SoftBank

# ANNUAL REPORT 2011

SIMPLE,

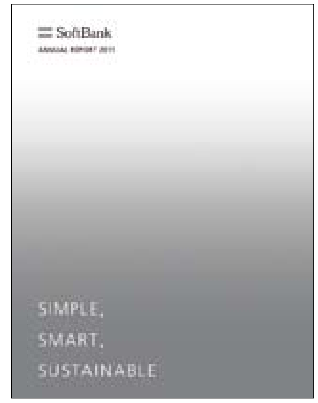
SMART,

SUSTAINABLE

# Contents

SOFTBANK CORP. ANNUAL REPORT 2011






SIMPLE,
SMART,
SUSTAINABLE

## Corporate Philosophy

Since its establishment, the SOFTBANK Group has consistently operated under the corporate philosophy of "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."

### Annual Report 2011 Intent

This ANNUAL REPORT 2011 explains the status of the Company's consolidated earnings results for fiscal 2011. It also gives a SIMPLE, easy-to-grasp explanation of SOFTBANK's philosophy and vision. From there the report looks at how the SOFTBANK Group is committed to realizing these and stepping ahead of its competitors by implementing SMART strategies. The goal of this content is to help readers to gain a deeper understanding of SOFTBANK's vision for SUSTAINABLE growth over the next 30 years.



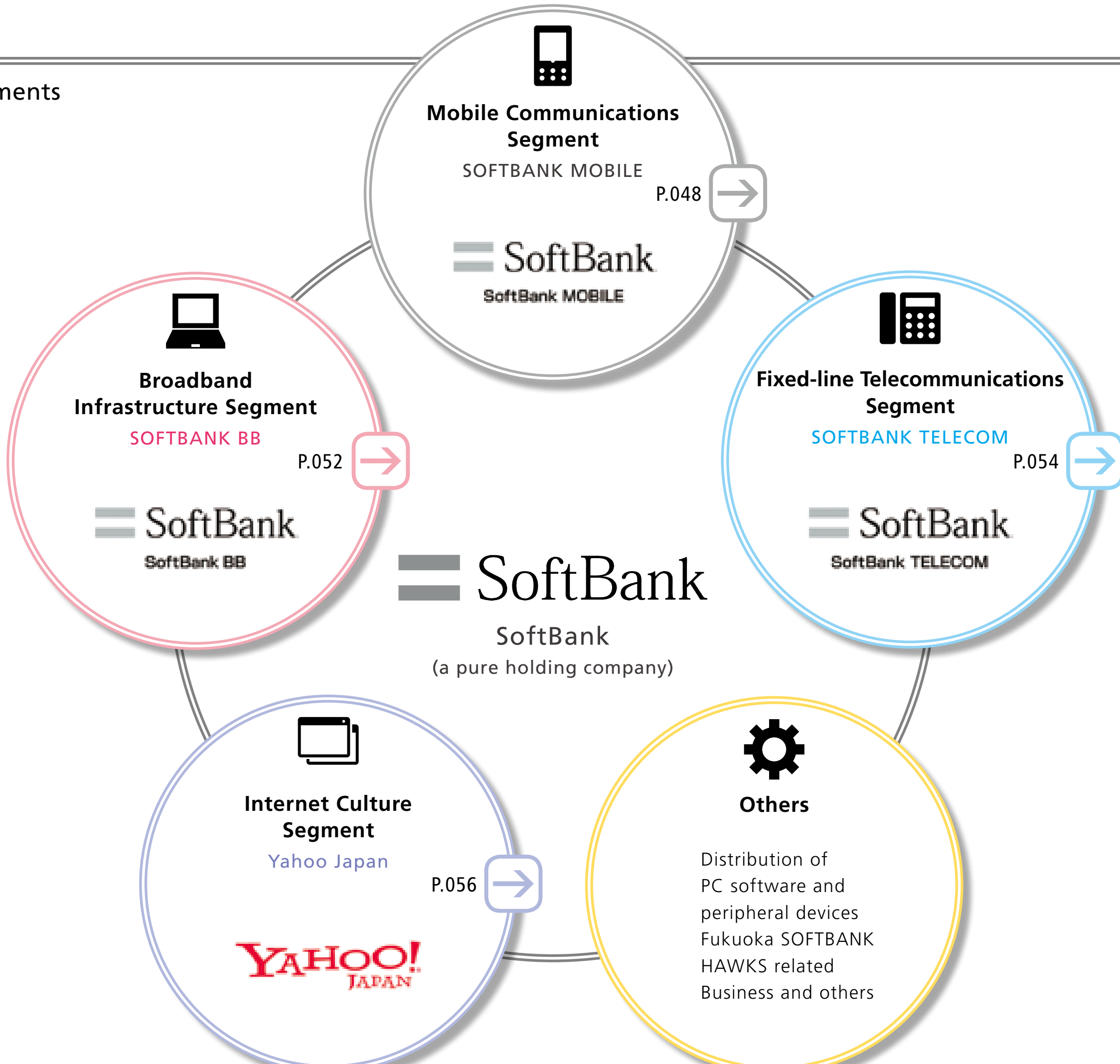
● Definition of Terms
"Fiscal 2011" refers to our fiscal year ended March 31, 2011, and other fiscal years are referred to in a corresponding manner in this annual report.
As used in this annual report, references to "SOFTBANK," "the Company," and "the SOFTBANK Group" are to SOFTBANK CORP. and its consolidated subsidiaries except as the context otherwise requires or indicates.

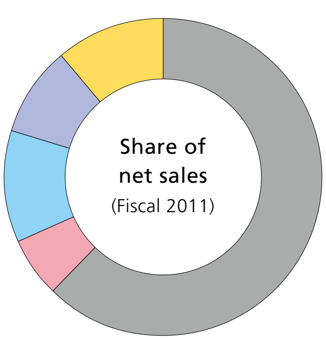
● Company Names
Except where specifically noted otherwise, "SOFTBANK" and "the Company" in this annual report refer to SOFTBANK CORP., and "the SOFTBANK Group" and "the Group" indicate the Company, its consolidated subsidiaries, and affiliates. In principle, "Co. Ltd.," "Corporation," etc., are omitted from the names of companies and organizations in this annual report.

# Business

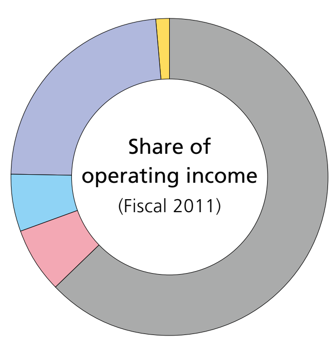
The SOFTBANK Group has based its business growth on the Internet. The Group is currently engaged in various businesses in the information industry, including mobile communications, broadband infrastructure, fixed-line telecommunications, and Internet culture.

## Business Segments




| | |
|---|---|
| Mobile Communications | 62.4% |
| Broadband Infrastructure | 6.1% |
| Fixed-line Telecommunications | 11.4% |
| Internet Culture | 9.1% |
| Others | 11.0% |




| | |
|---|---|
| Mobile Communications | 62.8% |
| Broadband Infrastructure | 6.7% |
| Fixed-line Telecommunications | 5.9% |
| Internet Culture | 23.4% |
| Others | 1.2% |

(Note) The ratio of the segment's net sales and operating income against the simple total, including Others.

# Investments

The SOFTBANK Group sees the geographic focus of the Internet shifting from the U.S. to Asia. Therefore, the Group has been making strategic investments in the Asian region. Currently, SOFTBANK's Internet-related business investees in China are growing rapidly, and have staked out key positions in each of their respective fields.

## Status of Main Investments

Shifting investment focus from the U.S. to Asia

### renren

P.038

**Renren Inc.*1** — Beijing, China (Main business site)

Share of voting rights 33.4% (As of May 9, 2011)

Services

*Renren.com* – China's No. 1*2 real-name SNS site
*Nuomi.com* – a leading group buying site

*1 Oak Pacific Interactive was renamed Renren in December 2010.
*2 As measured by total page views and total user time spent on social networking Web sites in February 2011, based on data issued in March 2011 by iResearch Consulting Group.

### USTREAM

P.040

**Ustream, Inc.** — California, U.S.A.

Share of voting rights 19.0% (As of March 31, 2011)

Services

*Ustream* – One of the largest Internet-based live video distribution services

Established Ustream Asia Inc. as a Japanese arm through joint investment with SOFTBANK

### PPLive

P.039

www.pplive.com

**PPLive Corporation*1** — Shanghai, China (Main business site)

Share of voting rights 40.1% (As of March 31, 2011)

Services

*PPTV* – No. 1*2 online TV service in China

*1 Synacast Corporation was renamed PPLive Corporation in April 2011.
*2 iResearch market research reports (as of December, 2010).

### YAHOO!

**Yahoo! Inc.** — California, U.S.A.

Share of voting rights 4.0% (As of March 31, 2011)

Services

Operation of *Yahoo! JAPAN* portal, Internet services

Established Yahoo Japan (consolidated subsidiary of SOFTBANK) through joint investment with SOFTBANK.
Yahoo Japan's portal *Yahoo! JAPAN* is No. 1* in Japan.

* According to research by Nielsen//NetRatings (as of March 2011). In terms of share of Web search page views of major portals (*Yahoo! JAPAN, Google, goo, Rakuten, MSN/Windows Live/Bing*), and among major auction sites (*Yahoo! Auctions, Rakuten Auction, bidders, MSN Auction*).

### Alibaba Group 阿里巴巴集团

**Alibaba Group Holding Limited** — Hangzhou, China (Main business site)

Share of voting rights 32.6% (As of March 31, 2011)

Services

*Alibaba.com* – China's No. 1*1 site for B2B e-commerce
*Taobao* – China's No. 1*2 online shopping site

*1 2010–2011 China SME B2B E-Commerce Research Report.
*2 Publicly released materials from iResearch (April 2011).

# Financial Highlights

The acquisition of Vodafone K.K. (currently SOFTBANK MOBILE) in 2006 enabled the SOFTBANK Group to enter the mobile communications business. However, procuring funds for the acquisition meant raising the debt level. Five years later, profits from the mobile communications business have continued to increase, and revenue and profit have reached their highest level to date. The Group's financial status is improving dramatically.

## Five-year Summary

SOFTBANK CORP. and consolidated subsidiaries  Fiscal years ended March 31

| FY | 2007 | 2008 | 2009 | 2010 | 2011 | YoY Change (Millions of yen) | 2011 (Thousands of U.S. dollars) |
|---|---|---|---|---|---|---|---|
| Net sales | ¥ 2,544,219 | ¥2,776,169 | ¥2,673,035 | ¥2,763,406 | ¥3,004,640 | ¥241,234 | $36,135,177 |
| EBITDA*1 | 525,428 | 626,662 | 678,636 | 787,631 | 930,730 | 143,099 | 11,193,385 |
| Operating income | 271,066 | 324,287 | 359,121 | 465,871 | 629,163 | 163,292 | 7,566,603 |
| Net income | 28,815 | 108,625 | 43,172 | 96,716 | 189,713 | 92,997 | 2,281,575 |
| Total assets | 4,310,853 | 4,558,902 | 4,386,672 | 4,462,875 | 4,655,725 | 192,850 | 55,991,882 |
| Total shareholders' equity | 282,950 | 383,743 | 374,094 | 470,532 | 619,253 | 148,721 | 7,447,420 |
| Interest-bearing debt*2 | 2,544,404 | 2,532,969 | 2,400,391 | 2,195,471 | 2,075,801 | (119,670) | 24,964,534 |
| Net interest-bearing debt*2 | 2,158,149 | 2,036,879 | 1,939,521 | 1,501,074 | 1,209,636 | (291,438) | 14,547,637 |
| Net cash provided by (used in) operating activities | 311,202 | 158,258 | 447,858 | 668,050 | 825,837 | 157,787 | 9,931,894 |
| Net cash provided by (used in) investing activities | (2,097,937) | (322,461) | (266,295) | (277,162) | (264,448) | 12,714 | (3,180,373) |
| Free cash flow*3 | (1,786,735) | (164,203) | 181,563 | 390,888 | 561,389 | 170,501 | 6,751,521 |
| Capital expenditure (acceptance basis) | 389,801 | 293,720 | 259,094 | 222,915 | 420,591 | 197,676 | 5,058,220 |
| Depreciation and amortization (excluding amortization of goodwill) | 189,092 | 220,255 | 236,014 | 243,944 | 224,937 | (19,007) | 2,705,195 |
| **Major Indicators** | | | | | | | |
| EBITDA margin*4 | 20.7% | 22.6% | 25.4% | 28.5% | 31.0% | 2.5 | |
| Operating margin | 10.7% | 11.7% | 13.4% | 16.9% | 20.9% | 4.0 | |
| ROA*5 | 0.9% | 2.4% | 1.0% | 2.2% | 4.2% | 2.0 | |
| ROE*6 | 11.0% | 32.6% | 11.4% | 22.9% | 34.8% | 11.9 | |
| Equity ratio | 6.6% | 8.4% | 8.5% | 10.5% | 13.3% | 2.8 | |
| Debt / equity ratio*7 | 9.0 times | 6.6 times | 6.4 times | 4.7 times | 3.4 times | (1.3) | |
| **Per Share Data*8** | | | | | Yen | | U.S. dollars |
| Net income | ¥ 27.31 | ¥101.68 | ¥ 39.95 | ¥ 89.39 | ¥175.28 | | $2.11 |
| Shareholders' equity | 268.02 | 355.15 | 346.11 | 434.74 | 572.14 | | 6.88 |
| Cash dividends | 2.50 | 2.50 | 2.50 | 5.00 | 5.00 | | 0.06 |

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 ¥83.15 to $1, the approximate rate of exchange at March 31, 2011.

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

*2 Net interest-bearing debt = interest-bearing debt – cash position.
Interest-bearing debt = short-term borrowings + commercial paper + current portion of long-term debt + long-term debt. Lease obligations are not included. FY2007 interest-bearing debt is calculated with retroactive adjustments by adding the cash receipts as collateral relating to marketable security lending transactions. This excludes the corporate bonds (WBS Class B2 Funding Notes, issued by J-WBS Funding K.K.) with a face value of ¥27.0 billion acquired by the Company during fiscal 2010 that were issued under the whole business securitization scheme associated with the acquisition of Vodafone K.K.
Cash position = cash and cash equivalents + marketable securities recorded as current assets (excludes Yahoo! Inc. shares held by a subsidiary of the Company in the United States of America) + time deposits with original maturity over three months.

*3 Free cash flow = cash flows from operating activities + cash flows from investing activities.

*4 EBITDA margin = EBITDA / net sales.

*5 ROA = net income / average total assets during the fiscal year.

*6 ROE = net income / average total shareholders' equity during the fiscal year.

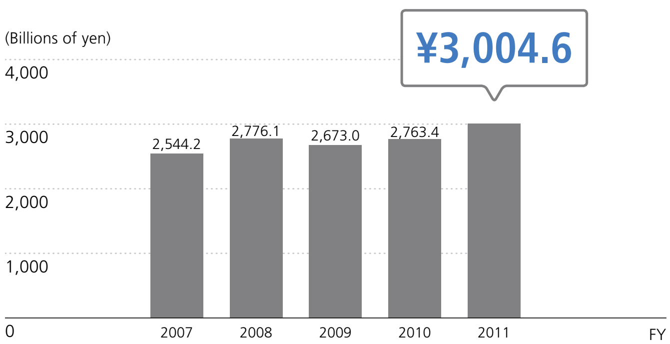
*7 Debt / equity ratio = interest-bearing debt / total shareholders' equity.

*8 Net income per share is calculated based on the average number of shares for each fiscal year, and shareholders' equity per share is calculated based on the total number of shares as of the fiscal year-end.

# Business Scale

The SOFTBANK Group saw both revenue and profit continue to grow on the back of a strong performance by the Mobile Communications segment.  Particularly noteworthy were large increases in EBITDA and operating income.

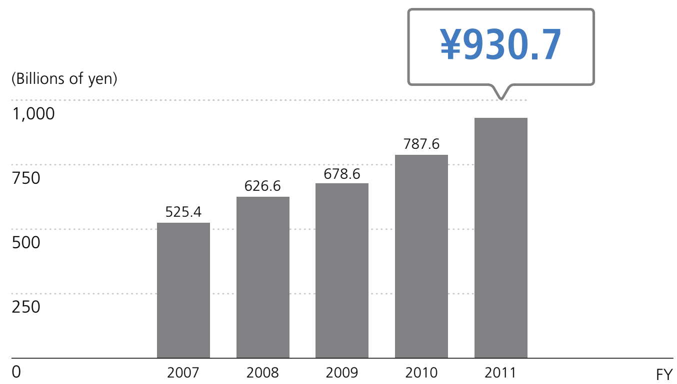
## Net Sales




**Increase in 4 years since FY2007: ¥460.4 billion**

In fiscal 2011, net sales were ¥3,004.6 billion, up 8.7% year on year, exceeding ¥3 trillion for the first time.  The Mobile Communications segment delivered a strong performance that greatly contributed to this result.  The fiscal 2011 result represents top-line growth of ¥460.4 billion over the past 4 years since fiscal 2007.

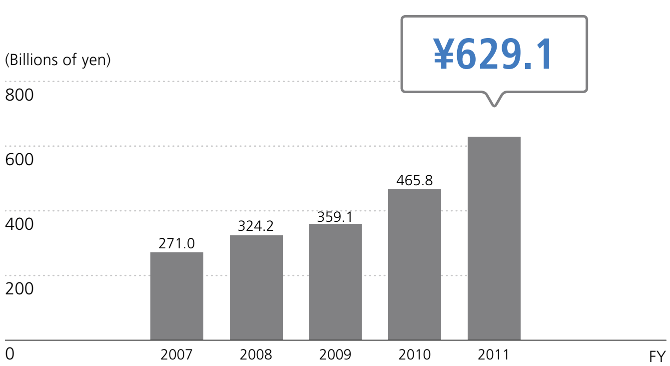
## EBITDA




**Increase in 4 years since FY2007: ¥405.3 billion**

In fiscal 2011, EBITDA jumped 18.2% year on year to ¥930.7 billion, setting a new record high* for the sixth consecutive year.  This result represents a ¥405.3 billion increase over the past 4 years since fiscal 2007.

## Operating Income




**Increase in 4 years since FY2007: ¥358.1 billion**

In fiscal 2011, operating income rose 35.1% year on year to ¥629.1 billion, setting a new record high* for the sixth consecutive year.  This result represents an increase of ¥358.1 billion over the past 4 years since fiscal 2007.

## Total Assets


**Increase in 4 years since FY2007: ¥344.9 billion**

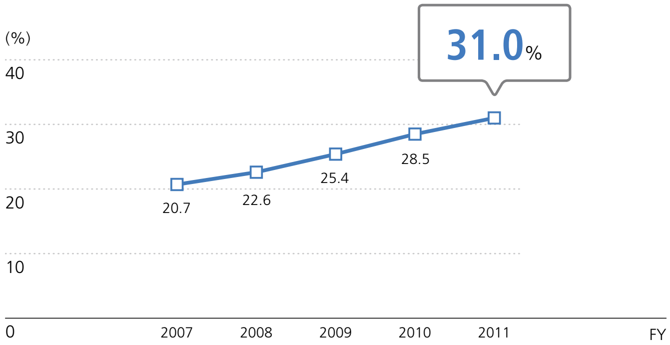
Total assets were ¥4,655.7 billion as of March 31, 2011, up 4.3% from March 31, 2010.  The increase from March 31, 2007, 4 years ago, was ¥344.9 billion.

* Since the Company applied consolidated accounting in fiscal 1995.

# Profitability

Profitability has improved dramatically because of continuing efforts to enhance management efficiency, in addition to sales growth.

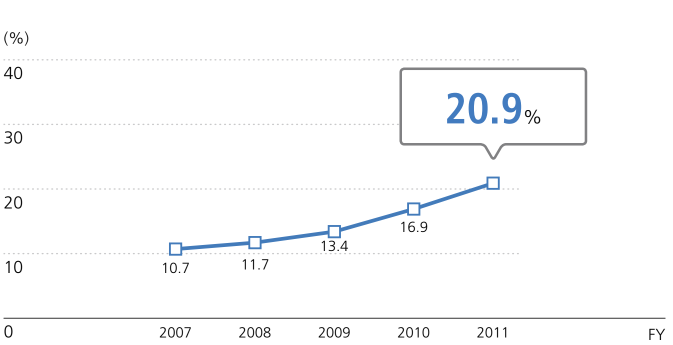
## EBITDA Margin




**Increase in 4 years since FY2007:** 10.3 points

In fiscal 2011, the EBITDA margin increased 2.5 points year on year to 31.0%. This result represents a 10.3 point increase over the past 4 years since fiscal 2007.

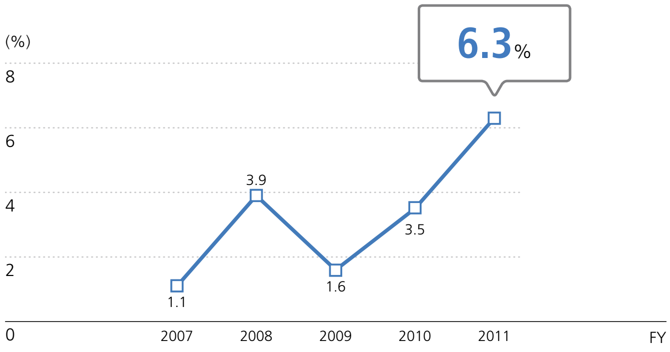
## Operating Margin




**Increase in 4 years since FY2007:** 10.2 points

In fiscal 2011, the operating margin increased 4.0 points year on year to 20.9%. This result represents a 10.2 point increase over the past 4 years since fiscal 2007.

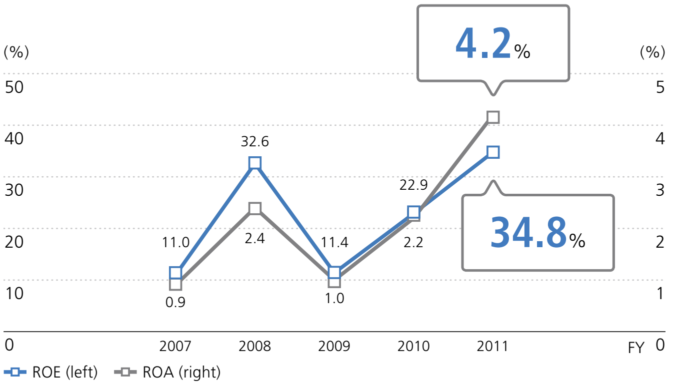
## Net Profit to Sales




**Increase in 4 years since FY2007:** 5.2 points

In fiscal 2011, the ratio of net profit to sales increased 2.8 points year on year to 6.3%. This result represents a 5.2 point increase over the past 4 years since fiscal 2007.

## ROE and ROA



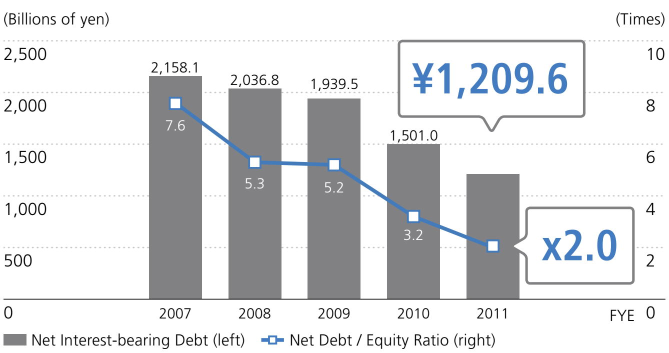

ROE 34.8% ROA 4.2%

In fiscal 2011, ROE increased 11.9 points year on year to 34.8%. ROA was 2.0 points better year on year at 4.2%. These results represent increases of 23.8 points and 3.3 points in ROE and ROA, respectively, over the past 4 years since fiscal 2007.

# Financial Position

The SOFTBANK Group has made progress in the reduction of net interest-bearing debt by striving to maximize free cash flow. As a result, the Group has dramatically improved its balance sheet, which had been negatively impacted by an increase in debt associated with the Vodafone K.K. acquisition.

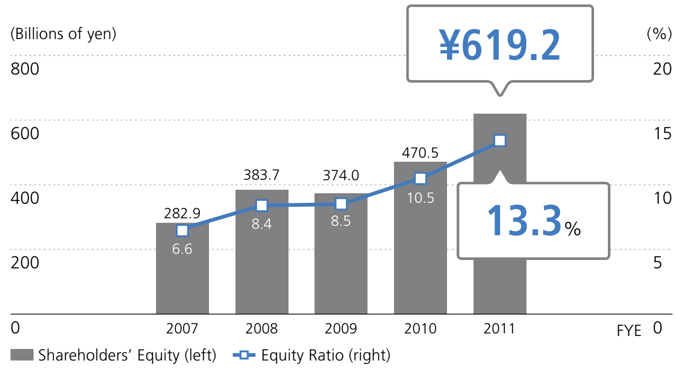
## Net Interest-bearing Debt and Net Debt / Equity Ratio*1




**Reduction in 4 years since FYE2007:** **¥948.5** billion

Net interest-bearing debt was reduced by 19.4% from March 31, 2010 to ¥1,209.6 billion as of March 31, 2011. This result represents a reduction of ¥948.5 billion from March 31, 2007, 4 years earlier. The net debt / equity ratio improved 1.2 points from March 31, 2010 to 2.0 times.

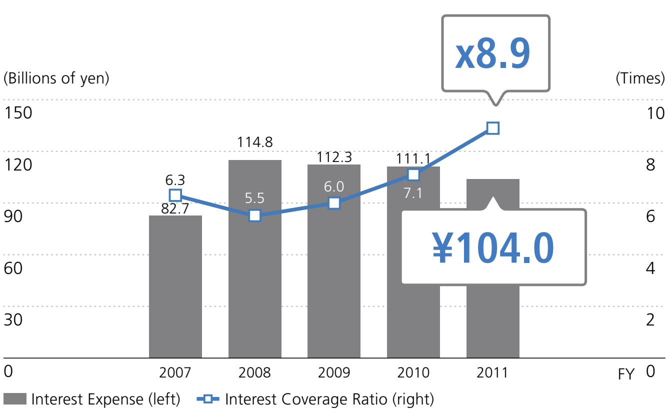
## Shareholders' Equity and Equity Ratio




**Increase in 4 years since FYE2007:** **6.7** points

Shareholders' equity increased 31.6% from March 31, 2010 to ¥619.2 billion as of March 31, 2011. The equity ratio increased 2.8 points from March 31, 2010 (and 6.7 points in the 4 years from March 31, 2007) to 13.3%. This is comparable to the equity ratio before the acquisition of Vodafone K.K. of 13.4% as of March 31, 2006.

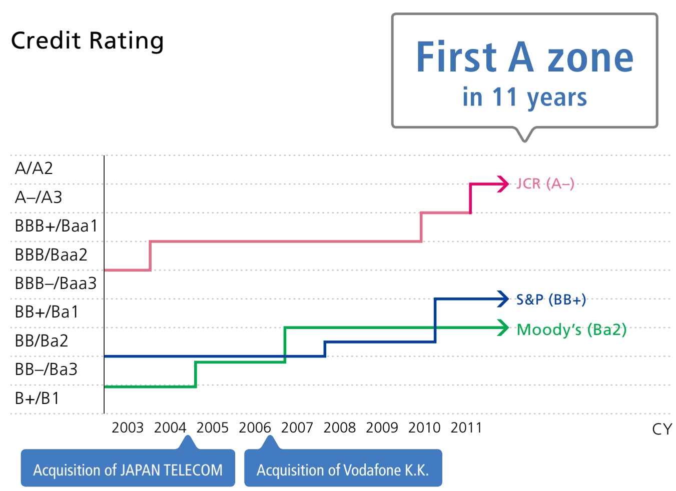
## Interest Expense and Interest Coverage Ratio*2




**Increase in 4 years since FY2007:** **2.6** points

In fiscal 2011, interest expense was reduced by 6.4% year on year to ¥104.0 billion. The interest coverage ratio increased 1.8 points year on year (and 2.6 points in the 4 years since fiscal 2007) to 8.9 times.

## Credit Rating




**Raised from BBB+ to A–**

(February 2011)

Return to **A zone**

In February 2011, Japan Credit Rating Agency (JCR) raised SOFTBANK's credit rating from BBB+ to A–. This marks the first time in 11 years that SOFTBANK's credit rating has returned to an A zone.

*1 Net debt / equity ratio = net interest-bearing debt / total shareholders' equity.
*2 Interest coverage ratio = EBITDA / interest expense.


# Philosophy, Vision, and Strategy

In 2010, the Group marked its 30th anniversary, and at the Annual General Meeting of Shareholders on June 25, 2010, we announced "SOFTBANK's Next 30-Year Vision." I'd like to review the vision and report on our progress now that a year has passed since the announcement. I will also report on our financial results for fiscal 2011.

The announcement of "SOFTBANK's Next 30-Year Vision" (June 2010)


# for Sustained Growth

# Information Revolution – Happiness for everyone

## Creating Markets to Realize High Growth

"Eventually, I want to count our net sales in trillions."

I remember myself standing on a mandarin orange box in our tiny office in Fukuoka, and saying these words to our small contingent of two part-time staff. This was before SOFTBANK was even founded. I don't know whether they found it all too preposterous, or whether they were just tired of hearing me say it over and over again–but both soon quit.

Later, in 1981 I founded SOFTBANK (then SOFTBANK Corp. Japan). As microprocessors continued to grow faster and more powerful, I was convinced that their eventual inclusion in all manner of devices would lead to an IT revolution that would exceed both the agricultural and the industrial revolutions, and decided to take on the field of computers. Today, we know this as the "information revolution."

When we started out, our initial operation was as a distributor of PC software. We went on to launch magazines introducing software, developing this market from scratch and setting the business on a path to growth. Later we pioneered the broadband market with an ADSL service offering fast, low-cost communications, and beat other mobile communications service providers to open up the mobile Internet market. Creating new markets such as these has been our way of ensuring continuous growth.

We have had a lot of ups and downs along the way, but thanks to the support of many people we made it to our 30th year in business in 2010. Our net sales in fiscal 2010 were ¥2.7634 trillion, and exceeded ¥3 trillion in fiscal 2011. SOFTBANK really has become a corporate group that counts its net sales in trillions!

## The Building Blocks of Our Corporate DNA

We may have come a long way, but we have by no means reached our destination. We will continue on our journey without slackening our pace, always aiming for new heights. There may be many difficult challenges ahead. For this reason, I want to return to focus once more on our starting point: what did the SOFTBANK Group set out to accomplish? What do we aim to achieve over the next 30 years? I believe that it is important to reaffirm the philosophy and clarify our vision and strategy. This was my motivation for setting out SOFTBANK's Next 30-Year Vision–which I will refer to as the "next 30-year vision." This is not a top-down vision. It is the culmination of a year-long effort during which we listened to and discussed the opinions of our over 20,000 employees. The vision also benefitted from the input of people outside the Group who lent us their wisdom via *Twitter*.

My most important role as the founder of SOFTBANK is to design our corporate DNA—that is, our future direction, our approach to Group organization, our corporate culture, and our philosophy. The next 30-year vision is about more than what we will do and how far we will go over the next three decades. It forms the building blocks of our corporate DNA that will penetrate every part of the Group and is something that must be passed down continuously to future generations.

## Consistent Corporate Philosophy

Since its establishment, the SOFTBANK Group has consistently operated under the corporate philosophy of "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." In formulating the next 30-year vision, I revisited our origins, discussing them within the Group and retested this corporate philosophy in my own mind. As a result, I can confirm that the philosophy remains unchanged. It is a little cumbersome however, and difficult to say, so in the next 30-year vision we have compressed it into a more concise expression that captures the most important elements: "Information Revolution – Happiness for everyone."

To do this, we need to consider what "happiness" means to people. Using *Twitter*, I asked, "What would be the happiest thing in your life?" and "What would be the saddest thing in your life?" I received a lot of answers in a short time. The most common answers for what makes people happy were "everyday life, life itself," "self-realization, self-accomplishment," and "to love, and to be loved." The things that most people said made them saddest were, "death of a loved one," "loneliness," and "despair."

Through the services and products we provide, I would like to see the SOFTBANK Group make people happier and lessen their sadness. This is the only thing that I'd like the Group to achieve — that is, making people happy through the information revolution.

来年は、我が社の創業30年。今年の株主総会で宣言しました。来年の 6月の株主総会で次の30年分のビジョンを示す事を。21世紀の人々のライフスタイルをもっと豊かで楽しいものにしたいと思います。志を共有する多くの皆さんの意見を取り入れたいのでつぶやいてみてください。 孫正義

SOFTBANK turns 30 next year. Made a declaration at the shareholders' meeting that I would unveil vision for next 30 years at meeting in June next year. I want to make lifestyles better and more fun for people in the 21st century. I want input from many who share this aspiration, so please tweet me. Masayoshi Son

革命は、1日にして成らず。
起こさねば百年にしても成らず。

Revolutions don't happen in a day.
But if you don't try, they never will.

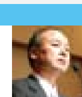
「理念」で百年単位で何をやりたいかを立案して、「ビジョン」でいつ 何処までやりたいかを立案。その後に戦略。

Establish a philosophy–(a hundred-year idea of what you want to do). Establish a vision (when and how far you want to go). Strategy will follow.

名を残さなくても百年、二百年後の人々に喜ばれる事を成したい。

Even if no one remembers me, I want to do something to make people happier 200 years from now.

Gathering wisdom from inside and outside
SOFTBANK via *Twitter*



Source: twitter
@masason Masayoshi Son

## 良き予測をする為に皆さんの叡智を集めたいのです。

**To see the best way forward, I need to gather wisdom from all of you.**

己の限界を叩き壊して励む事。
これを挑戦という。

What is a challenge? Something that encourages you to shatter your own limits.

多くの人々の夢を束ねて志と成す。

Gather the dreams of many to build inspiration.

学問は、その人間の高き志や夢の実現のための礎。

Education is fundamental to having high aspirations and realizing dreams.

どうして私が実名でtwitterでつぶやき始めたのか疑問に思っている人もおられる様ですね。それは、私自身が皆さんと新しい時代を共有したかったからです。実名で参加するリスクも懸念しましたが、得られる感動の方が大きいと思ったからです。

Seems some people are wondering why I have started to use my real name on twitter. It's because I myself wanted to share this new era with everyone. Was a bit worried about joining with my real name of course, but inspiration is far greater I think.

登りたい山を決める事。これで人生の半分が決まる。

Choose the mountain you want to climb. This will determine half your lifetime.

「一人ででも世を一新させてみせる。」その位の志を持てば大概の困難は小さな物に見えてくる。

"Try to change the world, even if you're on your own." With that level of ambition, most difficulties will start to look trivial.

ビジョンを明確化して初めて戦略が見えてくる。

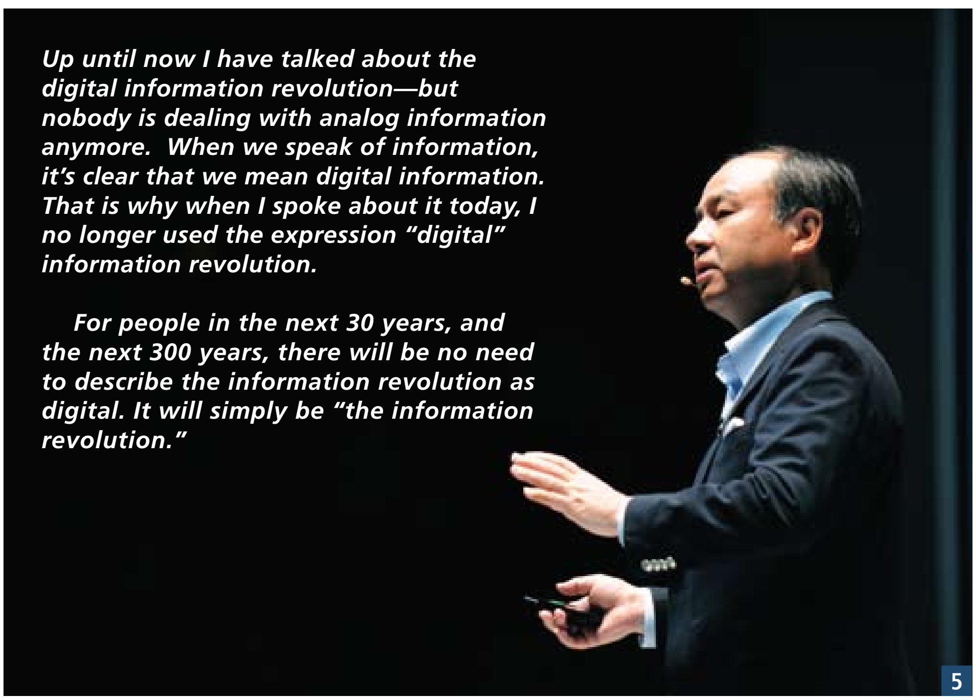
Once the vision is clear, strategy starts to fall into place.

時代は、追ってはならない。読んで仕掛けて待たねばならない。

Don't chase after the times. Instead read the times, plan well and wait for the moment to strike.








## Masayoshi Son

Chairman & CEO, SOFTBANK CORP.
Chairman & CEO, SOFTBANK MOBILE Corp.
Chairman & CEO, SOFTBANK BB Corp.
Chairman & CEO, SOFTBANK TELECOM Corp.

Biography

| | |
|---|---|
| Sept. 1981 | Founded SOFTBANK Corp. Japan (currently SOFTBANK), Chairman & CEO |
| Apr. 1983 | Chairman of SOFTBANK Japan |
| Feb. 1986 | Chairman & CEO of SOFTBANK Japan (to present) |
| Jan. 1996 | President & CEO, Yahoo Japan |
| July 1996 | Chairman of the board, Yahoo Japan (to present) |
| June 2001 | President, BB Technologies (currently SOFTBANK BB) |
| Feb. 2004 | Chairman & CEO, SOFTBANK BB (to present) |
| July 2004 | Chairman of the board, JAPAN TELECOM (currently SOFTBANK TELECOM) |
| Apr. 2006 | Chairman of the board, president & CEO, Vodafone K.K. (currently SOFTBANK MOBILE) |
| Oct. 2006 | Chairman & CEO, SOFTBANK TELECOM (to present) |
| June 2007 | Chairman & CEO, SOFTBANK MOBILE (to present) |



1 3 7 Annual General Meeting of Shareholders (June 2011)
2 5 6 Employee event to mark the 30th anniversary of SOFTBANK's founding (July 2010)
4 The announcement of "SOFTBANK's Next 30-Year Vision" (June 2010)

## Boundless Growth Potential in the Information Industry

How will we achieve this philosophy? To answer this question, we took a new look at how we expect future technologies and people's lifestyles to change and evolve going forward. You might imagine the next 30 years to be difficult to foresee. To put the next three decades into perspective, let's try to look further into the distance, to the future 300 years from now.

In today's PCs, microchips containing numerous transistors perform calculations using a binary system of 0s and 1s. It turns out that this is identical to the workings of human brain cells, which are connected through synapses.*1 The human brain performs calculations and thinks on the basis of a binary system based on the connection and separation of synapses. The human cerebrum is estimated to contain around 30 billion brain cells. Assuming that the number of transistors on a single microchip continues to increase in accordance with Moore's Law,*2 the number of transistors on a single microchip will exceed the number of human brain cells in the year 2018. This is sooner than you might expect. Subsequently, the number of transistors could increase astronomically, growing to one quintillion*3 ($10^{20}$ times) the number of brain cells in 100 years, one quintillion squared ($10^{40}$) times in 200 years and one quintillion cubed ($10^{60}$) times in 300 years. This could lead to the development of a "brain computer"—one that can experience emotions on a very high level, or in other words, possess rich feelings, kindness, and compassion. Such a PC could coexist alongside human beings while contributing to their happiness.

## Looking to the Distance to Find Our Way

From this perspective, today's Internet and information revolution are by no means mature developments. You can see that they mark only the entrance of a very long process. There are still countless business themes that the SOFTBANK Group could work on going forward.

*1 The connections by which signals are communicated between nerve cells. Chemical substances known as neurotransmitters are released between these synapses to communicate information to adjacent cells.
*2 A law proposed in 1965 by Gordon Moore, a co-founder of Intel Corporation of the U.S. It predicts that the number of semiconductors on a chip will double every 18 to 24 months.
*3 A numerical unit equal to $10^{20}$.

## The World in 30 Years: Drastic Changes

Let's now discuss the "near future" 30 years from now. In 2040, the number of transistors on a single microchip will reach one million times the current number, or 100,000 times the number of human brain cells. A mobile device priced at around ¥30,000 in 30 years will be able to store the equivalent of 500 billion songs, 350 million years of newspapers, or 30,000 years of video.*4 Furthermore, communication speeds will be three million times faster than at present. This means that users will be able to download three million songs per second.

The first three decades of SOFTBANK's history went by in a flash. The next three decades will pass by just as quickly. Over the next 30 years, people's lifestyles will change enormously. High-performance microchips with communication modules will be embedded in home appliances of all kinds, and also in sneakers, eyeglasses, and other such products. There will be definitive changes in all aspects of life, from education to medical care and work and play. At that time, I believe that cloud computing will become humankind's greatest asset. The cloud will become a repository for every piece of human knowledge and wisdom.

There will be no borders to the Internet that is used to access this cloud. By 2040, the approach of doing business only in Japan will be outmoded, and Japanese companies will be competing in a totally global market. I imagine that they will be doing business with billions of customers and that net sales will be measured in tens of trillions of yen.

*4 Assuming that the storage capacity of ¥30,000 mobile devices will have increased to 2.6 exabytes in 2040 based on extrapolation of the growth trend in the storage capacity of PCs over the past 30 years. Other estimates were calculated by the Company assuming 5 MB of data per song for music, 20 MB for one day's newspaper data, and 900 MB for one hour of video.

# Becoming the Corporate Group Needed Most by People Around the World

## Joining the Global Top Ten in Market Capitalization

I want the SOFTBANK Group to be the apple of the world's eye and an indispensable presence in the lives of people all over the world. I also want it to be a corporate group that makes people happy.

Let's now turn back in history. We surveyed the top ten largest companies in terms of market capitalization, from a century ago to the present. The top ten companies more than 100 years ago, around 1900, included railway, steelmaking, and oil companies. Around 30 years ago in 1985, IBM, Exxon, and AT&T made the top ten list. Recently, in 2010, the list included Chinese companies, as well as Apple Inc. and Microsoft Corporation.

In every age, the top ten list includes companies that were the most needed by people at that time. In other words, these companies provided functions that were indispensable to everyone. This means that market capitalization can be considered to be a standard global yardstick for gauging how much people need a company. By 2040 at the latest, the SOFTBANK Group aspires to become a corporate group that provides the technologies and services that the world's people need most. As SOFTBANK strives to make the top ten list of the most indispensable companies for people, we will increase our market capitalization to become one of the global top ten by this measure also.


Annual General Meeting of Shareholders (June 2011)

## Organizational Blueprint for Ensuring Lasting Growth over 300 Years

Next, I looked at how many companies have survived through the first 30 years after their founding. We found that only 0.02% of companies remain in business after 30 years. The remaining 99.98% of companies do not survive. The SOFTBANK Group's greatest signature strength is its insistence on not becoming preoccupied with any specific technology or business model. Over the past 30 years since our founding, we have continuously transformed our technologies and business models. It is precisely because we never became preoccupied with any specific technology or business model that we have been able to survive in the rough-and-tumble world of the information industry and continue to grow.

It is hard enough to survive for the first three decades. How then will we become one of the world's ten most indispensable companies to people over the next 30 years? Furthermore, how will we survive over the next 300 years, having made it through the next 30 years, while building a continuously prosperous organization? One answer is the concept of the strategic synergy group.

The SOFTBANK Group is forming and expanding what we refer to as the strategic synergy group. We do this by investing in or establishing joint ventures with companies possessing outstanding technologies or business models at any given time. In the strategic synergy group, we seek to develop a web-like organization based on the key concepts of autonomy, decentralization, and cooperation, rather than a traditional hierarchical organization with a centralized chain of authority and command, which tends to slow down decision-making. We do not need to take a majority investment stake or unify brands. This is because we believe that the SOFTBANK Group's overall enterprise value will be maximized if each business leader takes ownership of issues and works to expand their business. Going forward, we will work to expand the strategic synergy group mainly in fast-growing Asia, with a view to increasing the group to around 5,000 companies by 2040.

We have outstanding business leaders at the helm of core strategic synergy group companies such as Alibaba Group Holding and Renren. We are confident that a steady stream of talented business leaders will seek to join the strategic synergy group as the times change. We will constantly welcome such individuals into the group, sharing a common ambition as we work together to achieve "Information Revolution – Happiness for everyone."

For further details,
please see pages 37 to 41.

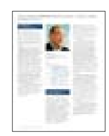
## Identifying and Developing a Successor

When I was 19 years old I drew up my 50-year life plan. In my 60s, I plan to hand over my business to the next generation. In a sense, this is where the SOFTBANK Group might face its greatest crisis. That is why I want to carefully prepare for management succession, rather than passing the baton all at once.

With this in mind, I established the SOFTBANK Academia in July 2010 as a program to identify and develop my successors. I am currently 53 years old (as of June 30, 2011) and have about 15–16 years at the most before I hand over the reins of management. Through the program we have created opportunities to meet directly with a wide range of successor candidates from people in their 20s to 50s, and I intend to pass on my brand of leadership to successor candidates.

We have set three basic conditions for the successor as follows. First, the candidate must possess deep insight into the technologies of the information revolution. Second, we need a person who has sufficient knowledge and skills in finance. Third is strong leadership. However, the most important attribute is to have high aspirations with respect to the information revolution and to be deeply passionate about this cause.

We sought candidates broadly from within and outside the Group for the Academia's inaugural class in fiscal 2011. We received around 1,000 applications from within the Group. Of these, 200 applicants were chosen. In addition, we received around 10,000 initial entries from outside the Group. Of these, 100 applicants made the cut. Many of the Academia students' presentations were carefully prepared. They would sometimes present a business plan that was very close to what we had been considering behind closed doors, leaving us very surprised. The Academia is primarily an organization for identifying and developing my successor. However, it is also a means of identifying and developing business leaders who can be entrusted with the management of the 5,000 strategic synergy group companies. We look forward to sending out many talented business leaders from the Academia.



For further details,
please see pages 42 to 44.


A lecture at the Academia

# Thoughts on the Great East Japan Earthquake

I would like to express my deepest condolences to those who lost their loved ones in the Great East Japan Earthquake that struck on March 11, 2011. I also wish to express my heartfelt sympathies for all those who were directly impacted by the disaster, and those who were displaced and have been forced to live in evacuation shelters and unfamiliar areas. The Great East Japan Earthquake was an unprecedented disaster that defied conventional knowledge. Japan's society and economy was thrown into a tailspin by the chain of events that ensued from the major magnitude 9.0 earthquake and the giant tsunami several tens of meters high, such as the subsequent nuclear power station accident, and ensuing planned power outages and shortages throughout the Kanto region of Japan. The disaster has left Japan deeply scarred. On March 22, I visited Fukushima Prefecture and toured evacuation centers and other facilities. I was overcome by a feeling of sadness that words cannot express.

In regard to the telecommunications services provided by the SOFTBANK Group, customers had difficulty connecting or could not use services mainly in the Tohoku region as a result of the disaster. I sincerely apologize for the great inconvenience caused to customers, and for causing concern among shareholders and investors. This disaster impressed upon me just how much telecommunications and Internet services have become part of people's lifeline infrastructure, driving home the fact that these services are truly indispensable to society. I deeply regret that the durability and reliability of the SOFTBANK Group's network infrastructure were not always adequate in the face of the disaster. Of the group's base stations for mobile communications services, 3,786 were left inoperative on the morning of March 12, 2011, the day after the earthquake occurred. Thanks to the tireless efforts of all technicians and employee volunteers dispatched to the affected areas, we restored the service area to nearly the pre-disaster equivalent*5 by April 14, 2011. Looking ahead, we will continue to implement measures to enhance network reliability further.

Meanwhile, work to bring the Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Station under control is proceeding only slowly. Residents in the affected areas must prepare for a long, hard battle. With Japan facing such a crisis, we have an obligation to ensure a safe and secure future for the nation's children. Accordingly, the SOFTBANK Group took the lead in setting up the Renewable Energy Governors' Alliance together with local governments across Japan. Working together with these local governments, we are also considering developing a model for future power generation projects driven by renewable energy.

*5 Excluding the area affected by Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Station, and access-restricted areas that were severely damaged in the earthquake and subsequent tsunami.

Please see page 35 for network restoration measures, page 75 for disaster restoration and relief measures, and page 27 for measures to generate power from renewable energy.

Visiting an emergency shelter set up in Tamura City Gymnasium, Fukushima Prefecture (March 2011).


# Summary of Financial Results

## Net Sales Surpassed ¥3 Trillion for the First Time

### Growth Driven by Mobile Communications Segment

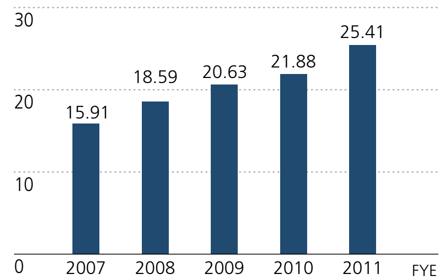
In terms of consolidated performance for fiscal 2011, net sales increased 9% year on year to ¥3,004.6 billion, topping ¥3 trillion for the first time. EBITDA*6 rose 18% year on year to ¥930.7 billion, operating income increased 35% year on year to ¥629.1 billion, and net income jumped 96% to ¥189.7 billion. On every measure, the SOFTBANK Group achieved all-time high*7 performance figures. EBITDA and operating income reached record highs*7 for the sixth consecutive fiscal year. The operating margin was 21%, exceeding that of NTT DOCOMO, INC., Japan's largest mobile phone operator, for the first time.

Growth was mainly driven by the mobile communications business. The cumulative number of subscribers rose 3.53 million, or 16%, from the previous fiscal year-end, owing to strong iPhone sales atop growth in the smartphone market. Furthermore, data ARPU*8 rose 14% year on year, reflecting more frequent data telecommunications services use by smartphone customers than traditional mobile phone users. The sum of the basic monthly charge and voice ARPU declined 8% year on year. However, total ARPU was ¥4,210, up ¥140 year on year.

The SOFTBANK Group has set its sights on the mobile Internet field, and has focused business development in this area as one of its strategies. More and more people today are using smartphones and tablets as their preferred means of accessing the Internet, rather than a PC. This has led to rapid, ongoing expansion in the mobile Internet field, which has made our focused strategy a successful one.

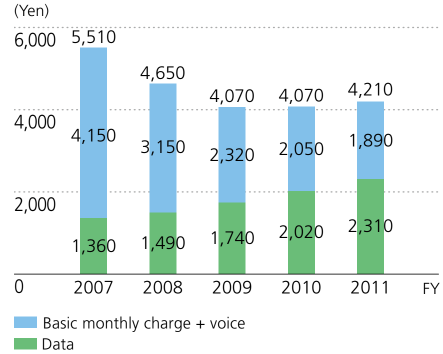
*6 EBITDA = operating income (loss) + depreciation + goodwill + loss from disposal of fixed assets included in operating expenses.
*7 Since the Company applied consolidated accounting in fiscal 1995.
*8 Abbreviation for Average Revenue Per User

### Cumulative Number of Subscribers in Mobile Communications Services




(Note) Includes the number of prepaid mobile phones and communication module service subscribers.

### ARPU for Mobile Communications Services




(Note) Abbreviation for Average Revenue Per User (rounded to the nearest ¥10). Revenue and number of mobile phone subscribers include prepaid mobile phones and communication modules. ARPU = basic monthly charge + monthly usage charge + voice, data and other charges – *Monthly Discounts (New Super Bonus Special Discount)*.

### Summary of Consolidated Earnings Results

(Billions of yen)

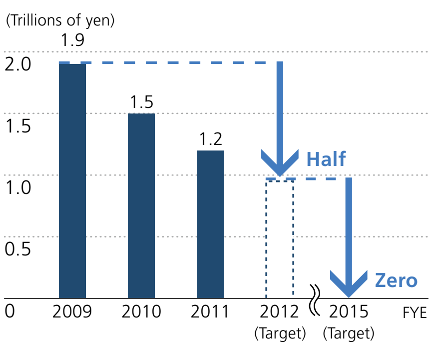
| | FY2010 | FY2011 | Increase | YoY Change |
|---|---|---|---|---|
| Net sales | 2,763.4 | 3,004.6 | +241.2 | +8.7% |
| EBITDA | 787.6 | 930.7 | +143.1 | +18.2% |
| Operating income | 465.8 | 629.1 | +163.3 | +35.1% |
| Net income | 96.7 | 189.7 | +93.0 | +96.2% |

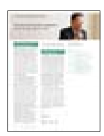
## Balance Sheet Improves Sharply

In April 2006, the SOFTBANK Group borrowed over ¥1 trillion to fund its acquisition of Vodafone K.K. (currently SOFTBANK MOBILE). While repayment of this debt had been proceeding smoothly, its size caused some investors to harbor doubts following the financial crisis in 2008. In order to dispel concerns, the SOFTBANK Group set some progressive targets for repaying net interest-bearing debt,*9 namely, to reduce the outstanding debt of ¥1.9 trillion as of March 31, 2009 by half over the three years to March 31, 2012 and to zero over the six years to March 31, 2015. At March 31, 2011, our net interest-bearing debt was 38% lower at ¥1.2 trillion than on March 31, 2009. What's more, reducing our debt and achieving strong earnings results is steadily improving our creditworthiness, lowering fund procurement costs. We believe these efforts will have a positive impact on our enterprise value.

*9 Net interest-bearing debt = interest-bearing debt – cash position.
Interest-bearing debt = short-term borrowings + commercial paper + current portion of long-term debt + long-term debt. Lease obligations are not included. This excludes the corporate bonds (WBS Class B2 Funding Notes, issued by J-WBS Funding K.K.) with a face value of ¥27.0 billion acquired by the Company during fiscal 2010 that were issued under the whole business securitization scheme associated with the acquisition of Vodafone K.K.
Cash position = cash and cash equivalents + marketable securities recorded as current assets (excludes Yahoo! Inc. shares held by a subsidiary of the Company in the United States of America) + time deposits with original maturity over three months.

### Net Interest-bearing Debt



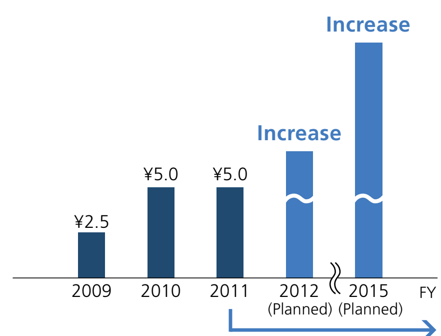
For further details,
please see pages 24 and 25.

## Planned Dividend Increase for Fiscal 2012

SOFTBANK strives to increase returns to shareholders by raising enterprise value, and has a fundamental policy of returning appropriate amounts of profit to shareholders and other stakeholders. Our policy regarding dividends to shareholders is to balance the strengthening of the balance sheet by reducing net interest-bearing debt and maintaining a stable dividend over the medium to long term.

In line with this policy, we proposed a year-end dividend of ¥5 per share for fiscal 2011, the same as last year, and this was approved by the Annual General Meeting of Shareholders. Looking ahead, we plan to increase the annual dividend for fiscal 2012 and again for fiscal 2015. We will promptly announce the specific amounts of dividends as soon as they are determined.

### Dividend Per Share




## TDD Technology Promotion Body Established Together with the World's Major Telecom Operators

In February 2011, the SOFTBANK Group teamed up with China Mobile in China, Bharti Airtel in India, and the Vodafone Group in the U.K. to establish the Global TD-LTE Initiative (GTI)—a group for promoting the uptake of TDD (time division duplex) technology. The GTI's aims are to achieve a technical fusion of TDD and FDD (frequency division duplex) technologies, and coordinate with other TDD technologies that have close technical commonalities such as XGP, the next generation of PHS promoted by SOFTBANK. At the same time, the GTI seeks to expand the market and create a business environment for TDD.

SOFTBANK holds a 33.3% equity stake in Wireless City Planning Inc., which plans to launch a commercial "advanced XGP" service using an enhanced XGP format by the end of 2011. As TDD uptake increases and TDD compliant network devices and handsets become cheaper and more plentiful, I believe Wireless City Planning has much to gain by adopting these devices and handsets.

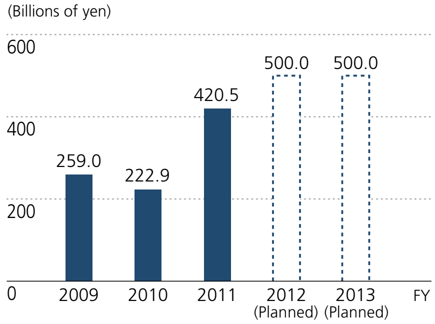
GTI founding ceremony (Feb. 2011)

## Preparing to Increase the Number of Subscribers

Five years have passed since we acquired Vodafone K.K. and entered the mobile communications business. In that time we have increased the number of mobile phone base stations around six-fold to 122,000 as of March 31, 2011. We will not stop there, however, as there are many places that still encounter connection difficulties. We have a slight handicap in that we have not been allocated the 800 MHz frequency band that is optimal for mobile communications services, but we will continue to enhance our network nonetheless to realize a service area on par with that currently provided by NTT DOCOMO and KDDI CORPORATION. I don't want SOFTBANK to be criticized for having poor connectivity—we have the means to meet our customers' expectations, and we will.

We will invest ¥500 billion (acceptance basis) in fiscal 2012, and again in fiscal 2013, for a total of ¥1 trillion. We plan to allocate around 80% of this to the mobile communications business.

### Capital Expenditure (Acceptance basis)




For further details, please see page 33.

## Aiming for Operating Income of ¥1 Trillion

The SOFTBANK Group's net sales and operating income for fiscal 2012 and fiscal 2013 are projected to maintain year-on-year increases, but the growth rate should be lower than in fiscal 2011 when it was 35%. The main reason for this is that to prepare for medium-term growth, we plan to spend the next two fiscal years concentrating our efforts more than ever before on network enhancement and customer acquisition in our mainstay mobile communications business.

I believe that bringing these efforts to fruition will place the SOFTBANK Group on a path to new earnings growth. From there, we will accelerate our growth with the goal of achieving operating income of ¥1 trillion.

I'd like to ask all our stakeholders for your continued support.

July 2011

Chairman & CEO
Masayoshi Son

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# Embarking on a New Journey to Become the No. 1 in Internet

## My Mission is to Execute Business Strategies.

I joined SOFTBANK 27 years ago in 1984. When I first met Mr. Son, then a young 26-year-old businessman, before entering the Company, he seemed to foresee developments in the IT industry far into the future. He noted that "soon every worker will be able to use their own PC in the office," and that "PCs will be inter-connected over a network, making work easier." While nobody spoke of a "digital information revolution" at the time, the philosophy was the same as the one we have today. Having some experience with PCs, I thought that interesting developments were afoot and decided to join the Company.

At the time, SOFTBANK was a small venture company engaged in the packaged PC software distribution business and a publishing business handling specialist PC magazines. I started out at SOFTBANK as the manager of sales planning and sales promotion in the software distribution business. From there, I developed my career mainly in the fields of sales and marketing and did my very best to expand the business. We encountered our fair share of hardship along the way, and suffered setbacks at times. For example, we once suffered a mass exodus of employees to competitors. In another setback, our profit margin was reduced by half after we lost exclusive software marketing privileges. I think we must have pulled through just about everything there is to experience in the IT industry. Mr. Son and I sometimes look back at those times together. In hindsight, we feel that all those trials and tribulations were just a preparation for competing on a larger stage, that is, the mobile communications business.

