lease:

March 31,	Millions of yen		Thousands of
	2006	2007	U.S. dollars
Due within one year	¥ 34,560	¥ 33,089	\$ 280,296
Due after one year	158,801	165,967	1,405,902
Total	¥193,361	¥199,056	\$1,686,198

Notes and accounts receivable-trade of ¥10,877 million (\$92,139 thousand) are pledged as collateral for the lease obligations of ¥13,027 (\$110,350) at March 31, 2007. In addition, notes and accounts receivable-trade of ¥14,029 million (\$118,843 thousand) which are eliminated in the consolidated balance sheet as an intercompany balance are pledged as collateral.

Allowance for impairment loss on leased property as of March 31, 2006 and 2007 were ¥23,427 million and ¥18,171 million (\$153,923 thousand), respectively, and are not included in the obligations under finance leases.

Depreciation expense, interest expense and other information under finance leases:

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Depreciation and amortization expense	¥44,596	¥41,530	\$351,798
Interest expense	15,808	14,086	119,328
Total	¥60,404	¥55,616	\$471,126
Lease payments	¥56,518	¥52,875	\$447,904
Reversal of allowance for impairment loss on leased property	¥301	¥ 5,256	\$ 44,527
Impairment loss	¥23,728	¥ —	\$ —

Depreciation expense and interest expense, which are not reflected in the accompanying statements of income, are computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under non-cancelable operating leases at March 31, 2006 and 2007 were as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Due within one year	¥ 9,905	¥ 9,898	\$ 83,849
Due after one year	11,041	4,387	37,159
Total	¥20,946	¥14,285	\$121,008

Long-term prepaid expense of ¥1,989 million and ¥7,848 million (\$66,482 thousand) relating to lease contracts in which service periods are different from payment periods is included in other assets of investments and other assets in the consolidated balance sheet for the years ended March 31, 2006 and 2007 respectively.

## (2) Lessor

The Group leases certain property and equipment.

The information of leased property such as acquisition cost, accumulated depreciation, lease receivables under finance lease, depreciation expense, interest income and other information of finance leases for the years ended March 31, 2006 and 2007 was as follows:

March 31	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Property and equipment:			
Acquisition cost	¥ 164	¥—	\$—
Accumulated depreciation	(138)	—	—
Net leased property	¥ 26	¥—	\$—

Future lease receivables under finance leases:

March 31	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Due within one year	¥29	¥—	\$—
Due after one year	—	—	—
Total	¥29	¥—	\$—

Depreciation expense, interest income and other information under finance leases:

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2006	2007	2007
Depreciation and amortization expense	¥41	¥30	\$251
Interest income	3	0	0
Total	¥44	¥30	\$251
Lease income receipts	¥47	¥30	\$251

Interest income, which is not reflected in the accompanying statements of income, is computed by the interest method.

## &gt; NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Future lease receivables under non-cancelable operating lease at March 31, 2006 and 2007 are as follows:

March 31	Millions of yen		Thousands of
	2006	2007	U.S. dollars
Due within one year	¥1,306	¥1,258	\$10,659
Due after one year	1,921	1,700	14,405
Total	¥3,227	¥2,958	\$25,064

### 19 Commitments and contingent liabilities

(1) Certain subsidiaries have line of credit contacts mainly with credit-card holders. On demand from those card holders, the certain subsidiaries are required to make loans to them.

As of March 31, 2007, ¥7,708 million (\$65,298 thousand) remains as unused line of credit.

(2) Based on debt assumption agreements with financial institutions, SOFTBANK MOBILE Corp. has transferred its

debt repayment obligation for unsecured straight bonds of ¥100,000 (\$847,100 thousand). The bonds and payments to financial institutions incurred from transferring its debt repayment obligation for the bonds are eliminated in the Company's consolidated balance sheets.

However, under the terms of the indenture, SOFTBANK MOBILE Corp. will continue to be responsible for payments on the bonds until maturity or redemption of the bonds.

### 20 Related party transactions

Transactions of the Company with Son Assets Management, LLC. for the years ended March 31, 2006 and 2007 were as follows:

March 31,	Millions of yen		Thousands of
	2006	2007	U.S. dollars
Temporary advance on behalf of Son Assets Management, LLC.	¥185	¥229	\$1,937
Facility usage	5	61	520
Transfer of fixed assets	627	—	—
Deposits received	142	—	—

The balance due to or from Son Assets Management, LLC. at March 31, 2006 and 2007 were as follows:

March 31,	Millions of yen		Thousands of
	2006	2007	U.S. dollars
Other current assets	¥ 28	¥ 25	\$ 208
Accounts payable—other and accrued expense	658	—	—
Deposit received included in long-term liabilities—other liabilities	142	142	1,203

### 21 Significant subsequent events

(1) The Company issued unsecured bond on April 26, 2007.

