

SOFTBANK CORP.

<http://www.softbank.co.jp/>



# SoftBank

Annual Report 2005

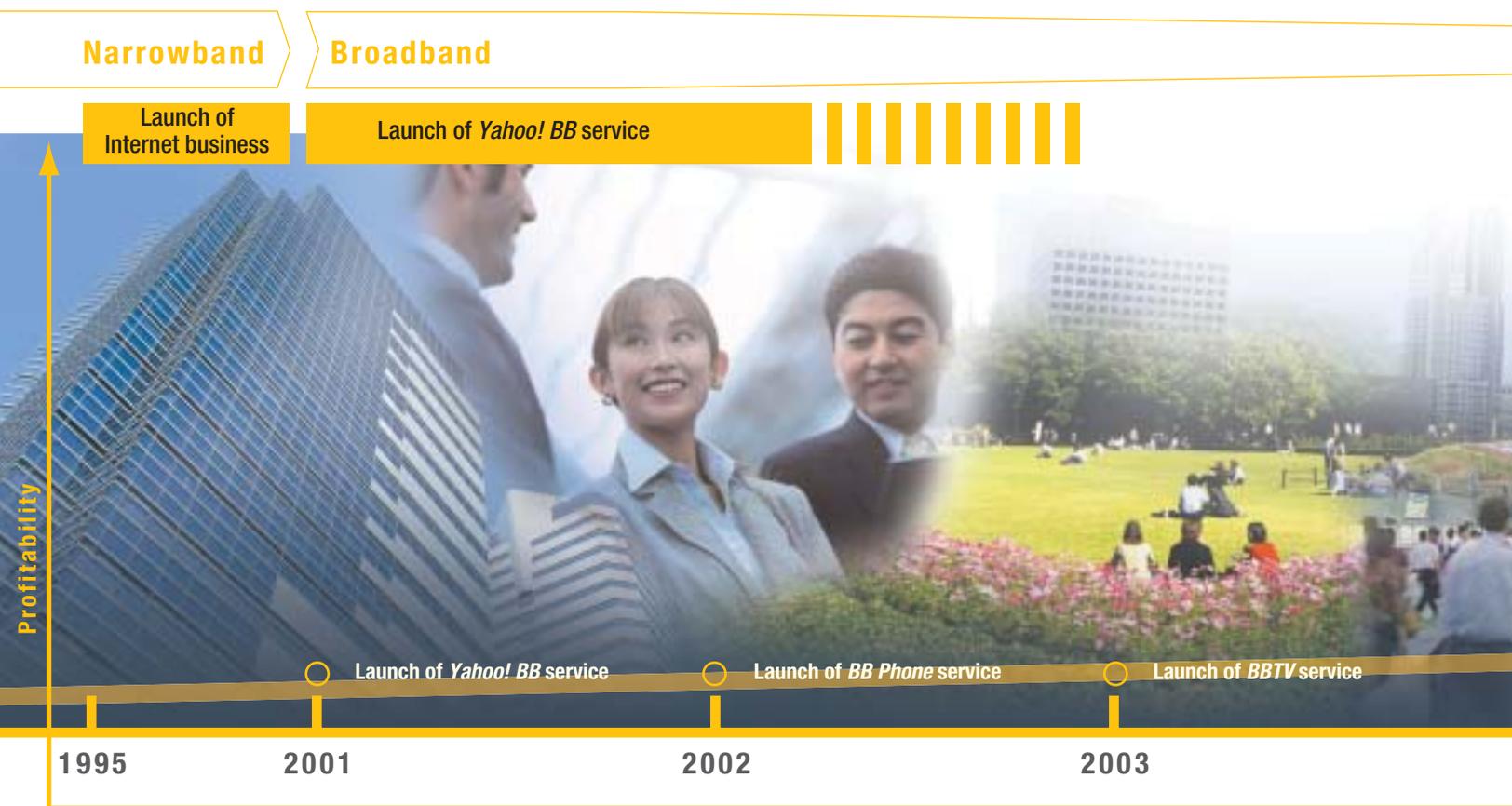
Making Dreams Happen



## Creating a New Lifestyle



The SOFTBANK Group aims to be the number one broadband corporate group in Japan, providing comprehensive telecommunications infrastructure as well as portals and content that are deployed over such infrastructure. The Group is creating more affluent and enjoyable 21st century lifestyles whereby people can easily communicate anytime, anywhere, and with anyone.



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#### PRECAUTIONS REGARDING FORWARD-LOOKING STATEMENTS

This annual report includes information regarding medium- and long-term strategies, plans, and outlooks. All information that is not based on historical facts does not represent a guarantee regarding future operating results and contains inherent risks and uncertainties.

Consequently, as there may be significant changes in the operating environment and other factors, investors are cautioned not to rely entirely on the information in this annual report with regard to the outlook for future operating results.



Establishing its position as a comprehensive telecommunications company

A corporate group with the best infrastructure, portals, and content

JAPAN TELECOM  
SoftBank



SoftBank Technology



SoftBank Publishing



SoftBank BB



## Service content

- |            |              |
|------------|--------------|
| Music      | Broadcasting |
| Games      | Sports       |
| Publishing | Commerce     |
| Finance    | Business     |

- Acquisition of JAPAN TELECOM CO., LTD.
- Launch of Yahoo! BB hikari service
- Launch of Otoku Line service
- Announcement of SOFTBANK Group's new logo based on the corporate identity

- Birth of the Fukuoka Softbank Hawks baseball club

2004

2005

The world at which it aims after 2005

Portal



Infrastructure



hikari

# Putting Style into Life (As of March 31, 2005)

The segment carries out fixed-line telecommunications such as voice transmission services, data transmission services, and private leased circuit services.

## Fixed-line Telecommunications Segment



page 16

Major Group companies  
 JAPAN TELECOM CO., LTD.  
 JAPAN TELECOM IDC INC.

Note: JAPAN TELECOM CO., LTD., and JAPAN TELECOM IDC INC. merged on July 1, 2005.

**JAPAN TELECOM**



The segment distributes PC software and such hardware as PCs and their peripheral equipment, provides enterprise solutions, and pursues diversified e-commerce businesses, including business transaction platform (B-to-B) and consumer-related e-commerce (B-to-C) activities.

## e-Commerce Segment



page 18

Major Group company  
 SOFTBANK BB Corp.

 **SoftBank BB**



# SoftBank

## Broadmedia Segment



page 20

Major Group companies  
 SOFTBANK Broadmedia Corporation  
 Club iT Corporation

 SoftBank  
 Broadmedia



The segment engages in promoting the popularization of broadband services in such areas as broadcasting and communications and provides content procurement support.

## Overseas Funds Segment



page 23

Major Group companies  
 SOFTBANK Korea Co., Ltd.  
 SB CHINA HOLDINGS PTE LTD

The segment invests in U.S.- and Asia-focused global venture capital businesses, with a main emphasis on Internet-related companies.

 SoftBank  
 Holdings

# Pure Holding Company

## SoftBank BB

**Broadband Infrastructure Segment**  
 see page 14  
 Major Group companies  
 SOFTBANK BB Corp.  
 BB Cable Corporation

The segment provides ADSL/fiber optic high-speed Internet connection services, IP telephony services, and content delivery services.

**Internet Culture Segment**  
 see page 19  
 Major Group company  
 Yahoo Japan Corporation

The segment engages in Internet-based advertising operations, Internet-based auction businesses, and the broadband portal business.



**Technology Services Segment**  
 see page 21  
 Major Group company  
 SOFTBANK TECHNOLOGY CORP.



The segment offers broadband-based solutions services for networks, security, and applications.

**Media & Marketing Segment**  
 see page 22  
 Major Group companies  
 SOFTBANK Media & Marketing Corp.  
 SOFTBANK Publishing Inc.



The segment publishes magazines and books covering such areas as PCs, the Internet, and entertainment and engages in Internet-based content operations specializing in IT areas.

**Other Businesses**  
 see page 23  
 Major Group companies  
 Fukuoka Softbank Hawks Corp.  
 Fukuoka Softbank Hawks Marketing Corp.  
 SOFTBANK INVESTMENT CORPORATION



This business is concerned with leisure and service operations, e-finance, holding company functions for overseas operations, and back-office services in Japan.

### Message from the President



#### Lifestyle Company for the Broadband Era

Since the SOFTBANK Group began its *Yahoo! BB* service, broadband—which forms the basis for a digital information society—has increasingly become a part of people's lifestyles, and we are now entering into another stage of its development. Networks link all of the places where people conduct their lifestyles, enabling them to exchange all kinds of information any-time, anywhere, and with anyone, and are beginning to make their lifestyles richer and more convenient.

Just as for television sets, where color TVs replaced black and white, it is believed that, in the near future, broadband will replace all narrowband (dial-up connections). The unique characteristics of broadband mean that, in the broadband era, concepts and values will be completely different. For example, the *BB Phone* IP telephony service, which is offered over a broadband network, eliminates the concept of distance and enables toll-free calls between users, thereby overturning what has been held as common knowledge about telephones up to this point. And now, with the *BBTV* broadband broadcasting service, as well as *Wireless TV box*, which enables terrestrial TV broadcasts to be viewed on a computer, the elimination of the barrier between communications and broadcasting is creating a new form of television. The SOFTBANK Group is always working to realize innovative services born of the latest technologies and is fulfilling its role as a lifestyle company for the broadband era by continuing to generate revolutions in people's lifestyles.

#### The SOFTBANK Group's Broadband Strategy

As the broadband environment rapidly develops, an age is approaching when the development of services and content for broadband infrastructure will be the focus of competition. As a corporate group basing its operations on the Internet, the SOFTBANK Group will not stop at simply providing the infrastructure. With Yahoo Japan Corporation, which proudly operates *Yahoo! JAPAN*, Japan's number one portal site with 1.03 billion page views\* daily, GungHo Online Entertainment, Inc., the country's leading on-line game company, and the Fukuoka Softbank Hawks, the Group has a number of companies that provide diverse services and content, ranging from music to broadcasting, to games, to sports, to e-commerce. Drawing fully on the

strengths of these Group companies, the SOFTBANK Group will establish a unique business model for the broadband era that will generate long-term, stable profits from its infrastructure business, increasing returns from its portal business, and diverse sources of income from its services and content, thereby maximizing Group profits.

\* Yahoo! JAPAN page views as of October 20, 2004

## Review of Results in the Fiscal Year Ended March 2005— Establishing the Foundations of a Comprehensive Telecommunications Company

In fiscal 2005, thanks to the consolidation of JAPAN TELECOM CO., LTD., in the second half of the fiscal year, net sales jumped ¥319.6 billion compared with the previous fiscal year, to ¥837.0 billion, which translates to annual net sales in the ¥1 trillion range. Consolidated EBITDA became positive, making a ¥66.0 billion improvement for the fiscal year. Due to the continued strong performance of segments other than the Broadband Infrastructure and the Fixed-line Telecommunications segments, the burden of the consolidated operating loss shrank ¥29.5 billion, owing to the achievement of profitability by the asynchronous digital subscriber line (ADSL) business—one of the Group's core businesses, which was already in the stage of earning returns on investment in the fourth quarter. The Company has set a target of achieving a consolidated operating profit for the fiscal year ending March 2006. Just as the ADSL business showed losses in its initial investment stage, the *Otoku Line* business in the Fixed-line Telecommunications segment is also in the start-up phase and was a factor contributing to the temporary worsening in consolidated operating income. Looking at our financial position, our assets have undergone significant changes as a result of changes in the scope of consolidation and other factors. With the consolidation of JAPAN TELECOM CO., LTD., from September 30, 2004, ¥519.3 billion of its assets were combined with the Company's consolidated assets. In addition, the exclusion of SOFTBANK INVESTMENT CORPORATION (which accounted for ¥396.6 billion of the Company's consolidated assets as of March 31, 2004) from consolidation as of the deemed transfer date of March 31, 2005, reduced the Company's consolidated assets. As a result of these factors, consolidated total assets rose ¥283.6 billion, to ¥1,704.8

billion. The primary factors leading to an increase in net interest-bearing debts to ¥531.6 billion at the end of fiscal 2005 were the acquisitions of JAPAN TELECOM CO., LTD., Cable & Wireless IDC Inc., and the Fukuoka Daiei Hawks as part of our business expansion strategy.

To deal with the increase in the number of employees and expansion in the scope of the organization resulting from the acquisition of companies such as JAPAN TELECOM CO., LTD., the Company is working to strengthen its corporate governance by implementing the internal auditor governance model. Drawing on my experience as a board member of a non-Japanese company, I plan to improve Group governance significantly to ensure that information is always disclosed to all of our stakeholders in a timely and accurate manner. Furthermore, in the area of corporate social responsibility (CSR) activities, the SOFTBANK Group is working to build a top-class information security management system and the newly established Group Information Security Department is working to build information security management systems at Group companies.

## Following Our Dreams

When one cultivates a small dream and it becomes something bigger, transcending the scope of one individual's dream to become something that contributes to the lives of many people, I believe that it changes from a dream to an ambition. As a lifestyle company that uses broadband to make people's lifestyles richer and more fun, we are aiming to be the number one corporate group for the broadband era in the areas of infrastructure, portals, and content. Furthermore, we plan to take profitability to the next level with the embodiment of our strategies and visions, thereby maximizing shareholder value. We invite all our investors to share our dreams and ambitions and thank them for their continued support.

July 2005

*President and Chief Executive Officer*

**MASAYOSHI SON**





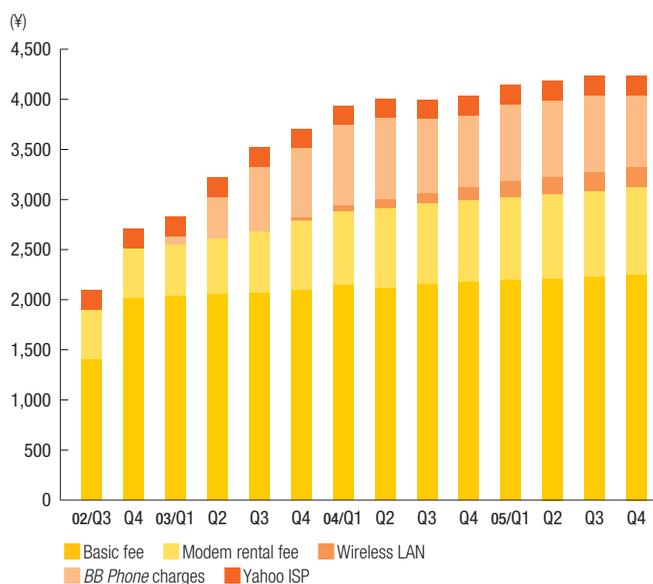
The IT revolution, a third revolution—to follow the agricultural and industrial revolutions—will trigger the digital information age. In this age, the SOFTBANK Group aims to be a lifestyle company that makes people's lifestyles richer and more fun. As we face the dawn of the broadband era, the SOFTBANK Group will exercise the collective strengths that it has cultivated in the Internet business and strive to create new markets while maximizing its corporate value as a unified corporate group that can provide infrastructure, portal, and content services seamlessly.

## Achievement of Operating Surplus in the ADSL Business

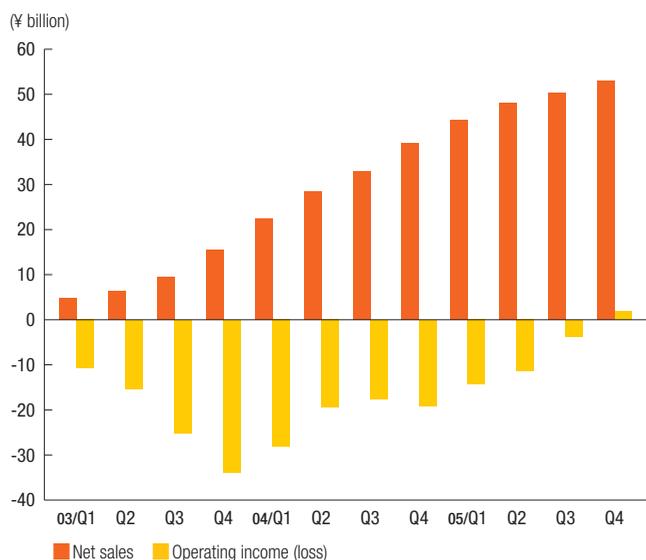
Since the launch of commercial services in September 2001, the *Yahoo! BB ADSL* service, which has driven the penetration of broadband, has seen a steady increase in the number of customers as well as average revenue per user (ARPU). In April 2005, the cumulative number of lines provided by the service exceeded 4.8 million, and those of the *BB Phone* IP telephony service had topped 4.5 million. Although ARPU is usually susceptible to downward pressure and generally falls due to price cuts stemming from intensified price competition, it more than doubled, from over ¥2,000 in the

third quarter of fiscal 2002 to ¥4,240 in the third quarter of fiscal 2005, due to such value-added services as IP telephony and wireless local area networks (LANs) as well as the provision of high-speed services. Furthermore, thanks to efforts to control cost increases resulting from the expansion of the scale of business, in the fourth quarter of fiscal 2005, about three and a half years after the launch of services, the ADSL business posted an operating surplus, marking the beginning of its investment recovery stage.

## Trends in Average Revenue per User (ADSL Business)



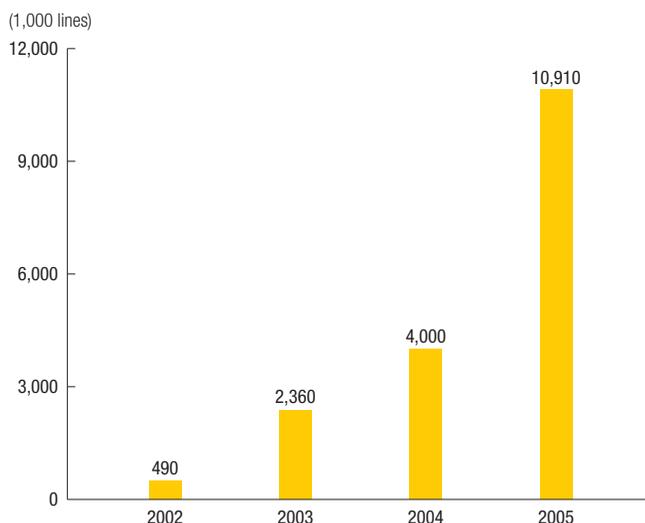
## Trends in Sales and Operating Income of the ADSL Business



## Establishing the Foundations of a Comprehensive Telecommunications Company

In July 2004, the Company acquired JAPAN TELECOM CO., LTD., which has a number of trusted corporate customers and, in February 2005, it acquired Japan's number two international telecommunications company, Cable & Wireless IDC Inc. As a result of these acquisitions, the corporate division of the infrastructure business, which had up to that point focused on consumers, significantly expanded and the number of SOFTBANK Group lines jumped to approximately 11 million, thereby establishing a comprehensive telecommunications company. The acquisitions also created a 50-50 balance in sales to consumers and corporate customers, where in the past almost 100% of net sales had come from consumers. Looking ahead, by capturing Group synergies through such initiatives as cross-selling between Group telecommunications companies, we will strive to strengthen our customer base and profit base as a comprehensive telecommunications company.

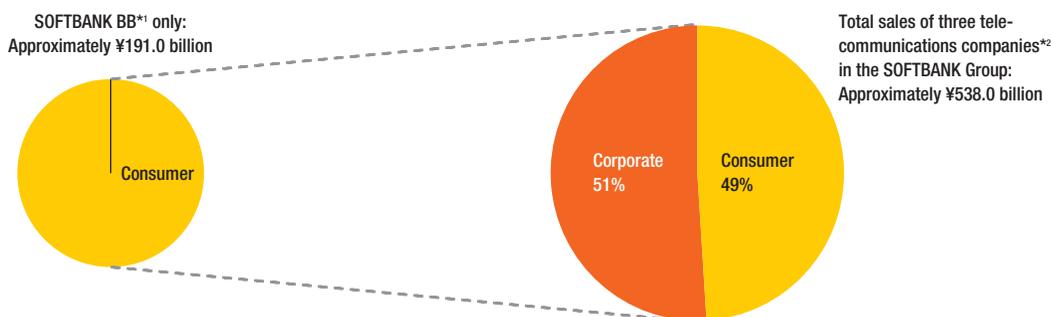
### Number of Lines of the SOFTBANK Group\*



\* Figures for 2002 through 2004 are the number of lines as of March 31 each year for SOFTBANK BB Corp.

Figures for 2005 are the sum of the lines for SOFTBANK BB Corp. (excluding *Yahoo! BB hikari*) and JAPAN TELECOM CO., LTD., as of April 30 and the lines for JAPAN TELECOM IDC INC. as of March 31. Please note that these figures take account of the 440,000 duplicate lines of JAPAN TELECOM CO., LTD., for consumer voice and consumer data, but there are certain other duplications.

## Percentage Composition of Telecommunications Business Sales



\*1 Net sales of SOFTBANK BB Corp. for the fiscal year ended March 31, 2005

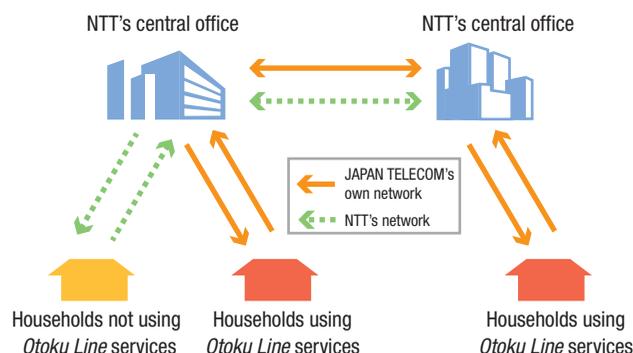
\*2 Pro forma sum of the net sales of SOFTBANK BB Corp., JAPAN TELECOM CO., LTD., and JAPAN TELECOM IDC INC. for the fiscal year ended March 31, 2005 (does not agree with segment data)

## Launch of Strategic New Services

When it was introduced, the *Yahoo! BB ADSL* comprehensive broadband service was significantly cheaper than competitors' ADSL services, in addition to being remarkably fast. It therefore prompted market competition and thus contributed to the rapid penetration of the broadband environment in Japan. SOFTBANK BB Corp. uses fiberoptics (dark fiber<sup>1</sup>) and co-location<sup>2</sup> space owned by Nippon Telegraph and Telephone Corporation (NTT), due to the benefits of deregulation, and has constructed a nationwide IP backbone network, enabling it to provide the cheap, high-speed *Yahoo! BB* service.