Currently, I am a director of SOFTBANK. I also oversee the entire telecommunications business as the chief operating officer (COO) of SOFTBANK MOBILE, SOFTBANK BB and SOFTBANK TELECOM. Generally speaking, strategy development and execution are crucial to corporate business activities. Mr. Son, an entrepreneur of exceptional talent, develops strategies based on his incomparable visionary insight and global personal network. My mission is to coordinate the simultaneous execution of these strategies by breaking each strategy down into tasks for our teams in technology, customer service, systems, sales, and other operations. Among our three telecommunications companies, two companies joined the Group through acquisitions. But because we have a corporate culture that embraces people from different backgrounds, our employees do not worry about turf battles. One of our core strengths is rapid decision-making, a survival skill we learned in our years as a venture company. Another strength is rigorous execution. Backed by these strengths, the three companies are working as one to expand businesses.

### Ken Miyauchi

Director, SOFTBANK CORP.
Representative director & COO, SOFTBANK MOBILE Corp.
Representative director & COO, SOFTBANK BB Corp.
Representative director & COO, SOFTBANK TELECOM Corp.
Representative director & president, WILLCOM, Inc.

Biography

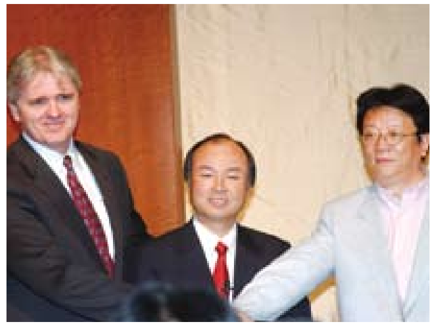
| | | |
|---|---|---|
| Feb. | 1977 | Joined Japan Management Association |
| Oct. | 1984 | Joined SOFTBANK Corp. Japan (currently SOFTBANK) |
| Feb. | 1988 | Director & general merchandise manager of Software Business Division of SOFTBANK Japan |
| Apr. | 1993 | Executive director & general manager of Network Business Division of SOFTBANK |
| Sept. | 1999 | Representative director & president, SOFTBANK COMMERCE (currently SOFTBANK BB) |
| June | 2000 | Director of SOFTBANK (to present) |
| Feb. | 2004 | Vice president, director & COO, SOFTBANK BB |
| July | 2004 | Director, JAPAN TELECOM (currently SOFTBANK TELECOM) |
| Apr. | 2006 | Executive vice president, director & COO, Vodafone K.K. (currently SOFTBANK MOBILE) |
| Oct. | 2006 | Representative director & COO, SOFTBANK TELECOM (to present) |
| June | 2007 | Representative director & COO, SOFTBANK MOBILE (to present) |
| June | 2007 | Representative director & COO, SOFTBANK BB (to present) |
| Nov. | 2010 | Representative director & president, WILLCOM (to present) |

## The Past Five Years in the Mobile Communications Segment

In April 2006, SOFTBANK acquired Vodafone K.K. (currently SOFTBANK MOBILE), but the company was actually in a very poor state on the inside at the time. It had a feeble network, and had rolled out only two new mobile handset models during the peak selling season. Its content fell short of competitors in terms of both quality and volume. Meanwhile, inefficient sales activities were steeped in a culture of complacency. However, because the problems were so obvious, we were confident that we could turn management around by solving them. In practice, though, it wasn't as easy as we originally thought.

With responsibility for the entire telecommunications business, I myself took command of drastic reforms of the newly acquired company's sales structure. The SOFTBANK Group puts its greatest emphasis on sales activities. In the early days when we were running low on funds, I was often reminded of the importance of sales activities. After all, no matter how good your product, you have no future unless customers buy it.

Within the company, I worked to change the general mindset so employees would abandon their misplaced pride. This pride was based on the notion that telecom operators were at the top of the mobile phone business hierarchy. I also divided the sales department into three units to spur healthy competition among them. In the process, I strove to make all profits generated by each unit clearly

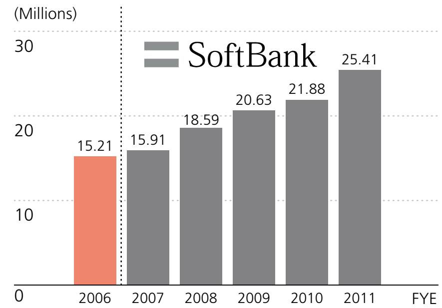


Press conference for the acquisition of Vodafone K.K. (March 2006)

visible. Outside the company, our sales agents are entrusted with the sales of our services and products on our behalf. Here, we reviewed our relationships with our sales agents from scratch. The traditional rule that prevented sales agents from encroaching on each other's sales areas was scrapped in order to foster healthy competition among them. Meanwhile, we worked hard to show good faith and build strong relationships by initiating visits to sales agents ourselves. Furthermore, we started doing business directly with mass appliance retailers, rather than going through trading company-affiliated agents. Through these efforts, we successfully won the prime retailing space close to shop entrances from our competitors, securing an equal or greater retailing space. In other initiatives, we introduced a new system for handling application receipt, registration, and support that has replaced our previous paper-based system.

**Increase by more than 10 million**
in 5 years since market entry

SOFTBANK MOBILE's Cumulative Number of Subscribers

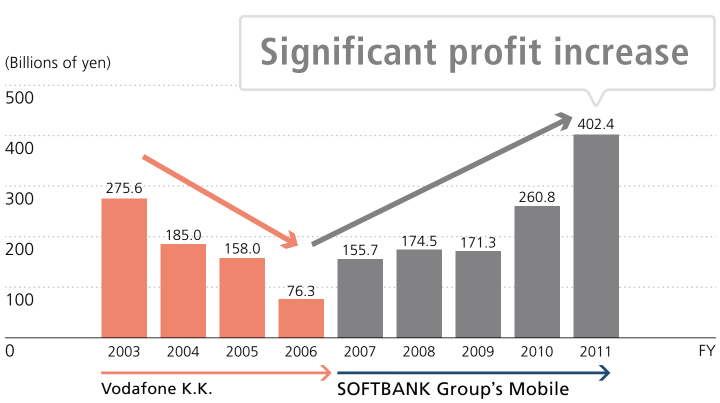



This has completely transformed our storefront operations. Another new introduction is a supply chain system that allows us to minimize opportunity losses through real-time tracking of sales and inventory at sales agents and mass appliance retailers.

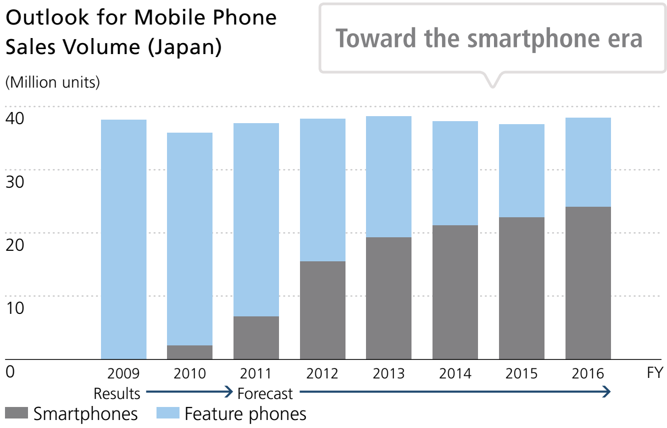
These efforts came to fruition one year after the Vodafone K.K. acquisition. In May 2007, SOFTBANK ranked No. 1 in terms of net subscriber additions for the first time. The employees of the former Vodafone K.K., who had a defeatist attitude, realized that they could achieve a lot if they made an effort. This turned the corporate culture around. Thereafter, *White Plan Family Discount 24*, a mobile phone discount service for families, and iPhone touched off explosive growth in sales. In fact, in the five years after the acquisition, the cumulative number of subscribers increased by more than 10 million.

Prime retailing space at Yamada Denki, a mass appliance retailer in Ikebukuro, Tokyo

Mobile Communications Segment Operating Income

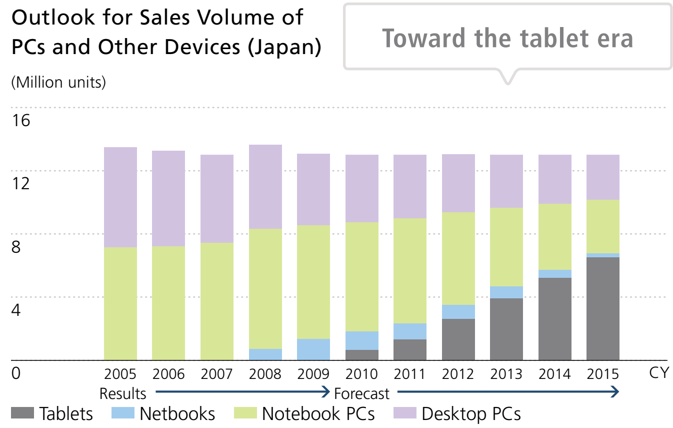


Outlook for Mobile Phone Sales Volume (Japan)




(Note) Created by the Company based on reports issued by MM Research Institute, as of December 16, 2010.

Outlook for Sales Volume of PCs and Other Devices (Japan)




(Note) Results for 2005 to 2009 are based on reports issued by MM Research Institute (as of February 3, 2010).
The Company's estimates are used for 2010 and subsequent years.

## Growth Strategy for the Mobile Communications Segment

On a visit to several stores today, I saw that they were all bustling with customers seeking iPhone 4 in white and iPad 2. In the near future, smartphones and tablets will undoubtedly replace most mobile phones and notebook PCs. This is a fantastic development. It means that people of all ages, from the young to the elderly, will lead their lives with a PC in their pockets. If they are unsure about something, they can look it up in an electronic dictionary on the spot, and even listen to voice playback of the results. Besides this, taking iPhone as an example, users have access to a diverse array of more than 350,000 applications,*1 which can be used in innumerable ways. I believe that the penetration of such mobile devices will even lead to a higher collective intelligence for Japan as a whole.

As these developments change people's lifestyles, the SOFTBANK Group is setting its sights on the mobile Internet, the nucleus of this transformation. This will be the focus area for our business development. During the two-year period from fiscal 2012 to fiscal 2013, we will invest a total of ¥1 trillion*2 (acceptance basis) in expanding our service areas and ramping up our network capacity. We will also phase in high-speed communications services such as *ULTRA SPEED*, which features downlink speeds of up to 42 Mbps. Moreover, while iPhone and iPad have played a pioneering role in the respective smartphone and tablet markets where they continue to drive market growth, SOFTBANK also plans to enhance its range of Android™ devices to satisfy a wider range of customer preferences.

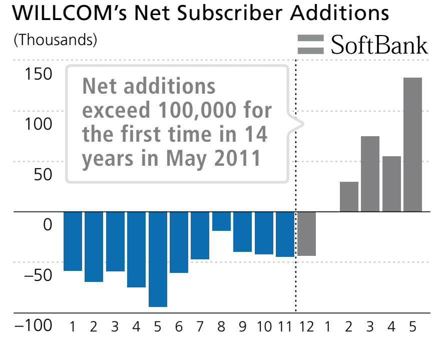
In parallel with these measures, SOFTBANK will also uncover new sources of demand for data communications services. Japan's mobile phone market is said to be saturated, but this is a distorted view based on the long-held assumption of only one mobile phone per person. In the future, besides demand for a second mobile device, communication modules may be installed in all manner of consumer appliances to enable data communications over mobile phone networks. Right now these applications are limited to photo frames, network-enabled cameras and certain car navigation systems. However, we intend to actively develop these sorts of new markets.

*1 From data published by Apple (March 3, 2011).
*2 Consolidated planned amount.

## WILLCOM—the Low-cost Carrier of the Communication Industry

WILLCOM saw its net subscriber additions change from negative to positive in just three months after the SOFTBANK Group commenced business rehabilitation assistance for the company. WILLCOM is a provider of PHS phones. Since the PHS format uses a very weak signal that has no effect on nearby precision instruments, PHS phones are widely used in hospitals and nursing care facilities. Other advantages include a long battery life and a microcell network of 160,000 base stations. Furthermore, WILLCOM introduced a low-priced flat-rate plan for calls to the mobile phones of competitors and fixed-line telephones, not to mention calls between WILLCOM phones. Just as low-cost carriers have staked out a solid position in the airline industry, we believe that PHS phones can survive by cornering the niche for voice handsets based on their outstanding voice quality and low price proposition. Going forward, sales will primarily target demand for second mobile devices among users.

WILLCOM's Net Subscriber Additions



## Bringing the Information Revolution to the Corporate World

SOFTBANK TELECOM is responsible for the Group's business targeting corporations. Around four years ago, we started to make profits generated by sales teams and individual members clearly visible. This led to a rapid transformation in the company's mindset. Another measure was to concentrate operations into four businesses, namely mobile services, utilizing smartphones and tablets, data services, direct connection voice services, and cloud computing services. Through these measures, we transformed SOFTBANK TELECOM into an organization that can steadily generate profits.

Recently, SOFTBANK TELECOM has received many inquiries about linking smartphones with the *White Cloud* cloud computing service. Normally, corporations take the lead in rolling out advanced IT services and ordinary users follow. In the cloud computing environment right now, corporations are actually trailing users. For this reason, the SOFTBANK Group has tied up with Google Inc. of the U.S. to provide *Google Apps™ for Business*. We have assembled a dedicated team to support all aspects of this service, from deployment to operation, in line with the priorities of each corporate client, as we work to increase sales of the service.

On a different note, in the wake of the Great East Japan Earthquake, a growing number of companies are looking at introducing business continuity plans (BCP) and telecommuting. That is why we are actively pitching the *White Workstyle* service, which enables corporate clients to rapidly and easily set up a secure online work environment anytime, anywhere.


**Press conference for the tie-up with KT Corporation of South Korea (May 2011)**
SOFTBANK TELECOM has agreed with KT, South Korea's largest telecommunications operator, to establish a joint venture. The new company is to provide data center and cloud computing services to corporate customers in Japan and South Korea.

## Constant Innovation and Agile Execution

Organizations that grow large and see stable earnings risk falling into a conservative, even defensive, mode of thinking. I believe the old adage "attack is the best form of defense" speaks to the need to maintain a spirit of challenge. The SOFTBANK Group corporate culture is one of constant innovation, drive to create new businesses and services, and a strong organization with a winning attitude and teamwork focus. I plan to work constantly to keep it that way, bringing together the wisdom from everyone to achieve "Information Revolution – Happiness for everyone."

July 2011

Director
Ken Miyauchi

# Financial and Capital Strategy

# Pursuing Active Growth Investments and a Stronger Balance Sheet

## Basic Principle for Financial and Capital Strategy

The SOFTBANK Group is working toward a target of reducing the amount of net interest-bearing debt,*[1] which stood at around ¥1.9 trillion as of March 31, 2009, by half over the three years to March 31, 2012, and to zero over the six years to March 31, 2015. To this end, the Group has worked to maximize free cash flow*[2] (FCF), and prioritized the use of FCF as funds for the repayment of interest-bearing debt. From fiscal 2012, while maintaining this target, the SOFTBANK Group plans to allocate funds boldly to capital expenditures and strategic investments, with a view to driving future growth.

The key to this process is early repayment of funds borrowed through the whole business securitization (WBS) program,*[3] associated with this acquisition of Vodafone K.K. (currently SOFTBANK MOBILE). Under the WBS program, funds generated by the mobile communications business can be used only for business funds in the mobile communications business and for the repayment of WBS debt. Removing this constraint on the use of funds by completing repayment of WBS debt early will put SOFTBANK in full control of the entire Group's funds, and greatly improve its credit status. By working to repay borrowing ahead of schedule, SOFTBANK has already reduced the outstanding WBS debt balance by half from an initial balance of ¥1.37 trillion. Furthermore, SOFTBANK will undertake procurement of the necessary funds to repay the debt early. The cost of fund procurement for SOFTBANK has greatly improved compared with the time when the Company borrowed funds under the WBS scheme. SOFTBANK therefore expects to be able to substantially reduce its interest-expense burden going forward.

## Major Financing Activities During Fiscal 2011

Consolidated free cash flow generated in fiscal 2011 totaled ¥561.3 billion, mainly the result of enforcing rigorous cash flow-oriented management, while making necessary capital expenditures and investments into promising companies such as Renren and PPLive. SOFTBANK used this free cash flow to make solid progress on reducing net interest-bearing debt. It is these efforts that have resulted in SOFTBANK's credit rating being upgraded to an A-level rating for the first time in 11 years.*[4] In addition, in fiscal 2011 SOFTBANK issued bonds totaling ¥235.0 billion. However, it has drastically reduced bond yield spreads*[5] by improving its creditworthiness and because of favorable market conditions.

In other measures, to prepare for early repayment of the WBS debt SOFTBANK acquired all preferred stock and others issued by its subsidiary*[6] to the Vodafone Group of the U.K. and to Yahoo Japan in conjunction with the acquisition of Vodafone K.K. (total cost: ¥532.5 billion). The borrowings through the WBS program are all that remain of the funds procured for this acquisition, and the Group has laid the groundwork for achieving complete repayment early.

July 2011

Director
Kazuhiko Kasai

笠井和彦

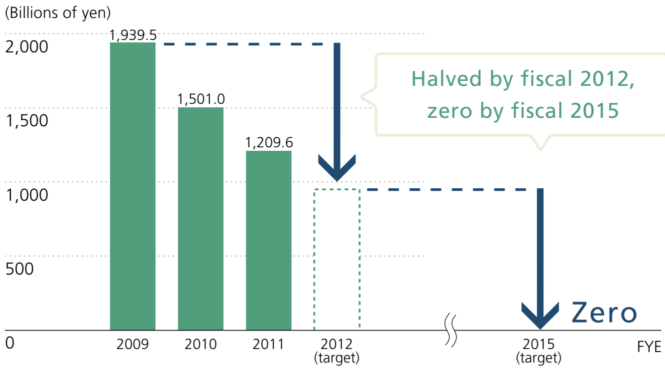
**Kazuhiko Kasai**

Director, SOFTBANK CORP.

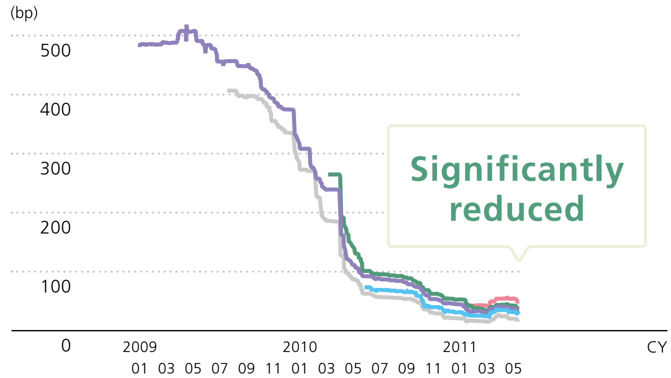
Biography

| | | |
|---|---|---|
| Apr. | 1959 | Joined The Fuji Bank, Ltd. |
| May | 1992 | Executive vice president, The Fuji Bank |
| Apr. | 1998 | Corporate advisor to The Yasuda Trust and Banking Co., Ltd. (currently Mizuho Trust & Banking Co., Ltd.) |
| June | 1998 | Chairman of the board, The Yasuda Trust and Banking |
| Apr. | 2000 | Director, executive advisor, The Yasuda Trust and Banking |
| June | 2000 | Corporate advisor to SOFTBANK |
| June | 2000 | Director of SOFTBANK (to present) |
| July | 2004 | Director, JAPAN TELECOM (currently SOFTBANK TELECOM) (to present) |
| Jan. | 2005 | President & owners' representative, Fukuoka SOFTBANK HAWKS (to present) |
| June | 2005 | Chairman & president, Fukuoka SOFTBANK HAWKS Marketing (to present) |
| Apr. | 2006 | Director, Vodafone K.K. (currently SOFTBANK MOBILE) (to present) |

## Net Interest-bearing Debt



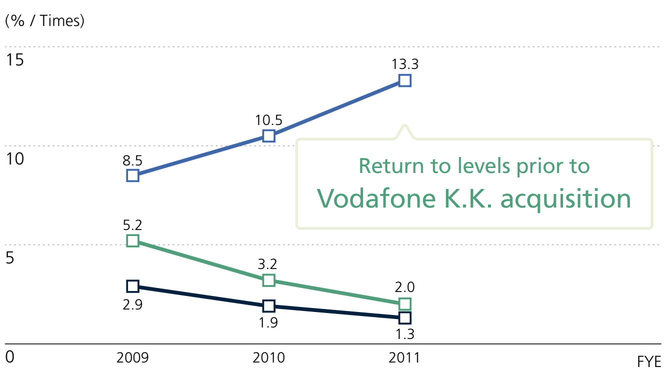

## Corporate Bond Spread




34th Unsecured Straight Corporate Bond (5 years remaining)
30th Unsecured Straight Corporate Bond (4 years remaining)
26th Unsecured Straight Corporate Bond (3 years remaining)
31st Unsecured Straight Corporate Bond (2 years remaining)
28th Unsecured Straight Corporate Bond (1 year remaining)

(Note) Calculated by the Company based on Japan Securities Dealers Association data.

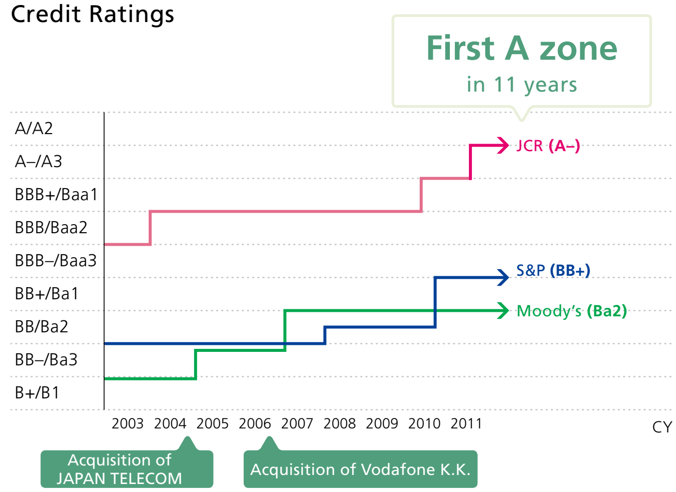
## Equity Ratio, Net Debt / Equity Ratio, Net Interest-bearing Debt / EBITDA Multiple




Equity ratio
Net debt / equity ratio
Net interest-bearing debt / EBITDA multiple

(Note) Net debt / equity ratio = net interest-bearing debt / total shareholders' equity.
EBITDA = operating income (loss) + depreciation + goodwill + loss on disposal of fixed assets included in operating expenses.

## Credit Ratings




Japan Credit Rating Agency (JCR)
Standard & Poor's (S&P)
Moody's

*1 Net interest-bearing debt = interest-bearing debt – cash position.
Interest-bearing debt = short-term borrowings + commercial paper + current portion of long-term debt + long-term debt. Lease obligations are not included. This excludes the corporate bonds (WBS Class B2 Funding Notes, issued by J-WBS Funding K.K.) with a face value of ¥27.0 billion acquired by the Company during fiscal 2010 that were issued under the whole business securitization scheme associated with the acquisition of Vodafone K.K.
Cash position = cash and cash deposits + marketable securities recorded as current assets (excludes Yahoo! Inc. shares held by a subsidiary of the Company in the United States of America) + time deposits with original maturity over three months.

*2 Free cash flow = cash flows from operating activities + cash flows from investing activities.

*3 A fund procurement method where borrowed funds are backed by the cash flow generated by a business.

*4 In February 2011, Japan Credit Rating Agency (JCR) raised SOFTBANK's credit rating from BBB+ to A–.

*5 The difference in interest rate on corporate bonds compared to the base rate.

*6 BB Mobile is a wholly owned subsidiary of SOFTBANK and an intermediary holding company in the Mobile Communications segment. BB Mobile owns 100% of the shares of SOFTBANK MOBILE.

# Status of Investments

## Shifting Investment Focus to Fast-growing Asia

In fiscal 2011, the SOFTBANK Group made an additional investment of ¥16.4 billion in Renren, having initially invested in this company in fiscal 2009. On May 4, 2011, Renren achieved an initial public offering of its shares on the New York Stock Exchange of the U.S. As of May 9, 2011, SOFTBANK owned 33.4% of voting rights (before dilution) in Renren. In January 2011, SOFTBANK invested in China's PPLive. PPLive operates *PPTV* online TV services in China through one of its group companies. As of March 31, 2011, SOFTBANK held 40.1% of voting rights (before dilution) in PPLive.

In fiscal 2012, the SOFTBANK Group formed a joint venture in partnership with Japanese entertainment company YOSHIMOTO KOGYO CO., LTD. The new venture will distribute video content produced and procured by the YOSHIMOTO KOGYO Group via the Internet in Japan and overseas. The SOFTBANK Group also joined forces with Japan's START TODAY CO., LTD. to establish a joint venture in Hong Kong. START TODAY operates the "*ZOZOTOWN*" apparel shopping site. The new joint venture plans to set up a subsidiary to run an apparel shopping site, and to develop this business in China. The SOFTBANK Group has also invested in Gilt Groupe Inc. in the U.S., which runs the "*Gilt*" members-only shopping site. The SOFTBANK Group has plans to invest in Gilt Groupe K.K., the Japanese subsidiary of Gilt Groupe, with plans to jointly develop business in Japan.

**Providing contents to the world via the Internet -**

### "Contents Bank"

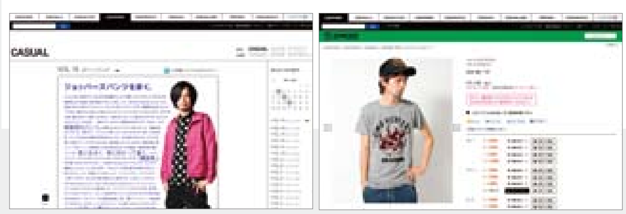
吉本興業株式会社

(YOSHIMOTO KOGYO)

***"ZOZOTOWN"* to be**

### launched in China

START TODAY CO.,LTD.



### Information on Major Investments (Listed investees) (As of March 31, 2011)

(Billions of yen)

| Company Name | Amount of Investment | Proceeds From Sales | Market Value of the SOFTBANK Group's Equity Interest | Proceeds From Sale + Market Value of the SOFTBANK Group's Equity Interest | Return |
|---|---|---|---|---|---|
| Yahoo Japan | 7.7 | 79.0 | 727.7 | 806.7 | 104.77× |
| Yahoo! Inc. | 54.7 | 235.8 | 72.1 | 307.9 | 5.63× |
| SOFTBANK TECHNOLOGY | 3.3 | 84.0 | –0.6 | 83.4 | 25.27× |
| GungHo Online Entertainment | 4.1 | – | 9.6 | 9.6 | 2.34× |
| Vector | 1.1 | – | –1.5 | –1.5 | –1.36× |
| ITmedia | 1.6 | – | 1.0 | 1.0 | 0.63× |
| Carview | 2.0 | 1.0 | –2.6 | –1.6 | –0.80× |
| Total | 74.5 | 399.8 | 805.7 | 1,205.5 | 16.18× |

# Measures for Power Generation from Renewable Energy


Press conference on the establishment of the Renewable Energy Governors' Alliance (May 2011)

## Renewable Energy Governors' Alliance Established

Energy policy reforms have become a hot topic of discussion both in Japan and overseas, following the nuclear accident at Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Station. In this context, the SOFTBANK Group established the Renewable Energy Governors' Alliance in July 2011 together with more than 30 local governments across Japan. The purpose of the new organization is to discuss and exchange views and information on promoting power generation from renewable energy.

In addition, the Group is considering developing a business model for power generation based on renewable energy in cooperation with these local governments. This new business field will involve generating electricity from renewable sources like solar, wind, and geothermal, and selling the power to electric power companies. At present, Japan's energy policy is at a turning point and power generation from renewable energy is attracting more public interest than ever before. By taking steps to develop this new business model, the Group aims to help build a society that has access to safe and reliable sources of energy.

In the course of developing this business, the Group must carefully analyze business profitability, the regulatory environment, and other factors. The Group will continue to carefully study the feasibility of this business. In the event that the Group decides to proceed with the business, there will be no change in the Group's target of reducing net interest-bearing debt* of ¥1,939,521 million as of March 31, 2009 by half in the three years to March 31, 2012 and to zero in the six years to March 31, 2015.

* Net interest-bearing debt = interest-bearing debt – cash position.
Interest-bearing debt = short-term borrowings + commercial paper + current portion of long-term debt + long-term debt. Lease obligations are not included. This excludes the corporate bonds (WBS Class B2 Funding Notes, issued by J-WBS Funding K.K.) with a face value of ¥27.0 billion acquired by the Company during fiscal 2010 that were issued under the whole business securitization scheme associated with the acquisition of Vodafone K.K.
Cash position = cash and cash equivalents + marketable securities recorded as current assets (excludes Yahoo! Inc. shares held by a subsidiary of the Company in the United States of America) + time deposits with original maturity over three months.

## New Business Field Added to the Articles of Incorporation

At the 31st Annual General Meeting of Shareholders held on June 24, 2011, the Company put forward a resolution to change part of the Articles of Incorporation. The resolution was duly approved and passed by shareholders.

This change consists of the addition of a new business field to Paragraph 1, Article 2 (Purpose) of the Articles of Incorporation in preparation for future business development. In the event that the Company decides to develop operations in this new business field, business execution shall proceed only after prior deliberation and approval at the Board of Directors meeting.

### Details of the Change in the Articles of Incorporation

(Added section underlined)

| Previous Articles of Incorporation | | Current Articles of Incorporation (Effective June 24, 2011) | |
|---|---|---|---|
| (Purpose)<br>Article 2 | The purpose of the Company shall be to control and maintain the business activities of the Company by acquiring and owning shares or equity of the companies which perform the following business activities and foreign companies which perform business activities corresponding to the following: | (Purpose)<br>Article 2 | The purpose of the Company shall be to control and maintain the business activities of the Company by acquiring and owning shares or equity of the companies which perform the following business activities and foreign companies which perform business activities corresponding to the following: |
| 1.<br>to<br>40. | (Omitted) | 1.<br>to<br>40. | (Unchanged) |
| | (Newly Added) | <u>41.</u> | <u>Generation of power utilizing renewable energy, etc., and management, operation, supply and sales of its power</u> |

# Information Revolution – Happiness for everyone

**Feature I** **SOFTBANK Network Strategy**

**Feature II** **Realizing SOFTBANK's Next 30-Year Vision – Two Key Initiatives — Strategic Synergy Group and SOFTBANK Academia**

## A Sharp Eye for Telecommunications Technology

In September 2006, I joined the SOFTBANK Group. I was appointed as executive vice president of Vodafone K.K. (currently SOFTBANK MOBILE), a company that was acquired by the Group. I had received a previous offer to join the organization, but had turned it down because I felt that I wasn't quite ready to assume the role. Ultimately, I decided to join the Group at the urging of Mr. Son. He said, "I am putting my career on the line to revolutionize Japan's ICT industry. If you care as much about Japan's future as I do, I'm sure you would be willing to help." When he put it like that, how could I refuse? I accepted the position wholeheartedly, convinced that I could use the knowledge and experience I had developed throughout my career to help develop and implement the Group's long-term strategies for technology and global business development.

Looking back, I realize just how long my career in the ICT industry has been. As general manager of a communications business unit at ITOCHU Corporation, I was involved in setting up Japan's cable television business, and establishing NTT DOCOMO's mobile phone sales network. I had a part to play in the consolidation of Japan's satellite communications industry, through the merger of Japan Communications Satellite, Inc. (JCSAT) and Satellite Japan Corporation (SAJAC), as well as the development of satellite communications and broadcasting services (currently *SKY PerfecTV!*). I also served as president of QUALCOMM Japan Inc., the Japanese arm of QUALCOMM Inc., a prominent U.S. developer of wireless communications technology. During that phase of my career, I did my utmost to introduce and popularize the CDMA2000 communications standard, which was adopted by KDDI and others. I was also a senior vice president at QUALCOMM headquarters until I joined the SOFTBANK Group. There, I helped to popularize mobile phone data services in developing countries.

**Tetsuzo (Ted) Matsumoto**

Chief strategic advisor to CEO, director,
SOFTBANK MOBILE Corp.

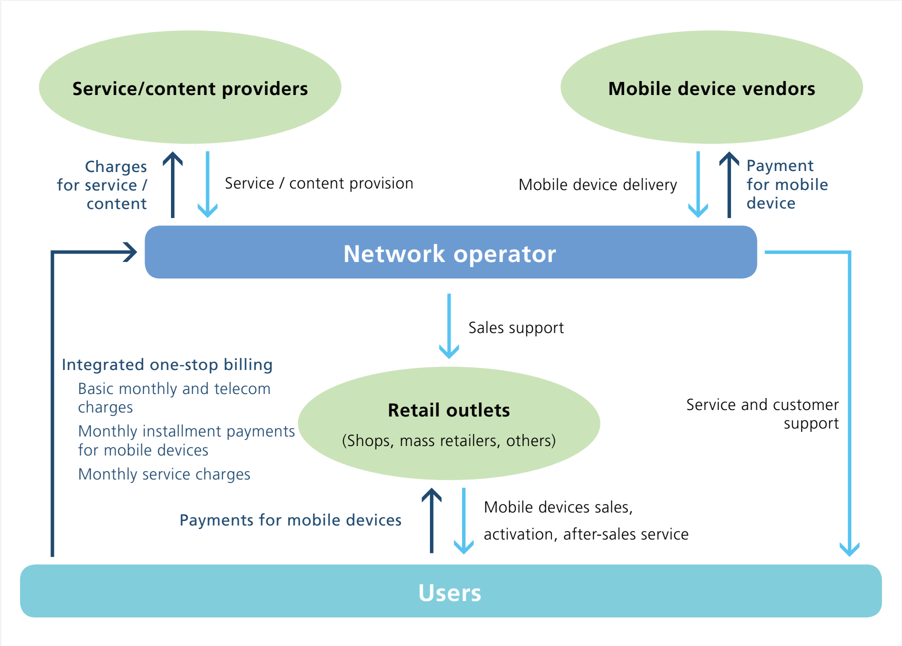
Biography

| | | |
|---|---|---|
| Apr. | 1962 | Joined ITOCHU Corporation |
| Oct. | 1984 | Senior vice president and general manager of electronics, C. Itoh & Co., Ltd. (America) |
| Apr. | 1991 | General manager, Telecommunications Business Division ITOCHU Corporation |
| Apr. | 1993 | General manager, Communication and Multimedia Businesses, ITOCHU Corporation |
| Apr. | 1996 | President, Japan Link Corporation |
| Apr. | 1998 | President, QUALCOMM Japan Inc. |
| Sept. | 2004 | Senior vice president, QUALCOMM Incorporated. |
| Mar. | 2005 | Chairman, QUALCOMM Japan |
| Sept. | 2006 | Executive vice president, Vodafone K.K. (currently SOFTBANK MOBILE) |
| Oct. | 2006 | Executive vice president, director, SOFTBANK MOBILE |
| June | 2007 | Senior executive vice president, director, SOFTBANK MOBILE |
| June | 2011 | Chief strategic advisor to CEO, director SOFTBANK MOBILE (to present) |

## Overview of Japan's Mobile Phone Industry

One distinct feature of Japan's mobile communications industry is that telecom operators do much more than provide telecommunications networks. They are also deeply involved with the planning and sale of mobile devices and services and thus provide a "vertically integrated service" to customers. At the SOFTBANK Group we firmly believe that customers are willing to pay a premium for the total value package embodied by the combination of mobile devices, services, and networks. Therefore, we are focusing on seamlessly integrating mobile devices, application services, and communications networks while backing them with comprehensive marketing and customer support. Through steady efforts on this front, we are convinced that we will come to provide an increasingly broader range of services in the future, leading to solid growth in our profit streams. However, it is impossible to develop everything on our own. That is why it is vital that we work in close partnership with outstanding partners in Japan and abroad.

Mobile Communications Services Ecosystem in Japan



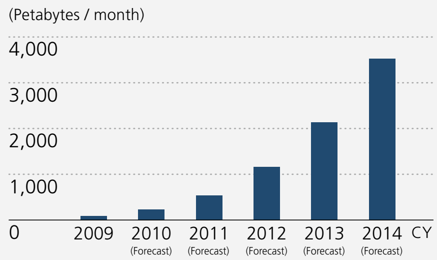
# Mobile Network Construction Ready for the Mobile Internet Era

## The Traffic Issue Rears its Head

More and more people are starting to appreciate the benefits of effectively using smartphones and tablets in every part of their daily lives. This appreciation is ushering in a full-fledged mobile Internet era. However, as we enter this new era, surging mobile data traffic will start to pose a major problem. According to one estimate, the world's mobile data traffic is projected to increase approximately 40-fold over the five-year period from 2009 (see graph). Going forward, coping with this burgeoning traffic while maintaining profitability will become an urgent priority for all telecom operators worldwide.

**Roughly 40-fold increase over five years** from 2009

### Global Mobile Data Traffic Forecast




(Source) "Cisco Visual Networking Index: Global Mobile Data Traffic Forecast Update, 2009–2014."

## Solution to the Traffic Issue

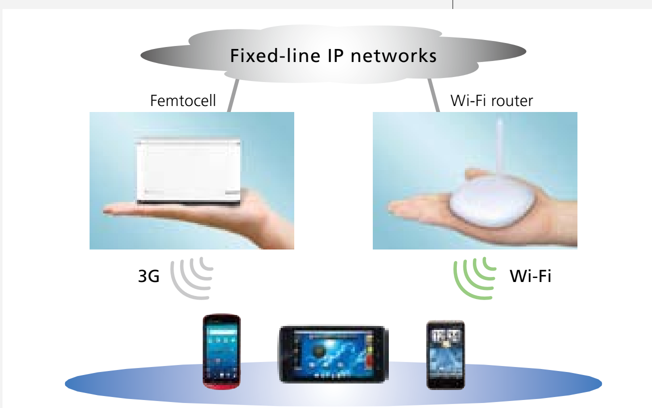
The SOFTBANK Group is steadily preparing for this rapid increase in traffic. Our first measure is to upgrade our mobile communications network. The second is to offload traffic to fixed-line IP networks through the use of wireless local area networks (LAN). Both of these approaches are crucial, and must be pursued in tandem.

To upgrade our mobile communications networks, we must ensure the timely roll-out of LTE (Long Term Evolution) and other cutting-edge technologies as we efficiently apply such technology to our allotted bandwidth. At the same time, we must make the cells of our network smaller, primarily in large cities, where traffic is concentrated.

By smaller cells, I mean reducing the area covered per base station. This will enable us to use the same bandwidth repeatedly, and dramatically increase the amount of data traffic that can be processed within the same area. We have particularly high hopes for femtocells, which are the smallest possible base stations. Femtocell technology is useful because it can compensate for tiny blind spots in our network coverage.

As for wireless LAN, we are providing Wi-Fi routers free of charge to heavy users of substantial data traffic. In addition, we continue to set up more Wi-Fi routers in places where large numbers of people gather. Looking ahead, our goal is to dramatically increase the number of such public access points.

### Staying Atop Burgeoning Data Traffic (Developing smaller cells)




## Boosting Profitability

The key to enhancing profitability lies in further broadening the base of mobile Internet users, while increasing the number of high ARPU* customers who choose flat-rate payment plans. On the other hand, overall network costs must be reduced through the optimal combination of mobile and fixed-line technologies.

As the functions of our customers' mobile devices become more sophisticated, they will spend more time using the devices, leading to a dramatic increase in the influx of data traffic into telecommunications networks. Video will take on particular importance in this context. Data traffic will increase exponentially as watching video on mobile device screens becomes increasingly commonplace.

However, as long as the network is structured effectively and meticulously operated from the customers' standpoint, telecom operators can stay atop increased data traffic while holding fixed costs below a certain level. This is an essential precondition for enhancing both customer satisfaction and profitability, and one of the most pressing challenges for telecom operators in the years ahead.

* Abbreviation for Average Revenue Per User

## Overseeing Infrastructure

I founded the Internet service provider Momotaro Internet Co., Ltd. in 1991, and from 2000 was CEO of Nagoya Metallic Communications Corp., an ADSL service provider. While we struggled with cash flows, I worked to develop the company to the point where it was ready to go public.

One day, after we had a disclosure review of our shares, I got a call out of the blue from Mr. Son, whom I had never met before, asking if I would be interested in teaming up to provide ADSL services. He said that working together we could accomplish something big. After that we had many discussions while I privately wondered what my best move would be. In the end, I decided to merge with the SOFTBANK Group.

### Junichi Miyakawa

Executive vice president, director & CTO, SOFTBANK MOBILE Corp.
Executive vice president, director, SOFTBANK BB Corp.
Executive vice president, director & CTO, SOFTBANK TELECOM Corp.
Director, WILLCOM, Inc.

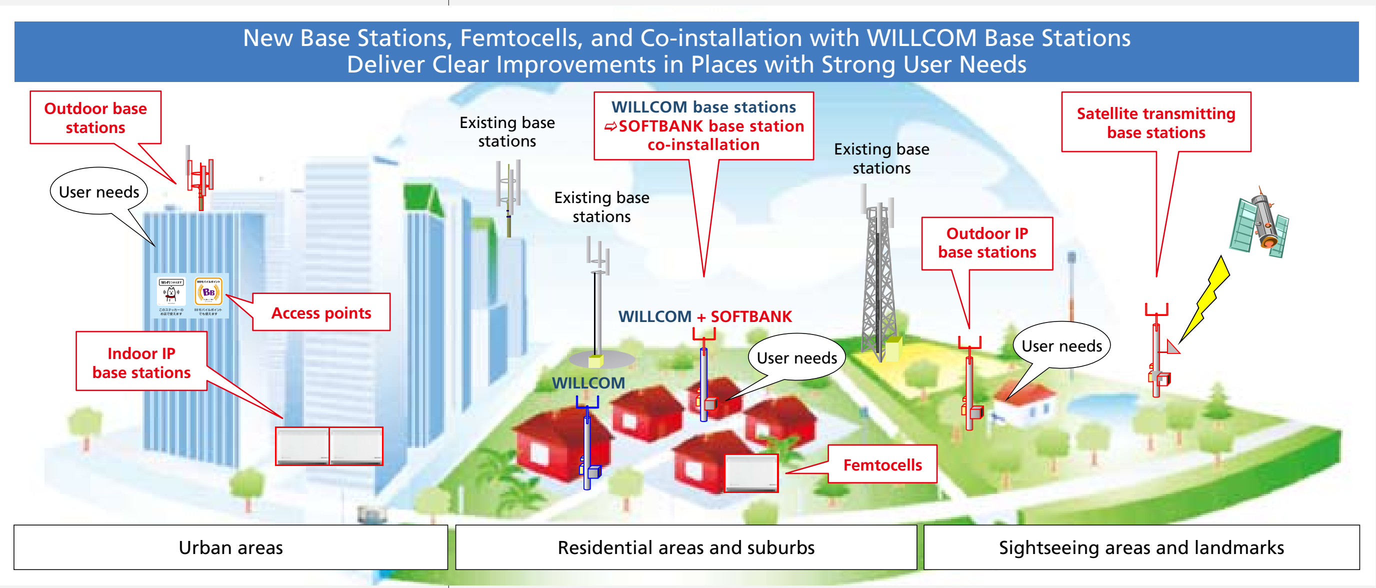
After joining BB Technologies Corporation (currently SOFTBANK BB) in 2001, I focused on leading the technology team to establish the ADSL service *Yahoo! BB* and the IP telephony service *BB Phone*, becoming "SOFTBANK man" in name as well as deed following the merger of Nagoya Metallic Communications with SOFTBANK BB. Subsequently, I worked as chief technology officer (CTO) at the newly acquired Vodafone K.K. In that capacity, I set my sights on building a network that would earn our customers' respect for its quality.

Currently, I lead the Infrastructure division of SOFTBANK MOBILE in an ongoing effort to expand and strengthen our mobile communications network, while also working on integration of the SOFTBANK Group's backbone network.

Biography

| | |
|---|---|
| Dec. 1991 | CEO of Momotaro Internet Co., Ltd. |
| June 2000 | CEO of Nagoya Metallic Communications Corp. |
| Oct. 2001 | Manager of president's office, BB Technologies Corporation (currently SOFTBANK BB) |
| Aug. 2003 | Director, SOFTBANK BB |
| July 2004 | Senior vice president, director, JAPAN TELECOM CO., LTD. (currently SOFTBANK TELECOM) |
| Nov. 2004 | Senior vice president, director, SOFTBANK BB |
| Apr. 2005 | Executive vice president, director, JAPAN TELECOM |
| Apr. 2006 | Executive vice president, director & CTO, Vodafone K.K. (currently SOFTBANK MOBILE) |
| June 2006 | Executive vice president, director, JAPAN TELECOM |
| June 2007 | Executive vice president, director & CTO, SOFTBANK MOBILE (to present) |
| June 2007 | Executive vice president, director, SOFTBANK BB (to present) |
| June 2007 | Executive vice president, director, SOFTBANK TELECOM |
| Oct. 2010 | Director, COO, Wireless City Planning (to present) |
| Nov. 2010 | Director, WILLCOM (to present) |
| June 2011 | Executive vice president, director & CTO, SOFTBANK TELECOM (to present) |

Solutions to Improving Reception



# "I don't want SOFTBANK to be criticized for having poor connectivity."

## Doubling the Number of Mobile Phone Base Stations

In mobile communications services, our urgent task is to improve connectivity. This will allow us to address connection difficulties, which have been a weak point in our services, while coping with the sharp rise in data traffic accompanying the uptake of smartphones. To this end, in March 2010 we announced the SoftBank Network Enhancement Initiative, and proceeded to double the number of base stations in the space of a year, from around 60,000 at the end of March 2010 to 122,508 at the end of March 2011. We supported this move by providing indoor mini-base stations (femtocells) that connect to a broadband circuit to relay the signal. We supplied these free of charge to homes and stores where signal reception had been poor due to surrounding buildings and other factors.

When we surveyed customers who are using femtocells their response indicated a marked improvement in customer satisfaction, as they had noticed a clear improvement in signal reception. We will work to expand our coverage even further, and raise communications quality in our services even higher.

In our effort to increase the number of outdoor base stations, we are making use of the base stations and installation points of WILLCOM, a company that SOFTBANK is helping to rehabilitate. As of the end of March 2011, WILLCOM had around 20,000 base stations that share an installation with, or have been replaced by, SOFTBANK MOBILE base stations. We plan to expand these to between 30,000 and 40,000.

## Increased Convenience with Wireless LAN

Under the SoftBank Network Enhancement Initiative, we are working to increase Internet access points in our public wireless LAN service *SoftBank Wi-Fi Spot* by providing Wi-Fi routers free of charge to corporations and stores. This service offers fast downlink speeds of up to 54 Mbps, enabling users to browse Web sites effortlessly, watch videos and generally enjoy easy Internet access around town. As of the end of May 2011, there were over 30,000 access points at cafes, fast food restaurants, hotels, convenience stores, platforms of major metropolitan subway stations and other locations. We plan to install even more access points to increase user convenience even further, and to lighten the load on the mobile communications network as a result of the increase in data traffic.

## One Trillion Yen of Capital Expenditure

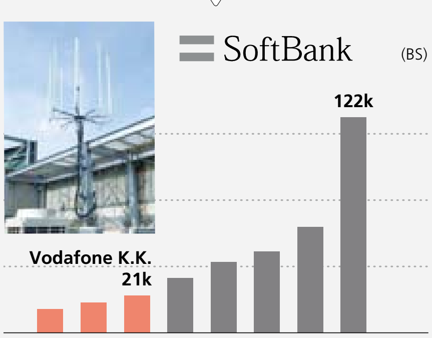
We have come a long way with enhancing our network for mobile communications services, but we have no intention of easing off the pace now.

We plan to make consolidated capital expenditure of ¥500 billion (acceptance basis) in fiscal 2012 and fiscal 2013, for a total of ¥1 trillion. At our earnings results briefing for fiscal 2011, Mr. Son said that we would allocate 80% of this to the mobile communications business. He showed real resolve to enhance the network, saying "I don't want SOFTBANK to be criticized for having poor connectivity—we have the means to meet our customers' expectations, and we will." I couldn't agree more.

In the world of mobile broadband, people will be able to enjoy high-speed Internet access wherever they are. Our passion is to make this a reality as soon as we can and to create services that can really improve people's lives.

Number of Base Stations

Since acquisition by SOFTBANK,
**base stations have increased approx. six-fold**




(Note) Excludes home femtocell and home repeaters.

Providing Internet access in metropolitan subway stations with
***SoftBank Wi-Fi Spot***

## Next-generation Backbone Network

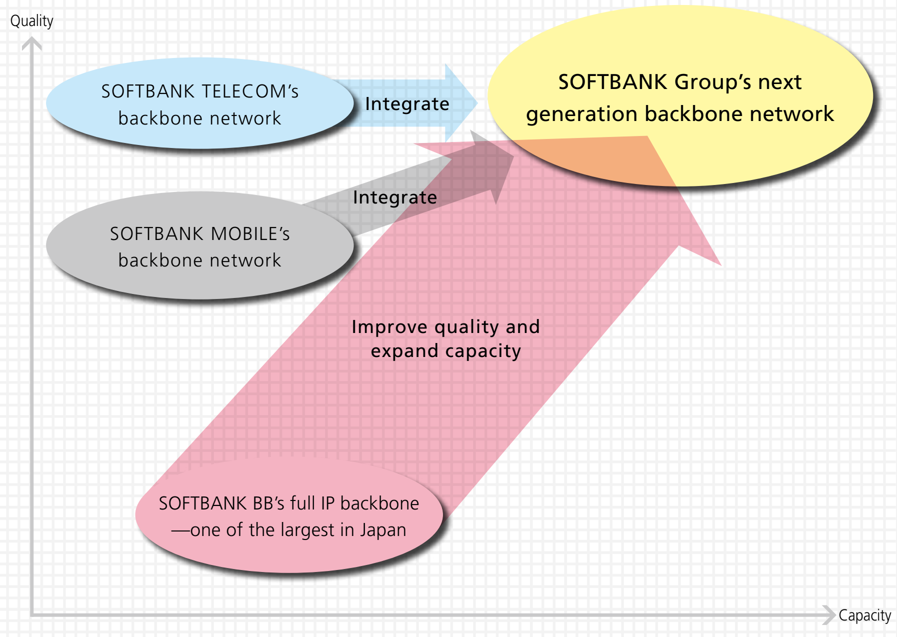
The SOFTBANK Group has three backbone networks. These have been built to provide mobile communications services (SOFTBANK MOBILE), broadband services (SOFTBANK BB), and fixed-line voice and dedicated line services (SOFTBANK TELECOM) respectively. Recently, the Group has needed to respond to a sharp rise in data traffic following the rapid uptake of smartphones and increasing richness of content. At the same time, we are striving to raise investment efficiency and reduce maintenance and operation costs. As a way to meet both of these challenges, we will integrate our three backbone networks completely into a single network over the next few years.

This integration presents a technical challenge because two different technologies must be allowed to work within the same backbone network. To put it simply, SOFTBANK MOBILE and SOFTBANK TELECOM use "telephony technology" while SOFTBANK BB uses "Internet technology." Telephony technology prioritizes stable, lag-less information transmission for voice lines, and is therefore very high quality, but not very efficient when transmitting data. Internet technology, on the other hand, is good at efficiently carrying large volumes of data such as pictures or video, but is not suited to data transmission that requires high quality, such as voice or real-time video.

## Cutting-edge Technology—MPLS-TP

The SOFTBANK Group will resolve this disparity using the latest industry-standard technology, MPLS-TP (packet-based transmission technology), which fuses telephony and Internet technologies. Deploying this technology, the Group is building a next-generation backbone network that combines the quality of telephony with the efficiency of Internet technology to provide a variety of services on one network. The new network will be based on the full IP backbone network built by SOFTBANK BB for providing *Yahoo! BB* broadband services. This network is one of the largest full IP backbone networks in Japan. We will work to increase its capacity and quality, while integrating our SOFTBANK MOBILE and SOFTBANK TELECOM backbone networks into it in stages. As of the end of fiscal 2011, we have already completed the backbone integration in Tokyo, Nagoya and Osaka. Our focus now will be a carefully timed switchover to the new backbone network. We plan to execute this smoothly without service interruption, or trouble for our customers.

Concept Diagram of Next Generation Backbone Network



## Response to the Great East Japan Earthquake

The Great East Japan Earthquake of March 11, 2011 rendered the SOFTBANK Group's telecommunications services difficult or impossible to use in some areas. Recognizing that telecommunications services are an important lifeline, the SOFTBANK Group made every effort to restore its services and network as quickly as possible.

In mobile communications services, we found that 3,786 base stations were no longer transmitting on the morning following the earthquake. We dispatched a total of 789 technical team members and a team of total of 440 in-house volunteers, deploying mobile base station vehicles and mobile power supply vehicles, as well as temporary base stations that combine equipment for satellite uplink and IP mobile phone base stations. As a result, we had restored our service area*1 to almost pre-disaster levels by April 14. Of the 203 base stations that were badly damaged, 99 were rebuilt or had all SOFTBANK Group-side recovery operations such as restoring connections completed by April 28. As of the end of June 2011, the number of base stations out of operation had been reduced to 65,*2 including 8 base stations that can be restarted once power supplies have been restored. Our next task is to restore communication quality to pre-disaster levels by making adjustments to base station antenna orientation and control ranges.


Mobile base station vehicle


Restoring base stations using satellite links.

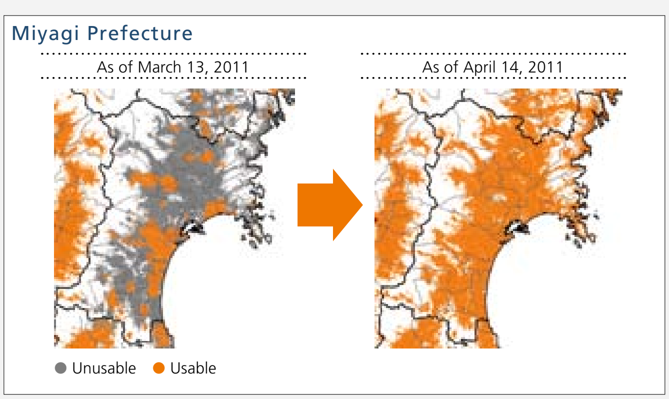
In fixed-line telecommunications services, approximately 178,000 lines*3 were affected by the disaster. However, around 95% of these were restored by April 14, rising to around 97% by the end of June.


A generator installed at a base station.

To prepare for future disasters, the SOFTBANK Group will install 2,200 new base stations in key areas, equipped with large emergency batteries to ensure operation for 24 hours following a loss of power. At our network centers we will ensure operation for 48 hours following a loss of power by increasing stores of fuel for on-site generators. At seven especially critical sites we will maintain fuel supplies to cover 72 hours of operations. Finally, we plan to allocate 100 mobile base station vehicles at major bases throughout Japan, as well as 200 portable wireless base stations able to transmit via satellite. These efforts should make the network more robust against disasters, and therefore more reliable.

*1 Excluding the area affected by Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Station, and access-restricted areas that were severely damaged in the earthquake and subsequent tsunami.
*2 Including base stations inside the area affected by Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Station, and base stations maintained by Japan Tunneling Association (Japan Mobile Communications Infrastructure Association).
*3 Total number of lines for SOFTBANK TELECOM fixed-line telecommunications services and SOFTBANK BB broadband services *(Yahoo! BB service* and *SoftBank Broadband Service)*. (Includes lines inside the area affected by Tokyo Electric Power Company's Fukushima Daiichi Nuclear Power Station).

### Area Coverage Restored Almost to Pre-disaster Levels*1 Approximately One Month After the Earthquake




* Comparison made with simulation data. Differs from actual area in some places.

Hurrying to deploy portable wireless base stations able to transmit via satellite.


## Feature II Realizing SOFTBANK's Next 30-Year Vision – Two Key Initiatives

### Strategic Synergy Group

renren PPLive USTREAM

### SOFTBANK Academia

SoftBank Academia


# Strategic Synergy Group

## Organization Structure for Sustained Growth

As stated in SOFTBANK's Next 30-Year Vision, the SOFTBANK Group is engaged in various businesses with the aim of becoming the group needed most by people around the world.

In the process, SOFTBANK will naturally promote new services and launch new businesses, either through existing Group companies or by establishing new subsidiaries. At the same time, however, we recognize that trying to "go it alone" and develop everything within the Group will make it almost impossible to stay on top of relentless technological innovation and shifting business models, as well as changing customer needs.

Therefore, one of the SOFTBANK Group's strategies is to develop and grow a "strategic synergy group" through partnerships with companies possessing superior technologies or business models at any given time. We will form these partnerships by investing in such companies or establishing joint ventures with them. SOFTBANK believes that this is the optimal strategy for continuously providing services that transform people's lifestyles, and developing into the organization that we seek to become.

## What is the strategic synergy group?

### Autonomy, Decentralization, and Cooperation

In order to rise above fierce competition in the fast-changing business environment, business leaders must firmly take ownership of issues and make fast and flexible decisions. For this reason, in the strategic synergy group, we will develop a web-like organization based on the key concepts of autonomy, decentralization, and cooperation. This structure should outperform a traditional hierarchical organization with a centralized chain of authority and command, which tends to slow down decision-making. Each company is to be mutually interconnected as if bound together by the thread of an expansive spider's web. Even while making autonomous decisions, the partner companies will be able to capture synergies under a common philosophy to pursue advancement and growth.

The strategic synergy group will be held together by a mosaic of different capital relationships. Some companies will be wholly owned subsidiaries of SOFTBANK. Others will be joint ventures that we set up with partner companies.

When SOFTBANK and a partner company bring their respective areas of expertise together in this manner to jointly develop business, we may sometimes play a leadership role. However, if the leader of a partner company is a talented manager with outstanding charisma and excellent judgment and the company has already achieved a measure of growth, then there will be no need for us to take a controlling interest.

The Internet is a decentralized network in which no central computer controls the whole. According to one theory, the Internet grew out of a military information network developed to remain operational in its entirety even if a central computer facility were to be destroyed by a nuclear strike. The SOFTBANK Group, whose business operations rest on the foundations of the Internet, has been seeking the ideal organizational structure for maintaining its long-term prosperity over the next 300 years. It is interesting to note that we have arrived at a structure that is one and the same as the Internet.

In the following pages, we highlight three companies in the strategic synergy group. We also explore the workings of our venture capital structure, which plays a crucial role in forming and expanding the strategic synergy group.

# Renren Inc.

(Renamed from Oak Pacific Interactive in December 2010.)

### Capital Relationship

SOFTBANK made its first investment in Renren in 2008, followed by an additional investment of ¥16.4 billion in January 2011. As of May 9, 2011, SOFTBANK held a voting interest of 33.4% (undiluted basis) in Renren.

Renren operates China's No. 1* real-name social network service (SNS) site, *Renren.com* ("*Renren*") through one of its affiliated businesses. The site has seen continuous growth, with the number of activated users reaching 122 million as of the end of May 2011.

In its core online advertising business, Renren counts among its advertisers such prominent companies as Audi AG, BMW AG, China Merchants Bank, China Mobile Limited, The Coca-Cola Company, McDonald's Corporation, Nike, Inc., Nokia Corporation, and The Procter & Gamble Company. Renren's SNS platform has significant advantages due to its diverse and unique advertising formats and its targeting capabilities, which benefit from the real-name nature of the platform. In addition, advertisers are attracted to *Renren*'s user demographics, a majority of whom are college students and young professionals who typically have relatively high levels of education and income. In social gaming, another core business, Renren currently offers more than 900 game titles based on an open platform.

In addition, Renren operates *Nuomi.com* ("*Nuomi*"), a leading group buying service site in China, through one of its affiliated businesses. The site was launched in June 2010. One of *Nuomi*'s strengths is its leverage of *Renren*. As of May 31, 2011, *Nuomi* has seen the number of paying users steadily grow to 2 million.

Renren listed its shares on the New York Stock Exchange of the U.S. on May 4, 2011. Using the funds raised through the listing, Renren is expected to accelerate growth into the future.

* As measured by total page views and total user time spent on social networking Web sites in February 2011, based on data issued in March 2011 by iResearch.


Renren Inc. lists its shares on the New York Stock Exchange.

We started providing SNS services to college students in China under the name "*Xiaonei*," which means "on campus." As we expanded beyond the college market to the general public, we renamed the site "*Renren*," which means "everyone." Today, *Renren* has grown to become China's largest real-name based SNS. Although *Renren* is sometimes referred to as "the *Facebook* of China," our ambitions for the future extend much further than that.

