

SOFTBANK CORP.
CONSOLIDATED FINANCIAL REPORT
For the three-month period ended June 30, 2006

Tokyo, August 8, 2006

FINANCIAL HIGHLIGHTS

1. Results of Operations

(Millions of yen; amounts less than one million yen are omitted.)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
	Amount	%	Amount	%	Amount	%	Amount	%
Three-month period ended June 30, 2006	¥494,231	91.1	¥54,357	-	¥25,994	-	¥1,418	-
Three-month period ended June 30, 2005	¥258,637	75.6	¥(3,190)	-	¥(13,017)	-	¥(11,153)	-
Fiscal year ended March 31, 2006	¥1,108,665	-	¥62,299	-	¥27,492	-	¥57,550	-

	Net income (loss) per share— primary (yen)	Net income per share— diluted (yen)
Three-month period ended June 30, 2006	¥1.34	¥0.81
Three-month period ended June 30, 2005	¥(31.73)	-
Fiscal year ended March 31, 2006	¥54.36	¥50.71

Notes: Percentage changes for net sales, operating income (loss), ordinary income (loss) and net income (loss) are compared with the corresponding period of the previous fiscal year.

2. Financial Condition

(Millions of yen; amounts less than one million yen are omitted.)

	Total assets	Net asset	Equity ratio (%)	Net asset per share (yen)
As of June 30, 2006	¥4,031,003	¥646,190	5.8	¥222.90
As of June 30, 2005	¥1,620,882	¥244,588	10.3	¥476.15
As of March 31, 2006	¥1,808,398	¥347,263	13.4	¥229.88

3. Cash Flows

(Millions of yen; amounts less than one million yen are omitted.)

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at the end of the period
Three-month period ended June 30, 2006	¥64,675	¥(1,965,832)	¥1,743,429	¥285,214
Three-month period ended June 30, 2005	¥(18,213)	¥(28,703)	¥12,925	¥287,211
Fiscal year ended March 31, 2006	¥57,806	¥27,852	¥30,078	¥446,694

4. Scope of Consolidation at June 30, 2006

Consolidated subsidiaries:	122
Equity-method non-consolidated subsidiaries:	3
Equity-method affiliates:	65

5. Changes in Scope of Consolidation (Comparing with March 31, 2006)

Consolidated subsidiaries:	
Newly added:	11
Excluded:	42
Equity-method non-consolidated subsidiaries and affiliates:	
Newly added:	1
Excluded:	20

Management Policies

1. Fundamental Management Policies

Since its establishment, SOFTBANK CORP. (hereafter "the Company") and the SOFTBANK Group (hereafter "the Group") have followed the core management 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." The Group is working to facilitate the realization of the true ubiquitous society, where broadband will enable anyone to access all kinds of information at any time and anywhere.

In accordance with this management philosophy, the Group established Yahoo Japan Corporation (hereafter "Yahoo Japan") in 1996 and has worked to increase the penetration of commercial Internet services in Japan. In addition, the Group started *Yahoo! BB ADSL* comprehensive broadband service in 2001 and has been a driving force in the development of Japan's broadband environment, one of the most advanced in the world. In April 2006, the Company acquired Vodafone K.K., making a rapid entry into the mobile communications business and, at the same time, significantly advancing the Group toward the realization of the true ubiquitous society.

Through innovative operational developments, the Group opened up new markets and, at the same time, it established dominant No. 1 positions in those markets. In the mobile communications market, which the Group has newly entered, the Group will aggressively introduce new handsets and new services and will expand a lineup of appealing content, centered on *Yahoo! JAPAN*. Thus, the Group will directly expand the scale of the market and at the same time accelerate the growth of the Group as a whole.

In consumer businesses, the Group will strive to rapidly build a seamless broadband infrastructure that links *Yahoo! BB* and mobile communications. In this way, the Group will target the realization of a society in which an ubiquitous environment makes it possible to enjoy the range of innovative content that has already been developed for deployment over fixed-line broadband. The Group will also enhance the provision of appealing content that utilizes the advantages of broadband, such as the *Yahoo! Streaming*, a video portal site.

In corporate businesses, JAPAN TELECOM CO., LTD., (hereafter "JAPAN TELECOM") which is in charge of the Group's corporate services, has focused on provision of ICT*¹ solution services. In July 2006, the Group integrated the mobile solutions know-how of Vodafone K.K.'s corporate sales division into JAPAN TELECOM. The Group will strive to improve customer satisfactions by accurately meeting diverse business needs in both fixed-line and mobile voice and data communications.

In May 2006, the Group agreed on a strategic alliance, including the establishment of a joint venture for the purpose of global rollout of broadband content and others, with Vodafone Group PLC (hereafter "Vodafone PLC"), a mobile operator with one of the world's largest customer bases. The Group will position this joint venture as a foothold for the extension to markets around the world of new business models for the broadband era that was established in Japan, a broadband advanced country.

As a comprehensive digital information company that is making all people's lifestyles and business styles more affluent and enjoyable, the Group aims to be the global No. 1 corporate group in the broadband era.

On May 10, 2006, the Financial Services Agency (FSA) ordered the Company's independent auditors, ChuoAoyama PricewaterhouseCoopers (hereafter "ChuoAoyama"), to suspend operations for two months, from July 1 to August 31, 2006. As a result, as of July 1, 2006, ChuoAoyama lost their certification as the Company's auditor. To provide for independent auditors over the period of ChuoAoyama's suspension, the Company contracted with Deloitte Touch Tohmatsu to serve as temporary independent auditors at the board of auditors meeting held on July 3, 2006. At the ordinary general meeting of shareholders scheduled for June 2007, the Company plans to appoint Deloitte Touch Tohmatsu as independent auditors.

*1. ICT: Information & Communications Technology

2. Medium-and-Long-Term Strategies

As a comprehensive digital information company in the ubiquitous society, the Group aims to achieve FMC*² through broadband and to seamlessly develop a range of broadband content over that infrastructure. In this way, the Group's medium-and-long-term strategies target the maximization of Group revenues and enterprise value through the establishment of unique business models for the broadband era that will generate long-term, stable income from its infrastructure businesses, increasing returns from its portal businesses, and diversified sources of profit from its content businesses.

*2. FMC: Fixed Mobile Convergence

(1) Expanding broadband content

The Group is targeting further expansion of the content available on the broadband infrastructure. The elimination of areas with no broadband service is an objective of the Ministry of Internal Affairs and Communications' Next-Generation Broadband Strategy 2010 (Draft). Along with the growth in the household penetration rate of fixed-line broadband access services, the realization of broadband circumstances in mobile communications is also expected. The Group believes that the provision of video and a wide range of other attractive broadband content will be important in the years ahead. In addition to substantially improving the services and content available under the Group's brand, including *Yahoo! JAPAN*, the Group will strive to expand broadband content through alliances with leading content providers in Japan and overseas.

(2) Rapidly establishing ubiquitous, seamless broadband infrastructure

To realize an ubiquitous, seamless broadband environment, the Group aims to provide a comprehensive range of telecommunications modes. In fixed-line broadband infrastructure, the Group's *Yahoo! BB ADSL* service has driven the popularization of broadband in Japan. The Group is working to achieve further increases in the speed of ADSL service through technical innovation, and at the same time the Group is engaged in R&D targeting the commercialization of new technologies, such as FTTR*³. In the mobile communications business, the Group made a full-scale entry into the mobile phone market in April 2006 with the acquisition of Vodafone K.K. Targeting the use of broadband and rich content in mobile communications, the Group aims to achieve FMC at an early stage through utilization of next-generation high-speed mobile communications services and Group wireless LAN networks.

*3. Fiber To The Remote terminal: From NTT central offices to equipments located near the user's premises, transmission is handled over fiberoptic technology, like that used with FTTH. From the nearby transmission equipment, which is installed on such structures as telephone poles, to the user, transmission is handled over metal wire technology, like that used with ADSL.

(3) Providing broadband content developed in-house to customers around the world

The Group aims to be the No. 1 broadband content group in Japan, which has the fixed-line broadband infrastructure with the lowest cost and highest speed in the world. The Group's strategy is to promote this broadband content in countries around the world.

Following the acquisition of Vodafone K.K., in May 2006, the Group agreed on a strategic alliance with Vodafone PLC, a mobile operator with one of the largest customer bases in the world. This alliance will include the establishment of a joint venture that will target global promotions of broadband content. As the first step, the Group will use this joint venture to extend the unique broadband business model developed by the Group and expand profit opportunities on a global basis.

3. Important Management Issues

(1) Taking steps in response to mobile number portability*⁴

The mobile phone market is expected to undergo intensified competition among operators with the introduction of mobile number portability this fall. From October 2006, the Group plans to change the brand name of its mobile phone business from *Vodafone* to *SOFTBANK*. At the introduction of mobile number portability, the Group will aim to acquire new customers by improving customer satisfactions, and to that end the Group is currently addressing to the following four initiatives.

1. 3G*⁵ Network Enhancement

The Group will enhance the network to eliminate areas in which it is difficult to receive 3G mobile phone signals. Within the current fiscal year, the Group's objective is to increase the number of 3G base stations to 46,000. As of the end of June 2006, the number of 3G base stations was 22,771, and the Group will further reinforce its efforts to increase the number of base stations.

2. 3G Handset Enrichment

The Group will enhance its lineup of 3G handsets that are optimal for Japan's market. In the first quarter, the Group released five 3G handset models, including the Sharp 905SH, which can receive one-segment*⁶ digital terrestrial TV broadcasts.

3. Enhancement of Content for Mobile Platforms

The Group will take steps to expand content for mobile platforms, such as tie-ups with *Yahoo! JAPAN*. In the first quarter, the Group has started to offer services in advance for *Disney Mobile Comics*, an electronic comics service, and *Cars 3D Game*, Disney's first Bluetooth-enabled*⁷ multiplayer 3D racing game. Accompanying a brand change in Vodafone K.K.'s mobile phone business, the *Vodafone Live!* mobile portal site will be renamed *Yahoo! Mobile*. In the future, new handsets will have *Yahoo! Keitai Button* that offers easy, one-touch access to the *Yahoo! Mobile* site, enabling customers to conveniently enjoy the abundant content of the SOFTBANK Group, including *Yahoo! JAPAN*.