After the deregulation of the telecommunications sector in 1985, JAPAN TELECOM CO., LTD., and other new common carriers entered the fixed-line telecommunications market in a stream, but, because the new common carrier services were mainly limited to the long-distance and overseas telecommunications areas, the "last mile" that linked the central offices of NTT and end users had to be limited to NTT services. For this reason, although over the 20 years or so that followed telephone charges shrank to below one-tenth of their former levels, basic charges increased 10%. Amid this environment, JAPAN TELECOM CO., LTD., made the decision to employ unused cables, known as dry copper<sup>3</sup>, after these became available due to deregulation. In addition, JAPAN TELECOM CO., LTD., decided to introduce fixed-line number portability<sup>4</sup> for customers changing to JAPAN TELECOM CO., LTD., as their service provider. In December 2004, JAPAN TELECOM CO., LTD., launched the *Otoku Line* service using a telecommunications network and facilities of its own, independent from NTT's switching network. This enabled the company to enter not only the approximately ¥1.4 trillion telephone call charge market<sup>5</sup> but the ¥1.8 trillion basic charge market<sup>6</sup> (includes charges for use of optional functions) formerly monopolized by NTT, and it continues to focus on acquiring new customers. In addition, by being able to offer the "last mile" connection, the company has eliminated the cost of access charges paid to NTT while creating a new source of revenue by itself charging connection fees to other telecommunications companies. This has created a structure that is not affected by the trends in access charges that used to influence profits.

## Structure of *Otoku Line*



Because *Otoku Line* is not limited to PC users and encompasses a wider range of customers, the Company plans to use this service to drive further expansion of the number of Group lines. In addition, the Company will endeavor to expand new profit opportunities through up-selling and cross-selling, making sales of *Yahoo! BB* to *Otoku Line* users and vice versa.

In October 2004, SOFTBANK BB Corp. commenced *Yahoo! BB hikari*, *Yahoo! BB hikari Home*, and *Yahoo! BB hikari Mansion* services, which use fiberoptics with a maximum speed of 1Gbps to connect user residences to NTT's central offices. *Yahoo! BB hikari* combines a maximum 60Gbps IP-based backbone with a gigabit network with speeds that are among the highest in the world. Furthermore, with the *BB Phone hikari*<sup>7</sup> IP telephony service, *BBTV* broadband broadcasting, and *Wireless TV box*, which makes it possible to watch terrestrial TV broadcasts over one's computer, the Company is advancing the service lineup enhancements of *Yahoo! BB hikari*, which will be developed fully from the current fiscal year.

To provide a seamless broadband environment, in April 2005, an experimental license on the 1.7GHz band was acquired with the aim of entering the mobile business. By providing comprehensive telecommunications services that respond to the ongoing diversification of market needs, the Company will further expand its customer base.

- \*1 Fiberoptic cable that has already been laid but is not being used
- \*2 The installation of equipment in a telecommunications company's central offices by another company
- \*3 Unused copper lines in a telephone line network
- \*4 The ability to keep one's phone number even after changing phone companies
- \*5 Estimate based on Telecommunications Carriers Association's *Telecom Databook 2005*
- \*6 Estimate based on Nippon Telegraph and Telephone Corporation's *Financial Report* for the fiscal year ended March 2004.
- \*7 IP telephony service using fiberoptic cable offered by JAPAN TELECOM CO., LTD., that uses regular telephone numbers

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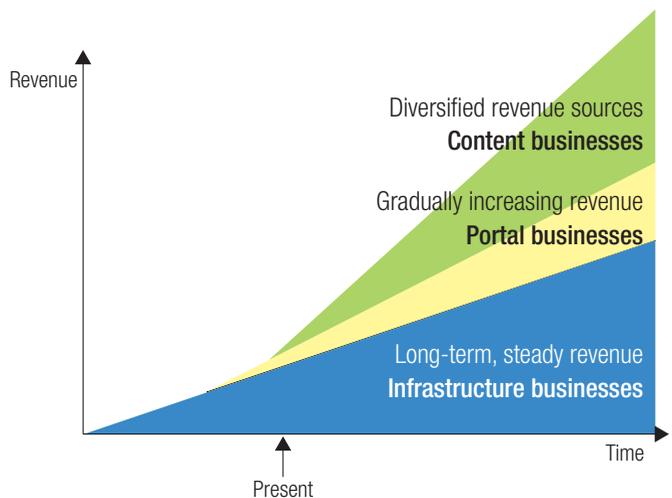
## Aiming to Be the Number One Corporate Group in Infrastructure, Portals, and Content

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As a corporate group whose foundation is the Internet, the SOFTBANK Group is not simply a company that provides infrastructure and possesses a business model that demonstrates its uniqueness. If one were to compare telecommunications infrastructure to a railway, Internet portals would be the stations and station buildings. People gather in and around stations and station buildings, and stores—content—are concentrated around stations and station buildings. The SOFTBANK Group has a number of popular portals, among them *Yahoo! JAPAN*, Japan's number one portal site, which boasts 1.03 billion page views\* daily. In addition to creating a number of portals that are number one in their fields, the Group plans to develop services and content for a wide range of portals, covering such areas as music, broadcasting, games, sports, and e-commerce, through independent efforts by Group companies as well as through partnerships. Moving away from a narrowband era business model with isolated advertising revenue, SOFTBANK's establishment of its own broadband era business model, with long-term, stable revenues from the infrastructure business, increased returns from the portal business, and diverse sources of revenues from services and content, is enabling the Group to maximize its profits.

\* *Yahoo! JAPAN* page views on October 20, 2004

### Revenue Scale Image



## Group Synergies

Group companies have enjoyed both direct and indirect benefits resulting from the rapid popularization of broadband environments spurred by the commencement of the *Yahoo! BB* service. With the vitalization of e-commerce, Yahoo Japan Corporation, which operates Internet auction and shopping businesses, has steadily increased profits. In addition, the creation of a broadband environment that supports constant connections and high-volume transmissions for such things as on-line games, music delivery via the Internet, and e-book delivery is expanding business profits and profit opportunities for Internet-based SOFTBANK Group companies.

The Group offers conventional services and content in a new format; for example, through the *BBTV* broadband broadcasting service, which prides itself on being the domestic leader in volume of video-on-demand (VOD) content, as well as *BB Security* and *BB Soft*, which serve as application service providers (ASPs) that offer new software on an as-needed basis. Through such businesses, the Group is working to break into new markets. Furthermore, the Group plans to roll out new broadband-compatible value-added services in quick succession.

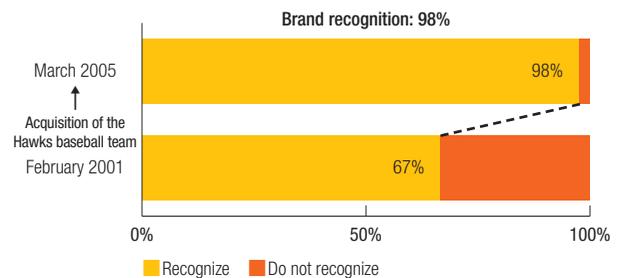
With the addition to the Group of JAPAN TELECOM CO., LTD., and JAPAN TELECOM IDC INC.\* and the resulting expansion of the Group's telecommunications business, the Group is advancing efficiency through cooperation with the technology, corporate sales, and consumer sales departments of SOFTBANK BB Corp., which forms the core of the Broadband Infrastructure business. By engaging in cross-selling between Group telecommunications companies with such initiatives as offering the *Yahoo! BB* service to *Otoku Line* users, the Group is working to raise its profitability.

\* At the time of acquisition, Cable & Wireless IDC Inc. had its name changed to JAPAN TELECOM IDC INC.; upon its corporate separation in May 2005, it was renamed again as SOFTBANK IDC Corp. and will specialize in data center business. With the corporate separation, non-data-center business such as international telecommunications will be transferred to the newly established JAPAN TELECOM IDC INC.

## Branding

In January 2005, Fukuoka Softbank Hawks Corp. was formed. In addition to leveraging various direct Group synergies resulting from the ownership of a baseball team, including live broadband broadcasts that enable users to choose from 30 camera angles and the auctioning of ticket and membership rights, recognition of the SOFTBANK brand name had increased to 98% as of March 2005. The Group will continue to strengthen its branding, working to improve the image of Group services by using the SOFTBANK name.

### "SOFTBANK" Brand Recognition



Source: February 2001 "Corporate Image Survey" (423 respondents),  
March 2005 "Survey of Market Trends" (1,028 respondents)

### ■ The Group Management System

The Company manages and coordinates the Group's diverse businesses, mainly through its Board of Directors and CEO Conference, while respecting the independence and specialized knowledge of each Group company, and is working to strengthen its Group management system.

The Board of Directors has eight members, including two from outside the Group. The directors make decisions regarding important management issues and supervise the execution of business operations. In addition, a CEO Conference composed of the Company's representative directors, the CEOs of each business segment, and others is held each month. The conference coordinates management policies for the entire Group, manages the operating results of the Group companies, and performs other tasks.

The Company also has a corporate auditor system. Three of its four corporate auditors are from outside the Group, ensuring objectivity, fairness, and transparency. The auditors monitor the performance of directors in the execution of their duties with regard to all business activities.

### ■ Strengthened Corporate Governance

To respond to the increase in employees and enlargement of the organization resulting from the expansion of existing businesses and acquisitions such as that of JAPAN TELECOM CO., LTD., the Company is working to strengthen corporate governance. The Internal Audit Department conducts operational audits covering all management and business activities. These audits evaluate and verify compliance by the Company and the entire Group with management policies, laws, articles of incorporation, regulations, guidelines, and other applicable rules. Furthermore, the department gives specific suggestions and directives in order to improve operations as well as to prevent problems from occurring in advance.

### ■ Evolution of Information Security Management System

As part of its CSR activities, in fiscal 2005, the Company worked to construct a top-class information security management system. The Company has established a Group Information Security Department to carry out risk assessments of information security at Group companies and, based on the results of assessments, supervise proposals and execute measures to

resolve risks. SOFTBANK BB Corp., which operates *Yahoo! BB*, has established an Information Security Committee and has implemented various measures, including the placement of Information Security Committee representatives in each of its divisions (an organizational measure), the implementation of continuous training such as e-learning for all employees (an individual measure), the classification of all operations areas as having one of five security levels (a physical measure), and the implementation of surveillance tools and biometrics (a technological measure).

As a result, such core Group companies as SOFTBANK BB Corp. and JAPAN TELECOM CO., LTD., have achieved such information security management standards as BS7799 and ISMS. Looking ahead, the Company plans to continue to conduct activities aimed at acquiring such certifications as ISMS and the Privacy Mark, with a particular focus on Group companies that handle personal information.

### ■ Implementation of SOFTBANK Group Representative Oath System

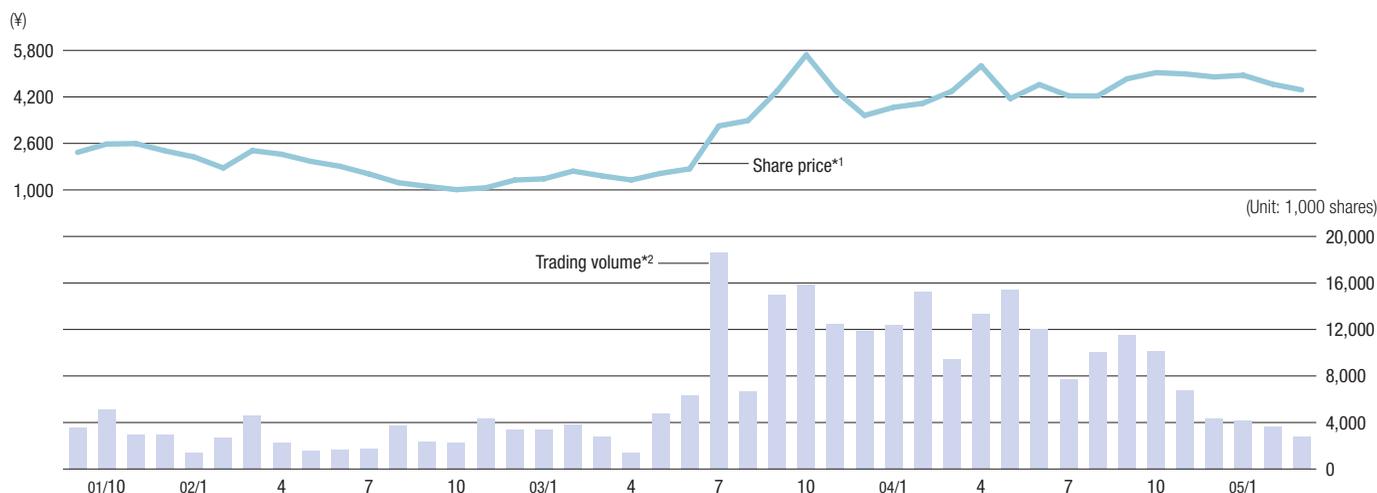
SOFTBANK CORP. has adopted the SOFTBANK Group Representative Oath System and certification of the appropriateness of the financial statements of SOFTBANK CORP., under which a representative of each consolidated subsidiary must submit a Representative Oath stating that the information contained in the financial statements submitted by Group companies to the Company is true. This system ensures that there is no misconduct or violation of the law or articles of incorporation, that an internal management system is in place and functioning properly, and that the information security system is cohesive. Furthermore, with the establishment of this system, Group companies conduct periodic self-assessments covering 115 items related to internal controls and are required to report the results of these assessments to the Company. This allows the Company to verify whether information is disclosed to investors in an accurate and timely manner while developing internal controls for the entire Group and improving its internal management system.



## Topics

<b>July 2004</b>	SOFTBANK Broadmedia Corporation executed a business transfer based on a business transfer agreement with MOVIE TELEVISION INC., which underwent bankruptcy procedures under the Civil Rehabilitation Law. SOFTBANK CORP. acquired JAPAN TELECOM CO., LTD.
<b>September 2004</b>	SOFTBANK BB Corp., BB Serve, Inc., and KOEI Co., Ltd., formed a business alliance to co-develop the on-line PC version of <i>Dynasty Warriors</i> .
<b>October 2004</b>	SOFTBANK BB Corp. and Yahoo Japan Corporation launched <i>Yahoo! BB hikari</i> , a new comprehensive broadband service that uses fiberoptics. SOFTBANK BB Corp. filed a lawsuit demanding the suspension of the Ministry of Internal Affairs and Communications' "Draft Plan for IMT-2000 Frequency Allocation in the 800MHz Frequency Band." Daily hits on Yahoo Japan Corporation's <i>Yahoo! JAPAN</i> Internet portal site topped 1.0 billion page views.
<b>November 2004</b>	SOFTBANK CORP. announced a basic agreement to acquire the Fukuoka Daiei Hawks and a business transfer agreement with Hawks Town Co. related to Fukuoka Dome.
<b>December 2004</b>	JAPAN TELECOM CO., LTD., launched the <i>Otoku Line</i> direct connection voice service. SOFTBANK BB Corp. applied for a license for a wireless station in the 800MHz frequency band. SOFTBANK TECHNOLOGY CORP. changed its listed market from the JASDAQ exchange to the Second Section of the Tokyo Stock Exchange. The SOFTBANK Group's new logo based on the corporate identity was announced. The new name of Fukuoka Softbank Hawks, along with the team's logo, was released.
<b>January 2005</b>	Yahoo Japan Corporation announced its entry into the credit-card business. Yahoo Japan Corporation announced a basic agreement on Internet banking with Aozora Bank, Ltd. New management structures of Fukuoka Softbank Hawks Corp. and Fukuoka Softbank Hawks Marketing Corp. were announced. The SOFTBANK Group contributed money to earthquake-affected areas in central Niigata as well as Sumatra, Indonesia, and other areas affected by massive tsunamis.
<b>February 2005</b>	SOFTBANK CORP. acquired Cable & Wireless IDC Inc. Yahoo Japan Corporation acquired naming rights for Fukuoka Dome, giving birth to FUKUOKA Yahoo! JAPAN DOME.
<b>March 2005</b>	SOFTBANK CORP. moved its head office to 1-9-1, Higashi-Shimbashi, Minato-ku, Tokyo. SOFTBANK INVESTMENT CORPORATION changed from a consolidated subsidiary to an affiliate under the equity method as a result of the issuance of new stock. <i>Yahoo! BB hikari TV package</i> and <i>Yahoo! BB hikari Mansion TV package</i> were launched. GungHo Online Entertainment, Inc., listed its shares on the Hercules market of the Osaka Securities Exchange.

## Trends in Share Price and Trading Volume



\*1 Share price: Average daily share price during the month

\*2 Trading volume: Average daily trading volume during the month

# Review of Operations

Segment	Operating Highlights	Composition of Sales* Net Sales
<b>Broadband Infrastructure</b>	The number of paying subscribers for the <i>Yahoo! BB</i> service, offered by SOFTBANK BB Corp. and Yahoo Japan Corporation, and users of high-value-added services increased steadily, thus making a major contribution to the gain in sales.	<p>23.5%</p> <p>(¥ billion)</p> <p>40.0 128.9 205.3</p> <p>FY 2003 2004 2005</p>
<b>Fixed-line Telecommunications</b>	JAPAN TELECOM CO., LTD., began to offer the <i>Otoku Line</i> direct connection service through its own network. This service is expected to be a key driver in expanding the customer base for the SOFTBANK Group as a whole.	<p>19.1%</p> <p>(¥ billion)</p> <p>166.8</p> <p>FY 2003 2004 2005</p>
<b>e-Commerce</b>	SOFTBANK BB Corp.'s sales to high-volume customers and major home electronics retailers remained strong. Activities were also focused on developing new marketing channels to corporations through teamwork with the departments of the Group companies serving corporate customers and distributing software via the Internet, namely through ASPs.	<p>29.2%</p> <p>(¥ billion)</p> <p>266.0 254.8 254.9</p> <p>FY 2003 2004 2005</p>
<b>Internet Culture</b>	Sales of Internet advertising by Yahoo Japan Corporation expanded, as the advertising market overall turned upward, enabling the posting of record-high advertisement sales. Sales of other Internet Culture businesses also showed favorable expansion and the number of Yahoo! Premium IDs exceeded 5 million.	<p>11.8%</p> <p>(¥ billion)</p> <p>38.2 64.0 102.4</p> <p>FY 2003 2004 2005</p>
<b>e-Finance</b>	Revenue increased owing to the acquisition of WORLD NICHEI Securities Co., Ltd., and higher brokerage commission income at E*TRADE SECURITIES CO., LTD., supported by robust activity in Japan's stock market. In March 2005, SOFTBANK INVESTMENT CORPORATION, formerly a consolidated subsidiary, became an affiliate company accounted for under the equity method.	<p>9.0%</p> <p>(¥ billion)</p> <p>28.1 41.4 78.7</p> <p>FY 2003 2004 2005</p>
<b>Broadmedia</b>	Sales increased owing to the transfer of the operations of MOVIE TELEVISION INC. to this business segment. Activities were concentrated on changing the segment's business model, principally at SOFTBANK Broadmedia Corporation, to content-related activities, where growth is expected in the years ahead.	<p>1.8%</p> <p>(¥ billion)</p> <p>11.9 12.8 15.6</p> <p>FY 2003 2004 2005</p>
<b>Technology Services</b>	Sales of backup operating services for e-commerce websites, which are offered by SOFTBANK TECHNOLOGY CORP., showed favorable expansion. Sales of high-margin services and solutions businesses reported steady growth.	<p>2.9%</p> <p>(¥ billion)</p> <p>25.7 22.6 25.5</p> <p>FY 2003 2004 2005</p>
<b>Media &amp; Marketing</b>	Sales of various digital media businesses, conducted principally by SOFTBANK Media & Marketing Corp., exhibited signs of gradual emergence. In addition, sales of ITmedia Inc., which operates an IT total information site, posted healthy growth.	<p>1.5%</p> <p>(¥ billion)</p> <p>16.9 14.4 12.4</p> <p>FY 2003 2004 2005</p>
<b>Overseas Funds and Other Businesses</b>	Overseas fund management operations are conducted principally by SOFTBANK Holdings Inc., and this company provides Group companies with information on world market trends and know-how. Fukuoka Softbank Hawks Corp. and Fukuoka Softbank Hawks Marketing Corp. became new members of the Group and are contributing significantly to raising recognition of the SOFTBANK Group as a whole as well as presenting opportunities for synergies with baseball content.	<p>1.2%</p> <p>(¥ billion)</p> <p>19.1 8.3 10.5</p> <p>FY 2003 2004 2005</p>

\* The percentage of consolidated sales, before eliminations, by segment in fiscal 2005.

## Broadband Infrastructure Segment

### Fiscal 2005 Performance

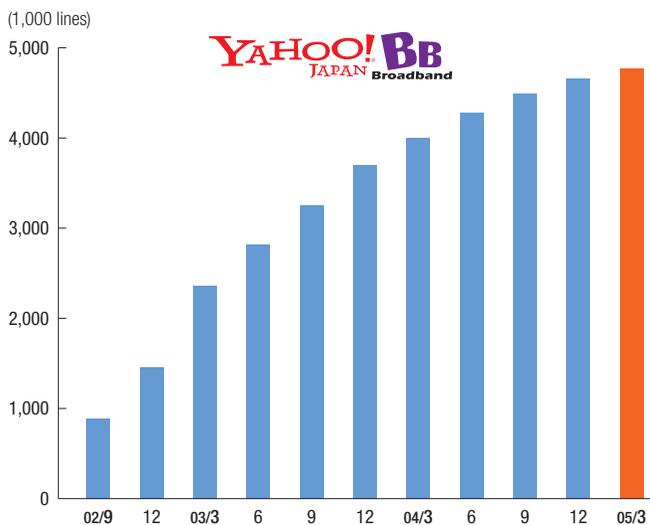
(Millions of yen)

Net sales	205,307
Operating expenses	259,055
Operating income (loss)	(53,748)
Assets	250,808
Depreciation and amortization	26,796
Capital expenditures	69,692

### Overview of Fiscal 2005

Segment sales increased ¥76,400 million, or 59%, to ¥205,307 million. The number of paying customers of the *Yahoo! BB ADSL* service continued to grow steadily. There was also an increase in the share of customers using value-added services, such as higher-speed services and wireless LANs. The result was strong sales at SOFTBANK BB Corp. and Yahoo Japan Corporation. The operating loss decreased ¥33,849 million, to ¥53,748 million. The improvement in the operating margin was due to growth in the number of customers and ARPU, as well as to a decline in customer acquisition costs in the ADSL business and marginal growth in fixed expenses compared with the business expansion phase. Results in this segment include a ¥38,706 million gain on the sale of investment securities resulting from the sale of shares held in BB Call Corp. in August 2004.

### Trends in the Number of *Yahoo! BB ADSL* Lines Installed

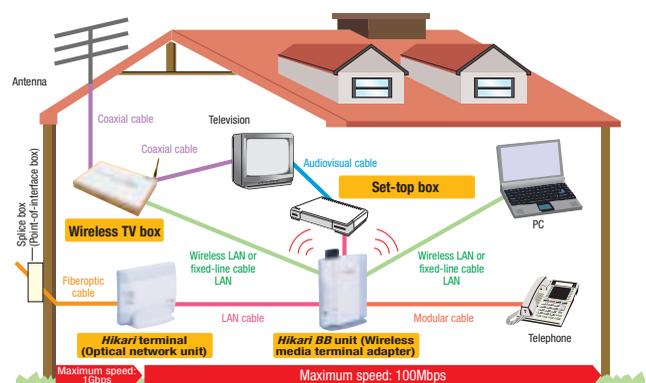


### *Yahoo! BB* Comprehensive Broadband Service, Boasting the Largest Number of Subscribers in Japan, with High Speeds, Constant Connections, and High Value-added

The SOFTBANK Group aims to be the leading corporate group in the broadband area, providing telecommunications infrastructure as well as a variety of portals and content. At the core of its efforts is the Broadband Infrastructure segment.