We continue to see robust growth in our user base and their engagement level. This will build a strong foundation for scalable and sustainable growth in monetization over time. What's more, people are using *Renren* in more ways than ever before. As of the end of May 2011, over 880 Web sites are connected to *Renren* through *Renren's Connect Program*. Another area where we see a growing number of users is *Nuomi.com*, our group buying site. We expect that *Nuomi* will become a significant social commerce* player in China and an integral part of our long-term e-commerce strategy.

We have maintained a strong relationship with SOFTBANK ever since it first invested in us in 2008. We look forward to continuously deepening our ties with SOFTBANK as a strategic partner, with the view to mutually enhancing our respective enterprise values.

* E-commerce based on various social media platforms, such as SNS.

**Joseph Chen**
CEO, Renren Inc.

# PPLive Corporation

(Renamed from Synacast Corporation in April 2011.)

### Capital Relationship

SOFTBANK made its initial investment in PPLive in January 2011. As of March 31, 2011, SOFTBANK held a 40.1% voting interest (undiluted basis) in PPLive.

PPLive was established in 2004 as China's first online video media company. The PPLive group provides *PPTV*, China's largest*[1] online TV service. *PPTV* uses the PPCloud™ System—an outstanding content distribution platform fusing the world-class P2P*[2] and CDN*[3] platform technologies—to provide live online video streaming and video-on-demand services to all of China and the world. On *PPTV*, viewers can watch more than 20,000 channels broadcasted by more than 120 TV stations across China and VOD content. Content genres are diverse, ranging from news to drama, movies, sports, and more. *PPTV* recorded more than 100 million monthly active users in March 2011, and had more than 200 million cumulative installations of its TV viewing software as of December 31, 2010.

Through live chat and services linked with *Renren* and other SNS sites, the average daily viewing time per user has exceeded 2.5 hours, the longest*[1] viewing time among China's online TV services. *PPTV* is expanding online TV services to devices other than PCs, such as TVs, mobile phones, and tablets. As a first step, PPLive launched China's first online TV services for iPad in February 2011.

*[1] iResearch market research reports (as of December 2010).
*[2] A communications protocol for exchanging data among equally privileged terminals over networks by establishing mutual direct links among them.
*[3] A network optimized for distributing large digital content files such as video over networks.

*PPTV* Web site

The number of Internet users in China is skyrocketing, and finally surpassed 400 million at the end of 2010. At the same time, the market for online TV is also continuing to expand rapidly. I believe that online TV may very well be the most disruptive business to the entire telecommunications, media and technology sector for the next five to ten years.

With just a PC and a broadband link, viewers can use *PPTV* to easily watch any of the numerous TV channels available across China, no matter where they live. While consumer-generated media (CGM) has come to the fore due to the broad popularity of video sharing and submission sites, content produced by professionals at TV stations still has the power to attract many viewers. From 2011, PPLive began exclusive streaming of Chinese Football Association Super League (CSL) soccer matches, which has significantly boosted the number of viewers and their viewing time.

Our partnership with SOFTBANK, Japan's leading Internet company, will further strengthen our online TV platform and allow us to offer a new user experience not only in China but also across the rest of Asia and even worldwide.

Our vision for *PPTV* is to become the best and the most scalable online TV platform across all devices.

**Vincent Tao, Ph.D**
CEO, PPLive Corporation

# Ustream Asia

**Capital Relationship**

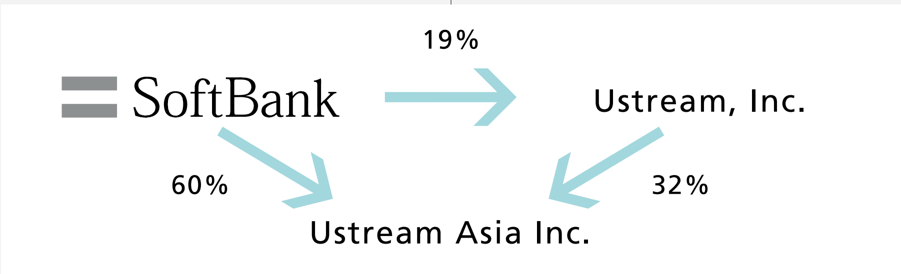
SOFTBANK initially invested in Ustream in the U.S. in January 2010 (approx. ¥1.8 billion) and made an additional investment in June of the same year (approx. ¥0.9 billion). As of March 31, 2011, SOFTBANK's voting interest in Ustream stood at 19.0% (undiluted basis). Moreover, SOFTBANK has the option to increase its voting interest to 30% (diluted basis) through additional purchase of shares. SOFTBANK and Ustream jointly established Ustream Asia in May 2010. SOFTBANK held a 60.0% voting interest in Ustream Asia as of March 31, 2011.

USTREAM

Ustream in the U.S. commenced business in March 2007. The *Ustream* service allows anyone to stream or view clean and crisp live video using PCs or smartphones, and to watch streamed video at any time.

The goal of establishing the joint venture Ustream Asia is to accelerate *Ustream* uptake in Japan and other Asian countries. In December 2010, Ustream Asia introduced a *Ustream* application for Android smartphones that allows users to watch and distribute content, with a similar application launched for iPhone in March 2011. The Android application also allows Android smartphone users to view 3D video. Through these measures, public recognition of *Ustream* applications is steadily increasing in Japan.

Voting Interest of Each Party




When the Great East Japan Earthquake struck in March 2011, Ustream Asia provided assistance by concurrently streaming over the Internet live news programs about the disaster that were aired by various TV stations. The goal was to help provide information to people in affected areas that had lost TV services and to overseas residents. Eight TV stations and five radio stations broadcast their programs via *Ustream*. By March 25, the total number of views had exceeded 68 million* and the total number of unique users during March reached 9.82 million.

* Number of views of channels on Ustream Asia's service relating to the Great East Japan Earthquake (including non-public channels) between March 10 and March 25, 2011).

Page for transmitting disaster-related programs and information.

Back when the SOFTBANK Group was studying the feasibility of investing in Ustream, I participated in assessing the enterprise value of the company from a business standpoint. It was this opportunity that led to my involvement in this business. During the assessment process, I remember being deeply impressed with *Ustream*'s signature strengths—how it uses word of mouth on *Twitter*, *Facebook*, and other social media to boost its viewership, and possesses a unique and efficient video content distribution system.

Currently, I serve as CEO of Ustream Asia, drawing on my experience from a long career in the SOFTBANK Group's video content business to proactively develop our operations. Ustream Asia provides a platform for consumers to enjoy and send out information. We run Ustream Studio, a dedicated video production studio that is capable of live video distribution, along with providing smartphone apps. We also run a variety of events and other programs to encourage more people to use *Ustream*.

When the Great East Japan Earthquake struck, TV stations both major and local provided Ustream Asia with programming about the disaster, which we streamed to our viewers, leading to record-high viewership. This is a good example of how Ustream Asia is gradually converging with traditional media. I feel that we are fulfilling an increasingly important role as a platform and drawing greater public interest in our services.

While giving due consideration to copyright issues, Ustream Asia intends to cement a solid position in the Japanese market by capturing synergies with other SOFTBANK Group companies. At the same time, we are looking to further develop business throughout all of Asia.

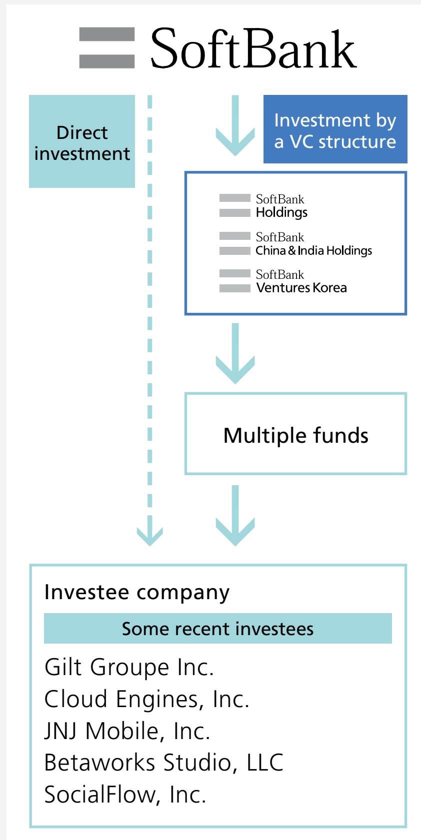
Tomotaka Nakagawa
CEO, Ustream Asia Inc.

## The SOFTBANK Group's Venture Capital Operations

SOFTBANK invests principally in Western and Asian companies either directly or indirectly through venture capital (VC) structures. The SOFTBANK Group's main VC structures are managed by SOFTBANK Holdings through its affiliated VC fund SOFTBANK Capital, SOFTBANK China & India Holdings, and SOFTBANK Ventures Korea. Each VC structure plays a pivotal role in forming and expanding the strategic synergy group.

The managers within these VC structures naturally seek to achieve strong performances with the funds they manage. Another role of these managers, however, is to act as SOFTBANK's eyes and ears in countries all over the world, helping to identify from among a myriad of high-potential companies that possess promising technologies or services that will generate significant synergies with the SOFTBANK Group, mainly in the Internet and mobile fields.

**Using a Combination of Direct and Indirect Investment**




The investment procedure when such a company is identified usually varies on a case-by-case basis, but the following is a typical example of how SOFTBANK might proceed from initial investment to exit. If the high-potential company is an early-stage venture, the VC structure will fund the initial investment, with SOFTBANK subsequently making a further investment if the company has grown to sufficient scale such that it can generate actual synergies for the SOFTBANK Group. Subsequently, if the invested company demonstrates the ability to sustain steady growth and continues to develop business with the SOFTBANK Group, this investment approach will have allowed SOFTBANK to accomplish its primary objectives of both cultivating a strong partner company and benefiting economically by collecting significant returns as it sells off its holding in stages.

I joined the SOFTBANK Group in 1995 as director and president of SOFTBANK Holdings Inc. I became a director of SOFTBANK in 1997.

In my position as director and president of SOFTBANK Holdings, I focus on maximizing both direct investment and underlying fund performance by identifying and investing in mainly U.S.-based technology companies. I also promote partnerships and business dealings with these companies, thus benefitting the SOFTBANK Group and its customers in areas such as technology, content or services.

In parallel, as a SOFTBANK director, I help to raise the Group's enterprise value by offering advice on SOFTBANK Group investments.

In fiscal 2011, we successfully exited from fund investments including The Huffington Post, Associated Content and Rivermine.

Going forward, I hope to do my part in helping the SOFTBANK Group become the strategic synergy group it is striving to be.

**Ronald D. Fisher**
Director and president,
SOFTBANK Holdings Inc.

# Feature II Realizing SOFTBANK's Next 30-Year Vision – Two Key Initiatives

## SOFTBANK Academia

### Participation in the SOFTBANK Group

My name is Fumihiro Aono, secretary-general of SOFTBANK Academia, our in-house academy. You might recognize my name as it often crops up in requests that Mr. Son, the SOFTBANK CEO, makes via *Twitter*. I would like to briefly explain the Academia, which will play a pivotal role in guiding SOFTBANK's Next 30-Year Vision to fruition.

First, let me explain my involvement with SOFTBANK. My first encounter with the SOFTBANK Group was back in 2004, when SOFTBANK BB was expanding its business to become the world's No. 1 ADSL service provider. At the time, I was a human resources consultant. I assisted in a massive recruitment drive by SOFTBANK BB, then a company of around 2,000 people, to recruit around 3,000 people. The SOFTBANK Group has a corporate culture where the entire workforce works as one to achieve unbelievably ambitious goals at an astonishing pace. I was attracted to these aspects of the SOFTBANK Group. After the project, I had more opportunities to speak directly with Mr. Son, and was deeply impressed by his immense vision, fast thinking, and aggressive action. That is how I came to join the SOFTBANK Group in 2005.

Today, I am involved in the SOFTBANK Group's management as the head of human resources for SOFTBANK, SOFTBANK MOBILE, SOFTBANK BB and SOFTBANK TELECOM. In this role, I make full use of the skills I have developed in the human resources field.

**Fumihiro Aono**

General manager, Human Resources, SOFTBANK CORP. and secretary-general of SOFTBANK Academia

Biography

| | |
|---|---|
| April 1985 | Joined RECRUIT CO., LTD. |
| Oct. 2004 | Head of RD Business Unit and general manager, Sales Division, RECRUIT MANAGEMENT SOLUTIONS CO., LTD. |
| Jan. 2005 | General manager, Human Resources, SOFTBANK (to present) and executive officer, Human Resources, SOFTBANK BB |
| April 2006 | Executive officer, senior vice president, manager, Human Resources, Vodafone K.K. (currently SOFTBANK MOBILE) |
| June 2007 | Senior vice president HR Administration Management Unit, SOFTBANK MOBILE (to present) |
| June 2007 | Senior vice president HR Administration Management Unit, SOFTBANK BB (to present) |
| June 2007 | Senior vice president HR Administration Management Unit, SOFTBANK TELECOM (to present) |

### Developing Business Leaders of 5,000 Companies

In fiscal 2011, the SOFTBANK Group posted operating income in excess of ¥600 billion and market capitalization reached the mid-¥3 trillion mark as of the end of March 2011. On the business front, SOFTBANK has expanded its business fields with the acquisition of JAPAN TELECOM (currently SOFTBANK TELECOM) and Vodafone K.K. (currently SOFTBANK MOBILE). In just the past six years or so since I joined the Group, the SOFTBANK Group has continuously delivered solid results under Mr. Son's leadership. This is because the Group goes beyond building up the organization, and works to instill a shared philosophy and vision. Cohesive execution of strategies and tactics as a Group to achieve targets has also been important. These are not easy tasks when considering how difficult it is just to bring companies of various backgrounds together.

In SOFTBANK's Next 30-Year Vision, we aim to become the group needed most by people around the world. In addition, the vision sets forth highly ambitious quantitative targets for 30 years from now befitting SOFTBANK: to join the global top ten in market capitalization and form a strategic synergy group numbering 5,000 companies. These numbers might appear extremely aggressive, but speaking as someone who was directly involved in formulating SOFTBANK's Next 30-Year Vision, I believe they are well within our reach. The key to achieving these numbers is to develop younger generations who share the same perspective as the SOFTBANK Group's management in the limited time span of 30 years.

Developing the business leaders of 5,000 companies is an undertaking of an entirely different magnitude than training human resources at an ordinary company. We need people to have a deep understanding of our philosophy and vision, and be able to keep up with our decision-making speed, rapid execution of strategies and tactics to achieve targets, and aggressive approach. In the not-too-distant future, we will need people who share the same mindset as Mr. Son—people, who I might add, are rarely encountered in ordinary recruitment activities.

I have been handed the important role of developing business leaders who can be entrusted with the management of 5,000 companies, through the Academia's programs. This role will be one of the most vital for guiding SOFTBANK's Next 30-Year Vision to success.

# Identify and Develop Successors from a Long-term Perspective to Build a Foundation for Lasting Growth

## The Academia's Mission

The Academia is an organization whose mission is "to identify and develop Masayoshi Son's successors." Mr. Son himself serves as the Academia's dean. As the secretary-general of the Academia, I oversee the detailed management of the program. The Academia is widely open to people from both within and outside the SOFTBANK Group. When searching for successors, many companies tend to appoint people from their own ranks. Human resources managers would be delighted if a steady stream of well-qualified successors were to emerge from within. However, there is no need to limit our options to the internal ranks of the Group. People from outside the Group also have the opportunity to join our pool of candidates if they share our aspirations.

In practice, we sought candidates broadly from within and outside the Group for the Academia's inaugural class in fiscal 2011. We received around 1,000 applications from within the Group. Of these, 200 applicants were chosen based on a screening of presentations. In addition, we received around 3,000 applications out of about 10,000 initial entries from outside the Group. Of these, 100 applicants made the cut. Rather than evaluating application documents, we made all evaluations based on presentations given by every applicant, from primary to final screening. The final screening was a presentation made to Mr. Son.

The Academia's students include people who do not usually participate in conventional corporate recruitment programs like corporate business leaders, civil servants, and doctors. Having passed a rigorous screening process, these professionals from outside the Group and Group employees will assemble in one location to debate common themes. We are greatly excited about the prospects for these discussions to encourage Academia students to think outside the box and generate innovative ideas.

The opening ceremony of the Academia was filled with promise and enthusiasm.

## How the Academia Works

The defining feature of the Academia is that it involves a practical curriculum centered on presentations and discussions about how to solve various management issues. These themes are chosen by Mr. Son from among the management issues that he perceives in his daily work. Based on a common understanding of the key points of those issues, the Academia students rigorously think through these issues from the same perspective as management and share their own thinking through brief, five-minute presentations. The presentations are held in two stages, namely preliminary and final rounds. In the former, the students evaluate one another to determine a ranking. The students who pass the preliminary round then give presentations in the final round. Their presentations are directly evaluated by Mr. Son and other members of management who attend the classes as advisors.

Mr. Son talks to his candidate successors.

Under the Academia's rules, rankings are constantly assigned to all students. Every six months, the bottom-ranked students are dropped from the Academia and replaced by new students. However, students who do not make the cut have an unlimited number of opportunities to be reinstated. After all, Mr. Son's successors must be strong enough to recover from adversity. For example, if successors lead a company to a poor result under their management, they must be prepared to analyze the problem immediately and regain much of what they have lost on their next try, provided that the damage is not fatal. If a student cannot return after one instance of failure, then the Academia would not be a viable mechanism for training the SOFTBANK Group's successors. The system does put some pressure on the students; however, we believe that it will work effectively for identifying and developing successors over the long term.

## A Sense of Responsibility

At the Academia's opening ceremony in July 2010, Mr. Son stressed the importance of taking strong ownership of one's position and responsibilities. The first theme for the students after the Academia opened was to prepare the inaugural address of SOFTBANK's second CEO. This theme was chosen to give students a clear idea of what they would say if they were appointed as the second SOFTBANK CEO. Mr. Son wanted them to be able to clearly articulate what they want to achieve over the next 10 years under any circumstance.

Mr. Son speaks passionately at a public lecture of the Academia.

What we would like to achieve through the Academia is not just to extend or enhance a training program, but to develop people who can solve important management issues. The Academia is a training ground for identifying and developing powerful leaders who can take command of the future SOFTBANK Group. In this sense, the Academia clearly differs from conventional management training programs.

One year has passed since the Academia opened in July 2010. Lively discussions with Mr. Son and others have produced many different ideas, some of which have been applied to actual business operations. The classes have resembled a "battle of minds." My hope is for Academia students to master the powerful leadership skills they would need as successors to significantly increase SOFTBANK's market capitalization with the aim of joining the global top ten in line with SOFTBANK's Next 30-Year Vision.

## Further Development of the Academia

The Academia has a highly demanding curriculum for its students, involving working on set tasks and presentations, and engaging in high-level discussions with the current management team. However, we want students to approach these challenges positively and regard them as a natural level for the future leaders of the SOFTBANK Group.

Directed at the lofty goal of training the founder's successors, the Academia's efforts will not produce results immediately in the short space of one or two years. The next 30 years are just one chapter in the next 300 years of the SOFTBANK story. In that sense, we want to manage the Academia from a long-term perspective, giving thought to how we will train the successors of ensuing generations, from whom will emerge the third, fourth, and future CEOs of SOFTBANK.

We believe that the Academia has started with a highly unique and effective format in terms of how it currently works. However, we will not rest on our laurels. While incorporating opinions from many different quarters, we will direct the Academia's continued evolution going forward.

A public lecture of the Academia

# Reportable Business Segments

# At a Glance

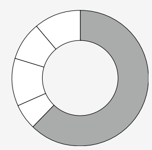
## The SOFTBANK Group has four reportable segments: Mobile Communications, Broadband Infrastructure, Fixed-line Telecommunications, and Internet Culture.

### Mobile Communications Segment

Core Company
SOFTBANK MOBILE

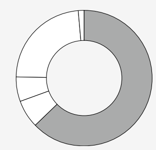
Main Businesses
- Mobile communications services
- Sales of mobile phone handsets, etc.

**Net Sales/Share of Net Sales***



Share of net sales 62.4 %
Net sales ¥1,944.5 billion

**Operating Income/Share of Operating Income***



Share of operating income 62.8 %
Operating income ¥402.4 billion

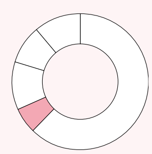
### Broadband Infrastructure Segment

Core Company
SOFTBANK BB

Main Businesses
- ADSL services, ISP* services
- IP telephony services, wireless LAN services

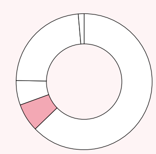
*Offered as a package with NTT East and NTT West *FLET'S Hikari Series* fiber-optic connection

**Net Sales/Share of Net Sales***



Share of net sales 6.1 %
Net sales ¥190.0 billion

**Operating Income/Share of Operating Income***



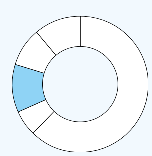
Share of operating income 6.7 %
Operating income ¥43.1 billion

### Fixed-line Telecommunications Segment

Core Company
SOFTBANK TELECOM

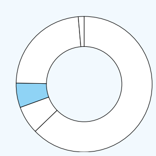
Main Businesses
- Fixed-line telephone services
- Data transmission, dedicated line services

**Net Sales/Share of Net Sales***



Share of net sales 11.4 %
Net sales ¥356.5 billion

**Operating Income/Share of Operating Income***



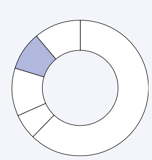
Share of operating income 5.9 %
Operating income ¥38.0 billion

### Internet Culture Segment

Core Company
Yahoo Japan

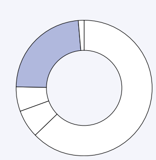
Main Businesses
- Internet advertising
- e-commerce
- Membership services

**Net Sales/Share of Net Sales***



Share of net sales 9.1 %
Net sales ¥283.6 billion

**Operating Income/Share of Operating Income***



Share of operating income 23.4 %
Operating income ¥150.3 billion

*The ratio of the segments' net sales and operating income against the simple total, including Others.

## Segment Reclassifications

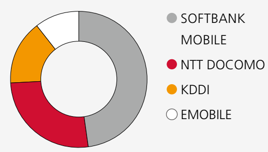
From fiscal 2011, SOFTBANK has applied "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan (ASBJ) Statement No. 17, March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008). As a result, the Group now has the following four reportable segments. In addition to these, the Group also has businesses in distribution of PC software and peripheral devices, Fukuoka SOFTBANK HAWKS related business, and others.

### Market Status

Fiscal 2011 proved to be a year that saw the progressive uptake of smartphones and tablets significantly reshape the mobile communications market.

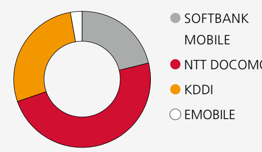
In fiscal 2012, the number of subscribers is projected to grow continuously, driven by an increase in users who own multiple mobile devices and spread of non-voice devices. The battle for subscribers is expected to become increasingly fierce as companies compete for customers, mainly through smartphone sales.

**Share of Net Subscriber Additions**
(Fiscal 2011)*1




Share of net subscriber additions 48.0 %

**Share of Cumulative Mobile Subscribers**
(As of March 31, 2011)*1

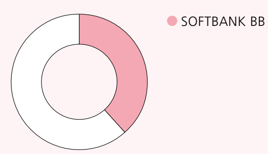



Share of cumulative mobile subscribers 21.3 %

More information P.048～051

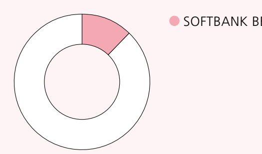
Fiscal 2011 saw contraction in the DSL service market and gradual expansion in the FTTH services market. This trend is set to continue through fiscal 2012, however, broadband services will likely see use in even more ways than before. These are expected to include high speed wireless communication for mobile handsets via Wi-Fi routers, and downloading of content into TVs or game consoles.

**DSL Market Share**
(As of March 31, 2011)*2




Market share 38.4 %

**IP Telephony Services (Numbers in use) Market Share**
(As of March 31, 2011)*2




Market share 12.3 %

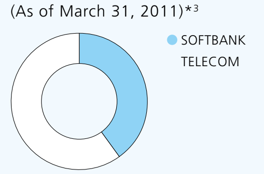
More information P.052～053

Although Japan's fixed-line telephone market is maturing, the solutions and managed services* market continues to expand, led by cloud and data center services.

In fiscal 2012, cloud computing and other services provided over networks are expected to grow.

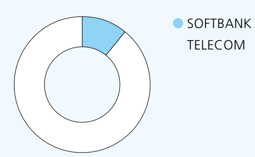
*Solutions and managed services: a catch-all expression for services offering an integrated package of network equipment and system design, construction, operation, and maintenance.

**Direct Connection Voice Service Market Share**
(As of March 31, 2011)*3




Market share 40.0 %

**IP-VPN Services Market Share**
(As of March 31, 2011)*3



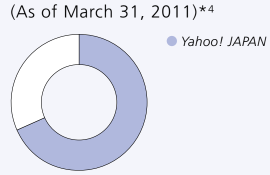

Market share 11.1 %

More information P.054～055

Although Japan's total advertising expenditures for fiscal 2011 continued to decline in the wake of the economic slump touched off by the Lehman bankruptcy, Internet advertising expenditures have sharply increased. The e-commerce market is also expanding.

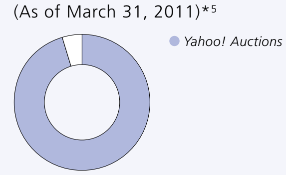
The economic impact of the Great East Japan Earthquake that struck in March 2011 cast a shadow over the advertising business of Yahoo Japan; however, a recovery is expected going forward, driven by listing advertising.

**Position of *Yahoo! JAPAN* Among Major Search Services**
(As of March 31, 2011)*4




Market share 68.5 %

**Position of *Yahoo! Auctions* Among Major Auction Sites**
(As of March 31, 2011)*5




Market share 95.5 %

More information P.056～057

*1 Calculated by the Company based on Telecommunications Carriers Association statistical data.
*2 Created by the Company based on Ministry of Internal Affairs and Communications statistical data.
*3 Calculated by the Company based on Ministry of Internal Affairs and Communications statistical data.
*4 Share of Web search page views of major portals (*Yahoo! JAPAN, Google, goo, Rakuten, MSN/Windows Live/Bing*) Nielsen//NetRatings.
*5 Share of page views of major auction sites (*Yahoo! Auctions, Rakuten Auction, bidders, MSN Auction*) Nielsen//NetRatings.

# Mobile Communications Segment

Japan's mobile communications market is seeing a rapid spread in the uptake of smartphones. The SOFTBANK Group has also seen growth in the number of iPhone subscribers drive increases in both revenues and profit in the Mobile Communications segment. The Group has been working to strengthen its network for mobile communications services, effectively doubling the number of mobile phone base stations in the year since the end of fiscal 2010.

## Fiscal 2011 Market Conditions and Outlook

### Fiscal 2011 Market Conditions

The number of mobile phone subscribers in Japan at the end of fiscal 2011 was 119.54 million, an increase of 7.36 million from the previous fiscal year-end. The population penetration rate surpassed 90% of Japan's population. The number of subscribers increased 6.6% year on year in fiscal 2011, 2.2 percentage points higher than the 4.4% increase in fiscal 2010. The faster growth rate was mainly attributable to the changing structure of Japan's mobile communications market.

The structure of the market has changed dramatically. The ratio of smartphones among mobile handsets overall has increased. In addition, the emergence of tablet-type multifunctional devices such as iPad has boosted the number of users who own multiple mobile devices.

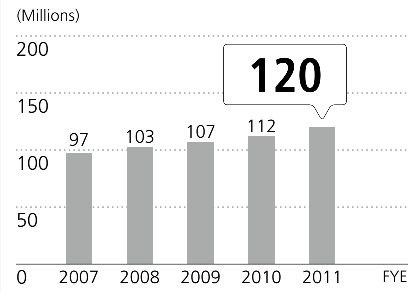
This structural change has generated new demand in both the individual and corporate markets for mobile telecommunications services. For SOFTBANK MOBILE, an iPhone and iPad seller, the change has helped to increase the number of subscribers.

### Market Outlook

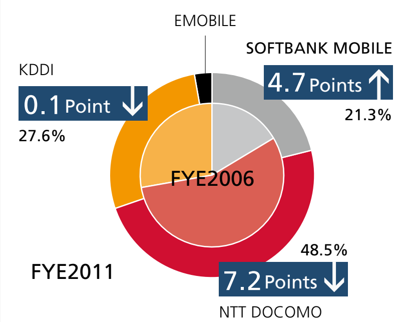
With the gradual arrival of the mobile Internet era, mobile devices capable of high-speed, large volume broadband communications anywhere and at anytime are starting to become more common and transform people's lifestyles. Nomura Research Institute, Ltd. projects that the number of mobile phone subscribers will increase to around 134 million by fiscal 2016, and that smartphones will represent 70% of the total. SOFTBANK MOBILE is positive that smartphones and tablets will play an increasing role in all areas of business and daily life going forward.

In fiscal 2012, the number of subscribers in Japan's mobile communications market is projected to continuously increase based on growth in users who own multiple mobile devices as well as the spread of new kinds of devices that incorporate communication modules, such as digital photo frames. The competition for subscribers is expected to become increasingly active as companies compete for customers based on smartphone sales.

Cumulative Mobile Subscribers in Japan

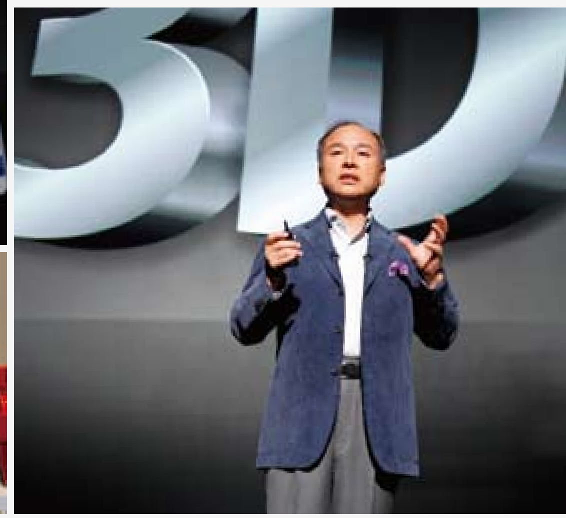



Shares of Cumulative Subscribers of 4 Mobile Operators of FYE2006 and FYE2011
(%)




(Note) Share calculated by the Company based on Telecommunications Carriers Association statistical data.







## Basic Segment Information

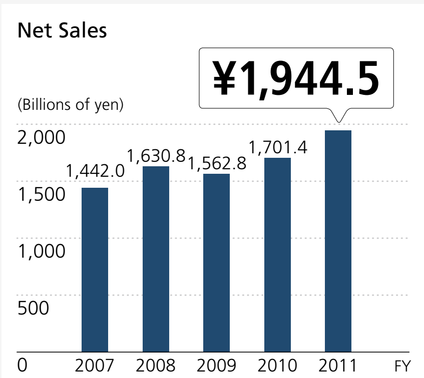
SOFTBANK MOBILE is the core company of the Mobile Communications segment. Following the acquisition of Vodafone K.K. (currently SOFTBANK MOBILE), SOFTBANK MOBILE made "Four Commitments" – (1) Network Enhancement; (2) Handset Enhancement; (3) Mobile Content Enhancement; and (4) Sales Structure and Branding Enhancement–and worked to raise its competitiveness.

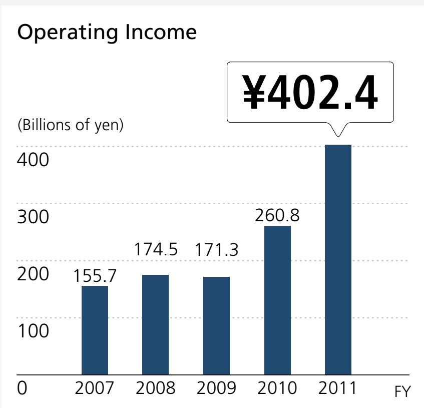
SOFTBANK MOBILE's *White Plan*, is an innovative price plan that was introduced in January 2007. Under this plan, all domestic calls among SOFTBANK mobile phones and Disney Mobile phones are free of charge from 1:00 to 21:00. The *White Plan* remains highly competitive in the market. The introduction to the market of iPhone in July 2008 shook up the industry and catalyzed the expansion of the smartphone market. iPhone has also been a key contributor to the increase in subscribers and data ARPU* at SOFTBANK MOBILE. The distinctive "Shiratoke" series of TV commercials has won high support among customers, and the resulting lift in SOFTBANK's brand image has contributed significantly to the increase in subscribers.

As a result of these efforts, SOFTBANK MOBILE's share of cumulative subscribers rose 4.7 percentage points over the 5 years from the end of fiscal 2006, immediately before the acquisition. The segment's net sales increased 14.3% year on year in fiscal 2011, operating income grew 54.2% year on year, and the operating income margin rose 5.4 percentage points.

The segment is currently working to create new markets by stimulating demand for second devices such as tablets and digital photo frames, which do not compete with the existing mobile phone market.

* Abbreviation for Average Revenue Per User



## Fiscal 2011 Initiatives

In fiscal 2011, iPhone and iPad drove growth in the number of subscribers. As a result, net subscriber additions were more than 3.5 million, far higher than any competitor. Consequently, the cumulative number of subscribers at SOFTBANK MOBILE rose from 21.88 million at the end of fiscal 2010 to 25.41 million at the end of fiscal 2011.

With the number of base stations exceeding 120,000 at the end of fiscal 2011, SOFTBANK MOBILE achieved its target of doubling the number of base stations, as set forth in the “SoftBank Network Enhancement Initiative,” announced in March 2010. In other measures, SOFTBANK MOBILE made active efforts to provide indoor mini-base stations (femtocells) and Wi-Fi routers free of charge, along with expanding access points for the *SoftBank Wi-Fi Spot* wireless LAN service.

## Current Priorities and Strategies

### Increasing Data ARPU

ARPU at SOFTBANK MOBILE for fiscal 2011 increased ¥140 year on year. Out of this, the sum of the basic monthly charge and voice ARPU declined year on year, mainly reflecting an increase in devices like the digital photo frame PhotoVision that do not have voice communication functionality, and revised access charges between carriers. On the other hand, data ARPU rose. This was mainly the result of an increase in the number of data-intensive iPhone subscribers and the termination of the non-data-intensive 2G mobile phone service in March 2010.

Looking ahead, SOFTBANK MOBILE will strive to improve data ARPU primarily by further increasing the number of smartphone and tablet subscribers.

### Falling Upgrade Rate and Improving Churn Rate

SOFTBANK MOBILE’s upgrade rate remains at a low level, reflecting the impact of the longer upgrade cycle after the introduction of the installment sales method. The upgrade rate for fiscal 2011 was 1.40%, 0.31 of a percentage point lower than in the previous fiscal year. This was mainly a reflection of a one-time increase in the number of upgrades recorded in the previous fiscal year in connection with the termination of the 2G mobile phone service.

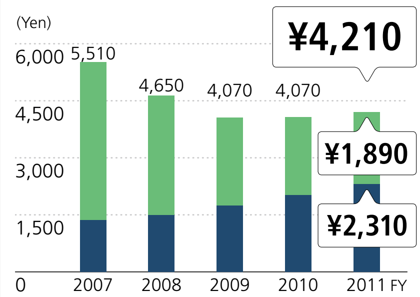
The churn rate for fiscal 2011 was 0.98%, which was 0.39 of a percentage point lower year on year. This was primarily because the churn rate was no longer inflated by the termination of the 2G service, while there was a decline in the churn rate of customers who have completed installment payments for their mobile handsets.

### Progress with “SoftBank Network Enhancement Initiative” and Future Initiatives

SOFTBANK MOBILE has steadily implemented the measures set forth in the “SoftBank Network Enhancement Initiative” announced in March 2010. The number of base stations rose from around 60,000 on March 31, 2010 to 122,000 on March 31, 2011 as SOFTBANK MOBILE achieved its target of doubling the number of base stations as initially announced. Aiming to further enhance the quality of its network, SOFTBANK MOBILE continues to increase the number of base stations.

SOFTBANK has also begun providing indoor mini-base stations (femtocells) free of charge, with the aim of improving signal reception inside homes, stores, and business offices that suffer poor signal reception. SOFTBANK MOBILE is also working to expand access points for the *SoftBank Wi-Fi Spot* wireless LAN service.

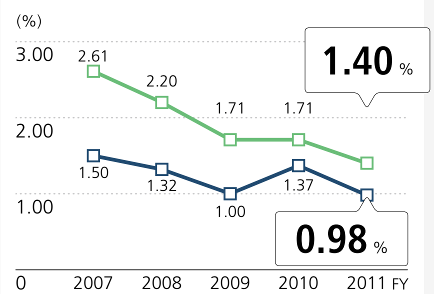
SOFTBANK MOBILE’s ARPU




Basic monthly charge + voice ARPU
Data ARPU

(Note) Abbreviation for Average Revenue Per User (rounded to the nearest ¥10). Revenue and number of mobile phone subscribers include prepaid mobile phones and communication modules. ARPU = basic monthly charge + monthly usage charge + voice, data and other charges – *Monthly Discounts (New Super Bonus Special Discount)*.

SOFTBANK MOBILE’s Upgrade and Churn Rates




Upgrade rate
Churn rate

(Note) Calculated with prepaid mobile phones and communication module service subscribers included in the number of subscribers, churn and upgrades, respectively.


Special Web site for the SoftBank Network Enhancement Initiative.
URL http://mb.softbank.jp/mb/special/network/pc/ (Japanese only)

## TOPICS SOFTBANK Group Leads a Revolution in Work Styles with iPad Rollout

iPad is transforming the way we work as it comes to the fore. The SOFTBANK Group is deploying iPad, in addition to iPhone, at Group companies in order to enhance operating efficiency. iPhone and iPad have already been loaned to every employee at the Group's four core companies: SOFTBANK, SOFTBANK MOBILE, SOFTBANK BB, and SOFTBANK TELECOM.

One example of how SOFTBANK TELECOM sales people use iPad is to access and browse information stored in a cloud system when they are outside the office. In the office they use thin-client stations that save all data in the cloud rather than on an internal drive. iPhone or iPad also allow employees to work efficiently by using their time in transit to manage their email and schedules. Employees can also access the company's systems using iPad, allowing them to check information from outside the office, or to work from home using iPad. New working styles such as these have cut costs at SOFTBANK TELECOM by reducing overtime hours and enabling paperless operations, to significant effect.

Going forward, SOFTBANK MOBILE expects such usage of iPad to increasingly take hold at numerous companies. The SOFTBANK Group will continue to help companies increase their productivity by proposing new working styles that use iPad.

iPad 2

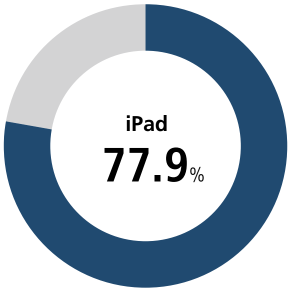
### Measures to Increase the Number of Smartphone and Tablet Subscribers

Since its creation with the advent of iPhone, the Japanese smartphone market has continued to expand, with competitors actively rolling out new models since fiscal 2011. This expansion is expected to accelerate from fiscal 2012 onwards.

Under these market conditions, SOFTBANK MOBILE will strive to maintain and increase its ability to compete in the smartphone market by leveraging iPhone's appeal and SOFTBANK MOBILE's strengths as a pioneer of Japan's smartphone market.

The SOFTBANK Group worked hard to grow sales of iPad following its launch in May 2010. By March 31, 2011 sales had expanded significantly, with over 2,800 retail stores selling the device. In addition to sales targeting individual consumers, SOFTBANK MOBILE will work to increase sales to corporate customers including healthcare and financial institutions by proposing a variety of solutions using iPad.

Share of Tablet Sales




(Note) Created by the Company based on research company statistics (Dec. 2010 to Mar. 2011).

Reportable Business Segments

# Broadband Infrastructure Segment

Japan's DSL market is in a contraction phase and the number of lines for *Yahoo! BB ADSL*, a service provided by SOFTBANK BB, has been declining. However, the number of subscribers increased for *Yahoo! BB hikari with FLET'S*, a service that uses NTT East and NTT West's *FLET'S Hikari* series as an access circuit.
This segment will continue to pursue synergies with the mobile communications business, and other SOFTBANK Group businesses, while focusing on making effective use of IP backbone networks.

## Fiscal 2011 Market Conditions and Outlook

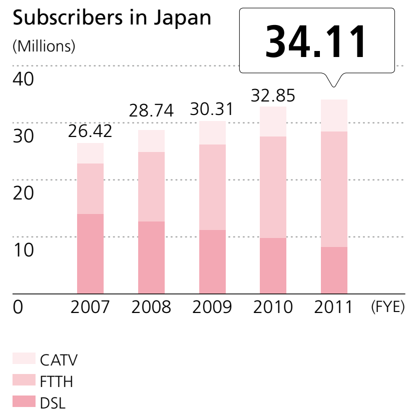
### Fiscal 2011 Market Conditions

In fiscal 2011, the DSL market continued to contract due to the shift from ADSL to FTTH. Meanwhile, the FTTH market continued to expand, albeit gradually.

### Market Outlook

Although the DSL market is expected to shrink further in fiscal 2012, and the FTTH market to continue gradually expanding, broadband services will continue to be used in more and more ways, and play an essential role in daily life. For example, the rapid spread of smartphones and growing richness of mobile content will see greater use of broadband for high-speed communications through Wi-Fi router connections. Meanwhile increasing network functionality in home appliances is expected to see broadband serving content to TVs and game consoles.

Number of Broadband Service Subscribers in Japan




(Note) Created by the Company, based on Ministry of Internal Affairs and Communications statistical data.

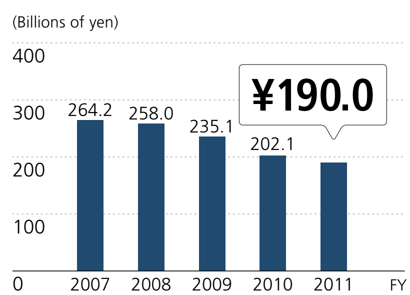
## Basic Segment Information

The Broadband Infrastructure segment's core company is SOFTBANK BB. SOFTBANK BB launched *Yahoo! BB* as Japan's first full-fledged comprehensive broadband Internet service in 2001, and since then has been driving Japan's rapid shift to broadband. In addition to providing sufficient speed and capacity to transmit rich content, SOFTBANK BB has gained strong customer support by making its services increasingly comprehensive with higher added-value. These services include the *BB Phone* IP telephony service, wireless LAN services, the *BBTV* Broadband TV Broadcasting service, and the *BB Security* security service.

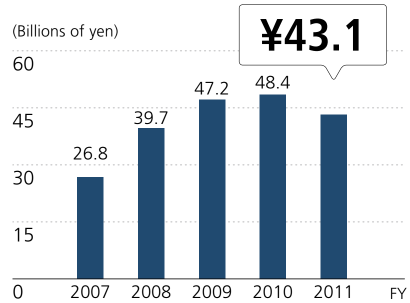
Although the segment saw a turnaround to a net increase in broadband users,* net sales decreased 6.0% year on year in fiscal 2011, operating income fell 10.8%, and the operating margin declined by 1.2 percentage points.

*Total of *Yahoo! BB ADSL* and *Yahoo! BB hikari with FLET'S* subscribers.

Net Sales




Operating Income



## TOPICS Driving the Information Revolution with IPv6 Internet Services

The Group is actively providing Internet services based on addresses using Internet Protocol Version 6 (IPv6), a next-generation Internet protocol. IPv6 is coming to the fore as addresses using the traditional IPv4 Internet protocol run out.

IPv6 supports approximately 340 undecillion (3.4 x $10^{38}$) addresses. Therefore, IPv6 addresses can be assigned to game consoles and home appliances, as well as PCs and smartphones. This means that the Internet will play a much closer role in people's daily lives than before.

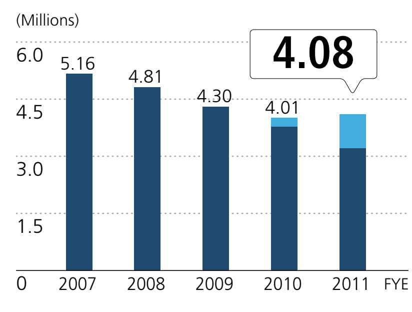
In September 2010, SOFTBANK BB and BBIX, an Internet Exchange (IX) operator, began large-scale joint trials of IPv6 Internet services with major ISPs, with the aim of popularizing these services. With these trials, the first steps have been taken toward commercializing IPv6 Internet services.

## Fiscal 2011 Initiatives

In fiscal 2011, the number of *Yahoo! BB ADSL* lines decreased. However, the segment focused on increasing the number of subscribers for *Yahoo! BB hikari with FLET'S*. Consequently, the combined number of broadband subscribers, including users of both services, rose year on year, increasing for the first time in four years.

On the earnings front, the segment incurred higher customer acquisition costs for *Yahoo! BB hikari with FLET'S*. However, the segment supplied broadband lines to SOFTBANK MOBILE customers who use Wi-Fi routers and indoor mini-base stations (femtocells), and provided IP backbone networks to telecom operators within the SOFTBANK Group. As a result, the segment raised profit while capturing synergies.

Numbers of *Yahoo! BB* Users



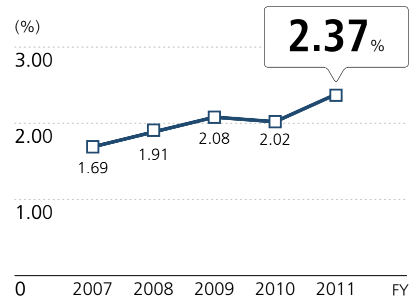

(Note) Installed lines = number of lines for which connection construction for ADSL line at central office of NTT East or NTT West is complete.

## Current Priorities and Strategies

The segment's priorities include enhancing the profitability of the ADSL business, increasing the number of subscribers for *Yahoo! BB hikari with FLET'S*, and improving earnings from this service, effectively using full IP backbone networks and developing new businesses such as FMC (fixed-mobile convergence) operations that merge fixed-line and wireless services.

In the ADSL business, the segment will work to reduce the churn rate using data mining and other techniques. For the *Yahoo! BB hikari with FLET'S* service, the segment will strive to enhance revenue per customer by increasing the lineup of optional services and raising the enrollment rate, and reducing customer acquisition costs optimizing the mix of sales channels. Efforts will also be focused on building a next-generation full IP backbone network, providing it to customers within and outside the SOFTBANK Group, and strengthening the Wi-Fi-driven femtocell business.

Churn Rate for *Yahoo! BB ADSL*



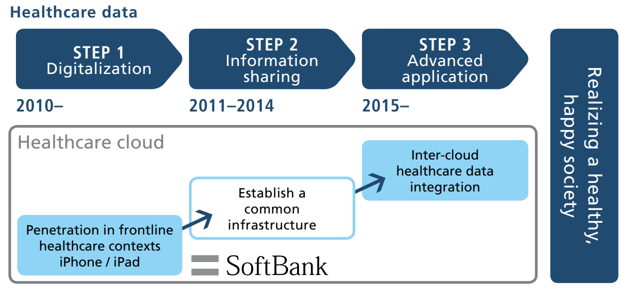

(Note) Average ratio of customer lines with a history of payment, for which a cancellation application has been filed during the relevant period. Includes customers who switch services to *Yahoo! BB hikari with FLET'S*.

Reportable Business Segments

# Fixed-line Telecommunications Segment

In Japan's mature fixed-line telecommunications market, SOFTBANK TELECOM worked to increase the number of direct connection service lines such as *OTOKU Line* and *Ether Connect*. To expand the customer base by pursuing synergies with the mobile communications business, SOFTBANK TELECOM also joined forces with prominent global companies to enhance the *White Cloud* cloud computing service.

SOFTBANK will promote ICT for the healthcare market




## Fiscal 2011 Market Conditions and Outlook

### Fiscal 2011 Market Conditions

Japan's fixed-line telecommunications*[1] market continues to contract since peaking out at a total of roughly 63 million fixed-line telephone lines on March 31, 1998. As of March 31, 2011, the total number of telephone lines in Japan stood at 57.46 million.

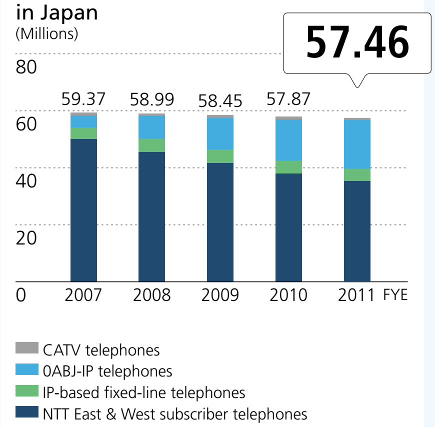
This contraction has also been evident in the corporate fixed-line telecommunications market in which SOFTBANK TELECOM operates. However there is a solid basic demand for fixed-line phones from medium and large-scale corporate customers. In the corporate data transmission market, while the trend of decline in conventional relay connection services continues, WAN services such as IP-VPN and wide-area Ethernet are growing.

*[1] NTT East & NTT West subscriber lines, direct connection telephones, 0ABJ-IP telephones, and cable TV telephones.

### Market Outlook

Difficult conditions are expected to persist in the fixed-line telecommunications market. Despite continued price wars in the corporate data transmission market, cloud computing, and other services provided over networks should see growth.

Subscribers for Fixed-line Telephones in Japan




(Note) Created by the Company, based on Ministry of Internal Affairs and Communications statistical data.

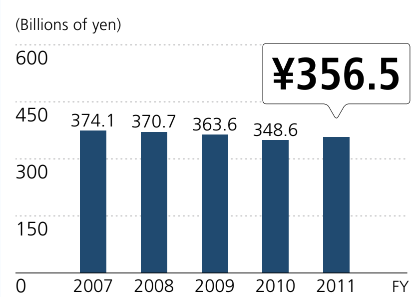
## Basic Segment Information

SOFTBANK TELECOM is the core company of the Fixed-line Telecommunications segment. Management resources for fixed-line telephone services are being shifted from relay connection services such as *MYLINE* to the *OTOKU Line* direct connection service, which does not pass through the NTT Group's switching facilities. The market share of *OTOKU Line* is growing due to its price competitiveness and the high value-added services it provides, including multi-functional forwarding. Management resources in data transmission services are also being concentrated in *Ether Connect* and other direct connection services to expand the customer base. The segment is working to differentiate itself from its competitors by moving beyond telecommunications connections to undertake integrated provision of conventional ICT*[2] platforms and a variety of cloud-based services.

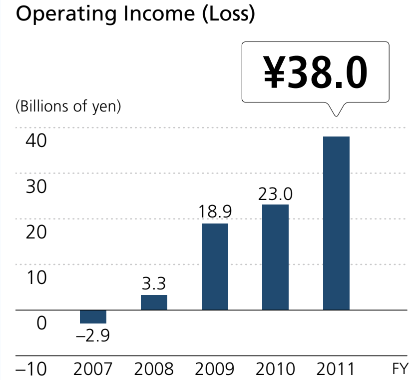
The segment's net sales increased 2.3% year on year in fiscal 2011, operating income grew 64.8%, and the operating margin rose 4.1 percentage points.

*[2] Information and Communication Technology.

Net Sales




Operating Income (Loss)



## TOPICS Using Cloud Computing in Countries with Advanced Healthcare Systems

As the use of ICT in the healthcare sector becomes increasingly urgent, SOFTBANK TELECOM is helping to promote the integration of IT into the healthcare sector.

Given the highly sensitive nature of medical information, medical institutions in Japan have been required to store medical image data on servers installed on site. However, regulations were eased in February 2010 to permit the off-site storage of such information, provided certain conditions are met. In September 2011 SOFTBANK TELECOM will launch a cloud-driven data hosting service for medical images in partnership with GE Healthcare Japan Corporation. GE Healthcare Japan has a strong presence in Japan's healthcare sector.

Working closely with this partner, SOFTBANK TELECOM expects to expand its business and generate synergies that help to accelerate the information revolution in Japan's healthcare sector.

A press conference for the launch of a partnership between SOFTBANK TELECOM and GE Healthcare Japan (March 2011).

## Fiscal 2011 Initiatives

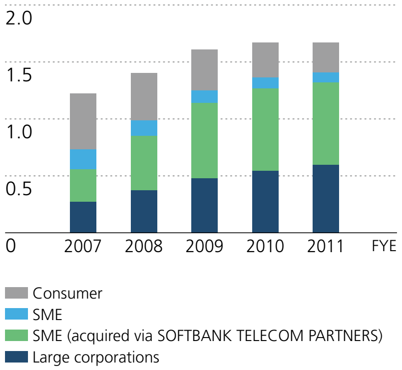
In fixed-line telephone services, the segment captured a larger market share by focusing on increasing the number of corporate *OTOKU Line* subscriptions.

In addition, the segment upgraded the lineup of *White Cloud* cloud computing services for corporations, which commenced in February 2010. In October 2010, the *White Cloud Desktop Service* was introduced to offer a secure desktop environment using a cloud platform. *White Cloud* services were also enhanced in partnership with Google and VMware, Inc. in the U.S., and other prominent global companies.

The segment also promoted the *White Work Style* service for corporations. This service enables innovative work styles by using these cloud-based services in combination with a broad spectrum of devices such as smartphones and tablets.

### Growth in Share of *OTOKU Line* Corporate Subscriptions

(Million lines)



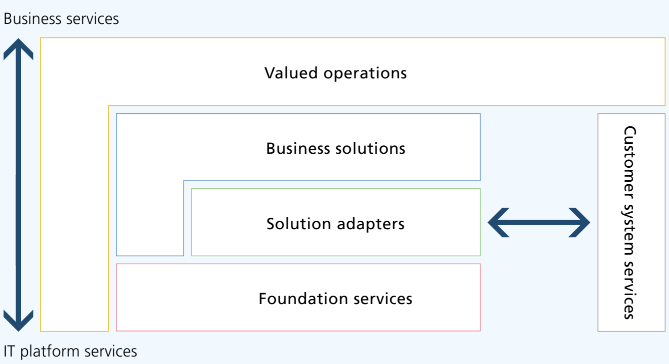

## Current Priorities and Strategies

The segment sees great opportunities in the changes taking place in the mobile communications market with the spread of smartphones and tablets, and will roll out new value-added services that blend fixed-line and mobile communications, rather than limiting itself to just fixed-line telecommunications services.

The segment has three priorities for fiscal 2012: (1) strengthen *OTOKU Line* sales through a cross-selling approach with the mobile communications business; (2) expand the service area and lineup of data communications services; and (3) develop a more diverse and high value-added lineup of *White Cloud* services.

SOFTBANK TELECOM's fundamental strategy for the medium and long terms is to offer new ICT services with a full range of applications and devices, taking advantage of existing networks centered on the mobile Internet.

### *White Cloud* Service Categories



# Internet Culture Segment

Total advertising expenditures in Japan began to show signs of recovery through the second half of 2010. Yahoo Japan also posted steady growth in Internet advertising. Meanwhile, as the e-commerce market continues to expand, Yahoo Japan reported growth in transaction value at its online shopping service.

*Yahoo! JAPAN* Great East Japan Earthquake Support Portal
URL http://notice.yahoo.co.jp/emg/en/

## Fiscal 2011 Market Conditions and Outlook

### Fiscal 2011 Market Conditions

Total advertising expenditures in Japan*1 for 2009 showed a major decline of 11.5% from the previous year, reflecting a sluggish economy in the wake of the Lehman bankruptcy. The same indicator showed signs of improvement in 2010, however, with the year-on-year decline slowing to 1.3%. Under these conditions, Internet advertising expenditures rose 11.5% year on year, owing to increased mobile advertising and listing advertising.

Meanwhile, transaction value in Japan's consumer e-commerce market*2 in fiscal 2011 reached ¥7.3 trillion, compared with ¥6.4 trillion in fiscal 2010.

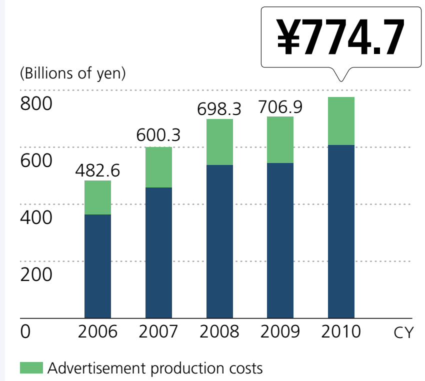
### Market Outlook

Total advertising expenditures in Japan generally improved in 2010. The Great East Japan Earthquake that struck in March 2011 had some impact on the advertising operations of Yahoo Japan. Internet advertising is expected to recover, mainly on the back of listing advertising.

Japan's B2C e-commerce market should continue to grow; according to research company estimates,*2 the market is projected to expand from ¥7.3 trillion in fiscal 2011 to ¥11.8 trillion in fiscal 2016.

*1 Press release issued by DENTSU INC. on February 23, 2011.
*2 Press release issued by Nomura Research Institute on December 20, 2010.

Internet Advertising Expenditures




(Note) Created by the Company, based on press release by DENTSU dated February 23, 2011.

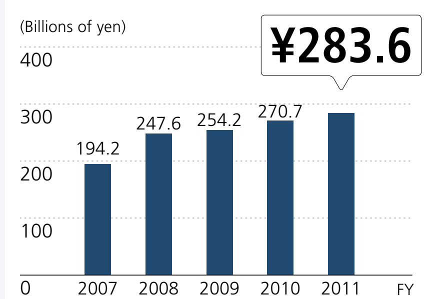
## Basic Segment Information

The *Yahoo! JAPAN* portal, operated by the Internet Culture segment's core company Yahoo Japan, has established an overwhelming No. 1 position among Japanese portals with a wide lead over competitor portals in terms of number of users, page views, total usage time, and other indexes.*3 In addition to the strength of the *Yahoo! JAPAN* brand, this reflects the portal's rich service lineup and high added-value for corporations and consumers. Yahoo Japan's advertising revenue and fee-based revenue, derived from the portal's customer drawing power, are the segment's main source of profit.

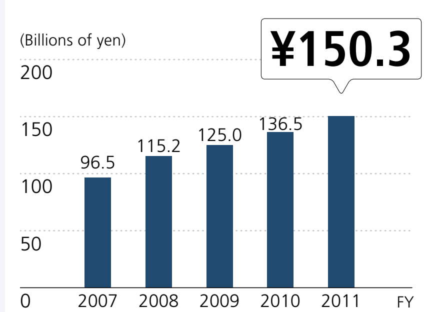
The segment's net sales increased 4.7% year on year in fiscal 2011, operating income grew 10.0%, and the operating margin rose 2.6 percentage points.

*3 Nielsen//NetRatings (as of March 2011).

Net Sales




Operating Income



## TOPICS The SOFTBANK Group's Great East Japan Earthquake Support Portal

Yahoo Japan launched a dedicated Web site for earthquake-related information following the Great East Japan Earthquake that struck in March 2011. The site provides information for users in various situations, ranging from information about emergency shelters to safety of survivors, traffic, power outages, and other lifeline infrastructure, as well as information on daily living. The site also offers information about recovery and relief measures for the affected areas. This major disaster has unexpectedly driven home the importance of the Internet as a form of media, as well as highlighting *Yahoo! JAPAN's* strong presence in this field among the public at large.

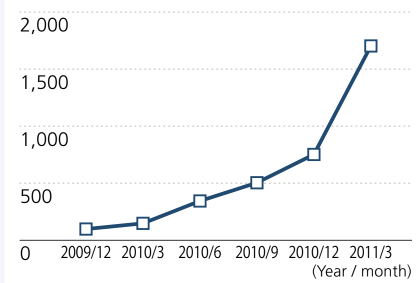
## Fiscal 2011 Initiatives

Addressing the fast-growing smartphone and tablet markets were urgent priorities for fiscal 2011. Accordingly, Yahoo Japan optimized various services for iPhone and Android handsets, and provided applications for them. Furthermore, Yahoo Japan took its first step in the game market. Through a partnership with SQUARE ENIX CO., LTD., Yahoo Japan rolled out *Sengoku IXA* in the rapidly growing market for online games, and partnered with DeNA Co., Ltd. to launch the *Yahoo! Mobage* social games platform for PC users. The goal of this initiative is to generate demand and drive growth in the PC-based social games market.