4. Enhancement of Sales Structure

In addition to sales bases centered on existing Vodafone shops, the Group will strengthen handling of Vodafone products, such as through mass electronics retailers, one of the Group's powerful sales channels. Moreover, the Group has taken steps to strengthen the corporate sales organization, such as merging Vodafone's corporate sales department into JAPAN TELECOM in July 2006.

- *4. A system that allows mobile phone users to switch to another mobile phone company without changing their mobile phone number
- *5. Third-generation mobile phone
- *6. Digital terrestrial TV broadcasts for mobile devices
- *7. A short-distance wireless transmission standard

(2) Rapidly creating group synergies

With the completion of its acquisition, Vodafone K.K. has become a new member of the Group from the current fiscal year. The Group will work to build a group system that can move as rapidly as possible to create new synergies among Vodafone K.K. and Group companies. Anticipated synergies with JAPAN TELECOM, which offers fixed-line telecommunications services; BB TECHNOLOGY Corp., which offers broadband operations; and Yahoo Japan, which conducts Internet operations, include the following:

1. Cost reduction synergies from network integration
2. Cost reduction synergies from organizational integration and increased efficiency
3. Marketing synergies from expansion of customer bases and sales channels
4. Synergies in content services, such as *Yahoo! JAPAN*

(3) Becoming a comprehensive digital information company

As a corporate group of the Internet-based businesses, the Group will not limit itself to its existing role as a comprehensive communications carrier. Rather, the Group will further enhance its broadband content, centered on video, such as the *Yahoo! Streaming* video portal site. As a comprehensive digital information company in the broadband era, the Group will work to develop innovative services in infrastructure, portals, and content and strive to clearly differentiate itself from competitors.

(4) Broadband infrastructure initiatives

In Japan, FTTH access service is rapidly penetrating. As a result, the net increase in the number of customers for the Group's *Yahoo! BB ADSL* comprehensive broadband service remains at a low level, while the churn rate is increasing. The Group has received broad support from customers for the *Yahoo! BB ADSL* service provided by the Group, in terms of both cost and speed, and at this point, the Group believes that this service has sufficient functionality for customers to enjoy a wide range of content over

broadband. The Group's future initiatives in broadband infrastructure operations will include the following:

(1) In ADSL operations, the Group will work to acquire new customers to retain its customer base of over 5 million. Following initiatives in the previous fiscal year, the Group continues to aim for higher revenue by increasing the number of users of high value added services, such as *Yahoo! BB 50M* and other high-speed service plans and wireless LAN services.

(2) The Group will continue R&D targeting the commercialization of new technologies, including FTTR, for succeeding ADSL.

(3) Currently, it is difficult to describe the competitive situation in the FTTH access service market in Japan as fair, not only in costs but also in such areas as procedural requirements. Operators other than NTT East and NTT West are in inferior competitive positions. The Group is maintaining a state of readiness that will enable it to start full-fledged operations as soon as a fair competitive environment is established. For the near future, the Group's basic policy is to develop operations commensurate with anticipated income and profit. The Group considers FTTH to be a national business and believes that the existence of "universal circuit company"*⁸ to lease circuits to all operators from an impartial position would serve the national interest. The Group is actively promoting its viewpoint in such forums as the Next-Generation Broadband Strategy 2010 (Draft) of the Ministry of Internal Affairs and Communications.

*8. Universal circuit company: A company that provides "lifeline" communications services, such as with postal services, electricity, gas, and water, at affordable, appropriate rates, for fair, stable access available to anyone in any part of the country.

(5) Strengthening governance and compliance systems

The Group considers governance and compliance to be important management issues. In December 2005, the Company revised the SOFTBANK Group Charter, formulated the SOFTBANK Group Code of Conduct for Officers and Employees, and set up the Group Hotline. In the quarter under review, Vodafone K.K. became a Group member, and the Group's operational scale was enlarged and number of employees continued to increase. In this setting, in May 2006, the Group inaugurated the CCO Committee, which is composed of the Chief Compliance Officers of Group companies and holds regular meetings, in order to share information on compliance systems and to improve the compliance system for the Group as a whole. In the future, the Group will continue to implement initiatives targeting to bolster the governance and compliance systems.

In addition, the Group will continue working to ensure that all Group employees strictly observe all applicable laws, regulations, and social norms in corporate and social activities and that the Group meets the expectations of all stakeholders, and to that end the Group will strive to see that the Group acts in accordance with an even higher level of ethical standards.

Results of Operations and Financial Position

1. Consolidated Results of Operations

<Overview of Results for the three-month period ended June 30, 2006>

Net sales increased by ¥235,594 million, or up by 91% on a year-on-year basis to ¥494,231 million. Sales in the Mobile Communications segment, which was newly established in the current fiscal year, amounted to ¥232,467 million. On April 27, 2006, the Company completed the acquisition of Vodafone K.K., which is included in scope of consolidation from the end of April 2006, and the financial results were consolidated from May 2006. In the Internet Culture segment, sales increased by ¥10,007 million, or up by 29% to ¥44,642 million, due to strong advertising revenues and others. The Broadband Infrastructure and the Fixed-line Telecommunications segments also recorded strong performances.

Operating income was ¥54,357 million, an improvement of ¥57,547 million from the operating loss of ¥3,190 million recorded in the same period of the previous fiscal year. The Mobile Communications segment, which was newly established in the current fiscal year, recorded operating income of ¥27,293 million. The Broadband Infrastructure segment's operating income was ¥5,479 million, an improvement of ¥9,973 million, due to higher sales and a shift of subscriber acquisition efforts to more effective channels, such as mass electronics retailers. The Fixed-line Telecommunications segment's operating income was ¥1,212 million, an improvement of ¥15,301 million, resulting from a change in the marketing strategy for the *Otoku Line* service of JAPAN TELECOM. In the Internet Culture segment, favorable advertising revenues and others resulted in an increase in operating income of ¥5,161 million, or 31%, to ¥21,630 million.

Ordinary income was ¥25,994 million, an improvement of ¥39,012 million from the ordinary loss of ¥13,017 million recorded in the same period of the previous fiscal year. In addition to the improvement in operating income/loss, equity in earnings under the equity method increased by ¥7,440 million, to ¥9,051 million, principally due to higher profit at SBI Holdings, Inc. On the other hand, interest expense rose ¥7,795 million, to ¥14,601 million, mainly as a result of borrowings associated with the acquisition of Vodafone K.K. Other non-operating expenses, such as arranger's fees, totaled ¥25,857 million.

Net income was ¥1,418 million, an improvement of ¥12,571 million from the net loss of ¥11,153 million recorded in the same period of the previous fiscal year. Special income was ¥4,672 million, and special loss was ¥1,365 million. In addition, current income taxes were ¥10,146 million, deferred income taxes were ¥9,224 million, and minority interest was ¥8,514 million.

<Results for the Three-Month Period Ended June 30, 2006 by Business Segments>

Mobile Communications

This segment, which was newly established in the current fiscal period, is principally comprised of the results of Vodafone K.K. starting in May. Net sales were ¥232,467 million, and operating income was ¥27,293 million.

(Quartely trends of the Segment) (Millions of yen; amounts less than one million yen are omitted)

	FY2007	FY2006			
	2007/Q1	2006/Q4	2006/Q3	2006/Q2	2006/Q1
Sales	232,467	Newly established on April 30, 2006			
Operating income	27,293				

As of the end of June 2006, Vodafone K.K. had a total of 15,240,200 subscribers. The number of subscribers has increased steadily since June 2005. The number of 3G subscribers has reached 3,715,400, or 24.4% of the total number of subscribers.

Due to the increasing number of subscribers using basic charge discount services, such as the *Happy Bonus* plan, basic charges are declining, but as a result of the rising percentage of 3G subscribers, data transmission charges are increasing. ARPU (average revenue per user) in the first quarter was ¥5,590. In respect to costs, the Company will reduce network costs through group synergies and implement thorough cost control measures.

The Group launched five new 3G handsets in the first quarter. In May 2006, the Group released the AQUOS Mobile 905SH, by Sharp, which can receive one-segment digital terrestrial TV broadcasts. In June 2006, the Group launched the 705T, by Toshiba, a compact and colorful model with a music player, and the 705SH SLIMIA, by Sharp, a slim and lightweight model with a sophisticated design.

In content, the Group started to offer *Cars 3D Game*, Disney's first Bluetooth-enabled multiplayer 3D racing game, and services in advance for *Disney Mobile Comics*, an electronic comics service through the *Vodafone Live!*, mobile portal site.

As of the end of June 2006, global roaming service was available in 158 countries and regions and from 222 operators. As for price plans, the number of subscribers for the *LOVE Flat-rate* plan was 1.2 million at the end of June 2006.

In the 3G mobile communications network, the Group is actively working to expand the network, eliminate areas with poor connectivity, and improve indoor coverage. The Group will continue to offer services that have been well received. These services include flat-rate services, such as the *LOVE Flat-rate* and *Family Call Flat-rate*, and basic charge discount services, such as *Happy Bonus*. Moreover, the Group will further enhance its handset lineup and appealing content.

Broadband Infrastructure

Segment sales increased by ¥2,116 million, or up by 3% from the same period of the previous fiscal year, to ¥63,322 million. Operating income was ¥5,479 million, an improvement of ¥9,973 million.

(Quartely trends of the Segment) (Millions of yen; amounts less than one million yen are omitted)

	FY2007	FY2006			
	2007/Q1	2006/Q4	2006/Q3	2006/Q2	2006/Q1
Sales	63,322	71,262	71,543	64,439	61,205
Operating income (loss)	5,479	12,321	9,361	3,483	(4,494)

The number of *Yahoo! BB ADSL* lines installed continued to grow steadily, reaching a total of 5.08 million at the end of June 2006. The ARPU of the ADSL business also continued to improve, due in part to growth in the percentage of users subscribing to high-value-added services, such as *Yahoo! BB 50M* and other high-speed service plans and in-house wireless LAN services.

For subscriber acquisition, the Group's efforts remain centered on mass electronics retailers. In the future, the Group will strive to take advantage of synergies, such as cross-selling *Yahoo! BB ADSL* services to Vodafone K.K.'s existing mobile phone subscribers.

Modem rental income is declining following the sale by BB TECHNOLOGY Corp. (hereafter "BB TECHNOLOGY") in December 2005 of its modem rental business. On the other hand, under the terms of a service agreement with BB Modem Rental Yugen Kaisha (hereafter "BB Modem Rental"), BB TECHNOLOGY is receiving servicing fees, incentives, and royalties. In the first quarter, net sales and operating income declined substantially from the fourth quarter of the fiscal year ended March 31, 2006, due to decreasing incentives payments from BB Modem Rental.