- |                               |  |
|-------------------------------|--|
| 1. Name of bond:              | SOFTBANK CORP. Twenty fourth unsecured bond        |
| 2. Aggregate amount of issue: | 20,000 million yen ( 169,420 thousand U.S. dollar) |
| 3. Price at issue:            | 100 yen of par (0.85 U.S. dollar of par)           |
| 4. Coupon rate:               | 2.72%  |
| 5. Redemption date:           | April, 26, 2010                                    |
| 6. Use of funds:              | Mainly repayment of existing interest bearing debt |



(2) The Company issued unsecured bond on June 19, 2007.

1. Name of bond:	SOFTBANK CORP. Twenty fifth unsecured bond
2. Aggregate amount of issue:	55,000 million yen ( 465,904 thousand U.S. dollar)
3. Price at issue:	100 yen of par (0.85 U.S. dollar of par)
4. Coupon rate:	3.39%
5. Redemption date:	June 17, 2011
6. Use of funds:	Mainly repayment of debt

(3) The Company issued unsecured bond on June 19, 2007.

1. Name of bond:	SOFTBANK CORP. Twenty sixth unsecured bond
2. Aggregate amount of issue:	15,000 million yen ( 127,065 thousand U.S. dollar)
3. Price at issue:	100 yen of par (0.85 U.S. dollar of par)
4. Coupon rate:	4.36%
5. Redemption date:	June 19, 2014
6. Use of funds:	Mainly repayment of debt

(4) Appropriation of retained earnings

The following appropriation of retained earnings at March 31, 2007 was approved at the shareholders meeting held on June 22, 2007:

	Millions of yen	Thousands of U.S. dollars
March 31,	2007	2007
Year-end cash dividends, ¥2.5 (\$0.02)	¥2,639	\$22,357

## 22 Segment information

The Group is involved in the following businesses.

- **Mobile Telecommunications:** Mobile communication services, and sale of mobile phones accompanying to its services
- **Broadband Infrastructure:** ADSL and FTTH, 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 and data center service
- **Internet Culture:** Internet-based advertising operations, broadband portal business, and Internet-based auction business
- **e-Commerce:** Distribution of PC software and such hardware as PCs and peripherals, enterprise solutions, and diversified e-commerce businesses, including business transaction platform and consumer-related e-commerce
- **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
- > **Others:** Leisure and service business, holding company functions for overseas operations, and back-office services in Japan

(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.

The Mobile Communications segment was established for the year ended March 31, 2007 due to the consolidation of SOFTBANK MOBILE Corp. Net sales and operating expenses of SOFTBANK MOBILE Corp. are consolidated from May 2006.

The table below summarizes the business segment information of the Group for the years ended March 31, 2006 and 2007:

## (a) Sales and operating income

For the year ended March 31, 2006								Millions of yen Business	
	Mobile Communications	Broadband Infrastructure	Fixed-line Telecommunications	Internet Culture	e-Commerce	Others	Total	Elimination or corporate	Consolidated
Sales to customers		¥267,273	¥347,448	¥155,551	¥272,740	¥ 65,653	¥1,108,665	¥ —	¥1,108,665
Intersegment sales	Newly	1,179	6,785	570	10,536	17,420	36,490	(36,490)	—
Total sales	Established this year	268,452	354,233	156,121	283,276	83,073	1,145,155	(36,490)	1,108,665
Operating expenses		247,780	379,392	81,931	278,415	87,833	1,075,351	(28,985)	1,046,366
Operating income (loss)		¥ 20,672	¥ (25,159)	¥ 74,190	¥ 4,861	¥ (4,760)	¥ 69,804	¥ (7,505)	¥ 62,299

## (b) Total assets, depreciation, and capital expenditures

For the year ended March 31, 2006								Millions of yen Business	
	Mobile Communications	Broadband Infrastructure	Fixed-line Telecommunications	Internet Culture	e-Commerce	Others	Total	Elimination or corporate	Consolidated
Total assets	Newly	¥247,593	¥517,975	¥439,178	¥72,136	¥291,172	¥1,568,054	¥240,345	¥1,808,399
Depreciation and amortization	Established this year	28,485	46,282	7,461	1,121	4,212	87,561	959	88,520
Capital expenditures		26,257	62,255	16,339	2,170	3,415	110,436	914	111,350

Note: Capital expenditures represent net increase in property and equipment, intangible assets, and long-term prepaid expense.