In other areas, Yahoo Japan actively executed its partnership strategy by joining forces with Culture Convenience Club Co., Ltd., START TODAY, and others to enhance the quality, breadth and user-friendliness of services.

Use of *Yahoo! JAPAN* via smartphones is **expanding rapidly**.

**Number of Page Views for *Yahoo! JAPAN* Homepage for Smartphones**




*1 Using the December 2009 figure as a base index of 100.
*2 Figures exclude certain page views accessed via smartphone apps.

## Current Priorities and Strategies

Eyeing future growth, Yahoo Japan is implementing various measures based on four growth strategies: the Yahoo! Everywhere concept, enhancement of personalized local information services, social media services, and Yahoo Japan's open network partnerships.

### Yahoo! Everywhere Concept

Yahoo Japan will provide optimized services for an increasingly diverse array of Internet-accessible devices including conventional mobile phones, smartphones, TVs, and car navigation systems.

### Enhancement of Personalized Local Information Services

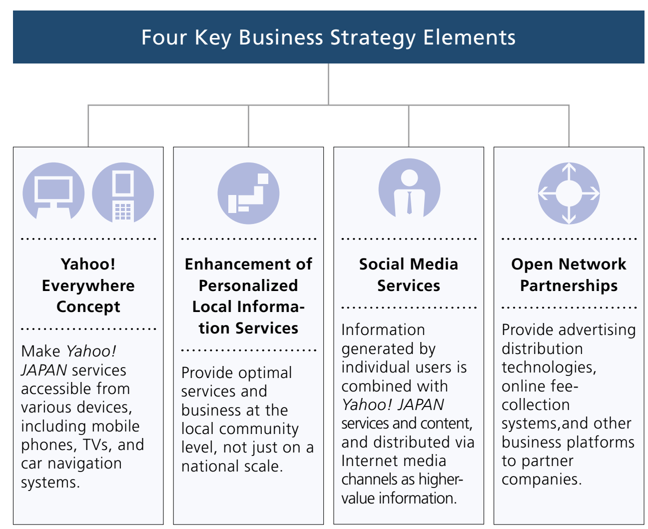
Yahoo Japan will provide information closely tied to users' daily lives when they are offline. This includes not just national information, but also information at the regional and community levels.

### Social Media Services

Yahoo Japan aims to increase the quality and quantity of social media information. Specifically, this will involve integrating data posted by certain information providers with users' comments, in addition to offering services where users directly communicate with each other, such as *Yahoo! Chiebukuro (Yahoo! Answers)*.

### Open Network Partnerships

Yahoo Japan is expanding its business opportunities and establishing win-win partnerships by providing various business platforms, such as advertising distribution systems and online fee-collection systems, to partner sites.



# Major Consolidated Subsidiaries and Affiliates

As of March 31, 2011

## Consolidated Subsidiaries

| Company Name / URL (Listed Market) | Fiscal Year-end | Capital (Millions of yen) | Voting Rights (%) | Principal Business Activities |
|---|---|---|---|---|
| **Mobile Communications Segment** | | | | |
| SOFTBANK MOBILE Corp.<br>www.softbankmobile.co.jp/en/ | Mar. | 177,251 | 100.0 | Mobile phone services and mobile handset sales |
| BB Mobile Corp. | Mar. | 315,155 | 100.0 | Holding company |
| Telecom Express Co., Ltd. | Mar. | 100 | 100.0 | Sales agency for mobile phones and other products |
| **Broadband Infrastructure Segment** | | | | |
| SOFTBANK BB Corp.*1<br>www.softbankbb.co.jp/en/ | Mar. | 100,000 | 100.0 | ADSL services, IP telephony services, distribution and sales of IT-related merchandise |
| **Fixed-line Telecommunications Segment** | | | | |
| SOFTBANK TELECOM Corp.<br>www.softbanktelecom.co.jp/en/ | Mar. | 100 | 100.0 | Fixed-line telephone services, data transmission and leased-line services |
| SOFTBANK TELECOM PARTNERS Corp.<br>www.softbanktelecompartners.co.jp | Mar. | 100 | 100.0 | *OTOKU Line* sales and billing operations for telecommunications services |
| **Internet Culture Segment** | | | | |
| Yahoo Japan Corporation<br>(Listed on TSE First Section, JASDAQ Standard)<br>www.yahoo.co.jp | Mar. | 7,925 | 42.2 | Operation of the *Yahoo! JAPAN* portal, sales of Internet advertising, operation of e-commerce sites, membership services |
| IDC Frontier Inc.<br>www.idcf.jp/EN/index.html | Mar. | 100 | 100.0 | Sales and distribution of data centers, provision of solutions |
| Tavigator, Inc.<br>www.tavigator.co.jp | Mar. | 100 | 58.0 | Online travel agency |
| **Others** | | | | |
| Mobiletech Corporation | Mar. | 105,630 | 100.0 | Holding company |
| SOFTBANK Players Corp.<br>www.softbankplayers.co.jp | Mar. | 575 | 100.0 | Research, planning, and provision of information for Internet leisure service |
| SOFTBANK PAYMENT SERVICE CORP.<br>www.sbpayment.jp | Mar. | 450 | 100.0 | Payment processing, invoice collections, and computation services for business |
| Fukuoka SOFTBANK HAWKS Marketing Corp.<br>www.softbankhawks.co.jp | Feb. | 100 | 100.0 | Management and maintenance of baseball stadium and other sports facilities, operation of baseball games |
| Fukuoka SOFTBANK HAWKS Corp.<br>www.softbankhawks.co.jp | Feb. | 100 | 100.0 | Ownership of professional baseball team and baseball game administration |
| DeeCorp Limited<br>www.deecorp.jp | Mar. | 100 | 100.0 | Comprehensive online purchasing support services for companies |
| SOFTBANK Frameworks Corporation<br>www.sbfw.co.jp/en/ | Mar. | 100 | 100.0 | Logistics outsourcing and consulting services specialized in IT companies |
| SOFTBANK Media Marketing Holdings Corp.<br>www.sbmm-holdings.co.jp/en/ | Mar. | 100 | 100.0 | Holding company |
| SOFTBANK Creative Corp.<br>www.softbankcr.co.jp/en/ | Mar. | 100 | 100.0 | Distribution of digital content and publishing |
| BB Softservice Corp.<br>www.bbss.co.jp/company/english.html | Mar. | 50 | 100.0 | Operation of software service portal, distribution of software |

*1 Among principal business activities, the distribution and sale of IT-related products business is included under Others.

| Company Name / URL (Listed Market) | Fiscal Year-end | Capital (Millions of yen) | Voting Rights (%) | Principal Business Activities |
|---|---|---|---|---|
| **Others** | | | | |
| SBBM Corporation | Mar. | 11 | 100.0 | Holding company |
| Odds Park Corp.<br>www.oddspark.com | Mar. | 10 | 100.0 | Compilation of information related to publicly-managed race betting and sales operations for betting tickets |
| TV Bank Corporation<br>www.tv-bank.com/en/ | Mar. | 10 | 100.0 | Procurement and distribution of video content |
| Cybertrust Japan Co., Ltd.<br>www.cybertrust.ne.jp | Dec. | 1,422 | 68.7 | Development and sale of software related to electronic authentication |
| ITmedia Inc.<br>(Listed on TSE Mothers)<br>www.itmedia.co.jp | Mar. | 1,620 | 59.8 | Operation of comprehensive IT information site *ITmedia* |
| Alibaba.com Japan Co., Ltd.<br>www.alibaba.co.jp | Mar. | 1,221 | 58.2 | Operation of B2B and B2C trading support Web site |
| Vector inc.<br>(Listed on JASDAQ Standard)<br>ir.vector.co.jp/?lang=en | Mar. | 1,006 | 57.4 | Operation of online games, software sales through downloading |
| SOFTBANK TECHNOLOGY CORP.<br>(Listed on TSE First Section)<br>www.softbanktech.co.jp/en/ | Mar. | 634 | 55.5 | Online business solutions and services |
| Carview Corporation<br>(Listed on TSE Mothers)<br>www.carview.co.jp | Mar. | 1,570 | 52.2 | Online provision of automobile-related information |
| SB CHINA HOLDINGS PTE LTD<br>www.sbcvc.com | Mar. | US$100M | 100.0 | Holding company |
| SB Thrunet Pte Ltd | Mar. | US$96M | 100.0 | Holding company |
| SB Holdings (Europe) Ltd. | Mar. | US$48M | 100.0 | Holding company |
| SB China & India Corporation | Mar. | US$40M | 100.0 | Holding company |
| SOFTBANK Ventures Korea Inc.<br>www.softbank.co.kr | Dec. | KRW18,000M | 100.0 | Holding company |
| SB Third Singapore Pte Ltd | Mar. | US$16M | 100.0 | Holding company |
| SOFTBANK Korea Co., Ltd.<br>www.softbank.co.kr | Dec. | KRW2,200M | 100.0 | Holding company |
| SOFTBANK Holdings Inc.<br>www.softbank.com | Mar. | US$0M | 100.0 | Holding company |
| SOFTBANK America Inc. | Mar. | US$0M | 100.0 | Holding company |
| SOFTBANK Commerce Korea Corporation<br>www.softbank.co.kr | Dec. | KRW5,732M | 85.8 | Distribution and sales of IT-related merchandise in South Korea |

## Affiliates and Others

| Company Name / URL (Listed Market) | Fiscal Year-end | Capital (Millions of yen) | Voting Rights (%) | Principal Business Activities |
|---|---|---|---|---|
| **Equity Method Affiliates** | | | | |
| **Internet Culture Segment** | | | | |
| ValueCommerce Co., Ltd.<br>(Listed on TSE Mothers)<br>www.valuecommerce.com | Dec. | 1,724 | 43.6 | Operation of performance-based Internet advertising system |
| CREO CO., LTD.<br>(Listed on JASDAQ Standard)<br>www.creo.co.jp | Mar. | 3,149 | 39.5 | Systems development, planning, development, and sales of packaged software |
| All About, Inc.<br>(Listed on JASDAQ Standard)<br>www.allabout.co.jp | Mar. | 1,169 | 34.8 | Operation of comprehensive information site *All About* |
| Estore Corporation<br>(Listed on JASDAQ Standard)<br>http://estore.co.jp/en/ | Mar. | 523 | 32.5 | Services including distribution, settlement, sales promotion, and administration for Internet businesses |
| MACROMILL, INC.<br>(Listed on TSE First Section)<br>www.macromill.com/global | Jun. | 1,597 | 24.8 | Market surveys and other services utilizing the Internet and mobile phones |
| **Others** | | | | |
| CJ Internet Japan Corp.<br>www.netmarble.ne.jp | Dec. | 1,700 | 44.7 | Operation of entertainment portal focusing on games |
| Broadmedia Corporation<br>(Listed on JASDAQ Standard)<br>www.broadmedia.co.jp | Mar. | 2,666 | 35.0 | Video, audio and data content distribution services using communications networks |
| GungHo Online Entertainment, Inc.<br>(Listed on JASDAQ Standard)<br>www.gungho.co.jp/english/ | Dec. | 5,331 | 33.7 | Planning, development, distribution and management of online games, using the Internet |
| Wireless City Planning Inc.<br>www.wirelesscity.jp | Mar. | 6,501 | 33.3 | Planning and provision of wireless broadband services |
| M.P.Holdings, Inc<br>(Listed on TSE Mothers)<br>www.mph.mptech.co.jp/en/ | Jul. | 5,633 | 32.8 | Holding company for an operating company that provides information security and video distribution solutions |
| Telecom Service Co., Ltd.<br>www.telecom-service.net | Mar. | 500 | 17.3 | Sales agency for mobile phones and other products |
| PPLive Corporation*2<br>www.pptv.com | Dec. | RMB1M | 40.1 | Investor company of company operating *PPTV* online TV services |
| Renren Inc.*3<br>(Listed on NYSE)<br>www.renren.com | Dec. | US$0M | 43.3 | Investor company of company operating *Renren.com* SNS site in China |
| Alibaba Group Holding Limited<br>www.alibaba.com | Dec. | US$0M | 32.6 | Investor company of company operating *Alibaba.com* B2B Web site |
| **Other Securities** | | | | |
| Yahoo! Inc.<br>(Listed on NASDAQ)<br>www.yahoo.com | Dec. | US$1M | 4.0 | Operation of *Yahoo!* portal, Internet services |

*2 Synacast Corporation changed its company name to PPLive Corporation on April 5, 2011.
*3 Oak Pacific Interactive changed its company name to Renren Inc. on December 13, 2010.

## Main Overseas Fund Data

| Fund Name | Category*4 | Principal Investment Region | Fund Size | Commitment | Ownership*5 (%) |
|---|---|---|---|---|---|
| **Consolidated Subsidiaries** | | | | | |
| SOFTBANK Ranger Venture Investment Partnership | A | South Korea | KRW36,000M | KRW36,000M | 100.0 |
| SoftBank Capital Fund '10 L.P. | A | U.S. | US$102M | US$100M | 98.0 |
| SOFTBANK US Ventures VI L.P. | B | U.S. | US$626M | US$608M | 97.0 |
| Bodhi Investments LLC | A | China, India | US$105M | US$50M | 47.6 |
| **Equity Method Affiliates** | | | | | |
| SOFTBANK Capital Technology Fund III L.P. | B | U.S. | US$232M | US$131M | 56.3 |
| SB Life Science Ventures I, L.P. | A | U.S. | US$89M | US$30M | 33.7 |

*4 A: funds managed by the Company; B: funds other than category A.
*5 Holdings as percentage of fund size.


## Management Organization

The SOFTBANK Group's corporate philosophy is to "endeavor to benefit society and the economy and maximize enterprise value by fostering the sharing of wisdom and knowledge gained through the IT revolution" under the fundamental concept of "free, fair, innovative."

Based on this philosophy, the SOFTBANK Group will fulfill its obligations to society while enhancing its management organization to build a solid foundation for raising the Group's enterprise value.

This section explains the SOFTBANK Group's management organization.





# Management Organization



# Directors and Corporate Auditors

(As of June 24, 2011)

## Directors

Chairman & CEO

### Masayoshi Son

| | |
|---|---|
| Sept. 1981 | Founded SOFTBANK Corp. Japan (currently SOFTBANK), Chairman & CEO |
| Apr. 1983 | Chairman of SOFTBANK Japan |
| Feb. 1986 | Chairman & CEO of SOFTBANK Japan (to present) |
| Jan. 1996 | President & CEO, Yahoo Japan |
| July 1996 | Chairman of the board, Yahoo Japan (to present) |
| June 2001 | President, BB Technologies (currently SOFTBANK BB) |
| Feb. 2004 | Chairman & CEO, SOFTBANK BB (to present) |
| July 2004 | Chairman of the board, JAPAN TELECOM (currently SOFTBANK TELECOM) |
| Apr. 2006 | Chairman of the board, president & CEO, Vodafone K.K. (currently SOFTBANK MOBILE) |
| Oct. 2006 | Chairman & CEO, SOFTBANK TELECOM (to present) |
| June 2007 | Chairman & CEO, SOFTBANK MOBILE (to present) |

Director

### Ken Miyauchi

| | |
|---|---|
| Feb. 1977 | Joined Japan Management Association |
| Oct. 1984 | Joined SOFTBANK Corp. Japan (currently SOFTBANK) |
| Feb. 1988 | Director of SOFTBANK Japan |
| Apr. 1993 | Executive director of SOFTBANK |
| Sept. 1999 | Representative director & president, SOFTBANK COMMERCE (currently SOFTBANK BB) |
| June 2000 | Director of SOFTBANK (to present) |
| Feb. 2004 | Vice president, director & COO, SOFTBANK BB |
| July 2004 | Director, JAPAN TELECOM (currently SOFTBANK TELECOM) |
| Apr. 2006 | Executive vice president, director & COO, Vodafone K.K. (currently SOFTBANK MOBILE) |
| Oct. 2006 | Representative director & COO, SOFTBANK TELECOM (to present) |
| June 2007 | Representative director & COO, SOFTBANK MOBILE (to present) |
| June 2007 | Representative director & COO, SOFTBANK BB (to present) |
| Aug. 2010 | Trustee, WILLCOM (to present) |
| Nov. 2010 | Representative director & president, WILLCOM (to present) |

Director

### Kazuhiko Kasai

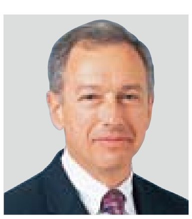
| | |
|---|---|
| Apr. 1959 | Joined The Fuji Bank, Ltd. |
| May 1992 | Executive vice president, The Fuji Bank |
| Apr. 1998 | Corporate advisor to The Yasuda Trust and Banking Co., Ltd. (currently Mizuho Trust & Banking Co., Ltd.) |
| June 1998 | Chairman of the board, The Yasuda Trust and Banking |
| Apr. 2000 | Director, executive advisor, The Yasuda Trust and Banking |
| June 2000 | Corporate advisor to SOFTBANK |
| June 2000 | Director of SOFTBANK (to present) |
| July 2004 | Director, JAPAN TELECOM (currently SOFTBANK TELECOM) (to present) |
| Jan. 2005 | President & owners' representative, Fukuoka SOFTBANK HAWKS (to present) |
| June 2005 | Chairman & president, Fukuoka SOFTBANK HAWKS Marketing (to present) |
| Apr. 2006 | Director, Vodafone K.K. (currently SOFTBANK MOBILE) (to present) |

Director

### Masahiro Inoue

President & CEO
Yahoo Japan Corporation

| | |
|---|---|
| Apr. 1979 | Joined Sword Computer System Co., Ltd. |
| Nov. 1987 | Joined Softbank Research Institute Co., Ltd. |
| June 1992 | Joined SOFTBANK |
| Jan. 1994 | Head secretary of SOFTBANK |
| Jan. 1996 | Director, Yahoo Japan |
| July 1996 | President & CEO, Yahoo Japan (to present) |
| June 1998 | Director of SOFTBANK |
| June 1999 | Retired from the position of director of SOFTBANK |
| June 2001 | Director of SOFTBANK (to present) |



Director

### Ronald D. Fisher

Director & President
SOFTBANK Holdings Inc.

| | |
|---|---|
| Apr. 1976 | CFO, TRW Inc. in the U.S. |
| Jan. 1990 | CEO, Phoenix Technologies Ltd. in the U.S. |
| Oct. 1995 | Director and president, SOFTBANK Holdings (to present) |
| June 1997 | Director of SOFTBANK (to present) |

Director

### Yun Ma

Chairman & CEO
Alibaba Group Holding Limited

| | |
|---|---|
| Feb. 1995 | Founded China Pages, president |
| Jan. 1998 | President, MOFTEC EDI Centre |
| July 1999 | Director, Alibaba.com Corporation (currently Alibaba Group Holding Limited) |
| Nov. 1999 | Director, chairman of the board and CEO, Alibaba Group Holding |
| Feb. 2004 | Chairman and CEO, Alibaba Group Holding (to present) |
| June 2007 | Director of SOFTBANK (to present) |
| Oct. 2007 | Non-executive director, chairman, Alibaba.com Limited (to present) |

## External Directors

### Message to Stakeholders

Director,
Independent officer

### Tadashi Yanai

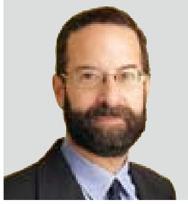
Chairman, President & CEO
FAST RETAILING CO., LTD.

| | |
|---|---|
| Aug. 1972 | Joined Ogoori Corp. (currently FAST RETAILING CO., LTD.) |
| Sept. 1972 | Director, Ogoori |
| Aug. 1973 | Senior managing director, Ogoori |
| Sept. 1984 | President & CEO, Ogoori |
| June 2001 | Director of SOFTBANK (to present) |
| Nov. 2002 | Chairman & CEO, FAST RETAILING |
| Sept. 2005 | Chairman, president & CEO, FAST RETAILING (to present) |
| Nov. 2005 | Chairman, president & CEO, UNIQLO CO., LTD. (to present) |
| Sept. 2008 | Chairman, GOV RETAILING CO., LTD. (to present) |

In 2001, the year when I became a director of SOFTBANK, the SOFTBANK Group started its ADSL business. In the 10 years since then, the Group's business has changed enormously with the acquisitions of JAPAN TELECOM (currently SOFTBANK TELECOM) in 2004 and Vodafone K.K. (currently SOFTBANK MOBILE) in 2006.

I offer advice on the balance of risk and opportunity with respect to business expansion and acquisitions, based on the knowledge and experience I have gained managing UNIQLO and other FAST RETAILING business. FAST RETAILING views Asia as holding the greatest opportunities for growth of UNIQLO, and has adopted a strategy of stepping up investment in Asia that parallels that of SOFTBANK. While the manufacturing and retail business operates on a different model from the communications and Internet business, they share a focus on Asia, and it is from this perspective that I hope to contribute to the management of the SOFTBANK Group.

Moreover, while there is a tendency for observers to see SOFTBANK's management as a one-man show run by Masayoshi Son, I have found that management decisions are made appropriately after proper deliberation, during which the external directors each make use of their varied knowledge and experience to offer advice.



Director,
Independent officer

### Mark Schwartz

Chairman
MissionPoint Capital Partners, LLC

| | |
|---|---|
| July 1979 | Joined the investment banking division of Goldman Sachs & Co. |
| Nov. 1988 | Partner, Goldman Sachs |
| Nov. 1996 | Managing director, Goldman Sachs |
| June 1997 | President, Goldman Sachs Japan Co., Ltd. |
| July 1999 | Chairman, Goldman Sachs Asia |
| June 2001 | Director of SOFTBANK |
| Jan. 2003 | President and CEO, Soros Fund Management LLC |
| June 2004 | Retired from the position of director of SOFTBANK |
| Jan. 2006 | Chairman, MissionPoint Capital Partners, LLC (to present) |
| June 2006 | Director, MasterCard Incorporated (to present) |
| June 2006 | Director of SOFTBANK (to present) |

I served as an external director of SOFTBANK for three years from June 2001 to June 2004, and reassumed the position in June 2006. I have observed the investment banking market in the U.S. and in Asia for the last 30 years in my work with Goldman Sachs and affiliated companies. I utilize my knowledge of overseas management strategies and finance in making recommendations to SOFTBANK.

In recent years one of the key management tasks has been to use cash flow generated by strong businesses to pay down debt. Another important activity right now is investing in information industry-related firms in Asia with the goal of producing strategic synergies. I will continue to support the SOFTBANK Group's growth and offer recommendations regarding financial and overseas management issues.

Director

### Sunil Bharti Mittal

Chairman and managing director
Bharti Airtel Limited

| | |
|---|---|
| July 1985 | Chairman, Bharti Telecom Limited (to present) |
| July 1995 | Chairman and managing director, Bharti Airtel Limited (to present) |
| Aug. 2001 | Director, Indian Continent Investments Limited (to present) |
| Nov. 2005 | Chairman, Bharti Ventures Limited (to present) |
| Nov. 2005 | Chairman, Bharti Overseas Limited (to present) |
| Apr. 2008 | Chairman, Bharti Infratel Limited (to present) |
| July 2008 | Chairman, Bharti Infotel Limited (to present) |
| Aug. 2008 | Director, Indian School of Business (to present) |
| Jan. 2010 | Director, Airtel Bangladesh Limited (to present) |
| June 2011 | Director of SOFTBANK (to present) |

I am honored to join SOFTBANK's board. I am a first generation entrepreneur in India. I started my business career at the age of 18 and laid the foundation for Bharti Enterprises. Today Bharti is one of India's leading corporations.

My early years were spent in Japan and some might say that I was trained there. The early training and discipline that I got from Japan gave me a head start in building India's iconic telecom company Bharti Airtel. Airtel currently is the 5th largest telecom operator in the world with over 223 million customers spread over 19 countries.

As the telecom industry moves forward, it is making rapid strides into data space, and information is going to hold sway over the industry. It is in these exciting times that I have been given this opportunity to join SOFTBANK and be a part of this dynamic company. SOFTBANK has made a deep mark in the area of data communications and has clearly established itself as a leader in the future of the mobile Internet. I am, therefore, very pleased to join this board at a time when the telecom industry itself is going through a major paradigm shift towards the data age. I greatly appreciate your continued support to SOFTBANK.

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

## Corporate Auditors

Full-time corporate auditor

### Mitsuo Sano

| | |
|---|---|
| Oct. 1982 | Joined Pricewaterhouse |
| Mar. 1986 | Registered as a certified public accountant |
| Oct. 1990 | Joined SOFTBANK |
| Dec. 1995 | Accounting general manager of the Finance & Accounting department of SOFTBANK |
| June 1998 | Full-time corporate auditor of SOFTBANK |
| June 1999 | Retired from full-time corporate auditor of SOFTBANK |
| June 1999 | Director, E*TRADE Securities Co., Ltd. (currently SBI SECURITIES Co., Ltd.) |
| June 2000 | Full-time corporate auditor of SOFTBANK (to present) |

Corporate auditor

### Soichiro Uno

Lawyer

| | |
|---|---|
| Apr. 1988 | Joined Nagashima & Ohno Law Office (currently Nagashima Ohno & Tsunematsu), registered as a lawyer |
| June 1993 | Registered as a lawyer in the State of New York, U.S.A. |
| Jan. 2000 | Partner, Nagashima Ohno & Tsunematsu (to present) |
| June 2004 | Corporate auditor of SOFTBANK (to present) |

Corporate auditor, Independent officer

### Kouichi Shibayama

Certified Public Accountant,
Certified Tax Accountant

| | |
|---|---|
| Apr. 1960 | Joined Yamaichi Securities Co., Ltd. |
| Oct. 1966 | Joined Pricewaterhouse (currently PricewaterhouseCoopers Co., Ltd.) |
| Mar. 1970 | Registered as a certified public accountant |
| Aug. 1983 | Registered as a certified tax accountant |
| Sept. 1997 | Advisor, PwC Aoyama Advisory Co., Ltd. |
| July 2002 | Advisor, Zeirishi-Hojin ChuoAoyama (currently Zeirishi-Hojin PricewaterhouseCoopers) (to present) |
| June 2003 | Corporate auditor of SOFTBANK (to present) |

Corporate auditor, Independent officer

### Hidekazu Kubokawa

Certified Public Accountant,
Certified Tax Accountant

| | |
|---|---|
| Nov. 1976 | Joined Chuo Accounting Firm |
| Aug. 1980 | Registered as a certified public accountant |
| July 1986 | Founded Kubokawa CPA Office, (currently Yotsuya Partners Accounting Firm), representative partner (to present) |
| Mar. 1987 | Registered as certified tax accountant |
| Feb. 1989 | Corporate auditor of SOFTBANK Corp. Japan (currently SOFTBANK) (to present) |
| May 2003 | Corporate auditor, KASUMI Co., Ltd. (to present) |
| June 2004 | Corporate auditor, TAKE AND GIVE. NEEDS Co., Ltd. (to present) |
| June 2005 | Corporate auditor, KYORITSU PRINTING CO., LTD. (to present) |

### Message to Stakeholders

In my experience as a CPA and tax accountant, I have found it important when auditing the operations of a company to evaluate its corporate governance and the status and operation of its internal control structures.

I believe that the core of corporate governance at SOFTBANK is its Board of Directors. The nine directors who make up the Board of Directors of SOFTBANK, including CEO Son, are all possessed of an outstanding management sense and philosophy, and a strong awareness of how important it is to observe the law and uphold ethical principles. Deliberations at the Board of Directors meetings are earnest and engaged, and I believe that oversight functions for the Board of Directors are working properly.

The audit system at SOFTBANK comprises the audits conducted by the corporate auditors, accounting audits conducted by the independent auditor, and internal audits conducted by the Internal Audit department, which specializes in performing internal audits independently of execution of duties.

As part of the audit system, the corporate auditors receive regular reports from the Internal Audit Department, and the corporate auditors of SOFTBANK's subsidiaries also exchange opinions and consult with them as needed. The corporate auditors also meet regularly with the independent auditor to exchange opinions.

Note: 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.

# Corporate Governance

QUESTION

What kind of corporate governance system is in place for the SOFTBANK Group?

ANSWER

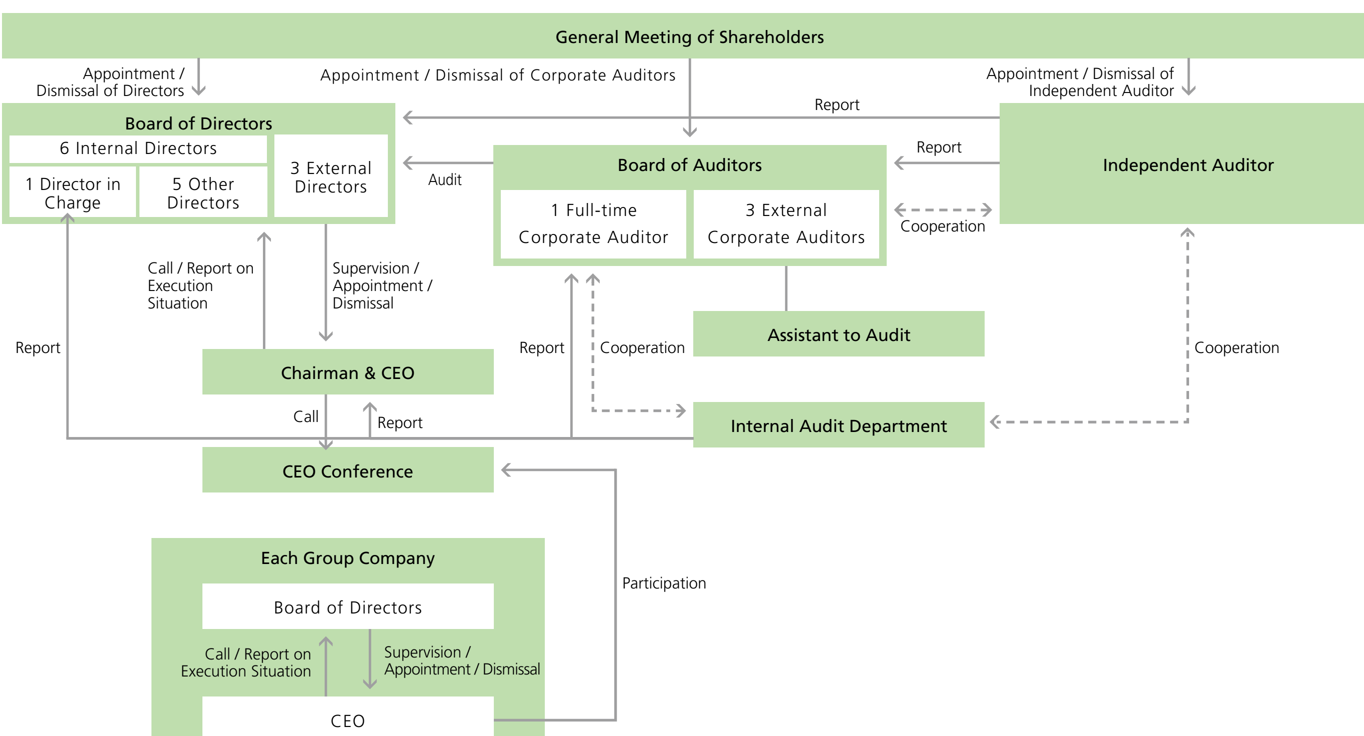
Management strives to ensure control of the SOFTBANK Group as a whole based on the SOFTBANK Group Charter, which stipulates basic matters concerning governance, to promote shared fundamental concepts and policies throughout the Group. Management has also established various Group guidelines.

The Company is a pure holding company with 178 subsidiaries and 92 affiliates as of March 31, 2011. One defining feature of the Company is that it controls the entire SOFTBANK Group based on the SOFTBANK Group Charter, which stipulates basic matters concerning governance to promote shared fundamental concepts and philosophy throughout group companies, as well as establishing various Group guidelines.

The Board of Directors of the Company consists of nine directors including three external directors. The Board of Directors holds regular meetings, and extraordinary meetings when necessary, to make decisions on statutory matters and critical matters relating to business management, and to oversee the execution of business. Matters to be raised at the Board of Directors meetings are provided in the Board of Directors Regulations. Approval authority for other matters is delegated to committees, the directors in charge, or managers of the relevant departments in order to allow an agile response in business activities.

The Company has one full-time corporate auditor, three external corporate auditors, and a Board of Auditors. The Company has systems in place to support the work of the corporate auditors, such as the Assistant to Audit department. These systems ensure that the corporate auditors can perform their supervisory functions adequately.

Corporate Governance System




Management Organization

QUESTION

How are you carrying out Group management?

ANSWER

We manage the Group based on the SOFTBANK Group Charter and other guidelines.

The Company has set out the SOFTBANK Group Charter, which describes the Group's fundamental concept and policy, and basic items of the governance system. This charter, along with various group guidelines, forms the basis for our management of the Group. Management also shares management strategies through the CEO Conference, which comprises the CEOs of the Group's major operating companies.

With respect to listed subsidiaries (five in total: Yahoo Japan, SOFTBANK TECHNOLOGY, Vector, ITmedia, Carview), the Company considers autonomous management and business development for increasing shareholder returns to be important for raising the enterprise value of each subsidiary and the SOFTBANK Group as a whole. The Company therefore emphasizes the individual management judgment of each subsidiary in addition to the sharing of management strategies across the Group through the CEO Conference.

## Basic Approach to Internal Control System

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

The Company has established the SOFTBANK Group Officer and Employee Code of Conduct to prescribe the code of conduct to be followed by all directors and employees to ensure that corporate activities are appropriate based not only on regulatory compliance, but also on high ethical standards, and has established the following structure to continuously reinforce the compliance system:

(1) A chief compliance officer (CCO) is appointed. In addition to proposing and carrying out measures required to establish and enhance the Company's compliance system, the CCO regularly reports to the Board of Directors on compliance-related issues and the status of addressing those issues.
(2) Internal and external hotlines are established for direct reporting and consultations by directors and employees, to quickly identify, rectify, and prevent the reoccurrence of any inappropriate issues in corporate activities.
(3) The Internal Audit department carries out audits to ensure that execution of duties complies with laws, regulations and the Articles of Incorporation, and the results of those audits are reported to the chairman and director in charge. The Internal Audit department also works in cooperation with the corporate auditors by providing them with the results of those audits.

### System for the storage and management of information regarding the execution of duties by directors

The Company has established the following system to appropriately store and maintain documents and other important information related to the execution of duties by directors including minutes and proposals of the Board of Directors meetings and requests for approval:

(1) The Company determines retention periods and methods and measures to prevent accidents, based on the Information Management Regulations, and classifies and appropriately stores these documents according to their degree of confidentiality.
(2) In addition to the appointment of a chief information security officer (CISO) as the person responsible for information security, based on the Information Security Basic Regulations, an Information Security Committee, chaired by the CISO, has been established to promote activities related to information security.

### Regulations and system relating to managing the risk of loss

The Company has established the following system to avoid and minimize risk and to implement necessary measures related to the variety of risks in its business operations:

(1) Responsible departments are designated to address various risks, manage risks in each responsible department and work to reduce risks and prevent the occurrence of risk events based on the Risk Management Regulations. In addition, when an emergency situation arises, an emergency response department will be established according to the designated escalation flow, and efforts will be made to minimize the damage (loss) based on the instructions of the emergency response department.
(2) The General Administration department will summarize the status of risk evaluation, analysis and response at each responsible department, and regularly report its findings to the Board of Directors.
(3) The Internal Audit department carries out internal audits of the risk management system.

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

The Company has established the following structure to maintain an efficient management system:

(1) The Company has set out the Board of Directors Meeting Regulations to clarify matters to be decided and reported on by the Board of Directors, and the Internal Approval Regulations and other regulations relating to institutional decision-making to clarify decision-making authority.
(2) To strengthen functions for overseeing the execution of duties and enhance objectivity in management, the Board of Directors includes external directors who are independent of the Company.
(3) To ensure that the directors, including external directors, can discuss matters fully at Board of Directors meetings, they are provided with materials for the meeting in advance, and with additional or supplementary materials upon their request.
(4) The scope of operations, authority and responsibilities necessary for operations are clearly defined in the Regulations on Segregation and Authority of Duties.

### System to ensure appropriateness of the Group operations

The Company has formulated the SOFTBANK Group Charter, which spells out regulations on matters related to strengthening the governance and compliance system, to promote fundamental concepts and philosophies shared throughout the Group. In addition, the following have been established to determine a common code of conduct for directors and employees of Group companies:

(1) A group compliance officer (GCO) has been appointed to promote the establishment and reinforcement of Group-wide compliance systems, as the person ultimately responsible for compliance throughout the Group. A Group Hotline has also been established to receive reports and provide consultation to all directors and employees of Group companies to quickly identify, rectify and prevent the reoccurrence of any inappropriate issues in corporate activities.
(2) The CEO Conference, comprising the CEOs of major operating companies in the Group, meets to enhance Group-wide management efficiency by sharing management strategies and business plans.
(3) Each Group company carries out a self-assessment of its internal controls. The representative of each Group company must submit a Representative Oath pertaining to the financial reports submitted to the Company, thereby ensuring the accuracy of the annual securities report and other reports submitted by the Group.
(4) The Internal Audit department comprehensively judges the results of past internal audits, financial position and self-assessments of internal controls, and carries out internal audits of Group companies deemed as having high risk.
(5) A group chief information security officer (GCISO) has been appointed to promote the establishment and reinforcement of Group-wide information security systems, as the person ultimately responsible for information security throughout the Group.

### System for excluding anti-social forces

The Company clearly states in the SOFTBANK Group Officer and Employee Code of Conduct its policy of having absolutely no association with anti-social forces that pose a threat to public order and safety. The General Administration department is responsible for dealing with inappropriate requests from antisocial forces and will firmly refuse those requests in a resolute manner in cooperation with the police and other external specialist institutions.

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

The Company has established the Assistant to Audit department as an organization to support the work of the corporate auditors, and has assigned dedicated staff to this department. Directions and instructions to the support staff are issued by the corporate auditors and any personnel changes, evaluations or other such actions, require the agreement of the corporate auditors.

### System for reporting to the corporate auditors

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

(1) Important matters related to the management, finances or business execution of the Company or the Group companies.
(2) Matters related to the compliance system or use of the hotline.
(3) The development status of internal control systems.
(4) Matters which could cause significant damage to the Company.
(5) Matters relating to violations of laws, regulations, or the Articles of Incorporation
(6) Results of audits conducted by the Internal Audit department.
(7) Other matters that the corporate auditors have decided that need to be reported in order for them to execute their duties.

### Other systems to ensure that the audits by the corporate auditors are conducted effectively

When corporate auditors deem it necessary, opportunities shall be provided for them to interview directors or employees. In addition, corporate auditors periodically meet with the independent auditor and corporate auditors of major subsidiaries and other entities for an exchange of information and to ensure cooperation. At the same time, full-time corporate auditor attends meetings of major committees including the Departmental Liaison Committee, which is made up of department managers of the Company, and the CEO Conference.

QUESTION

What were the reasons for appointing external directors and external corporate auditors?

ANSWER

We thought it important to get advice from people outside the Group with a variety of career backgrounds, based on their extensive knowledge and experience.

Of the Board's nine directors, three are external directors—Mr. Tadashi Yanai, Mr. Mark Schwartz, and Mr. Sunil Bharti Mittal.

Mr. Yanai is the chairman, president & CEO of FAST RETAILING CO., LTD, and has extensive knowledge and experience as a manager of a company that carries out leading-edge management. Mr. Yanai was elected as an external director to leverage his knowledge and experience in the Company's business judgments and decision-making processes.

Mr. Schwartz has served in senior positions at global investment banking services provider Goldman Sachs & Co. and related companies and has extensive knowledge and experience in management strategies and in the financial sector. He was elected as an external director to leverage his knowledge and experience in the Company's business judgments and decision-making processes.

Mr. Mittal is the chairman and managing director of major Indian mobile phone company Bharti Airtel Limited, and has extensive knowledge and experience in global corporate management. He was elected as an external director to leverage his knowledge and experience in the Company's business judgment and decision-making process.

Of the Company's four corporate auditors, three are external corporate auditors: Mr. Soichiro Uno, Mr. Kouichi Shibayama, and Mr. Hidekazu Kubokawa.

Mr. Uno has extensive knowledge and experience as a lawyer. He was elected as an external corporate auditor to leverage his knowledge and experience to perform audits from a specialist perspective and to ensure the objectivity of the audits.

Mr. Shibayama and Mr. Kubokawa have extensive knowledge and experience as certified public accountants and certified tax accountants. They were elected as external corporate auditors to leverage their knowledge and experience to perform audits from a specialist perspective and to ensure the objectivity of the audits.

### Attendance of External Directors at Board of Directors Meetings During Fiscal 2011

| | Attendance of External Directors at Board of Directors Meetings During Fiscal 2011 (Total of 21 meetings) |
|---|---|
| Tadashi Yanai | 19 |
| Jun Murai | 14 |
| Mark Schwartz | 19 |

* Resolutions passed by directors in writing without meeting are not included in the number of meetings.
* Mr. Jun Murai retired at the end of the 31st Annual General Meeting of Shareholders held on June 24, 2011 because the term of his appointment expired.

### Attendance of the External Corporate Auditors at Meetings of the Board of Directors and of the Board of Corporate Auditors During Fiscal 2011

| | Board of Directors Meetings (Total of 21 meetings) | Board of Corporate Auditors Meetings (Total of 14 meetings) |
|---|---|---|
| Soichiro Uno | 20 | 14 |
| Kouichi Shibayama | 21 | 14 |
| Hidekazu Kubokawa | 20 | 14 |

* Resolutions passed by directors in writing without meeting are not included in the number of meetings.

### Number of External Directors

Persons

| FY | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Number of Directors | 9 | 10 | 9 | 9 | 8 | 8 | 9 | 9 | 9 | 9 | 9 | 9 |
| External directors | 4 | 4 | 3 | 3 | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 |

* Number of persons as of the end of the Annual General Meeting of Shareholders for each fiscal year.

QUESTION

What efforts are you making to ensure that audit functions are effective?

ANSWER

We take various steps to ensure effective audit functions. For example, three of the four corporate auditors are external corporate auditors to ensure objectivity, and the corporate auditors coordinate together on audits.

The Company takes measures such as the following to ensure that audit functions are effective.

Three of the Company's four corporate auditors are external auditors to help ensure objectivity. The Company has also put systems in place to support the work of the corporate auditors, including the external corporate auditors. These systems include the establishment of an Assistant to Audit department, and provision of specially appointed staff for gathering information and conducting surveys if needed.

The Company's accounting audit for fiscal 2011 was performed by Deloitte Touche Tohmatsu LLC, who also performed accounting audits for the Company's major subsidiaries. The corporate auditors and the independent auditor hold regular meetings from the audit planning stage through to the reporting stage, and meet quarterly regarding earnings reports. The corporate auditors and independent auditor also exchange opinions on an ad hoc basis when necessary.

The internal audit of the Company is conducted by the Internal Audit department, which is a dedicated department and is independent of operations. The corporate auditors receive reports periodically on the audit plan, audit results of the Company's departments and subsidiaries, and other information concerning audits from the Internal Audit department. They also exchange opinions when necessary to ensure cooperation.

## Remuneration for Directors and Corporate Auditors

**Remuneration paid to directors and corporate auditors is determined within the limit approved by the General Meeting of Shareholders. Remuneration paid to directors is determined by resolution of the Board of Directors, whereas remuneration paid to corporate auditors is determined by discussions among corporate auditors.**

### Total Remuneration Paid and Total Remuneration Paid by Type by the Company to Directors and Corporate Auditors in Fiscal 2011

| Classification | Total Remuneration Paid (Millions of yen) | Total Remuneration Paid by Type (Millions of yen) | | | | Number of Officers Applicable |
|---|---|---|---|---|---|---|
| | | Basic Remuneration | Stock Options | Bonus | Retirement Package | |
| Directors (Excluding external directors) | 214 | 214 | — | — | — | 3 |
| Corporate Auditors (Excluding external corporate auditors) | 42 | 42 | — | — | — | 1 |
| External Officers | 59 | 59 | — | — | — | 6 |

### Total Remuneration by Director Paid by the Company and its Consolidated Subsidiaries in Fiscal 2011

| Name (Classification) | Total Remuneration Paid (Millions of yen) | Company Name | Total Remuneration Paid by Type (Millions of yen) | | | |
|---|---|---|---|---|---|---|
| | | | Basic Remuneration | Stock Options | Bonus | Retirement Package |
| Masayoshi Son (Director) | 108 | The Company | 96 | — | — | — |
| | | SOFTBANK MOBILE | 12 | — | — | — |
| Ken Miyauchi (Director) | 128 | SOFTBANK MOBILE | 43 | — | 8 | — |
| | | SOFTBANK BB | 20 | — | 4 | — |
| | | SOFTBANK TELECOM | 43 | — | 8 | — |
| Kazuhiko Kasai (Director) | 108 | The Company | 108 | — | — | — |
| Masahiro Inoue (Director) | 158 | Yahoo Japan | 60 | 12 | 84 | — |
| Ronald D. Fisher (Director) | 102 | SOFTBANK Inc. | 85 | — | 17 | — |

QUESTION

## What steps are being taken to invigorate the General Meeting of Shareholders and to facilitate the exercise of voting rights?

ANSWER

**We take care to enable as many shareholders as possible to attend our shareholders' meeting by avoiding holding the meetings on days on which many meetings are concentrated. In addition, the chairman himself explains his medium- and long-term vision in a way that is easy to understand.**

Shareholders' meetings in Japan are concentrated on a few designated dates, making it difficult for people who hold shares in multiple companies to attend. The Company had roughly 260,000 shareholders as of March 31, 2011, and therefore avoids dates with a large concentration of shareholders' meetings when setting the date of its meeting, so that as many shareholders as possible are able to attend. The Company was also one of the first companies in Japan to introduce Internet voting for shareholders in 2002.

The Company has been involved with the Electronic Voting Platform* for Institutional and Foreign Investors since its inception, and has been using it since 2006.

The chairman and CEO of the Company chairs the Annual General Meeting of Shareholders. In reporting on business at the meeting, the Company uses videos and other visual aids to help shareholders understand its businesses better. The chairman reports on legally mandated items; but the meeting also serves as a forum for explaining the Company's medium- and long-term business strategies to help shareholders better understand the Company's vision and businesses, as well as providing an opportunity for interactive communication.

Moreover, the voting results for proposals at the General Meeting of Shareholders are posted in an Extraordinary Report on EDINET, as well as posted in Japanese and English on the Company's Web site.

* An electronic voting system for enabling institutional investors in and outside of Japan to exercise their voting rights smoothly.

QUESTION

## What kinds of IR activities do you conduct?

ANSWER

**A variety of measures are being taken to ensure that individual investors and overseas investors are not at a disadvantage in terms of receiving information.**

A briefing for the media, institutional investors, and securities company analysts is held on the day that quarterly results are announced, with the chairman and CEO himself presenting an overview of results and explaining management strategies. Another briefing is held for analysts on the day after the results briefing presenting the results in more detail.

In principle, earnings results briefings and press conferences are streamed live on the Company's Web site in both English and Japanese. Beginning with the briefings for the third quarter of fiscal 2010, briefings have also been streamed via *Ustream*. Additionally, the briefings, the Annual General Meeting of Shareholders, and other events can be accessed on demand for viewing at anytime.

To facilitate communication with overseas investors, four global conference calls are held on the days of the earnings results briefings, with the chairman and CEO himself presenting an overview of results and answering questions from overseas investors. In addition, the Company visits investors in Europe, the U.S., and Asia as appropriate, and also actively participates in conferences held by securities companies.

From fiscal 2008, the Company has given briefings for individual investors and securities companies' sales staff. These briefings were given a total of 28 times during fiscal 2011, a significant increase from the 17 briefings held in fiscal 2010.

### List of IR Activities

| Event | Main Initiatives | Japanese | English |
|---|---|---|---|
| Earnings Results Briefings (Summary of earnings results and briefing on management strategy by the chairman & CEO) | Presentation materials posted on the Company Web site | Yes | Yes |
| | Live video streaming on the Company Web site | Yes | Yes |
| | Live video streaming via *Ustream* | Yes | Yes |
| | Streaming of archived video | Yes | Yes |
| | Streaming on *Twitter* | Yes | — |
| Analysts Briefings (Detailed explanation of earnings results by the representatives of each division including the main subsidiaries) | Presentation material posted on the Company Web site | Yes | Yes |
| | Streaming of archived video | Yes | Yes |
| Teleconference for overseas investors on the same day as the earnings results briefing | — | — | Yes |
| Annual General Meeting of Shareholders | Streaming of archived video | Yes | Yes |
| Briefing for individual investors and sales staff of securities companies | — | Yes | — |

The Company's Corporate Governance Report submitted to the Tokyo Stock Exchange can be viewed online at the link below.

URL http://www.softbank.co.jp/en/initiatives/governance/framework/

# Compliance

QUESTION

### Could you tell us about the Company's compliance policy?

ANSWER

The SOFTBANK Group Officer and Employee Code of Conduct has been established to ensure that all officers and employees maintain high ethical standards and take responsibility in the course of executing their daily duties.

The SOFTBANK Group's approach to compliance is that legal compliance is a matter of course, and actions are to be taken in accordance with an even higher level of ethics than the morals commonly expected by society. The Group is constantly expanding its business fields. As such, it places importance on forward-looking challenges and speed. At the same time, the Group's activities must always be in line with socially accepted ethics—in other words, the Group must observe compliance in all areas of its activities. Accordingly, the Group has established the SOFTBANK Group Officer and Employee Code of Conduct as a common code of conduct for all officers and employees of the Group companies.

QUESTION

### Could you please explain the Group-wide compliance system?

ANSWER

The SOFTBANK Group has appointed a Group Compliance Officer and Chief Compliance Officers. Concentrating compliance authority in these designated individuals makes it possible to address compliance issues swiftly and flexibly.

The SOFTBANK Group has appointed a Group Compliance Officer (GCO) responsible for compliance-related matters for the entire Group, and Chief Compliance Officers (CCO) to handle compliance-related matters for each Group company. Concentrating compliance authority in these designated individuals makes it possible to address compliance issues swiftly and flexibly.

In addition, a Group Hotline has been established to receive reports and discuss compliance-related issues from all Group officers and employees. The Hotline is staffed by external lawyers to give advice from an independent and specialist position, while an internal contact point offers more specific advice. When problems are reported through the Hotline, in addition to resolving individual issues, the Group is able to understand the sequences of events that lead to problems and put issues in the perspective of worksite environments. Using this information, the SOFTBANK Group works to create a better worksite environment.

QUESTION

### What steps are you taking to instill an awareness of compliance?

ANSWER

The Company is using training and manuals to instill awareness of compliance in all officers and employees.

In order to stimulate essential understanding of compliance, efforts are being made to instill and teach an awareness of compliance. Training for officers of Group companies is instituted throughout the Group as an opportunity to reconfirm the responsibilities of officers related to compliance. The training takes the form of lectures by external lawyers and group discussions based on case studies.

A Compliance Month is held during which compliance-related seminars and events are held for all the Group officers and employees. In addition, the Compliance Manual, which explains the code of conduct in specific terms, is also distributed to all officers and employees to raise their awareness of compliance issues.

# Information Security

After serving as president of Microsoft Japan, then appointed chief information security officer (CISO) & executive vice president, SOFTBANK BB, in 2004.
At present, GCISO, SOFTBANK Group, executive vice president, director & CISO, SOFTBANK BB, SOFTBANK MOBILE, SOFTBANK TELECOM

**Shinichi Ata**
Group Chief Information Security Officer (GCISO)

The SOFTBANK Group has long viewed the protection of customer information as a top priority. The Group Information Security Committee (G-ISC) has led activities designed to enhance information security levels based on technological advancement, the Group's growth, and demands from society. Through proactive efforts at various Group companies, the Group's overall exposure to information security risk has been kept at a manageable level. The Group intends to maintain this standard going forward.

With rapid growth in mobile Internet services, IT has become increasingly important each year as a platform for such services. Having grown into a large group of companies, the SOFTBANK Group intends to continue embracing challenges to realize "Information Revolution – Happiness for everyone." In the process, the SOFTBANK Group believes that it has become necessary to adopt a comprehensive approach to managing the Group's overall exposure to IT risk, including information security. That is why the Group has begun taking steps to develop a Group IT governance structure. Through these activities, each Group company maintains autonomy in management while promoting the sharing of IT know-how, services, and infrastructure, aiming to achieve the optimal benefits of IT for the entire Group while minimizing associated risks.

Besides information security, the SOFTBANK Group will address issues in IT risk management and IT infrastructure maintenance for business continuity on a Group-wide basis both to reassure customers and take on new challenges.

QUESTION

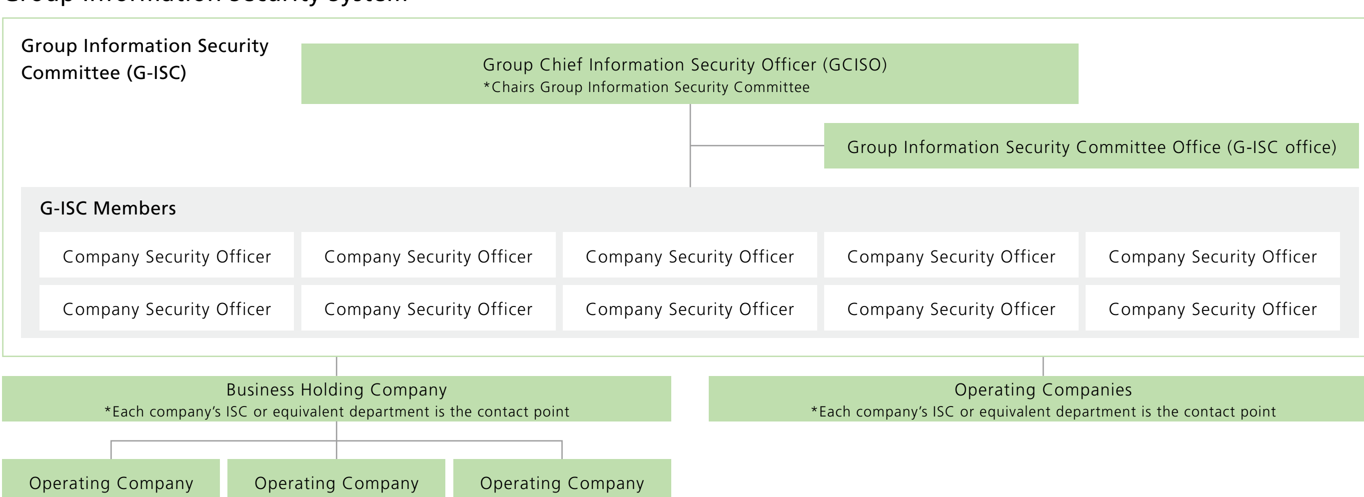
**What is SOFTBANK's system for information security and how is it operated?**

ANSWER

**We have organized a committee to promote information security activities on a Group-wide basis, as well as working to identify challenges and conduct education and training.**

The appropriate management of information assets is one of the SOFTBANK Group's social responsibilities. Recognizing this, the SOFTBANK Group has organized the Group Information Security Committee (G-ISC; see diagram below). The committee's task is to understand the status of information security at Group companies and respond swiftly. In addition, a set of group guidelines for information security measures has been formulated to ensure a common awareness and appropriate responses to information security at Group companies. In this manner, the Group is making a concerted effort to upgrade information security levels. In addition, programs are continuously implemented to enhance the knowledge and morals of SOFTBANK officers and employees, including group training sessions and e-learning.

## Group Information Security System



# Corporate Social Responsibility (CSR)

QUESTION

### What is your fundamental approach to CSR?

ANSWER

**The SOFTBANK Group strives to develop along with its stakeholders through its business activities.**

The SOFTBANK Group's concept of CSR is to contribute to achieving a rich and happy society through its business activities. Mobile communications services, *Yahoo! JAPAN*, and other services provided by the SOFTBANK Group are a major social infrastructure that supports people's daily lives. By aiming to further contribute to society through their business activities, SOFTBANK Group companies strive to make a lasting and effective contribution to society and to develop in step with society.

## Fundamental CSR Policy

### Toward Tomorrow's Internet Society

**Do we...**
We at the SOFTBANK Group want to be a company that develops along with its stakeholders through our business activities, based on the corporate philosophy of, **"endeavoring to benefit society and the economy and maximize enterprise value by fostering the sharing of wisdom and knowledge gained through the IT revolution."** To achieve this, we ask ourselves the following questions:

**Create...?**
excitement and surprises; user friendliness and reliability; and joy for everyone
The SOFTBANK Group stays **customer-**focused.

**Sustain...?**
continuous attempts at growth; robust and transparent management; and fair and timely disclosure
The SOFTBANK Group strives to meet **shareholders'** expectations.

**Provide...?**
opportunities for new challenges and personal growth; an environment that stimulates diversity; and fair recognition of efforts and results
The SOFTBANK Group nurtures **employees'** motivation and pride.

**Build...?**
mutual trust; fair relationships; and partnerships leading to innovation
The SOFTBANK Group evolves together with **business partners.**

**Promote...?**
a healthy Internet society; the dreams and ambitions of the next generations; and the future of our planet
The SOFTBANK Group contributes to a brighter **society.**

**The SOFTBANK Group**
**Moving ahead in business, with high aspirations towards tomorrow's Internet society.**

QUESTION

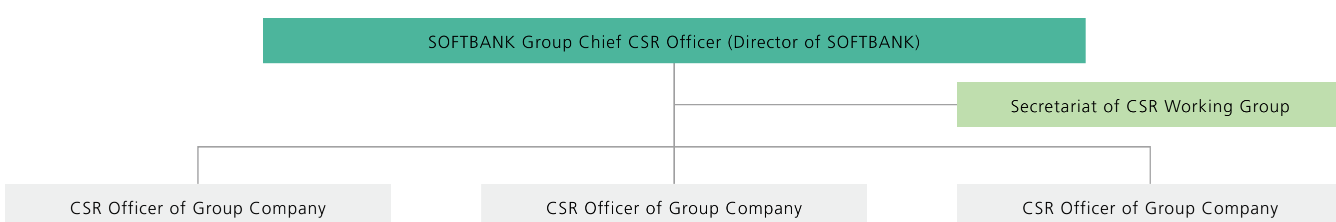
### What are the main features of your CSR Promotion Structure?

ANSWER

**While sharing information through the SOFTBANK Group CSR Working Group, we are promoting key initiatives and working to enhance the CSR awareness of all employees.**

The SOFTBANK Group has appointed a director of the holding company SOFTBANK as the SOFTBANK Group chief CSR officer. The purpose is to promote CSR initiatives throughout the SOFTBANK Group. In addition, at each core Group company, a director from each company, in principle, serves as the CSR officer for that company. The Group CSR officer communicates the Group's activity policies, and oversees promotion of CSR activities by the entire Group. At the same time, each Group company's CSR officer regularly participates in the SOFTBANK Group CSR Working Group to share information and coordinate activities, while working to promote key initiatives and enhance the CSR awareness of all employees.

### SOFTBANK GROUP CSR Working Group



## Initiatives for Helping Recovery Following the Great East Japan Earthquake

Immediately after the Great East Japan Earthquake struck on March 11, 2011, SOFTBANK established an Emergency Response department and worked to gauge conditions at the affected areas and restore communications networks, while calling together recovery response team members from across Japan. The recovery response team carried relief supplies to the affected areas where they then worked to help restore SOFTBANK's services and offer support. The SOFTBANK Group also examined what it could and should do to help people in the affected areas through its business operations, and implemented a range of initiatives. The Group has also gathered information via *Twitter* from people in affected areas and the general public about their needs, and is working to provide support in response. The following are some of the activities implemented by the Group to support recovery from the Great East Japan Earthquake.

### Mobile Communications Business

SOFTBANK MOBILE, rolled out a free public wireless LAN service, "*SoftBank Wi-Fi Spot,*"*1 allowing anyone free access to high-speed Internet communications. In addition, SOFTBANK MOBILE made all email and text messages free for SoftBank mobile phones and smartphones in the week following the earthquake on March 11. The company also lent out mobile devices and battery chargers in response to requests from public organizations and other groups helping with recovery efforts in areas affected by the disaster.