Fixed-line Telecommunications

Segment sales increased by ¥69 million, or up by 0%, to ¥88,673 million. Operating income was ¥1,212 million, an improvement of ¥15,301 million.

	(Quartely trends of the Segment)	(Millions of yen; amounts less than one million yen are omitted)			
	FY2007	FY2006			
	2007/Q1	2006/Q4	2006/Q3	2006/Q2	2006/Q1
Sales	88,673	92,071	90,256	83,300	88,604
Operating income (loss)	1,212	2,928	(1,787)	(12,209)	(14,089)

The number of lines installed for JAPAN TELECOM's *Otoku Line* direct connection voice service reached 890 thousand as of the end of June 2006. In June, JAPAN TELECOM acquired the telecommunication services (direct connection voice, My Line, ADSL, ISP service, etc.) of HEISEI DENDEN CO., LTD., and HDD COMMUNICATIONS CO., LTD. As a result, the number of lines installed for direct connection voice services offered by JAPAN TELECOM reached 1.02 million. In the fiscal year ended March 31, 2006, agency managements and other responsibilities related to the *Otoku Line* business were transferred to JAPAN TELECOM INVOICE Co., Ltd. JAPAN TELECOM has worked to reinforce its marketing to corporate customers and has focused on providing its voice-network solutions using *Otoku Line*. As a result, substantial gains in profitability are being recorded.

JAPAN TELECOM has provided ICT solution services to corporate customers. In June 2006, JAPAN TELECOM reached an agreement with Secom Trust Systems Co., Ltd., regarding a joint business development in the field of large-scale disaster countermeasures. In July, JAPAN TELECOM reached an agreement with Daiichikoshu Co., Ltd., regarding a joint venture utilizing *SuppliVar*^{*1}, and in August 2006 a joint venture company was established. In addition, in July 2006, JAPAN TELECOM established the Mobile Business Division to enable coordinated business development with Vodafone K.K.'s Enterprise Sales Division. In the future, by providing a range of solutions that meet business needs, JAPAN TELECOM will work to improve customer satisfaction.

*1. *SuppliVar* is an abbreviation of Supplement Variety. This solution business entails the provision of entertainment and advertising distribution for the restaurant industry utilizing broadband terminals with ordering functionality.

Internet Culture

Segment sales increased by ¥10,007 million, or up by 29%, to ¥44,642 million, and operating income rose ¥5,161 million, or 31%, to ¥21,630 million.

(Quarterly trends of the Segment) (Millions of yen; amounts less than one million yen are omitted)

	FY2007	FY2006			
	2007/Q1	2006/Q4	2006/Q3	2006/Q2	2006/Q1
Sales	44,642	42,374	42,214	36,896	34,635
Operating income	21,630	21,297	19,256	17,167	16,469

Yahoo Japan continued to record strong results in Internet advertising, centered on advertising by national clients*². In non-advertising business services, the *Yahoo! Rikunabi* employment information service recorded favorable sales, and in consumer services, *Yahoo! Auctions* recorded strong system usage revenues. The number of customer IDs for *Yahoo! Premium* continued to increase, reaching 6.35 million at the end of June 2006.

*2. National clients: Advertisers with substantial advertising exposure in other mass media, such as TV, newspapers, and magazines.

e-Commerce

Segment sales decreased by ¥1,326 million, or down by 2%, to ¥59,142 million, while operating income rose ¥734 million, or 101%, to ¥1,461 million.

(Quarterly trends of the Segment) (Millions of yen; amounts less than one million yen are omitted)

	FY2007	FY2006			
	2007/Q1	2006/Q4	2006/Q3	2006/Q2	2006/Q1
Sales	59,142	83,661	71,456	67,688	60,469
Operating income	1,461	1,843	1,473	817	726

In the distribution business, SOFTBANK BB Corp. (hereafter “SOFTBANK BB”) reinforced its sales system for corporate customers. As a result, shipment increased, centered on PC servers and peripherals, and sales of software were strong. Sales and profits increased. In consumer business, wholesaling to EC companies remained favorable. In distribution, from the current period, a strategy of shifting to e-commerce and service businesses is being implemented. In April 2006, BB Softservice Corp. was established through the corporate separation of SOFTBANK BB’s consumer ASP*³ service department. In the future, leveraging synergies among SOFTBANK Group companies, services will be further strengthened and extended to corporate customers.

The Company applied “Practical solution on accounting for revenue recognition of software” (Financial Accounting Standards Implementation Guideline No.17 issued on March 30, 2006) from this first quarter. As a result, certain software transactions stated at ¥ 274 million as net sales are netted with amounts for goods purchased. Due to the netting with the amounts for goods purchased, net sales and cost of goods sold decreased by ¥7,455 million.

*3. Application Service Provider: A company that rents application software and others to customers through the Internet.

Others

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

2. Financial Position

<Balance Sheet Analysis>

In the Company's consolidated balance sheet at the end of the first quarter, in comparison with the consolidated balance sheet at the end of March 2006, the new consolidation of Vodafone K.K. from the end of April 2006 had the effect of increasing current assets of ¥320,135 million, non-current assets of ¥1,990,897 million (including goodwill of ¥1,114,454 million), current liabilities of ¥286,120 million, long-term liabilities of ¥146,044 million, and minority interest in consolidated subsidiaries of ¥2,812 million. In raising funds for the acquisition of Vodafone K.K., the LBO bridge loan from financial institutions raised current liabilities of ¥1,166,000 million, subordinated loans by Vodafone International Holdings B.V. raised long-term liabilities of ¥100,000 million, and the issuance of BB Mobile Corp. preferred stock subscribed by Vodafone International Holdings B.V. raised net asset of ¥300,000 million.

Current assets increased by ¥106,745 million from the end of the previous fiscal year, to ¥851,875 million. As a result of the new consolidation of Vodafone K.K., the Company recorded increases of ¥134,113 million in notes and accounts receivable-trade, ¥67,239 million in short-term deferred tax assets, ¥27,794 million in inventories, such as mobile phone handsets, and ¥43,873 million in other current assets such as receivables. On the other hand, principally as the result of payment for the acquisition of Vodafone K.K., cash and deposits declined by ¥160,955 million.

Property and equipment increased by ¥537,294 million, to ¥955,899 million. As a result of the new consolidation of Vodafone K.K., the Company recorded increases of ¥419,835 million in telecommunications equipment, such as base stations and switching equipment, ¥31,258 million in buildings and structures, such as network centers, and ¥10,698 million in land. In addition, construction-in-progress was up by ¥51,581 million.

Intangible assets increased by ¥1,268,787 million, to ¥1,371,073 million. Goodwill increased by ¥1,116,113 million, primarily as a result of the new consolidation of Vodafone K.K., and software rose ¥124,337 million.

Investments and other assets increased by ¥307,262 million, to ¥848,644 million. Primarily as a result of the new consolidation of Vodafone K.K., long-term deferred tax assets increased ¥140,127 million. In addition, other assets increased by ¥104,776 million, principally due to the recording of deposits following the implementation in April 2006 of legal defeasance with respect to Euro-denominated Straight Bonds due 2011.

Current liabilities increased by ¥1,608,309 million, to ¥2,195,212 million. Short-term borrowings rose ¥1,316,229 million, primarily on account of a bridge loan used in the acquisition of Vodafone K.K. In addition, principally due to the new consolidation of Vodafone K.K., accounts payable-other and accrued expenses rose ¥159,658 million and current portion of corporate bonds rose ¥24,970 million. Cash receipts as collateral rose ¥50,000 million. The Company plans to shift from the bridge loan used in the acquisition of Vodafone K.K. to permanent financing in the fall of 2006.

Long-term liabilities increased by ¥315,367 million, to ¥1,189,599 million. Long-term debt rose ¥179,626 million, primarily as a result of fund-raising associated with the acquisition of Vodafone K.K. Principally due to the new consolidation of Vodafone K.K., corporate bonds rose ¥99,276 million, and provision for loyalty program of ¥41,033 million was recorded.

Net asset increased by ¥298,926 million, to ¥646,190 million. Minority interest in consolidated subsidiaries rose ¥306,495 million, primarily due to the issuance of BB Mobile Corp. preferred stock for Vodafone International Holdings B.V.

<Cash Flow Analysis>

During the three-month period ended June 30, 2006, net cash provided by operating and financing activities was ¥64,675 million and ¥1,743,429 million, respectively, while net cash used in investing activities was ¥1,965,832 million. As a result, cash and cash equivalents at the end of the period amounted to ¥285,214 million, a decrease of ¥161,480 million from the end of the previous fiscal year.

Net cash provided by operating activities was ¥64,675 million. Income before income taxes and minority interest amounted to ¥29,302 million, and depreciation and amortization totaled ¥38,048 million. In addition, due to progress in the collection of receivables, principally in the e-Commerce segment, decrease in receivables-trade was ¥34,259 million, and due to the payment of payables, decrease in payables-trade was ¥12,776 million. Equity in earnings under the equity method, net, which is included in income before income taxes and minority interest, totaled ¥9,051 million and was posted negative as an adjustment item. In addition, interest paid was ¥9,168 million and income taxes paid, for Yahoo Japan and others, were ¥27,546 million.

Net cash used in investing activities was ¥1,965,832 million. This mainly reflected the payment of ¥1,835,955 million for acquisition of interests in subsidiaries newly consolidated, net of cash acquired, accompanying the acquisition of Vodafone K.K. As a result of capital investment, principally in the Mobile Communications, Broadband Infrastructure, and Fixed-line Telecommunications segments, purchase of property and equipment and intangibles totaled ¥76,776 million.

Net cash provided by financing activities was ¥1,743,429 million. Increase in short-term borrowings, net, was ¥1,286,475 million, principally on account of funds raised for the acquisition of Vodafone K.K. Due primarily to the issuance of BB Mobile Corp. preferred stock that were allocated to Vodafone International Holdings B.V., proceeds from issuance of shares to minority shareholders was ¥300,084 million. In addition, increase in cash receipt as collateral was ¥50,000 million.