## (a) Sales and operating income

For the year ended March 31, 2007								Millions of yen Business	
	Mobile Communications	Broadband Infrastructure	Fixed-line Telecommunications	Internet Culture	e-Commerce	Others	Total	Elimination or corporate	Consolidated
Sales to customers	¥1,430,821	¥258,825	¥332,136	¥191,510	¥256,924	¥ 74,003	¥2,544,219	¥ —	¥2,544,219
Intersegment sales	11,219	5,403	41,994	2,702	14,647	16,782	92,747	(92,747)	—
Total sales	1,442,040	264,228	374,130	194,212	271,571	90,785	2,636,966	(92,747)	2,544,219
Operating expenses	1,286,297	237,418	377,095	97,668	264,890	95,515	2,358,883	(85,730)	2,273,153
Operating income (loss)	¥ 155,743	¥ 26,810	¥ (2,965)	¥ 96,544	¥ 6,681	¥ (4,730)	¥ 278,083	¥ (7,017)	¥ 271,066

## (b) Total assets, depreciation, and capital expenditures

For the year ended March 31, 2007								Millions of yen Business	
	Mobile Communications	Broadband Infrastructure	Fixed-line Telecommunications	Internet Culture	e-Commerce	Others	Total	Elimination or corporate	Consolidated
Total assets	¥2,691,192	¥200,289	¥522,257	¥442,220	¥ 79,515	¥290,811	¥4,226,284	¥ 84,569	¥4,310,853
Depreciation and amortization	156,167	27,311	44,934	9,662	1,084	3,083	242,241	446	242,687
Capital expenditures	2,000,213	20,051	42,525	16,371	2,858	3,288	2,085,306	582	2,085,888

Note: Capital expenditures represent net increase in property and equipment, intangible assets, and long-term prepaid expense.

## (a) Sales and operating income

For the year ended March 31, 2007								Thousands of U.S. dollars Business	
	Mobile Communications	Broadband Infrastructure	Fixed-line Telecommunications	Internet Culture	e-Commerce	Others	Total	Elimination or corporate	Consolidated
Sales to customers	\$12,120,472	\$2,192,501	\$2,813,520	\$1,622,277	\$2,176,395	\$ 626,883	\$21,552,048	\$ —	\$21,552,048
Intersegment sales	95,033	45,768	355,728	22,892	124,078	142,159	785,658	(785,658)	—
Total sales	12,215,505	2,238,269	3,169,248	1,645,169	2,300,473	769,042	22,337,706	(785,658)	21,552,048
Operating expenses	10,896,204	2,011,166	3,194,367	827,342	2,243,879	809,113	19,982,071	(726,217)	19,255,854
Operating income (loss)	\$ 1,319,301	\$ 227,103	\$ (25,119)	\$ 817,827	\$ 56,594	\$ (40,071)	\$ 2,355,635	\$ (59,441)	\$ 2,296,194

(b) Total assets, depreciation, and capital expenditures

For the year ended March 31, 2007	Thousands of U.S. dollars							Business	
	Mobile Communications	Broadband Infrastructure	Fixed-line Telecommunications	Internet Culture	e-Commerce	Others	Total	Elimination or corporate	Consolidated
Total assets	\$22,797,055	\$1,696,645	\$4,424,029	\$3,746,037	\$ 673,568	\$2,463,460	\$35,800,794	\$ 716,384	\$36,517,178
Depreciation and amortization	1,322,885	231,355	380,632	81,850	9,181	26,118	2,052,021	3,781	2,055,802
Capital expenditures	16,943,777	169,849	360,228	138,678	24,209	27,861	17,664,602	4,924	17,669,526

Note: Capital expenditures represent net increase in property and equipment, intangible assets, and long-term prepaid expense.