Furthermore, SOFTBANK MOBILE has set up a system allowing users to make donations from SoftBank mobile phones and smartphones, and is conducting a fundraising drive at SoftBank shops. For example, smartphone users can use the special *SoftBank Simple Donation* app to make a donation together with their mobile phone charges*2. SOFTBANK MOBILE implemented schemes to allow users to donate using a credit card, *SoftBank Money*, or *SoftBank Mileage Points*.

*1 *SoftBank Wi-Fi Spot* was provided nationwide until April 6, 2011. Since April 7, the service has been continued in certain areas.
*2 This service was supplied to iPhone from March 17, 2011 and for SoftBank smartphones from March 22, 2011.

#### Major Recipients of Loaned Mobile Phones

May 30, 2011

| | |
|---|---|
| Mobile Handsets Loaned to Local Government Bodies in Areas Impacted by the Great East Japan Earthquake | |
| Iwate Prefectural Government | 155 handsets |
| Miyagi Prefectural Government | 200 handsets |
| Fukushima Prefectural Government | 340 handsets |
| Ibaraki Prefectural Government | 100 handsets |
| Yamagata Prefectural Government | 500 handsets |
| Japanese Self Defense Force | 1,000 handsets |
| Japan National Council of Social Welfare | 1,000 handsets |
| NPO Japan Platform | 300 handsets |
| The Nippon Foundation | 200 handsets |

### Broadband Infrastructure and the Fixed-line Telecommunications Businesses

SOFTBANK BB provided relief supplies such as mobile device chargers and peripheral equipment at the request of public organizations and other groups involved in disaster relief operations.

SOFTBANK TELECOM provided virtual server resources for public organizations and other groups aiding people affected by the disaster. The resources were provided free for a certain period.

### Internet Culture Business

Yahoo Japan helped to expedite provision of earthquake-related information by creating a dedicated Web site, and conducted an Internet-based emergency disaster donation drive. The company is sending the proceeds to the Japanese Red Cross Society along with a donation of its own.

In addition, Yahoo Japan launched the East Japan Earthquake Picture Project to record photos of the disaster. The photos are of townscapes and scenery before the Great East Japan Earthquake, scenes immediately after the disaster struck, and scenes from the subsequent recovery process. The goal of the project is to record and develop an archive of photos that can be used in disaster-readiness research for future generations, photos that record the thoughts and feelings of those affected, and scenes of the affected areas as they progress toward recovery. Based on location information recorded when submitting the photos by email, and longitude-latitude coordinates attached to the images, the photos obtained from people in the affected area are mapped on to *Yahoo! Maps* and made public. The photos can be searched by location name, photo captions, and other key words. Looking ahead, Yahoo Japan will work closely with government institutions, public corporations, news agencies and other organizations to expand and enhance the project.


| | |
|---|---|
| PC | http://notice.yahoo.co.jp/emg/en/ |
| Mobile | http://shinsai.mobile.yahoo.co.jp/archive (Japanese only) |

Please refer to SOFTBANK's Web site (www.softbank.co.jp/en/initiatives/csr/) for details on other SOFTBANK Group activities.

# Risk Management

The core companies of the SOFTBANK Group are taking the following measures to manage risk.

## Telecommunications-related Businesses

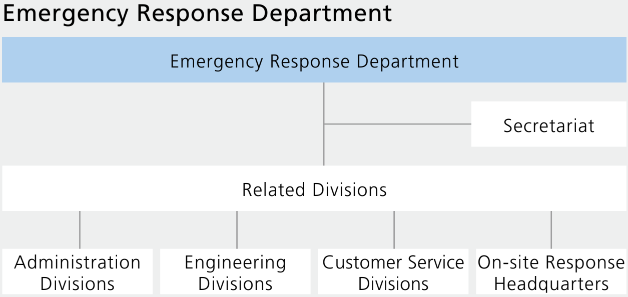
One of the most serious risks facing the three core companies engaged in the telecommunications-related businesses (SOFTBANK MOBILE, SOFTBANK BB, and SOFTBANK TELECOM) is the possibility of being unable to provide telecommunications services in the event of a disaster or accident. Mindful of this, the three companies are implementing various measures to enhance network safety and reliability during normal times so that telecommunications services can be maintained in the event that this risk materializes. At the same time, they are working to develop an in-house response system and a close-knit network with related government ministries and agencies.

Please see pages 35 and 75 for details on measures taken by the Group for helping recovery following the Great East Japan Earthquake.

| Disaster-readiness measures |
| --- |
| Measures for maintaining telecommunications services (measures for seismic reinforcement, blackouts, and transmission lines) |
| Prepare mobile base station vehicles, mobile power supply vehicles, and portable wireless base stations |
| Establish internal systems |
| Conduct disaster drills |

| Disaster-response measures |
| --- |
| Establish Disaster Response Department Chart |
| Maintain telecommunications service areas through mobile base station vehicles, mobile power supply vehicles, and portable wireless base stations |
| Emergency coverage assistance for areas through peripheral base stations |
| Provide Disaster Message Board |
| Provide an emergency earthquake alert system |
| Provide information on service disruptions on Web site |

### Emergency Response Department




When a major disaster occurs, the relevant operating divisions at each company gather information about damage in each business field. Based on the damage situation, an Emergency Response department covering the three companies responsible for telecommunications-related businesses may be established. The Emergency Response department implements measures to recover the network quickly, among other responses.

## Internet Culture Business

Yahoo Japan strives to address risks that have materialized while monitoring potential risks. Risk management information is disclosed together with quarterly financial results. To monitor and control business risks, Yahoo Japan has systematically compiled and documented prior risk management activities in Risk Management Regulations, and departments responsible for its risk management work to reduce risk exposures. Yahoo Japan has also formulated Emergency Disaster Response Guidelines based on earthquake, fire, and other disaster scenarios. Using these guidelines, Yahoo Japan prepares for risks in advance to ensure business continuity in the event of a disaster.

Additionally, in the event of an incident related to *Yahoo! JAPAN* services or internal operations, reports are issued within one hour of identifying the incident using a dedicated intranet. The reported information is shared by relevant departments, and is categorized into three stages of severity and databased. Monitoring, urgent measures, investigation of causes, fundamental measures, and progress are carefully managed for each incident, and this information is used effectively to prevent any recurrence.

The SOFTBANK Group will strive to monitor various risks, while working to eliminate and minimize risk exposures.

# Facts & Figures



## MACRO AND SEMI-MACRO DATA
## SOFTBANK GROUP IN FIGURES

# Macro and Semi-macro Data

Fiscal years ended March 31

| | Units | FY2009 | FY2010 | FY2011 | | | |
|---|---|---|---|---|---|---|---|
| | | | | Q1 | Q2 | Q3 | Q4 |
| **Mobile Telecommunications** | | | | | | | |
| Mobile phone subscribers | Millions | 107.49 | 112.18 | 113.72 | 115.40 | 117.06 | 119.54 |
| 3G | Millions | 99.63 | 109.06 | 111.15 | 113.26 | 115.26 | 118.13 |
| LTE | Millions | – | – | – | – | 0.00 | 0.03 |
| Other | Millions | 7.86 | 3.12 | 2.57 | 2.14 | 1.80 | 1.38 |
| Prepaid contracts | Millions | 1.54 | 1.10 | 1.13 | 1.19 | 1.24 | 1.26 |
| Communication modules | Millions | 2.51 | 3.23 | 3.54 | 3.94 | 4.32 | 4.77 |
| Mobile IP connection service | Millions | 91.18 | 93.24 | 93.89 | 94.66 | 95.60 | 97.38 |
| Number of PHS contracts | Millions | 4.56 | 4.11 | 3.88 | 3.78 | 3.65 | 3.75 |
| Total number of mobile phone and PHS contracts | Millions | 112.05 | 116.30 | 117.60 | 119.18 | 120.71 | 123.29 |
| **Fixed-line Telecommunications** | | | | | | | |
| Internet penetration | | | | | | | |
| Internet users | Millions | 90.91 *1 | 94.08 *2 | – | – | 94.62 | – |
| Population penetration rate | % | 75 *1 | 78 *2 | – | – | 78 | – |
| Internet connection service subscribers | Millions | 34.01 | 36.06 | 36.86 | 37.24 | 37.63 | 37.76 |
| Broadband service subscribers | | | | | | | |
| DSL | Millions | 11.18 | 9.74 | 9.36 | 8.99 | 8.59 | 8.20 |
| FTTH | Millions | 15.02 | 17.80 | 18.57 | 19.12 | 19.77 | 20.24 |
| CATV | Millions | 4.11 | 5.31 | 5.38 | 5.53 | 5.67 | 5.67 |
| Total broadband service subscribers*3 | Millions | 30.31 | 32.85 | 33.31 | 33.64 | 34.03 | 34.11 |
| Wireless LAN contracts | Millions | 7.43 | 8.36 | 8.75 | 9.08 | 9.25 | 9.48 |
| IP-VPN contracts | Millions | 0.39 | 0.39 | 0.39 | 0.39 | 0.39 | 0.40 |
| Wide-area Ethernet contracts | Millions | 0.26 | 0.28 | 0.29 | 0.29 | 0.30 | 0.31 |
| Subscriber telephones | | | | | | | |
| NTT subscriber telephones | Millions | 41.64 | 37.93 | 37.06 | 36.22 | 35.35 | 34.52 |
| IP-based fixed-line telephones | Millions | 4.69 | 4.48 | 4.40 | 4.33 | 4.25 | 4.18 |
| 0ABJ-IP telephones | Millions | 11.16 | 14.53 | 15.38 | 16.17 | 17.03 | 17.90 |
| CATV telephones | Millions | 0.96 | 0.93 | 0.91 | 0.90 | 0.82 | 0.86 |
| Total number of subscriber telephones | Millions | 58.45 | 57.87 | 57.75 | 57.62 | 57.45 | 57.46 |
| IP telephone numbers in use | | | | | | | |
| 050 numbers | Millions | 9.06 | 8.62 | 8.33 | 8.11 | 7.93 | 7.76 |
| 0AB–J numbers (Reincluded) | Millions | 11.16 | 14.53 | 15.38 | 16.17 | 17.03 | 17.90 |
| Total number of IP telephone numbers in use | Millions | 20.22 | 23.15 | 23.71 | 24.28 | 24.96 | 25.66 |

*1 As of December 31, 2008.
*2 As of December 31, 2009.
*3 Total subscribers for DSL services, FTTH services, and cable TV Internet services.
(Note) Created by the Company based on Telecommunications Carriers Association statistical data; however; accuracy of transcription is not guaranteed.

# SOFTBANK Group in Figures

Fiscal years ended March 31

## Principal Operational Data

| | Units | FY2009 | FY2010 | FY2011 | FY2011 Q1 | FY2011 Q2 | FY2011 Q3 | FY2011 Q4 |
|---|---|---|---|---|---|---|---|---|
| **Mobile Communications** | | | | | | | | |
| Cumulative subscribers | Millions | 20.63 | 21.88 | 25.41 | 22.57 | 23.47 | 24.40 | 25.41 |
| Market share*1 | % | 19.2 | 19.5 | 21.3 | 19.9 | 20.3 | 20.8 | 21.3 |
| Postpaid | Millions | 19.59 | 21.24 | 24.56 | 21.88 | 22.71 | 23.58 | 24.56 |
| Prepaid | Millions | 1.04 | 0.64 | 0.85 | 0.69 | 0.76 | 0.82 | 0.85 |
| 3G | Millions | 18.65 | 21.88 | 25.41 | 22.57 | 23.47 | 24.40 | 25.41 |
| 3G ratio | % | 90.4 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Net addition (Total for the period) | Millions | 2.05 | 1.24 | 3.53 | 0.70 | 0.90 | 0.93 | 1.00 |
| Market share*1 | % | 43.0 | 26.5 | 48.0 | 45.4 | 53.5 | 55.8 | 40.8 |
| Postpaid | Millions | 2.23 | 1.64 | 3.32 | 0.65 | 0.83 | 0.87 | 0.97 |
| Prepaid (Net decrease) | Millions | (0.18) | (0.40) | 0.21 | 0.05 | 0.07 | 0.06 | 0.03 |
| ARPU*2 | ¥/month | 4,070 | 4,070 | 4,210 | 4,290 | 4,300 | 4,310 | 3,940 |
| Basic monthly charge + voice | ¥/month | 2,320 | 2,050 | 1,890 | 2,030 | 2,020 | 1,980 | 1,570 |
| Data | ¥/month | 1,740 | 2,020 | 2,310 | 2,250 | 2,290 | 2,330 | 2,370 |
| Data ratio | % | 42.9 | 49.6 | 55.0 | 52.6 | 53.1 | 54.1 | 60.2 |
| Churn rate*3 | %/month | 1.00 | 1.37 | 0.98 | 1.02 | 0.96 | 0.91 | 1.02 |
| Churn rate (3G postpaid) | %/month | 0.77 | 1.06 | 0.94 | 0.99 | 0.92 | 0.86 | 0.98 |
| Upgrade rate*3 | %/month | 1.71 | 1.71 | 1.40 | 1.18 | 1.67 | 1.43 | 1.33 |
| Average acquisition cost per subscriber*4 | ¥ | 39,100 | 40,500 | 36,900 | 37,200 | 37,500 | 37,800 | 35,400 |
| Handsets sold*5 | Millions | 8.42 | 9.13 | 10.24 | 2.16 | 2.71 | 2.61 | 2.76 |
| Handsets shipped*6 | Millions | 7.82 | 8.82 | 10.02 | 2.05 | 2.69 | 2.74 | 2.54 |
| **Broadband Infrastructure** | | | | | | | | |
| *Yahoo! BB ADSL* installed lines*7 | Millions | 4.30 | 3.77 | 3.15 | 3.61 | 3.46 | 3.29 | 3.15 |
| *Yahoo! BB ADSL* charged lines*8 | Millions | 3.91 | 3.39 | 2.75 | 3.22 | 3.07 | 2.90 | 2.75 |
| *Yahoo! BB ADSL* Average user payment per charged line | ¥/month | – | – | – | 4,200 | 4,200 | 4,160 | 4,120 |
| *Yahoo! BB ADSL* churn rate*9 | %/month | 2.08 | 2.02 | 2.37 | 2.26 | 2.32 | 2.47 | 2.43 |
| **Fixed-line Telecommunications** | | | | | | | | |
| Number of *OTOKU Line* lines | Millions | 1.61 | 1.67 | 1.67 | 1.67 | 1.67 | 1.66 | 1.67 |
| *OTOKU Line* ARPU*10 | ¥/month | – | – | – | 6,600 | 6,570 | 6,610 | 6,930 |
| Corporate subscriber lines | Millions | 1.94 | 1.96 | 1.94 | 1.95 | 1.94 | 1.93 | 1.94 |
| Corporate *MYLINE* subscriber lines | Millions | 0.69 | 0.60 | 0.54 | 0.58 | 0.56 | 0.54 | 0.54 |
| Corporate *OTOKU Line* subscriber lines | Millions | 1.25 | 1.36 | 1.40 | 1.37 | 1.38 | 1.39 | 1.40 |

*1 Calculated by the Company based on Telecommunications Carriers Association statistical data.
*2 Abbreviation for Average Revenue Per User (rounded to the nearest ¥10). Revenue and number of mobile phone subscribers include prepaid mobile phones and communication modules. ARPU = basic monthly charge + monthly usage charge + voice, data and other charges – *Monthly Discounts (New Super Bonus Special Discount)*.
*3 Calculated with prepaid mobile phones and communication module service subscribers included in the number of subscribers, churn and upgrades, respectively.
*4 Average acquisition cost per subscriber = new subscriber acquisition cost / number of new subscriptions. New subscriptions include prepaid mobile phones and communication modules.
*5 Total of new subscriptions and handset upgrades.
*6 Handsets shipped (sold) to agents.
*7 Number of lines for which connection construction for ADSL line at central office of NTT East or NTT West is complete.
*8 Number of installed lines excluding customers whose basic monthly charge is free under campaigns or other promotional initiatives.
*9 Average ratio of customer lines with a history of payment, for which a cancellation application has been filed during the relevant period. Includes customers who switch services to *Yahoo! BB hikari with FLET'S*.
*10 Abbreviation for Average Revenue Per User: (rounded to the nearest ¥10).

## Segment Financial Data

| Millions of yen | FY2009 | FY2010 | FY2011 | FY2011 Q1 | FY2011 Q2 | FY2011 Q3 | FY2011 Q4 |
|---|---|---|---|---|---|---|---|
| **Mobile Communications*[12]** | | | | | | | |
| Net sales | 1,562,891 | 1,701,414 | 1,944,551 | 441,079 | 498,966 | 518,576 | 485,930 |
| EBITDA*[11] | 403,810 | 504,201 | 620,470 | 153,259 | 157,075 | 161,324 | 148,812 |
| EBITDA margin (%) | 25.8 | 29.6 | 31.9 | 34.7 | 31.5 | 31.1 | 30.6 |
| Operating income | 171,390 | 260,895 | 402,412 | 102,657 | 104,546 | 107,283 | 87,926 |
| Operating margin (%) | 11.0 | 15.3 | 20.7 | 23.3 | 21.0 | 20.7 | 18.1 |
| Capital expenditure (acceptance basis) | 199,177 | 184,771 | 351,526 | 25,988 | 65,388 | 116,324 | 143,826 |
| Depreciation and amortization (excluding amortization of goodwill) | 161,518 | 176,337 | 156,993 | 36,637 | 37,637 | 40,052 | 42,667 |
| **Broadband Infrastructure*[12]** | | | | | | | |
| Net sales | 235,199 | 202,128 | 190,055 | 49,323 | 48,047 | 47,116 | 45,569 |
| EBITDA*[11] | 70,954 | 65,232 | 61,023 | 16,298 | 15,607 | 15,236 | 13,882 |
| EBITDA margin (%) | 30.2 | 32.3 | 32.1 | 33.0 | 32.5 | 32.3 | 30.5 |
| Operating income | 47,253 | 48,400 | 43,154 | 11,696 | 11,004 | 10,825 | 9,629 |
| Operating margin (%) | 20.1 | 23.9 | 22.7 | 23.7 | 22.9 | 23.0 | 21.1 |
| Capital expenditure (acceptance basis) | 14,590 | 9,343 | 16,851 | 3,319 | 3,295 | 5,076 | 5,161 |
| Depreciation and amortization (excluding amortization of goodwill) | 21,974 | 17,024 | 15,841 | 4,235 | 3,968 | 3,965 | 3,673 |
| **Fixed-line Telecommunications*[12]** | | | | | | | |
| Net sales | 363,632 | 348,692 | 356,562 | 85,876 | 87,011 | 90,387 | 93,288 |
| EBITDA*[11] | 64,373 | 67,016 | 85,693 | 17,941 | 18,591 | 21,738 | 27,423 |
| EBITDA margin (%) | 17.7 | 19.2 | 24.0 | 20.9 | 21.4 | 24.1 | 29.4 |
| Operating income | 18,968 | 23,065 | 38,006 | 6,662 | 6,942 | 10,285 | 14,117 |
| Operating margin (%) | 5.2 | 6.6 | 10.7 | 7.8 | 8.0 | 11.4 | 15.1 |
| Capital expenditure (acceptance basis) | 29,589 | 17,979 | 36,236 | 5,112 | 6,363 | 9,095 | 15,666 |
| Depreciation and amortization (excluding amortization of goodwill) | 36,767 | 35,293 | 36,634 | 9,104 | 9,242 | 9,290 | 8,998 |
| **Internet Culture*[12]** | | | | | | | |
| Net sales | 254,238 | 270,755 | 283,616 | 68,405 | 69,060 | 72,701 | 73,450 |
| EBITDA*[11] | 137,389 | 148,175 | 161,545 | 38,170 | 38,802 | 41,944 | 42,629 |
| EBITDA margin (%) | 54.0 | 54.7 | 57.0 | 55.8 | 56.2 | 57.7 | 58.0 |
| Operating income | 125,098 | 136,586 | 150,306 | 35,573 | 36,067 | 39,029 | 39,637 |
| Operating margin (%) | 49.2 | 50.4 | 53.0 | 52.0 | 52.2 | 53.7 | 54.0 |
| Capital expenditure (acceptance basis) | 9,887 | 6,128 | 10,713 | 1,907 | 1,909 | 2,783 | 4,114 |
| Depreciation and amortization (excluding amortization of goodwill) | 10,843 | 9,864 | 9,423 | 2,169 | 2,308 | 2,413 | 2,533 |

| Millions of yen | FY2009 | FY2010 | FY2011 | FY2011 Q1 | FY2011 Q2 | FY2011 Q3 | FY2011 Q4 |
|---|---|---|---|---|---|---|---|
| **Others*12** | | | | | | | |
| Net sales | – | 331,850 | 343,635 | 81,883 | 88,220 | 85,088 | 88,444 |
| EBITDA*11 | – | 11,201 | 12,594 | 3,858 | 4,722 | 3,539 | 475 |
| EBITDA margin (%) | – | 3.4 | 3.7 | 4.7 | 5.4 | 4.2 | 0.5 |
| Operating income | – | 5,879 | 7,092 | 2,563 | 3,353 | 2,135 | (959) |
| Operating margin (%) | – | 1.8 | 2.1 | 3.1 | 3.8 | 2.5 | – |
| Capital expenditure (acceptance basis) | – | 4,694 | 5,265 | 1,216 | 1,559 | 1,150 | 1,340 |
| Depreciation and amortization (excluding amortization of goodwill) | – | 4,667 | 4,834 | 1,146 | 1,212 | 1,267 | 1,209 |
| **Former e-Commerce*12** | | | | | | | |
| Net sales | 258,184 | – | – | – | – | – | – |
| EBITDA*11 | 6,107 | – | – | – | – | – | – |
| EBITDA margin (%) | 2.4 | – | – | – | – | – | – |
| Operating income | 4,636 | – | – | – | – | – | – |
| Operating margin (%) | 1.8 | – | – | – | – | – | – |
| Capital expenditure (acceptance basis) | 1,288 | – | – | – | – | – | – |
| Depreciation and amortization (excluding amortization of goodwill) | 1,123 | – | – | – | – | – | – |
| **Former Others*12** | | | | | | | |
| Net sales | 88,227 | – | – | – | – | – | – |
| EBITDA*11 | 3,115 | – | – | – | – | – | – |
| EBITDA margin (%) | 3.5 | – | – | – | – | – | – |
| Operating income (loss) | (194) | – | – | – | – | – | – |
| Operating margin (%) | – | – | – | – | – | – | – |
| Capital expenditure (acceptance basis) | 4,563 | – | – | – | – | – | – |
| Depreciation and amortization (excluding amortization of goodwill) | 3,789 | – | – | – | – | – | – |
| **Elimination or Corporate** | | | | | | | |
| Net sales | (89,336) | (91,433) | (113,779) | (25,726) | (27,122) | (28,988) | (31,943) |
| EBITDA*11 | (7,112) | (8,194) | (10,595) | (2,247) | (2,723) | (2,578) | (3,047) |
| Operating income (loss) | (8,030) | (8,954) | (11,807) | (2,547) | (2,994) | (2,920) | (3,346) |
| **Consolidated** | | | | | | | |
| Net sales | 2,673,035 | 2,763,406 | 3,004,640 | 700,840 | 764,182 | 784,880 | 754,738 |
| EBITDA*11 | 678,636 | 787,631 | 930,730 | 227,279 | 232,074 | 241,203 | 230,174 |
| EBITDA margin (%) | 25.4 | 28.5 | 31.0 | 32.4 | 30.4 | 30.7 | 30.5 |
| Operating income | 359,121 | 465,871 | 629,163 | 156,604 | 158,918 | 166,637 | 147,004 |
| Operating margin (%) | 13.4 | 16.9 | 20.9 | 22.3 | 20.8 | 21.2 | 19.5 |
| Capital expenditure (acceptance basis) | 259,094 | 222,915 | 420,591 | 37,542 | 78,514 | 134,428 | 170,107 |
| Depreciation and amortization (excluding amortization of goodwill) | 236,014 | 243,944 | 224,937 | 53,590 | 54,638 | 57,329 | 59,380 |

*11 EBITDA = operating income (loss) + depreciation and amortization (including amortization of goodwill) + loss on disposal of fixed assets included in operating expenses. EBITDA margin = EBITDA / net sales.

*12 Effective the fiscal year ended March 31, 2011, the Group applied ASBJ Statement No. 17 "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (March 27, 2009) and ASBJ Guidance No. 20 "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information."
Net sales and operating income for the period for the fiscal year ended March 31, 2010 have been restated to show what the Group's results would have been if the new accounting standards had been applied in that year.
In addition, earnings results for the e-Commerce segment for the fiscal year ended March 31, 2009 and prior fiscal years are included in Others.

# Financial Section

Financial Section

# Eleven-year Summary

SOFTBANK CORP. and consolidated subsidiaries Fiscal years ended March 31

| (Millions of yen) | | FY2001 | FY2002 | FY2003 | FY2004 |
|---|---|---|---|---|---|
| Net sales | | 397,105 | 405,315 | 406,892 | 517,394 |
| EBITDA*1 | | 28,866 | (10,024) | (69,781) | (20,705) |
| Operating income (loss) | | 16,431 | (23,901) | (91,997) | (54,894) |
| Income (loss) before income taxes and minority interests | | 87,009 | (119,939) | (71,474) | (76,745) |
| Net income (loss) | | 36,631 | (88,755) | (99,989) | (107,094) |
| Total assets | | 1,146,083 | 1,163,678 | 946,331 | 1,421,207 |
| Total shareholders' equity | | 424,261 | 465,326 | 257,396 | 238,081 |
| Interest-bearing debt*2 | | 413,442 | 365,644 | 340,795 | 585,541 |
| Net interest-bearing debt*3 | | 243,042 | 232,016 | 188,232 | 144,858 |
| Net cash provided by (used in) operating activities | | (91,598) | (79,123) | (68,600) | (83,829) |
| Net cash (used in) provided by investing activities | | (42,612) | 39,751 | 119,749 | 81,878 |
| Net cash provided by (used in) financing activities | | 24,548 | 1,313 | (17,615) | 306,390 |
| Net increase (decrease) in cash and cash equivalents | | (76,200) | (34,479) | 27,805 | 290,980 |
| Cash and cash equivalents at the end of the year | | 159,105 | 119,855 | 147,526 | 437,133 |
| **Major Indicators** | (Units) | | | | |
| EBITDA margin*1 | % | 7.3 | — | — | — |
| Operating margin | % | 4.1 | — | — | — |
| Return on assets (ROA)*4 | % | 3.2 | (7.7) | (9.5) | (9.0) |
| Return on equity (ROE)*5 | % | 9.1 | (20.0) | (27.7) | (43.2) |
| Equity ratio % | % | 37.0 | 40.0 | 27.2 | 16.8 |
| Debt / equity ratio*6 | Times | 1.0 | 0.8 | 1.3 | 2.5 |
| Net debt / equity ratio*7 | Times | 0.6 | 0.5 | 0.7 | 0.6 |
| **Per Share Data*8** | (Units) | | | | |
| Net income (loss) | ¥ | 36.82 | (87.84) | (98.98) | (104.91) |
| Net income – diluted | ¥ | 36.46 | — *9 | — *9 | — *9 |
| Shareholders' equity | ¥ | 420.05 | 460.44 | 255.85 | 225.80 |
| Cash dividends | ¥ | 2.33 | 2.33 | 2.33 | 2.33 |
| **Others** | | | | | |
| Shares outstanding (thousands of shares) | | 336,677 | 336,872 | 335,293 | 351,404 |
| Consolidated subsidiaries | | 216 | 285 | 269 | 177 |
| Equity method non-consolidated subsidiaries and affiliates | | 117 | 113 | 116 | 103 |
| Number of public companies*10 | | 21 | 18 | 14 | 14 |
| Number of employees (consolidated basis) | | 4,312 | 4,375 | 4,966 | 5,108 |

*1 Until fiscal 2004, EBITDA = operating income (loss) + interest income and dividends + depreciation + amortization.
From fiscal 2005, EBITDA = operating income + depreciation and amortization (including amortization of goodwill), and loss on disposal of fixed assets included in operating expenses.
EBITDA margin = EBITDA / net sales

*2 Interest-bearing debt = short-term borrowings + commercial paper + current portion of long-term debt + long-term debt. Lease obligations are not included. From FY2001–FY2007 interest-bearing debt is calculated with retroactive adjustments by adding the cash receipts as collateral relating to marketable security lending transactions. This excludes the corporate bonds (WBS Class B2 Funding Notes, issued by J-WBS Funding K.K.) with a face value of ¥27.0 billion acquired by the Company during fiscal 2010 that were issued under the whole business securitization scheme associated with the acquisition of Vodafone K.K.

*3 Net interest-bearing debt = interest-bearing debt – cash position. Cash position = cash and cash equivalents + marketable securities recorded as current assets (excludes Yahoo! Inc. shares held by a subsidiary of the Company in the United States of America) + time deposits with original maturity over three months.

*4 ROA = net income (loss) / average total assets during the fiscal year.

*5 ROE = net income (loss) / average total shareholders' equity during the fiscal year.

*6 Debt / equity ratio = interest-bearing debt / total shareholders' equity.

*7 Net debt / equity ratio = net interest-bearing debt / total shareholders' equity.

*8 Net income (loss) per share and net income per share – diluted are calculated based on the weighted-average number of shares outstanding during each fiscal year, and shareholders' equity per share is calculated based on the number of shares outstanding as of each fiscal year-end. The number of shares is retroactively adjusted to reflect the following stock splits: June 23, 2000 3.0:1 / January 5, 2006 3.0:1.

*9 Not shown because of net loss for the fiscal year.

*10 Number of subsidiaries and affiliates with publicly offered shares.

| FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | FY2010 | FY2011 |
|---|---|---|---|---|---|---|
| 837,018 | 1,108,665 | 2,544,219 | 2,776,169 | 2,673,035 | 2,763,406 | **3,004,640** |
| 44,095 | 149,913 | 525,428 | 626,662 | 678,636 | 787,631 | **930,730** |
| (25,359) | 62,299 | 271,066 | 324,287 | 359,121 | 465,871 | **629,163** |
| (9,549) | 129,484 | 208,574 | 225,887 | 107,338 | 289,250 | **480,613** |
| (59,872) | 57,551 | 28,815 | 108,625 | 43,172 | 96,716 | **189,713** |
| | | | | | | |
| 1,704,854 | 1,808,399 | 4,310,853 | 4,558,902 | 4,386,672 | 4,462,875 | **4,655,725** |
| 178,017 | 242,768 | 282,950 | 383,743 | 374,094 | 470,532 | **619,253** |
| 953,918 | 1,005,293 | 2,544,404 | 2,532,969 | 2,400,391 | 2,195,471 | **2,075,801** |
| 631,680 | 554,614 | 2,158,149 | 2,036,879 | 1,939,521 | 1,501,074 | **1,209,636** |
| | | | | | | |
| (45,989) | 57,806 | 311,202 | 158,258 | 447,858 | 668,050 | **825,837** |
| (242,944) | 27,852 | (2,097,937) | (322,461) | (266,295) | (277,162) | **(264,448)** |
| 277,771 | 30,078 | 1,718,385 | 284,727 | (210,348) | (159,563) | **(397,728)** |
| (9,689) | 126,642 | (65,277) | 113,517 | (31,169) | 230,719 | **159,457** |
| 320,195 | 446,694 | 377,521 | 490,267 | 457,644 | 687,682 | **847,155** |
| | | | | | | |
| 5.3 | 13.5 | 20.7 | 22.6 | 25.4 | 28.5 | **31.0** |
| — | 5.6 | 10.7 | 11.7 | 13.4 | 16.9 | **20.9** |
| (3.8) | 3.3 | 0.9 | 2.4 | 1.0 | 2.2 | **4.2** |
| (28.8) | 27.4 | 11.0 | 32.6 | 11.4 | 22.9 | **34.8** |
| 10.4 | 13.4 | 6.6 | 8.4 | 8.5 | 10.5 | **13.3** |
| 5.4 | 4.1 | 9.0 | 6.6 | 6.4 | 4.7 | **3.4** |
| 3.5 | 2.3 | 7.6 | 5.3 | 5.2 | 3.2 | **2.0** |
| | | | | | | |
| (57.01) | 54.36 | 27.31 | 101.68 | 39.95 | 89.39 | **175.28** |
| — *9 | 50.71 | 26.62 | 95.90 | 38.64 | 86.39 | **168.57** |
| 168.62 | 229.88 | 268.02 | 355.15 | 346.11 | 434.74 | **572.14** |
| 2.33 | 2.50 | 2.50 | 2.50 | 2.50 | 5.00 | **5.00** |
| | | | | | | |
| 351,457 | 1,055,082 | 1,055,704 | 1,080,501 | 1,080,855 | 1,082,329 | **1,082,350** |
| 153 | 153 | 118 | 109 | 108 | 109 | **117** |
| 108 | 87 | 66 | 67 | 74 | 64 | **73** |
| 11 | 11 | 11 | 14 | 13 | 12 | **13** |
| 12,949 | 14,182 | 17,804 | 19,040 | 21,048 | 21,885 | **21,799** |

Financial Section

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

## – Net sales exceeded ¥3 trillion for the first time;*[1] 8.7% increase from fiscal 2010
## – Record high*[1] operating income for 6 consecutive fiscal years; 35.1% increase from fiscal 2010
## – Free cash flow*[2] up 43.6%; net interest-bearing debt*[3] reduced by ¥291.4 billion compared with the end of fiscal 2010

*[1] Since the Company applied consolidated accounting in fiscal 1995.
*[2] Free cash flow = cash flows from operating activities + cash flows from investing activities.
*[3] Net interest-bearing debt = interest-bearing debt – cash position.
Interest-bearing debt = short-term borrowings + commercial paper + current portion of long-term debt + long-term debt. Lease obligations are not included. This excludes the corporate bonds (WBS Class B2 Funding Notes, issued by J-WBS Funding K.K.) with a face value of ¥27.0 billion acquired by the Company during fiscal 2010 that were issued under the whole business securitization scheme associated with the acquisition of Vodafone K.K.
Cash position = cash and cash equivalents + marketable securities recorded as current assets (excludes Yahoo! Inc. shares held by a subsidiary of the Company in the United States of America) + time deposits with original maturity over three months.

## Scope of Consolidation

As of March 31, 2011, the SOFTBANK Group comprised the pure holding company SOFTBANK, four reportable segments, and Others. Numbers of consolidated subsidiaries and equity method companies in each segment are as follows:

SOFTBANK owns 100% shares issued by WILLCOM. However, WILLCOM is in the process of rehabilitation under the Corporate Rehabilitation Act and the Company does not have effective control over WILLCOM. Therefore, WILLCOM is not treated as a subsidiary.

| | Business Segments | Consolidated Subsidiaries | Equity Method Non-consolidated Subsidiaries and Affiliates | Main Business and Name of Core Affiliates |
|---|---|---|---|---|
| Reportable segments | Mobile Communications | 3 | 1 | Provision of mobile phone services and sale of mobile phones accompanying the services, etc. (Core company: SOFTBANK MOBILE) |
| | Broadband Infrastructure | 3 | – | Provision of high-speed Internet connection service, IP telephony service, and provision of content, etc. (Core company: SOFTBANK BB*[4]) |
| | Fixed-line Telecommunications | 2 | – | Provision of fixed-line telecommunication services, etc. (Core company: SOFTBANK TELECOM*[4]) |
| | Internet Culture | 13 | 9 | Internet-based advertising operations, operation of *Yahoo! Auctions*, *Yahoo! Shopping*, and various other e-commerce businesses and member services, etc. (Core company: Yahoo Japan*[4]) |
| Others | | 96 | 63 | PC software and peripherals distribution business, Fukuoka SOFTBANK HAWKS related business, etc. |
| **Total** | | **117** | **73** | |

*[4] SOFTBANK BB, SOFTBANK TELECOM, and Yahoo Japan are included as consolidated subsidiaries in the Broadband Infrastructure, Fixed-line Telecommunications, and Internet Culture segments, respectively, while SOFTBANK BB, SOFTBANK TELECOM, and Yahoo Japan operate multiple businesses and their operating results are allocated to multiple reportable segments.

(Note) "Corp." and "Co., Ltd.," etc., are omitted from company names included in the "Management's Discussion and Analysis of Operating Results and Financial Condition."

## In Detail (1) Changes at Subsidiaries and Affiliates

| | Companies | | Companies |
|---|---|---|---|
| Consolidated subsidiaries | 117 | Equity method affiliates | 69 |
| New | 12 | New | 24 |
| Excluded | 4 | Excluded | 13 |
| Non-consolidated subsidiaries | 61 | Non-consolidated subsidiaries not accounted for by the equity method | 57 |
| Equity method non-consolidated subsidiaries | 4 | Affiliates not accounted for by the equity method | 23 |
| New | – | | |
| Excluded | 2 | | |

Profit (loss) and interest-bearing debt at non-consolidated subsidiaries and affiliates for which the equity method is not applied are as shown below.

These subsidiaries have a very minor impact on the consolidated earnings results and therefore their significance is deemed low.

Profit (loss) and Interest-bearing Debt at Non-consolidated Subsidiaries not Accounted for by the Equity Method and Equity Method Non-consolidated Subsidiaries and Affiliates not Accounted for by the Equity Method

| | Companies | Net Income (Loss) Adjusted for Equity Share | Interest-bearing Debt |
|---|---|---|---|
| Non-consolidated subsidiaries not accounted for by the equity method | 57 | ¥0 million | ¥340 million |
| Equity method non-consolidated subsidiaries | 4 | – | – |
| Affiliates not accounted for by the equity method | 23 | ¥(240) million | Not applicable |

# Analysis of Consolidated Operating Results

## 1. Overview

For fiscal 2011 (April 1, 2010 to March 31, 2011), the Group achieved consolidated net sales of ¥3,004,640 million, a ¥241,234 million (8.7%) increase compared with fiscal 2010 (April 1, 2009 to March 31, 2010; "year on year"), with a ¥163,292 million (35.1%) increase in operating income to ¥629,163 million. This consolidated revenue and profit growth was driven by strong performance in the Mobile Communications segment.

## 2. Net sales

Net sales totaled ¥3,004,640 million, for a ¥241,234 million (8.7%) year-on-year increase. This was mainly the result of strong growth in the number of mobile phone subscribers, combined with a rise in ARPU*[5] and the number of mobile handsets shipped,*[6] in the Mobile Communications segment.

*5 Abbreviation for Average Revenue Per User (rounded to the nearest ¥10). Revenue and number of mobile phone subscribers include prepaid mobile phones and communication modules. ARPU = basic monthly charge + monthly usage charge + voice, data and other charges – *Monthly Discounts (New Super Bonus Special Discount)*.
For the Mobile Communications segment, the term "ARPU" used alone indicates the total of the basic monthly charge plus voice ARPU plus data ARPU.

*6 The number of handsets shipped (sold) to agents.

## 3. Operating Income

Operating income totaled ¥629,163 million, for a ¥163,292 million (35.1%) year-on-year increase. The operating margin rose 4.0 percentage points year on year, to 20.9%.

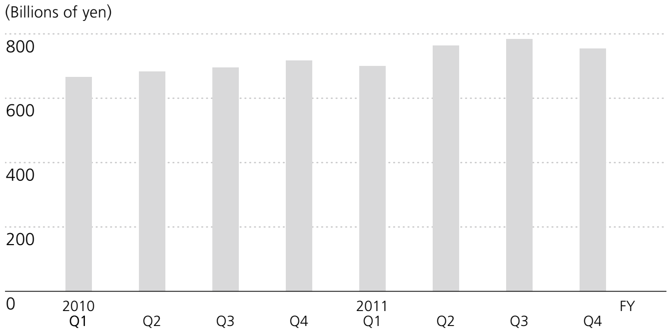
Cost of sales rose ¥47,045 million (3.5%) year on year to ¥1,373,617 million. This was mainly due to higher cost of goods on the increase in the number of mobile handsets shipped, while depreciation and amortization expenses relating to the 2G mobile phone service decreased due to termination of this service in March 2010, in the Mobile Communications segment.

Selling, general and administrative expenses grew ¥30,897 million (3.2%) year on year to ¥1,001,860 million. This was mainly because of increased sales commissions*[7] associated with the increase in the number of mobile handsets sold*[8] in the Mobile Communications segment.

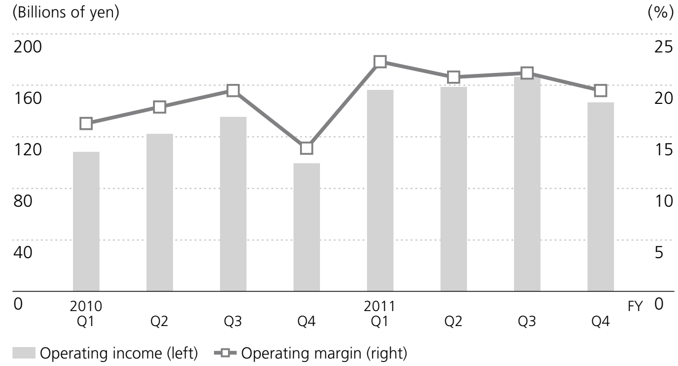
*7 Sales commissions paid to sales agents per new subscription and upgrade purchase.

*8 Total of new subscriptions and handset upgrades.

### Net Sales




### Operating Income and Operating Margin



## 4. Income Before Income Taxes and Minority Interests

Income before income taxes and minority interests grew ¥191,363 million (66.2%) year-on-year, to ¥480,613 million.

A decrease in interest-bearing debt resulted in a ¥7,133 million year-on-year reduction in interest payments to ¥104,020 million.

The Group recorded a ¥5,898 million gain on sale of investment securities, net along with a ¥8,740 million valuation loss on investment securities.

In addition, the Group recorded a ¥14,416 million loss on disaster, a ¥9,522 million valuation loss on option, a ¥7,100 million loss on retrospective adjustment for changes of accounting standard for asset retirement obligations (refer to Note 2 Summary of Significant Accounting Policies (12) Asset retirement obligations in Notes to Consolidated Financial Statements), and a ¥4,187 million gain on repurchase of minority interests and long-term debt.

Loss on disaster was recorded in connection with the Great East Japan Earthquake that occurred in March 2011. Refer to Note 12–2) of Notes to Consolidated Financial Statements for details.

The Company has entered into agreements containing a put option*[9] and a call option*[10] for shares of Wireless City Planning ("WCP"), which is the Company's affiliate under the equity method, with WCP's shareholders other than the Company. These options were measured at fair value and the valuation loss was recorded as described above.

Gain on repurchase of minority interests and long-term debt was the result of an acquisition made by the Company during fiscal 2011, amounting to a total of ¥412,500 million. This acquisition was of all class 1 preferred stock series 1 and stock acquisition rights issued by BB Mobile to Vodafone International Holdings B.V. and the entire amount of the principal and accrued interest of a long-term loan receivable, which was recorded as long-term debt in the Group's consolidated balance sheets, from SOFTBANK MOBILE to Vodafone Overseas Finance Limited.

*[9] The right of the other shareholders of WCP to sell the WCP shares to the Company.
*[10] The Company's right to buy the WCP shares from the other shareholders of WCP.

## 5. Income Taxes and Minority Interests in Net Income

Provisions for current income taxes were ¥173,510 million, provisions for deferred income taxes were ¥32,048 million, and additional tax expenses of ¥27,392 million were recorded as income taxes – corrections. Minority interests in net income totaled ¥57,950 million.

As a result of the above, net income totaled ¥189,713 million, for a ¥92,997 million (96.2%) increase year on year.

## 6. Comprehensive Income

Comprehensive income was ¥219,942 million. Of this, comprehensive income attributable to owners of the parent was ¥159,777 million and comprehensive income attributable to minority interests came to ¥60,165 million.

### In Detail (2) Difference Between Normal Effective Statutory Tax Rate and Actual Effective Tax Rate

The effective income tax rate in fiscal 2011 was 48.5%, which was above the 40.7% statutory income tax rate. The reasons for and effects of those differences are as follows:

| | |
|---|---|
| **Statutory income tax rate** | **40.7%** |
| (Main factors behind difference) | |
| Income taxes – corrections | 5.7% |
| Amortization of goodwill (mainly SOFTBANK MOBILE) | 5.1% |
| Changes in valuation allowance | –5.1% |
| Consolidation adjustments resulting from gain on sales of investment securities in consolidated subsidiaries | 4.2% |
| Other – net | –2.1% |
| **Effective income tax rate** | **48.5%** |

### In Detail (3) Loss Carryforwards

The outstanding amounts and expiry dates of loss carryforwards as of March 31, 2011 were as follows:

| Company Name | Balance (Billions of yen) | Expiry Date |
|---|---|---|
| SOFTBANK TELECOM | 75.9 | Mar. 2013 – Mar. 2016 |
| SOFTBANK BB | 10.5 | Mar. 2013 – Mar. 2018 |
| Others | 108.8 | Mar. 2012 – Mar. 2018 |
| **Total** | **195.2** | |

## Reportable Segment Analysis

From fiscal 2011, the Group has applied "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008).

## Overview of Reportable Segments

Reportable segments of the Group are components of an entity about which separate financial information is available and such information is evaluated regularly by the Board of Directors in deciding how to allocate resources and in assessing performance.

The Company as a pure holding company assigns core operating companies to primary businesses. The core operating companies develop comprehensive business strategies for the products and services and perform business activities.

Accordingly, the Group's segments are separated based on the products and services provided by the core operating companies, and four segments, "Mobile Communications," "Broadband Infrastructure," "Fixed-line Telecommunications," and "Internet Culture" are treated as reportable segments.

The Mobile Communications segment provides mobile phone services and sale of mobile phones accompanying the services. The Broadband Infrastructure segment provides high-speed Internet connection services, IP telephony services, and content. The Fixed-line Telecommunications segment provides fixed-line telecommunication services. The Internet Culture segment provides Internet-based advertising operations, e-commerce site operations such as *Yahoo! Auctions* and *Yahoo! Shopping*, and membership services.

## Calculation Method for Net Sales, Income or Loss, and Others of Reportable Segments

Accounting treatment for reportable segments is the same as the treatment described in Note 21 of the Notes to Consolidated Financial Statements. Income of reportable segments is based on operating income. Internal net sales between segments are under the same general business conditions as are applied for external customers.

Assets are not allocated to the reportable segments.

## Mobile Communications Segment

### Overall Results

Net sales increased by ¥243,137 million (14.3%) year on year to ¥1,944,551 million, and operating income increased by ¥141,517 million (54.2%) year on year to ¥402,412 million.

The revenue growth was driven by a continued strong upward trend in the number of mobile phone subscribers combined with increases in ARPU and the number of mobile handsets shipped.

### Number of Mobile Phone Subscribers

Net subscriber additions*[11] (new subscribers minus cancellations) for fiscal 2011 totaled 3,532,100. This net increase was primarily the result of strong sales of iPhone.*[12] As a result, the cumulative number of subscribers*[13] at the end of fiscal 2011 stood at 25,408,700, raising SOFTBANK MOBILE's cumulative subscriber share by 1.8 percentage points year on year, to 21.3%.*[14]

*11 The number of net subscriber additions includes prepaid mobile phones and communication module service subscribers.
Net communication module service subscriber additions for fiscal 2011 totaled 771,100.

*12 iPhone is a trademark of Apple Inc. The iPhone trademark is used under license from Aiphone K.K.

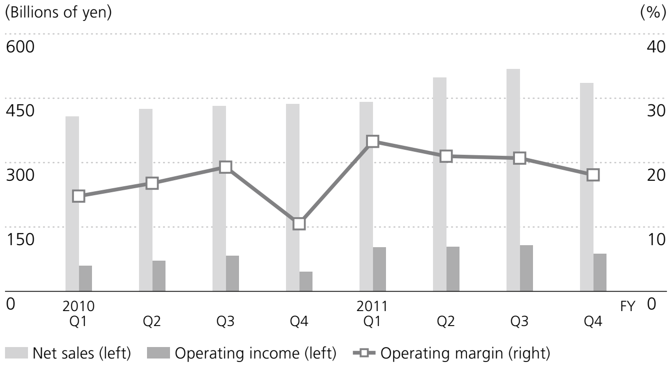
*13 The number of cumulative subscribers includes prepaid mobile phones and communication module service subscribers. The cumulative number of communication module service subscribers as of the end of fiscal 2011 was 1,308,600.

*14 Calculated by the Company based on Telecommunications Carriers Association statistical data.

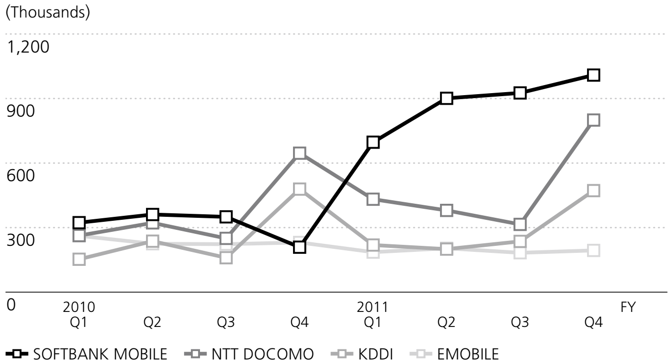
### Number of Mobile Handsets Sold/Shipped

The number of mobile handsets sold in fiscal 2011 increased by 1,108,000 year on year to 10,242,000 and the number of handsets shipped increased by 1,199,000 year on year to 10,016,000. These increases were mainly the result of sales and shipment growth in both mobile handsets, especially iPhone, and communication modules.

### Mobile Communications




### Net Subscriber Additions by Operator




(Note) Calculated by the Company based on Telecommunications Carriers Association statistical data.

### ARPU

ARPU for fiscal 2011 rose ¥140 year on year to ¥4,210. Out of this, the sum of the basic monthly charge and voice ARPU declined ¥160 year on year to ¥1,890, reflecting an increase in devices which do not have voice communication functionality, and revised access charges between carriers. On the other hand, data ARPU rose ¥290 year on year to ¥2,310. This was mainly the result of an increase in the number of data-intensive iPhone subscribers, combined with the after-effect of the termination of the non-data-intensive 2G service in March 2010.

### Churn Rate and Upgrade Rate

The churn rate*[15] for fiscal 2011 was 0.98%, which was 0.39 of a percentage point lower year on year. This was primarily because the churn rate was no longer inflated by the termination of the 2G service completed in March 2010, and there was a decline in the churn rate of customers who have completed installment payments for their handsets.

The upgrade rate*[15] for fiscal 2011 was 1.40%, which was 0.31 of a percentage point lower year on year. The upgrade rate was no longer inflated by upgrades from 2G to 3G seen in fiscal 2010 in association with the termination of the 2G service completed in March 2010, although the number of upgrades to iPhone 4 increased.

*[15] Calculated with prepaid mobile phones and communication module service subscribers included in the number of subscribers, churn and upgrades, respectively.

### Average Acquisition Cost per Subscriber

The average acquisition cost per subscriber*[16] for fiscal 2011 declined ¥3,600 year on year to ¥36,900. This was primarily because of an increase in the number of mobile handsets sold, especially handsets without voice communication functionality whose acquisition cost per subscriber is lower.

*[16] Average commission paid to sales agents per new subscription. New subscriptions include prepaid mobile phones and communication modules.

## Broadband Infrastructure Segment

### Overall Results

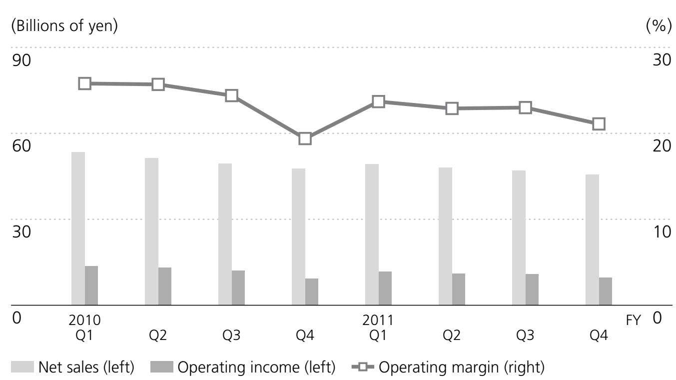
Net sales decreased by ¥12,073 million (6.0%) year on year to ¥190,055 million, and operating income decreased by ¥5,246 million (10.8%) year on year to ¥43,154 million.

The decrease in net sales was mainly because of the continued decreasing trend in revenue, on a decline in the number of charged lines*[17] for the ADSL service. The decrease in operating income was primarily due to a decrease in net sales and an increase in sales-related expenses in line with customer acquisition for *Yahoo! BB hikari with FLET'S*,*[18] a broadband connection service provided by SOFTBANK BB.

Net subscriber additions for *Yahoo! BB hikari with FLET'S* for fiscal 2011 totaled 695,000, bringing the cumulative number of contracts at the end of fiscal 2011 to 932,000. The number of installed lines*[19] for SOFTBANK BB's *Yahoo! BB ADSL* comprehensive broadband service at the end of fiscal 2011 totaled 3,150,000, marking a decline of 619,000 lines from the end of fiscal 2010. As a result, the number of broadband service users including installed lines for *Yahoo! BB ADSL* and contracts for *Yahoo! BB hikari with FLET'S* totaled 4,082,000.

*[17] Number of installed lines excluding customers whose basic monthly charge is free under promotion campaigns or other promotional initiatives.
*[18] A broadband connection service that combines the Internet connection service *Yahoo! BB* and the *FLET'S HIKARI* fiber-optic connection provided by NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION ("NTT East") and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION ("NTT West"). *FLET'S* and *FLET'S HIKARI* are registered trademarks of NTT East and NTT West.
*[19] Number of lines for which connection construction for ADSL line at the central office of NTT East or NTT West is complete.

## Broadband Infrastructure



## Fixed-line Telecommunications Segment

### Overall Results

Net sales increased by ¥7,870 million (2.3%) year on year to ¥356,562 million, and operating income increased by ¥14,941 million (64.8%) to ¥38,006 million.

Inter-segment sales increased due to network provision to Group telecommunication companies such as SOFTBANK MOBILE, and contributed to the segment's overall revenue growth. On the other hand, net sales to third-parties decreased, primarily as a result of the continued decrease in revenue from relay connection voice services such as *MYLINE*, and despite an increase in revenue from the *OTOKU Line* direct connection voice service.

The increase in operating income was mainly due to the increase in net sales, combined with a decrease in lease expenses on equipment for the *OTOKU Line* service.

SOFTBANK TELECOM, the core company of the Fixed-line Telecommunications segment, is working to expand its corporate business base, primarily through *OTOKU Line*. The number of *OTOKU Line* installed lines and ARPU both grew steadily in fiscal 2011. The number of *OTOKU Line* installed lines reached 1,671,000 lines as of the end of fiscal 2011 with corporate contracts accounting for 84% of the total. *OTOKU Line* ARPU for the fiscal 2011 fourth quarter was ¥6,930, a ¥110 increase from the same period of the previous fiscal year.

## Internet Culture Segment

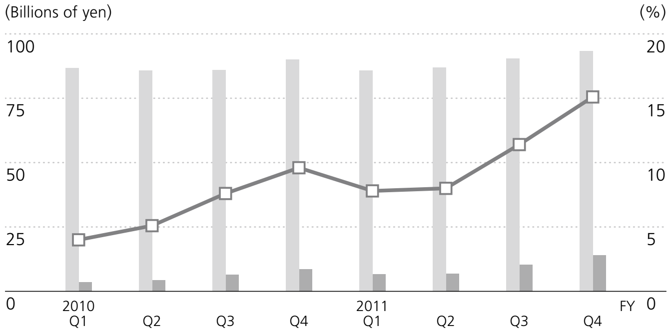
### Overall Results

Net sales increased by ¥12,861 million (4.7%) year on year to ¥283,616 million and operating income increased by ¥13,720 million (10.0%) year on year to ¥150,306 million.

The increase in net sales was mainly due to revenue growth at Yahoo Japan on an increase in listing and display advertising. Operating income increased primarily as a result of the growth in net sales in addition to a decrease in communications expenses due to improved operational efficiency resulting from direct ownership of data centers.

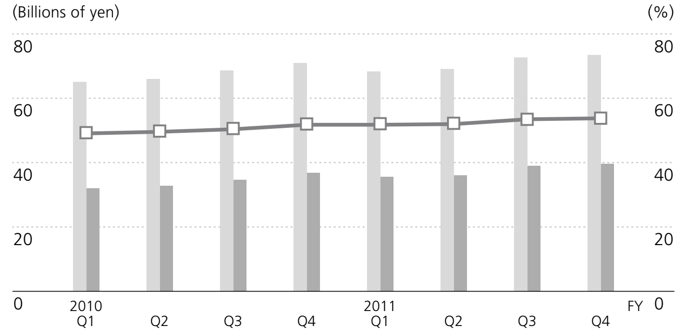
Yahoo Japan, the segment's core company, continued to face an uncertain corporate business environment including sharp appreciation of the yen and a severe employment situation. Despite this, the advertising market in Japan steadily moved toward recovery, and Yahoo Japan saw an increase in placements for both listing and display advertising. In addition, growth in transaction volume at *Yahoo! Shopping* and increased listings at *Yahoo! Real Estate* contributed to net sales expansion.

### Fixed-line Telecommunications




Net sales (left) Operating income (left) Operating margin (right)

### Internet Culture




Net sales (left) Operating income (left) Operating margin (right)

Financial Section

## Analysis of Financial Position

### Current Assets

Current assets at the end of fiscal 2011 totaled ¥1,862,617 million, for a ¥168,176 million (9.9%) increase year on year.

Notes and accounts receivable – trade decreased by ¥158,777 million. This was mainly because of sales of installment sales receivables at SOFTBANK MOBILE.

Marketable securities increased by ¥73,788 million year on year. This was mainly from the transfer of shares of Yahoo! Inc. that were previously recorded as investment securities under fixed assets, to current assets. In February 2004, one of the Company's U.S. subsidiaries entered into a loan involving a portion of the proceeds from a forward contract under which its Yahoo! Inc. shares are expected to be delivered in August 2011. Because the subsidiary intends to deliver these shares in accordance with the settlement of the forward contract beginning August 2011 or within one year, the corresponding shares of Yahoo! Inc. were reclassified to current assets.

Other current assets increased by ¥67,435 million year on year, primarily from increases in derivative assets and accrued revenue included in other current assets. A derivative contract ("collar transaction") was concluded with regard to the above-mentioned shares of Yahoo! Inc. to limit the risk from market price fluctuations of those shares for fiscal 2011 until the repayment. However, with the remaining period until the repayment having become less than one year, the corresponding derivative assets were reclassified to current assets during fiscal 2011.

### Property and Equipment, Net

Total property and equipment increased ¥162,745 million year on year, primarily on a ¥315,955 million increase from new acquisitions of telecommunications equipment. Moreover, an adjustment for reflecting changes of the accounting standard for asset retirement obligations adopted from April 1, 2010 resulted in an increase of ¥10,595 million.

### Intangible Assets, Net

Total intangible assets decreased ¥32,041 million year on year. This was mainly because of a ¥61,530 million decrease resulting from regular amortization of the goodwill recorded when the Company acquired SOFTBANK MOBILE and SOFTBANK TELECOM.

On the other hand, software increased by ¥39,957 million as a result of new acquisitions of telecommunications equipment.

### Investments and Other Assets

Total investments and other assets decreased by ¥106,030 million year on year. This was mainly because of a ¥72,612 million decrease in investment securities due to the transfer of shares of Yahoo! Inc. to current assets, a ¥43,509 million decrease in deferred tax assets, and a ¥32,930 million decrease in other assets due to the reclassification of derivative assets related to the shares of Yahoo! Inc. to current assets. Meanwhile, an increase of ¥43,021 million was recorded for investments in unconsolidated subsidiaries and affiliated companies due to additional investments made in Renren Inc.*[20] and investment in PPLive Corporation*[21] among others.

*20 Oak Pacific Interactive was renamed Renren Inc. in December 2010.
*21 Synacast Corporation was renamed PPLive Corporation in April 2011.

### Current Liabilities

Current liabilities at the end of fiscal 2011 totaled ¥1,644,408 million, for a ¥265,529 million (19.3%) increase year on year.

Accounts payable-other and accrued expenses increased by ¥110,012 million year on year. This was mainly the result of an increase of ¥177,038 million in equipment-related payables, while a decrease of ¥75,000 million came from the payment of additional entrustment for debt assumption, at SOFTBANK MOBILE.