Since the September 2001 launch of the *Yahoo! BB* comprehensive broadband service, which is offered jointly by SOFTBANK BB Corp. and Yahoo Japan Corporation, the *Yahoo! BB* service has continued to lead the growth of the broadband market. As of March 31, 2005, the cumulative number of lines installed for this service topped 4.77 million, and it continues to maintain a firm grasp on the number one spot in the ADSL market (based on Company data). Looking at the *BB Phone* IP telephony service, as of March 31, 2005, the cumulative number of lines installed exceeded 4.51 million, representing a formidable, number one share of this market as well (based on Company data). The SOFTBANK Group, which has been at the forefront of the popularization of ADSL, rolled out *Yahoo! BB hikari*, a new comprehensive broadband service that uses fiberoptics to achieve a maximum access line speed of 1Gbps to connect residences to NTT's central offices, thereby marking the Group's entry into fiberoptic services.

### Image of *Yahoo! BB hikari TV* package Household Connection



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### Effecting Market Expansion Using the Advantage of a Vertical Integration Business Model

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The most distinguishing feature of *Yahoo! BB* is a vertically integrated business model whereby all components of the service, from installed lines to Internet service provider (ISP) operations, are provided from within the SOFTBANK Group. In the ever-changing IT and telecommunications industries, this business model enables rapid decision making and business expansion with a decisive speed advantage over competitors. The vertical integration business model facilitates the Group's business strategy of expanding the customer base and offering a wide range of value-added services, including audio and images.

From the initial planning stages, the backbone network for the *Yahoo! BB* service was designed for a wide range of future services. As it is based on IP technology, it has an advantage to offer, namely revolutionary services at low prices. The acquisition of JAPAN TELECOM CO., LTD., realizes various synergies, such as network enhancement and a reduction in costs, with 12,000 kilometers of fiberoptic cable and *Yahoo! BB*'s IP network.

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### Accelerating Growth through Content Distribution Based on Group Synergies

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The consistent growth in ARPU of *Yahoo! BB* is based on the SOFTBANK Group's above-mentioned unique broadband strategy of expanding the customer base and offering a wide range of value-added services. Working toward the enrichment of original content services ahead of other companies, with wireless LANs, the *BB Phone* IP telephony service, and the *BDTV* broadband TV broadcasting service, the Broadband Infrastructure business is continuing its steady growth for higher profitability.

For high growth of *Yahoo! BB hikari* as well, content services that can take advantage of a giganetwork are essential. *Yahoo! BB hikari TV package* and *Yahoo! BB hikari Mansion TV package*, new services on its fiberoptic network, started taking subscriptions in March 2005, jointly with Group companies SOFTBANK BB Corp., Yahoo Japan Corporation, JAPAN TELECOM CO., LTD., and BB Cable Corporation. The *Yahoo! BB hikari* ultra-high-speed fiberoptic service, with 1Gbps access lines, offers a *BDTV* set-top box (STB) as a standard that enables users to access broadband broadcasting and VOD services. *Wireless TV box*, which allows subscribers to simultaneously use the Internet and watch terrestrial TV broadcasts on their computers, is also available as a standard. JAPAN TELECOM CO., LTD.'s launch of *BB Phone hikari* services (a fiberoptic IP telephony service that can be used with a regular phone number) in the spring of 2005 as an option for *Yahoo! BB hikari* subscribers provides comprehensive fiberoptic services that enable the use of four services—Internet connection, IP telephony, broadband broadcasting, and VOD.

Related to the Fukuoka Softbank Hawks, whose baseball games are expected to be popular broadband content, *Baseball Broadband TV* was launched in March 2005. It offers a live Internet video-streaming service that broadcasts games hosted by the Fukuoka Softbank Hawks at FUKUOKA Yahoo! JAPAN DOME (Yahoo! DOME). Users can choose the angle they prefer from the 30 live cameras installed in the stadium and enjoy communicating with other fans through polls and on-line chat rooms. All of the Fukuoka Softbank Hawks games can be seen on *BDTV* as well through promotion channels and *SPORTS-i ESPN. BDTV*, which had 28 channels and approximately 5,200 on-line rental video titles as of March 31, 2005, continues to expand its content offerings. Rich content and Group synergies are keys to its future success.

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#### Softbank Hawks *Baseball Broadband TV*

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## Fixed-line Telecommunications Segment

### Fiscal 2005 Performance

(Millions of yen)

Net sales	166,879
Operating expenses	202,944
Operating income (loss)	(36,065)
Assets	583,488
Depreciation and amortization	28,251
Capital expenditures	115,411

### Overview of Fiscal 2005

Segment sales totaled ¥166,879 million. The operating results of JAPAN TELECOM CO., LTD., which was consolidated on its deemed acquisition date of September 30, 2004, are reflected in this segment, which was established with the acquisition, starting in the latter half of fiscal 2005. Due to the fact that, following the acquisition, the initial investment burden for starting up the new *Otoku Line* service in December 2004 was incurred in fiscal 2005, the segment recorded an operating loss of ¥36,065 million.

Note: The operating results of JAPAN TELECOM IDC INC. were not reflected in fiscal 2005.

### Acquisition of JAPAN TELECOM CO., LTD., and Cable & Wireless IDC Inc.

SOFTBANK CORP. purchased 100% of the outstanding shares of JAPAN TELECOM CO., LTD., in July 2004, making it a wholly-owned subsidiary. Following this acquisition, the Company acquired Cable & Wireless IDC Inc.\* in February 2005, making the SOFTBANK Group a telecommunications carrier with consolidated annual net sales in the range of ¥1 trillion and approximately 11 million lines. The integration of the SOFTBANK Group, whose strength is consumer business; JAPAN TELECOM CO., LTD., which

### Number of Fixed-line Telecommunications Lines

(1,000 lines)

	JAPAN TELECOM CO., LTD.	JAPAN TELECOM IDC INC.	Group Total
Corporate voice	1,380	170	1,550
Corporate data	80	0	80
Consumer voice	3,560	60	3,620
Consumer data	1,290	—	1,290
<b>Total</b>	<b>5,870*</b>	<b>230</b>	<b>6,100</b>

\* These figures take into account the 440,000 duplicate lines for JAPAN TELECOM CO., LTD.'s consumer voice and consumer data services. Also, the figures for JAPAN TELECOM CO., LTD., are as of the end of April 2005 and those for JAPAN TELECOM IDC INC. are as of March 31, 2005.

is highly evaluated in corporate business; and Cable & Wireless IDC Inc., whose strength is in international services, will strengthen the Group's structure as a comprehensive telecommunications carrier and will enable it to realize economies of scale through the mutual use of backbones and capture various synergies. The Fixed-line Telecommunications segment was newly established in fiscal 2005, following the previously mentioned acquisitions.

\* At the time of acquisition, Cable & Wireless IDC Inc. had its name changed to JAPAN TELECOM IDC INC.; this was followed by its corporate separation in May 2005, when it was again renamed SOFTBANK IDC Corp., which specializes in data center business. On its corporate separation, such non-data-center businesses as international telecommunications services were transferred to JAPAN TELECOM IDC INC., which was established as a wholly-owned subsidiary of SOFTBANK IDC Corp. Furthermore, the new JAPAN TELECOM IDC INC. became a wholly-owned subsidiary of JAPAN TELECOM CO., LTD., in May 2005 as the result of a stock transfer among Group companies.

### JAPAN TELECOM CO., LTD.'s Strength in Corporate Business and JAPAN TELECOM IDC INC.'s Strength in International Services

JAPAN TELECOM CO., LTD., was established in 1984 with the deregulation of Japan's telecommunications sector. It is one of Japan's leading fixed-line telecommunications companies. Its original parent companies included the Japan Railways companies, and from 2001 to 2003 it was affiliated with Vodafone Group Plc. The company has formed strong relationships with such high-volume customers as its former shareholders, the Japan Railways companies and Vodafone K.K., and is recognized as a leading fixed-line telecommunications company with strengths in corporate services. The company has a marketing structure that is organized into business sectors, including finance, commerce, and manufacturing. This structure enables it to quickly adapt and offer customized networks, also one of its strengths. The company's business is categorized into three areas: Voice Transmission Services, which are provided to both corporate customers and consumers; Data Transmission and Dedicated Line Services, which are primarily prepared for corporate customers; and Other Business, for the maintenance, sales, and leasing of telecommunications equipment. Adopting "For Your Networking Universe" as its slogan from 2004, the company is providing new work styles and lifestyles for the 21st century network society.

JAPAN TELECOM IDC INC. holds the number two position in both Japan's international voice transmission market and its international data transmission market, with strengths in international communications, particularly regarding corporate customers. JAPAN TELECOM IDC INC. and its parent company JAPAN TELECOM CO., LTD., merged in July 2005 and the surviving company is JAPAN TELECOM CO., LTD. This combination is expected to strengthen the company's business foundations, streamline management resources, and accelerate management decision-making speed.

## Revolutionary Fundamental Reforms in Voice Transmission Services and *Otoku Line* Direct Connection Voice Service

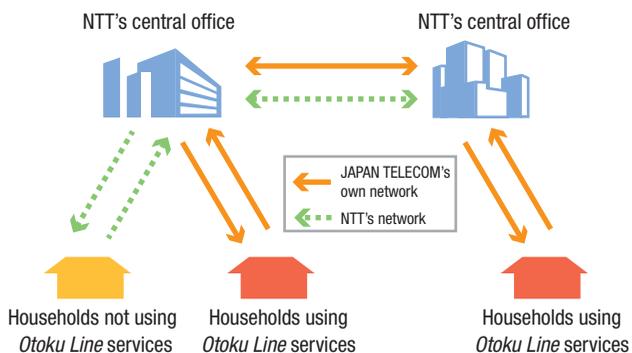
With the popularization of mobile phones and broadband services, the fixed-line voice market has been shrinking each year, and long-distance telephone service providers like JAPAN TELECOM CO., LTD., have had to deal with uncertainty regarding the burden of access charges they have been paying to NTT. To address this problem, the company launched the *Otoku Line* direct connection voice service in December 2004. The *Otoku Line* service uses dry copper (unused copper lines in a telephone line network) to connect JAPAN TELECOM CO., LTD.'s switchboards installed in the central offices of NTT to subscribers' homes, enabling the creation of a fixed-line service that uses a network totally independent from NTT. This has enabled the company to make a full-fledged entrance into the basic charge market (including fees for optional services), which is worth approximately ¥1.8 trillion\* annually and was formerly monopolized by NTT. In addition to lessening the burden of access charges, the company became able to collect access charges from other carriers. Looking ahead, *Otoku Line* is now positioned as the key driver for the entire SOFTBANK Group customer acquisition strategy, and its marketing is being conducted in conjunction with the *Yahoo! BB* service.

\* Source: Annual Report 2004 of Nippon Telegraph and Telephone Corporation

## Expansion of Solutions Business for Corporate Customers

Along with the drastic reform of its voice transmission services, JAPAN TELECOM CO., LTD., is focusing on expanding its solutions services for businesses, an area expected to drive medium- to long-term growth. The company's headquarters embody the realization of these services. Here, to achieve new work styles among employees, the internal telephone network uses wireless IP telephony and has created an environment where corporate data can be accessed from any desk, so that seating arrangements are not

### Structure of *Otoku Line*



fixed, with the aim of incorporating flexibility into business operations and increasing efficiency. Having its own offices as a cutting-edge showroom serves as a model of telecommunications-related office solutions that helps generate orders from customers.

Shinsei Bank, Limited, pioneered the implementation of *SIP Direct Line*, an IP telephony service that links an IP-based extension network directly with an outside IP network, using equipment developed originally by JAPAN TELECOM CO., LTD. This was the world's first experiment in creating a large-scale companywide IP-based telephone system connecting thousands of telephones. It was also the world's first global broadband service to successfully commercialize uncompressed video transmission services linking Tokyo, New York, London, and Paris. This high level of transmission technology has also been realized through HDTV transmissions and live broadcasts of international sports events. In addition, JAPAN TELECOM CO., LTD.'s core data transmission service, *Solteria* IP-VPN, is employed in the Tokyo Stock Exchange's integrated network, demonstrating the company's excellent reputation for network construction that uses sophisticated technological capabilities and is tailored to customer needs.

Moving forward, the company will strive to maximize synergies with SOFTBANK TECHNOLOGY CORP., SOFTBANK BB Corp., and other Group companies to further expand its solutions business.

## The Offices of JAPAN TELECOM CO., LTD., Which Epitomize Its Solutions Business



# e-Commerce Segment

## Fiscal 2005 Performance

(Millions of yen)

Net sales	254,922
Operating expenses	249,682
Operating income	5,240
Assets	76,408
Depreciation and amortization	1,333
Capital expenditures	5,234

### Overview of Fiscal 2005

Segment sales increased ¥33 million, or 0%, to ¥254,922 million, and operating income increased ¥1,593 million, or 44%, to ¥5,240 million. Due to a marketing strategy focused on profitability and increased sales to corporate customers, license sales to high-volume customers and sales of intelligent home appliances to major home electronics retailers remained strong at SOFTBANK BB Corp. In addition, this segment worked to capture synergies by collaborating with the corporate divisions of JAPAN TELECOM CO., LTD., SOFTBANK TECHNOLOGY CORP., and other Group companies as well as focusing efforts on the development and sales of new Internet services, teaming up with the Broadband Infrastructure segment to offer the *BB Security* security service to *Yahoo! BB* customers and the *BB Soft* software delivery service.

### Construction of a New Software Distribution Model for the Broadband Era

The e-Commerce segment, with SOFTBANK BB Corp. at its core, is engaged in the distribution of IT-related products and e-commerce-related business.

SOFTBANK BB Corp., the largest distributor of IT-related products in Japan, handles over 240,000 different IT-related products sourced from approximately 4,000 domestic and international suppliers. At the same time, taking advantage of its position as a broadband infrastructure provider, the company is building up a new software distribution model for the broadband era.

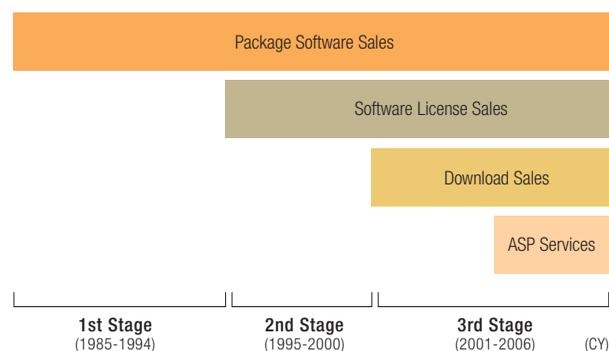
With the rapid expansion of broadband businesses in society, the style of software distribution is becoming more diverse. Trends include a shift to service-based sales models, a movement from package sales to license sales, and a move toward download sales and ASPs that provide rich content on demand for consumers. By introducing *IT-Exchange*, SOFTBANK BB Corp. has become a pioneer of an Internet-based distribution model. *IT-Exchange* is the website for B-to-B sales of IT-related products and boasts over 1.1 million searches per month, thus becoming a core IT distribution website with a solid market position.

In services for consumers, SOFTBANK BB Corp. is working diligently toward the expansion of new ASP services that integrate its distribution and broadband businesses, such as the *BB Security* security service and *BB Soft*, one of Japan's largest software distribution services, both of which are offered to *Yahoo! BB* users. In addition to software sales, to transform general merchandising stores—which are an interface for customers—into attractive salesrooms, the company has placed full-time employees at stores nationwide to strengthen its sales of hardware, particularly intelligent home appliances.

Turning to services targeting corporate businesses, SOFTBANK BB Corp.'s solutions business—which is largely focused on security—and license sales to high-volume customers are steadily growing. In February 2005, the company rolled out *SoftGrid Platform*, a revolutionary, next-generation application management platform that reduces corporate management costs by centralizing the management of diverse applications. This launch put the company ahead of its competitors in Japan's market for next-generation application management solutions for corporate customers, for which growth is expected. Also, SOFTBANK BB Corp. is endeavoring to maximize Group synergies, further bolstering its marketing system by teaming up with the corporate customer departments at SOFTBANK TECHNOLOGY CORP. and JAPAN TELECOM CO., LTD.

Regarding e-commerce-related business, SOFTBANK Human Capital CORP., which operates *e-Career*, a job posting information site, and Carview Corporation, which operates *carview*, a comprehensive automotive information site, are both steadily increasing revenue. In addition to *e-Career*, which has been a major presence in the industry due to its large number of postings provided, SOFTBANK Human Capital CORP. has introduced *Rec-log*, an on-demand application service for the recruitment operations of corporate human resource departments that incorporates personal information protection measures. Unique in what it provides and with the highest number of monthly visitors on the Internet, *carview* holds the number one position in the industry (according to the March 2005 data of NetRatings Japan, Inc.). In addition, DeeCorp Limited, which provides expenditure management services for corporations, is steadily expanding its business area. Also, in March 2005, GungHo Online Entertainment, Inc., which offers *RAGNAROK ONLINE*, one of Japan's most popular on-line games, with 1 million registered players, listed its shares on the Hercules market of the Osaka Securities Exchange.

### Diversification of Software Sales Methods



## Internet Culture Segment

### Fiscal 2005 Performance

(Millions of yen)

Net sales	102,448
Operating expenses	52,368
Operating income	50,080
Assets	345,737
Depreciation and amortization	4,720
Capital expenditures	12,513

### Overview of Fiscal 2005

Segment sales increased ¥38,393 million, or 60%, to ¥102,448 million, and operating income was up ¥17,498 million, or 54%, to ¥50,080 million. The advertising market as a whole saw its first upturn in four years, and, as Internet advertising spending exceeded radio advertising spending for the first time, exhibiting very high growth, sales of Yahoo Japan Corporation were steady mainly due to those of National Clients\* and sponsor sites, enabling the company to post record-high advertisement sales. Furthermore, in addition to favorable performance by such non-advertising corporate businesses as recruitment site *Yahoo! Rikunabi*, the number of *Yahoo! Auctions* and *Yahoo! Shopping* stores made a solid increase, and with growth in the consumer business, with the number of Yahoo! Premium IDs exceeding 5 million, Yahoo Japan Corporation marked drastic increases both in sales and profits.

\* Advertisers with significant exposure through other mass-media channels

### Yahoo! JAPAN Topped 1.0 Billion Page Views per Day

Yahoo Japan Corporation, which operates Japan's number one portal site, *Yahoo! JAPAN*, forms the nucleus of the Internet Culture segment, which aims to provide Internet-based services that serve as a "Life Engine" that can be used in all lifestyle settings. In addition to its Yahoo! brand power and technological capabilities supporting 37.8 million customers\*, Yahoo Japan Corporation's strengths include an overwhelmingly wide reach that does not leave any leeway for imitators, thus enabling the company to maintain steady increases in revenue. To optimize the allocation of management resources, clearly define responsibilities, and speed up decision making, the company has implemented a system of six business divisions. Net sales in each business segment are divided into three principal groups: Advertising, Business Services (other than advertising), and Personal Services.

From January to December 2004, Advertising—the driving force behind Yahoo Japan Corporation's growth—saw its first upturn in total advertising spending in Japan in four years. Total Internet advertising spending in Japan amounted to ¥181.4 billion, surpassing radio advertising spending for the first time and signaling increased demand for Internet advertising from a wide

range of industries. As the industry leader, Yahoo Japan Corporation is raising awareness of the effectiveness of Internet advertising, and it is aggressively marketing key advertising tools, such as *Brand Panel* for top pages, to National Clients. In addition, sales by sponsor sites, offered through a tie-up with Overture K.K. since November 2002, are proceeding smoothly.

In the Listing Business Division, Yahoo Japan Corporation teamed up with RECRUIT CO., LTD., to open the *Yahoo! Rikunabi* recruitment information site in April 2004, spurring a significant increase in business service sales. Moreover, using the mapping information database created by ALPS MAPPING K.K., it will further enhance its regional information services.

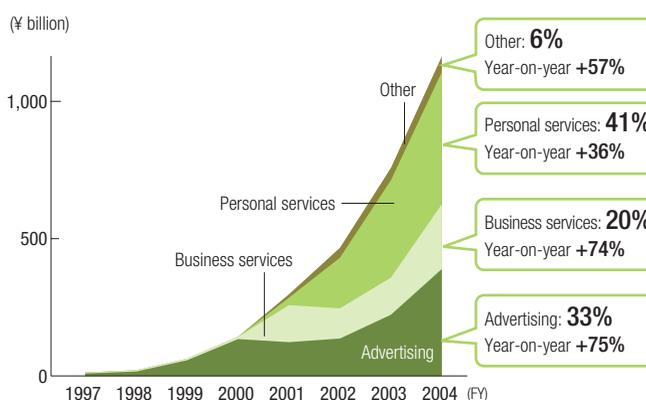
In the Auctions Business Division, Yahoo Japan Corporation is working to expand use through various measures, including sales promotion activities that are tailored to the seasons—for example, a new special lifestyles edition and a hay-fever edition—and the auction sale of tickets for reserved seats at Fukuoka Softbank Hawks exhibition games. In July 2004, the Tokyo Metropolitan Government Bureau of Taxation began trials of Internet-based public auctions. In addition to credit cards, *Yahoo! ezPay* makes it more convenient to make payments from an Internet banking account.

Turning to the Shopping Business Division, the company has implemented various sales promotion schemes for *Yahoo! Shopping* using *Yahoo! Points*, revamped *Yahoo! Shopping's* top page to enhance services with such improvements as the easier selection of items, and steadily increased the number of new stores.

In addition to these strategies, Yahoo Japan Corporation has invested in Aozora Trust Bank, Ltd., with the purpose of making forays into Internet banking operations and has begun credit-card operations as a means of advancing preparations for the full-scale development of account settlement operations, continuously working to improve customer satisfaction and expand new profit bases.

\* The number of unique customers for *Yahoo! JAPAN* has been calculated using NetRatings Japan, Inc.'s "Internet Survey" figures of approximately 44.96 million home and office Internet users and March 2005 data from Nielsen/NetRatings "NetView AMS JP" indicating 83.8% of home users and 87.3% of office users access *Yahoo! JAPAN*.

### Composition of Yahoo Japan Corporation Sales



Note: To facilitate year-on-year comparisons, net sales figures are shown on a gross basis, including agent fees.

## Broadmedia Segment

### Fiscal 2005 Performance

(Millions of yen)

Net sales	15,663
Operating expenses	16,682
Operating income (loss)	(1,019)
Assets	8,786
Depreciation and amortization	2,307
Capital expenditures	2,798

### Overview of Fiscal 2005

Segment sales increased ¥2,770 million, or 21%, to ¥15,663 million. This was mainly the result of higher sales at Broadmedia Studios Corporation, to which the operations of MOVIE TELEVISION INC. were transferred, as MOVIE TELEVISION INC. had been undergoing bankruptcy procedures under the Civil Rehabilitation Law. The operating loss decreased ¥2,286 million, to ¥1,019 million. This segment carried out a reassessment of the allocation of management resources, part of which was the closure of unprofitable businesses—including the liquidation of the incubation business—and a shift to content-related business. With the transfer of BB Cable Corporation to SOFTBANK BB Corp. on September 30, 2004, the burden of investments associated with the *BDTV* business was shifted to the Broadband Infrastructure segment beginning with the third quarter. However, this segment continued to post a loss because of expenses associated with *BDTV* operations during the first half of the fiscal year.