The SOFTBANK Group

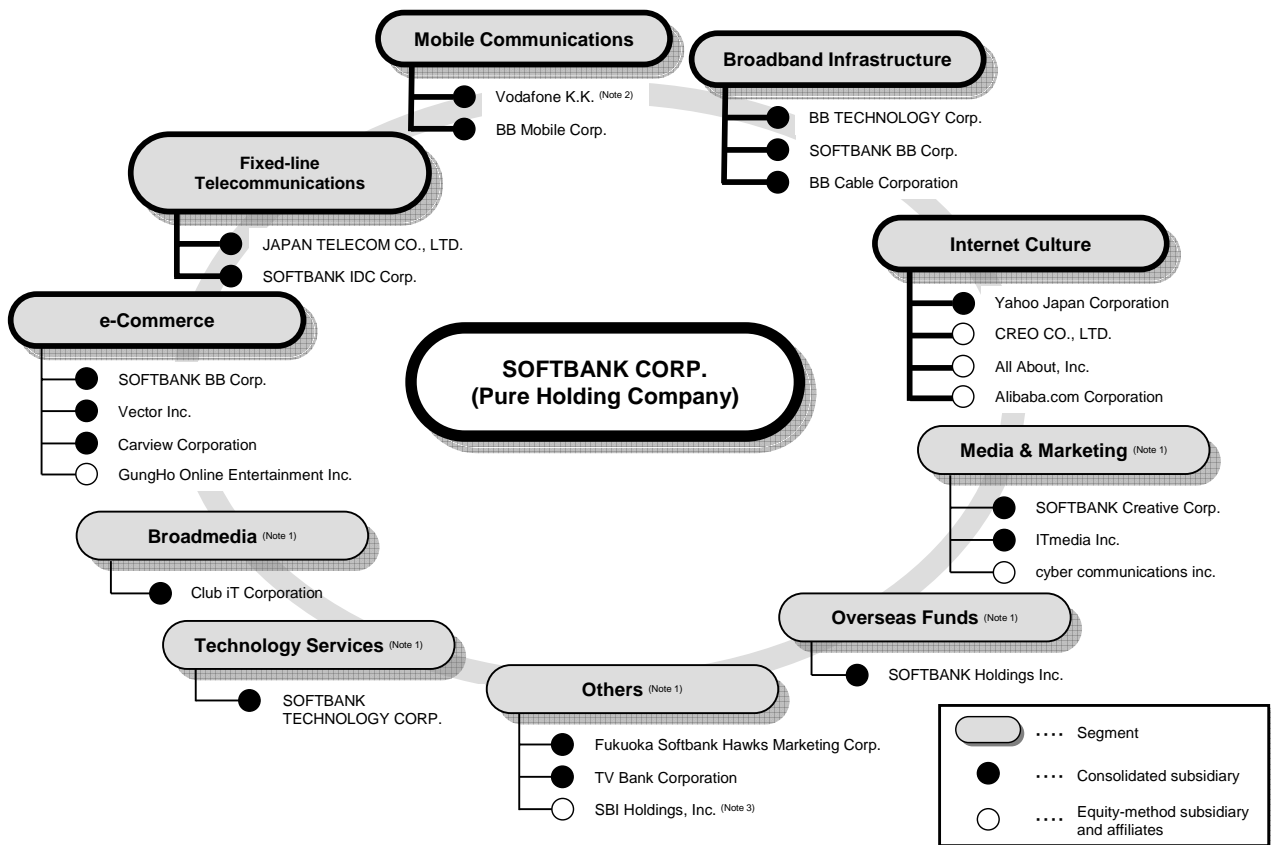
As of June 30, 2006, the SOFTBANK Group included 122 companies with operations in ten business segments as follows.

Business segment	Consolidated subsidiaries	Equity-method non-consolidated subsidiaries and affiliates	Principal products and operational content of each business
1. Mobile Communications	(Note 1) 6	-	Mobile communication services, and sale of cellular phones accompanying to its services
2. Broadband Infrastructure	(Note 2) 6	2	ADSL and fiber-optic high-speed Internet connection service, IP telephony service, provision of content and other operations
3. Fixed-line Telecommunications	(Note 2) 5	1	Fixed-line telecommunications such as voice transmission service, data transmission service, private leased circuit and data center service
4. Internet Culture	(Note 2) 19	9	Internet-based advertising operations, broadband portal business, and Internet-based auction business
5. e-Commerce	(Note 2) 10	4	Distribution of PC software and such hardware as PCs and peripherals, enterprise solutions, and diversified e-commerce businesses, including business transaction platform (B2B) and consumer-related e-commerce (B2C)
6 Others:			
Broadmedia	8	2	Broadband service such as broadcasting and communications; support for procurement of content
Technology Services	1	-	System solution business and business solution business
Media & Marketing	3	1	Book and magazine publication in such areas as PCs, the Internet, entertainment, etc., and development of web content specializing in IT
Overseas Funds	38	40	U.S.- and Asia-focused global venture capital business principally focused on Internet-related companies
Others	26	9	Leisure and service business, holding company functions for overseas operations, and back-office services in Japan
Total	122	68	

Note: 1. Mobile Communications segment was established from the first quarter of this fiscal year due to the consolidation of Vodafone K.K. and its consolidated subsidiaries.

2. SOFTBANK BB Corp., JAPAN TELECOM CO., LTD. and Yahoo Japan Corporation are included in the consolidated subsidiaries of the e-Commerce, Fixed-line Telecommunications and Internet Culture segments, respectively, while SOFTBANK BB Corp., JAPAN TELECOM CO., LTD. and Yahoo Japan Corporation operate multiple businesses and their operating results are allocated to multiple business segments.

3. Due to the consolidation of Vodafone K.K. and its subsidiaries from the first quarter of this fiscal year, certain subsidiaries were not consolidated as the individual and aggregate amounts were not considered material in relation to the SOFTBANK consolidated financial statements.



- Note: 1. Broadmedia, Technology Services, Media & Marketing, Overseas Funds, and other segments are included in “Others” segment.
2. Vodafone K.K. plans to change its company name to SOFTBANK Mobile Corp. from October 1, 2006.
3. The Company sold its all shares in SBI Holdings, Inc., which was accounted for under the equity method, through its wholly-owned subsidiary, SOFTBANK AM CORPORATION on August 1, 2006 and August 2, 2006. As a result, SBI Holdings, Inc. is not to be accounted for under the equity method.

CONSOLIDATED BALANCE SHEETS

(Millions of yen; amounts less than one million yen are omitted.)

	As of June 30, 2006		As of March 31, 2006		Increase (Decrease)	As of June 30, 2005	
	Amount	%	Amount	%		Amount	%
ASSETS							
Current assets:							
Cash and deposits	¥285,351		¥446,306		¥(160,955)	¥288,119	
Notes and accounts receivable – trade	323,034		188,921		134,113	152,974	
Marketable securities	7,173		4,372		2,800	6,885	
Inventories	78,392		50,597		27,794	61,168	
Deferred tax assets	81,346		14,107		67,239	2,326	
Other current assets	92,123		48,250		43,873	49,558	
Less:							
Allowance for doubtful accounts	(15,545)		(7,424)		(8,120)	(7,362)	
Total current assets	851,875	21.1	745,130	41.2	106,745	553,671	34.2
Non-current assets:							
Property and equipment, net							
Buildings and structures	88,562		57,304		31,258	57,372	
Telecommunications equipment	614,806		194,970		419,835	214,928	
Telecommunications service lines	95,018		91,724		3,293	96,874	
Land	30,103		19,404		10,698	19,396	
Construction-in-progress	79,457		27,875		51,581	42,187	
Others	47,951		27,325		20,625	26,884	
Total tangible assets	955,899	23.7	418,605	23.1	537,294	457,644	28.2
Intangible assets, net:							
Goodwill	1,161,691		45,578		1,116,113	49,313	
Software	158,008		33,671		124,337	31,025	
Other intangibles	51,373		23,036		28,336	23,098	
Total intangible assets	1,371,073	34.0	102,286	5.7	1,268,787	103,438	6.4
Investments and other assets:							
Investment securities and investments in partnerships	526,892		464,650		62,241	397,333	
Deferred tax assets	165,166		25,039		140,127	42,282	
Other assets	166,018		61,241		104,776	73,655	
Less:							
Allowance for doubtful accounts	(9,432)		(9,548)		116	(8,700)	
Total investments and other assets	848,644	21.1	541,382	29.9	307,262	504,571	31.1
Deferred charges	3,509	0.1	993	0.1	2,515	1,557	0.1
Total assets	¥4,031,003	100.0	¥1,808,398	100.0	¥2,222,604	¥1,620,882	100.0

CONSOLIDATED BALANCE SHEETS

(Millions of yen; amounts less than one million yen are omitted.)

	As of June 30, 2006		As of March 31, 2006		Increase (Decrease)	As of June 30, 2005	
	Amount	%	Amount	%		Amount	%
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current liabilities:							
Accounts payable - trade	¥91,012		¥60,432		¥30,579	¥44,585	
Short-term borrowings	1,534,529		218,300		1,316,229	209,245	
Commercial paper	14,600		10,400		4,200	8,500	
Current portion of corporate bonds	36,064		11,094		24,970	48,145	
Accounts payable - other and accrued expenses	273,781		114,122		159,658	162,500	
Income taxes payable	11,324		29,137		(17,813)	9,585	
Cash receipts as collateral	150,000		100,000		50,000	100,000	
Other current liabilities	83,899		43,414		40,485	30,485	
Total current liabilities	2,195,212	54.5	586,902	32.4	1,608,309	613,048	37.8
Long-term liabilities:							
Corporate bonds	555,404		456,128		99,276	383,352	
Long-term debt	388,997		209,370		179,626	226,902	
Deferred revenue	37,612		41,840		(4,227)	-	
Deferred tax liabilities	45,457		48,642		(3,185)	52,078	
Accrued retirement benefits	17,430		17,279		151	17,608	
Provision for loyalty program	41,033		-		41,033	-	
Other liabilities	103,663		100,970		2,692	83,305	
Total long-term liabilities	1,189,599	29.5	874,232	48.4	315,367	763,246	47.1
Total liabilities	3,384,812	84.0	1,461,135	80.8	1,923,677	1,376,294	84.9
Net asset:							
Common stock	162,969	4.0	162,916	9.0	52	162,397	10.0
Pre-stock issuance paid-in capital	-	-	5	0.0	(5)	-	-
Additional paid-in capital	187,355	4.6	187,303	10.3	52	186,783	11.5
Accumulated deficit	(219,394)	(5.4)	(218,561)	(12.1)	(833)	(287,201)	(17.7)
Less: Treasury stock	(175)	(0.0)	(169)	(0.0)	(5)	(109)	(0.0)
Net unrealized gain on other securities	125,077	3.1	129,051	7.1	(3,974)	135,942	8.4
Deferred losses on hedges	(38,764)	(1.0)	(36,840)	(2.0)	(1,923)	(41,582)	(2.6)
Foreign currency translation adjustments	18,130	0.5	19,062	1.1	(932)	11,115	0.7
Stock acquisition right	3,150	0.1	3,150	0.2	0	3,150	0.2
Minority interest in consolidated subsidiaries	407,841	10.1	101,346	5.6	306,495	74,092	4.6
Total net assets	646,190	16.0	347,263	19.2	298,926	244,588	15.1
Total liabilities and net assets	¥4,031,003	100.0	¥1,808,398	100.0	¥2,222,604	¥1,620,882	100.0

CONSOLIDATED STATEMENTS OF OPERATIONS

(Millions of yen; amounts less than one million yen are omitted.)