(2) Geographic segment information

The table below summarizes the geographic segment information of the Group for the fiscal years ended March 31, 2006 and 2007:

For the year ended March 31, 2006	Millions of yen						Consolidated
	Geographic region					Elimination	
	Japan	North America	Others	Total	or corporate		
Sales to customers	¥1,100,447	¥ 1,351	¥ 6,867	¥1,108,665	¥ —	¥1,108,665	
Intersegment sales	3,326	687	413	4,426	(4,426)	—	
Total sales	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	
Total assets	¥1,179,018	¥261,177	¥110,864	¥1,551,059	¥257,340	¥1,808,399	

For the year ended March 31, 2007	Millions of yen						Consolidated
	Geographic region					Elimination	
	Japan	North America	Others	Total	or corporate		
Sales to customers	¥2,532,359	¥ 1,862	¥ 9,998	¥2,544,219	¥ —	¥2,544,219	
Intersegment sales	2,980	—	266	3,246	(3,246)	—	
Total sales	2,535,339	1,862	10,264	2,547,465	(3,246)	2,544,219	
Operating expenses	2,254,378	2,794	11,065	2,268,237	4,916	2,273,153	
Operating income (loss)	¥ 280,961	¥ (932)	¥ (801)	¥ 279,228	¥ (8,162)	¥ 271,066	
Total assets	¥3,757,766	¥282,558	¥153,692	¥4,194,016	¥116,837	¥4,310,853	

For the year ended March 31, 2007	Thousands of U.S. dollars						Consolidated
	Geographic region					Elimination	
	Japan	North America	Others	Total	or corporate		
Sales to customers	\$21,451,586	\$ 15,770	\$ 84,692	\$21,552,048	\$ —	\$21,552,048	
Intersegment sales	25,239	—	2,256	27,495	(27,495)	—	
Total sales	21,476,825	15,770	86,948	21,579,543	(27,495)	21,552,048	
Operating expenses	19,096,808	23,661	93,734	19,214,203	41,651	19,255,854	
Operating income (loss)	\$ 2,380,017	\$ (7,891)	\$ (6,786)	\$ 2,365,340	\$ (69,146)	\$ 2,296,194	
Total assets	\$31,831,986	\$2,393,547	\$1,301,924	\$35,527,457	\$989,721	\$36,517,178	



Deloitte Touche Tohmatsu  
M5 Shibaura Building  
4-13-23, Shibaura  
Minato-ku, Tokyo 108-8530  
Japan  
Tel: +81(3)3457 7321  
Fax: +81(3)3457 1694  
www.deloitte.com/jp

To the Board of Directors of SOFTBANK CORP.:

We have audited the accompanying consolidated balance sheet of SOFTBANK CORP. and consolidated subsidiaries as of March 31, 2007, and the related consolidated statements of income, changes in equity, and cash flows for the year 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 audit. The consolidated financial statements of SOFTBANK CORP. and consolidated subsidiaries for the year ended March 31, 2006 were audited by other auditors whose report, dated June 23, 2006, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 consolidated subsidiaries as of March 31, 2007, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2 (11) to the consolidated financial statements, effective April 1, 2006, the consolidated financial statements have been prepared in accordance with the new accounting standard for the presentation of equity.

As discussed in Note 21 to the consolidated financial statements, SOFTBANK CORP. issued unsecured bonds on April 26, 2007 and on June 19, 2007.

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

A handwritten signature in black ink that reads "Deloitte Touche Tohmatsu".

Tokyo, Japan  
June 22, 2007

Member of  
Deloitte Touche Tohmatsu

# CORPORATE DATA AND STOCK INFORMATION

## 1. CORPORATE DATA (As of March 31, 2007)

**Corporate Name:** SOFTBANK CORP.  
**Founded:** September 3, 1981  
**Paid-in Capital:** ¥163,309,548,101  
**Corporate Headquarters:** 1-9-1, Higashi-Shimbashi,  
 Minato-ku, Tokyo 105-7303, Japan  
**Tel:** +81-3-6889-2000

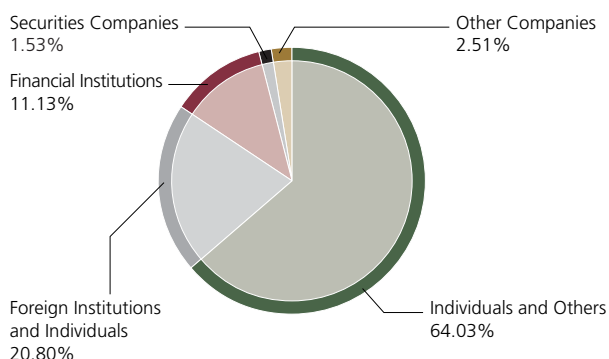
**Fiscal Year-End:** March 31  
**Consolidated Subsidiaries:** 118 (of which, 55 are overseas)  
**Equity-Method Affiliates:** 66 (of which, 41 are overseas)  
**Number of Employees:** 113 (consolidated basis: 17,804)