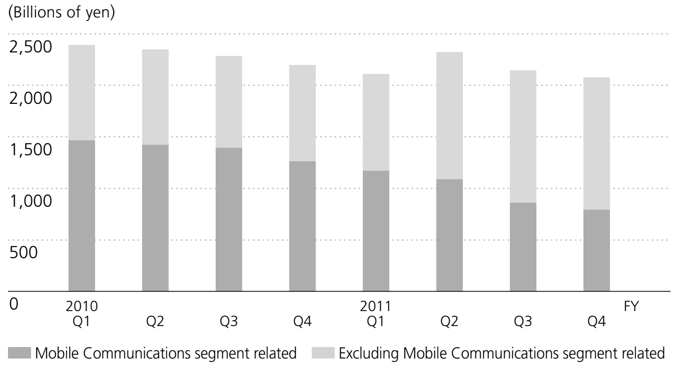
Accounts payable – trade increased by ¥34,702 million year on year. This was mainly due to an increase in purchases of mobile phones for resale.

The current portion of long-term debt increased by ¥27,142 million year on year. Reclassifications were made from corporate bonds under long-term liabilities in the amounts of ¥53,500 million for the 25th Unsecured Straight Corporate Bond, ¥60,000 million for the 27th Unsecured Straight Corporate Bond, and ¥15,000 million for SOFTBANK TELECOM's 2nd series Unsecured Straight Corporate Bond, as the redemption dates came to be within one year. Borrowings at one of the Company's U.S. subsidiaries were also reclassified to current liabilities as the redemption dates came to be within one year. On the other hand, payments of ¥54,400 million in total were made for the redemptions of the 22nd Unsecured Straight Corporate Bond and the 24th Unsecured Straight Corporate Bond.

The balance of commercial paper at the end of fiscal 2011 totaled ¥25,000 million (recorded as ¥0 at the end of fiscal 2010).

Short-term borrowings increased by ¥19,948 million year on year. This was mainly due to an increase in short-term borrowings at the Company.

### Interest-bearing Debt



## Long-term Liabilities

Long-term liabilities totaled ¥2,131,699 million at the end of fiscal 2011, for a ¥11,674 million (0.6%) increase year on year.

Long-term accounts payable increased ¥217,601 million year on year. The increase chiefly represents the recording of a scheduled payment of ¥200,000 million as long-term accounts payable. This amount is scheduled to be paid to Vodafone International Holdings B.V. and Vodafone Overseas Finance Limited (hereafter "the Vodafone Group") in April 2012, in relation to the transaction with the Vodafone Group which was carried out in December 2010 (refer to Note 14 (3). Payments for repurchase of minority interests and long-term debt in Notes to Consolidated Financial Statements).

Long-term debt decreased by ¥191,760 million. This was mainly because of SOFTBANK MOBILE's ongoing repayment of its SBM loan,*[22] and the elimination in consolidation of the long-term loan receivable acquired by the Company in December 2010 from Vodafone Overseas Finance Limited, which was long-term debt owed by SOFTBANK MOBILE to Vodafone Overseas Finance Limited, and the long-term debt of SOFTBANK MOBILE (refer to Note 14 (3). Payments for repurchase of minority interests and long-term debt in Notes to Consolidated Financial Statements). On the other hand, there was an increase in the Company's long-term borrowings and the Company conducted a new issue of corporate bonds (31st to 35th Unsecured Straight Bond).

On the other hand, the reclassifications were made from long-term to current liabilities for corporate bonds in the amounts of ¥53,500 million for the 25th Unsecured Straight Corporate Bond, ¥60,000 million for the 27th Unsecured Straight Corporate Bond, and ¥15,000 million for SOFTBANK TELECOM's 2nd series Unsecured Straight Corporate Bond, as the redemption dates came to be within one year. Payments of ¥47,625 million were also made for the accelerated redemption of Euro-denominated Senior Notes due 2013 (refer to In Detail (5) Corporate Bond Details for the main items in this early redemption). In addition, long-term borrowings at one of the Company's U.S. subsidiaries and SOFTBANK MOBILE that came to be payable within one year were reclassified to current liabilities.

*[22] The funds procured for the acquisition of Vodafone K.K. were refinanced in November 2006 via a whole business securitization program.

## Total Equity

Total equity was ¥879,618 million at the end of fiscal 2011, for a ¥84,353 million (8.8%) decline from the end of fiscal 2010. While retained earnings increased ¥179,205 million, totaling ¥222,277 million at the end of fiscal 2011, minority interests came to ¥259,662 million, for a decrease of ¥233,301 million. This was primarily due to the elimination in consolidation of ¥300,000 million of minority interests caused by the Company's acquisition of class 1 preferred stock series 1 issued by BB Mobile to Vodafone International Holdings B.V. On the other hand, there were increases in minority interests of ¥41,346 million from the recording of earnings by Yahoo Japan and ¥24,839 million from a change in the scope of consolidation, with the conversion of SB Asia Infrastructure Fund L.P. from an equity method affiliate to a consolidated subsidiary.*[23]

*[23] This change reflects the adoption of Accounting Standards Codification Topic (ASC) 810, Consolidations, formerly SFAS No.167, Amendments to FASB Interpretation No. 46 (R) (SFAS 167) applied at certain overseas subsidiaries of the Company in the United States of America.

## Analysis of Cash Flows

During fiscal 2011, operating activities provided net cash in the amount of ¥825,837 million, investing activities used net cash in the amount of ¥264,448 million, and financing activities used ¥397,728 million.

Free cash flow (the combined net cash flows from operating activities and investing activities) for fiscal 2011 was a positive ¥561,389 million (compared with a positive ¥390,888 million in fiscal 2010), for an increase of ¥170,501 million.

Cash and cash equivalents at the end of fiscal 2011 totaled ¥847,155 million, for a ¥159,473 million increase year on year.

**Cash Flows from Operating Activities:**

**¥825,837 million net inflow**

Income before income taxes and minority interests totaled ¥480,613 million, while the main non-cash items of ¥224,937 million in depreciation and amortization and ¥62,688 million in amortization of goodwill were recorded as positive. Receivables – trade decreased (increase in cash flow) by ¥167,452 million, mainly due to sales of installment sales receivables at SOFTBANK MOBILE.

In addition, income taxes paid of ¥186,162 million were recorded, for a ¥146,971 million year-on-year increase. This was mainly because of increased income tax payments for BB Mobile's income tax under consolidated tax return and at Yahoo Japan, and includes ¥26,451 million of additional income taxes paid by Yahoo Japan in response to a correction and ruling notice it received.

**Cash Flows from Investing Activities:**

**¥264,448 million net outflow**

Capital expenditures, mainly at telecommunications-related businesses, resulted in outlays of ¥208,553 million for property and equipment and intangibles. Purchases of marketable and investment securities resulted in ¥79,441 million in cash outlays.

**Cash Flows from Financing Activities:**

**¥397,728 million net outflow**

Outlays were recorded in the amounts of ¥459,166 million for repayments of long-term debt, ¥213,565 million for the repurchase of minority interests and long-term debt, ¥155,063 million for the repayment of lease obligations, ¥105,508 million for the redemption of corporate bonds, and ¥75,000 million as payment for additional entrustment for debt assumption. The outlay for repurchase of minority interests and long-term debt represents the portion of the transaction with the Vodafone Group, carried out during fiscal 2011, which was paid to the Vodafone Group during fiscal 2011 in addition to acquisition-related expenses. On the other hand, proceeds from long-term debt raised ¥252,900 million and proceeds from issuance of bonds generated ¥233,936 million, in addition to ¥117,596 million recorded as proceeds from the sale and lease back of equipment newly acquired.

## In Detail (4) Status of Interest-bearing Debt and Leases (As of March 31, 2011)

(1) Interest-bearing debt and finance leases (lease obligations)

| (Millions of yen) | Balance | Payment Due By FY2012 | After FY2013 |
|---|---|---|---|
| SOFTBANK CORP. and consolidated subsidiaries (excluding SOFTBANK MOBILE and Yahoo Japan) | | | |
| Borrowings | 619,430 | 361,047 | 258,383 |
| Bonds | 635,890 | 128,500 | 507,390 |
| Straight bond | 503,400 | 128,500 | 374,900 |
| Convertible | 99,990 | – | 99,990 |
| Subordinate | 32,500 | – | 32,500 |
| Commercial paper | 25,000 | 25,000 | – |
| **Total interest-bearing debt** | **1,280,320** | **514,547** | **765,773** |
| Finance lease (lease obligation on the Balance Sheet) | 46,002 | 19,747 | 26,255 |
| SOFTBANK MOBILE | | | |
| Borrowings | 795,481 | 49,904 | 745,577 |
| SBM loan*24 | 745,577 | – | 745,577 |
| Securitization of installment sales receivables recorded as loans | 49,904 | 49,904 | – |
| **Total interest-bearing debt** | **795,481** | **49,904** | **745,577** |
| Finance lease (lease obligation on the Balance Sheet) | 284,903 | 111,494 | 173,409 |
| Yahoo Japan | | | |
| Borrowings | – | – | – |
| **Total interest-bearing debt** | **–** | **–** | **–** |
| Finance lease (lease obligation on the Balance Sheet) | 171 | 65 | 106 |

(2) Finance leases (accounted for as operating leases; refer to note 2 below) and operating leases

| (Millions of yen) | Balance | Payment Due By FY2012 | After FY2013 |
|---|---|---|---|
| SOFTBANK CORP. and consolidated subsidiaries (excluding SOFTBANK MOBILE and Yahoo Japan) | | | |
| Finance lease (accounted for as operating lease transactions)*25 | 77,740 | 14,907 | 62,833 |
| Operating lease*26 | 49,377 | 14,038 | 35,339 |
| **Total** | **127,117** | **28,945** | **98,172** |
| SOFTBANK MOBILE | | | |
| Finance lease (accounted for as operating lease transactions)*25 | 751 | 741 | 10 |
| Operating lease*26 | 8,350 | 2,064 | 6,286 |
| **Total** | **9,101** | **2,805** | **6,296** |
| Yahoo Japan | | | |
| Finance lease (accounted for as operating lease transactions)*25 | 33 | 31 | 2 |
| Operating lease*26 | 9,854 | 5,011 | 4,843 |
| **Total** | **9,887** | **5,042** | **4,845** |

(3) Interest-bearing debt and leases

| (Millions of yen) | Balance | Payment Due By FY2012 | After FY2013 |
|---|---|---|---|
| **Total interest-bearing debt** | **2,075,801** | **564,451** | **1,511,350** |
| Borrowings | 1,414,911 | 410,951 | 1,003,960 |
| Bonds | 635,890 | 128,500 | 507,390 |
| Commercial paper | 25,000 | 25,000 | – |
| **Total balance of leases** | **477,181** | **168,098** | **309,083** |
| Finance lease (lease obligation on the Balance Sheet) | 331,076 | 131,306 | 199,770 |
| Finance lease (accounted for as operating lease transactions)*25 | 78,524 | 15,679 | 62,845 |
| Operating lease*26 | 67,581 | 21,113 | 46,468 |

(Notes) 1. Balance after consolidated elimination.
2. Finance lease (accounted for as operating lease transactions): leases contracted before April 1, 2008 are continuously accounted for as operating lease transactions with footnote disclosure. For further details refer to Note 2 Summary of Significant Accounting Policies (15) Lease in Notes to Consolidated Financial Statements.
*24 Loan procured for funding of Vodafone K.K. acquisition, refinanced through Whole Business Securitization in November 2006. The corporate bonds (WBS Class B2 Funding Notes, issued by J-WBS Funding K.K.) with a face value of ¥27.0 billion acquired by the Company during fiscal 2010 that were issued under the whole business securitization scheme associated with the acquisition of Vodafone K.K. are excluded.
*25 Discounted future lease payments under finance lease (accounted for as operating lease transactions) at the end of each fiscal year.
*26 Future lease payments under operating lease.

## In Detail (5) Corporate Bond Details (As of March 31, 2011)

(By issuer and in order of maturity date)

| Company Name | Bond | Issue Date | Maturity Date | Interest Rate (%/year) | Collateral | Balance (Millions of yen) |
|---|---|---|---|---|---|---|
| SOFTBANK | 27th Unsecured Straight Bond (Fukuoka SoftBank HAWKS bond) | June 11, 2009 | June 10, 2011 | 5.10 | None | 60,000 |
| | 25th Unsecured Straight Bond | June 19, 2007 | June 17, 2011 | 3.39 | None | 53,500 |
| | 28th Unsecured Straight Bond | July 24, 2009 | July 24, 2012 | 4.72 | None | 30,000 |
| | 29th Unsecured Straight Bond (Fukuoka SoftBank HAWKS bond) | Sept. 18, 2009 | Sept. 18, 2012 | 4.52 | None | 65,000 |
| | Convertible Bond due 2013 | Dec. 30, 2003 | Mar. 31, 2013 | 1.50 | None | 49,998 |
| | 31st Unsecured Straight Bond | June 2, 2010 | May 31, 2013 | 1.17 | None | 25,000 |
| | 33rd Unsecured Straight Bond (Fukuoka SoftBank HAWKS bond) | Sept. 17, 2010 | Sept. 17, 2013 | 1.24 | None | 130,000 |
| | Convertible Bond due 2014 | Dec. 30, 2003 | Mar. 31, 2014 | 1.75 | None | 49,992 |
| | 26th Unsecured Straight Bond | June 19, 2007 | June 19, 2014 | 4.36 | None | 14,900 |
| | 30th Unsecured Straight Bond | Mar. 11, 2010 | Mar. 11, 2015 | 3.35 | None | 30,000 |
| | 32nd Unsecured Straight Bond | June 2, 2010 | June 2, 2015 | 1.67 | None | 25,000 |
| | 34th Unsecured Straight Bond | Jan. 25, 2011 | Jan. 25, 2016 | 1.10 | None | 45,000 |
| | 35th Unsecured Straight Bond | Jan. 25, 2011 | Jan. 25, 2018 | 1.66 | None | 10,000 |
| SOFTBANK TELECOM | 2nd Unsecured Straight Bond | Dec. 7, 2004 | Dec. 7, 2011 | 2.88 | None | 15,000 |
| Phoenix JT | Subordinated Notes due 2016 | Dec. 24, 2004 | Dec. 15, 2016 | 5.95 | None | 32,400 |
| Other corporate bonds | – | – | – | – | – | 100 |
| Total | – | – | – | – | – | 635,890 |

(Note) Convertible Bond due 2014 was converted to common stock in full. In addition, early redemption of the Convertible Bond due 2013 at the Company's request is also possible under certain conditions.
Details of CB due 2013 and 2014 are as follows:

| Company Name | Bond | Issue Price of Stock Acquisition Right | Conversion Price (Yen) | Aggregate Principal Amount (Millions of yen) | Exercise Period |
|---|---|---|---|---|---|
| SOFTBANK | Convertible Bond due 2013 | Without consideration | 2,164.50 | 50,000 | Jan. 13, 2004 – Mar. 15, 2013 |
| | Convertible Bond due 2014 | Without consideration | 1,984.30 | 50,000 | Jan. 13, 2004 – Mar. 17, 2014 |

Financial Section

## In Detail (6)

The major financing activities during fiscal 2011 were as follows:

| Item | Company | Details | Summary |
|---|---|---|---|
| Bond issuances | SOFTBANK | 31st Unsecured Straight Corporate Bond | Issue date : June 2, 2010<br>Redemption date : May 31, 2013<br>Procured amount : ¥25,000 million<br>Interest rate : 1.17%/year<br>Use : redemption of bonds which will mature by the end of June 2011 |
| | | 32nd Unsecured Straight Corporate Bond | Issue date : June 2, 2010<br>Redemption date : June 2, 2015<br>Procured amount : ¥25,000 million<br>Interest rate : 1.67%/year<br>Use : redemption of bonds which will mature by the end of June 2011 |
| | | 33rd Unsecured Straight Corporate Bond (Fukuoka SoftBank HAWKS Bond) | Issue date : September 17, 2010<br>Redemption date : September 17, 2013<br>Procured amount : ¥130,000 million<br>Interest rate : 1.24%/year<br>Use : redemption of bonds which will mature by the end of June 2011 |
| | | 34th Unsecured Straight Corporate Bond | Issue date : January 25, 2011<br>Redemption date : January 25, 2016<br>Procured amount : ¥45,000 million<br>Interest rate : 1.10%/year<br>Use : redemption of bonds which will mature by the end of June 2011 and acquisition of preferred stock issued by a consolidated subsidiary |
| | | 35th Unsecured Straight Corporate Bond | Issue date : January 25, 2011<br>Redemption date : January 25, 2018<br>Procured amount : ¥10,000 million<br>Interest rate : 1.66%/year<br>Use : redemption of bonds which will mature by the end of June 2011 and acquisition of preferred stock issued by a consolidated subsidiary |
| Bond redemption | SOFTBANK | 24th Unsecured Straight Corporate Bond (Fukuoka SoftBank HAWKS Bond) | Redemption date : April 26, 2010<br>Redeemed amount : ¥20,000 million |
| | | 22nd Unsecured Straight Corporate Bond | Redemption date : September 14, 2010<br>Redeemed amount ¥34,400 million |
| | | Euro-denominated Senior Notes Due 2013 (redeemed before maturity) | Redemption date : October 15, 2010<br>Redeemed amount : ¥47,269 million (€352 million) |
| Securitization of Receivables (recorded as borrowings) | SOFTBANK MOBILE | Procurement of funds totaling ¥10,000 million accompanying securitization of mobile handsets installment sales receivables | Procurement date : June 29, 2010<br>Redemption method : monthly pass-through repayment<br>Use : capital expenditure and repayment of funds procured via the whole business securitization program |
| Repayment of securitization of receivables | SOFTBANK MOBILE | Repayment of ¥179,910 million | Repayment of funds procured via securitization of mobile handsets installment sales receivables |
| Increase or decrease in debt (excluding securitization of receivables) | SOFTBANK | Increase of ¥217,000 million | Mainly increase of long-term debt |
| | SOFTBANK MOBILE | Decrease of ¥214,124 million | Repayment of funds raised via the whole business securitization financing scheme |
| | Yahoo Japan | Decrease of ¥10,000 million | |
| Capital expenditure by financial lease | SOFTBANK MOBILE etc. | New capital expenditure via leases | Funds newly procured during fiscal 2011: ¥117,596 million |
| Additional entrustment for debt assumption | SOFTBANK MOBILE | Payment of ¥75,000 million | Bonds in scope : Former Vodafone K.K. corporate bonds<br>3rd Unsecured Straight Corporate Bond<br>¥25,000 million (redeemed on August 19, 2010)<br>5th Unsecured Straight Corporate Bond<br>¥25,000 million (redeemed on August 25, 2010)<br>7th Unsecured Straight Corporate Bond<br>¥25,000 million (redeemed on September 22, 2010) |
| Acquisition of preferred stock etc., issued by the Company's consolidated subsidiary and held by the Vodafone Group | SOFTBANK | Payment of ¥212,500 million (refer to Note 14 (3) Payments for repurchase of minority interests and long-term debt, Notes to Consolidated Financial Statements) | Acquisition cost : ¥412,500 million in total<br>Payment date : December 10, 2010 ¥212,500 million<br>April 2012 (tentative) ¥200,000 million |

## Earnings Forecasts

### Forecast for Fiscal 2012 to Fiscal 2014

The Group is forecasting a continued increasing trend in consolidated net sales and consolidated operating income year on year for both fiscal 2012 and fiscal 2013; however, the earnings growth rate is expected to be below that of fiscal 2011. The lower growth rate forecast is due to plans to focus even more on network expansion and customer acquisition over the next two fiscal years in the Group's core business, the Mobile Communications segment. These efforts are aimed at medium-term growth, but may increase expenses and weigh on profit. The Group expects to finish these initiatives by fiscal 2014, when profit should enter a new growth phase.

### Fiscal 2012 Forecast

The Group plans to focus on network expansion and customer acquisition in the Mobile Communications segment. However, it is difficult to disclose numerical earnings forecasts because the customer acquisition initiatives need to be planned and adjusted flexibly according to circumstances and this involves numerous unconfirmed elements which could impact revenue and profit. Meanwhile, the Group has resolved to increase its consolidated capital expenditure (acceptance basis) to approximately ¥500.0 billion.

To further improve disclosure of information for shareholders and investors, the consolidated earnings forecast will be disclosed when it can be reasonably estimated.

## Fundamental Policy for Distribution of Profit, and Dividends for Fiscal 2011 and Following Years

The Company strives to increase returns to shareholders by raising corporate value and has a fundamental policy of returning appropriate amounts of profit to shareholders and other stakeholders. The Company's policy regarding dividends to shareholders is to balance the strengthening of the financial base by reducing net interest-bearing debt while maintaining a stable dividend over the medium- to long-term.

Based on this policy the dividend for fiscal 2011 was the same as fiscal 2010 at ¥5 per share.

The Company intends to increase the dividend for fiscal 2012 from ¥5 per share and increase it further in fiscal 2015. The specific dividend amounts will be announced promptly upon resolution.

## Risk Factors

Operating in a wide range of markets, the Group faces a variety of risks in its operations. The major risks envisioned by the Group as of the release of this annual report that could significantly affect investors' investment decisions are outlined below. These factors do not include all of the risks that the Group could face in the course of its future business operations. Forward-looking statements were determined at the time of publication of this annual report, unless otherwise stated.

**(1) Economic conditions**

Demand for services and products provided by the Group (including but not limited to telecommunications services and Internet advertising) is subject to economic conditions. Therefore, economic deterioration could affect the Group's operating results.

**(2) Response to technology and business models**

The Group's primary business domain is the information industry, which is subject to rapid changes in technology and business models. If for some reason, the Group is unable to develop or launch outstanding, up-to-date technologies or business models, its service offerings will lose competitiveness in the markets, making it difficult to acquire and retain customers. This could have an impact on the Group's operating results.

**(3) Capacity increases in telecommunications networks**

To maintain and enhance the quality of telecommunications services, the Group must continuously increase the capacity of its telecommunications networks based on predictions of the amount of future network traffic. The Group thus plans to systematically increase network capacity. However, if the actual amount of network traffic were to drastically exceed the Group's predictions, service quality could be adversely affected, making it difficult to acquire and retain customers. In this case, the Group would also need to make additional capital investment. These outcomes could have an impact on the Group's operating results and financial position.

**(4) Dependence on management resources of other companies**

(1) Use of facilities, etc., of other companies

The Group makes use of certain telecommunications lines and facilities owned by other telecom operators when constructing the telecommunications networks required for providing telecommunications services. The Group's business development and operating results could therefore be impacted if for some reason it became difficult to continue to use those facilities, or if utilization or connection rates for those facilities were to be increased.

(2) Procurement of various equipment

The Group procures telecommunications equipment, network devices, and so forth (including but not limited to mobile devices and servers) from other companies. The Group may be unable to switch suppliers or equipment in a timely manner should problems occur with the procurement of this equipment, such as supply interruptions, delivery delays, order volume shortfalls, and defects. Suppliers may also cease providing the maintenance and inspection services required for telecommunications equipment to maintain performance. Either of these situations could impede the Group's provision of services, making it difficult to acquire and retain customers. This could have an impact on the Group's operating results.

(3) Consignment of operations

The Group consigns sales activities, acquisition and retention of customers mainly for telecommunications services and the execution of other related operations in whole or part to subcontractors. The Group's business development could therefore be impacted if for some reason these subcontractors are unable to execute operations in line with the Group's expectations.

The Group also has a network of sales agents responsible for the sale of the Group's services and products. Damage to the credibility or image of these sales agents would also have a negative impact on the Group's credibility or corporate image. This could hinder business development and the acquisition and retention of customers, which could impact the Group's operating results.

Furthermore, if these sales agents should fail to comply with laws and regulations, the Group could receive a warning or administrative guidance from the regulatory authorities, or be investigated for non-fulfillment of its supervisory responsibility, and the Group's credibility or corporate image could deteriorate as a result, making it difficult to acquire and retain customers. This could impact the Group's operating results.

### (4) Use of the *Yahoo!* brand

The Group makes use of the *Yahoo!* brand belonging to U.S. company Yahoo! Inc. in certain service names such as *Yahoo! JAPAN*, *Yahoo! BB*, and *Yahoo! Keitai*. If the Group were to become unable to use the *Yahoo! brand* due to a drastic change in its relationship with Yahoo! Inc. or other reasons, the Group may be prevented from developing businesses as anticipated.

### (5) Competition

In certain instances, the Group's competitors may have a competitive advantage over the Group in terms of capital, services and products, price competitiveness, customer base, sales capability, brands, or public recognition. If these competitors were to sell services and products that harness these competitive advantages to a greater extent than at present, the Group's competitiveness in the markets may diminish. As a result, the Group may be unable to provide services and products, or attract or retain customers as anticipated. This could impact the Group's operating results.

Moreover, when the Group introduces highly competitive services, products and sales methods ahead of its competitors, the Group's competitive edge may be diminished if the Group's competitors deploy equivalent or better services, products and sales methods. This could impact the Group's business development and operating results.

### (6) Inappropriate use of services

If the Group's mobile telecommunications and other services were to be used to commit crimes such as bank-transfer phishing scams, the Group's credibility or corporate image could be damaged, and business development could be negatively affected.

### (7) Management team

Unforeseen situations concerning key members of management – especially chairman and CEO of the Company and Group representative Masayoshi Son – could impede the Group's smooth business development.

### (8) Information leaks

In its business operations, the Group handles customer information (including personal information) and other confidential information. This information could be leaked outside the Group either intentionally or accidentally by a person related to the Group or a subcontractor, or through a malicious attack by a third party. An information leak could damage the Group's competitiveness, in addition to having an adverse impact on the Group's credibility or corporate image and making it difficult to acquire and retain customers. These outcomes could impact the Group's operating results.

### (9) Service disruptions due to human error and other factors

The Group may be unable to continuously provide various services, including telecommunications services, due to human error or serious problems with equipment or systems.

If such disruptions were to become widespread and/or significant time were required to restore services, the Group's credibility or corporate image could deteriorate, making it difficult to acquire and retain customers. This could impact the Group's operating results.

### (10) Natural disasters and accidents

The Group constructs and maintains telecommunications networks and information systems necessary for the provision of various services, including Internet and telecommunications services. Natural disasters, such as earthquakes, typhoons, flooding, and tsunamis, other unexpected disruptions such as fires, power outages or shortages, or external attacks of some kind such as terrorist attacks or computer viruses could interfere with the normal operation of telecommunications networks and information systems. This could hinder the provision of various services by the Group.

If these impacts were to become widespread and/or significant time were required to restore services, the Group's credibility or corporate image could deteriorate, making it difficult to acquire and retain customers. This could impact the Group's operating results.

The head offices and business offices of various Group companies are concentrated in the Tokyo Metropolitan Area. The possibility therefore exists that a major earthquake or other force majeure event in the area could incapacitate these business locations, impeding the continuity of the Group's business.

### (11) Country risk

The Group conducts business and investment overseas in Asia and other regions and countries. The enactment of or revisions to the laws or regulations of these countries or regions could prevent the Group from conducting business activities as anticipated, or delay or prevent the recovery of the Group's investments, with a consequent impact on the Group's operating results and financial position. In addition, such enactment of and revision to laws or various regulations could also restrict the Group from engaging in new businesses or investments, or prevent the Group from carrying out its strategy as anticipated.

Moreover, a change in the political and social conditions in such countries and regions could prevent the Group from carrying out its business activities or could delay or prevent the recovery of the Group's investments as anticipated.

### (12) Investment activities

The Group conducts investment activities for the purpose of setting up new businesses, and expanding existing businesses, including corporate acquisitions, establishment of joint ventures and subsidiaries, and investments in operating companies and funds. If an invested company is unable to conduct business as anticipated at the time of the Group's investment, the Group's business development and operating results could be impacted. The Group may also book valuation losses and other charges in the event of a decline in the value of equity interests and other assets acquired through investment activities. This could impact the Group's operating results.

Additionally, the Group occasionally provides financial assistance to invested companies through loans and other means. However, if the invested company is unable to conduct business in line with the Group's expectations, this could impact the Group's operating results.

**(13) Foreign exchange risk on overseas investment**

The Company invests in overseas companies directly or through its overseas subsidiaries, and via other means. The Company may incur a foreign exchange loss if it sells its equity interests, including the stock of such overseas companies, when the yen is stronger than at the time of investment. A foreign exchange loss may also be incurred if overseas subsidiaries and so forth repatriate proceeds from the sale of shares and other equity interests to Japan when the yen is stronger than at the time of investment. Such foreign exchange losses could impact the Group's operating results.

**(14) Fund procurement and leasing**

The Group procures the funds it requires for developing its business by borrowing from financial institutions, issuing corporate bonds, and other sources. The Group also makes capital investments utilizing leases. The cost of procuring funds could increase because of rising interest rates or a decline in the Group's creditworthiness stemming mainly from the downgrading of the credit ratings of SOFTBANK CORP. or its Group companies. Such an increase in fund procurement costs could impact the Group's operating results. Furthermore, depending on financial market conditions, the Group may be unable to procure funds or structure leases as planned. This could have an impact on the Group's business development, operating results, and financial position.

**(15) Laws and regulations**

The Group is subject to various laws and regulations pertaining to general corporate business activities, as well as laws and regulations governing specific business operations, such as the Telecommunications Business Law and Radio Law in the telecommunications business. Revisions to such laws and regulations, or the enforcement of new laws and regulations, could prevent the Group from developing businesses as anticipated.

**(16) Government policies and regulations for the telecommunications sector**

The revision and establishment of mainly the following government policies for the telecommunications sector in Japan, along with the revision and development of accompanying regulations, could have an impact on the Group's business development and operating results:

a) Regulations regarding the status of business management and operations of the NTT Group;
b) Designated telecommunications facilities system (rules on open access to optic-fiber facilities, etc.);
c) The scope of universal service and the universal service fund system;
d) Regulations regarding access to the next-generation networks (NGN) and other infrastructure of Nippon Telegraph and Telephone East Corporation and Nippon Telegraph and Telephone West Corporation;
e) Regulations regarding access charge calculation formulas for mobile telecommunications services;
f) Regulations and rules concerning the mobile communications business model (SIM Lock*[27] regulations and rules on promoting new entry by Mobile Virtual Network Operators (MVNOs));
g) Radio utilization fee structure;
h) Spectrum allocation system, such as reallocation of spectrum and introduction of an auction system;
i) Entry of new operators into newly allocated spectrum bands;
j) Regulations concerning the effect of radio waves on health;
k) Regulations concerning personal information and customer information;
l) Regulations concerning the presentation of advertising for telecommunications services;
m) Spam regulations;
n) Regulations on responses to unlawful and harmful information on the Internet and access to such information;
o) Regulations concerning the improper use of mobile phones.

*[27] SIM Lock: a control that restricts the use of a mobile handset or other mobile communication device to the SIM card (an IC card on which the telephone number and other subscriber information is recorded) of a designated telecom operator.

**(17) Intellectual property**

If the Group were to unintentionally infringe on intellectual property rights held by third parties, it may be prevented from using the intellectual property or subject to claims for compensatory damages from the third party. Such actions could hinder the Group's business development.

On the other hand, if intellectual property held by the Group, such as the SoftBank brand, were infringed upon by a third party, such an infringement might have a negative impact on the Group's credibility or on its corporate image.

**(18) Litigation**

The Group faces the possibility of lawsuits by third parties claiming compensatory damages for the alleged infringement of rights or benefits. These third parties may include customers, business partners, and employees. Such lawsuits could hinder the Group's business development or may impair the Group's corporate image, as well as create a financial burden. These outcomes could have an impact on the Group's operating results.

**(19) Administrative sanctions and other orders**

The Group may be subject to administrative sanctions and guidance by government agencies. Such administrative actions may hinder the Group's business development and may create a financial burden that could have an impact on the Group's operating results.

## Significant Contracts

| Name of Contract | Names of Contracted Companies | Counterparties | Country of Counterparties | Contract Content | Contract Date |
|---|---|---|---|---|---|
| SBM Loan Agreement | SOFTBANK MOBILE<br>Japan System Solution*28<br>TELECOM EXPRESS<br>SBM Tokai Hanbai*29<br>SOFTBANK MOBILE SUPPORT*28 | Mizuho Trust & Banking | Japan | Loan for repayment of takeover bid funds for acquisition of Vodafone K.K. | Nov. 28, 2006 |
| Amendment to the SBM Loan Agreement | SOFTBANK MOBILE<br>Japan System Solution*28<br>TELECOM EXPRESS<br>SBM Tokai Hanbai*29<br>SOFTBANK MOBILE SUPPORT*28<br>JAPAN MOBILE COMMUNICATIONS*28 | Mizuho Trust & Banking | Japan | Amendment to certain financial performance criteria (Case A Cumulative Quarterly Debt Redemption Amount) as specified in the SBM Loan Agreement | Mar. 28, 2008 |
| Deed of Trust Agreement (B)<br>(Tokutei Kinsen Trust) | SOFTBANK MOBILE | Mizuho Trust & Banking<br>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<br>Japan System Solution*28<br>TELECOM EXPRESS<br>SBM Tokai Hanbai*29<br>SOFTBANK MOBILE SUPPORT*28 | Mizuho Trust & Banking<br>Aoyama Sogo Accounting Office<br>Citilease Mizuho Corporate Bank | 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<br>(Joto-Tampo) | SOFTBANK MOBILE | Mizuho Trust & Banking | Japan | Security assignment covering loan obligations and right to claim compensation for BB Mobile from SOFTBANK MOBILE | Nov. 28, 2006 |
| Security Assignment of Downstream Loan Agreement<br>(Joto-Tampo) | BB Mobile | Mizuho Trust & Banking | Japan | Security assignment covering loan obligations for SOFTBANK MOBILE from BB Mobile | Nov. 28, 2006 |
| Security Assignment of Shares<br>(Joto-Tampo) | BB Mobile | Mizuho Trust & Banking | Japan | Security assignment of SOFTBANK MOBILE shares held by BB Mobile | Nov. 28, 2006 |
| Security Assignment of Shares<br>(Joto-Tampo) | Mobiletech | Mizuho Trust & Banking | Japan | Security assignment of BB Mobile shares held by Mobiletech | Nov. 28, 2006 |

| Name of Contract | Names of Contracted Companies | Counterparties | Country of Counterparties | Contract Content | Contract Date |
|---|---|---|---|---|---|
| Security over Trust Beneficial Interest Agreement (Shichiken) | SOFTBANK MOBILE | Mizuho Trust & Banking | Japan | Granting security of SOFTBANK MOBILE trust beneficial interest in accordance with Deed of Trust Agreement (B) (Tokutei Kinsen Trust) | Nov. 28, 2006 |
| Security over Shares Agreement (Shichiken) | SOFTBANK MOBILE | Mizuho Trust & Banking | Japan | Granting security covering shares of Japan System Solution*28, TELECOM EXPRESS, SBM Tokai Hanbai*29, and SOFTBANK MOBILE SUPPORT*28 held by SOFTBANK MOBILE subsidiary | Nov. 28, 2006 |
| Security over Shares Agreement (Shichiken) | SOFTBANK MOBILE | Mizuho Trust & Banking | Japan | Granting security covering shares of JAPAN MOBILE COMMUNICATIONS*28 held by SOFTBANK MOBILE subsidiary | Feb. 29, 2008 |
| Security Assignment of Receivables and Subscriber Contracts (Joto-Tampo) | SOFTBANK MOBILE | Mizuho Trust & Banking | Japan | Security assignment of receivables in respect of subscriber contracts | Nov. 28, 2006 |
| Security over Future Insurance Proceeds Agreement (Shichiken) | SOFTBANK MOBILE | Mizuho Trust & Banking | Japan | Granting security covering insurance claim rights of SOFTBANK MOBILE | Apr. 3, 2009 |
| Security Assignment of Intra-Group Indebtedness (Joto-Tampo) | SOFTBANK MOBILE | Mizuho Trust & Banking | Japan | Security assignment of indebtedness of SOFTBANK MOBILE subsidiary (TELECOM EXPRESS) held by SOFTBANK MOBILE | Apr. 3, 2009 |
| Security Assignment of Intra-Group Indebtedness (Joto-Tampo) | Japan System Solution*28 | Mizuho Trust & Banking | Japan | Security assignment of SOFTBANK MOBILE group company indebtedness held by Japan System Solution*28 | Nov. 28, 2006 |
| Security Assignment of Intra-Group Indebtedness (Joto-Tampo) | TELECOM EXPRESS | Mizuho Trust & Banking | Japan | Security assignment of SOFTBANK MOBILE group company indebtedness held by TELECOM EXPRESS | Nov. 28, 2006 |
| Security Assignment of Intra-Group Indebtedness (Joto-Tampo) | SBM Tokai Hanbai*29 | Mizuho Trust & Banking | Japan | Security assignment of SOFTBANK MOBILE group company indebtedness held by SBM Tokai Hanbai*29 | Nov. 28, 2006 |

| Name of Contract | Names of Contracted Companies | Counterparties | Country of Counterparties | Contract Content | Contract Date |
|---|---|---|---|---|---|
| Security Assignment of Intra-Group Indebtedness (Joto-Tampo) | SOFTBANK MOBILE SUPPORT*[28] | Mizuho Trust & Banking | Japan | Security assignment of SOFTBANK MOBILE Group company indebtedness held by SOFTBANK MOBILE SUPPORT*[28] | Nov. 28, 2006 |
| Mortgage Agreement | SOFTBANK MOBILE | Mizuho Trust & Banking | Japan | Granting mortgage on real estate held by SOFTBANK MOBILE | Nov. 28, 2006 |
| Security Assignment of Intellectual Property (Joto-Tampo) | SOFTBANK MOBILE | Mizuho Trust & Banking | Japan | Security assignment of intellectual property held by SOFTBANK MOBILE | Nov. 28, 2006 |
| Security Assignment of Tangible Moveable Property (Joto-Tampo) | SOFTBANK MOBILE | Mizuho Trust & Banking | Japan | Security assignment of movable property held by SOFTBANK MOBILE | Nov. 28, 2006 |
| Debt Assumption, Amendment and Restatement Agreement | SOFTBANK MOBILE<br>BB Mobile | Vodafone International Holdings B.V. | The Netherlands | Debt assumption (discharge) by SOFTBANK MOBILE of BB Mobile's existing subordinated loan from Vodafone International Holdings B.V. | Nov. 28, 2006 |
| Facility Agreement *[30] | SOFTBANK MOBILE | Vodafone International Holdings B.V. | The Netherlands | SOFTBANK MOBILE'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 *[31] | SOFTBANK<br>Mobiletech<br>BB Mobile<br>SOFTBANK MOBILE | Yahoo Japan<br>Vodafone International Holdings B.V. | Japan<br>The Netherlands | Shareholders' Agreement regarding management, etc. for BB Mobile and SOFTBANK MOBILE | Nov. 28, 2006 |
| Stock Underwriting Agreement | BB Mobile | Mizuho Trust & Banking | Japan | Underwriting of Type 2 preferred stock issued by BB Mobile | Nov. 28, 2006 |

*[28] Japan System Solution, JAPAN MOBILE COMMUNICATIONS and SOFTBANK MOBILE SUPPORT merged with SOFTBANK MOBILE on April 1, 2010, with SOFTBANK MOBILE as the surviving entity.
*[29] SBM Tokai Hanbai merged with TELECOM EXPRESS on October 1, 2008, with TELECOM EXPRESS as the surviving entity.
*[30] On December 10, 2010, the Company acquired a loan receivable held by Vodafone Overseas Finance Limited against SOFTBANK MOBILE based on this contract (Vodafone Overseas Finance Limited assumed the position of Vodafone International Holdings B.V. in the contract on December 1, 2006). As a result, the Company became the counterparty to SOFTBANK MOBILE in the contract.
*[31] The Company acquired all class 1 preferred stock and stock acquisition rights issued by the Company's subsidiary BB Mobile from Vodafone International Holdings B.V. on December 10, 2010, and from Yahoo Japan on January 28, 2011. As a result of the acquisition, Vodafone International Holdings B.V. and Yahoo Japan ceased to be counterparties in this contract.

## R&D Activities

R&D expenditures during fiscal 2011 totaled ¥880 million.

The major portion of R&D activities took place in the Mobile Communications, Broadband Infrastructure, and Fixed-line Telecommunications segments. The main items were as follows:

Research and development was carried out in the Mobile Communications segment, primarily related to telecommunications system upgrades.

Research and development was carried out in the Broadband Infrastructure segment, primarily related to next-generation networks.

Research was carried out in the Fixed-line Telecommunications segment, primarily into virtualization technology for server storage groups.

# Consolidated Balance Sheets

SOFTBANK CORP. and Consolidated Subsidiaries
March 31, 2010 and 2011

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| ASSETS | 2010 | 2011 | 2011 |
| **Current assets:** | | | |
| Cash and cash equivalents (Notes 6 and 16) | ¥ 687,682 | ¥ 847,155 | $10,188,274 |
| Marketable securities (Notes 4, 6 and 16) | 3,981 | 77,769 | 935,286 |
| Notes and accounts receivable – trade (Notes 6 and 16) | 816,551 | 657,774 | 7,910,692 |
| Merchandise and finished products | 37,030 | 49,888 | 599,976 |
| Deferred tax assets (Note 8) | 74,290 | 90,908 | 1,093,301 |
| Other current assets (Note 6) | 109,467 | 176,902 | 2,127,505 |
| Allowance for doubtful accounts (Note 16) | (34,560) | (37,779) | (454,348) |
| Total current assets | 1,694,441 | 1,862,617 | 22,400,686 |
| **Property and equipment, net** (Notes 2 (8) and 6): | | | |
| Land | 22,402 | 22,883 | 275,201 |
| Buildings and structures | 68,183 | 74,868 | 900,397 |
| Telecommunications equipment | 706,283 | 840,839 | 10,112,315 |
| Telecommunications service lines | 72,983 | 68,856 | 828,094 |
| Construction in progress | 34,634 | 55,663 | 669,429 |
| Other | 46,218 | 50,339 | 605,400 |
| Total property and equipment | 950,703 | 1,113,448 | 13,390,836 |
| **Intangible assets, net:** | | | |
| Goodwill | 900,768 | 839,238 | 10,093,061 |
| Software (Note 6) | 208,916 | 248,873 | 2,993,061 |
| Other intangibles (Note 6) | 42,702 | 32,234 | 387,660 |
| Total intangible assets | 1,152,386 | 1,120,345 | 13,473,782 |
| **Investments and other assets:** | | | |
| Investment securities (Notes 4 and 16) | 221,003 | 148,391 | 1,784,618 |
| Investments in unconsolidated subsidiaries and affiliated companies (Note 16) | 149,025 | 192,046 | 2,309,633 |
| Deferred tax assets (Note 8) | 152,654 | 109,145 | 1,312,628 |
| Other assets (Note 6) | 142,663 | 109,733 | 1,319,699 |
| Total investments and other assets | 665,345 | 559,315 | 6,726,578 |
| **Total assets** | ¥4,462,875 | ¥4,655,725 | $55,991,882 |

See notes to consolidated financial statements.

| LIABILITIES AND EQUITY | Millions of yen 2010 | Millions of yen 2011 | Thousands of U.S. dollars (Note 1) 2011 |
|---|---|---|---|
| **Current liabilities:** | | | |
| Short-term borrowings (Notes 6 and 16) | ¥ 208,308 | ¥ 228,256 | $ 2,745,111 |
| Commercial paper (Note 16) | – | 25,000 | 300,661 |
| Current portion of long-term debt (Notes 6 and 16) | 284,053 | 311,195 | 3,742,574 |
| Accounts payable-trade (Note 16) | 158,943 | 193,645 | 2,328,863 |
| Accounts payable-other and accrued expenses (Notes 6 and 16) | 451,409 | 561,421 | 6,751,906 |
| Income taxes payable (Note 16) | 100,484 | 115,355 | 1,387,312 |
| Deferred tax liabilities (Note 8) | – | 7,104 | 85,436 |
| Current portion of lease obligations (Notes 6 and 16) | 109,768 | 131,306 | 1,579,146 |
| Other current liabilities | 65,914 | 71,126 | 855,395 |
| Total current liabilities | 1,378,879 | 1,644,408 | 19,776,404 |
| **Long-term liabilities:** | | | |
| Long-term debt (Notes 6 and 16) | 1,730,110 | 1,538,350 | 18,500,902 |
| Long-term accounts payable – other (Notes 6 and 16) | 47,541 | 265,142 | 3,188,719 |
| Liability for retirement benefits (Note 7) | 15,558 | 14,414 | 173,349 |
| Allowance for point mileage | 47,215 | 41,947 | 504,474 |
| Lease obligations (Notes 6 and 16) | 224,484 | 199,770 | 2,402,526 |
| Deferred tax liabilities (Note 8) | 30,483 | 26,582 | 319,687 |
| Other liabilities (Note 6) | 24,634 | 45,494 | 547,132 |
| Total long-term liabilities | 2,120,025 | 2,131,699 | 25,636,789 |
| **Commitments and Contingent Liabilities** (Notes 15, 17 and 18) | | | |
| **Equity** (Notes 6, 9, 10 and 20): | | | |
| Common stock | | | |
| Authorized: 3,600,000,000 shares | | | |
| Issued: 1,082,503,878 shares in 2010 and 1,082,530,408 shares in 2011 | 188,751 | 188,775 | 2,270,295 |
| Additional paid-in capital | 213,069 | 212,510 | 2,555,743 |
| Stock acquisition rights | 476 | 703 | 8,455 |
| Retained earnings | 43,072 | 222,277 | 2,673,205 |
| Treasury stock – at cost 174,775 shares in 2010 and 180,503 shares in 2011 | (226) | (240) | (2,887) |
| Accumulated other comprehensive income | | | |
| Unrealized gain on available-for-sale securities | 43,864 | 34,921 | 419,976 |
| Deferred gain on derivatives under hedge accounting | 14,528 | 11,224 | 134,985 |
| Foreign currency translation adjustments | (32,526) | (50,214) | (603,897) |
| Total | 471,008 | 619,956 | 7,455,875 |
| Minority interests | 492,963 | 259,662 | 3,122,814 |
| Total equity | 963,971 | 879,618 | 10,578,689 |
| **Total liabilities and equity** | ¥4,462,875 | ¥4,655,725 | $55,991,882 |

See notes to consolidated financial statements.

# Consolidated Statements of Income

SOFTBANK CORP. and Consolidated Subsidiaries
For the years ended March 31, 2010 and 2011

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2010 | 2011 | 2011 |
| **Net sales** | ¥2,763,406 | ¥3,004,640 | $36,135,177 |
| **Cost of sales** | 1,326,572 | 1,373,617 | 16,519,747 |
| Gross profit | 1,436,834 | 1,631,023 | 19,615,430 |
| **Selling, general and administrative expenses** (Note 11) | 970,963 | 1,001,860 | 12,048,827 |
| Operating income | 465,871 | 629,163 | 7,566,603 |
| **Other income (expenses):** | | | |
| Interest income | 1,025 | 2,228 | 26,795 |
| Interest expense (Note 6) | (111,153) | (104,020) | (1,250,992) |
| Equity in (losses) earnings of affiliated companies | (3,616) | 2,874 | 34,564 |
| Foreign exchange gain, net | 1,708 | 1,809 | 21,756 |
| Gain on sale of investment securities, net (Note 4) | 4,527 | 5,898 | 70,932 |
| Valuation loss on investment securities | (5,168) | (8,740) | (105,111) |
| Other, net (Note 12) | (63,944) | (48,599) | (584,474) |
| Other expenses, net | (176,621) | (148,550) | (1,786,530) |
| **Income before income taxes and minority interests** | 289,250 | 480,613 | 5,780,073 |
| **Income taxes** (Note 8): | | | |
| Current | (117,877) | (173,510) | (2,086,711) |
| Corrections | – | (27,392) | (329,429) |
| Deferred | (26,683) | (32,048) | (385,424) |
| Total income taxes | (144,560) | (232,950) | (2,801,564) |
| **Net income before minority interests** | 144,690 | 247,663 | 2,978,509 |
| **Minority interests in net income** | (47,974) | (57,950) | (696,934) |
| **Net income** | ¥ 96,716 | ¥ 189,713 | $ 2,281,575 |

| | Yen | | U.S. dollars (Note 1) |
|---|---|---|---|
| | 2010 | 2011 | 2011 |
| **Net income per share** (Notes 2 (23) and 13) | | | |
| – Basic | ¥89.39 | ¥175.28 | $2.11 |
| – Diluted | 86.39 | 168.57 | 2.03 |
| **Cash dividends applicable to the year** | 5.00 | 5.00 | 0.06 |

See notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

SOFTBANK CORP. and Consolidated Subsidiaries
For the year ended March 31, 2011

| | Millions of yen | Thousands of U.S. dollars (Note 1) |
|---|---|---|
| | 2011 | 2011 |
| Net income before minority interests | ¥247,663 | $2,978,509 |
| Other comprehensive loss: | | |
| Unrealized loss on available-for sale securities | (6,822) | (82,044) |
| Deferred loss on derivatives under hedge accounting | (3,177) | (38,208) |
| Foreign currency translation adjustment | (10,195) | (122,610) |
| Share of other comprehensive loss in affiliated companies | (7,527) | (90,523) |
| Total other comprehensive loss | (27,721) | (333,385) |
| Comprehensive income | ¥219,942 | $2,645,124 |
| Total comprehensive income attributable to: | | |
| Owners of the parent | ¥159,777 | $1,921,551 |
| Minority interests | 60,165 | 723,573 |

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Equity

SOFTBANK CORP. and Consolidated Subsidiaries
For the years ended March 31, 2010 and 2011

| | | Millions of yen | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Accumulated other comprehensive income | | | | | |
| | Number of shares of common stock outstanding | Common stock | Additional paid-in capital | Stock acquisition rights | Retained earnings (accumulated deficit) | Treasury stock | Unrealized gain on available-for-sale securities | Deferred gain on derivatives under hedge accounting | Foreign currency translation adjustments | Total | Minority interests | Total equity |
| **Balance, April 1, 2009** | 1,080,854,774 | ¥187,682 | ¥212,000 | ¥289 | ¥ (51,270) | ¥(215) | ¥31,334 | ¥ 25,117 | ¥(30,554) | ¥374,383 | ¥ 450,415 | ¥ 824,798 |
| Net income | – | – | – | – | 96,716 | – | – | – | – | 96,716 | – | 96,716 |
| Cash dividends, ¥2.50 per share | – | – | – | – | (2,702) | – | – | – | – | (2,702) | – | (2,702) |
| Adjustments of retained earnings (accumulated deficit) due to change in scope of consolidation | – | – | – | – | 328 | – | – | – | – | 328 | – | 328 |
| Purchase of treasury stock | (5,571) | – | – | – | – | (11) | – | – | – | (11) | – | (11) |
| Exercise of warrants | 1,479,900 | 1,069 | 1,069 | – | – | – | – | – | – | 2,138 | – | 2,138 |
| Net changes in the year | – | – | – | 187 | – | – | 12,530 | (10,589) | (1,972) | 156 | 42,548 | 42,704 |
| **Balance, March 31, 2010** | 1,082,329,103 | ¥188,751 | ¥213,069 | ¥476 | ¥ 43,072 | ¥(226) | ¥43,864 | ¥ 14,528 | ¥(32,526) | ¥471,008 | ¥ 492,963 | ¥ 963,971 |
| Decrease in retained earnings due to adoption of practical solution on unification of accounting policies applied to affiliated companies accounted for using the equity method | – | – | – | – | (4,510) | – | – | – | – | (4,510) | – | (4,510) |
| Net income | – | – | – | – | 189,713 | – | – | – | – | 189,713 | – | 189,713 |
| Cash dividends, ¥5.00 per share | – | – | – | – | (5,412) | – | – | – | – | (5,412) | – | (5,412) |
| Adjustments of retained earnings due to change in scope of consolidation | – | – | – | – | (586) | – | – | – | – | (586) | – | (586) |
| Purchase of treasury stock | (5,728) | – | – | – | – | (14) | – | – | – | (14) | – | (14) |
| Exercise of warrants | 26,530 | 24 | 24 | – | – | – | – | – | – | 48 | – | 48 |
| Changes in foreign affiliated company's interests in its subsidiary | – | – | (583) | – | – | – | – | – | – | (583) | – | (583) |
| Net changes in the year | – | – | – | 227 | – | – | (8,943) | (3,304) | (17,688) | (29,708) | (233,301) | (263,009) |
| **Balance, March 31, 2011** | 1,082,349,905 | ¥188,775 | ¥212,510 | ¥703 | ¥222,277 | ¥(240) | ¥34,921 | ¥ 11,224 | ¥(50,214) | ¥619,956 | ¥ 259,662 | ¥ 879,618 |

| | | Thousands of U.S. dollars (Note 1) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Accumulated other comprehensive income | | | | | |
| | Number of shares of common stock outstanding | Common stock | Additional paid-in capital | Stock acquisition rights | Retained earnings | Treasury stock | Unrealized gain on available-for-sale securities | Deferred gain on derivatives under hedge accounting | Foreign currency translation adjustments | Total | Minority interests | Total equity |
| **Balance, April 1, 2010** | 1,082,329,103 | $2,270,006 | $2,562,465 | $5,725 | $ 518,004 | $(2,718) | $ 527,529 | $174,720 | $(391,173) | $5,664,558 | $ 5,928,599 | $11,593,157 |
| Decrease in retained earnings due to adoption of practical solution on unification of accounting policies applied to affiliated companies accounted for using the equity method | – | – | – | – | (54,239) | – | – | – | – | (54,239) | – | (54,239) |
| Net income | – | – | – | – | 2,281,575 | – | – | – | – | 2,281,575 | – | 2,281,575 |
| Cash dividends, ¥5.00 per share | – | – | – | – | (65,087) | – | – | – | – | (65,087) | – | (65,087) |
| Adjustments of retained earnings due to change in scope of consolidation | – | – | – | – | (7,048) | – | – | – | – | (7,048) | – | (7,048) |
| Purchase of treasury stock | (5,728) | – | – | – | – | (169) | – | – | – | (169) | – | (169) |
| Exercise of warrants | 26,530 | 289 | 289 | – | – | – | – | – | – | 578 | – | 578 |
| Changes in foreign affiliated company's interests in its subsidiary | – | – | (7,011) | – | – | – | – | – | – | (7,011) | – | (7,011) |
| Net changes in the year | – | – | – | 2,730 | – | – | (107,553) | (39,735) | (212,724) | (357,282) | (2,805,785) | (3,163,067) |
| **Balance, March 31, 2011** | 1,082,349,905 | $2,270,295 | $2,555,743 | $8,455 | $2,673,205 | $(2,887) | $ 419,976 | $134,985 | $(603,897) | $7,455,875 | $ 3,122,814 | $10,578,689 |

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

SOFTBANK CORP. and Consolidated Subsidiaries
For the years ended March 31, 2010 and 2011

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2010 | 2011 | 2011 |
| **Cash flows from operating activities:** | | | |
| Income before income taxes and minority interests | ¥ 289,250 | ¥ 480,613 | $ 5,780,073 |
| Adjustments for: | | | |
| Income taxes paid (Note 14 (2)) | (39,191) | (186,162) | (2,238,870) |
| Depreciation and amortization | 243,944 | 224,937 | 2,705,195 |
| Amortization of goodwill | 61,070 | 62,688 | 753,915 |
| Equity in losses (earnings) of affiliated companies | 3,616 | (2,874) | (34,564) |
| Dilution gain from changes in equity interest, net | (328) | (2,046) | (24,606) |
| Loss on disposals of property and equipment | 48,787 | 6,542 | 78,677 |
| Valuation loss on investment securities | 5,168 | 8,740 | 105,111 |
| Unrealized appreciation on valuation of investments and loss on sale of investments at subsidiaries in the U.S., net | 304 | (264) | (3,175) |
| Gain on sale of marketable and investment securities, net | (4,621) | (5,972) | (71,822) |
| Foreign exchange gain, net | (1,818) | (1,587) | (19,086) |
| Changes in assets and liabilities, net of effects from changes in scope of the consolidation: | | | |
| Decrease in receivables – trade | 59,637 | 167,452 | 2,013,854 |
| (Decrease) increase in payables – trade | (1,038) | 33,679 | 405,039 |
| Other, net | 3,270 | 40,091 | 482,153 |
| Total adjustments | 378,800 | 345,224 | 4,151,821 |
| Net cash provided by operating activities | 668,050 | 825,837 | 9,931,894 |
| **Cash flows from investing activities:** | | | |
| Purchase of property and equipment, and intangibles | (223,819) | (208,553) | (2,508,154) |
| Purchase of marketable and investment securities | (56,686) | (79,441) | (955,394) |
| Proceeds from sale of marketable and investment securities | 19,040 | 31,492 | 378,737 |
| Acquisition of interests in subsidiaries newly consolidated, net of cash acquired (Note 3) | (20,881) | (702) | (8,443) |
| Other, net | 5,184 | (7,244) | (87,119) |
| Net cash used in investing activities | (277,162) | (264,448) | (3,180,373) |
| **Cash flows from financing activities:** | | | |
| (Decrease) increase in short-term borrowings, net | (112,911) | 20,129 | 242,081 |
| Increase in commercial paper, net | – | 25,000 | 300,661 |
| Proceeds from long-term debt | 337,930 | 252,900 | 3,041,491 |
| Repayment of long-term debt | (516,052) | (459,166) | (5,522,141) |
| Proceeds from issuance of bonds | 183,433 | 233,936 | 2,813,422 |
| Redemption of bonds | (70,675) | (105,508) | (1,268,888) |
| Exercise of warrants | 2,138 | 41 | 493 |
| Proceeds from issuance of shares to minority shareholders | 1,494 | 1,685 | 20,265 |
| Cash dividends paid | (2,678) | (5,388) | (64,799) |
| Cash dividends paid to minority shareholders | (4,619) | (16,009) | (192,532) |
| Proceeds from sale and lease back of equipment newly acquired (Note 14 (1)) | 135,942 | 117,596 | 1,414,263 |
| Repayment of lease obligations | (103,053) | (155,063) | (1,864,859) |
| Payments for additional entrustment for debt assumption (Note 5) | – | (75,000) | (901,984) |
| Payments for repurchase of minority interests and long-term debt (Note 14 (3)) | – | (213,565) | (2,568,431) |
| Other, net | (10,512) | (19,316) | (232,301) |
| Net cash used in financing activities | (159,563) | (397,728) | (4,783,259) |
| **Effect of exchange rate changes on cash and cash equivalents** | (606) | (4,204) | (50,559) |
| **Net increase in cash and cash equivalents** | 230,719 | 159,457 | 1,917,703 |
| **Increase in cash and cash equivalents due to newly consolidated subsidiaries** | 126 | 1,919 | 23,079 |
| **Decrease in cash and cash equivalents due to exclusion of previously consolidated subsidiaries** | (807) | (65) | (782) |
| **Decrease in cash and cash equivalents resulting from corporate separation** | – | (1,838) | (22,105) |
| **Cash and cash equivalents, beginning of year** | 457,644 | 687,682 | 8,270,379 |
| **Cash and cash equivalents, end of year** | ¥ 687,682 | ¥ 847,155 | $10,188,274 |
| | | | |
| **Non cash investing and financing activities:** | | | |
| Acquisition of fixed assets by installments | ¥ 23,696 | ¥51,347 | $ 617,523 |

See notes to consolidated financial statements.

Financial Section

## 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 Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is as follows. In addition, "Net income before minority interests" is disclosed in the consolidated statements of income.

| | Millions of yen |
|---|---|
| For the year ended March 31, 2010 | 2010 |
| Total comprehensive income attributable to: | |
| Owners of the parent | ¥ 96,685 |
| Minority interests | 48,580 |
| Total comprehensive income | ¥145,265 |

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

| | Millions of yen |
|---|---|
| For the year ended March 31, 2010 | 2010 |
| Other Comprehensive income: | |
| Unrealized gain on available-for-sale securities | ¥ 12,806 |
| Deferred loss on derivatives under hedge accounting | (10,788) |
| Foreign currency translation adjustment | (3,619) |
| Share of other comprehensive income in affiliated companies | 2,176 |
| Total other comprehensive income | ¥ 575 |

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 2010 financial statements to conform to the classifications used in 2011.