	Three-month period ended June 30, 2006		Three-month period ended June 30, 2005		Increase (Decrease)	Fiscal year ended March 31, 2006	
	Amount	%	Amount	%		Amount	%
Net sales	¥494,231	100.0	¥258,637	100.0	¥235,594	¥1,108,665	100.0
Cost of sales	273,895	55.4	175,674	67.9	98,220	723,812	65.3
Gross profit	220,336	44.6	82,962	32.1	137,373	384,853	34.7
Selling, general and administrative expenses	165,978	33.6	86,153	33.3	79,825	322,553	29.1
Operating income (loss)	54,357	11.0	(3,190)	(1.2)	57,547	62,299	5.6
Interest income	1,088		326		762	2,136	
Equity in earnings under the equity method	9,051		1,610		7,440	9,521	
Other non-operating income	1,956		1,185		770	4,099	
Non-operating income	12,096	2.5	3,122	1.2	8,973	15,756	1.4
Interest expense	14,601		6,806		7,795	27,005	
Other non-operating expenses	25,857		6,143		19,713	23,558	
Non-operating expenses	40,459	8.2	12,950	5.0	27,509	50,564	4.5
Ordinary income (loss)	25,994	5.3	(13,017)	(5.0)	39,012	27,492	2.5
Gain on sales of investment securities	3,971		21,827		(17,855)	172,306	
Other special income	701		1,087		(386)	26,218	
Special income	4,672	0.9	22,914	8.9	(18,241)	198,524	17.9
Special loss	1,365	0.3	9,136	3.6	(7,771)	96,532	8.7
Income before income taxes and minority interest	29,302	5.9	760	0.3	28,541	129,484	11.7
Income taxes:							
Current	10,146	2.0	8,230	3.2	1,915	40,753	3.7
Deferred	9,224	1.9	(2,779)	(1.1)	12,003	1,837	0.2
Minority interest	8,514	1.7	6,463	2.5	2,050	29,342	2.6
Net income (loss)	¥1,418	0.3	¥(11,153)	(4.3)	¥12,571	¥57,550	5.2

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSET

From April 1, 2006 to June 30, 2006:

(Millions of yen, amounts less than one million yen are omitted)

	Shareholders' Equity						Valuation and translation adjustments				Stock acquisition right	Minority interests	Total net assets
	Common stock	Pre-stock issuance paid-in capital	Additional paid-in capital	Accumulated deficit	Treasury stock	Total	Net unrealized gain (losses) on other securities	Deferred losses on hedges	Foreign currency translation adjustments	Total			
Balance at March 31, 2006	162,916	5	187,303	(218,561)	(169)	131,494	129,051	(36,840)	19,062	111,273	3,150	101,346	347,263
Changes of items during the period													
Issuance of new shares	52	(5)	52	-	-	99	-	-	-	-	-	-	99
Dividend from surplus	-	-	-	(2,637)	-	(2,637)	-	-	-	-	-	-	(2,637)
Bonuses to directors (see Note1)	-	-	-	(90)	-	(90)	-	-	-	-	-	-	(90)
Net adjustment to accumulated deficit due to change in scope of the consolidation (see Note 2)	-	-	-	476	-	476	-	-	-	-	-	-	476
Net income	-	-	-	1,418	-	1,418	-	-	-	-	-	-	1,418
Acquisition of treasury stock	-	-	-	-	(5)	(5)	-	-	-	-	-	-	(5)
Items other than changes in shareholders' equity	-	-	-	-	-	-	(3,974)	(1,923)	(932)	(6,830)	-	306,495	299,666
Total movement in this period	52	(5)	52	(833)	(5)	(739)	(3,974)	(1,923)	(932)	(6,830)	-	306,495	298,926
Balance at June 30, 2006	162,969	-	187,355	(219,394)	(175)	130,754	125,077	(38,764)	18,130	104,443	3,150	407,841	646,190

From April 1, 2005 to June 30, 2005:

(Millions of yen, amounts less than one million yen are omitted)

	Shareholders' Equity						Valuation and translation adjustments				Stock acquisition right	Minority interests	Total net assets
	Common stock	Pre-stock issuance paid-in capital	Additional paid-in Capital	Accumulated deficit	Treasury stock	Total	Net unrealized gain (losses) on other securities	Deferred losses on hedges	Foreign currency translation adjustments	Total			
Balance at March 31, 2005	162,397	-	186,783	(273,362)	(106)	75,712	136,662	(41,056)	6,697	102,303	3,150	68,943	250,110
Changes of items during the period													
Dividend from surplus	-	-	-	(2,460)	-	(2,460)	-	-	-	-	-	-	(2,460)
Bonuses to directors (see Note1)	-	-	-	(86)	-	(86)	-	-	-	-	-	-	(86)
Decrease due to merger	-	-	-	(138)	-	(138)	-	-	-	-	-	-	(138)
Net income	-	-	-	(11,153)	-	(11,153)	-	-	-	-	-	-	(11,153)
Acquisition of treasury stock	-	-	-	-	(3)	(3)	-	-	-	-	-	-	(3)
Items other than changes in shareholders' equity	-	-	-	-	-	-	(719)	(526)	4,417	3,171	-	5,148	8,320
Total movement during the period	-	-	-	(13,838)	(3)	(13,842)	(719)	(526)	4,417	3,171	-	5,148	(5,522)
Balance at June 30, 2005	162,397	-	186,783	(287,201)	(109)	61,870	135,942	(41,582)	11,115	105,475	3,150	74,092	244,588

- Continued -

From April 1, 2005 to March 31, 2006:

(Millions of yen, amounts less than one million yen are omitted)

	Shareholders' Equity						Valuation and translation adjustments				Stock acquisition right	Minority interests	Total net assets
	Common stock	Pre-stock Issuance paid-in capital	Additional paid-in capital	Accumulated deficit	Treasury stock	Total	Net unrealized gain (losses) on other	Deferred gain (losses) on hedges	Foreign currency translation adjustments	Total			
Balance at March 31, 2005	162,397	-	186,783	(273,362)	(106)	75,712	136,662	(41,056)	6,697	102,303	3,150	68,943	250,110
Changes of items during the period													
Issuance of new shares	519	-	519	-	-	1,038	-	-	-	-	-	-	1,038
Cash receipt before stock issuance	-	5	-	-	-	5	-	-	-	-	-	-	5
Dividend from surplus	-	-	-	(2,460)	-	(2,460)	-	-	-	-	-	-	(2,460)
Bonuses to directors (see Note 1)	-	-	-	(86)	-	(86)	-	-	-	-	-	-	(86)
Net adjustment to accumulated deficit due to change in scope of the consolidation (see Note 2)	-	-	-	13	-	13	-	-	-	-	-	-	13
Decrease due to merger	-	-	-	(215)	-	(215)	-	-	-	-	-	-	(215)
Net Income	-	-	-	57,550	-	57,550	-	-	-	-	-	-	57,550
Acquisition of treasury stock	-	-	-	-	(63)	(63)	-	-	-	-	-	-	(63)
Items other than changes in shareholders' equity s	-	-	-	-	-	-	(7,610)	4,215	12,365	8,969	-	32,402	41,371
Total movement during the period	519	5	519	54,801	(63)	55,781	(7,610)	4,215	12,365	8,969	-	32,402	97,153
Balance at March 31, 2006	162,916	5	187,303	(218,561)	(169)	131,494	129,051	(36,840)	19,062	111,273	3,150	101,346	347,263

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

Note 2: In accordance with the accounting principles generally accepted in Japan, the cumulative effect arising from any changes in the scope of consolidation is treated as an adjustment to accumulated deficit in the consolidated statements of changes in net asset.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions of yen; amounts less than one million yen are omitted.)

	Three-month period ended June 30, 2006	Three-month period ended June 30, 2005	Fiscal year ended March 31, 2006
I . Cash flows from operating activities:			
Income before income taxes and minority interest	¥29,302	¥760	¥129,484
Adjustments to reconcile income before income taxes and minority interest to net cash provided by (used in) operating activities:			
Depreciation and amortization	38,048	20,942	80,417
Amortization of goodwill	10,940	1,600	6,272
Equity in earnings under the equity method, net	(9,051)	(1,610)	(9,521)
Dilution gain from changes in equity interest, net	(293)	(826)	(21,806)
Valuation loss on investment securities	143	1,682	7,188
Gain on sales of marketable and investment securities, net	(3,970)	(21,699)	(171,864)
Foreign exchange (gain) loss, net	(88)	2,657	5,497
Interest and dividend income	(1,276)	(524)	(2,402)
Interest expense	14,601	6,806	27,005
Changes in operating assets, liabilities and others			
Decrease (increase) in receivables - trade	34,259	14,628	(23,333)
(Decrease) increase in payables - trade	(12,776)	(18,724)	4,331
Decrease (Increase) in other receivables	13,169	(5,741)	(9,864)
Decrease in other payables	(8,289)	(5,650)	(26,773)
Others, net	(6,127)	5,407	110,731
Sub-total	98,593	(291)	105,361
Interest and dividends received	2,797	1,775	3,301
Interest paid	(9,168)	(3,745)	(22,332)
Income taxes paid	(27,546)	(18,867)	(31,588)
Refund of income taxes	-	2,915	3,064
Net cash provided by (used in) operating activities	¥64,675	¥(18,213)	57,806

- Continued -

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Millions of yen; amounts less than one million yen are omitted.)