## 2. STOCK INFORMATION (As of March 31, 2007)

**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 1,055,862,978 shares  
**Number of Shareholders:** 387,687

### Distribution of Ownership among Shareholders



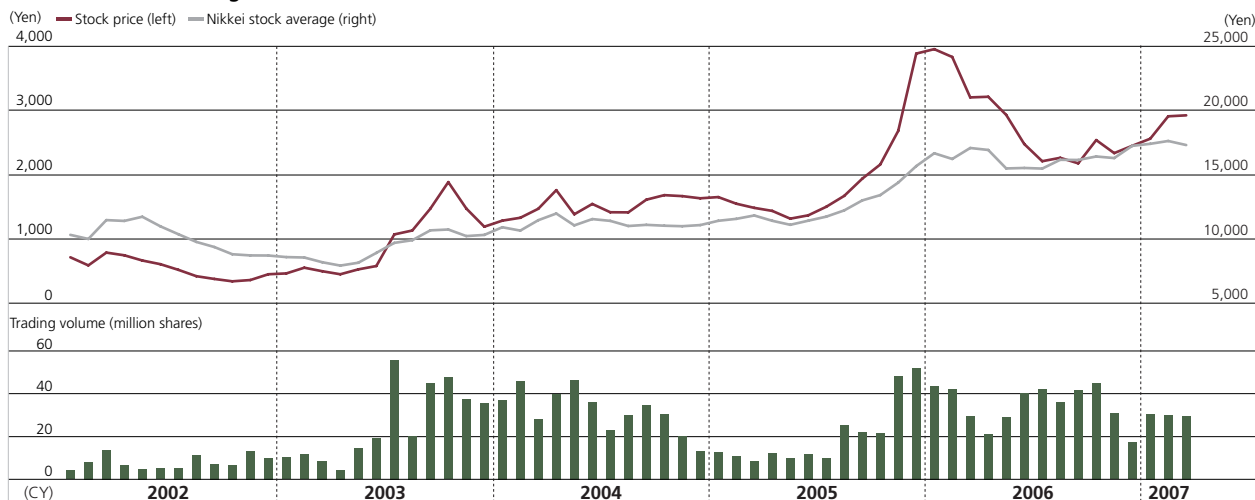
### Principal Shareholders

Name	Number of shares held (Thousands)	Percentage of total shares issued (%)
Masayoshi Son	332,147	31.45
The Master Trust Bank of Japan, Ltd.	34,649	3.28
The Chase Manhattan Bank N.A. London (Agent: Mizuho Corporate Bank, Ltd.'s Kabutocho Custody & Proxy Department within the Settlement & Clearing Services Division)	34,442	3.26
Japan Trustee Services Bank, Ltd.	32,125	3.04
JPMCB Omnibus USA Pension Treaty JASDEC 380052 (Agent: Mizuho Corporate Bank, Ltd.'s Kabutocho Custody & Proxy Department within the Settlement & Clearing Services Division)	18,153	1.71
Trust & Custody Services Bank, Ltd.	16,121	1.52
Clearstream Banking SA (Agent: Tokyo Branch of HSBC Securities)	12,600	1.19
Son Holdings Inc.	10,741	1.01
State Street Bank and Trust Company (Agent: Mizuho Corporate Bank, Ltd.'s Kabutocho Custody & Proxy Department within the Settlement & Clearing Services Division)	7,901	0.74
Mitsui Asset Trust and Banking Company, Limited (Agent: Japan Trustee Services Bank, Ltd.)	7,045	0.66
<b>Top 10 Shareholders</b>	<b>505,927</b>	<b>47.91</b>

#### Note:

The above table includes shares held as part of trust operations as follows:  
 The Master Trust Bank of Japan, Ltd. 34,649 thousand shares  
 Japan Trustee Services Bank, Ltd. 32,125 thousand shares  
 Trust & Custody Services Bank, Ltd. 16,121 thousand shares  
 Mitsui Asset Trust and  
 Banking Company, Limited (Trust Account) 7,045 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 CORP.

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

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