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 ¥83.15 to $1, the approximate rate of exchange at March 31, 2011. 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, 2011 include the accounts of the Company and its 117 significant (109 in 2010) 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.

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 four (six in 2010) unconsolidated subsidiaries and 69 (58 in 2010) affiliated companies are accounted for by the equity method.

Investments in 57 (57 in 2010) unconsolidated subsidiaries and 23 (25 in 2010) 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.

Effective April 1, 2010, certain subsidiaries of the Company that apply generally accepted accounting principles in the United States of America (the "U.S.") adopted accounting standards codification (ASC) 810, consolidations, formerly SFAS No. 167, amendments to FASB interpretation No. 46 (R) (SFAS 167).

As a result of the application of the accounting standard, the scope of SB Asia Infrastructure Fund L.P. was changed from an affiliated company under equity method to a consolidated subsidiary. The effect of this change is not material for the fiscal year ended March 31, 2011.

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 resulting from acquisition of Vodafone K.K. (currently 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) Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No.18 prescribes: (a) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (b) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (c) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained.

### (3) Unification of accounting policies applied to foreign affiliated companies for the equity method

In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The new standard requires adjustments to be made to conform the affiliated company's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the affiliated company's financial statements are used in applying the equity method unless it is impracticable to determine adjustments. In addition, financial statements prepared by foreign affiliated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in the equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to the financial statements have been incorporated; and 6) exclusion of minority interests from net income, if contained. This standard was applicable to equity method of accounting for fiscal years beginning on or after April 1, 2010.

The Company applied this accounting standard effective April 1, 2010. The Company adjusted the beginning balance of retained earnings at April 1, 2010.

### (4) 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.

### (5) 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.

Certain subsidiaries in the U.S. qualify as investment companies under the provisions set forth in "Financial Services – Investment Companies" of the FASB Accounting Standards Codification Topic 946 (ASC 946) and account for investment securities in accordance with the ASC 946. The investment securities are carried at fair value, and net changes in fair value are recorded in the consolidated statements of income under the application of the ASC 946.

### (6) Merchandise and finished products

Merchandise and finished products are stated at the lower of cost determined by the moving-average method, or net selling values.

### (7) Allowance for doubtful accounts

To prepare for uncollectible credits, allowance for doubtful accounts is calculated based on the actual bad debt ratio, and specific allowance for doubtful accounts deemed to be uncollectible is calculated considering its collectability.

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

Property and equipment are stated at cost less accumulated depreciation. Accumulated depreciation at March 31, 2010 and 2011 was ¥1,048,585 million and ¥1,113,677 million ($13,393,590 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 the estimated useful lives of the assets.

### (9) Impairment of long-lived assets

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.

### (10) 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.

### (11) Retirement and pension plans

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

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

Contributions made by the Company and most of its domestic consolidated subsidiaries into 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.

SOFTBANK MOBILE Corp. and SOFTBANK TELECOM Corp. have amended the pension plans by fixing the periods covered by the plans through the end of March 2007 and March 2006, respectively. The retirement benefits calculated under the benefit pension plans were fixed and will be paid at the retirement of applicable employees. The projected benefit obligations are calculated based on these fixed retirement benefits. As a result, service cost under the defined benefit pension plans at SOFTBANK MOBILE Corp. and SOFTBANK TELECOM Corp. ceased after the amendments.

### (12) Asset retirement obligations

In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010. The cumulative effects of this change are included in other expenses in the statement of income for the fiscal year ended March 31, 2011.

The Group applied this accounting standard effective April 1, 2010. The effect of this change in operating income was not material and income before income taxes and minority interests decreased by ¥8,596 million ($103,379 thousand) for the fiscal year ended March 31, 2011.

(a) Asset retirement obligations which are recorded in the consolidated balance sheets

The Group reasonably estimated removal costs and recorded the asset retirement obligations mainly for the corporate headquarter building, certain data and network centers located in the rental properties under the rental contracts. Useful periods of 2 years to 33 years and discount rates from 0.1% to 2.3% are applied for the estimation of asset retirement obligations.

(b) Asset retirement obligations which are not recorded in the consolidated balance sheets

The Group has obligations to restore mobile phone base stations and telephone line facilities for transmission to their original conditions under the rental contracts. However, considering business continuity, the removal of these facilities is difficult and the possibility of executing the obligation to restore these facilities to their original conditions is extremely low, and therefore, the asset retirement obligations are not recorded at the fiscal year ended March 31, 2011.

### (13) Stock options

The ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options 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 presented as a stock acquisition right as a separate component of equity until exercised. The standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

The Group has applied the accounting standard for stock options to those granted on and after May 1, 2006.

### (14) Research and development costs

Research and development costs are charged to income as incurred and were ¥557 million and ¥880 million ($10,583 thousand) for the years ended March 31, 2010 and 2011, respectively.

### (15) Leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group continues to account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

### (16) Revenue recognition

In the Mobile Communications segment, net sales are mainly generated from the provision of mobile telecommunications services and the sale of handsets and accessories. The mobile telecommunications services consist of voice and data services and are recognized as revenue when services are provided to customers, based upon basic flat-rate monthly charges plus usage of traffic in accordance with price plans subjected to discounts. Sales of mobile handsets and accessories are recognized when merchandise is shipped to sales agents. The agents sell the mobile handsets to the customers mainly by installment payments over a period of 24 months. SOFTBANK MOBILE Corp. purchases the installment sales receivables from the agents and collects the installment sales receivables during the 24 months. Activation fees from new customers are recognized as revenue when services are activated.

In the Broadband Infrastructure segment, revenues are mainly from subscriber charges related to *Yahoo! BB ADSL* services. Monthly charges consist of an ISP charge, an ADSL service charge, a modem rental charge, and the usage of the network. Revenues from *Yahoo! BB ADSL* services are recognized as revenue when services are provided to customers, based upon fixed monthly charges plus the usage of the network.

In the Fixed-line Telecommunications segment, net sales are generated from voice communications, digital data transmission services, private line and other businesses. Telecommunications services, such as voice communications, digital data transmission services and private line are recognized as revenue when services are provided to customers, based upon fixed monthly charges plus usage of the network. Other businesses are mainly generated from sales and rental of telecommunications equipment and data center services. Sales of telecommunications equipment are recognized as one-time revenue upon inspection and acceptance by customers. Sales and rental of telecommunications equipment and data center services are recognized when services are provided to the customers, based upon fixed monthly charges plus usage.

Yahoo Japan Corporation, the core company in the Internet culture segment, records Internet related revenues such as display advertising, search advertising, listings, commission of e-commerce transaction, and fee revenue. Revenues from display advertising are recognized over the period in which advertisements are shown on the Yahoo Japan Corporation Web site. Revenue from search advertising is recognized when a user clicks on an advertiser's search result listing. Listings revenues, such as *Yahoo! Real Estate, Yahoo! Rikunabi* and other services, are recognized over the period in which these services are shown on the Yahoo Japan Corporation Web site. Revenues from commissions of e-commerce transactions, such as *Yahoo! Shopping, Yahoo! Auctions*, and *Yahoo! Travel*, are recognized when the transactions occur. Fee revenues such as membership revenue from *Yahoo! Premium* are recognized over the period in which the memberships are valid.

### (17) Customer acquisition commission

Customer acquisition commission is recorded as expense when incurred.

### (18) Bonuses to directors and corporate auditors

Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

### (19) 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.

BB Mobile Corp., as a parent company of the consolidated tax return, SOFTBANK MOBILE Corp., and Telecom Express Co., Ltd. adopted the consolidated taxation system.

### (20) 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 statements of income to the extent that they are not hedged by forward exchange contracts.

### (21) 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 under accumulated other comprehensive income in a separate component of equity.

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

### (22) 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 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 ("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 and foreign currency transactions are classified and accounted for as follows: (a) all derivatives, except those which qualify for hedge accounting are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statement of income 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.

Receivables and obligations denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuation are translated at the contracted rate, if the forward contracts qualify for hedge accounting. For forecasted transactions denominated in foreign currencies, recognitions of gains or losses resulting from changes in fair value of derivative instruments for hedging are deferred until the related gains and losses on hedged items are recognized.

Interest rate swaps are utilized to hedge interest rate exposures of borrowings. Those swaps which qualify for hedge accounting are measured at fair value at the balance sheet date and the unrealized gains or losses are deferred until maturity as deferred gain (loss) under hedge accounting under accumulated other comprehensive income in a separate component of equity.

### (23) 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.

### (24) New accounting pronouncements

Accounting Changes and Error Corrections—In December 2009, ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(a) Changes in Accounting Policies
When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(b) Changes in Presentations
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(c) Changes in Accounting Estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(d) Corrections of Prior Period Errors
When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

## 3 Acquisition

SOFTBANK BB Corp. spun off and established BB Modem Rental Yugen Kaisha ("BB Modem rental") who run modem rental business in order to concentrate on its core broadband business, and sold its entire ownership interest in BB Modem rental to Yugen Kaisha Gemini BB in 2005.

On February 16, 2010, SOFTBANK BB Corp. acquired all shares of BB Modem Rental from Gemini BB Holdings, as a result of reconsideration of significance of its modem rental business after the Group's entry into Mobile Communications business in 2006. SOFTBANK BB Corp. merged BB Modem Rental on March 31, 2010.

The acquisition cost was ¥20,841 million. The cost of the 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 were as follows:

| | Millions of yen |
|---|---|
| | 2010 |
| Current assets | ¥13,685 |
| Non-current assets | 9,618 |
| Goodwill | 4,680 |
| Current liabilities | (7,142) |
| Acquisition cost (Note) | 20,841 |
| Payments for the acquisition | ¥20,841 |

(Note) Loan receivables to SOFTBANK BB Corp. of ¥20,827 million was included.

## 4 Marketable and Investment Securities

Most marketable and investment securities at March 31, 2010 and 2011 were classified as available-for-sale securities.

The Group does not hold trading securities at March 31, 2010 and 2011.

The costs and aggregate fair values of marketable and investment securities at March 31, 2010 and 2011 were as follows:

| | Millions of yen | | | |
|---|---|---|---|---|
| | | | Unrealized | |
| March 31, 2010 | Cost | Gains | Losses | Fair Value |
| Equity securities | ¥30,352 | ¥74,071 | ¥(3,327) | ¥101,096 |
| Other | 29,376 | 2,641 | (14) | 32,003 |
| Total | ¥59,728 | ¥76,712 | ¥(3,341) | ¥133,099 |

| | Millions of yen | | | |
|---|---|---|---|---|
| | | | Unrealized | |
| March 31, 2011 | Cost | Gains | Losses | Fair Value |
| Equity securities | ¥46,817 | ¥73,431 | ¥(7,482) | ¥112,766 |
| Other | 29,896 | 4,565 | (13) | 34,448 |
| Total | ¥76,713 | ¥77,996 | ¥(7,495) | ¥147,214 |

| | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| | | | Unrealized | |
| March 31, 2011 | Cost | Gains | Losses | Fair Value |
| Equity securities | $563,043 | $883,115 | $(89,982) | $1,356,176 |
| Other | 359,543 | 54,901 | (156) | 414,288 |
| Total | $922,586 | $938,016 | $(90,138) | $1,770,464 |

Proceeds from sales of available-for-sale securities for the years ended March 31, 2010 and 2011 were ¥4,487 million and ¥17,418 million ($209,477 thousand), respectively. These proceeds included the proceeds from sales of available-for-sale securities, where the fair value is extremely difficult to measure, of ¥760 million and ¥372 million ($4,474 thousand) for the years ended March 31, 2010 and 2011, respectively.

Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥860 million and ¥227 million, respectively, for the year ended March 31, 2010 and ¥2,077 million ($24,979 thousand) and ¥601 million ($7,228 thousand), respectively, for the year ended March 31, 2011. These gains and losses included gross realized gains and losses on sales of available-for-sale securities, where the fair value is extremely difficult to measure. The gross realized gains were ¥581 million and ¥174 million ($2,093 thousand), and the gross realized losses were ¥57 million and ¥124 million ($1,491 thousand) for the years ended March 31, 2010 and 2011, respectively.

Certain marketable and investment securities were impaired, and valuation losses on investment securities for the years ended March 31, 2010 and 2011 were ¥5,168 million and ¥8,740 million ($105,111 thousand), respectively. These amounts included valuation losses on investment securities, where the fair value is extremely difficult to measure, of ¥3,184 million and ¥6,169 million ($74,191 thousand) for the years ended March 31, 2010 and 2011, respectively.

Certain subsidiaries in the U.S. qualify as investment companies under the provisions set forth in ASC 946 and account for investment securities in accordance with the ASC 946.

Proceeds from sales for the years ended March 31, 2010 and 2011 and the carrying amounts of the investment securities at fair value recorded in the consolidated balance sheets at March 31, 2010 and 2011 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2010 | 2011 | 2011 |
| Proceeds from sales | ¥ 1,864 | ¥ 1,551 | $ 18,653 |
| Carrying amounts of investment securities at fair value recorded in consolidated balance sheets | 15,316 | 12,481 | 150,101 |

The unrealized appreciation on valuation of investments and loss on sale of investments at subsidiaries in the U.S., net, for the years ended March 31, 2010 and 2011 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| For the years ended March 31, | 2010 | 2011 | 2011 |
| Unrealized appreciation on valuation of investments at subsidiaries in the U.S., net | ¥ 1,927 | ¥1,042 | $12,532 |
| Loss on sale of investments at subsidiaries in the U.S., net | (2,231) | (778) | (9,357) |
| Total | ¥ (304) | ¥ 264 | $ 3,175 |

## 5 Additional Entrustment for Debt Assumption of Bonds

In 2006, SOFTBANK MOBILE Corp. entrusted cash for the repayment of straight bonds of ¥75,000 million based on debt assumption agreements with a financial institution and the bonds were derecognized in the consolidated balance sheets.

The trust had collateralized debt obligations ("CDO") issued by a Cayman Islands based Special-Purpose Company ("SPC"). The SPC contracted a credit default swap agreement secured by debt securities (corporate bonds), which referred to a certain portion of the portfolio consisting of 160 referenced entities. Since defaults (credit events under the agreement) of more than a certain number of the referenced entities occurred, ¥75,000 million in total was reduced from the redemption amount of the CDO in April 2009 and an additional entrustment was required for the reduced amount.

As a result, for the amount required as the additional entrustment of ¥75,000 million, a long term accounts payable was recognized as of March 31, 2009.

As of March 31, 2010, since the maturity for the additional entrustment was within one year, the accounts payable was reclassified into accounts payable-other and accrued expenses of current liabilities in the consolidated balance sheet and it was paid in the year ended March 31, 2011.

## 6 Short-Term Borrowings, Long-Term Debt and Lease Obligations

(1) Short-term borrowings at March 31, 2010 and 2011 mainly consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term borrowings ranged from 0.56% to 7.31% and 1.24% to 8.50% at March 31, 2010 and 2011, respectively.

Cash receipts as collateral from financial institutions in the amounts of ¥114,000 million and ¥114,000 million ($1,371,016 thousand) at March 31, 2010 and 2011, to whom the Company lent shares of its subsidiary under security deposit agreements, are included in short-term borrowings.

(2) Long-term debt at March 31, 2010 and 2011 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| March 31, | 2010 | 2011 | 2011 |
| Unsecured borrowings principally from financial institutions: | | | |
| Due on various dates through 2014 – generally at 0.78% to 7.50% in 2010 and 0.62% to 3.64% in 2011 | ¥ 423,415 | ¥ 347,707 | $ 4,181,684 |
| Collateralized borrowings principally from financial institutions: | | | |
| Due on various dates through 2019 – generally at 4.40% to 6.80% in 2010 and 4.41% to 6.95% in 2011 | 1,087,824 | 865,948 | 10,414,287 |
| Unsecured straight bonds: | | | |
| Due on various dates through 2018 – generally at 1.98% to 7.75% in 2010 and 1.10% to 6.50% in 2011 | 402,926 | 535,900 | 6,444,979 |
| Convertible bonds: | | | |
| Due on various dates through 2014 – generally at 1.50% to 1.75% in 2010 and 1.50% to 1.75% in 2011, convertible into common stock at prices ranging from ¥1,984 ($23.86) to ¥2,165 ($26.04) | 99,998 | 99,990 | 1,202,526 |
| Total | 2,014,163 | 1,849,545 | 22,243,476 |
| Less current portion | (284,053) | (311,195) | (3,742,574) |
| Long-term debt, less current portion | ¥1,730,110 | ¥1,538,350 | $18,500,902 |

(3) Current portion of lease obligations and lease obligations at March 31, 2010 and 2011 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| March 31, | 2010 | 2011 | 2011 |
| Current portion of lease obligations – | | | |
| At 1.99% to 7.29% in 2010 and 1.86% to 4.80% in 2011 | ¥109,768 | ¥131,306 | $1,579,146 |
| Lease obligations – | | | |
| At 1.99% to 4.80% in 2010 and 1.86% to 4.80% in 2011 | 224,484 | 199,770 | 2,402,526 |

(4) The aggregate annual maturities of borrowings from financial institutions outstanding at March 31, 2011 were as follows:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| 2012 | ¥ 182,695 | $ 2,197,174 |
| 2013 | 124,100 | 1,492,482 |
| 2014 | 268,825 | 3,233,013 |
| 2015 | 232,582 | 2,797,138 |
| 2016 and thereafter | 405,453 | 4,876,164 |
| Total | ¥1,213,655 | $14,595,971 |

(5) The aggregate annual maturities of corporate bonds outstanding at March 31, 2011 were as follows:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| 2012 | ¥128,500 | $1,545,400 |
| 2013 | 144,998 | 1,743,812 |
| 2014 | 204,992 | 2,465,328 |
| 2015 | 44,900 | 539,988 |
| 2016 and thereafter | 112,500 | 1,352,977 |
| Total | ¥635,890 | $7,647,505 |

(6) The aggregate annual maturities of lease obligations outstanding at March 31, 2011 were as follows:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| 2012 | ¥131,306 | $1,579,146 |
| 2013 | 85,326 | 1,026,170 |
| 2014 | 55,600 | 668,671 |
| 2015 | 40,920 | 492,123 |
| 2016 and thereafter | 17,924 | 215,562 |
| Total | ¥331,076 | $3,981,672 |

(7) The carrying amounts of assets pledged as collateral at March 31, 2011 for the collateralized borrowings of ¥866,264 million ($10,418,088 thousand) and account payable – trade of ¥964 million ($11,594 thousand) were as follows:

| The carrying amounts of assets pledged as collateral | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Cash and cash equivalents | ¥222,422 | $ 2,674,949 |
| Notes and accounts receivable – trade | 306,528 | 3,686,446 |
| Marketable securities | 73,593 | 885,063 |
| Other current assets | 191 | 2,297 |
| Land | 10,747 | 129,248 |
| Buildings and structures | 11,694 | 140,637 |
| Telecommunications equipment | 281,937 | 3,390,704 |
| Telecommunications service lines | 72 | 866 |
| Investments and other assets – other assets | 9,555 | 114,913 |
| Total | ¥916,739 | $11,025,123 |

Shares of consolidated subsidiaries 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 ¥772,577 million ($9,291,365 thousand)) which resulted from the acquisition of SOFTBANK MOBILE Corp., in addition to the assets pledged as collateral above.

Cash proceeds through securitization of installment sales receivables of SOFTBANK MOBILE Corp., excluding those that qualify for derecognition criteria of a financial assets, were included in the current portion of long-term debt in the amount of ¥49,904 million ($600,168 thousand) as of March 31, 2011. The amount of the senior portion of the securitized installment sales receivables of ¥49,904 million ($600,168 thousand) was included in notes and accounts receivable – trade, along with the subordinated portion held by the SOFTBANK MOBILE Corp. The trustee raised the funds through asset backed loans based on the receivables.

SOFTBANK BB Corp. transferred its senior portion of the securitized present and future receivables for ADSL services* to an SPC (a consolidated subsidiary), and the SPC raised the funds through asset backed loans based on the receivables amounting to ¥2,921 million ($35,129 thousand) as of March 31, 2011 from a financial institution. Cash proceeds through the asset backed loans are included in the current portion of long-term debt in the amount of ¥2,921 million ($35,129 thousand) as of March 31, 2011.

* (Note) A certain portion of present and future (through March 2012) receivables realized through the ADSL services provided by SOFTBANK BB Corp.

(8) A consolidated subsidiary purchased assets by installments and installment payables were recorded in accounts payable – other and accrued expenses of ¥9,907 million ($119,146 thousand) and long-term accounts payable – other of ¥63,086 million ($758,701 thousand) as of March 31, 2011.

The assets whose ownership rights were not transferred to the consolidated subsidiary were as follows:

| Assets whose ownership right was not transferred: | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Buildings and structures | ¥ 61 | $ 734 |
| Telecommunications equipment | 55,076 | 662,368 |
| Construction in progress | 186 | 2,237 |
| Property and equipment, net – other | 2 | 24 |
| Software | 14,055 | 169,032 |
| Other intangibles | 179 | 2,153 |
| Investments and other assets – other assets | 328 | 3,945 |
| Total | ¥69,887 | $840,493 |

(9) Financial covenants

The Group's interest-bearing debt and long-term accounts payable-other include financial covenants with which the Group is in compliance. The major financial covenants are as follows. If the Group fails to comply with the following covenants, creditors may require repayment of all debt.

(Where the covenants set several conditions, the strictest condition is presented below.)

As of March 31, 2011, there are no violations of the financial covenants.

The amount of the Company's net assets at the end of the year and the first half of the year must not fall below 75% of the Company's net assets at the end of the previous year.

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 a net capital deficiency. The consolidated balance sheets of BB Mobile Corp. at the end of the year and the first half of the year must not show a net capital deficiency.

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[1].

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[2], leverage ratio[3]) or operational performance targets (number of subscribers) are not met, depending on the importance and the timing of the issue, the influence of the lender on the operations of SOFTBANK MOBILE Corp. might be increased. It is possible that limits could 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 by the lender, and that rights to assets pledged as collateral, including shares of SOFTBANK MOBILE Corp., will be exercised.

(Notes) 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
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 and subordinated loans from the SOFTBANK Group.

## 7 Retirement and Pension Plans

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

The liability for employees' retirement benefits at March 31, 2010 and 2011 consisted of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| March 31, | 2010 | 2011 | 2011 |
| Projected benefit obligation | ¥15,558 | ¥14,414 | $173,349 |
| Net liability | ¥15,558 | ¥14,414 | $173,349 |

The components of net periodic retirement benefit costs are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| For the years ended March 31, | 2010 | 2011 | 2011 |
| Service cost (Note) | ¥1,311 | ¥1,196 | $14,384 |
| Interest cost | 302 | 292 | 3,512 |
| Recognized actuarial loss | (88) | (222) | (2,670) |
| Contributions to the defined contribution pension plan | 2,118 | 2,114 | 25,424 |
| Net periodic retirement benefit costs | ¥3,643 | ¥3,380 | $40,650 |

(Note) Service cost for the years ended March 31, 2010 and 2011 includes ¥1,302 million and ¥1,186 million ($14,263 thousand), respectively, of contributions to multi-employer contributory defined benefit welfare pension plans.

Assumptions used for the years ended March 31, 2010 and 2011 are set forth as follows:

| | 2010 | 2011 |
|---|---|---|
| Discount rate | Primarily 1.75% | Primarily 1.75% |
| 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 |

## 8 Income Taxes

The Company and domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.69% for the years ended March 31, 2010 and 2011.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2010 and 2011 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| March 31, | 2010 | 2011 | 2011 |
| Deferred tax assets: | | | |
| Loss carryforwards | ¥ 88,229 | ¥ 79,173 | $ 952,171 |
| Depreciation and amortization | 99,676 | 64,682 | 777,895 |
| Investment securities | 32,107 | 48,451 | 582,694 |
| Valuation of assets and liabilities of acquired consolidated subsidiaries at fair market value | 54,775 | 43,560 | 523,873 |
| Accounts payable – other and accrued expenses | 29,302 | 31,520 | 379,074 |
| Allowance for doubtful accounts | 39,377 | 19,904 | 239,375 |
| Allowance for point mileage | 19,212 | 17,068 | 205,268 |
| Other | 52,860 | 64,275 | 773,000 |
| Gross deferred tax assets | 415,538 | 368,633 | 4,433,350 |
| Less: valuation allowance | (174,215) | (141,498) | (1,701,720) |
| Total deferred tax assets | 241,323 | 227,135 | 2,731,630 |
| Deferred tax liabilities: | | | |
| Unrealized gain on available-for-sale securities | (30,504) | (27,844) | (334,865) |
| Deferred taxable gain on a sale of shares of a subsidiary to a 100% owned subsidiary under Japanese group taxation regime | – | (13,294) | (159,880) |
| Deferred gain on derivatives under hedge accounting | (10,251) | (7,642) | (91,906) |
| Other | (4,107) | (11,988) | (144,173) |
| Total deferred tax liabilities | (44,862) | (60,768) | (730,824) |
| Net deferred tax assets | ¥ 196,461 | ¥ 166,367 | $ 2,000,806 |

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, 2010 and 2011 is as follows:

| | 2010 | 2011 |
|---|---|---|
| Normal effective statutory tax rate | 40.69% | 40.69% |
| Reconciliation – | | |
| Income taxes – corrections | – | 5.70 |
| Amortization of goodwill | 8.40 | 5.09 |
| Changes in valuation allowance | (8.64) | (5.05) |
| Consolidation adjustments resulting from gain on sale of investments in consolidated subsidiaries | 7.26 | 4.18 |
| Other – net | 2.26 | (2.14) |
| Actual effective tax rate | 49.97% | 48.47% |

At March 31, 2011, the Group has tax loss carryforwards which are available to be offset against taxable income in future years. The tax effects of these tax loss carryforwards, aggregating approximately ¥79,173 million ($952,171 thousand), if not utilized, will expire as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Year ending March 31, | 2011 | 2011 |
| 2012 | ¥ 78 | $ 938 |
| 2013 | 25,906 | 311,557 |
| 2014 | 6,293 | 75,683 |
| 2015 | 13,499 | 162,345 |
| 2016 | 12,116 | 145,713 |
| 2017 and thereafter | 21,281 | 255,935 |
| Total | ¥79,173 | $952,171 |

### Income Taxes – Corrections

Yahoo Japan Corporation received a correction notice from Tokyo Regional Taxation Bureau on June 30, 2010. Yahoo Japan Corporation acquired all the shares of SOFTBANK IDC Solutions Corp. from the Company in February 2009 and merged it in March 2009. At the merger, loss carryforwards held by SOFTBANK IDC Solutions Corp. were carried and utilized by Yahoo Japan Corporation. The notice corrects this tax treatment insisting that the treatment was to reduce Yahoo Japan Corporation's income taxes inappropriately. Additional income taxes of ¥26,451 million ($318,112 thousand) were included in income taxes – corrections and paid for the fiscal year ended March 31, 2011. Yahoo Japan Corporation submitted a request for reconsideration to the national tax tribunal and brought legal suit in April 2011.

## 9 Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

### (1) Dividends

Under the Companies Act, 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; (a) having the Board of Directors, (b) having independent auditors, (c) having the Board of Corporate Auditors, and (d) 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 Companies Act 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) Increases / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act 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 Companies Act 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 Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act 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) Stock acquisition rights

The Company and certain consolidated subsidiaries recorded stock acquisition rights of ¥476 million and ¥703 million ($8,455 thousand) as of March 31, 2010 and 2011, respectively.

## 10 Stock Options

(1) The stock options outstanding as of March 31, 2011 were mainly as follows:

| | 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<br>Directors of Subsidiaries: 1<br>Executive officers of Subsidiaries: 3<br>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<br>B. 25% of allotment shares from October 1, 2006 to June 30, 2010<br>C. 25% of allotment shares from October 1, 2007 to June 30, 2010<br>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<br>B. 25% of allotment shares from July 1, 2008 to June 30, 2011<br>C. 25% of allotment shares from July 1, 2009 to June 30, 2011 |

| | The Sixth Series of Stock Acquisition Rights (2010) |
|---|---|
| Company name | The Company |
| Persons granted | Employees of the Company: 28<br>Directors and Executive officers of Subsidiaries: 11<br>Employees of Subsidiaries: 194 |
| Class and number of shares | 3,449,500 shares of common stock of the Company |
| Grant date | August 27, 2010 |
| Exercise period | A. 25% of allotment shares from July 1, 2012 to June 30, 2017<br>B. 25% of allotment shares from July 1, 2013 to June 30, 2017<br>C. 25% of allotment shares from July 1, 2014 to June 30, 2017<br>D. 25% of allotment shares from July 1, 2015 to June 30, 2017 |

| | The Second Series of Stock Subscription Rights | The Third Series of Stock Subscription Rights |
|---|---|---|
| Company name | Yahoo Japan Corporation | Yahoo Japan Corporation |
| Persons granted | Employees of Yahoo Japan Corporation: 7 | Directors of Yahoo Japan Corporation: 3<br>Employees of Yahoo Japan Corporation: 84 |
| Class and number of shares | 11,264 shares of common stock of Yahoo Japan Corporation | 148,992 shares of common stock of Yahoo Japan Corporation |
| Grant date | June 27, 2000 | December 18, 2000 |
| Exercise period | A. 50% of allotment shares from June 17, 2002 to June 16, 2010<br>B. 25% of allotment shares from June 17, 2003 to June 16, 2010<br>C. 25% of allotment shares from June 17, 2004 to June 16, 2010 | A. 50% of allotment shares from December 9, 2002 to December 8, 2010<br>B. 25% of allotment shares from December 9, 2003 to December 8, 2010<br>C. 25% of allotment shares from December 9, 2004 to December 8, 2010 |

| | The Fourth Series of Stock Subscription Rights | The Fifth Series of Stock Subscription Rights |
|---|---|---|
| Company name | Yahoo Japan Corporation | Yahoo Japan Corporation |
| Persons granted | Directors of Yahoo Japan Corporation: 3<br>Employees of Yahoo Japan Corporation: 72 | Directors of Yahoo Japan Corporation: 3<br>Employees of Yahoo Japan Corporation: 72 |
| Class and number of shares | 108,544 shares of common stock of Yahoo Japan Corporation | 112,640 shares of common stock of Yahoo Japan Corporation |
| Grant date | June 29, 2001 | December 18, 2001 |
| Exercise period | A. 50% of allotment shares from June 21, 2003 to June 20, 2011<br>B. 25% of allotment shares from June 21, 2004 to June 20, 2011<br>C. 25% of allotment shares from June 21, 2005 to June 20, 2011 | A. 50% of allotment shares from December 8, 2003 to December 7, 2011<br>B. 25% of allotment shares from December 8, 2004 to December 7, 2011<br>C. 25% of allotment shares from December 8, 2005 to December 7, 2011 |

| | The First Series of Stock Acquisition Rights (2002) | The Second Series of Stock Acquisition Rights (2002) |
|---|---|---|
| Company name | Yahoo Japan Corporation | Yahoo Japan Corporation |
| Persons granted | Directors of Yahoo Japan Corporation: 2<br>Employees of Yahoo Japan Corporation: 65 | Employees of Yahoo Japan Corporation: 19 |
| Class and number of shares | 47,616 shares of common stock of Yahoo Japan Corporation | 5,888 shares of common stock of Yahoo Japan Corporation |
| Grant date | July 29, 2002 | November 20, 2002 |
| Exercise period | A. 50% of allotment shares from June 21, 2004 to June 20, 2012<br>B. 25% of allotment shares from June 21, 2005 to June 20, 2012<br>C. 25% of allotment shares from June 21, 2006 to June 20, 2012 | A. 50% of allotment shares from November 21, 2004 to June 20, 2012<br>B. 25% of allotment shares from November 21, 2005 to June 20, 2012<br>C. 25% of allotment shares from November 21, 2006 to June 20, 2012 |

| | The First Series of Stock Acquisition Rights (2003) | The Second Series of Stock Acquisition Rights (2003) |
|---|---|---|
| Company name | Yahoo Japan Corporation | Yahoo Japan Corporation |
| Persons granted | Directors of Yahoo Japan Corporation: 5<br>Employees of Yahoo Japan Corporation: 83 | Employees of Yahoo Japan Corporation: 43 |
| Class and number of shares | 19,840 shares of common stock of Yahoo Japan Corporation | 2,464 shares of common stock of Yahoo Japan Corporation |
| Grant date | July 25, 2003 | November 4, 2003 |
| Exercise period | A. 50% of allotment shares from June 21, 2005 to June 20, 2013<br>B. 25% of allotment shares from June 21, 2006 to June 20, 2013<br>C. 25% of allotment shares from June 21, 2007 to June 20, 2013 | A. 50% of allotment shares from November 5, 2005 to June 20, 2013<br>B. 25% of allotment shares from November 5, 2006 to June 20, 2013<br>C. 25% of allotment shares from November 5, 2007 to June 20, 2013 |

| | The Third Series of Stock Acquisition Rights (2003) | The Fourth Series of Stock Acquisition Rights (2003) |
|---|---|---|
| Company name | Yahoo Japan Corporation | Yahoo Japan Corporation |
| Persons granted | Employees of Yahoo Japan Corporation: 38 | Employees of Yahoo Japan Corporation: 41 |
| Class and number of shares | 2,400 shares of common stock of Yahoo Japan Corporation | 1,168 shares of common stock of Yahoo Japan Corporation |
| Grant date | January 29, 2004 | May 13, 2004 |
| Exercise period | A. 50% of allotment shares from January 30, 2006 to June 20, 2013<br>B. 25% of allotment shares from January 30, 2007 to June 20, 2013<br>C. 25% of allotment shares from January 30, 2008 to June 20, 2013 | A. 50% of allotment shares from May 14, 2006 to June 20, 2013<br>B. 25% of allotment shares from May 14, 2007 to June 20, 2013<br>C. 25% of allotment shares from May 14, 2008 to June 20, 2013 |

| | The First Series of Stock Acquisition Rights (2004) | The Second Series of Stock Acquisition Rights (2004) |
|---|---|---|
| Company name | Yahoo Japan Corporation | Yahoo Japan Corporation |
| Persons granted | Directors of Yahoo Japan Corporation: 5<br>Employees of Yahoo Japan Corporation: 131 | Employees of Yahoo Japan Corporation: 46 |
| Class and number of shares | 9,856 shares of common stock of Yahoo Japan Corporation | 712 shares of common stock of Yahoo Japan Corporation |
| Grant date | July 29, 2004 | November 1, 2004 |
| Exercise period | A. 50% of allotment shares from June 18, 2006 to June 17, 2014<br>B. 25% of allotment shares from June 18, 2007 to June 17, 2014<br>C. 25% of allotment shares from June 18, 2008 to June 17, 2014 | A. 50% of allotment shares from November 2, 2006 to June 17, 2014<br>B. 25% of allotment shares from November 2, 2007 to June 17, 2014<br>C. 25% of allotment shares from November 2, 2008 to June 17, 2014 |

| | The Third Series of Stock Acquisition Rights (2004) | The Fourth Series of Stock Acquisition Rights (2004) |
|---|---|---|
| Company name | Yahoo Japan Corporation | Yahoo Japan Corporation |
| Persons granted | Employees of Yahoo Japan Corporation: 29 | Employees of Yahoo Japan Corporation: 42 |
| Class and number of shares | 344 shares of common stock of Yahoo Japan Corporation | 276 shares of common stock of Yahoo Japan Corporation |
| Grant date | January 28, 2005 | May 12, 2005 |
| Exercise period | A. 50% of allotment shares from January 29, 2007 to June 17, 2014<br>B. 25% of allotment shares from January 29, 2008 to June 17, 2014<br>C. 25% of allotment shares from January 29, 2009 to June 17, 2014 | A. 50% of allotment shares from May 13, 2007 to June 17, 2014<br>B. 25% of allotment shares from May 13, 2008 to June 17, 2014<br>C. 25% of allotment shares from May 13, 2009 to June 17, 2014 |

| | The First Series of Stock Acquisition Rights (2005) | The Second Series of Stock Acquisition Rights (2005) |
|---|---|---|
| Company name | Yahoo Japan Corporation | Yahoo Japan Corporation |
| Persons granted | Directors of Yahoo Japan Corporation: 5<br>Employees of Yahoo Japan Corporation: 180 | Employees of Yahoo Japan Corporation: 31 |
| Class and number of shares | 5,716 shares of common stock of Yahoo Japan Corporation | 234 shares of common stock of Yahoo Japan Corporation |
| Grant date | July 28, 2005 | November 1, 2005 |
| Exercise period | A. 50% of allotment shares from June 18, 2007 to June 17, 2015<br>B. 25% of allotment shares from June 18, 2008 to June 17, 2015<br>C. 25% of allotment shares from June 18, 2009 to June 17, 2015 | A. 50% of allotment shares from November 2, 2007 to June 17, 2015<br>B. 25% of allotment shares from November 2, 2008 to June 17, 2015<br>C. 25% of allotment shares from November 2, 2009 to June 17, 2015 |

| | The Third Series of Stock Acquisition Rights (2005) | The Fourth Series of Stock Acquisition Rights (2005) |
|---|---|---|
| Company name | Yahoo Japan Corporation | Yahoo Japan Corporation |
| Persons granted | Employees of Yahoo Japan Corporation: 65 | Employees of Yahoo Japan Corporation: 49 |
| Class and number of shares | 316 shares of common stock of Yahoo Japan Corporation | 112 shares of common stock of Yahoo Japan Corporation |
| Grant date | January 31, 2006 | May 2, 2006 |
| Exercise period | A. 50% of allotment shares from February 1, 2008 to June 17, 2015<br>B. 25% of allotment shares from February 1, 2009 to June 17, 2015<br>C. 25% of allotment shares from February 1, 2010 to June 17, 2015 | A. 50% of allotment shares from May 3, 2008 to June 17, 2015<br>B. 25% of allotment shares from May 3, 2009 to June 17, 2015<br>C. 25% of allotment shares from May 3, 2010 to June 17, 2015 |

| | The First Series of Stock Acquisition Rights (2006) | The Second Series of Stock Acquisition Rights (2006) |
|---|---|---|
| Company name | Yahoo Japan Corporation | Yahoo Japan Corporation |
| Persons granted | Directors of Yahoo Japan Corporation: 5<br>Employees of Yahoo Japan Corporation: 157 | Employees of Yahoo Japan Corporation: 49 |
| Class and number of shares | 8,569 shares of common stock of Yahoo Japan Corporation | 313 shares of common stock of Yahoo Japan Corporation |
| Grant date | September 6, 2006 | November 6, 2006 |
| Exercise period | A. 50% of allotment shares from August 24, 2008 to August 23, 2016<br>B. 25% of allotment shares from August 24, 2009 to August 23, 2016<br>C. 25% of allotment shares from August 24, 2010 to August 23, 2016 | A. 50% of allotment shares from October 24, 2008 to October 23, 2016<br>B. 25% of allotment shares from October 24, 2009 to October 23, 2016<br>C. 25% of allotment shares from October 24, 2010 to October 23, 2016 |

| | The Third Series of Stock Acquisition Rights (2006) | The First Series of Stock Acquisition Rights (2007) |
|---|---|---|
| Company name | Yahoo Japan Corporation | Yahoo Japan Corporation |
| Persons granted | Employees of Yahoo Japan Corporation: 62 | Employees of Yahoo Japan Corporation: 66 |
| Class and number of shares | 360 shares of common stock of Yahoo Japan Corporation | 651 shares of common stock of Yahoo Japan Corporation |
| Grant date | February 7, 2007 | May 8, 2007 |
| Exercise period | A. 50% of allotment shares from January 25, 2009 to January 24, 2017<br>B. 25% of allotment shares from January 25, 2010 to January 24, 2017<br>C. 25% of allotment shares from January 25, 2011 to January 24, 2017 | A. 50% of allotment shares from April 25, 2009 to April 24, 2017<br>B. 25% of allotment shares from April 25, 2010 to April 24, 2017<br>C. 25% of allotment shares from April 25, 2011 to April 24, 2017 |

| | The Second Series of Stock Acquisition Rights (2007) | The Third Series of Stock Acquisition Rights (2007) |
|---|---|---|
| Company name | Yahoo Japan Corporation | Yahoo Japan Corporation |
| Persons granted | Directors of Yahoo Japan Corporation: 5<br>Employees of Yahoo Japan Corporation: 225 | Employees of Yahoo Japan Corporation: 119 |
| Class and number of shares | 10,000 shares of common stock of Yahoo Japan Corporation | 766 shares of common stock of Yahoo Japan Corporation |
| Grant date | August 7, 2007 | November 7, 2007 |
| Exercise period | A. 50% of allotment shares from July 25, 2009 to July 24, 2017<br>B. 25% of allotment shares from July 25, 2010 to July 24, 2017<br>C. 25% of allotment shares from July 25, 2011 to July 24, 2017 | A. 50% of allotment shares from October 25, 2009 to October 24, 2017<br>B. 25% of allotment shares from October 25, 2010 to October 24, 2017<br>C. 25% of allotment shares from October 25, 2011 to October 24, 2017 |

| | The Fourth Series of Stock Acquisition Rights (2007) | The First Series of Stock Acquisition Rights (2008) |
|---|---|---|
| Company name | Yahoo Japan Corporation | Yahoo Japan Corporation |
| Persons granted | Employees of Yahoo Japan Corporation: 124 | Employees of Yahoo Japan Corporation: 246 |
| Class and number of shares | 817 shares of common stock of Yahoo Japan Corporation | 2,059 shares of common stock of Yahoo Japan Corporation |
| Grant date | February 13, 2008 | May 9, 2008 |
| Exercise period | A. 50% of allotment shares from January 31, 2010 to January 30, 2018<br>B. 25% of allotment shares from January 31, 2011 to January 30, 2018<br>C. 25% of allotment shares from January 31, 2012 to January 30, 2018 | A. 50% of allotment shares from April 26, 2010 to April 25, 2018<br>B. 25% of allotment shares from April 26, 2011 to April 25, 2018<br>C. 25% of allotment shares from April 26, 2012 to April 25, 2018 |

| | The Second Series of Stock Acquisition Rights (2008) | The Third Series of Stock Acquisition Rights (2008) |
|---|---|---|
| Company name | Yahoo Japan Corporation | Yahoo Japan Corporation |
| Persons granted | Directors of Yahoo Japan Corporation: 5<br>Employees of Yahoo Japan Corporation: 336 | Employees of Yahoo Japan Corporation: 128 |
| Class and number of shares | 11,750 shares of common stock of Yahoo Japan Corporation | 407 shares of common stock of Yahoo Japan Corporation |
| Grant date | August 8, 2008 | November 7, 2008 |
| Exercise period | A. 50% of allotment shares from July 26, 2010 to July 25, 2018<br>B. 25% of allotment shares from July 26, 2011 to July 25, 2018<br>C. 25% of allotment shares from July 26, 2012 to July 25, 2018 | A. 50% of allotment shares from October 25, 2010 to October 24, 2018<br>B. 25% of allotment shares from October 25, 2011 to October 24, 2018<br>C. 25% of allotment shares from October 25, 2012 to October 24, 2018 |

| | The Fourth Series of Stock Acquisition Rights (2008) | The First Series of Stock Acquisition Rights (2009) |
|---|---|---|
| Company name | Yahoo Japan Corporation | Yahoo Japan Corporation |
| Persons granted | Employees of Yahoo Japan Corporation: 128 | Employees of Yahoo Japan Corporation: 100 |
| Class and number of shares | 350 shares of common stock of Yahoo Japan Corporation | 890 shares of common stock of Yahoo Japan Corporation |
| Grant date | February 10, 2009 | May 12, 2009 |
| Exercise period | A. 50% of allotment shares from January 28, 2011 to January 27, 2019<br>B. 25% of allotment shares from January 28, 2012 to January 27, 2019<br>C. 25% of allotment shares from January 28, 2013 to January 27, 2019 | A. 50% of allotment shares from April 29, 2011 to April 28, 2019<br>B. 25% of allotment shares from April 29, 2012 to April 28, 2019<br>C. 25% of allotment shares from April 29, 2013 to April 28, 2019 |

| | The Second Series of Stock Acquisition Rights (2009) | The Third Series of Stock Acquisition Rights (2009) |
|---|---|---|
| Company name | Yahoo Japan Corporation | Yahoo Japan Corporation |
| Persons granted | Directors of Yahoo Japan Corporation: 5<br>Employees of Yahoo Japan Corporation: 454 | Employees of Yahoo Japan Corporation: 61 |
| Class and number of shares | 12,848 shares of common stock of Yahoo Japan Corporation | 277 shares of common stock of Yahoo Japan Corporation |
| Grant date | August 11, 2009 | November 10, 2009 |
| Exercise period | A. 50% of allotment shares from July 29, 2011 to July 28, 2019<br>B. 25% of allotment shares from July 29, 2012 to July 28, 2019<br>C. 25% of allotment shares from July 29, 2013 to July 28, 2019 | A. 50% of allotment shares from October 28, 2011 to October 27, 2019<br>B. 25% of allotment shares from October 28, 2012 to October 27, 2019<br>C. 25% of allotment shares from October 28, 2013 to October 27, 2019 |

| | The Fourth Series of Stock Acquisition Rights (2009) | The First Series of Stock Acquisition Rights (2010) |
|---|---|---|
| Company name | Yahoo Japan Corporation | Yahoo Japan Corporation |
| Persons granted | Employees of Yahoo Japan Corporation: 101 | Employees of Yahoo Japan Corporation: 155 |
| Class and number of shares | 571 shares of common stock of Yahoo Japan Corporation | 700 shares of common stock of Yahoo Japan Corporation |
| Grant date | February 10, 2010 | May 11, 2010 |
| Exercise period | A. 50% of allotment shares from January 28, 2012 to January 27, 2020<br>B. 25% of allotment shares from January 28, 2013 to January 27, 2020<br>C. 25% of allotment shares from January 28, 2014 to January 27, 2020 | A. 50% of allotment shares from April 28, 2012 to April 27, 2020<br>B. 25% of allotment shares from April 28, 2013 to April 27, 2020<br>C. 25% of allotment shares from April 28, 2014 to April 27, 2020 |

| | The Second Series of Stock Acquisition Rights (2010) | The Third Series of Stock Acquisition Rights (2010) |
|---|---|---|
| Company name | Yahoo Japan Corporation | Yahoo Japan Corporation |
| Persons granted | Directors of Yahoo Japan Corporation: 5<br>Employees of Yahoo Japan Corporation: 268 | Employees of Yahoo Japan Corporation: 106 |
| Class and number of shares | 11,936 shares of common stock of Yahoo Japan Corporation | 316 shares of common stock of Yahoo Japan Corporation |
| Grant date | August 10, 2010 | November 5, 2010 |
| Exercise period | A. 50% of allotment shares from July 28, 2012 to July 27, 2020<br>B. 25% of allotment shares from July 28, 2013 to July 27, 2020<br>C. 25% of allotment shares from July 28, 2014 to July 27, 2020 | A. 50% of allotment shares from October 23, 2012 to October 22, 2020<br>B. 25% of allotment shares from October 23, 2013 to October 22, 2020<br>C. 25% of allotment shares from October 23, 2014 to October 22, 2020 |

| | The fourth Series of Stock Acquisition Rights (2010) |
|---|---|
| Company name | Yahoo Japan Corporation |
| Persons granted | Employees of Yahoo Japan Corporation: 104 |
| Class and number of shares | 541 shares of common stock of Yahoo Japan Corporation |
| Grant date | February 8, 2011 |
| Exercise period | A. 50% of allotment shares from January 26, 2013 to January 25, 2021<br>B. 25% of allotment shares from January 26, 2014 to January 25, 2021<br>C. 25% of allotment shares from January 26, 2015 to January 25, 2021 |

In addition to the aforementioned information of the stock options outstanding, the stock option activity is as follows:

| | The Third Series of Stock Acquisition Rights (2004) | The Fifth Series of Stock Acquisition Rights (2005) | The Sixth Series of Stock Acquisition Rights (2010) |
|---|---|---|---|
| Company name | The Company | The Company | The Company |
| Non-vested shares | | | |
| At the beginning of the year | – | – | – |
| Granted during the year | – | – | 3,449,500 |
| Forfeited and expired during the year | – | – | – |
| Vested during the year | – | – | – |
| At the end of the year | – | – | 3,449,500 |
| Vested shares | | | |
| At the beginning of the year | 22,500 | 744,500 | – |
| Vested during the year | – | – | – |
| Exercised during the year | 22,500 | – | – |
| Forfeited or expired during the year | – | – | – |
| Unexercised at the end of the year | – | 744,500 | – |
| Exercise price – yen | ¥1,827 | ¥4,172 | ¥2,625 |
| (U.S. dollars) | ($21.97) | ($50.17) | ($31.57) |
| Average stock price at exercise – yen | 2,300 | – | – |
| (U.S. dollars) | (27.66) | – | – |
| Fair value price at the grant date – yen | – | – | 2,900 |
| (U.S. dollars) | – | – | (34.88) |

| | The Second Series of Stock Subscription Rights | The Third Series of Stock Subscription Rights | The Fourth Series of Stock Subscription Rights | The Fifth 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 | 2,048 | 29,184 | 15,946 | 17,437 |
| Vested during the year | – | – | – | – |
| Exercised during the year | – | 27,084 | 14,394 | 15,371 |
| Forfeited or expired during the year | 2,048 | 2,100 | – | – |
| Unexercised at the end of the year | – | – | 1,552 | 2,066 |
| Exercise price – yen | ¥38,086 | ¥19,416 | ¥9,559 | ¥8,497 |
| (U.S. dollars) | ($458.04) | ($233.51) | ($114.96) | ($102.19) |
| Average stock price at exercise – yen | – | 30,447 | 30,880 | 30,917 |
| (U.S. dollars) | – | (366.17) | (371.38) | (371.82) |
| Fair value price at the grant date – yen | – | – | – | – |
| (U.S. dollars) | – | – | – | – |

| | The First Series of Stock Acquisition Rights (2002) | The Second Series of Stock Acquisition Rights (2002) | The First Series of Stock Acquisition Rights (2003) | The Second 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 | – | – | – | – |
| 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 | 16,384 | 768 | 15,872 | 1,344 |
| Vested during the year | – | – | – | – |
| Exercised during the year | 1,536 | – | – | – |
| Forfeited or expired during the year | – | – | 448 | 96 |
| Unexercised at the end of the year | 14,848 | 768 | 15,424 | 1,248 |
| Exercise price – yen | ¥10,196 | ¥11,375 | ¥33,438 | ¥51,478 |
| (U.S. dollars) | ($122.62) | ($136.80) | ($402.14) | ($619.10) |
| Average stock price at exercise – yen | 33,042 | – | – | – |
| (U.S. dollars) | (397.38) | – | – | – |
| Fair value price at the grant date – yen | – | – | – | – |
| (U.S. dollars) | – | – | – | – |

| | The Third Series of Stock Acquisition Rights (2003) | The Fourth Series of Stock Acquisition Rights (2003) | The First Series of Stock Acquisition Rights (2004) | The Second 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 | – | – | – | – |
| 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 | 1,056 | 496 | 8,960 | 384 |
| Vested during the year | – | – | – | – |
| Exercised during the year | – | – | – | – |
| Forfeited or expired during the year | – | 16 | 160 | 16 |
| Unexercised at the end of the year | 1,056 | 480 | 8,800 | 368 |
| Exercise price – yen | ¥47,813 | ¥78,512 | ¥65,290 | ¥62,488 |
| (U.S. dollars) | ($575.02) | ($944.22) | ($785.21) | ($751.51) |
| Average stock price at exercise – yen | – | – | – | – |
| (U.S. dollars) | – | – | – | – |
| Fair value price at the grant date – yen | – | – | – | – |
| (U.S. dollars) | – | – | – | – |

| | The Third Series of Stock Acquisition Rights (2004) | The Fourth Series of Stock Acquisition Rights (2004) | The First Series of Stock Acquisition Rights (2005) | The Second 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 | – | – | – | – |
| 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 | 224 | 208 | 5,064 | 150 |
| Vested during the year | – | – | – | – |
| Exercised during the year | – | – | – | – |
| Forfeited or expired during the year | 16 | 16 | 208 | 26 |
| Unexercised at the end of the year | 208 | 192 | 4,856 | 124 |
| Exercise price – yen | ¥65,375 | ¥60,563 | ¥58,500 | ¥62,000 |
| (U.S. dollars) | ($786.23) | ($728.36) | ($703.55) | ($745.64) |
| Average stock price at exercise – yen | – | – | – | – |
| (U.S. dollars) | – | – | – | – |
| Fair value price at the grant date – yen | – | – | – | – |
| (U.S. dollars) | – | – | – | – |

| | The Third Series of Stock Acquisition Rights (2005) | The Fourth Series of Stock Acquisition Rights (2005) | The First Series of Stock Acquisition Rights (2006) | The Second 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 | – | 42 | 1,960 | 85 |
| Granted during the year | – | – | – | – |
| Forfeited and expired during the year | – | 1 | 75 | 1 |
| Vested during the year | – | 41 | 1,885 | 84 |
| At the end of the year | – | – | – | – |
| Vested shares | | | | |
| At the beginning of the year | 248 | 41 | 5,742 | 184 |
| Vested during the year | – | 41 | 1,885 | 84 |
| Exercised during the year | – | – | – | – |
| Forfeited or expired during the year | 20 | 7 | 465 | 3 |
| Unexercised at the end of the year | 228 | 75 | 7,162 | 265 |
| Exercise price – yen | ¥79,500 | ¥67,940 | ¥47,198 | ¥44,774 |
| (U.S. dollars) | ($956.10) | ($817.08) | ($567.62) | ($538.47) |
| Average stock price at exercise – yen | – | – | – | – |
| (U.S. dollars) | – | – | – | – |
| Fair value price at the grant date – yen | – | A 30,958 | A 24,564 | A 23,832 |
| (U.S. dollars) | – | (372.32) | (295.42) | (286.61) |
| | – | B 35,782 | B 26,803 | B 25,311 |
| | – | (430.33) | (322.35) | (304.40) |
| | – | C 39,196 | C 28,156 | C 26,766 |
| | – | (471.39) | (338.62) | (321.90) |

| | The Third Series of Stock Acquisition Rights (2006) | The First Series of Stock Acquisition Rights (2007) | The Second Series of Stock Acquisition Rights (2007) | The Third Series of Stock Acquisition Rights (2007) |
|---|---|---|---|---|
| Company name | Yahoo Japan Corporation | Yahoo Japan Corporation | Yahoo Japan Corporation | Yahoo Japan Corporation |
| Non-vested shares | | | | |
| At the beginning of the year | 93 | 297 | 4,652 | 390 |
| Granted during the year | – | – | – | – |
| Forfeited and expired during the year | 5 | 5 | 219 | 13 |
| Vested during the year | 88 | 132 | 2,227 | 153 |
| At the end of the year | – | 160 | 2,206 | 224 |
| Vested shares | | | | |
| At the beginning of the year | 174 | 270 | 4,553 | 327 |
| Vested during the year | 88 | 132 | 2,227 | 153 |
| Exercised during the year | – | – | – | – |
| Forfeited or expired during the year | 12 | 8 | 367 | 14 |
| Unexercised at the end of the year | 250 | 394 | 6,413 | 466 |
| Exercise price – yen | ¥47,495 | ¥45,500 | ¥40,320 | ¥51,162 |
| (U.S. dollars) | ($571.20) | ($547.20) | ($484.91) | ($615.30) |
| Average stock price at exercise – yen | – | – | – | – |
| (U.S. dollars) | – | – | – | – |
| Fair value price at the grant date – yen | A 20,435 | A 22,586 | A 17,061 | A 20,900 |
| (U.S. dollars) | (245.76) | (271.63) | (205.18) | (251.35) |
| | B 23,448 | B 25,697 | B 18,121 | B 23,651 |
| | (282.00) | (309.04) | (217.93) | (284.44) |
| | C 25,578 | C 27,206 | C 20,659 | C 26,853 |
| | (307.61) | (327.19) | (248.45) | (322.95) |

| | The fourth Series of Stock Acquisition Rights (2007) | The First Series of Stock Acquisition Rights (2008) | The Second Series of Stock Acquisition Rights (2008) | The Third Series of Stock Acquisition Rights (2008) |
|---|---|---|---|---|
| Company name | Yahoo Japan Corporation | Yahoo Japan Corporation | Yahoo Japan Corporation | Yahoo Japan Corporation |
| Non-vested shares | | | | |
| At the beginning of the year | 421 | 1,647 | 11,319 | 401 |
| Granted during the year | – | – | – | – |
| Forfeited and expired during the year | 8 | 92 | 330 | 36 |
| Vested during the year | 167 | 722 | 5,524 | 162 |
| At the end of the year | 246 | 833 | 5,465 | 203 |
| Vested shares | | | | |
| At the beginning of the year | 365 | – | – | – |
| Vested during the year | 167 | 722 | 5,524 | 162 |
| Exercised during the year | – | – | – | – |
| Forfeited or expired during the year | 5 | 28 | 162 | 1 |
| Unexercised at the end of the year | 527 | 694 | 5,362 | 161 |
| Exercise price – yen | ¥47,500 | ¥51,781 | ¥40,505 | ¥34,000 |
| (U.S. dollars) | ($571.26) | ($622.74) | ($487.13) | ($408.90) |
| Average stock price at exercise – yen | – | – | – | – |
| (U.S. dollars) | – | – | – | – |
| Fair value price at the grant date – yen | A 20,289 | A 16,538 | A 14,918 | A 14,554 |
| (U.S. dollars) | (244.00) | (198.89) | (179.41) | (175.03) |
| | B 23,128 | B 18,525 | B 15,716 | B 15,075 |
| | (278.15) | (222.79) | (189.01) | (181.30) |
| | C 24,691 | C 21,037 | C 17,980 | C 16,395 |
| | (296.95) | (253.00) | (216.24) | (197.17) |

| | The Fourth Series of Stock Acquisition Rights (2008) | The First Series of Stock Acquisition Rights (2009) | The Second Series of Stock Acquisition Rights (2009) | The Third Series of Stock Acquisition Rights (2009) |
|---|---|---|---|---|
| Company name | Yahoo Japan Corporation | Yahoo Japan Corporation | Yahoo Japan Corporation | Yahoo Japan Corporation |
| Non-vested shares | | | | |
| At the beginning of the year | 336 | 878 | 12,663 | 277 |
| Granted during the year | – | – | – | – |
| Forfeited and expired during the year | 9 | 110 | 593 | 52 |
| Vested during the year | 137 | – | – | – |
| At the end of the year | 190 | 768 | 12,070 | 225 |
| Vested shares | | | | |
| At the beginning of the year | – | – | – | – |
| Vested during the year | 137 | – | – | – |
| Exercised during the year | – | – | – | – |
| Forfeited or expired during the year | – | – | – | – |
| Unexercised at the end of the year | 137 | – | – | – |
| Exercise price – yen | ¥32,341 | ¥26,879 | ¥30,700 | ¥28,737 |
| (U.S. dollars) | ($388.95) | ($323.26) | ($369.21) | ($345.60) |
| Average stock price at exercise – yen | – | – | – | – |
| (U.S. dollars) | – | – | – | – |
| Fair value price at the grant date – yen | A 10,204 | A 9,499 | A 12,264 | A 9,601 |
| (U.S. dollars) | (122.72) | (114.24) | (147.49) | (115.47) |
| | B 10,715 | B 10,338 | B 13,247 | B 10,271 |
| | (128.86) | (124.33) | (159.31) | (123.52) |
| | C 11,262 | C 10,701 | C 13,747 | C 11,193 |
| | (135.44) | (128.70) | (165.33) | (134.61) |

| | The Fourth Series of Stock Acquisition Rights (2009) | | The First Series of Stock Acquisition Rights (2010) | | The Second Series of Stock Acquisition Rights (2010) | | The Third Series of Stock Acquisition Rights (2010) | |
|---|---|---|---|---|---|---|---|---|
| Company name | Yahoo Japan Corporation | | Yahoo Japan Corporation | | Yahoo Japan Corporation | | Yahoo Japan Corporation | |
| Non-vested shares | | | | | | | | |
| At the beginning of the year | | 571 | | – | | – | | – |
| Granted during the year | | – | | 700 | | 11,936 | | 316 |
| Forfeited and expired during the year | | 66 | | 33 | | 213 | | 2 |
| Vested during the year | | – | | – | | – | | – |
| At the end of the year | | 505 | | 667 | | 11,723 | | 314 |
| 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 | | ¥32,050 | | ¥35,834 | | ¥34,617 | | ¥28,857 |
| (U.S. dollars) | | ($385.45) | | ($430.96) | | ($416.32) | | ($347.05) |
| Average stock price at exercise – yen | | – | | – | | – | | – |
| (U.S. dollars) | | – | | – | | – | | – |
| Fair value price at the grant date – yen | A | 12,152 | A | 11,631 | A | 10,077 | A | 9,284 |
| (U.S. dollars) | | (146.15) | | (139.88) | | (121.19) | | (111.65) |
| | B | 12,987 | B | 12,389 | B | 10,734 | B | 9,518 |
| | | (156.19) | | (149.00) | | (129.09) | | (114.47) |
| | C | 13,992 | C | 13,174 | C | 11,507 | C | 10,109 |
| | | (168.27) | | (158.44) | | (138.39) | | (121.58) |

| | The Fourth Series of Stock Acquisition Rights (2010) | |
|---|---|---|
| Company name | Yahoo Japan Corporation | |
| Non-vested shares | | |
| At the beginning of the year | | – |
| Granted during the year | | 541 |
| Forfeited and expired during the year | | – |
| Vested during the year | | – |
| At the end of the year | | 541 |
| 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 | | ¥31,193 |
| (U.S. dollars) | | ($375.14) |
| Average stock price at exercise – yen | | – |
| (U.S. dollars) | | – |
| Fair value price at the grant date – yen | A | 10,508 |
| (U.S. dollars) | | (126.37) |
| | B | 10,641 |
| | | (127.97) |
| | C | 11,264 |
| | | (135.47) |

(Note) A, B, and C correspond to those in the table of stock options outstanding.