### Moving toward a Content Distribution Revolution through the Integration of Television and Broadband

The rapid popularization of broadband that has been spurred by ADSL is having a major impact on the distribution of a variety of content. With full IP infrastructure, video content distribution, in particular, is poised to undergo dramatic changes. Amid such an environment, the Broadmedia segment, which has shifted its business concept from the integration of broadcasting and communications to the integration of television and broadband, is shifting to a content distribution business model for the broadband era, focusing around the operating holding company SOFTBANK Broadmedia Corporation. Through restructuring, the segment has concentrated management resources in two core Group companies, Club iT Corporation and Broadmedia Studios Corporation, with the aim of becoming a content aggregator that will lead the content distribution revolution with original, Group-generated ideas. Furthermore, in September 2004, BB Cable Corporation, which provides the *BDTV* broadband TV broadcasting service over the *Yahoo! BB* infrastructure, was sold to SOFTBANK BB Corp. This will

enable the segment to concentrate on content-related business and accurately respond to the next growth areas.

In addition to stable earnings from operating the *Club iT* membership service and sales promotions of such broadband-related services as *Yahoo! BB*, Club iT Corporation is working to effect full-scale business expansion in the media content business, content delivery network (CDN) business, and on-demand game business, thereby procuring rich content and strengthening its solutions business. In the media content business, Club iT Corporation is a leading Japanese content supplier that has license agreements with six major Hollywood studios and it offers visual content to BB Cable Corporation. In addition, with the simultaneous theatrical opening and broadband distribution of the Chinese film *Nuan*, Club iT Corporation is working to create new profit opportunities and maximize content value. The CDN business, responding to the dramatic increase in high-volume content, provides stable content delivery services at a low cost by decentralizing servers and using a content navigation function that selects the closest and least congested transmission route. Looking ahead, the company will aim to construct a large-scale CDN in Japan and enhance its service lineup. The company's game content business employs the *G-cluster* groundbreaking game delivery technology, which makes it possible to provide games on demand without downloading, and it is working to enhance game content and expand technology licensees.

In July 2004, Broadmedia Studios Corporation, a wholly-owned subsidiary of SOFTBANK Broadmedia Corporation, took over the operations of MOVIE TELEVISION INC.—which had been undergoing bankruptcy procedures under the Civil Rehabilitation Law—to re-establish its business foundations. Broadmedia Studios Corporation has established a strong position as a buyer in the market for television broadcasting rights for films by Hollywood studios, with years of know-how as well as a reputation for creating Japanese versions of overseas software, and it engages in sales of film broadcasting rights to domestic television stations. Looking ahead, Broadmedia Studios Corporation is expected to play a key role in the Group's content-related business.

### Control Room at Broadmedia Studios Corporation



# Technology Services Segment

## Fiscal 2005 Performance

(Millions of yen)

Net sales	25,510
Operating expenses	24,365
Operating income	1,145
Assets	22,442
Depreciation and amortization	248
Capital expenditures	357

### Overview of Fiscal 2005

Segment sales increased ¥2,907 million, or 13%, to ¥25,510 million. Growth in back-office operations services for e-commerce sites due to higher demand for anti-virus software and strong sales of network system operations and maintenance services as well as security-related devices at SOFTBANK TECHNOLOGY CORP. were the main factors behind the rise. Due to the steady growth in high-margin services and solutions businesses, operating income increased ¥409 million, or 56%, to ¥1,145 million.

### Becoming a Technology Company for the Broadband Era

The Technology Services segment's core company, SOFTBANK TECHNOLOGY CORP., engages in system construction, handling everything in broadband infrastructure from networks to security and applications as well as the provision of business process outsourcing and operations services, including ASPs. The company, whose strength is its ability to offer the right balance of one-stop network and system solutions, is developing main businesses in e-business services, system solutions, and broadband solutions. In October 2004, the company integrated the marketing departments of its three business divisions and established a marketing management department to strengthen its solution proposal capabilities. SOFTBANK TECHNOLOGY CORP. is working to improve marketing and productivity with the aim of offering customers integrated solutions.

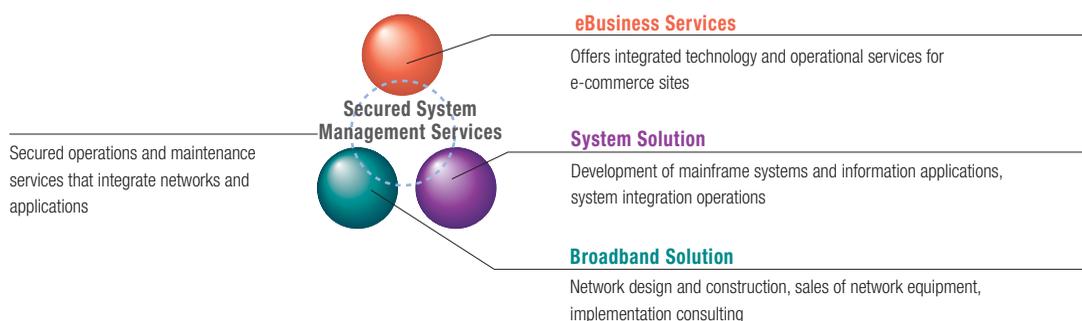
Using the know-how generated from *ECBuyers*, its own e-commerce site, which carries over 20,000 items of software and peripheral devices for PCs, the e-Business Services section promotes consulting operations for e-commerce businesses, from site construction to site operation, and handles back-office operations such as ordering, shipping, sales management, and account settlement. Furthermore, it is increasing sales of contact center operations for responding to customer queries, promoting services that incorporate the technology and know-how necessary to operate an e-commerce site.

The System Solution business draws on the SOFTBANK Group's experience as a technology-focused company that carries out speedy and dynamic business development to provide integrated services—from design and construction to operations and maintenance—for business processing and other systems.

The Broadband Solution business offers integration services that range from broadband networks to the construction of application systems that employ broadband. Specifically, this business supports the use of broadband in businesses in three stages—*BB WAN* for the construction of broadband infrastructure using dark fiber, *BB Office* for the construction of internal communication systems such as IP telephones and teleconferencing systems, and *BB APPL*, which customizes remote supervision, e-learning, and other applications.

Regarding future business development, the company is working to strengthen its secured system management services in light of the recent increase in interest in network security. Using the solution proposal capabilities cultivated by the aforementioned three businesses, it will create a series of *SecureExpert* services, ranging from consulting and networks to applications and client management, to offer complete security system construction and maintenance services.

### Business Domain of SOFTBANK TECHNOLOGY CORP.



## Media & Marketing Segment

### Fiscal 2005 Performance

(Millions of yen)

Net sales	12,480
Operating expenses	13,544
Operating income (loss)	(1,064)
Assets	10,758
Depreciation and amortization	186
Capital expenditures	223

### Overview of Fiscal 2005

Segment sales decreased ¥1,928 million, or 13%, to ¥12,480 million, but the operating loss decreased ¥29 million, to ¥1,064 million. This performance is mainly a reflection of declining sales of magazines and books at SOFTBANK Publishing Inc., which continues to be impacted by the contraction of the market for IT publications. Compared with the slump in paper media, the field of digital media exhibited signs of a gradual emergence, allowing ITmedia Inc., which operates an IT total information site, to post healthy growth in both net sales and operating income. Furthermore, Internet media business such as the *BARKS* music site made aggressive forays into related new markets.

### Making the Leap to Becoming a Digital Media Group for the Broadband Era

In the Media & Marketing segment, along with the full-fledged advent of the broadband age, the operating holding company SOFTBANK Media & Marketing Corp. is developing and nurturing various types of digital media and engaging in the comprehensive expansion of its aggregation business as it works to strengthen the entire Group's broadband content business. SBMM Creative Corp., which develops e-books, has put its know-how—amassed through the creation of high-quality content—to work to establish and develop a new media market. Using *FlipBook* technology, it has produced a new communications medium in the format of a book, with words, still images, sound, and moving images, and is making efforts to nurture new content, through such means as the introduction of *Ohanashi Ehon Club*, a digital picture book library site. In addition to the B-to-C model of e-book use established with *Ohanashi Ehon Club*, the company is promoting new B-to-B solution proposals that use *FlipBook* technology in company newsletters and on-line catalogs.

In March 2005, SOFTBANK ITmedia Inc. merged with atmarkIT Corp. to create ITmedia Inc. ITmedia Inc. is strengthening its influence as an on-line media source with broad coverage of the IT industry and is steadily increasing sales. The number of unique users of its *ITmedia* and *@IT* comprehensive IT information sites had topped a simple total of 7.0 million as of March 2005, establishing the sites' positions among Japan's leading IT information sites. Also, Softbank Media & Marketing Corp. operates the *BARKS* music site, whose number of unique users had grown to approximately 1.2 million as of March 2005 and whose name recognition is steadily growing thanks to the development of original content focusing on its relationship with artists that cannot be found on other sites.

SOFTBANK Publishing Inc., which develops its publishing business in IT-related magazines and books, is firmly maintaining a strong position in the industry with such Internet-related magazines as *NetRunner*, even amid ongoing shrinkage in the market for IT-related publications. Furthermore, SOFTBANK Publishing Inc. has reduced its workforce and discontinued unprofitable magazines in an effort to streamline operations and is aggressively promoting a business shift to web-based broadband content. Looking at new business areas, in addition to on-line magazines and business books, SOFTBANK Publishing Inc. is energetically pursuing synergies among paper- and web-based media by collaborating with Group companies to provide resources for *ITmedia* and content support for *FlipBook*.

### ITmedia Comprehensive IT Information Site



## Overseas Funds Segment and Other Businesses

### Overseas Funds Segment

The development of the SOFTBANK Group's overseas operations is primarily handled by SOFTBANK Holdings Inc. (SBH), which conducts strategic direct investments in IT companies, fund management, investments in funds, and a wide range of other investment activities. SBH performs an important strategic role as well: providing SOFTBANK CORP. and others, through SBH's investment activities, with insight into technologies in the global marketplace and market trends as well as expert knowledge in the Internet field. In addition to the activities of SBH, the SOFTBANK Group conducts investment activities in Japan, China, South Korea, and other regions.

### Other Businesses

#### The Birth of the Fukuoka Softbank Hawks Professional Baseball Club

With the January 2005 acquisition of the Fukuoka Daiei Hawks professional baseball team, Fukuoka Softbank Hawks Corp. and club-related operating company Fukuoka Softbank Hawks Marketing Corp. became new additions to the Group. This will increase the brand recognition of the SOFTBANK Group and enable the pursuit of synergies in a number of business areas, including *Baseball Broadband TV* and *BBTV* broadband content, *Yahoo! Auctions* ticket sales, and *HAWKS DAILY PROGRAM* publication as well as the delivery of a live image streaming service to mobile terminals for home games.

#### Fukuoka Softbank Hawks Baseball Club Logo



The Fukuoka Softbank Hawks have retained as part of their name "Hawks," a "time-honored" name for which many fans have developed an affection, as well as "Fukuoka," which is the hometown of both the team and its field. In creating the team logo, the objective was to show respect for the history of the baseball team while starting a revolution in the baseball world from Fukuoka by incorporating the enthusiasm of the Fukuoka Softbank Hawks in a drive to promote a new, fun approach to baseball throughout Japan and the world. The Fukuoka Softbank Hawks will continue to strive to be a pure, fair, and strong team loved and admired by all.

### SOFTBANK INVESTMENT CORPORATION Changed to an Affiliate Company Accounted for under the Equity Method

On March 31, 2005, SOFTBANK INVESTMENT CORPORATION, which was a core company of the SOFTBANK Group's e-Finance segment's finance business, became an affiliate company accounted for under the equity method when it issued new shares. With this development, SOFTBANK FINANCE CORPORATION and SOFTBANK INVESTMENT CORPORATION became part of Other Businesses. On July 1, 2005, SOFTBANK INVESTMENT CORPORATION changed its name to SBI Holdings, Inc., and became a holding company.

### Fiscal 2005 Performance of e-Finance Segment

(Millions of yen)

Net sales	78,798
Operating expenses	59,083
Operating income	19,715
Assets	115,508
Depreciation and amortization	5,900
Capital expenditures	4,175

Segment revenue increased ¥37,371 million, or 90%, to ¥78,798 million. Operating income was up ¥13,804 million, or 234%, to ¥19,715 million. The revenue growth was mainly attributable to the acquisition of a controlling stake in WORLD NICHIEI Securities Co., Ltd.\*, along with higher brokerage commission revenue at E\*TRADE SECURITIES CO., LTD., stemming from ongoing strength in Japan's stock markets. There was a ¥2,909 million gain on the June 2004 sale of investment securities from the partial sale of shares held in E\*TRADE SECURITIES CO., LTD., and a ¥9,974 million dilution gain from changes in equity interest accompanied by the issuance of new shares in E\*TRADE SECURITIES CO., LTD., in November 2004. Furthermore, equity fluctuations stemming from the issuance of new shares in SOFTBANK INVESTMENT CORPORATION in March 2005 resulted in a dilution gain of ¥14,335 million.

\* WORLD NICHIEI Securities Co., Ltd., and SOFTBANK FRONTIER SECURITIES CO., LTD., merged in February 2004 to form WORLD NICHIEI FRONTIER Securities Co., Ltd. The new company's name changed to SBI Securities Corporation on July 1, 2005.

# Major Group Companies

## Broadband Infrastructure Segment

Company name	Type of business				Date established	Location	SB investment	SB ownership
					URL			
Most recent fiscal year-end	Revenue	Operating income	Ordinary income	Net income	Total assets		Shareholders' equity	
Stock code	Date of IPO	Public offering price	Share price		SB's market capitalization		Number of shares outstanding	
SOFTBANK BB Corp.	Broadband infrastructure, IT product distribution, and e-commerce investment				May 2000	Minato-ku, Tokyo	¥306,750 million	100%
					<a href="http://www.softbankbb.co.jp/english/">http://www.softbankbb.co.jp/english/</a>			
Mar. 2005 (Non-consolidated)	¥430,422 million	¥(58,405) million	¥(63,342) million	¥(27,779) million	¥321,947 million		¥55,317 million	
Asia Vision Japan Inc.	Studies, development, and sale concerning sophisticated data communication devices using broadband				Mar. 2002	Minato-ku, Tokyo	¥147 million	100%
					<a href="http://www.avj.co.jp/">http://www.avj.co.jp/</a>			
Note: Broadband Infrastructure segment from April 2005								
BB Backbone Corporation	Provision of backbone network				Feb. 2002	Minato-ku, Tokyo	¥210 million	100%
—								
BB Cable Corporation	Broadcasting and BBT/VOD service using the Yahoo! BB ADSL connection service				Dec. 2001	Minato-ku, Tokyo	¥8,684 million	100%
					<a href="http://www.bbcable.tv/">http://www.bbcable.tv/</a>			
BBIX, Inc.	Provision of nationwide dispersed IX (Internet eXchange) service				Jun. 2003	Minato-ku, Tokyo	¥100 million	100%
					<a href="http://www.bbix.net/">http://www.bbix.net/</a>			
BB Mobile Corp.	Surveys and research on the telecommunications market				Jun. 2001	Minato-ku, Tokyo	¥310 million	100%
					—			
GreenField Corporation	Design, installation, and maintenance of telecommunications equipment; operation of information/telecommunications systems				Feb. 1996	Chuo-ku, Tokyo	¥40 million	67%
					—			
IP Revolution, Inc.	Ultrahigh-speed Internet access services using fiberoptics				Apr. 2000	Minato-ku, Tokyo	¥2,200 million	100%
					<a href="http://www.iprevolution.ne.jp/">http://www.iprevolution.ne.jp/</a>			
Mar. 2005 (Non-consolidated)	¥3,609 million	¥1,354 million	¥1,280 million	¥1,204 million	¥1,829 million		¥1,443 million	
TMSw Corp.	ASP-type services for IP telephony, voice recognition, and database solutions				Aug. 2002	Chuo-ku, Tokyo	¥702 million	100%
					<a href="http://www.tms-w.com/">http://www.tms-w.com/</a>			
TrustGuard Co., Ltd.	Operation, production, and sale of servers				Jun. 1997	Minato-ku, Tokyo	¥49 million	61%
					<a href="http://www.trustguard.co.jp/">http://www.trustguard.co.jp/</a>			
BB Marketing Corp.	Sales of broadband networks and broadband-related products through store chains				Jun. 2002	Yokohama, Kanagawa	¥35 million	35%
					<a href="http://www.bbmc.jp/">http://www.bbmc.jp/</a>			
BEST BroadBand Corp.	Sales of broadband networks and broadband-related products through store chains				Apr. 2002	Fukuoka, Fukuoka	¥40 million	40%
					—			
BROADBAND JAPAN CORPORATION	Sales of broadband networks and broadband-related products through store chains				Aug. 2002	Sagamihara, Kanagawa	¥35 million	35%
					—			
LAOX BB Corp.	Sales of broadband networks and broadband-related products through store chains				Jun. 2002	Chiyoda-ku, Tokyo	¥40 million	40%
					—			
Macs BroadBand Corp.	Sales of broadband networks and broadband-related products through store chains				Aug. 2002	Mito, Ibaraki	¥4 million	35%
					—			
YAMADA BroadBand Corp.	Sales of broadband networks and broadband-related products through store chains				Apr. 2002	Maebashi, Gunma	¥35 million	35%
					—			

## Fixed-line Telecommunications Segment

Company name	Type of business				Date established	Location	SB investment	SB ownership
					URL			
Most recent fiscal year-end	Revenue	Operating income	Ordinary income	Net income	Total assets		Shareholders' equity	
Stock code	Date of IPO	Public offering price	Share price		SB's market capitalization		Number of shares outstanding	
JAPAN TELECOM CO., LTD.	Fixed-line telecommunications				Oct. 1984	Minato-ku, Tokyo	¥239,159 million	100%
					<a href="http://www.japan-telecom.co.jp/english/">http://www.japan-telecom.co.jp/english/</a>			
Mar. 2005 (Consolidated)	¥335,804 million	¥(52,110) million	¥(54,887) million	¥(81,634) million	¥482,412 million		¥149,582 million	
AboveNet Japan, Inc.	Data center business				Oct. 2002	Minato-ku, Tokyo	¥43 million	100%
					<a href="http://www.jp.above.net/">http://www.jp.above.net/</a>			
Note: Fixed-line Telecommunications segment from April 2005								
JAPAN TELECOM America, Inc.	Network support business in North America				Feb. 1996	New York, U.S.A.	¥1,901 million	100%
					<a href="http://www.jt-america.com/">http://www.jt-america.com/</a>			
Japan Telecom China Co., Ltd.	Network support business in China				Jan. 2004	Shanghai, China	¥53 million	100%
					—			
JAPAN TELECOM IDC INC.	Fixed-line telecommunications				Nov. 1986	Minato-ku, Tokyo	¥4,072 million	100%
					<a href="http://www.idc.japan-telecom.co.jp/EN/">http://www.idc.japan-telecom.co.jp/EN/</a>			
Note: On July 1, 2005, this company was dissolved following its merger with JAPAN TELECOM CO., LTD.								
Japan Telecom Information Service Co., Ltd.	Network integration business				Jul. 1998	Kitakyushu, Fukuoka	¥41 million	81%
					<a href="http://www.jt-i.co.jp/">http://www.jt-i.co.jp/</a>			
JAPAN TELECOM NETWORK INFORMATION SERVICE CO., LTD.	Network solutions business				Dec. 1984	Chiyoda-ku, Tokyo	¥13,100 million	100%
					<a href="http://www.jtnis.co.jp/">http://www.jtnis.co.jp/</a>			
Mar. 2005 (Non-consolidated)	¥9,126 million	¥21 million	¥28 million	¥(15) million	¥1,975 million		¥496 million	
Japan Telecom Singapore Pte. Ltd.	Network support business in Southeast Asia				Feb. 1998	Singapore	¥244 million	100%
					<a href="http://www.japan-telecom.com.sg/">http://www.japan-telecom.com.sg/</a>			
Japan Telecom UK Ltd.	Network support business in Europe				May 1998	London, U.K.	¥703 million	100%
					<a href="http://www.japan-telecom.co.uk/">http://www.japan-telecom.co.uk/</a>			
JTOS CO., LTD.	Network maintenance business				Dec. 2004	Kawachi, Tochigi	¥30 million	100%
					—			
SOFTBANK IDC Corp.	Data center business				Nov. 1986	Minato-ku, Tokyo	¥8,626 million	100%
					<a href="http://www.sbidc.jp/">http://www.sbidc.jp/</a>			
TE CO. LTD.	Consulting and installation services for the telecommunications business				Feb. 2005	Minato-ku, Tokyo	¥30 million	100%
					—			

Consolidated subsidiaries

Equity-method non-consolidated subsidiaries and affiliates

Other securities, etc.

Notes: Date established = May represent the date on which the business was launched.

SB investment = Amount is based on the economic ownership ratio of SB, but does not include investments in operating holding companies or holding and fund-related companies and investments made by affiliate companies or funds in individual companies.

SB ownership = Ownership refers to the ratio of economic ownership, but does not include investments made by affiliate companies or funds in individual companies. Figures are rounded up or down to the nearest whole number.

\* Data, with some exceptions, is as of March 31, 2005.

\* SB is an abbreviation for SOFTBANK CORP. throughout this publication.