	Three-month period ended June 30, 2006	Three-month period ended June 30, 2005	Fiscal year ended March 31, 2006
II. Cash flows from investing activities:			
Purchase of property and equipment and intangibles	¥(76,776)	¥(90,147)	¥(189,490)
Purchase of marketable and investment securities	(60,754)	(14,409)	(88,479)
Proceeds from sales of marketable and investment securities	5,958	69,922	178,022
Acquisition of interests in subsidiaries newly consolidated, net of cash acquired	(1,835,955)	-	(4,525)
Sales of interests in subsidiaries previously consolidated	11	(109)	39,826
Proceeds from sales of interests in consolidated subsidiaries	-	1	29,232
Increase in loan receivables	(4,750)	(3,780)	(17,425)
Collection of loans	2,277	5,401	16,583
Others, net	4,157	4,417	64,107
Net cash (used in) provided by investing activities	(1,965,832)	(28,703)	27,852
III. Cash flows from financing activities:			
Increase in short-term borrowings, net	1,286,475	19,058	32,043
Increase (decrease) in commercial paper	4,200	(7,000)	(5,100)
Proceeds from long-term debt	210,070	110,020	125,550
Repayment of long-term debt	(7,272)	(110,198)	(158,211)
Proceeds from issuance of bonds	-	12,252	91,849
Redemption of bonds	(1,899)	(5,400)	(53,547)
Proceeds from issuance of shares	105	-	1,038
Proceeds from issuance of shares to minority shareholders	300,084	160	1,619
Cash dividends paid	(1,846)	(1,816)	(2,456)
Cash dividends paid to minority shareholders	(2,968)	(2,256)	(2,442)
Increase in cash receipt as collateral	50,000	-	-
Others, net	(93,519)	(1,892)	(264)
Net cash provided by financing activities	1,743,429	12,925	30,078
IV. Effect of exchange rate changes on cash and cash equivalents	134	1,150	10,905
V. Net decrease in cash and cash equivalents	(157,593)	(32,840)	126,642
VI. Decrease in cash and cash equivalents due to exclusion of previously consolidated entities	(3,886)	(142)	(142)
VII. Cash and cash equivalents at the beginning of the period	446,694	320,194	320,194
VIII. Cash and cash equivalents at the end of the period	¥285,214	¥287,211	¥446,694

CONDENSED QUARTERLY FINANCIAL INFORMATION

Condensed Statement of Income

(Millions of yen; amounts less than one million yen are omitted.)

	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
	April 1, 2006 to June 30, 2006	January 1, 2006 to March 31, 2006	October 1, 2005 to December 31, 2005	July 1, 2005 to September 30, 2005	April 1, 2005 to June 30, 2005
	Amount	Amount	Amount	Amount	Amount
Net sales	¥494,231	¥298,406	¥287,471	¥264,149	¥258,637
Cost of sales	273,895	185,010	184,551	178,575	175,674
Gross profit	220,336	113,395	102,920	85,573	82,962
Selling, general and administrative expenses	165,978	79,009	79,407	77,983	86,153
Operating income (loss)	54,357	34,386	23,512	7,590	(3,190)
Non-operating income (Note)	12,096	6,227	2,784	4,442	3,122
Non-operating expenses (Note)	40,459	10,867	15,068	12,499	12,950
Ordinary income (loss)	25,994	29,747	11,228	(466)	(13,017)
Special income	4,672	40,758	98,934	35,916	22,914
Special loss	1,365	26,610	50,475	10,309	9,136
Income before income taxes and minority interest	29,302	43,895	59,687	25,141	760
Income taxes - Current	10,146	11,204	9,695	11,623	8,230
Income taxes - Deferred	9,224	(15,366)	20,171	(187)	(2,779)
Minority interest	8,514	8,326	7,817	6,734	6,463
Net income (loss)	¥1,418	¥39,730	¥22,002	¥6,971	¥(11,153)

Note: Exchange gain (loss), equity in earnings (loss) under the equity method, and income (expenses) from investments in partnerships were included in "Non-operating income" and "Non-operating expenses" and were netted on a quarterly basis for presentation purposes.

Condensed Statement of Cash Flows

(Millions of yen; amounts less than one million yen are omitted.)

	First quarter	Fourth quarter	Third quarter	Second quarter	First quarter
	April 1, 2006 to June 30, 2006	January 1, 2006 to March 31, 2006	October 1, 2005 to December 31, 2005	July 1, 2005 to September 30, 2005	April 1, 2005 to June 30, 2005
	Amount	Amount	Amount	Amount	Amount
I Net cash provided by (used in) operating activities	¥64,675	¥13,837	¥61,949	¥232	¥(18,213)
II Net cash (used in) provided by investing activities	(1,965,832)	15,521	86,627	(45,593)	(28,703)
III Net cash provided by (used in) financing activities	1,743,429	74,963	(46,728)	(11,081)	12,925
IV Effect of exchange rate changes on cash and cash equivalents	134	5,248	3,866	639	1,150
V Net (decrease) increase in cash and cash equivalents	(157,593)	109,571	105,714	(55,802)	(32,840)
VI (Decrease) in cash and cash equivalents due to exclusion of previously consolidated entities	(3,886)	-	-	-	(142)
VII Cash and cash equivalents at the beginning of the period	446,694	337,122	231,408	287,211	320,194
VIII Cash and cash equivalents at the end of the period	¥285,214	¥446,694	¥337,122	¥231,408	¥287,211
Note: Depreciation and amortization included in net cash provided by operating activities	¥38,048	¥18,311	¥19,519	¥21,643	¥20,942

Basis of Presentation of Consolidated Financial Statements

1. Changes in scope of consolidation

As of June 30, 2006, SOFTBANK CORP. (the "Company") consolidated 122 subsidiaries. 53 subsidiaries were not consolidated as the individual and aggregate amounts were not considered material in relation to the consolidated total assets, net sales, net income (loss) and retained earnings (accumulated deficit) of the SOFTBANK consolidated financial statements.

Changes in scope of consolidation were as follows:

<Increase>

11 companies

Significant changes:

Vodafone K.K.

Newly acquired

<Decrease>

42 companies

Insignificant companies were excluded from scope of consolidation from this fiscal period.

2. Changes in scope of equity method

As of June 30, 2006, the Company held three non-consolidated subsidiaries and 65 affiliates, all of which were accounted for under the equity method. 50 non-consolidated subsidiaries and 23 affiliates were not accounted for under the equity method, as the individual and aggregate amounts were not considered material in relation to the net income (loss) and retained earnings (accumulated deficit) of the SOFTBANK consolidated financial statements.

Main changes in application of equity method were as follows:

<Increase>

One company

<Decrease>

20 companies

Insignificant companies were excluded from scope of equity method from this fiscal period.

3. Summary of significant accounting policies

[1] Evaluation standards and methods for major assets

(1) Marketable securities and investment securities

Held-to-maturity debt securities: Stated at amortized cost

Other securities:

With market quotations: Stated at fair value, which represents the market prices at the balance sheet date (unrealized gain/loss is included as a separate component in net asset, net of tax, while cost is primarily determined using the moving-average method)

Without market quotations: Carried at cost, primarily based on the moving-average method

(2) Derivative instruments: Stated at fair value

(3) Inventories: Carried at cost, primarily based on the moving-average method

[2] Depreciation and amortization

(1) Property and equipment

Buildings and structures: Computed primarily using the straight line method

Telecommunications equipment: Computed using the straight line method

Telecommunications service lines: Computed using the straight line method

Others: Computed primarily using the straight line method

(2) Intangible assets: Computed using the straight-line method

[3] Accounting principles for major allowances and accruals

(1) <Allowance for doubtful accounts>

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

(2) <Accrued retirement benefits>

Vodafone K.K., JAPAN TELECOM CO., LTD., and certain other subsidiaries have defined benefit pension plans for their employees. These companies account for the obligation for retirement benefits based on the projected benefit obligations as of June 30, 2006.

(3) <Provision for loyalty program>

Vodafone K.K. has provision for loyalty program which is accrued based on the estimated future obligation arising from point service, based on past experience.

[4] Translation of foreign currency transactions and accounts

All assets and liabilities in foreign currencies are translated at the foreign currency exchange rates prevailing at the respective balance sheet dates. Foreign currency exchange gains or losses are charged to net income when incurred.

The translation of foreign currency denominated revenues and expenses in the financial statements of foreign consolidated subsidiaries into Japanese yen is performed by using the average exchange rate for the period. Assets and liabilities are translated using the foreign currency exchange rates prevailing at the balance sheet dates, and capital stock is translated using the historical foreign currency exchange rates. Foreign currency financial statement translation differences are presented as a separate component of "Net asset," and the portion pertaining to minority shareholders, which is included in "Minority interest in consolidated subsidiaries."

[5] Capital lease

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

[6] Accounting for significant hedge transactions

(1) Collar transaction

<Hedge accounting>

Unrealized gains and losses, net of tax, on collar transaction that qualifies as an effective cash flow hedge at consolidated subsidiaries in the United States of America are reported as a separate component of "Net asset" in the Company's consolidated balance sheets. As such, unrealized gains and losses associated with the collar transaction will be recognized into earnings in the same period during which the hedged assets and liabilities are recognized in earnings.

<Derivative instruments for hedging and hedged items>

Derivative instruments for hedging: Prepaid variable share forward contract (the collar transaction)

Hedged items: Equity security

<Hedging policy>

The purpose of the collar transaction is to hedge the variability of cash flows associated with the future market price of the underlying equity security.

(2) Interest rate swap

<Hedge accounting>

For interest rate swaps whose amounts, index and periods are same as the conditions for hedged items, the “exceptional method” is adopted. Under this method, a certain domestic consolidated subsidiary does not account for gains and losses of those interest rate swaps on a fair value basis and recognizes swap interest on an accrual basis.

<Derivative instruments for hedging and hedged items>

Derivative instruments for hedging: Interest rate swap contracts

Hedged items: Interest expense on borrowings

<Hedging policy>

The domestic consolidated subsidiaries use derivative financial instruments to hedge the risk of exposures to fluctuations in interest rates in accordance with its internal policies, regarding the authorization and credit limit amount.

[7] Accounting method for consumption taxes

Consumption taxes are accounted for using the net method of reporting.

4. Accounting for business combinations

All assets and liabilities of acquired entities are revalued at the respective fair market value at the combination date.