(2) Estimation method for major stock options issued

The assumptions used to measure the fair value of the Stock options of the Company and Yahoo Japan Corporation granted in 2011.

Estimation method: Monte Carlo simulation option pricing model with following assumptions:

| | The Sixth Series of Stock Acquisition Rights (2010) |
|---|---|
| Company name | The Company |
| Volatility of stock price (Note 1) | 50.26% |
| Estimated remaining outstanding period (in years) (Note 2) | 6.8 |
| Estimated dividend yield – yen (Note 3) | ¥5.00 per share |
| Estimated dividend yield – U.S. dollars (Note 3) | $0.06 per share |
| Risk free interest rate (Note 4) | 0.567% |
| Average amount of free cash flow – Millions of yen (Note 5) | ¥71,556 |
| Average amount of free cash flow – Thousands of U.S. dollars (Note 5) | $860,565 |
| Standard deviation of free cash flow – Millions of yen (Note 5) | ¥57,003 |
| Standard deviation of free cash flow – Thousands of U.S dollars (Note 5) | $685,544 |
| Average amount of operating income – Millions of yen (Note 6) | ¥103,124 |
| Average amount of operating income – Thousands of U.S. dollars (Note 6) | $1,240,216 |
| Standard deviation of operating income – Millions of yen (Note 6) | ¥18,058 |
| Standard deviation of operating income – Thousands of U.S dollars (Note 6) | $217,174 |

(Notes) 1. Volatility of stock price is computed based on the actual stock prices traded from September 24, 2003 to July 28, 2010.
2. Grant date: August 27, 2010
Exercise period: From July 1, 2012 to June 30, 2017
3. Estimated dividend yield is based on the dividends paid in 2010.
4. Risk free interest rate is based on government bond yield 287 on the redemption date June 20, 2017.
5. Free cash flow is computed based on the free cash flow from April 1, 2008 to March 31, 2010.
6. Operating income is computed based on the operating income from April 1, 2008 to March 31, 2010.

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

| | The First Series of Stock Acquisition Rights (2010) | The Second Series of Stock Acquisition Rights (2010) | The Third Series of Stock Acquisition Rights (2010) | The Fourth Series of Stock Acquisition Rights (2010) |
|---|---|---|---|---|
| Company name | Yahoo Japan Corporation | Yahoo Japan Corporation | Yahoo Japan Corporation | Yahoo Japan Corporation |
| Volatility of stock price (Note 2) | A 39.7% | A 39.1% | A 39.2% | A 39.1% |
| | B 40.7% | B 40.0% | B 38.8% | B 38.1% |
| | C 41.8% | C 41.3% | C 39.9% | C 39.0% |
| Estimated remaining outstanding period (in years) (Note 3) | A 5.97 | A 5.97 | A 5.97 | A 5.97 |
| | B 6.47 | B 6.47 | B 6.47 | B 6.47 |
| | C 6.97 | C 6.97 | C 6.97 | C 6.97 |
| Estimated dividend yield (Note 4) | 0.84% | 0.90% | 1.02% | 0.93% |
| Risk free interest rate (Note 5) | A 0.62% | A 0.46% | A 0.39% | A 0.74% |
| | B 0.70% | B 0.51% | B 0.44% | B 0.82% |
| | C 0.79% | C 0.58% | C 0.50% | C 0.91% |

(Notes) 1. A, B, and C correspond to those in the table of stock options outstanding.
2. Volatility of stock price is computed based on the actual stock prices traded within the following terms:
The First Series of Stock Acquisition Rights (2010)
A. From May 17, 2004 to May 7, 2010
B. From November 17, 2003 to May 7, 2010
C. From May 19, 2003 to May 7, 2010
The Second Series of Stock Acquisition Rights (2010)
A. From August 16, 2004 to August 6, 2010
B. From February 16, 2004 to August 6, 2010
C. From August 18, 2003 to August 6, 2010
The Third Series of Stock Acquisition Rights (2010)
A. From November 8, 2004 to November 5, 2010
B. From May 10, 2004 to November 5, 2010
C. From November 10, 2003 to November 5, 2010
The Fourth Series of Stock Acquisition Rights (2010)
A. From February 14, 2005 to February 4, 2011
B. From August 16, 2004 to February 4, 2011
C. From February 16, 2004 to February 4, 2011
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 2010.
5. Risk free interest rate is based on government bond yield for a term consistent with the estimated remaining outstanding period.

Estimated number of options vested is determined based on the actual termination ratio of employees.

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

## 11 Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the years ended March 31, 2010 and 2011 were as follows:

| For the years ended March 31, | Millions of yen 2010 | Millions of yen 2011 | Thousands of U.S. dollars 2011 |
|---|---|---|---|
| Sales commission and sales promotion expense | ¥471,921 | ¥513,482 | $6,175,370 |
| Payroll and bonuses | 125,799 | 126,884 | 1,525,965 |
| Provision for allowance for doubtful accounts | 8,500 | 14,647 | 176,152 |

## 12 Other Income (Expense), Net

Other income (expense), net, for the years ended March 31, 2010 and 2011 consisted of the following:

| For the years ended March 31, | Millions of yen 2010 | Millions of yen 2011 | Thousands of U.S. dollars 2011 |
|---|---|---|---|
| Unrealized appreciation on valuation of investments and loss on sale of investments at subsidiaries in the U.S., net (Note 1) | ¥ (304) | ¥ 264 | $ 3,175 |
| Gain on repurchase of minority interests and long-term debt | – | 4,187 | 50,355 |
| Loss on disaster (Note 2) | – | (14,416) | (173,373) |
| Valuation loss on option (Note 3) | – | (9,522) | (114,516) |
| Loss on adjustment for changes of accounting standard for asset retirement obligations | – | (7,100) | (85,388) |
| Loss on disposals of property and equipment (Note 4) | (48,787) | (6,542) | (78,677) |
| Other, net | (14,853) | (15,470) | (186,050) |
| Total | ¥(63,944) | ¥(48,599) | $(584,474) |

(Notes) 1. Unrealized appreciation on valuation of investments and loss on sale of investments at subsidiaries in the U.S., net
Certain subsidiaries in the U.S. are investment companies under the provisions set forth in ASC 946 and account for investment securities in accordance with ASC 946.
The net changes in the fair value of the investments are recorded as unrealized appreciation on valuation of investments and loss on sale of investments at subsidiaries in the U.S., net, and loss on sale of investments, computed based on the acquisition cost, is also included in this account. The unrealized appreciation on valuation of investments and loss on sale of investments included in unrealized appreciation on valuation of investments and loss on sale of investments at subsidiaries in the U.S., net are as follows:

| For the years ended March 31, | Millions of yen 2010 | Millions of yen 2011 | Thousands of U.S. dollars 2011 |
|---|---|---|---|
| Unrealized appreciation on valuation of investments at subsidiaries in the U.S., net | ¥ 1,927 | ¥1,042 | $12,532 |
| Loss on sale of investments at subsidiaries in the U.S., net | (2,231) | (778) | (9,357) |
| Total | ¥ (304) | ¥ 264 | $ 3,175 |

2. Loss on disaster
Loss on disaster was recorded due to the Great East Japan Earthquake occurred in March 2011.
The details are as follows:

| For the year ended March 31, | Millions of yen 2011 | Thousands of U.S. dollars 2011 |
|---|---|---|
| Loss on damage and restoration expenses for telecommunications network | ¥ 6,243 | $ 75,081 |
| Loss on retirement and demolition of telecommunications network such as base stations due to the earthquake | | |
| Removal, restoration, and check up expenses for the assets described above | | |
| Loss on forgiveness of receivables from customers and additional allowance for doubtful accounts | 3,636 | 43,728 |
| Forgiveness of receivables from customers afflicted by the disaster | | |
| Additional allowance for doubtful accounts deemed to be uncollectable | | |
| Loss on non cancelable advertisement contracts which were already committed | 2,006 | 24,125 |
| Others | 2,531 | 30,439 |
| Lending of mobile phone handsets free of charge and replacement expenses of customer premises equipment | | |
| Business consignment expenses for call centers to support customers corresponding to the earthquake disaster | | |
| Supporting expenses for damaged agencies, and others | | |
| Total | ¥14,416 | $173,373 |

3. Valuation loss on option
The Company entered into agreements with the other shareholders of its affiliated company, Wireless City Planning Inc., which contain a put option and a call option for shares of Wireless City Planning Inc. The put option is the other shareholders' right to sell the shares to the Company and the call option is the Company's right to buy the shares from the other shareholders. These options were measured at fair value and the valuation loss was recorded.
4. Loss on disposals of property and equipment
(1) Loss on disposals of property and equipment related to the termination of second-generation mobile phone services
Certain pieces of telecommunications equipment being used exclusively for second-generation (2G) mobile phone services in the Mobile communications business are to be removed upon termination of 2G mobile phone services in March, 2010. These pieces of telecommunications equipment were depreciated under the straight-line method over the period commencing from the acquisition of Vodafone K.K. (currently SOFTBANK MOBILE Corp.) in April 2006 to the termination of 2G services in March, 2010.
In June 2009, a new frequency for the next generation mobile phone services was assigned to SOFTBANK MOBILE Corp. The telecommunications equipment being used for 2G mobile phone services except for the aforementioned equipment was reviewed to determine which pieces would be used for the next generation mobile phone services and which pieces will be removed. For the year ended March 31, 2010, loss on disposals of property and equipment was recorded for the assets to be additionally removed. As the assets to be removed upon termination of 2G services were specified, it became possible to reasonably estimate the removal costs. These removal costs were included in other expenses in the consolidated statement of income for the year ended March 31, 2010.
The loss on disposals of property and equipment of ¥23,012 million consists of ¥16,544 million for equipment removal cost and ¥6,468 million for loss on disposals of telecommunications equipment.
(2) Loss on disposals of property and equipment related to the telecommunications equipment for third-generation mobile phone
SOFTBANK MOBILE Corp. replaced certain pieces of existing wireless network equipment in order to increase efficiency of the future capital expenditures and reduce maintenance costs. As a result, the previously used wireless network equipment for third-generation mobile phone services was retired, and the total carrying amounts of the retired assets and the related removal costs were recorded as other expenses in the consolidated statement of income for the year ended March 31, 2010. The loss on disposals of property and equipment of ¥22,493 million consists of ¥13,726 million for telecommunications equipment, ¥8,689 million for software, and ¥78 million for removal costs.

## 13 Net Income Per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2010 and 2011 is as follows:

| | Millions of yen | Number of shares | Yen |
|---|---|---|---|
| For the year ended March 31, 2010 | Net income | Weighted average shares | EPS |
| Basic EPS | | | |
| Net income available to common shareholders | ¥96,716 | 1,081,990,217 | ¥89.39 |
| Effect of Dilutive Securities | | | |
| Warrants | – | 74,184 | |
| Convertible bonds | 964 | 48,297,825 | |
| Effects of dilutive securities issued by consolidated subsidiaries and affiliated companies under the equity method | (30) | – | |
| Diluted EPS | | | |
| Net income for computation | ¥97,650 | 1,130,362,226 | ¥86.39 |

| | Millions of yen | Number of shares | Yen | Dollars |
|---|---|---|---|---|
| For the year ended March 31, 2011 | Net income | Weighted average shares | EPS | EPS |
| Basic EPS | | | | |
| Net income available to common shareholders | ¥189,713 | 1,082,345,444 | ¥175.28 | $2.11 |
| Effect of Dilutive Securities | | | | |
| Warrants | – | 712 | | |
| Convertible bonds | 964 | 48,296,643 | | |
| Effects of dilutive securities issued by consolidated subsidiaries and affiliated companies under the equity method | (88) | – | | |
| Diluted EPS | | | | |
| Net income for computation | ¥190,589 | 1,130,642,799 | ¥168.57 | $2.03 |

Financial Section

## 14 Supplemental Cash Flow Information

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

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

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) Income taxes paid

Payment for income taxes-corrections of ¥26,451 million ($318,112 thousand) based on the receipt of the correction notice described in "8. Income Taxes" are included in "Income taxes paid" in the consolidated statements of cash flows for the fiscal year ended March 31, 2011.

### (3) Payments for repurchase of minority interests and long-term debt

The Company acquired all class 1 preferred stock-series 1, stock acquisition rights issued by BB Mobile Corp. to Vodafone International Holdings B.V. and all principal and accrued interest of a long-term loan receivable, which was recorded as "Long-term debt" in the Company's consolidated balance sheets, from SOFTBANK MOBILE Corp. to Vodafone Overseas Finance Limited for the total amount of ¥412,500 million ($4,960,914 thousand) during the fiscal year ended March 31, 2011. Of the total amount of the acquisition, the amount paid during the fiscal year ended March 31, 2011 amounting to ¥212,500 million, ($2,555,622 thousand) together with related expenses associated with the acquisition were recorded as "Payments for repurchase of minority interest and long-term debt." The remaining amount of ¥200,000 million ($2,405,292 thousand) is scheduled to be paid in April 2012.

## 15 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 leases for the years ended March 31, 2010 and 2011 were ¥85,102 million and ¥69,024 million ($830,114 thousand), respectively.

As discussed in Note 2 (15), the Group accounts for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date on an "as if capitalized" basis for the years ended March 31, 2010 and 2011 was as follows:

Finance lease assets:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| March 31, | 2010 | 2011 | 2011 |
| Telecommunications equipment and telecommunications service lines | | | |
| Acquisition cost | ¥141,093 | ¥124,132 | $1,492,868 |
| Accumulated depreciation | (67,777) | (73,354) | (882,188) |
| Accumulated impairment loss | (33,232) | (24,744) | (297,582) |
| Net leased property | 40,084 | 26,034 | 313,098 |
| Buildings and structures | | | |
| Acquisition cost | 46,730 | 46,716 | 561,828 |
| Accumulated depreciation | (11,909) | (14,238) | (171,233) |
| Accumulated impairment loss | – | – | – |
| Net leased property | 34,821 | 32,478 | 390,595 |
| Other property and equipment | | | |
| Acquisition cost | 16,114 | 13,073 | 157,222 |
| Accumulated depreciation | (10,224) | (9,860) | (118,581) |
| Accumulated impairment loss | (1,243) | (1,078) | (12,965) |
| Net leased property | 4,647 | 2,135 | 25,676 |
| Software | | | |
| Acquisition cost | 9,070 | 8,597 | 103,392 |
| Accumulated amortization | (6,669) | (8,004) | (96,260) |
| Accumulated impairment loss | (290) | (171) | (2,057) |
| Net leased property | 2,111 | 422 | 5,075 |
| Total | ¥ 81,663 | ¥ 61,069 | $ 734,444 |

Obligations under finance lease:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| March 31, | 2010 | 2011 | 2011 |
| Due within one year | ¥ 26,191 | ¥15,679 | $188,563 |
| Due after one year | 79,432 | 62,845 | 755,803 |
| Total | ¥105,623 | ¥78,524 | $944,366 |

Allowance for impairment loss on leased property as of March 31, 2010 and 2011 was ¥10,776 million and ¥4,530 million ($54,480 thousand), respectively, and was not included in the obligations under finance leases.

Depreciation expense, interest expense and other information under finance leases:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| For the years ended March 31, | 2010 | 2011 | 2011 |
| Depreciation and amortization expense | ¥23,960 | ¥20,990 | $252,435 |
| Interest expense | 8,654 | 6,735 | 80,998 |
| Total | ¥32,614 | ¥27,725 | $333,433 |
| Lease payments | ¥36,752 | ¥30,830 | $370,776 |
| Payment of the lease obligation for impaired leased property | 8,416 | 6,247 | 75,129 |
| Impairment loss | 383 | – | – |

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.

Long-term prepaid expense of ¥25,157 million and ¥26,074 million ($313,578 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 sheets for the years ended March 31, 2010 and 2011, respectively. Current portion of long-term prepaid expenses of ¥670 million and ¥583 million ($7,011 thousand) relating to lease contracts is included in other current assets in the consolidated balance sheets for the years ended March 31, 2010 and 2011, respectively.

The future minimum rental payments under non-cancelable operating leases at March 31, 2010 and 2011 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| March 31, | 2010 | 2011 | 2011 |
| Due within one year | ¥22,494 | ¥21,113 | $253,915 |
| Due after one year | 34,649 | 46,468 | 558,845 |
| Total | ¥57,143 | ¥67,581 | $812,760 |

### (2) Lessor

The Group leases certain property and equipment.

Future lease receivables under non-cancelable operating lease at March 31, 2010 and 2011 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| March 31, | 2010 | 2011 | 2011 |
| Due within one year | ¥ 867 | ¥ 938 | $11,281 |
| Due after one year | 1,006 | 1,234 | 14,841 |
| Total | ¥1,873 | ¥2,172 | $26,122 |

## 16 Financial Instruments and Related Disclosures

In March 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance were applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

### (1) Conditions of financial instruments

(a) Management policy

The Group utilizes diversified financing methods for raising funds through both indirect financing, such as bank loans, and direct financing, such as issuance of bonds and commercial paper and borrowings through securitization, taking market conditions and current/non-current debts ratio into consideration. The Group makes short-term deposits for fund management purposes. The Group also utilizes derivative financial instruments to hedge various risks as described in (b) below and does not enter into derivatives for trading or speculative purposes.

(b) Financial instruments, risks, and risk management

The notes and accounts receivable – trade are exposed to credit risk of customers. To minimize the credit risk, the Group performs due date controls and balance controls for each customer in accordance with internal customer credit management rules, and regularly screens major customers' credit status. For credit risk associated with installment sales receivables of mobile handsets, SOFTBANK MOBILE Corp. screens customers' credit in accordance with internal screening standards for new subscriber contracts as well as referring to an external institution for customers' credit status.

Marketable and investment securities are exposed to stock market fluctuation risk and foreign currency exchange risk. For those risks, the Group is continuously monitoring investees' financial condition, stock market fluctuation, and foreign currency exchange risk. The Group enters into a variable share prepaid forward contract (collar transaction) utilizing its shares of Yahoo! Inc. 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 will be used for the settlement of loans at their maturity.

Maturities of accounts payable – trade and accounts payable – other are mostly within one year. Loan payables with variable interest rate are exposed to interest rate risk, and interest rate swaps are used for certain loan payables in order to hedge this risk. Corporate bonds are mainly issued by the Company. Corporate bonds denominated in foreign currency are exposed to foreign currency exchange risk. Foreign exchange forward contracts are used to hedge this risk. The corporate bonds denominated in foreign currency were early redeemed in the year ended March 31, 2011.

In order to hedge the cash flow fluctuation risk associated with the future market price of underlying securities for sale, interest rate risk associated with financial assets and liabilities, and foreign currency exchange risk associated with assets and liabilities denominated in foreign currencies, derivative transactions such as a collar transaction, interest rate swap transactions, and foreign exchange forward contracts are used.

Hedge accounting is applied for certain derivative transactions. Derivative transactions entered into by the Company are implemented and controlled based on the Company's internal polices and are limited to the extent of actual demand. Balance and fair value of derivative transactions are reported regularly to the board of directors. Consolidated subsidiaries also manage the derivative transactions based on the Company's policies. Please see Note 2 (22) for more detail about derivatives.

(c) Supplemental explanation regarding fair value of financial instruments
Fair value of financial instruments are measured based on the quoted market price, if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments which quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions described in Note 17 does not represent the market risk of the derivative transactions.

### (2) Fair value of financial instruments

The carrying amounts in the consolidated balance sheet, fair value, and its differences as of March 31, 2010 and 2011 are as follows.

In addition, financial instruments, where it is extremely difficult to measure the fair value, are not included. Please see Notes 2. Financial instruments of which the fair value is extremely difficult to measure.

| | | | Millions of yen |
|---|---|---|---|
| March 31, 2010 | Carrying amount | Fair value | Unrealized gain (loss) |
| Cash and cash equivalents | ¥ 687,682 | ¥ 687,682 | ¥ – |
| Notes and accounts receivable – trade | 816,551 | | |
| Allowance for doubtful accounts (Note) | (32,802) | | |
| Notes and accounts receivable – trade, net | 783,749 | 783,749 | – |
| Marketable securities and investment securities | | | |
| Held-to-maturity debt securities | 1,499 | 1,343 | (156) |
| Investments in unconsolidated subsidiaries and affiliated companies | 8,639 | 19,275 | 10,636 |
| Other securities | 148,415 | 148,415 | – |
| Total | 1,629,984 | 1,640,464 | 10,480 |
| Accounts payable – trade | 158,943 | 158,943 | – |
| Short-term borrowings | 208,308 | 208,308 | – |
| Current portion of long-term debt | 284,053 | 284,053 | – |
| Accounts payable – other and accrued expenses | 451,409 | 451,409 | – |
| Income taxes payable | 100,484 | 100,484 | – |
| Current portion of lease obligations | 109,768 | 109,768 | – |
| Long-term debt | 1,730,110 | 1,852,954 | 122,844 |
| Lease obligations | 224,484 | 224,922 | 438 |
| Total | ¥3,267,559 | ¥3,390,841 | ¥123,282 |

| | | | Millions of yen |
|---|---|---|---|
| March 31, 2011 | Carrying amount | Fair value | Unrealized gain (loss) |
| Cash and cash equivalents | ¥ 847,155 | ¥ 847,155 | ¥ – |
| Notes and accounts receivable – trade | 657,774 | | |
| Allowance for doubtful accounts (Note) | (36,064) | | |
| Notes and accounts receivable – trade, net | 621,710 | 621,710 | – |
| Marketable securities and investment securities | | | |
| Held-to-maturity debt securities | 1,588 | 1,487 | (101) |
| Investments in unconsolidated subsidiaries and affiliated companies | 15,938 | 30,947 | 15,009 |
| Other securities | 159,695 | 159,695 | – |
| Total | 1,646,086 | 1,660,994 | 14,908 |
| Accounts payable – trade | 193,645 | 193,645 | – |
| Short-term borrowings | 228,256 | 228,256 | – |
| Commercial paper | 25,000 | 25,000 | – |
| Current portion of long-term debt | 311,195 | 311,195 | – |
| Accounts payable – other and accrued expenses | 561,421 | 561,421 | – |
| Income taxes payable | 115,355 | 115,355 | – |
| Current portion of lease obligations | 131,306 | 131,306 | – |
| Long-term debt | 1,538,350 | 1,686,806 | 148,456 |
| Long-term accounts payable – other | 265,142 | 265,085 | (57) |
| Lease obligations | 199,770 | 203,113 | 3,343 |
| Total | ¥3,569,440 | ¥3,721,182 | ¥151,742 |

| March 31, 2011 | Carrying amount | Fair value | Unrealized gain (loss) |
|---|---|---|---|
| | Thousands of U.S. dollars | | |
| Cash and cash equivalents | $10,188,274 | $10,188,274 | $ – |
| Notes and accounts receivable – trade | 7,910,692 | | |
| Allowance for doubtful accounts (Note) | (433,723) | | |
| Notes and accounts receivable – trade, net | 7,476,969 | 7,476,969 | – |
| Marketable securities and investment securities | | | |
| Held-to-maturity debt securities | 19,098 | 17,883 | (1,215) |
| Investments in unconsolidated subsidiaries and affiliated companies | 191,678 | 372,183 | 180,505 |
| Other securities | 1,920,565 | 1,920,565 | – |
| Total | 19,796,584 | 19,975,874 | 179,290 |
| Accounts payable – trade | 2,328,863 | 2,328,863 | – |
| Short-term borrowings | 2,745,111 | 2,745,111 | – |
| Commercial paper | 300,661 | 300,661 | – |
| Current portion of long-term debt | 3,742,574 | 3,742,574 | – |
| Accounts payable – other and accrued expenses | 6,751,906 | 6,751,906 | – |
| Income taxes payable | 1,387,312 | 1,387,312 | – |
| Current portion of lease obligations | 1,579,146 | 1,579,146 | – |
| Long-term debt | 18,500,902 | 20,286,302 | 1,785,400 |
| Long-term accounts payable – other | 3,188,719 | 3,188,033 | (686) |
| Lease obligations | 2,402,526 | 2,442,730 | 40,204 |
| Total | $42,927,720 | $44,752,638 | $1,824,918 |

(Note) Allowance for doubtful accounts associated with notes and accounts receivable – trade are deducted.

Notes 1. Fair value measurement of financial instruments

Assets:

Cash and cash equivalents

The carrying amount approximates fair value because of the short maturity of these instruments.

Notes and accounts receivable – trade

The carrying amount of installment sales receivables approximates fair value, which is based on the present value of future cash flows through maturity discounted using an estimated credit-risk-adjusted interest rate. The carrying amount of notes and accounts receivable-trade other than installment sales receivables approximates fair value because of the short maturity of these instruments.

Marketable securities and investment securities

The fair value of equity securities equals quoted market price, if available. The fair value of debt securities equals quoted market price or a price provided by financial institutions. The investment securities held by certain subsidiaries in the U.S. which apply ASC 946 are carried at fair value. Marketable and investment securities based on holding purpose are described in Note 4.

Liabilities:

Accounts payable – trade, Commercial paper, Accounts payable – other and accrued expenses, and Income taxes payable

The carrying amount approximates fair value because of the short maturity of these instruments.

Short-term borrowings

The carrying amount approximates fair value because of the short maturity of these instruments.

Current portion of long-term debt

The carrying amount of the current portion of long-term debt approximates fair value since the carrying amount was equivalent to the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity.

Current portion of lease obligations

The carrying amount approximates fair value since the carrying amount was equivalent to the present value of future cash flows discounted using the current interest rate for similar lease contracts of comparable maturities and contract conditions.

Long-term debt

Fair value of long-term debts is based on the price provided by a financial institution or the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity. Fair value of corporate bonds equals the quoted market price or the price provided by a financial institution. For certain corporate bonds denominated in foreign currencies for which foreign exchange forward contracts were used to hedge the foreign currency fluctuations, fair value at March 31, 2010 includes fair value of the derivative financial instrument. The corporate bonds denominated in foreign currency were early redeemed in the year ended March 31, 2011.

Long-term accounts payable – other

Fair value of long-term accounts payable – other is based on the present value of future cash flows discounted using an estimated credit-risk-adjusted interest rate with the consideration for period up to payment date.

Lease obligations

Fair value equals to the present value of future cash flows discounted using the current interest rate for similar lease contracts of comparable maturities and contract conditions.

Derivative Transactions

The information of the fair value for derivatives is included in Note 17.

Notes 2. Financial instruments where the fair value is extremely difficult to measure

| March 31, 2010 | Carrying amount<br>Millions of yen |
|---|---|
| Unlisted investment securities of unconsolidated subsidiaries | ¥140,386 |
| Unlisted equity securities | 68,241 |
| Investments in partnership | 6,827 |
| Total | ¥215,454 |

| | Carrying amount | |
|---|---|---|
| March 31, 2011 | Millions of yen | Thousands of U.S. dollars |
| Unlisted investment securities of unconsolidated subsidiaries | ¥176,108 | $2,117,956 |
| Unlisted equity securities | 55,297 | 665,027 |
| Investments in partnership | 9,580 | 115,213 |
| Total | ¥240,985 | $2,898,196 |

Notes 3. Maturity analysis for financial assets and securities with contractual maturities

| | Millions of yen | | | |
|---|---|---|---|---|
| March 31, 2011 | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Cash and cash equivalents | ¥ 847,155 | ¥ – | ¥ – | ¥ – |
| Notes and accounts receivable – trade | 566,564 | 91,210 | – | – |
| Marketable and investment securities | | | | |
| Held-to-maturity debt securities | | | | |
| (corporate bonds) | 1,100 | – | – | 600 |
| Other securities with maturity date | | | | |
| (corporate bonds) | 117 | 400 | 27,200 | – |
| (other) | – | 109 | – | – |
| Total | ¥1,414,936 | ¥91,719 | ¥27,200 | ¥600 |

| | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| March 31, 2011 | Due in one year or less | Due after one year through five years | Due after five years through ten years | Due after ten years |
| Cash and cash equivalents | $10,188,274 | $ – | $ – | $ – |
| Notes and accounts receivable – trade | 6,813,759 | 1,096,933 | – | – |
| Marketable and investment securities | | | | |
| Held-to-maturity debt securities | | | | |
| (corporate bonds) | 13,229 | – | – | 7,216 |
| Other securities with maturity date | | | | |
| (corporate bonds) | 1,407 | 4,811 | 327,120 | – |
| (other) | – | 1,311 | – | – |
| Total | $17,016,669 | $1,103,055 | $327,120 | $7,216 |

Please see Note 6 for annual maturities of borrowings, corporate bonds, and lease obligations under financial leases, respectively.

## 17 Derivatives

The Group enters into forward contracts to hedge foreign exchange risk associated with certain assets and liabilities, and forecasted transactions denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

These derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

In addition, the Group enters into a 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.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative transactions to which hedge accounting is not applied at March 31, 2010 and 2011

| | | | | Millions of yen |
|---|---|---|---|---|
| March 31, 2010 | Contract amounts | Contract amount due after one year | Fair value (Note) | Unrealized gain (loss) |
| Foreign currency forward contracts | | | | |
| Buying U.S. dollars | ¥81,568 | ¥– | ¥1,358 | ¥1,358 |
| Buying Euro | 657 | – | (34) | (34) |

| | | | | Millions of yen |
|---|---|---|---|---|
| March 31, 2011 | Contract amounts | Contract amount due after one year | Fair value (Note) | Unrealized gain (loss) |
| Foreign currency forward contracts | | | | |
| Buying U.S. dollars | ¥52,792 | ¥– | ¥(218) | ¥(218) |
| Buying U.S. dollars and selling Korean won | 353 | – | 2 | 2 |

| | | | | Thousands of U.S. dollars |
|---|---|---|---|---|
| March 31, 2011 | Contract amounts | Contract amount due after one year | Fair value (Note) | Unrealized gain (loss) |
| Foreign currency forward contracts | | | | |
| Buying U.S. dollars | $634,901 | $– | $(2,622) | $(2,622) |
| Buying U.S. dollars and selling Korean won | 4,245 | – | 24 | 24 |

(Note) Fair value is based on information provided by financial institutions at the end of the fiscal year.

Derivative transactions to which hedge accounting is applied at March 31, 2010 and 2011

| | | Millions of yen | | |
|---|---|---|---|---|
| March 31, 2010 | Hedged item | Contract amounts | Contract amount due after one year | Fair value (Note 1) |
| Foreign currency forward contracts (deferral hedge accounting) | | | | |
| Buying U.S. dollars | Forecasted transactions for expenses denominated in foreign currencies | ¥ 844 | ¥ – | ¥ 44 |
| Buying Euro | Forecasted transactions for expenses denominated in foreign currencies | 13 | – | 0 |
| Foreign currency forward contracts (alternative method) (Note 2) | | | | |
| Buying U.S. dollars | Account payable-trade and other | 545 | – | (Note 2) |
| Buying Euro | Account payable-trade, and corporate bonds | 49,121 | 47,808 | (Note 2) |
| Interest rate swaps (deferral hedge accounting) | | | | |
| Receiving floating rate and paying fix rate | Interest for loan | 15,000 | 10,000 | (260) |
| Collar transaction (deferral hedge accounting) | | | | |
| A variable share prepaid forward contract consisting of a purchased put option and a sold call option | Equity securities | 105,697 | 105,697 | 25,918 |

| | | Millions of yen | | |
|---|---|---|---|---|
| March 31, 2011 | Hedged item | Contract amounts | Contract amount due after one year | Fair value (Note 1) |
| Foreign currency forward contracts (deferral hedge accounting) | | | | |
| Buying U.S. dollars | Forecasted transactions for expenses denominated in foreign currencies | ¥ 206 | ¥ – | ¥ (4) |
| Buying Euro | Forecasted transactions for expenses denominated in foreign currencies | 1,182 | – | (2) |
| Interest rate swaps (deferral hedge accounting) | | | | |
| Receiving floating rate and paying fix rate | Interest for loan | 104,000 | 99,000 | (1,419) |
| Collar transaction (deferral hedge accounting) | | | | |
| A variable share prepaid forward contract consisting of a purchased put option and a sold call option | Equity securities | 94,462 | – | 22,281 |

| | | Thousands of U.S. dollars | | |
|---|---|---|---|---|
| March 31, 2011 | Hedged item | Contract amounts | Contract amount due after one year | Fair value (Note 1) |
| Foreign currency forward contracts (deferral hedge accounting) | | | | |
| Buying U.S. dollars | Forecasted transactions for expenses denominated in foreign currencies | $ 2,477 | $ – | $ (48) |
| Buying Euro | Forecasted transactions for expenses denominated in foreign currencies | 14,215 | – | (24) |
| Interest rate swaps (deferral hedge accounting) | | | | |
| Receiving floating rate and paying fix rate | Interest for loan | 1,250,752 | 1,190,619 | (17,066) |
| Collar transaction (deferral hedge accounting) | | | | |
| A variable share prepaid forward contract consisting of a purchased put option and a sold call option | Equity securities | 1,136,043 | – | 267,962 |

(Notes) 1. Fair value is based on information provided by financial institutions at the end of the fiscal year.
2. Certain accounts payable – trade, accounts payable – other and corporate bonds denominated in foreign currencies for which foreign exchange forward contracts were used to hedge the foreign currency fluctuation were translated at the contracted rate, if the forward contracts qualify for hedge accounting. Fair value of derivative financial instrument for those foreign monetary obligations is included in fair value of each account in Note 16.

## 18 Commitments and Contingent Liabilities

Certain subsidiaries have line of credit contracts mainly with credit-card holders. On demand from those card holders, these subsidiaries are required to make loans to them. As of March 31, 2011, ¥15,895 million ($191,161 thousand) remains as unused lines of credit.

In the fiscal year ended March 31, 2011, the Company entered into a sponsor agreement with WILLCOM, Inc. Under the agreement, the Company agrees to provide financial support to WILLCOM, Inc. necessary for its business operation and the execution of its rehabilitation plan until it completes the payments of its reorganization claims and reorganization security interests under the rehabilitation plan which amount to ¥41,000 million ($493,085 thousand) in total.

## 19 Related Party Disclosures

Transactions of the Company with Son Assets Management, LLC.; a director of the Company; directors of the Company's significant subsidiaries; and a company whose majority shares were owned by a close relative of one of the Company's directors for the years ended March 31, 2010 and 2011 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| March 31, | 2010 | 2011 | 2011 |
| (Son Assets Management, LLC.) (Note) | | | |
| Temporary advance for expenses on behalf of Son Assets Management, LLC. | ¥236 | ¥220 | $2,646 |
| Office facility usage | 45 | 47 | 565 |
| Office deposits returned | – | 16 | 192 |
| (Director of the Company and directors of the Company's significant subsidiaries) | | | |
| Exercise of stock options | 972 | 41 | 493 |
| (A company whose majority shares were owned by a close relative of one of the Company's directors) | | | |
| Capital contributions | 70 | – | – |

(Note) Son Assets Management, LLC. leases office space from the Company.

The balances due to or from Son Assets Management, LLC. at March 31, 2010 and 2011 were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| March 31, | 2010 | 2011 | 2011 |
| Other current assets | ¥ 27 | ¥ 24 | $ 289 |
| Deposit received included in long term liabilities – other liabilities | 193 | 178 | 2,141 |

## 20 Significant Subsequent Events

### Appropriation of retained earnings

The following appropriation of retained earnings at March 31, 2011 was approved at the shareholders' meeting held on June 24, 2011:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| March 31, | 2011 | 2011 |
| Year-end cash dividends, ¥5.00 ($0.06) | ¥5,412 | $65,087 |

## 21 Segment Information

In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required. Since the effect of this change is not material, the segment information previously disclosed for the year ended March 31, 2010 under the previous accounting standard is not disclosed.

### (1) Description of reportable segments

The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Company as a pure holding company assigns core operating companies to primary businesses. The core operating companies develop comprehensive business strategies for the products and services and perform business activities.

Accordingly, the Company's segments are separated based on the products and services provided by the core operating companies, and 4 segments, "Mobile Communications," "Broadband Infrastructure," "Fixed-line Telecommunications," and "Internet Culture" are treated as reportable segments.

"Mobile Communications" business provides mobile communication services and sale of mobile phones accompanying the services. "Broadband Infrastructure" business provides high-speed Internet connection service, IP telephony service, and contents. "Fixed-line Telecommunications" business provides fixed-line telecommunication services. "Internet Culture" business provides Internet-based advertising operations, e-commerce site operations such as *Yahoo! Auctions* and *Yahoo! Shopping*.

### (2) Methods of measurement for the amounts of sales, profit, and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."

Segment profit is based on operating income. The same or similar general business conditions are applied to "Sales to external customers" and "Intersegment sales or transfers." Assets are not allocated in the reportable segments.

## (3) Information about sales, profit, and other items is as follows

Millions of yen

| For the year ended March 31, 2010 | Reportable segments | | | | | Other | Total | Reconciliations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| | Mobile Communications | Broadband Infrastructure | Fixed-line Telecommunications | Internet Culture | Subtotal | | | | |
| Sales | | | | | | | | | |
| Sales to external customers | ¥1,692,326 | ¥198,262 | ¥304,183 | ¥265,938 | ¥2,460,709 | ¥302,697 | ¥2,763,406 | ¥ – | ¥2,763,406 |
| Intersegment sales or transfers | 9,088 | 3,866 | 44,509 | 4,817 | 62,280 | 29,153 | 91,433 | (91,433) | – |
| Total | 1,701,414 | 202,128 | 348,692 | 270,755 | 2,522,989 | 331,850 | 2,854,839 | (91,433) | 2,763,406 |
| Segment profit | ¥ 260,895 | ¥ 48,400 | ¥ 23,065 | ¥136,586 | ¥ 468,946 | ¥ 5,879 | ¥ 474,825 | ¥ (8,954) | ¥ 465,871 |
| Others: | | | | | | | | | |
| Depreciation and amortization | ¥ 176,337 | ¥ 17,024 | ¥ 35,293 | ¥ 9,864 | ¥ 238,518 | ¥ 4,667 | ¥ 243,185 | ¥ 759 | ¥ 243,944 |

Millions of yen

| For the year ended March 31, 2011 | Reportable segments | | | | | Other | Total | Reconciliations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| | Mobile Communications | Broadband Infrastructure | Fixed-line Telecommunications | Internet Culture | Subtotal | | | | |
| Sales | | | | | | | | | |
| Sales to external customers | ¥1,936,093 | ¥183,071 | ¥297,090 | ¥279,233 | ¥2,695,487 | ¥309,153 | ¥3,004,640 | ¥ – | ¥3,004,640 |
| Intersegment sales or transfers | 8,458 | 6,984 | 59,472 | 4,383 | 79,297 | 34,482 | 113,779 | (113,779) | – |
| Total | 1,944,551 | 190,055 | 356,562 | 283,616 | 2,774,784 | 343,635 | 3,118,419 | (113,779) | 3,004,640 |
| Segment profit | ¥ 402,412 | ¥ 43,154 | ¥ 38,006 | ¥150,306 | ¥ 633,878 | ¥ 7,092 | ¥ 640,970 | ¥ (11,807) | ¥ 629,163 |
| Others: | | | | | | | | | |
| Depreciation and amortization | ¥ 156,993 | ¥ 15,841 | ¥ 36,634 | ¥ 9,423 | ¥ 218,891 | ¥ 4,834 | ¥ 223,725 | ¥ 1,212 | ¥ 224,937 |
| Amortization of goodwill | 51,428 | 1,561 | 7,283 | 1,817 | 62,089 | 599 | 62,688 | – | 62,688 |
| Goodwill at March 31, 2011 | 775,700 | 3,120 | 35,204 | 21,515 | 835,539 | 3,699 | 839,238 | – | 839,238 |

Thousands of U.S. dollars

| For the year ended March 31, 2011 | Reportable segments | | | | | Other | Total | Reconciliations | Consolidated |
|---|---|---|---|---|---|---|---|---|---|
| | Mobile Communications | Broadband Infrastructure | Fixed-line Telecommunications | Internet Culture | Subtotal | | | | |
| Sales | | | | | | | | | |
| Sales to external customers | $23,284,342 | $2,201,696 | $3,572,940 | $3,358,184 | $32,417,162 | $3,718,015 | $36,135,177 | $ – | $36,135,177 |
| Intersegment sales or transfers | 101,719 | 83,993 | 715,238 | 52,712 | 953,662 | 414,696 | 1,368,358 | (1,368,358) | – |
| Total | 23,386,061 | 2,285,689 | 4,288,178 | 3,410,896 | 33,370,824 | 4,132,711 | 37,503,535 | (1,368,358) | 36,135,177 |
| Segment profit | $ 4,839,591 | $ 518,990 | $ 457,078 | $1,807,649 | $ 7,623,308 | $ 85,291 | $ 7,708,599 | $ (141,996) | $ 7,566,603 |
| Others: | | | | | | | | | |
| Depreciation and amortization | $ 1,888,070 | $ 190,511 | $ 440,577 | $ 113,325 | $ 2,632,483 | $ 58,136 | $ 2,690,619 | $ 14,576 | $ 2,705,195 |
| Amortization of goodwill | 618,497 | 18,773 | 87,589 | 21,852 | 746,711 | 7,204 | 753,915 | – | 753,915 |
| Goodwill at March 31, 2011 | 9,328,924 | 37,523 | 423,379 | 258,749 | 10,048,575 | 44,486 | 10,093,061 | – | 10,093,061 |

Deloitte.

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To the Board of Directors of SOFTBANK CORP.:

We have audited the accompanying consolidated balance sheets of SOFTBANK CORP. and consolidated subsidiaries (the "Company") as of March 31, 2011 and 2010, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SOFTBANK CORP. and consolidated subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits 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.

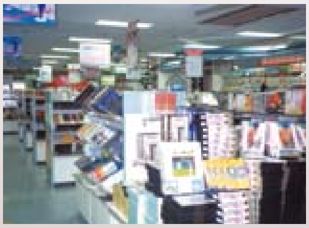
Deloitte Touche Tohmatsu LLC.

June 24, 2011

Member of
**Deloitte Touche Tohmatsu**

# The SOFTBANK Group's History

## 1980s–



**1981**

Mass appliance retailer display of PC software.


**1982**

Covers of monthly magazines *Oh! PC* and *Oh! MZ*.

## 1990s–

**1995**

Masayoshi Son speech at the COMDEX PC fair.

## Establishment

(Distribution and publishing of bundled software for PCs)

### 1981.09

SOFTBANK Corp. Japan (Yombancho, Chiyoda-ku, Tokyo) established. Commenced operations as a distributor of packaged software.

### 1982.05

Entered publishing business, launching *Oh! PC* and *Oh! MZ*, monthly magazines introducing PCs and software by manufacturer.

### SOFTBANK in the 1980s

SOFTBANK saw that the shared use of large mainframe computers by multiple users would shift to the individual use of PCs and predicted that the digital information revolution would initially start with PCs. It launched a software distribution business to intermediate between PC software production companies and software vendors. The next area SOFTBANK entered was PC-related publishing operations. It published magazines introducing PCs and software by individual manufacturers. This helped to popularize PCs and promote software distribution. Today, SOFTBANK BB conducts the SOFTBANK Group's distribution operations and has grown into Japan's largest IT-related distributor in terms of the number of product items handled.

## Strategic investment in Internet-related companies in the U.S.

### 1990.07

Changed trade name to SOFTBANK CORP.

### 1994.03

Established SOFTBANK Holdings Inc. in the U.S. to gather information on U.S. Internet-related companies with a view to strategic investment.

### 1994.07

Registered with Japan Securities Dealers Association.

### 1994.12

Acquired events division from Ziff Communications Company of the U.S through SOFTBANK Holdings Inc.

### 1995.04

Invested in Technology Events Division of the Interface Group in the U.S., which was operating COMDEX, the world largest PC fair.

1996

Screenshot of the first-generation homepage of *Yahoo! JAPAN*.

1996

Masayoshi Son with Ziff-Davis Publishing Company CEO Eric Hippeau.

# Identification of Yahoo! Inc. in the U.S. as a potential investment and rapid growth of Yahoo Japan Corporation

**1996.01**
Established Yahoo Japan Corporation through joint investment with Yahoo Inc. in the U.S.

**1996.02**
Acquired Ziff-Davis Publishing Company, U.S. publisher of *PC WEEK* magazine, provider of leading-edge information on the PC industry, through SOFTBANK Holdings Inc.

**1996.04**
Acquired additional shares of Yahoo! Inc. through SOFTBANK Holdings Inc. and became its primary shareholder.*1

**1996.06**
Formed a partnership with The News Corporation Limited, an Australian company, in JSkyB (currently SKY PerfecTV!), a digital satellite broadcasting business.*2

**1997.11**
Yahoo Japan registered with Jasdaq Securities Exchange (currently Osaka Securities Exchange JASDAQ (Standard))*3

**1998.01**
SOFTBANK CORP. listed on the First Section of Tokyo Stock Exchange.

**1998.06**
Established E*TRADE Japan KK with joint investment from E*TRADE Group, Inc. in the U.S. (currently E*TRADE Financial Corporation).*4

**1999.10**
Converted to pure holding company.

*1 As of March 31, 2011, the Company holds 4.0% of Yahoo! Inc.'s voting rights.
*2 In 1998, Japan SKY Broadcasting Co., Ltd. merged with Japan Digital Broadcast Service Co., Ltd. (currently SKY Perfect JSAT Corporation).
*3 Yahoo Japan Corporation was listed on the First Section of the Tokyo Stock Exchange in October 2003 and on the JASDAQ market in February 2007.
*4 E*TRADE Japan KK merged with SOFTBANK INVESTMENT CORPORATION (currently SBI Holdings Inc.) in June 2003.

## SOFTBANK in the 1990s

Anticipating that the information revolution would be accelerated by PCs being connected to one another over the Internet. SOFTBANK's next priority was thus to quickly identify and develop promising Internet-related firms that were expected to grow in step with those revolutionary changes. One major project was SOFTBANK's investment in Yahoo! Inc. of the U.S., and the establishment of its Japanese subsidiary Yahoo Japan Corporation as a joint venture with Yahoo! Inc. Today, Yahoo Japan is the core company of SOFTBANK's Internet Culture segment. Yahoo Japan operates the *Yahoo! JAPAN* portal, which boasts Japan's largest number of page views.

# 2000s–

2001

Press conference regarding *Yahoo! BB*.

2004

Press conference for the acquisition of JAPAN TELECOM.

## Start of broadband infrastructure business

## Entry into the fixed-line telecommunications business

### 2001.09

Commercial launch of *Yahoo! BB* comprehensive broadband service.

### 2002.04

Launched commercial IP telephony service *BB Phone*.

### 2004.07

Acquired shares of JAPAN TELECOM CO., LTD (currently SOFTBANK TELECOM Corp.), converted company to subsidiary, and entered fixed-line telecommunications business.

### 2004.12

Commercial launch of *OTOKU Line* direct connection fixed-line voice service.

### 2005.01

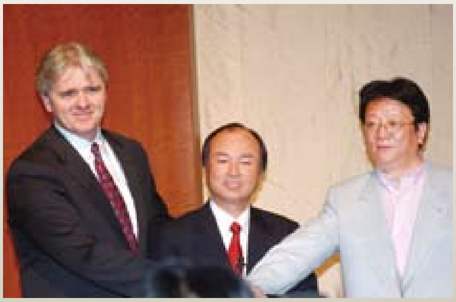
Acquired shares of Fukuoka Daiei Hawks (currently Fukuoka SOFTBANK HAWKS) and converted company to subsidiary.

### 2005.08

Basic agreement reached with Alibaba.com Corporation (currently Alibaba Group Holding Limited), and Yahoo! Inc. to establish a strategic partnership in China.

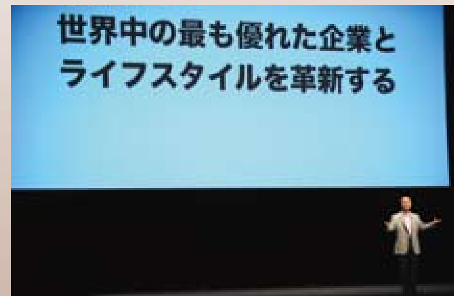
### SOFTBANK in the First Half of the 2000s

SOFTBANK saw that broadband services would further accelerate the information revolution. Japan's existing telecom operators at the time could not be expected to rapidly increase the penetration of broadband services. For this reason, SOFTBANK used IP technology to construct a leading-edge backbone network, and began offering broadband services using DSL technology. Today, SOFTBANK BB, the Broadband Infrastructure segment's core company, provides one of Japan's largest ADSL services called the *Yahoo! BB* comprehensive broadband Internet service.



2006

Press conference for the acquisition of Vodafone K.K.




2010

"SOFTBANK's Next 30-Year Vision" announced.

# Entry into the mobile communications business

**2006.04**

Acquired shares of Vodafone K.K. (currently SOFTBANK MOBILE) through public tender offer, converted company to subsidiary, thereby entering the mobile communications business.

**2006.05**

Launched first AQUOS mobile phone, SoftBank 905SH.

**2006.09**

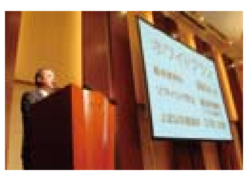
Launched installment sales of handsets (*Super Bonus*).*

**2006.10**

Change of company names from Vodafone K.K. to SOFTBANK MOBILE, and from JAPAN TELECOM to SOFTBANK TELECOM.

**2007.01**

Announced *White Plan*, a new price plan for mobile communications services.



**2008.07**

Released iPhone 3G.

**2010.05**

Released iPad.

**2010.06**

Unveiled "SOFTBANK's Next 30-Year Vision."

*For new price plans such as *White Plan,* the *New Super Bonus* is currently available.

## SOFTBANK in the Second Half of the 2000s

Realizing early that the center of gravity of the information revolution would shift from PCs to mobile devices, SOFTBANK focused on entry into the mobile communications business. In 2006, SOFTBANK entered the mobile communications business by acquiring Vodafone K.K., the Vodafone Group's Japanese arm. Following the acquisition, SOFTBANK MOBILE made "Four Key Challenges"—(1) Network Enhancement; (2) Handset Enhancement; (3) Mobile Content Enhancement; and (4) Sales Structure and Branding Enhancement. In the early phase following entry into this market, the Group had to struggle against tough competition. But by executing bold strategies one after another, the Group succeeded in turning the tide. The cumulative number of subscribers has increased 70% to reach 25.41 million in the five years since the Group entered the business.

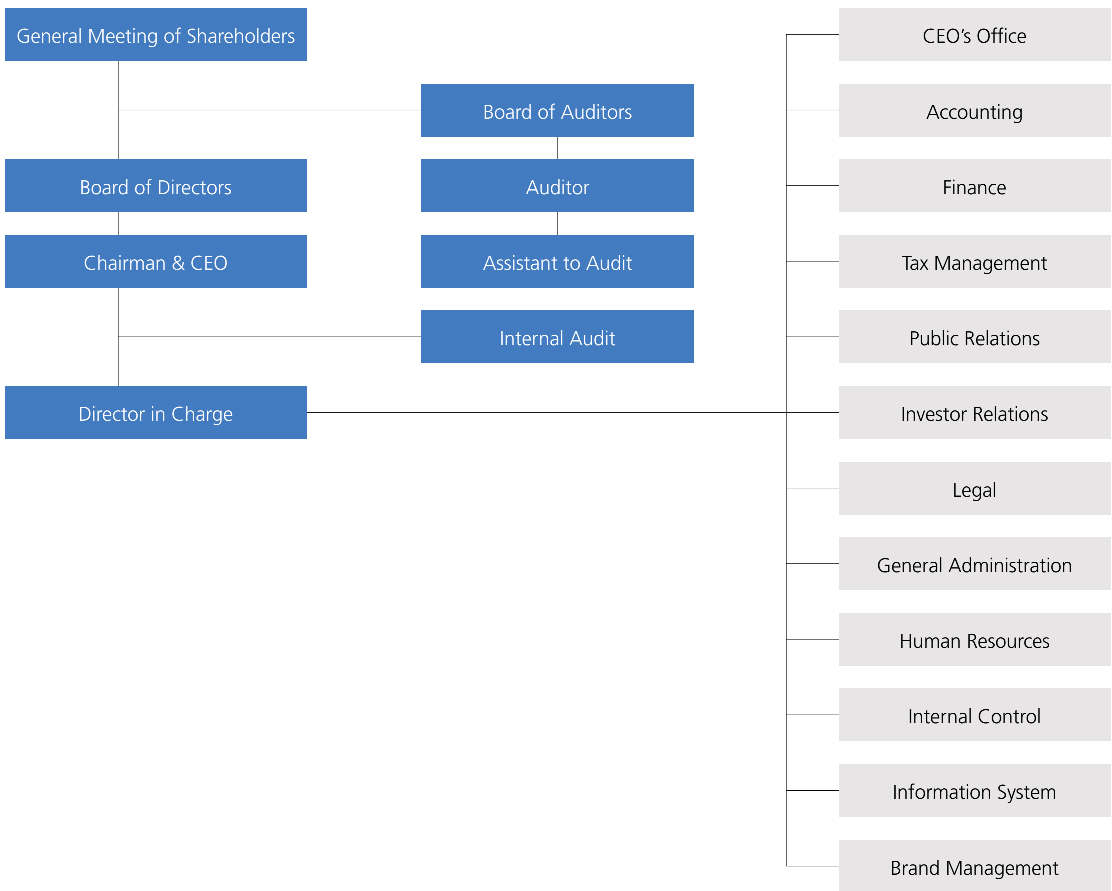
# Corporate Information

## Corporate Data

As of March 31, 2011

| | |
|---|---|
| Corporate name | SOFTBANK CORP. |
| Founded | September 3, 1981 |
| Corporate headquarters | 1-9-1 Higashi-shimbashi, Minato-ku, Tokyo 105-7303 |
| Telephone number | +81-3-6889-2000 |
| Representative | Masayoshi Son, Chairman & CEO |
| Paid-in capital | 188,775,349,529 yen |
| Consolidated subsidiaries | 117 (of which, 65 are overseas) |
| Equity method affiliates | 73 (of which, 54 are overseas) |
| Number of employees | 151 (consolidated basis: 21,799) |
| Main business | Pure holding company |
| Accounting auditor | Deloitte Touche Tohmatsu |

## Organizational Structure

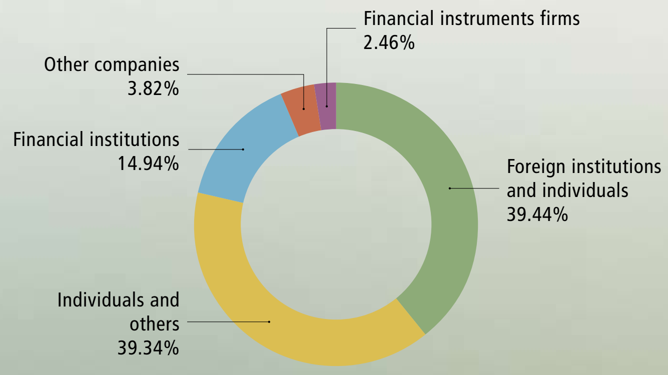


## Stock Information

As of March 31, 2011

| | |
|---|---|
| Shareholder registrar | Mitsubishi UFJ Trust and Banking Corporation |
| Stock exchange registration | Tokyo Stock Exchange, First Section |
| Stock code | 9984 |
| Number of shares | |
| Shares authorized | 3,600,000,000 shares |
| Shares issued (including 180,503 of treasury stock) | 1,082,530,408 shares |
| Number of shareholders | 257,570 |

### Distribution of Ownership Among Shareholders




(Note) Treasury stock is included in "Individuals and others."

## Principal Shareholders

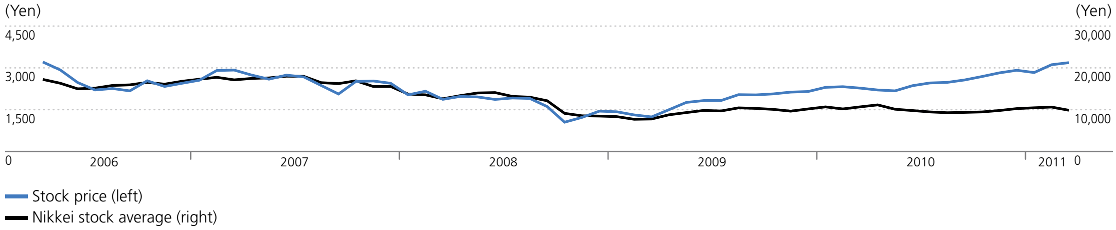
| Name | Number of Shares Held (Thousands) | Percentage of Total Shares Issued (%) |
|---|---|---|
| Masayoshi Son | 231,614 | 21.40 |
| Japan Trustee Services Bank, Ltd. | 89,833 | 8.30 |
| JP Morgan Chase Bank 380055 | 65,886 | 6.09 |
| State Street Bank and Trust Company | 52,632 | 4.86 |
| The Master Trust Bank of Japan, Ltd. | 40,157 | 3.71 |
| Trust & Custody Services Bank, Ltd. | 18,739 | 1.73 |
| SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS | 17,204 | 1.59 |
| THE CHASE MANHATTAN BANK 385036 | 16,085 | 1.49 |
| JPMorgan Securities Japan Co., Ltd. | 11,141 | 1.03 |
| MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION | 9,678 | 0.89 |
| Top 10 shareholders | 552,972 | 51.09 |

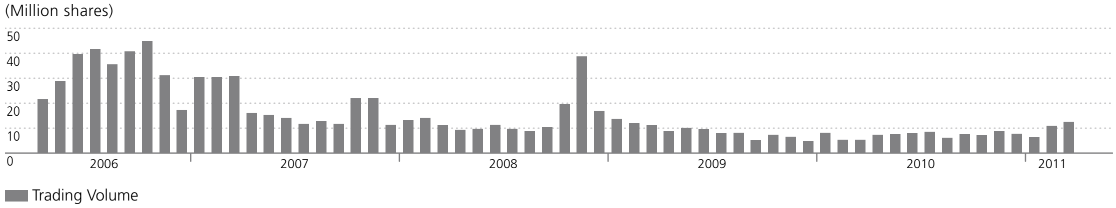
Notes: 1. The above table includes shares held as part of trust operations as follows:

| | |
|---|---|
| Japan Trustee Services Bank, Ltd. | 89,833 thousand shares |
| The Master Trust Bank of Japan, Ltd. | 40,157 thousand shares |
| Trust & Custody Services Bank, Ltd. | 18,739 thousand shares |

2. Company names are abbreviated.

## Stock Price and Trading Volume




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

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