## e-Commerce Segment

Company name	Type of business				Date established	Location	SB investment	SB ownership
					URL			
Most recent fiscal year-end	Revenue	Operating income	Ordinary income	Net income	Total assets		Shareholders' equity	
Stock code	Date of IPO	Public offering price	Share price		SB's market capitalization		Number of shares outstanding	
SOFTBANK BB Corp.	Broadband infrastructure, IT product distribution, and e-commerce investment businesses				May 2000	Minato-ku, Tokyo	¥306,750 million	100%
					http://www.softbankbb.co.jp/english/			
Mar. 2005 (Non-consolidated)	¥430,422 million	¥(58,405) million	¥(63,342) million	¥(27,779) million	¥321,947 million		¥55,317 million	
Ability Design, Ltd.	Temporary and permanent employment services				Oct. 2000	Chuo-ku, Tokyo	¥268 million	99%
					http://www.ability-design.com/			
BB Serve, Inc.	Internet infrastructure business for content distribution				Dec. 2002	Minato-ku, Tokyo	¥2,029 million	100%
					http://www.bb-serve.com/			
Carview Agent Corporation	Non-life insurance agency				Jun. 2000	Chuo-ku, Tokyo	¥16 million	53%
					—			
Carview Corporation	On-line provider of information on automobiles and automobiles for distribution				Oct. 1999	Chuo-ku, Tokyo	¥1,737 million	53%
					http://www.carview.co.jp/			
CreativeBank Inc.	Advertising agency and sales promotion support for Internet businesses				Dec. 1986	Koto-ku, Tokyo	¥329 million	56%
					http://www.creativebank.co.jp/			
Mar. 2005 (Non-consolidated)	¥1,346 million	¥84 million	¥85 million	¥56 million	¥633 million		¥448 million	
DeeCorp Limited	Internet-based comprehensive purchasing assistance for companies				Feb. 2001	Minato-ku, Tokyo	¥1,461 million	100%
					http://www.deecorp.jp/			
HR Solutions Corp.	Outsourcing and consulting for recruitment				Sept. 2004	Chuo-ku, Tokyo	¥42 million	69%
					http://www.hr-s.co.jp/			
Investoria Inc.	Planning, development, and management of financial application software				Nov. 1999	Minato-ku, Tokyo	¥250 million	50%
					http://www.investoria.com			
SOFTBANK Frameworks Corporation	Logistics outsourcing and consulting services for IT companies				Oct. 1990	Koto-ku, Tokyo	¥150 million	100%
					http://www.sbfw.co.jp/			
Mar. 2005 (Non-consolidated)	¥9,281 million	¥27 million	¥43 million	¥28 million	¥2,404 million		¥774 million	
SOFTBANK Human Capital CORP.	Operation of job search information website				Sept. 1999	Chuo-ku, Tokyo	¥2,790 million	99%
					http://www.softbankhc.co.jp/			
Mar. 2005 (Non-consolidated)	¥1,922 million	¥74 million	¥78 million	¥157 million	¥1,678 million		¥1,236 million	
SOFTBANK LOGISTICS CORPORATION	Operation of distribution centers, collection and processing of logistics data, packaging, and warehousing				Jul. 2000	Koto-ku, Tokyo	¥20 million	100%
					—			
ValuMore Corporation	On-line sales of PCs and peripherals and provision of related information				Jan. 2002	Shinjuku-ku, Tokyo	¥115 million	45%
					http://store.yahoo.co.jp/valumore/			
Vector Inc.	PC software sales through downloading				Feb. 1989	Shinjuku-ku, Tokyo	¥1,106 million	51%
					http://www.vector.co.jp/			
Mar. 2005 (Consolidated)	¥2,436 million	¥162 million	¥169 million	¥169 million	¥3,342 million		¥2,699 million	
2656 (Hercules)	Aug. 2000	¥400,000**		¥198,000	¥6,375 million		69 thousand shares	

\*\* Retroactive adjustment

Company name	Type of business				Date established	Location	SB investment	SB ownership
					URL			
Most recent fiscal year-end	Revenue	Operating income	Ordinary income	Net income	Total assets		Shareholders' equity	
Stock code	Date of IPO	Public offering price	Share price		SB's market capitalization		Number of shares outstanding	
Blue Planet Corporation	Business portal management for regional financial institutions and B-to-B support for their business partners				Apr. 2001	Chiyoda-ku, Tokyo	¥136 million	37%
					<a href="http://www.blueplanet.co.jp/">http://www.blueplanet.co.jp/</a>			
CJ Internet Japan Corp.	Operation of game portal sites				Aug. 2001	Shinjuku-ku, Tokyo	¥270 million	34%
					<a href="http://www.netmarble.ne.jp/">http://www.netmarble.ne.jp/</a>			
CMnet corporation	Management of construction e-market and portal site that handles orders for construction projects on-line				Nov. 2000	Minato-ku, Tokyo	¥298 million	20%
					<a href="http://www.cmnetcorp.com/">http://www.cmnetcorp.com/</a>			
DIAMOND.COM CORPORATION	On-line sales of diamonds, accessories, watches, and luxury-brand merchandise				Sept. 2000	Shibuya-ku, Tokyo	¥202 million	20%
					<a href="http://www.diamondstyle.co.jp/">http://www.diamondstyle.co.jp/</a>			
eBEST CORP.	On-line sales of products ranging from home electric appliances to everyday items and related services				Oct. 1999	Fukuoka, Fukuoka	¥100 million	33%
					<a href="http://www.ebest.co.jp/">http://www.ebest.co.jp/</a>			
GungHo Online Entertainment, Inc.	Distribution, operation, planning, development, sales, and marketing for on-line games using the Internet				Jul. 2002	Chiyoda-ku, Tokyo	¥143 million	45%
					<a href="http://www.gungho.jp/">http://www.gungho.jp/</a>			
Dec. 2004 (Non-consolidated)	¥4,245 million	¥534 million	¥567 million	¥539 million	¥2,759 million		¥780 million	
3765 (Hercules)	Mar. 2005	¥1,200,000	¥10,800,000		¥78,732 million		16 thousand shares	
NC Japan K.K.	Distribution of on-line games; planning, development, design, translation, and sales of game software				Sept. 2001	Shibuya-ku, Tokyo	¥288 million	38%
					<a href="http://www.ncjapan.co.jp/">http://www.ncjapan.co.jp/</a>			
Overseas Human Resources, Inc.	Formulating and implementing plans for marketing and publication of guidebooks for restaurants, retail stores, and hotels/lodgings				Jul. 1979	Nishi-ku, Osaka	¥300 million	40%
					<a href="http://www.ohr.jp/">http://www.ohr.jp/</a>			
TechnoBlood Inc.	IT solutions, broadband content business, event business, and fund management				Feb. 1999	Shinjuku-ku, Tokyo	¥84 million	8%
					<a href="http://www.technoblood.com/">http://www.technoblood.com/</a>			

Consolidated subsidiaries

Equity-method non-consolidated subsidiaries and affiliates

Other securities, etc.

Notes: Date established = May represent the date on which the business was launched.

SB investment = Amount is based on the economic ownership ratio of SB, but does not include investments in operating holding companies or holding and fund-related companies and investments made by affiliate companies or funds in individual companies.

SB ownership = Ownership refers to the ratio of economic ownership, but does not include investments made by affiliate companies or funds in individual companies. Figures are rounded up or down to the nearest whole number.

Data, with some exceptions, is as of March 31, 2005.

## Internet Culture Segment

Company name	Type of business				Date established	Location	SB investment	SB ownership
					URL			
Most recent fiscal year-end	Revenue	Operating income	Ordinary income	Net income	Total assets		Shareholders' equity	
Stock code	Date of IPO	Public offering price	Share price		SB's market capitalization		Number of shares outstanding	
Yahoo Japan Corporation	Internet services				Jan. 1996	Minato-ku, Tokyo	¥6,373 million	42%
					http://www.yahoo.co.jp/			
Mar. 2005 (Consolidated)	¥117,779 million	¥60,187 million	¥60,295 million	¥36,521 million	¥130,244 million		¥96,059 million	
4689 (TSE1)	Nov. 1997	¥341.80**	¥251,000		¥1,587,187 million		7,549 thousand shares	
Note: The public offering price and the share price at the end of March reflect the stock split (two shares for one existing share) conducted on May 20, 2005. ** Retroactive adjustment								
ALPS MAPPING K.K.	Planning and production of various types of maps, providing map data and regional information				Aug. 2000	Chuo-ku, Tokyo	¥339 million	42%
					http://www.alpsmap.co.jp/			
BridalNet, Inc.	Provision of on-line matchmaking services				Dec. 1998	Minato-ku, Tokyo	¥96 million	42%
					http://www.bridalnet.co.jp/			
Firstserver, Inc.	Information processing services (server rentals and domain registration)				Jun. 2000	Chuo-ku, Osaka	¥725 million	24%
					http://www.firstserver.co.jp/			
Indival, Inc.	On-line provision of information to job seekers				Feb. 2004	Minato-ku, Tokyo	¥50 million	25%
					http://shotworks.yahoo.co.jp/			
Net Culture KK	Holding company that invests in and manages Internet Culture businesses				Mar. 2001	Minato-ku, Tokyo	¥1,000 million	100%
					—			
Netrust, Ltd.	On-line settlements business				Sept. 2000	Minato-ku, Tokyo	¥91 million	45%
					http://payment.yahoo.co.jp/			
Mar. 2005 (Non-consolidated)	¥1,926 million	¥412 million	¥419 million	¥261 million	¥1,951 million		¥549 million	
Seven and Y Corp. (Formerly e-Shopping! Books CORP.)	On-line sales of books, DVDs, and other products				Aug. 1999	Chiyoda-ku, Tokyo	¥217 million	32%
					http://www.7andy.jp/all/			
Mar. 2005 (Non-consolidated)	¥7,091 million	¥(69) million	¥(74) million	¥(75) million	¥1,027 million		¥36 million	
Tavigator, Inc.	On-line travel agency				Mar. 2000	Minato-ku, Tokyo	¥41 million	41%
					http://www.tavigator.co.jp/			
Mar. 2005 (Non-consolidated)	¥1,702 million	¥43 million	¥51 million	¥53 million	¥1,722 million		¥473 million	
Y's Insurance Inc.	Life and non-life insurance agency				Nov. 2003	Minato-ku, Tokyo	¥13 million	25%
					http://www.ys-insurance.co.jp/			
CREO CO., LTD.	Systems development business; planning, development, and sales of package software; support services for help desk services				Mar. 1974	Minato-ku, Tokyo	¥685 million	15%
					http://www.creo.co.jp/			
Mar. 2005 (Consolidated)	¥11,010 million	¥(346) million	¥(416) million	¥(826) million	¥8,955 million		¥6,159 million	
9698 (JASDAQ)	Sept. 1990	¥4,490**	¥660		¥967 million		9,219 thousand shares	
** Retroactive adjustment								
ValueCommerce Co., Ltd.	Operation of results-based Internet advertising systems				Mar. 1996	Bunkyo-ku, Tokyo	¥10,936 million	21%
					http://www.valuecommerce.ne.jp/			
Note: Following the completion of the tender offering on April 11, 2005, ValueCommerce Co., Ltd., became Yahoo Japan Corporation's affiliate company accounted for under the equity method.								
Yahoo! Deutschland GmbH	Internet services				Jan. 1997	Munich, Germany	US\$0.45M	30%
					http://www.de.yahoo.com/			
Yahoo! France SAS	Internet services				Nov. 1996	Paris, France	US\$0.45M	30%
					http://www.fr.yahoo.com/			
Yahoo! Korea Corporation	Internet services				Oct. 1997	Seoul, South Korea	KRW334M	31%
					http://www.kr.yahoo.com/			
Yahoo! UK Limited	Internet services				Aug. 1996	London, U.K.	US\$0.9M	30%
					http://www.uk.yahoo.com/			
Internet Research Institute, Inc.	Consulting, design, construction, and operation of IP networks; marketing and sales agency services				Dec. 1996	Shinjuku-ku, Tokyo	¥98 million	7%
					http://www.iri.co.jp/			
Jun. 2004 (Consolidated)	¥18,525 million	¥(398) million	¥(600) million	¥1,812 million	¥16,999 million		¥9,847 million	
4741 (Mothers)	Dec. 1999	¥97,500**	¥236,000		¥1,090 million		191 thousand shares	
** Retroactive adjustment								

Company name	Type of business				Date established	Location	SB investment	SB ownership
					URL			
Most recent fiscal year-end	Revenue	Operating income	Ordinary income	Net income	Total assets		Shareholders' equity	
Stock code	Date of IPO	Public offering price	Share price		SB's market capitalization		Number of shares outstanding	
Yahoo! Inc.	Internet services				Mar. 1995	California, U.S.A.	US\$84M	4%
					http://www.yahoo.com/			
Dec. 2004 (Consolidated)	US\$3,575M	US\$689M	—	US\$840M	US\$9,178M		US\$7,101M	
YHOO (Nasdaq US)	Apr. 1996	US\$0.54**	US\$33.90		US\$1,779M		1,387 million shares	

\*\* Retroactive adjustment

## Broadmedia Segment

Company name	Type of business				Date established	Location	SB investment	SB ownership
					URL			
Most recent fiscal year-end	Revenue	Operating income	Ordinary income	Net income	Total assets		Shareholders' equity	
Stock code	Date of IPO	Public offering price	Share price		SB's market capitalization		Number of shares outstanding	
SOFTBANK Broadmedia Corporation	Operating holding company of Broadmedia segment				Mar. 2000	Minato-ku, Tokyo	—	100%
					http://www.broadmedia.co.jp/e-intro.html			
ALISS-NET Co., Ltd.	On-line distribution of lifestyle information; production and sale of computer software, terminals, and peripherals				Nov. 1999	Fukuoka, Fukuoka	¥433 million	45%
					http://www.aliss-net.ne.jp/			
Broadmedia Research Institute, Inc.	Distribution and sale of content and related businesses				Sept. 2001	Minato-ku, Tokyo	¥5,653 million	100%
					—			
Broadmedia Studios Corporation	Sale of broadcasting rights, dubbing and subtitling, movie distribution, and sale of videos and DVDs				Jul. 2004	Minato-ku, Tokyo	¥2,100 million	100%
					http://www.bmstd.com/			
Mar. 2005 (Non-consolidated)	¥3,035 million	¥153 million	¥340 million	¥(244) million	¥7,326 million		¥1,716 million	
CDN Solutions K.K.	Provision of web and streaming content distribution solutions				Apr. 2001	Minato-ku, Tokyo	¥599 million	100%
					http://www.cdn-sol.co.jp/			
Club iT Corporation	Planning and operation of <i>Club iT</i> , a members-only organization, and procurement and distribution of content				Nov. 1998	Minato-ku, Tokyo	¥3,745 million	84%
					http://www.clubit.co.jp/			
Mar. 2005 (Non-consolidated)	¥10,935 million	¥2,137 million	¥2,168 million	¥(2,947) million	¥3,675 million		¥869 million	
4347 (Hercules)	Mar. 2002	¥600**	¥760		¥10,305 million		8,395 thousand shares	
HOLLYWOOD CHANNEL INC.	Information and communication services for cellular phone users				Jul. 2004	Minato-ku, Tokyo	¥600 million	100%
					http://www.hollywood-ch.com/			
Oy Gamecluster Ltd.	Development and provision of network solutions for distribution of interactive entertainment				Jun. 1997	Finland	¥683 million	100%
					http://www.g-cluster.com/			
Xdrive Japan K.K.	Provision of on-line storage solutions				Apr. 2001	Minato-ku, Tokyo	¥259 million	100%
					http://www.xdrive.co.jp/			
Fishing Vision Co., Ltd.	Production and sale of programs for <i>Tsuri Vision</i> broadcasts using CS digital broadcasting platforms and cable TV				Mar. 1998	Shinjuku-ku, Tokyo	¥1,226 million	40%
					http://www.fishing-v.co.jp/			
Nihon Eiga Satellite Broadcasting Corporation	Licensed communications satellite broadcaster				Feb. 2000	Minato-ku, Tokyo	¥100 million	15%
					http://www.nihon-eiga.com/			

Note: The public offering price and the share price at the end of March reflect the stock split (two shares for one existing share) conducted on May 20, 2005. \*\* Retroactive adjustment

Consolidated subsidiaries

Equity-method non-consolidated subsidiaries and affiliates

Other securities, etc.

Notes: Date established = May represent the date on which the business was launched.

SB investment = Amount is based on the economic ownership ratio of SB, but does not include investments in operating holding companies or holding and fund-related companies and investments made by affiliate companies or funds in individual companies.

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Data, with some exceptions, is as of March 31, 2005.

## Technology Services Segment

Company name	Type of business				Date established	Location	SB investment	SB ownership
					URL			
Most recent fiscal year-end	Revenue	Operating income	Ordinary income	Net income	Total assets		Shareholders' equity	
Stock code	Date of IPO	Public offering price	Share price		SB's market capitalization		Number of shares outstanding	
SOFTBANK TECHNOLOGY CORP.	Provision of broadband-based solutions and services for networks, applications, and operations				Aug. 1997	Shinjuku-ku, Tokyo	¥99 million	50%
					<a href="http://www.tech.softbank.co.jp/">http://www.tech.softbank.co.jp/</a>			
Mar. 2005 (Consolidated)	¥25,522 million	¥1,157 million	¥1,273 million	¥880 million	¥22,745 million		¥7,107 million	
4726 (TSE2)	Jul. 1999	¥1,533.33**	¥1,917		¥10,289 million		10,639 thousand shares	
Note: SOFTBANK TECHNOLOGY CORP. changed its listed market from the JASDAQ exchange to the Second Section of the Tokyo Stock Exchange on December 21, 2004. ** Retroactive adjustment								
AIP Bridge CORP.	Sales of website access data analysis software packages and provision of marketing services				Sept. 2000	Shinjuku-ku, Tokyo	¥349 million	70%
					<a href="http://www.aipbridge.co.jp/">http://www.aipbridge.co.jp/</a>			
EC Architects Corp.	Provision of consulting, system design, and project management for EC solutions				Apr. 2000	Chuo-ku, Tokyo	¥73 million	48%
					<a href="http://www.ec-architects.co.jp/">http://www.ec-architects.co.jp/</a>			
E-Cosmos, Inc.	Technical support, business consulting, and other services for EC businesses				Jan. 2000	Minato-ku, Tokyo	¥76 million	50%
					<a href="http://www.e-cosmos.co.jp/">http://www.e-cosmos.co.jp/</a>			
e-Commerce Technology Corp.	Provision of system design, construction, and operation for EC and B-to-B businesses				Jun. 2000	Chuo-ku, Tokyo	¥38 million	25%
					<a href="http://www.ectech.co.jp/">http://www.ectech.co.jp/</a>			
i2ts, inc.	Provision of data center hosting and housing services				Sept. 1999	Minato-ku, Tokyo	¥115 million	15%
					<a href="http://www.i2ts.com/">http://www.i2ts.com/</a>			
USTC E-BUSINESS Technology Co., Ltd.	Provision of information system development services in China and to Japan				Nov. 2000	China	¥59 million	15%
					—			

## Media & Marketing Segment

Company name	Type of business				Date established	Location	SB investment	SB ownership
					URL			
Most recent fiscal year-end	Revenue	Operating income	Ordinary income	Net income	Total assets		Shareholders' equity	
Stock code	Date of IPO	Public offering price	Share price		SB's market capitalization		Number of shares outstanding	
SOFTBANK Media & Marketing Corp.	Operating holding company of Media & Marketing segment and sale of music and sports-related contents				Mar. 1999	Minato-ku, Tokyo	—	100%
					<a href="http://www.softbankmm.co.jp/">http://www.softbankmm.co.jp/</a>			
EC RESEARCH CORP.	Production and sale of IT market research reports, IT market surveys, and consulting services under consignment				Sept. 2000	Minato-ku, Tokyo	¥120 million	100%
					<a href="http://www.ec-r.co.jp/">http://www.ec-r.co.jp/</a>			
ITmedia Inc.	Comprehensive IT information site				Dec. 1999	Chiyoda-ku, Tokyo	¥1,359 million	70%
					<a href="http://www.itmedia.co.jp/">http://www.itmedia.co.jp/</a>			
Note: On March 1, 2005, SOFTBANK ITmedia Inc., as the surviving company, was merged with atmarkIT Corp. and renamed ITmedia Inc.								
JaJa entertainment corp.	Provision of predictions for horse races and distribution of other entertainment broadband content services				Oct. 2000	Minato-ku, Tokyo	¥210 million	95%
					<a href="http://www.jaja-uma.com/">http://www.jaja-uma.com/</a>			
Realize Mobile Communications Corp. (Formerly SOFTBANK MOBILE CORP.)	Planning, development, and formulation strategies for various services based on mobile Internet access				May 2000	Minato-ku, Tokyo	¥300 million	100%
					<a href="http://www.realize-mobile.co.jp/">http://www.realize-mobile.co.jp/</a>			
SBMM Creative Corp.	e-library business and other new businesses				Mar. 2004	Minato-ku, Tokyo	¥411 million	100%
					<a href="http://www.sbmcc.co.jp/">http://www.sbmcc.co.jp/</a>			
SOFTBANK Publishing Inc.	IT and Internet-related publishing				Mar. 2000	Minato-ku, Tokyo	¥600 million	100%
					<a href="http://www.softbankpub.co.jp/">http://www.softbankpub.co.jp/</a>			
Mar. 2005 (Non-consolidated)	¥10,565 million	¥(157) million	¥(128) million	¥(350) million	¥5,623 million		¥2,567 million	
cyber communications inc.	Advertising agency for Internet				Jun. 1996	Chuo-ku, Tokyo	¥290 million	27%
					<a href="http://www.cci.co.jp/">http://www.cci.co.jp/</a>			
Mar. 2005 (Consolidated)	¥24,165 million	¥927 million	¥942 million	¥549 million	¥10,817 million		¥5,295 million	
4788 (Mothers/Hercules)	Sept. 2000	¥350,000	¥268,000		¥13,602 million		255 thousand shares	
E-Book Systems K.K.	Sale of software licenses related to electronic publishing and e-books				Jul. 2004	Minato-ku, Tokyo	¥71 million	35%
					<a href="http://www.ebooksystems.co.jp/">http://www.ebooksystems.co.jp/</a>			
M.P.Technologies, Inc.	Development, maintenance, and operation of broadband distribution system solutions and ASP solutions				Sept. 2001	Shinjuku-ku, Tokyo	¥488 million	26%
					<a href="http://www.mptech.co.jp/">http://www.mptech.co.jp/</a>			
Jul. 2004 (Non-consolidated)	¥1,537 million	¥380 million	¥355 million	¥203 million	¥2,035 million		¥1,585 million	
3734 (Mothers)	Mar. 2004	¥260,000**	¥637,000		¥4,509 million		35 thousand shares	
** Retroactive adjustment								
Tribeck Strategies, Inc.	Consulting for corporate Internet marketing strategies				Sept. 2001	Chiyoda-ku, Tokyo	¥60 million	36%
					<a href="http://www.tribeck.jp/">http://www.tribeck.jp/</a>			

Consolidated subsidiaries

Equity-method non-consolidated subsidiaries and affiliates

Other securities, etc.

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Data, with some exceptions, is as of March 31, 2005.

## Overseas Funds Segment

Company name	Category	Type of business				Date established	Primary region*1	SB commitment**2	SB ownership**3
						Maturity	Fund size	Portfolio companies**4	
Most recent fiscal year-end	Revenue	Operating income	Ordinary income	Net income	URL		Total assets	Shareholders' equity	
SB CHINA HOLDINGS PTE LTD	A	Holding company; supervises China-based operations and conducts venture fund business				Jan. 2000	Shanghai, China	US\$90M	90%
						—	—	14	
						<a href="http://www.sbcvc.com/">http://www.sbcvc.com/</a>			
SOFTBANK Capital Partners	A	Venture capital fund				Jul. 1999	U.S.A.	US\$735M	51%
						10 years	US\$1,450M	11	
						—			
SOFTBANK Korea Co., Ltd.	A	Venture capital operations in South Korea				Sept. 2002	Seoul, South Korea	¥14,524 million	100%
						—	—	8	
						<a href="http://www.softbank.co.kr/">http://www.softbank.co.kr/</a>			
SOFTBANK Technology Ventures IV L.P.	B	Venture capital fund				Nov. 1997	U.S.A.	US\$42M	13%
						10 years	US\$313M	4	
						—			
SOFTBANK Technology Ventures V L.P.	B	Venture capital fund				Jul. 1999	U.S.A.	US\$191M	30%
						10 years	US\$631M	17	
						—			
SOFTBANK US Ventures VI L.P.	B	Venture capital fund				Apr. 2000	U.S.A.	US\$608M	97%
						10 years	US\$627M	83	
						—			
SOFTBANK Ventures Fund 1	A	Venture capital fund				Apr. 2000	South Korea	KRW30,000M	60%
						5 years	KRW50,000M	10	
						—			
SB Asia Infrastructure Fund L.P.	A	Venture capital fund targeting broadband-related companies				Mar. 2001	Asia-Pacific	US\$4M	1%
						10 years	US\$404M	27	
						—			

Notes: Category A: Funds managed by SOFTBANK CORP.; Category B: Other funds

\*1 Location of head office for incorporated funds

\*2 SOFTBANK CORP. investment for incorporated funds

\*3 For funds, SOFTBANK CORP. ownership as percentage of total fund size

\*4 Portfolio companies do not include companies where investments have been written down to zero.