5. Amortization of goodwill

"Goodwill" is amortized on a straight-line basis over reasonably estimated periods in which economic benefits are expected to be realized. Immaterial goodwill is expensed as incurred.

The goodwill resulted from acquisition of Vodafone K.K. is amortized over 20-year-period.

6. Scope of cash and cash equivalents in the consolidated statements of cash flows

“Cash and cash equivalents” are comprised of cash on hand, bank deposits withdrawable on demand and highly liquid investments with initial maturities of three months or less and a low risk of fluctuation in value.

7. Presentation of net asset in balance sheet

The Company applied “Accounting Standards for presentation of net asset” (Financial Accounting Standards for presentation of net asset in balance sheet Guideline No.5 issued on December 9, 2005 by the Business Accounting Council in Japan), and “Application Guideline for Accounting Standards for presentation of net assets” (Financial Accounting Standards Implementation Guideline No.8 issued on December 9, 2005) for three months ended on June 30, 2006.

The shareholders’ equity based on the previous presentation of shareholders’ equity in balance sheet is ¥235,198 million.

The Company disclosed net assets in balance sheet using the new presentation for three months ended on June 30, 2006.

Furthermore, the Company presented its net asset in balance sheet using the new presentation for March 31, 2006 and June 30, 2005.

8. Accounting standard for statement of changes in net asset

The Company applied “Accounting Standards for statement of changes in net assets” (Financial Accounting Standards No.6 issued on December 27, 2005) and “Guidance on Accounting Standard for statement of changes in net assets” (Financial Accounting Standards Implementation Guideline No.9 issued on December 27, 2005) from the period ended June 30, 2006.

9. Accounting standard for share-based payment

The Company applied “Share-based Payment” Financial Accounting Standards No.8 issued on December 27, 2005 and “Guidance on Accounting Standard for share-based Payment” (Financial Accounting Standards Implementation Guideline No.11 issued on December 27, 2005) from the period ended June 30, 2006.

As a result, the effect of the application of these standards and guideline was not considered material in relation to the income before income taxes and minority interest.

10. Practical solution on accounting for revenue recognition of software

The Company applied “Practical solution on accounting for revenue recognition of software” (Financial Accounting Standards Implementation Guideline No.17 issued on March 30, 2006) from this first quarter.

As a result, certain software transactions stated at ¥274 million as net sales are netted with amounts for goods purchased. Due to the netting with the amounts for goods purchased, net sales and cost of goods sold decreased by ¥7,455 million.

Notes

1. Accumulated depreciation of property and equipment

	June 30, 2006	March 31, 2006	June 30, 2005
	626,519 million yen	603,313 million yen	639,531 million yen

2. Assets pledged as collateral

(1) For future lease liabilities

	June 30, 2006	March 31, 2006	June 30, 2005
<u>Assets pledged as collateral:</u>			
Notes and accounts receivable - trade	10,697 million yen	10,653 million yen	11,463 million yen
Other current assets (accounts receivable – other)	-	-	5
<u>Secured liabilities:</u>			
Notes and accounts payable - trade	- million yen	-	3 million yen

Note: The collateral for the future lease liabilities was provided by mortgaging against the aggregate of the current and future receivables due from customers of certain consolidated subsidiaries. The future lease liabilities at the end of periods are as follows:

	June 30, 2006	March 31, 2006	June 30, 2005
Future lease liabilities (including the above “Notes and accounts payable-trade”)	20,542 million yen	23,846 million yen	32,481 million yen

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

All common stocks of BB Mobile Corp., Vodafone K.K., and subsidiaries of Vodafone K.K. are pledged as collateral for short-term borrowings, ¥1,166,000 million resulted from the acquisition of Vodafone K.K.

Assets pledged as collateral and secured liabilities by consolidated subsidiaries other than the short-term borrowings above are as follows:

	June 30, 2006	March 31, 2006	June 30, 2005
<u>Assets pledged as collateral:</u>			
Cash and deposits	532 million yen	336 million yen	476 million yen
Notes and accounts receivable - trade	993	1,061	1,100
Buildings and structures	503	867	520
Telecommunications equipment	1,284	1,513	2,549
Land	5,001	5,001	5,001
Property and equipment- others	0	0	0
Investment securities	208,169	201,293	203,621
Total	216,484 million yen	210,074 million yen	213,270 million yen
<u>Secured liabilities:</u>			
Notes and accounts payable - trade	614 million yen	975 million yen	544 million yen
Short-term borrowings	55,299	8,209	18,662
Accounts payable – other and accrued expenses	116	25	17
Long-term debt	118,283	119,805	116,778
Other long-term liabilities	-	113	204
Total	174,313 million yen	129,128 million yen	136,207 million yen

3. Securities loaned

A portion of investment securities was lent to financial institutions according to stock lending agreements, and the amounts of applicable investment securities recorded in the Company's consolidated balance sheets are as follows:

	June 30, 2006	March 31, 2006	June 30, 2005
Investment securities	40,527 million yen	364 million yen	1,836 million yen

4. Cash receipts as collateral

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

	June 30, 2006	March 31, 2006	June 30, 2005
Cash receipts as collateral	150,000 million yen	100,000 million yen	100,000 million yen

According to the security deposit agreements, the Company paid a fixed rate amount as stock bailment fees and other fees totaling ¥ 581 million, ¥ 2,859 million and ¥ 472 million for the periods ended June 30, 2006, March 31, 2006 and June 30, 2005, respectively, and recorded the fees as other non-operating expenses in the consolidated statements of operations.

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

	June 30, 2006	March 31, 2006	June 30, 2005
	14,373 million yen	16,097 million yen	528 million yen

6. Balance of accounts receivable sold

	June 30, 2006	March 31, 2006	June 30, 2005
	- million yen	8,477 million yen	5,553 million yen

7. Selling, general and administrative expenses

	Three-month period ended June 30, 2006	Three-month period ended June 30, 2005	Fiscal year ended March 31, 2006
Payroll and bonuses	¥20,555 million	¥17,765 million	¥69,505 million
Sales promotion expense	26,053	16,748	59,671
Sales commission	45,770	1,980	3,050
Allowance for doubtful accounts	988	1,156	4,319

8. Consolidated statements of cash flows

(1) Reconciliation of cash and cash equivalents to the amounts presented in the accompanying consolidated balance sheets:

	June 30, 2006	June 30, 2005	March 31, 2006
Cash and deposits	285,351 million yen	288,119 million yen	446,306 million yen
Marketable securities	7,173	6,885	4,372
Time deposits with original maturities over three months	(1,595)	(1,481)	(1,400)
Stocks and bonds with original maturities over three months	(5,714)	(6,311)	(2,584)
Cash and cash equivalents	285,214 million yen	287,211 million yen	446,694 million yen

(2) Vodafone K.K. and three consolidated subsidiaries acquired in connection with the acquisition of Vodafone K.K.

		(as of April 30, 2006)	
Current assets	Note 1	324,291	million yen
Non-current assets		851,508	
Goodwill		1,123,826	
Current liabilities	Note 1	(453,926)	
Long-term liabilities		(144,665)	
Minority interest		(2,658)	
Acquisition cost	Note 2	1,698,375	million yen
Loans made by the Company	Note 3	163,000	
Cash and cash equivalents of newly consolidated companies		(25,419)	
Payments for the acquisition		1,835,955	million yen

(Note 1) Amounts are after considering intercompany transactions.

(Note 2) Accompanying costs are included.

(Note 3) Loan amounts until the acquisition date, April 30, 2006

9. Statements of changes in stockholders' equity

(1) Class and number of outstanding shares:

	March 31, 2006	Increase	Decrease	June 30, 2006
Number of common stocks	1,055,231,478	72,000	-	1,055,303,478

(Note) Increase is resulted from the exercise of stock acquisition rights.

(2) Class and number of treasury stocks:

	March 31, 2006	Increase	Decrease	June 30, 2006
Number of common stocks	149,391	2,005	-	151,396

(Note) Increase is resulted from the acquisition of the fraction of shares.

(3) Share warrants:

Type	Detail of stock acquisition rights	Class of shares	Number of shares for stock acquisition rights				Million of yen
			March 31,2006	Increase	Decrease	June 30, 2006	June 30, 2006
SOFTBANK	Stock acquisition rights issued in 2004	Common stocks	24,000,000	-	-	24,000,000	3,150
Subsidiary companies	-		-				0
Total			-				3,150

(4) Dividends:

Resolution	Class of shares	Amount of dividend (Million of yen)	Dividend per share	Record date	Effective date
Ordinary general meeting of shareholders, June 23, 2006	Common stocks	2,637	¥2.50	March 31, 2006	June 26, 2006

Significant Subsequent Event

<Sale of shares of SBI Holdings, Inc.>

The Company sold its all shares held in SBI Holdings, Inc., which was accounted for under the equity method, through its wholly-owned subsidiary, SOFTBANK AM CORORATION on August 1, 2006 and August 2, 2006.

(1) Summary of Sale:

August 1, 2006

- | | |
|--------------------|---|
| 1. Sale of shares: | SBI Holdings, Inc. common stocks of
1,111,000 shares |
| 2. Sale price: | Approximately ¥50 billion |
| 3. Sold to: | SBI and others (Sold through
ToSTNet-2) |

August 2, 2006

- | | |
|----------------|--|
| 1. Sale price: | SBI Holdings, Inc. common stocks of
2,134,811.21 shares |
| 2. Sale price: | Approximately ¥86 billion |
| 3. Sold to: | Goldman Sachs Ltd. |

(2) Effects on consolidated results

The gain on the sale of investment securities of approximately ¥65 billion in aggregate will be recorded in the second quarter of the fiscal year ending March 31, 2007.

Segment Information

1. Business segment information

(1) For the three-month period ended June 30, 2006

(Millions of yen; amounts less than one million yen are omitted.)

	Mobile Communications	Broadband Infrastructure	Fixed-line Telecommunications	Internet Culture	e-Commerce	Others	Total	Elimination or Corporate	Consolidated
Net sales									
(1) Customers	¥231,545	¥62,797	¥81,892	¥44,453	¥55,886	¥17,655	¥494,231	¥ -	¥494,231
(2) Inter-segment	922	524	6,781	189	3,256	2,634	14,307	(14,307)	-
Total	232,467	63,322	88,673	44,642	59,142	20,289	508,539	(14,307)	494,231
Operating expenses	205,174	57,842	87,461	23,012	57,681	21,007	452,179	(12,305)	439,874
Operating income (loss)	¥27,293	¥5,479	¥1,212	¥21,630	¥1,461	¥(717)	¥56,360	¥ (2,002)	¥54,357

(2) For the three-month period ended June 30, 2005

(Millions of yen; amounts less than one million yen are omitted.)