Data, with some exceptions, is as of March 31, 2005.

## Other Businesses

Company name	Type of business				Date established	Location	SB investment	SB ownership
					URL			
Most recent fiscal year-end	Revenue	Operating income	Ordinary income	Net income	Total assets		Shareholders' equity	
Stock code	Date of IPO	Public offering price	Share price		SB's market capitalization		Number of shares outstanding	
AtWork Corporation	Outsourcing services for personnel, administrative, technological, and other tasks				Apr. 1999	Chuo-ku, Tokyo	¥90 million	100%
					<a href="http://www.atwork.co.jp/">http://www.atwork.co.jp/</a>			
Fukuoka Softbank Hawks Corp.	The Fukuoka Softbank Hawks professional baseball club				Mar. 1969	Fukuoka, Fukuoka	¥4,155 million	98%
					<a href="http://www.softbankhawks.co.jp/">http://www.softbankhawks.co.jp/</a>			
Fukuoka Softbank Hawks Marketing Corp.	Operation of professional baseball related business and provision of IT business using baseball content				Jan. 2005	Fukuoka, Fukuoka	¥510 million	100%
					<a href="http://www.softbankhawks.co.jp/">http://www.softbankhawks.co.jp/</a>			
SB Holdings (Europe) Ltd.	Holding company				Dec. 1995	London, U.K.	—	100%
					—			
SB Sweden Aktiefbolag	Holding company				Oct. 1999	Stockholm, Sweden	—	100%
					—			
SOFTBANK FINANCE CORPORATION	Holding company				Mar. 1999	Minato-ku, Tokyo	—	100%
					<a href="http://www.sbfinance.co.jp/">http://www.sbfinance.co.jp/</a>			
Note: On June 28, 2005, SOFTBANK FINANCE CORPORATION changed its name to SOFTBANK AM CORPORATION.								
SOFTBANK Holdings Inc.	Holding company				Mar. 1994	Delaware, U.S.A.	—	100%
					—			
SOFTBANK PAYMENT SERVICE CORP.	Invoice collection and computation services for businesses				Oct. 2004	Minato-ku, Tokyo	¥900 million	100%
					<a href="http://www.sbpayment.jp/">http://www.sbpayment.jp/</a>			
Office Work Corporation	Provision of accounting and other back-office services				Jul. 2000	Minato-ku, Tokyo	¥20 million	20%
					<a href="http://www.office-work.co.jp/">http://www.office-work.co.jp/</a>			
SOFTBANK INVESTMENT CORPORATION	Comprehensive financial services provider				Jul. 1999	Minato-ku, Tokyo	¥5,105 million	38%
					<a href="http://www.sbigroup.co.jp/">http://www.sbigroup.co.jp/</a>			
Mar. 2005 (Consolidated)	¥81,511 million	¥24,869 million	¥27,291 million	¥25,631 million	¥755,004 million		¥129,419 million	
8473 (TSE1/OSE1)	Dec. 2000	¥55,555.55**	¥39,600		¥129,237 million		8,531 thousand shares	
Note: On July 1, 2005, SOFTBANK INVESTMENT CORPORATION changed its name to SBI Holdings, Inc., and became a holding company. ** Retroactive adjustment								
UTStarcom, Inc.	Manufacturer of IP networks and wireless equipment				Oct. 1991	California, U.S.A.	US\$38M	13%
					<a href="http://www.utstar.com/">http://www.utstar.com/</a>			
Dec. 2004 (Consolidated)	US\$2,704M	US\$50M	—	US\$73M	US\$3,316M		US\$1,365M	
UTSI (Nasdaq US)	Mar. 2000	US\$18.00	US\$10.95		US\$160M		115 million shares	

Consolidated subsidiaries

Equity-method non-consolidated subsidiaries and affiliates

Other securities, etc.

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Data, with some exceptions, is as of March 31, 2005.

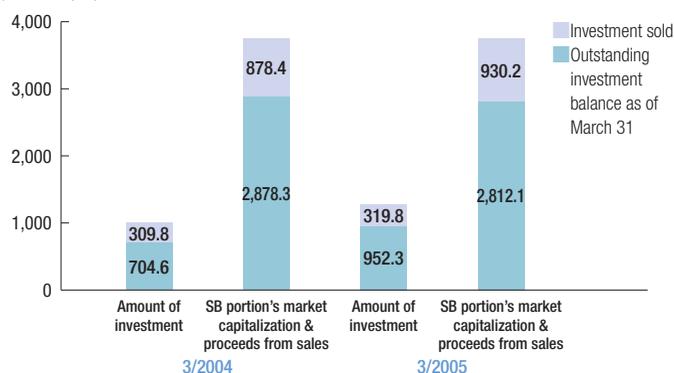
## Investment Summary (As of March 31, 2005)

	Amount of investment	SB portion's market capitalization & proceeds from sales	Multiple
Outstanding investment balance ¥	952.3 billion	¥2,812.1 billion	2.95X
Investment sold*	¥ 319.8 billion	¥ 930.2 billion	2.91X
<b>Total</b>	<b>¥1,272.1 billion</b>	<b>¥3,742.3 billion</b>	<b>2.94X</b>

\* Names of main portfolio companies are listed below.

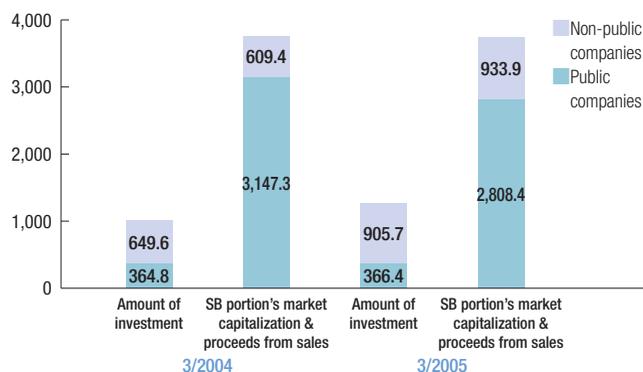
## Investment Outstanding and Sold

(Billions of yen)



## Public and Non-public Investment

(Billions of yen)

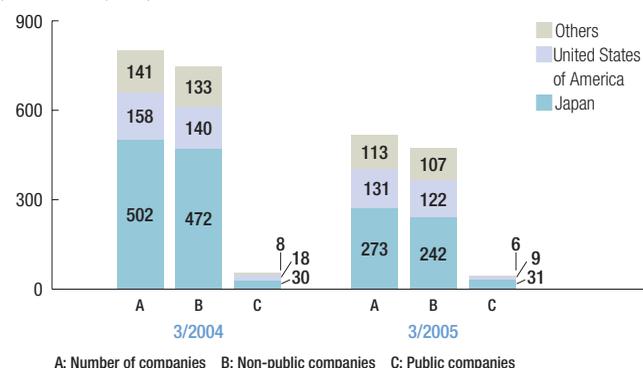


## Outline of Portfolio Companies (As of March 31, 2005)

Number of companies: 517 (301 of which are direct investments)  
 Public companies included: 46 (30 of which are direct investments)

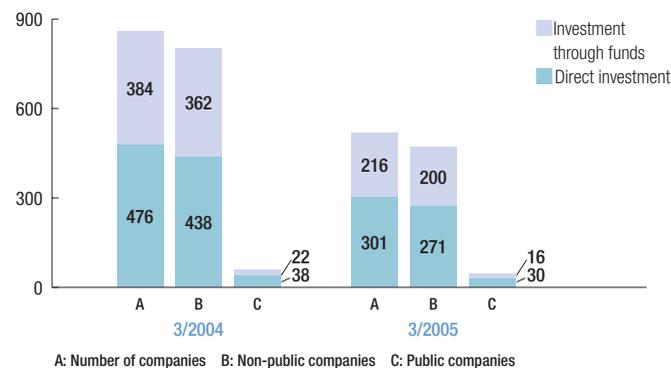
## Investment by Region

(Number of companies)



## Type of Investment (Including Duplicate Investments)

(Number of companies)



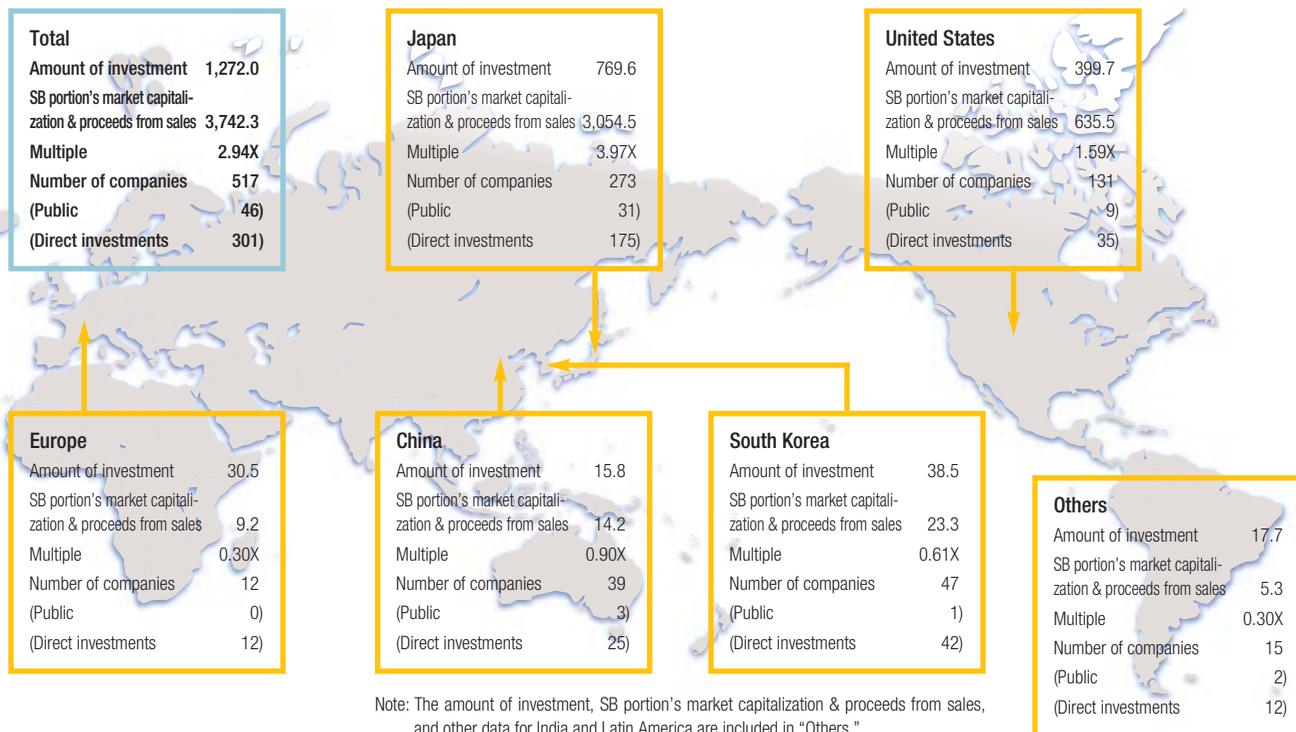
## Investment Returns by Individual Company

(Billions of yen)

Company name	Amount of investment	Proceeds from sales	SB portion's market capitalization	SB portion's market capitalization & proceeds from sales	Multiple
GungHo Online Entertainment, Inc.	0.1	—	78.7	78.7	551.34X
Yahoo Japan Corporation	7.7	55.3	1,587.2	1,642.5	213.31X
cyber communications inc.	0.5	8.8	13.6	22.4	44.74X
SOFTBANK TECHNOLOGY CORP.	3.3	84.0	10.3	94.3	28.57X
SOFTBANK INVESTMENT CORPORATION	6.0	39.4	129.2	168.7	28.11X
M.P. Technologies, Inc.	0.6	1.1	4.5	5.6	9.85X
Yahoo! Inc.	54.7	235.8	191.1	426.9	7.80X
Vector Inc.	1.1	—	6.4	6.4	5.77X
Internet Research Institute, Inc.	0.3	0.4	1.1	1.4	4.39X
UTStarcom, Inc.	21.5	59.6	17.2	76.8	3.57X
<b>Total (10 companies)</b>	<b>95.8</b>	<b>484.4</b>	<b>2,039.3</b>	<b>2,523.7</b>	<b>26.33X</b>

## Investment Summary by Region

(Billions of yen)



## Method Used to Analyze Investment Activities

### 1. Statistical Sources

Investor	Investee					
	Holding companies		Operating companies		Cross-shareholdings and others	
○: Included in statistics	Amount of investment	Number of companies	Amount of investment	Number of companies	Internet-related	Others
SOFTBANK CORP.	—	—	○	○	○	—
Holding companies (subsidiaries)	—	—	○	○	○	—
Operating companies (subsidiaries)	—	—	—	○	○	—

Notes: 1. Portfolio company investments by operating companies are included only in the number of companies.

2. Investments from affiliates are not included.

3. Cross-holdings and similar investments in all companies other than those involved in Internet-related businesses are not included in the number of companies or amount of investment.

4. Multiple Group investments in companies are netted out to obtain figures for the number of companies. Companies using the compulsory devaluation method are not included in the number of companies.

5. Figures include portfolio companies through funds in which SOFTBANK CORP. and its subsidiaries have invested (including indirect holdings).

### 2. Calculation Method

a) Amount of investment and SB portion's market capitalization are calculated based on SB's economic interest. For funds, economic interest is calculated based on SB's commitment.

b) Investments in publicly owned companies are valued at market as of March 31, 2005. Investments in privately owned companies are valued at investment cost. For devalued companies, the book value is used as market value to calculate returns. Fund investments are based on quarterly reports issued by the funds.

c) U.S. dollar-denominated overseas investments and SB portion's market capitalization are translated into yen at US\$1=¥107.39, the closing exchange rate at the end of March 2005. Closing exchange rates as of this date are used for translations of other currencies as well. U.S. dollar-denominated overseas investments and SB portion's market capitalization as of March 31, 2004 are translated into yen at US\$1=¥105.69, the closing exchange rate at the end of March 2004. Closing exchange rates as of this date are used for March 2004 translations of other currencies as well.

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

### ■ Risks Related to Economic Environment and Market Trends

The Group is active in a broad range of markets, including broadband-related markets, IT-related distribution markets, fixed-line telecommunications markets, and other markets. Demand for services and products supplied by the Group is dependent on economic conditions, trends in these markets, and other factors.

Specifically, in the Broadband Infrastructure segment, in addition to the risk of increased costs of acquiring customers with the emergence of new market trends, the growth in this business could be severely restricted if Japan's broadband market shrinks.

Turning to the e-Commerce segment, although this business is enjoying strong sales for highly profitable Internet-based security software and corporate applications software, if we are not able to respond to such changes in the market environment as a change in the distribution channels of Group products or a rapid shift in consumer trends, the business could be detrimentally affected.

The Internet Culture segment is extremely sensitive to general economic trends in the advertising industry, particularly in times of sluggishness, when the tendency in all industries is to put high priority on controlling advertising spending. Furthermore, as the Internet advertising business has a short history, it is also easily affected by overseas markets, such as the United States, that are ahead of Japan in this field.

In the second half of fiscal 2005, we established the Fixed-line Telecommunications segment, under which JAPAN TELECOM CO., LTD., aiming at capturing new customers, launched its new *Otoku Line* service. However, due to changes in demand, whereby customers are moving away from fixed-line telecommunications services while the use of mobile phones and the Internet has increased and the market is expanding, shrinkage in the market for fixed-line telecommunications services is advancing. It may cost more than initially estimated to acquire customers, it may be difficult

to realize projected profits in this business, or it may take longer than expected.

### ■ Risks Related to Technological Innovation and Competition

In the IT and telecommunications industries in which the Group is developing business, rapid technological innovations—including those in the field of telecommunications, such as telecommunications networks and systems—are progressing while competition intensifies, and there is a possibility that the services offered by the Group in the IT market and telecommunications sector could lose their competitiveness.

In the fields of telecommunications networks and systems as well as telecommunications equipment, rapid technological innovation is constantly occurring both in hardware and software. With such technological advances, the Group's services could become obsolete or mismatched with market trends in demand, making it impossible to realize profits as forecast.

Deregulation of the telecommunications industry has facilitated easier market entry, resulting in extremely tough competition in Japan's broadband and fixed-line telecommunications markets. As a result, broadband usage fees in Japan are some of the lowest in the world, but it is possible that price competition will continue. Some competitors boast capital strength, price competitiveness, customer bases, and brand recognition that exceed those of the Group, which could reduce the Group's competitiveness.

### ■ Risks Related to Rules and Regulations

A number of laws and regulations—including the Telecommunications Business Law, the Law Concerning Nippon Telegraph and Telephone Corporation, and the Personal Information Protection Act—apply to the Group's business. When changes are made in these laws and regulations or new laws and regulations are implemented in the future, the Group may not be able to develop its business as expected. For example, a change in the Telecommunications Business Law that revises the NTT connection charge would decrease profitability in the broadband market. With regard to intellectual property, because a number of companies are aggressively promoting the development of Internet technologies and business models that include broadband technology, there is the possibility that the Group might be sued by a third party for compensatory damages for patent violation and that, in the future, the Group's know-how regarding content provision and technology uses may be

limited. Also, due to the fact that there are few laws focusing on Internet-related business in Japan, it is unclear how laws regarding user privacy, consumer protection, and content regulation will be applied to the Internet Culture business. In addition to this, although the Group has implemented policies to protect leaks of personal information by significantly strengthening its customer information management system, establishing handling methods for personal information acquired and possessed by the Group, and limiting access to its personal information database, even with these measures in place, it may not be possible to completely protect against personal information leaks.

### ■ Risks Related to Foreign Exchange, Financial, and Stock Markets

The value of investment securities in the Group's possession is influenced by movement in the domestic and overseas markets as well as the foreign exchange and stock markets, and imports of telecommunications equipment can be also influenced by the direction of the foreign exchange markets. At fiscal year-end, the Company's foreign currency bonds included regular bonds denominated in euros worth €400 million and approximately \$1,100 million in borrowings owed to an overseas subsidiary, and, due to market influences, the consolidated foreign exchange gain in fiscal 2004 amounted to ¥6,508 million, while in fiscal 2005 we recorded a consolidated foreign exchange loss of ¥4,041 million. In fiscal 2005, consolidated interest-bearing debt totaled ¥853,918 million and interest expense amounted to ¥22,972 million. It is possible that the payment of interest could increase in keeping with rises in interest rates stemming from financial market trends.

Investing activities are a primary source of cash flows for the Group, and a total crash in market prices of these investments could adversely affect the Company's capital procurement capabilities. Stocks of Internet-related companies in Japan, the United States, and other countries constitute the majority of the Company's investments. Changes in the stock prices of these companies can be extreme, and a fall in the value of these assets could have a significant effect on the Company's procurement capabilities. In fiscal 2005, unrealized gains on other marketable securities totaled ¥136,662 million and appreciated gains (the difference between the value at the time of acquisition and the current market price) on the Company's equity in publicly traded consolidated subsidiaries and affiliate companies accounted for under the equity method amounted to ¥1,824,125 million.

### ■ Risks Associated with New Business

Regarding new businesses that the Group wishes to develop, it is possible that the Group will not be able to develop these as expected. The Group has obtained a 1.7GHz experimental station license, seeking entry into the mobile phone market; however, its entry into the mobile phone market could be impeded by the denial of a business license or trends in demand for the proposed service, making it possible that the business cannot be developed as expected. Furthermore, with regard to the *Yahoo! BB hikari* service begun in October 2004 and JAPAN TELECOM CO., LTD.'s new *Otoku Line* service begun in December 2004, as both are still in the initial stages, it is possible that they will not be able to fulfill expectations regarding customer acquisition and profits.

### ■ Risks Related to Other Companies' Equipment, Brands, and Sales Activities

In developing its business, the Group uses the dark fiber of NTT or other telecommunications carriers and telecommunications equipment installed at NTT's central offices, so the Group depends on NTT and other carriers. In addition, the Broadband Infrastructure business's primary service, *Yahoo! BB*, employs Yahoo! Inc.'s Yahoo! brand. If, in the future, there was a significant change in either of these relationships, it is possible that the Group could not realize business development as forecast. Furthermore, the sales activities of such main Group services as *Yahoo! BB* or *Otoku Line* depend on outside sales channels—home electronics retailers and sales agencies—thus the Group's business activities, including customer acquisition, are influenced by the activities of these sales channels. In addition, the success of the Group businesses is affected not only by Group trends but also by relationships with content providers, ISPs, and hardware makers.

### ■ Risks Associated with Unforeseen Situations Concerning the Management

The Company's existing and new businesses are planned and promoted by the Group's executives and regular employees. Unforeseen situations concerning top management—President and Chief Executive Officer Masayoshi Son, in particular—may create an obstacle to a business's smooth progress and influence the Group's business.

## PRESIDENT & CEO



Masayoshi Son

## DIRECTORS



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



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



**Kazuhiko Kasai**



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



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



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



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

## CORPORATE AUDITORS

**Mitsuo Sano**  
Full-time Corporate Auditor,  
SOFTBANK CORP.

**Soichiro Uno**  
Attorney

**Kouichi Shibayama**  
Advisor, Zeirishi-Hojin  
ChuoAoyama PricewaterhouseCoopers

**Hidekazu Kubokawa**  
Certified Public Accountant,  
Certified Tax Accountant

Note: Mr. Soichiro Uno, Mr. Kouichi Shibayama, and Mr. Hidekazu Kubokawa, candidates for reappointment as Corporate Auditors, satisfy the qualifications of outside corporate auditors as provided in Paragraph 1, Article 18, of the "Law for Special Measures under the Commercial Code Concerning Audit, Etc., of Kabushiki Kaisha."

## Financial Section

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## Major Financial Indicators

SOFTBANK CORP. AND ITS SUBSIDIARIES Fiscal years ended March 31

	FY2005	FY2004	FY2003	FY2002
<b>Results of Operations:</b>				
Revenues	¥ 837,018	¥ 517,394	¥406,892	¥ 405,315
Operating (loss) income	(25,359)	(54,894)	(91,997)	(23,901)
Ratio of operating income to revenues (%)	—	—	—	—
EBITDA	44,095	(20,705)	(69,781)	(10,024)
(Loss) income before income taxes and minority interest	(9,549)	(76,745)	(71,474)	(119,939)
Net (loss) income	(59,872)	(107,094)	(99,989)	(88,755)
Ratio of net income to revenues (%)	—	—	—	—
<b>Financial Position (At Fiscal Year-end):</b>				
Interest-bearing debts	853,918	575,541	340,795	365,644
Net interest-bearing debts	531,680	134,858	188,232	232,016
Shareholders' equity	178,017	238,081	257,396	465,326
Total assets	1,704,854	1,421,207	946,331	1,163,678
Equity ratio (%)	10.4	16.8	27.2	40.0
Current ratio (%)	87.7	159.8	88.9	109.9
Debt/equity ratio (%)	479.7	241.7	132.4	78.6
Net debt/equity ratio (%)	298.7	56.6	73.1	49.9
Fixed assets to net worth ratio (%)	617.2	223.1	209.2	165.1
Ratio of fixed assets to long-term capital (%)	116.3	68.7	121.9	101.4
<b>Cash Flows:</b>				
Cash flows (used in) provided by operating activities	(45,989)	(83,829)	(68,600)	(79,123)
Cash flows (used in) provided by investing activities	(242,944)	81,878	119,749	39,751
Cash flows provided by (used in) financing activities	277,771	306,390	(17,615)	1,313
Net (decrease) increase in cash and cash equivalents	(9,689)	290,980	27,805	(34,479)
Cash and cash equivalents at the end of the year	320,195	437,133	147,526	119,855
<b>Others:</b>				
Return on equity (%)	(28.9)	(43.2)	(27.7)	(20.0)
Price earnings ratio (times)	(25.8)	(15.5)	(4.6)	(9.0)
<b>Per Share Data (¥):</b>				
Net (loss) income	(171.03)	(314.72)	(296.94)	(263.53)
Net (loss) income after retroactive adjustment	(171.03)	(314.72)	(296.94)	(263.53)
Net assets	505.86	677.40	767.56	1,381.31
Net assets after retroactive adjustment	505.86	677.40	767.56	1,381.31
Cash dividends	7.00	7.00	7.00	7.00
Cash dividends after retroactive adjustment	7.00	7.00	7.00	7.00
Shares outstanding (thousands of shares)	351,457	351,404	335,293	336,872
Consolidated subsidiaries	153	177	269	285
Equity-method non-consolidated subsidiaries and affiliates	108	103	116	113
Number of public companies	11	14	14	17

Notes: 1. Revenues represent sales from non-financial business and revenue from financial business.

2. For fiscal 1995–2004, EBITDA = operating income (loss) + interest income and dividends + depreciation + amortization.

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

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

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

5. The price earnings ratio uses the share price at each fiscal year-end.

Millions of yen except for per share and % data

FY2001	FY2000	FY1999	FY1998	FY1997	FY1996	FY1995
¥ 397,105	¥ 423,220	¥ 528,159	¥ 513,364	¥ 359,742	¥ 171,101	¥ 96,808
16,431	8,377	12,130	31,938	33,670	15,822	5,692
4.1	2.0	2.3	6.2	9.4	9.2	5.9
28,866	43,816	54,650	88,083	71,921	21,535	6,307
87,009	32,168	36,640	33,824	29,567	15,982	5,379
36,631	8,446	37,538	10,303	9,092	5,794	2,052
9.2	2.0	7.1	2.0	2.5	3.4	2.1
413,442	418,706	444,392	396,143	365,578	230,996	21,092
243,042	163,997	351,790	361,602	330,329	212,424	(15,595)
424,261	380,740	284,976	242,758	234,617	119,679	47,709
1,146,083	1,168,308	952,578	854,743	790,889	440,618	98,640
37.0	32.6	29.9	28.4	29.7	27.2	48.4
96.3	149.8	162.2	111.5	110.9	118.1	236.0
97.4	110.0	155.9	163.2	155.8	193.0	44.2
57.3	43.1	123.4	149.0	140.8	177.5	(32.7)
183.9	171.1	227.6	370.7	368.7	413.7	45.8
110.3	90.8	91.9	102.5	99.8	97.3	32.5
(91,598)	349	(28,668)	19,248	43,422	5,269	(509)
(42,612)	(60,341)	281,005	(33,677)	(323,817)	(446,459)	(18,649)
24,548	220,914	(205,562)	21,591	343,278	434,605	51,759
(76,200)	160,615	53,988	9,909	16,676	(18,114)	32,601
159,105	268,060	105,886	51,898	35,249	18,573	36,687
9.1	2.5	14.2	4.3	5.1	6.9	7.6
42.5	1,172.3	36.3	53.2	63.2	123.6	62.2
110.47	78.05	365.38	100.77	124.25	176.33	149.07
110.47	26.02	121.79	33.59	31.86	23.07	9.95
1,260.14	3,456.55	2,719.35	2,375.24	2,980.33	3,452.06	2,935.92
1,260.14	1,152.18	906.45	791.75	764.19	451.60	195.96
7.00	20.00	20.00	40.00	20.00	15.00	15.00
7.00	6.67	6.67	13.33	5.13	1.96	1.00
336,677	110,150	104,796	102,204	78,722	34,669	16,250
216	143	71	63	32	25	12
117	53	20	15	13	9	6
21	13	7	2	1	0	0

6. Net income per share is calculated based on the weighted-average number of shares outstanding during each fiscal year, and net assets per share are calculated based on the number of shares outstanding as of each fiscal year-end.

The adjusted figures reflect the following stock splits.

May 19, 1995 1.4:1 / Nov. 20, 1995 1.4:1 / May 20, 1996 1.4:1 / Nov. 20, 1996 1.4:1 / May 20, 1997 1.3:1 / June 23, 2000 3.0:1

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

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



## Operating Environment

The SOFTBANK Group aims to accelerate the "IT Revolution" through promotion of broadband usage and thereby become a lifestyle company of the 21st century that makes people's lives more affluent and enjoyable. With this guiding vision, the Company continued to focus its activities on its broadband business during fiscal 2005, the fiscal year ended March 31, 2005. To maximize future revenues and cash flows, the Company focused its efforts on acquiring customers to expand its business. As a result, the cumulative number of lines installed in the SOFTBANK Group's *Yahoo! BB* service exceeded 4.77 million as of March 31, 2005. In addition, the cumulative number of lines installed for the *BB Phone* IP telephony service grew to 4.51 million and the number of subscribers for the wireless LAN service, a value-added service, exceeded 1 million, thus contributing to an improvement in profitability. Moreover, with the aim of expanding the customer base, mainly among corporations, the Company acquired JAPAN TELECOM CO., LTD., in July 2004 and Cable & Wireless IDC Inc.,\* the second-largest international telecommunications carrier in Japan, in February 2005. As a consequence, the SOFTBANK Group became a telecommunications carrier with consolidated annual net sales in the range of ¥1 trillion and approximately 11 million installed lines. The Group introduced *Yahoo! BB hikari*, a new comprehensive broadband service, over its fiberoptic network, and the *Otoku Line* service, a direct connection voice service. With these services in operation, efforts were devoted to continuing to expand the customer base. Looking ahead, plans call for drawing on the comprehensive capabilities of the SOFTBANK Group in the Internet business to create the only corporate group that can offer seamless services, from infrastructure to portals and content, and thereby create new markets as well as maximize its corporate value.

\* At the time of the acquisition, the name of Cable & Wireless IDC Inc. was changed to (the former) JAPAN TELECOM IDC INC., but at the time of the corporate separation, the name was changed again to SOFTBANK IDC Corp. This company specializes in the data center business. At the time of the corporate separation, all operations of this company, other than the data center business, were transferred to a newly formed company, (the present) JAPAN TELECOM IDC INC.

## SOFTBANK Group's Organizational Structure

As of March 31, 2005, the SOFTBANK Group consisted of 166 subsidiaries and 102 affiliates. Operations are divided into nine business segments: Broadband Infrastructure, Fixed-line Telecommunications, e-Commerce, Internet Culture, e-Finance, Broadmedia, Technology Services, Media & Marketing, and Overseas Funds. As a pure holding company, SOFTBANK CORP. manages and coordinates the Group's diverse businesses, mainly through its Board of Directors and CEO Conference, while respecting the independence and specialized knowledge of each Group company, and is working to strengthen its Group management system.

## Outline of Consolidated Results

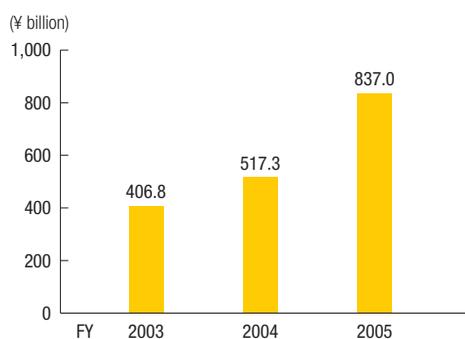
### Sales

Net sales increased ¥319,624 million, or 62%, to ¥837,018 million. The increase was primarily attributable to a ¥166,879 million increase from the Fixed-line Telecommunications segment resulting from the new consolidation of JAPAN TELECOM CO., LTD. Furthermore, the Broadband Infrastructure segment's maintenance of its steady trend of expansion, along with net sales increases in the Internet Culture and e-Finance segments, also constituted significant factors.

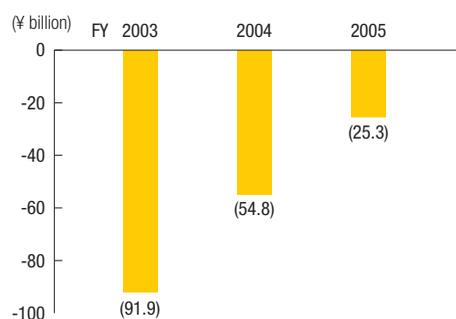
## Operating Income

The operating loss decreased ¥29,535 million, to ¥25,359 million. In the Broadband Infrastructure segment, the continuing increase in paying customers reduced the operating loss by ¥33,849 million, to ¥53,748 million. Also, due to the start-up costs of JAPAN TELECOM CO., LTD.'s *Otoku Line* service, the Fixed-line Telecommunications segment recorded a ¥36,065 million operating loss. Aggregated operating income for all segments other than the Broadband Infrastructure segment and the Fixed-line Telecommunications segment continued to grow, increasing ¥31,751 million, or 97%, to ¥64,454 million, backed by higher operating income in the Internet Culture, e-Finance, and e-Commerce segments.

### Consolidated Net Sales



### Consolidated Operating Income (Loss)



## Net Income

The net loss decreased ¥47,222 million, to ¥59,872 million. Details regarding income and expense items are as follows:

### Interest expense, net: ¥20,574 million

Interest expense, net, rose ¥9,322 million from the previous fiscal year. This was due to the increase in interest-bearing debt, owing to the issuance of convertible bonds with stock acquisition rights denominated in euroyen and the issuance of straight bonds denominated in euros, both in the previous fiscal year, and the consolidation of the straight bonds, long-term borrowings, and other liabilities of JAPAN TELECOM CO., LTD., with the Company's accounts.

### Equity in earnings under the equity method, net: ¥5,425 million

The Company reported equity in loss under the equity method, net, of ¥2,276 million in the previous fiscal year. However, for fiscal 2005, the Company reported equity in earnings under the equity method, net, mainly due to the contribution of overseas affiliates.

### Foreign exchange loss, net: ¥4,041 million

The principal factor accounting for foreign exchange losses was the yen's depreciation against the U.S. dollar and the euro during fiscal 2005, which led to foreign exchange losses on liabilities denominated in foreign currencies and borrowings in foreign currencies from overseas subsidiaries.

### Gain on sale of investment securities, net: ¥56,040 million

Major items:

BB Call Corp.	¥38,706 million
E*TRADE SECURITIES CO., LTD.	¥2,909 million
eAccess Ltd.	(¥2,173 million)

### Dilution gain from changes in equity interest, net: ¥25,201 million

Major items:

Dilution gain from changes in equity interest accompanied by the issuance of new shares

SOFTBANK INVESTMENT CORPORATION ¥14,335 million

E\*TRADE SECURITIES CO., LTD. ¥9,974 million

### Bond covenant amendment fee: ¥4,071 million

The Company incurred fees accompanying a change in the financial covenant of the Company's straight bonds denominated in euros, maturing in 2011.

## Income Taxes

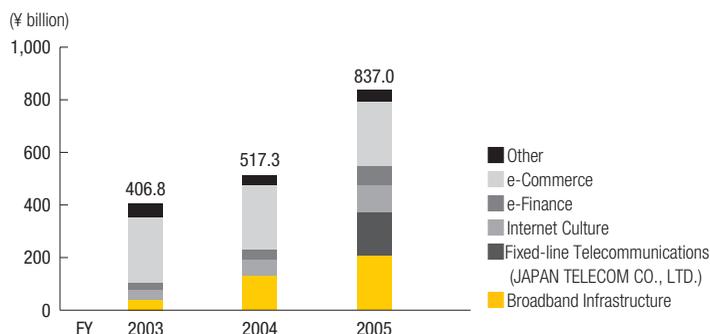
Current income tax totaled ¥34,740 million.

The income tax refund was ¥2,897 million and deferred income tax was ¥21,964 million. The total tax provision in fiscal 2005 was ¥9,879 million, resulting in a tax rate per statement of income of negative 103.45%. The difference between the effective tax rate and statutory tax rate of 40.69% was mainly attributable to the valuation allowance established against the deferred assets on operating tax loss carry-forwards of certain consolidated subsidiaries.

## Outline of Consolidated Business Results by Segment

The Fixed-line Telecommunications business segment was newly established, as the Company newly consolidated JAPAN TELECOM CO., LTD., and its subsidiaries at September 30, 2004, the deemed acquisition date.

### Net Sales by Segment



## Broadband Infrastructure

### 17 consolidated subsidiaries and 6 affiliates accounted for under the equity method

Segment sales increased ¥76,400 million, or 59%, to ¥205,307 million. The number of paying customers of the *Yahoo! BB ADSL* service continued to grow steadily. There was also an increase in the share of customers using value-added services, such as higher-speed services and wireless LANs. The result was strong sales at SOFTBANK BB Corp. and Yahoo Japan Corporation. The operating loss decreased ¥33,849 million, to ¥53,748 million. The improvement in the operating margin was due to growth in the number of customers and ARPU, as well as to a decline in customer acquisition costs in the ADSL business and marginal growth in fixed expenses compared with the business expansion phase. Results in this segment include a ¥38,706 million gain on the sale of investment securities resulting from the sale of shares held in BB Call Corp. in August 2004.

**Fixed-line Telecommunications 14 consolidated subsidiaries and 2 affiliates accounted for under the equity method**

Segment sales totaled ¥166,879 million. The operating results of JAPAN TELECOM CO., LTD., which was consolidated on its deemed acquisition date of September 30, 2004, are reflected in this segment, which was established with the acquisition, starting in the latter half of fiscal 2005. Due to the fact that, following the acquisition, the initial investment burden for starting up the new *Otoku Line* service in December 2004 was incurred in fiscal 2005, the segment recorded an operating loss of ¥36,065 million.

**e-Commerce**

**17 consolidated subsidiaries and 9 affiliates accounted for under the equity method**

Segment sales increased ¥33 million, or 0%, to ¥254,922 million, and operating income increased ¥1,593 million, or 44%, to ¥5,240 million. Due to a marketing strategy focused on profitability and increased sales to corporate customers, license sales to high-volume customers and sales of intelligent home appliances to major home electronics retailers remained strong at SOFTBANK BB Corp. In addition, this segment worked to capture synergies by collaborating with the corporate divisions of JAPAN TELECOM CO., LTD., SOFTBANK TECHNOLOGY CORP., and other Group companies as well as focusing efforts on the development and sales of new Internet services, teaming up with the Broadband Infrastructure segment to offer the *BB Security* security service to *Yahoo! BB* customers and the *BB Soft* software delivery service.

**Internet Culture**

**22 consolidated subsidiaries and 9 affiliates accounted for under the equity method**

Segment sales increased ¥38,393 million, or 60%, to ¥102,448 million, and operating income was up ¥17,498 million, or 54%, to ¥50,080 million. The advertising market as a whole saw its first upturn in four years, and, as Internet advertising spending exceeded radio advertising spending for the first time, exhibiting very high growth, sales of Yahoo Japan Corporation were steady mainly due to those of National Clients\* and sponsor sites, enabling the company to post record-high advertisement sales. Furthermore, in addition to favorable performance by such non-advertising corporate businesses as recruitment site *Yahoo! Rikunabi*, the number of *Yahoo! Auctions* and *Yahoo! Shopping* stores made a solid increase, and with growth in the consumer business, with the number of Yahoo! Premium IDs exceeding 5 million, Yahoo Japan Corporation marked drastic increases both in sales and profits.

\* Advertisers with significant exposure through other mass-media channels

**e-Finance**

**5 consolidated subsidiaries and 7 affiliates accounted for under the equity method**

Segment revenue increased ¥37,371 million, or 90%, to ¥78,798 million. Operating income was up ¥13,804 million, or 234%, to ¥19,715 million. The revenue growth was mainly attributable to the acquisition of a controlling stake in WORLD NICHIEI Securities Co., Ltd.\*, along with higher brokerage commission revenue at E\*TRADE SECURITIES CO., LTD., stemming from ongoing strength in Japan's stock markets. There was a ¥2,909 million gain on the June 2004 sale of investment securities from the partial sale of shares held in E\*TRADE SECURITIES CO., LTD., and a ¥9,974 million dilution gain from changes in equity interest accompanied by the issuance of new shares in E\*TRADE SECURITIES CO., LTD., in November 2004. Furthermore, equity fluctuations stemming from the issuance of new shares in SOFTBANK INVESTMENT CORPORATION in March 2005 resulted in a dilution gain of ¥14,335 million and, due to a decrease in equity interest accompanied by the same issuance of new shares, SOFTBANK INVESTMENT CORPORATION changed from a consolidated subsidiary to an affiliate company accounted for under the equity method.

\* WORLD NICHIEI Securities Co., Ltd., and SOFTBANK FRONTIER SECURITIES CO., LTD., merged in February 2004 to form WORLD NICHIEI FRONTIER Securities Co., Ltd. The new company's name changed to SBI Securities Corporation on July 1, 2005.

## Broadmedia

### 10 consolidated subsidiaries and 2 affiliates accounted for under the equity method

Segment sales increased ¥2,770 million, or 21%, to ¥15,663 million. This was mainly the result of higher sales at Broadmedia Studios Corporation, to which the operations of MOVIE TELEVISION INC.\* were transferred, as MOVIE TELEVISION INC. had been undergoing bankruptcy procedures under the Civil Rehabilitation Law. The operating loss decreased ¥2,286 million, to ¥1,019 million. This segment carried out a reassessment of the allocation of management resources, part of which was the closure of unprofitable businesses—including the liquidation of the incubation business—and a shift to content-related business. With the transfer of BB Cable Corporation to SOFTBANK BB Corp. on September 30, 2004, the burden of investments associated with the *BBTV* business was shifted to the Broadband Infrastructure segment beginning with the third quarter. However, this segment continued to post a loss because of expenses associated with *BBTV* operations during the first half of the fiscal year.

\* In July 2004, Broadmedia Studios Corporation, a wholly-owned subsidiary of SOFTBANK Broadmedia Corporation, took over all operations of MOVIE TELEVISION INC.

## Technology Services

### 7 consolidated subsidiaries and 3 affiliates accounted for under the equity method

Segment sales increased ¥2,907 million, or 13%, to ¥25,510 million. Growth in back-office operations services for e-commerce sites due to higher demand for anti-virus software and strong sales of network system operations and maintenance services as well as security-related devices at SOFTBANK TECHNOLOGY CORP. were the main factors behind the rise. Due to the steady growth in high-margin services and solutions businesses, operating income increased ¥409 million, or 56%, to ¥1,145 million.

## Media & Marketing

### 8 consolidated subsidiaries and 6 affiliates accounted for under the equity method

Segment sales decreased ¥1,928 million, or 13%, to ¥12,480 million, but the operating loss decreased ¥29 million, to ¥1,064 million. This performance is mainly a reflection of declining sales of magazines and books at SOFTBANK Publishing Inc., which continues to be impacted by the contraction of the market for IT publications. Compared with the slump in paper media, the field of digital media exhibited signs of a gradual emergence, allowing ITmedia Inc., which operates an IT total information site, to post healthy growth in both net sales and operating income. Furthermore, Internet media business, such as the *BARKS* music site, made aggressive forays into related new markets.

## Balance Sheet Analysis

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The consolidation of JAPAN TELECOM CO., LTD., from the end of September 2004 resulted in the inclusion of ¥519,321 million in consolidated total assets. Meanwhile, SOFTBANK INVESTMENT CORPORATION, which was excluded from consolidation as of its deemed transfer date of March 31, 2005, had total consolidated assets of ¥396,645 million as of March 31, 2004. As a result, total consolidated assets rose ¥283,647 million, to ¥1,704,854 million.

**Current Assets** Current assets decreased ¥281,823 million, to ¥606,118 million. The primary factor in the decrease was a reduction in deposits related to securities business and receivables related to margin transactions of ¥276,576 million after the exclusion of SOFTBANK INVESTMENT CORPORATION.

**Property and Equipment** Property and equipment increased ¥336,539 million, to ¥451,718 million. This was mainly due to increases in telecommunications equipment and telecommunications service lines of ¥205,501 million (including ¥206,734 million from JAPAN TELECOM CO., LTD.), buildings and structures of ¥52,867 million (including ¥45,339 million from JAPAN TELECOM CO., LTD.), and construction in progress of ¥45,873 million (including ¥32,255 million from JAPAN TELECOM CO., LTD.).

**Intangible Assets** Intangible assets increased ¥85,960 million, to ¥105,045 million. This included additional goodwill resulting from the completed acquisitions as follows:

JAPAN TELECOM CO., LTD.	¥36,903 million
The Fukuoka Daiei Hawks	¥4,055 million
Cable & Wireless IDC Inc.	¥2,924 million

Furthermore, other intangible assets of ¥15,071 million were posted due to a business transfer contract related to the acquisition of the Fukuoka Daiei Hawks granting baseball promotional rights.

**Investments and Other Assets** Investments and other assets increased ¥142,971 million, to ¥541,973 million. Factors in the rise included an increase in the market values of shares held in Yahoo! Inc. worth ¥57,421 million as well as a ¥45,002 million increase resulting from the change in status of SOFTBANK INVESTMENT CORPORATION to an affiliate accounted for under the equity method. Due to a change in accounting standards for financial instruments, a portion of investments in partnerships was reclassified to investment securities.

**Current Liabilities** Current liabilities increased ¥135,054 million, to ¥690,796 million. Although the exclusion of SOFTBANK INVESTMENT CORPORATION from consolidation resulted in a ¥244,494 million decrease in payables related to margin transactions and in guarantee deposits related to securities business, accounts payable and accrued expenses, short-term borrowings, and cash received as collateral increased ¥161,844 million, ¥60,745 million, and ¥90,000 million, respectively.