	Mobile Communications	Broadband Infrastructure	Fixed-line Telecommunications	Internet Culture	e-Commerce	Others	Total	Elimination or Corporate	Consolidated
Net sales									
(1) Customers	Newly Established this Fiscal Period	¥61,005	¥87,393	¥34,493	¥58,535	¥17,209	¥258,637	¥ -	¥258,637
(2) Inter-segment		200	1,210	141	1,933	3,051	6,537	(6,537)	-
Total		61,205	88,604	34,635	60,469	20,260	265,175	(6,537)	258,637
Operating expenses		65,700	102,694	18,165	59,742	20,860	267,164	(5,336)	261,827
Operating income (loss)		¥(4,494)	¥(14,089)	¥16,469	¥726	¥(600)	¥(1,988)	¥ (1,201)	¥(3,190)

(3) For the fiscal year ended March 31, 2006

(Millions of yen; amounts less than one million yen are omitted.)

	Mobile Communications	Broadband Infrastructure	Fixed-line Telecommunications	Internet Culture	e-Commerce	Others	Total	Elimination or Corporate	Consolidated
Net sales									
(1) Customers	Newly Established this Fiscal Period	¥267,272	¥347,447	¥155,550	¥272,739	¥65,654	¥1,108,665	¥ -	¥1,108,665
(2) Inter-segment		1,179	6,785	569	10,535	17,419	36,489	(36,489)	-
Total		268,451	354,233	156,120	283,275	83,073	1,145,154	(36,489)	1,108,665
Operating expenses		247,779	379,392	81,929	278,414	87,833	1,075,350	(28,984)	1,046,366
Operating income (loss)		¥20,672	¥(25,158)	¥74,190	¥4,860	¥(4,759)	¥69,804	¥ (7,504)	¥62,299

- Notes: 1. Business segments are categorized primarily based on the nature of business operations, type of services, similarity of sales channels, etc., which the SOFTBANK Group uses for its internal management purposes.
2. Please refer to the chart of "The SOFTBANK Group" for a description of the main business segments.
3. Unallocated operating expenses for the periods ended June 30, 2006, June 30, 2005 and March 31, 2006 in the column "Elimination or corporate", which mainly represent expenses of the corporate division of the Company, were ¥1,395 million, ¥977million and ¥7,841 million, respectively.
4. Mobile Communications segment was established in the first quarter of FY2007 due to the consolidation of Vodafone K.K. Net sales and operating expenses of Vodafone K.K and its consolidated subsidiaries are consolidated from May 2006.

Leases

1. Capital leases in which the ownership of leased assets is not transferred to the lessee at the end of lease periods (as a lessee)

(1) Amounts equivalent to acquisition costs, accumulated depreciation and net book value at the end of each period are as follows:

	June 30, 2006	March 31, 2006	June 30, 2005
Telecommunications equipment and telecommunications service lines			
Equivalent to acquisition costs	202,110 million yen	197,727 million yen	195,443 million yen
Less:			
amount equivalent to accumulated depreciation	(74,630)	(64,550)	(55,141)
Amount equivalent to accumulated impairment loss	(21,703)	(21,703)	-
Net book value	105,776 million yen	111,473 million yen	140,302 million yen
Buildings and structures			
Equivalent to acquisition costs	48,232 million yen	46,999 million yen	46,988 million yen
Less:			
amount equivalent to accumulated depreciation	(4,143)	(2,674)	(899)
Amount equivalent to accumulated impairment loss	-	-	-
Net book value	44,088 million yen	44,324 million yen	46,089 million yen
Property and equipment - others			
Equivalent to acquisition costs	17,232 million yen	13,604 million yen	13,562 million yen
Less:			
amount equivalent to accumulated depreciation	(5,788)	(5,700)	(7,574)
Amount equivalent to accumulated impairment loss	(1,656)	(1,657)	-
Net book value	9,786 million yen	6,245 million yen	5,988 million yen
Intangible assets			
Equivalent to acquisition costs	6,702 million yen	2,624 million yen	2,575 million yen
Less:			
amount equivalent to accumulated amortization	(1,252)	(1,238)	(1,119)
Amount equivalent to accumulated impairment loss	(287)	(287)	-
Net book value	5,161 million yen	1,097 million yen	1,456 million yen
Total			
Equivalent to acquisition costs	274,277 million yen	260,955 million yen	258,570 million yen
Less:			
amount equivalent to accumulated depreciation	(85,815)	(74,164)	(64,734)
Amount equivalent to accumulated impairment loss	(23,647)	(23,648)	-
Net book value	164,814 million yen	163,141 million yen	193,836 million yen

Long-term prepaid expense relating to mainly ten year term lease contract with payment completed in initial five years which is included in "Other assets" of "Investments and other assets" in the consolidated balance sheets for the period ended June 30, 2006 and for the fiscal year ended March 31, 2006 were ¥3,169 million and ¥1,989 million, respectively.

(2) The future lease payments for capital leases at the end of each period are as follows:

	June 30, 2006	March 31, 2006	June 30, 2005
Due within one year	34,831 million yen	34,560 million yen	40,294 million yen
Due after one year	161,845	158,800	158,495
Total	196,676 million yen	193,361 million yen	198,790 million yen
Balance of allowance for impairment loss on leased assets	21,942 million yen	23,427 million yen	- million yen

(3) Lease payments and amounts equivalent to depreciation and interest expense for each period are as follows:

	Three-month period ended June 30, 2006	FY2006 April 2005 through March 2006	Three-month period ended June 30, 2005
Lease payments	12,829 million yen	56,517 million yen	14,233 million yen
Reversal of allowance for impairment loss on leased assets	1,484	300	-
Amount equivalent to depreciation expense	9,988	44,595	11,254
Amount equivalent to interest expense	3,522	15,808	4,108
Impairment loss	-	23,727	-

(4) Calculation method used to determine the amount equivalent to depreciation and interest expense:

The amount equivalent to depreciation is computed using the straight-line method over the period of the capital leases, assuming no residual value except in cases where the residual value is guaranteed in the lease contract.

The amount equivalent to interest expense is calculated by subtracting acquisition costs from the total lease payments and allocated over the lease periods based on the interest method.

1. Capital leases in which the ownership of leased assets is not transferred to the lessee at the end of lease periods
(continued)

(as a lessor)

(1) Acquisition costs, accumulated depreciation and net book value at the end of each period are as follows:

	June 30, 2006	March 31, 2006	June 30, 2005
Property and equipment - others			
Acquisition costs	164 million yen	164 million yen	164 million yen
Less: accumulated depreciation	(149)	(137)	(103)
Net book value	15 million yen	26 million yen	60 million yen
Total			
Acquisition costs	164 million yen	164 million yen	164 million yen
Less: accumulated depreciation	(149)	(137)	(103)
Net book value	15 million yen	26 million yen	60 million yen

(2) The future lease receivables for capital leases at the end of each period are as follows:

	June 30, 2006	March 31, 2006	June 30, 2005
Due within one year	17 million yen	29 million yen	44 million yen
Due after one year	0	-	21
Total	17 million yen	29 million yen	65 million yen

(3) Lease income, depreciation and amount equivalent to interest income for each period are as follows:

	Three-month period ended June 30, 2006	FY2006 April 2005 through March 2006	Three-month period ended June 30, 2005
Lease income	11 million yen	46 million yen	11 million yen
Depreciation expense	10	41	10
Amount equivalent to interest income	0	3	1

(4) Calculation method used to determine the amount equivalent to interest income

The amount equivalent to interest income is calculated by subtracting acquisition costs from the total of lease income and estimated residual value and allocated over the lease periods based on the interest method.

2. Non-cancelable operating lease transactions

(as a lessee)

The future lease payments for non-cancelable operating leases at the end of each period are as follows:

	June 30, 2006	March 31, 2006	June 30, 2005
Due within one year	12,922 million yen	9,904 million yen	8,380 million yen
Due after one year	9,258	11,041	13,556
Total	22,181 million yen	20,946 million yen	21,937 million yen

(as a lessor)

The future lease receivables for non-cancelable operating leases at the end of each period are as follows:

	June 30, 2006	March 31, 2006	June 30, 2005
Due within one year	1,309 million yen	1,305 million yen	1,275 million yen
Due after one year	2,161	1,921	1,994
Total	3,470 million yen	3,227 million yen	3,269 million yen

INVESTMENT IN DEBT AND EQUITY SECURITIES

1. Other securities at fair value

(Millions of yen; amounts less than one million yen are omitted.)

	June 30, 2006			March 31, 2006			June 30, 2005		
	Investment costs	Carrying amounts	Differences	Investment costs	Carrying amounts	Differences	Investment costs	Carrying amounts	Differences
1. Equity securities	¥36,418	¥233,887	¥197,469	¥34,810	¥234,319	¥199,509	¥30,630	¥243,264	¥212,633
2. Debt securities:									
Corporate bonds and other debt securities	-	-	-	-	-	-	5,097	5,100	3
3. Others	59	59	-	59	59	-	18	18	0
Total	¥36,477	¥233,947	¥197,469	¥34,869	¥234,379	¥199,509	¥35,746	¥248,383	¥212,637

2. Carrying amounts of unlisted investment securities

(Millions of yen; amounts less than one million yen are omitted.)

	June 30, 2006 Carrying amounts	March 31, 2006 Carrying amounts	June 30, 2005 Carrying amounts
1. Debt securities (held-to-maturity)			
Unlisted debt securities	¥675	¥-	¥-
2. Other securities			
Unlisted equity securities	¥81,127	¥26,759	¥16,871
Investments in limited partnerships (see Note)	5,884	6,494	6,686
Money Management Fund	5,219	2,959	1,184
Preferred fund certificate	2,000	2,000	2,000
Designated money trust	1,000	1,000	-
Others	627	614	629
Total	¥96,534	¥39,827	¥27,372

Note: Relating to “Investments in limited partnerships,” the difference between cost and fair value of limited partnerships, net of tax, is recorded in “Net unrealized gain on other securities” in the consolidated balance sheets.