**Long-Term Liabilities** Long-term liabilities increased ¥233,873 million, to ¥767,097 million. This was mainly due to the fact that, with the consolidation of JAPAN TELECOM CO., LTD., corporate bonds (long-term liabilities) and long-term debt cumulatively increased ¥169,540 million (including ¥159,475 million from JAPAN TELECOM CO., LTD.) and other long-term liabilities, which include derivative liabilities, increased ¥48,150 million.

**Shareholders' Equity** Shareholders' equity decreased ¥60,064 million, to ¥178,017 million. The accumulated deficit increased ¥62,736 million due to the net loss in fiscal 2005, while an unrealized gain on investments in limited partnerships and similar investments of ¥13,846 million was recorded, resulting from changes in accounting standards for financial instruments.

## Cash Flow Analysis

Cash flows were negative ¥9,689 million during fiscal 2005, as cash was used in operating and investing activities while cash was provided by financing activities. Cash and cash equivalents at the end of fiscal 2005 totaled ¥320,195 million, a decrease of ¥116,938 million from the end of fiscal 2004.

	Millions of yen	
	2004	2005
Cash flows from operating activities	¥ (83,829)	¥ (45,989)
Cash flows from investing activities	81,878	(242,944)
Cash flows from financing activities	306,390	277,771
Effect of exchange rate changes on cash and cash equivalents	(13,459)	1,473
Net increase (decrease) in cash and cash equivalents	290,980	(9,689)
Increase in cash and cash equivalents due to newly consolidated companies	—	12
Decrease in cash and cash equivalents due to exclusion of previously consolidated entities	(1,373)	(107,529)
Increase in cash and cash equivalents due to merger	—	268
Cash and cash equivalents at the beginning of the year	147,526	437,133
Cash and cash equivalents at the end of the year	437,133	320,195

### Net Cash Used in Operating Activities

Net cash used in operating activities was ¥45,989 million. Loss before income taxes and minority interest improved ¥67,196 million, to ¥9,549 million, while depreciation and amortization of ¥66,417 million was recorded; however, due to the sale of BB Call Corp. and other companies, a gain on the sale of marketable and investment securities of ¥56,049 million was posted as an adjustment item, and equity fluctuations in E\*TRADE SECURITIES CO., LTD., and SOFTBANK INVESTMENT CORPORATION led to a dilution gain of ¥25,201 million and ¥30,319 million in income taxes paid by Yahoo Japan Corporation and other companies, constituting the primary factors in the net outflow.

### Net Cash Used in Investing Activities

Net cash used in investing activities was ¥242,944 million. Although inflows included ¥34,840 million associated with the sale of shares in BB Call Corp. and other subsidiaries accompanying a change in the scope of consolidation and ¥57,099 million from the sale of marketable and investment securities, such as eAccess Ltd. stock, there were outflows of ¥172,320 million for the acquisition of JAPAN TELECOM CO., LTD., and other subsidiaries accompanying a change in the scope of consolidation and ¥90,943 million for the purchase of property and equipment and intangibles, telecommunications equipment mainly for SOFTBANK BB Corp.

### Net Cash Provided by Financing Activities

Net cash provided by financing activities was ¥277,771 million. In addition to redeeming ¥33,909 million of preferred stock held by Vodafone K.K., a former shareholder of JAPAN TELECOM CO., LTD., primary contributing factors to the inflow were proceeds from issuing corporate bonds—for JAPAN TELECOM CO., LTD., SOFTBANK CORP., SOFTBANK INVESTMENT CORPORATION, and other companies—of ¥153,378 million, proceeds from the issuance of shares to minority shareholders—such as E\*TRADE SECURITIES CO., LTD., and other companies—totaling ¥30,299 million, ¥51,362 million in proceeds from a public offering and the allocation to a third party of shares in SOFTBANK INVESTMENT CORPORATION, a ¥90,000 million increase in cash received as collateral under security deposit agreements, and an increase in short-term borrowings amounting to ¥53,468 million.

### Cash and Cash Equivalents at the End of the Year

Cash and cash equivalents at the end of the year reflected a ¥107,529 million decrease primarily due to the exclusion of SOFTBANK INVESTMENT CORPORATION from consolidation.

## Interest-Bearing Debts, Liquidity on Hand, and Fund Procurement

### Interest-Bearing Debts and Liquidity on Hand

Interest-bearing debts as of March 31, 2005, were ¥853,918 million, a ¥278,377 million increase (including ¥166,000 million from JAPAN TELECOM CO., LTD.) from the end of fiscal 2004.

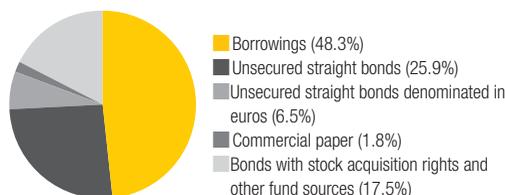
The breakdown is as follows: Bonds increased ¥93,172 million (including ¥60,000 million from JAPAN TELECOM CO., LTD.) and borrowings rose ¥180,705 million (including ¥106,000 million from JAPAN TELECOM CO., LTD.). The principal cause was the rise in bonds, long-term borrowings, and other interest-bearing debt accompanying the consolidation of JAPAN TELECOM CO., LTD.

As of March 31, 2005, liquidity, which the Company defines as the sum of cash and deposits and marketable securities (current assets), was ¥322,238 million, a ¥118,446 million decrease from the end of fiscal 2004.

The Company had increased its balance of cash on hand temporarily at the end of the previous fiscal year in preparation for the acquisition of JAPAN TELECOM CO., LTD., and other companies. Since these acquisitions had been completed by the end of fiscal 2005, cash on hand declined in comparison with the previous fiscal year-end. Going forward, the Company will continue to preserve a suitable level of liquidity in consideration of further business activities and the timing of repayments of borrowings.

### Composition of Interest-Bearing Debts (Stand-Alone Basis)

As of March 31, 2005



### Fund Procurement

In segments other than the core Broadband Infrastructure and Fixed-line Telecommunications, each business is clearly projected to be self-reliant for operating funds. To obtain sufficient funds for developing core businesses, the Company diversifies its sources of funds. During fiscal 2005, the Company adopted a diverse range of funding, including the issuance of straight bonds, lease financing, sale of investment securities, and bank borrowings.

The Group will continue to manage its financial position by conducting diverse fund procurement channels as required and effectively manage its finances in consideration of appropriate leverage levels and the optimal capitalization composition, a process that includes reducing the cost of capital.

## Significant Contracts

### Inbound, outbound, and sale and leaseback contracts with BB Call Corp. ("BB Call")

SOFTBANK BB Corp., a wholly-owned subsidiary of the Company, entered into an inbound service contract with BB Call for its call center operations with an estimated payment of ¥209,205 million from 2004 to 2010 in the aggregate. Inbound services are customer supports and assistance relating to services that consolidated subsidiaries of the Company are providing to respond to existing and potential customers' requests via telephone, e-mail, and other communications media.

JAPAN TELECOM CO., LTD. ("JAPAN TELECOM"), a wholly-owned subsidiary of the Company, entered into inbound and outbound service contracts with BB Call for its call center operations, with an estimated payment of ¥83,493 million for inbound contracts from 2004 to 2010 in the aggregate. The aggregate payment for outbound contracts has not been determined. Outbound services are marketing and other activities to promote services that consolidated subsidiaries of the Company provide or will provide in the future to existing and potential customers via telephone, e-mail, and other communications media.

JAPAN TELECOM also entered into lease contracts with BB Call for a portion of telecommunications facilities and other equipment (by sale and leaseback transactions) and equipment for outbound services with an estimated payment of ¥110,930 million from 2004 to 2011 in the aggregate.

The amounts of estimated payments noted above are subject to change in the future.

## Market Capitalization at Fiscal 2005 Year-end

The following table lists the market capitalization of main companies invested in directly by the SOFTBANK Group's holding companies (including SOFTBANK BB Corp.) in Japan and overseas:

Company name	Market: Code	Market capitalization <sup>1</sup>	Billions of yen	
			Interest (%) (Including indirect holdings) <sup>2</sup>	SOFTBANK's portion of market capitalization
Club iT Corporation	Hercules: 4347	12.8	80.8%	10.3
cyber communications inc.	Mothers/Hercules: 4788	68.2	19.9%	13.6
GungHo Online Entertainment, Inc. <sup>3</sup>	Hercules: 3765	176.7	44.6%	78.7
M.P.Technologies, Inc.	Mothers: 3734	22.5	20.1%	4.5
SOFTBANK INVESTMENT CORPORATION	TSE First/OSE First: 8473	338.3	38.3%	129.2
SOFTBANK TECHNOLOGY CORP. <sup>4</sup>	TSE Second: 4726	20.4	50.4%	10.3
UTStarcom, Inc.	NASDAQ: UTSI	135.0	12.8%	17.2
Vector Inc.	Hercules: 2656	13.7	46.7%	6.4
Yahoo! Inc.	NASDAQ: YHOO	5,050.0	3.8%	191.1
Yahoo Japan Corporation	TSE First: 4689	3,790.2	41.9%	1,587.2
Other				1.2
<b>Total</b>				<b>2,049.7</b>

Notes: 1. Market capitalization was calculated based on the closing prices of stocks on March 31, 2005. The value of foreign stocks was translated into yen at the exchange rate prevailing on that day.

2. Interest percentage refers to the ratio of shares held by the SOFTBANK Group's holding companies (including SOFTBANK BB Corp.) in Japan and overseas, excluding the shares of venture capital funds managed by SOFTBANK CORP.'s subsidiaries.

3. On March 9, 2005, the shares of GungHo Online Entertainment, Inc., were listed on the Osaka Securities Exchange Hercules market.

4. On December 21, 2004, the shares of SOFTBANK TECHNOLOGY CORP. were listed on the Second Section of the Tokyo Stock Exchange and JASDAQ trading was terminated.

## R&D Activities

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The Company spent ¥4,099 million on R&D during fiscal 2005. These expenditures were mainly in the Broadband Infrastructure and Fixed-line Telecommunications businesses.

R&D of the Broadband Infrastructure business was focused on seven major themes as follows:

- (1) Testing and development of mobile communications technologies
  1. Basic research on and surveys for commercialization of the IMT-2000 FDD system (800MHz, 1.7GHz)
  2. Testing and implementation of 2GHz-band CDMA2000 1x
  3. Basic research and acquisition and analysis of actual data from the establishment of testing base stations for next-generation mobile telecommunications technology (IMT-2000, "3G" hereinafter) in the TD-CDMA 2GHz band
  4. Surveys and research on the 3G backbone network
  5. Installation, surveys, and research related to 3G voice over Internet protocol (VoIP) services
  6. Surveys of trends in radio planning technology, evaluation of related tools and testing
  7. Design of quantitative testing for TD-CDMA equipment within the laboratory as well as evaluation and analysis of product quality
  8. Design of a base station under extremely cold conditions for joint business and academic research with Hokkaido University; research on applications for mobile data terminal
  9. Survey of trends and analysis of 3.5G mobile technology
- (2) R&D on wireless LAN systems
- (3) Testing and development of fiberoptic (FTTH) networks
  1. Surveys and development for the FTTH transmission mode using fiberoptic access routes and installation technology
  2. Surveys and development for next-generation access technology for image transmission through fiberoptic access routes
  3. Testing and experimentation of FTTH systems and terminal equipment
- (4) Testing and technology surveys related to the OAB-J using a fiberoptic service business model and research on related legal and systems issues
- (5) Testing and development of next-generation visual image distribution technology
  1. Basic research and surveys for commercialization of next-generation visual image transmission technology
  2. Testing and experimentation on next-generation visual image transmission systems and terminal equipment
- (6) Testing and development of next-generation xDSL technology
  1. Basic research and surveys for commercialization of next-generation xDSL technology
  2. Testing and experimentation on next-generation xDSL systems
- (7) Testing and development of other future network technologies

R&D of the Fixed-line Telecommunications business was focused on four major themes as follows:

- (1) Development of broadband access technologies and broadband applications
- (2) Next-generation networks
- (3) Security services
- (4) Ubiquitous networks

# CONSOLIDATED BALANCE SHEETS

SOFTBANK CORP. AND ITS SUBSIDIARIES March 31, 2004 and 2005

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 4)
	2004	2005	2005
<b>Current assets:</b>			
Cash and deposits (Notes 13 (1) and 25)	¥ 327,024	¥ 287,979	\$ 2,681,616
Notes and accounts receivable - trade (Notes 7 and 13)	87,982	168,263	1,566,839
Marketable securities (Notes 11 and 25 (1))	113,659	39,404	366,924
Inventories (Note 8)	25,065	47,225	439,752
Cash segregated as deposits related to securities business	95,533	—	—
Receivables related to margin transactions (Note 14)	181,043	—	—
Deferred tax assets (Note 17)	5,255	3,025	28,168
Other current assets (Note 13 (2))	64,106	67,542	628,944
Less: Allowance for doubtful accounts	(11,726)	(7,320)	(68,162)
<b>Total current assets</b>	<b>887,941</b>	<b>606,118</b>	<b>5,644,081</b>
<b>Property and equipment, net (Notes 3 (5), 9, 13 (1) and 27):</b>			
Buildings and structures	3,993	56,860	529,475
Telecommunications equipment	91,543	198,599	1,849,323
Telecommunications service lines	688	99,133	923,112
Land	2,270	19,397	180,621
Construction-in-progress	3,482	49,355	459,586
Others	13,203	28,374	264,212
<b>Total property and equipment</b>	<b>115,179</b>	<b>451,718</b>	<b>4,206,329</b>
<b>Intangible assets, net:</b>			
Goodwill (Note 25 (2))	—	48,313	449,886
Other intangibles	19,085	56,732	528,280
<b>Total intangible assets</b>	<b>19,085</b>	<b>105,045</b>	<b>978,166</b>
<b>Investments and other assets:</b>			
Investment securities (Notes 11 and 13 (1))	232,016	313,544	2,919,674
Investment in non-consolidated subsidiaries and affiliates (Notes 5, 10 and 13 (1))	66,075	120,898	1,125,782
Deferred tax assets (Note 17)	29,303	40,472	376,870
Other assets	75,933	75,728	705,174
Less: Allowance for doubtful accounts	(4,325)	(8,669)	(80,728)
<b>Total investments and other assets</b>	<b>399,002</b>	<b>541,973</b>	<b>5,046,772</b>
<b>Total assets</b>	<b>¥1,421,207</b>	<b>¥1,704,854</b>	<b>\$15,875,348</b>

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 4)
	2004	2005	2005
Current liabilities:			
Accounts payable - trade (Note 13)	¥ 47,614	¥ 63,684	\$ 593,018
Short-term borrowings (Notes 12 (1) and 13 (1))	74,500	135,245	1,259,382
Commercial paper (Note 12 (1))	11,000	15,500	144,334
Current portion of long-term debt (Notes 12 (2) and 13 (1))	50,496	94,088	876,129
Accounts payable - other and accrued expenses (Note 13 (1))	66,420	228,264	2,125,563
Income taxes payable (Note 17)	18,859	21,601	201,145
Payables related to margin transactions (Note 14)	160,383	—	—
Guarantee deposits received from customers related to securities business	84,111	—	—
Deferred tax liabilities (Note 17)	234	527	4,910
Cash receipts as collateral (Note 15)	10,000	100,000	931,186
Other current liabilities	32,125	31,887	296,928
Total current liabilities	555,742	690,796	6,432,595
Long-term liabilities:			
Long-term debt (Notes 12 (2), 12 (3), 12 (4) and 13 (1))	439,545	609,085	5,671,712
Negative goodwill	1,722	—	—
Deferred tax liabilities (Note 17)	58,212	57,419	534,681
Accrued retirement benefits (Note 16)	34	17,360	161,653
Other liabilities (Note 13 (1))	33,711	83,233	775,046
Total long-term liabilities	533,224	767,097	7,143,092
Reserves under special laws:			
Reserve for securities trading liabilities	1,268	—	—
Reserve for commodities trading liabilities	104	—	—
Total reserves under special laws	1,372	—	—
Total liabilities	1,090,338	1,457,893	13,575,687
Minority interest in consolidated subsidiaries	92,788	68,944	641,996
Shareholders' equity:			
Common stock (Note 18):			
Authorized: 1,200,000,000 shares			
Issued: 351,436,826 shares in 2004 and 351,498,126 shares in 2005	162,304	162,398	1,512,220
Additional paid-in capital	186,690	186,784	1,739,305
Accumulated deficit (Note 19)	(210,626)	(273,362)	(2,545,510)
Net unrealized gain on other securities (Note 11)	105,198	136,662	1,272,581
Net unrealized loss on derivative instruments (Note 26)	(9,463)	(41,057)	(382,313)
Foreign currency translation adjustments	4,044	6,698	62,369
Less: Treasury stock (Note 18): 32,730 shares in 2004 and 40,956 shares in 2005	(66)	(106)	(987)
Total shareholders' equity	238,081	178,017	1,657,665
Contingent liabilities (Note 28)			
Total liabilities and shareholders' equity	¥1,421,207	¥1,704,854	\$15,875,348

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

# CONSOLIDATED STATEMENTS OF OPERATIONS

SOFTBANK CORP. AND ITS SUBSIDIARIES For the years ended March 31, 2004 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2004	2005	2005
Net sales from non-financial business (Notes 1 and 29)	¥ 477,001	¥761,731	\$7,093,127
Cost of sales (Note 29)	372,477	530,307	4,938,138
Gross profit	104,524	231,424	2,154,989
Selling, general and administrative expenses (Notes 20 and 29)	167,778	277,698	2,585,885
Operating loss from non-financial business	(63,254)	(46,274)	(430,896)
Revenue from financial business (Notes 1, 27 and 29)	40,393	75,287	701,066
Financial business expenses (Notes 20 and 29)	32,033	54,372	506,311
Operating income from financial business	8,360	20,915	194,755
Total operating loss (Note 29)	(54,894)	(25,359)	(236,141)
Non-operating income (expenses):			
Interest income	800	2,398	22,332
Interest expense	(12,052)	(22,972)	(213,912)
Equity in (loss) earnings under the equity method, net	(2,276)	5,425	50,520
Income from investments in partnerships	1,165	3,712	34,564
Foreign exchange gain (loss), net	6,508	(4,041)	(37,627)
Reversal of warrants due to expiration	1,812	119	1,105
Gain on sale of investment securities, net (Note 21)	27,015	56,040	521,836
Dilution gains from changes in equity interests, net	658	25,201	234,664
Valuation loss on investment securities	(5,085)	(7,162)	(66,690)
Valuation loss on investments in subsidiaries and affiliates (Note 22)	(9,189)	(1,679)	(15,634)
Penalty for unfulfilled contract commitment (Note 23)	—	(6,148)	(57,245)
Bond covenant amendment fee	—	(4,071)	(37,911)
Provision for doubtful accounts	(1,030)	(2,473)	(23,033)
Office relocation expenses	—	(2,266)	(21,097)
Additions to reserves under special laws	(743)	(1,177)	(10,959)
Valuation loss on inventories	(10,053)	—	—
Special expenses for information security measures	(3,177)	—	—
Other, net	(16,204)	(25,096)	(233,689)
Loss before income taxes and minority interest	(76,745)	(9,549)	(88,917)
Income taxes (Notes 3 (10) and 17):			
Current	(24,530)	(34,740)	(323,493)
Refunded	—	2,897	26,980
Deferred	9,337	21,964	204,521
	(15,193)	(9,879)	(91,992)
Minority interest	(15,156)	(40,444)	(376,609)
Net loss	¥(107,094)	¥ (59,872)	\$ (557,518)
		Yen	U.S. dollars (Note 4)
Net loss per share (Note 24)			
Basic	¥(314.72)	¥(171.03)	\$(1.59)
Diluted <sup>(Note)</sup>	—	—	—

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

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

# CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

SOFTBANK CORP. AND ITS SUBSIDIARIES For the years ended March 31, 2004 and 2005

	Millions of yen								
	Number of shares issued and outstanding	Common stock	Additional paid-in capital	Accumulated deficit	Net unrealized gain on other securities	Net unrealized loss on derivative instruments	Foreign currency translation adjustments	Treasury stock	Total
Balance at March 31, 2003	335,293,326	¥137,868	¥162,232	¥(101,031)	¥ 39,595	¥ —	¥20,933	¥(2,200)	¥257,397
Net loss	—	—	—	(107,094)	—	—	—	—	(107,094)
Cash dividends	—	—	—	(2,342)	—	—	—	—	(2,342)
Bonuses to directors	—	—	—	(74)	—	—	—	—	(74)
Net adjustments to accumulated deficit due to changes in the scope of consolidation <sup>(Notes)</sup>	—	—	—	(287)	—	—	—	—	(287)
Increase due to merger	—	—	—	202	—	—	—	—	202
Issuance of shares	14,500,000	24,346	24,335	—	—	—	—	—	48,681
Exercise of warrants	60,000	90	90	—	—	—	—	—	180
Increase in net unrealized gain on other securities (Note 11)	—	—	—	—	65,603	—	—	—	65,603
Increase in net unrealized loss on derivative instruments	—	—	—	—	—	(9,463)	—	—	(9,463)
Foreign currency translation adjustments	—	—	—	—	—	—	(16,889)	—	(16,889)
Sale of treasury stock	1,558,719	—	33	—	—	—	—	2,162	2,195
Acquisition of treasury stock	(7,949)	—	—	—	—	—	—	(28)	(28)
Balance at March 31, 2004	351,404,096	162,304	186,690	(210,626)	105,198	(9,463)	4,044	(66)	238,081
Net loss	—	—	—	(59,872)	—	—	—	—	(59,872)
Cash dividends (Note 19)	—	—	—	(2,460)	—	—	—	—	(2,460)
Bonuses to directors	—	—	—	(177)	—	—	—	—	(177)
Net adjustments to accumulated deficit due to changes in the scope of consolidation <sup>(Notes)</sup>	—	—	—	(97)	—	—	—	—	(97)
Increase due to merger	—	—	—	17	—	—	—	—	17
Decrease due to merger	—	—	—	(147)	—	—	—	—	(147)
Exercise of warrants	61,300	94	94	—	—	—	—	—	188
Increase in net unrealized gain on other securities (Note 11)	—	—	—	—	31,464	—	—	—	31,464
Increase in net unrealized loss on derivative instruments	—	—	—	—	—	(31,594)	—	—	(31,594)
Foreign currency translation adjustments	—	—	—	—	—	—	2,654	—	2,654
Acquisition of treasury stock (Note 18)	(8,226)	—	—	—	—	—	—	(40)	(40)
<b>Balance at March 31, 2005</b>	<b>351,457,170</b>	<b>¥162,398</b>	<b>¥186,784</b>	<b>¥(273,362)</b>	<b>¥136,662</b>	<b>¥(41,057)</b>	<b>¥ 6,698</b>	<b>¥ (106)</b>	<b>¥178,017</b>

	Thousands of U.S. dollars (Note 4)								
	Number of shares issued and outstanding	Common stock	Additional paid-in capital	Accumulated deficit	Net unrealized gain on other securities	Net unrealized loss on derivative instruments	Foreign currency translation adjustments	Treasury stock	Total
Balance at March 31, 2004	351,404,096	\$1,511,347	\$1,738,432	\$(1,961,318)	\$ 979,592	\$ (88,117)	\$37,658	\$(620)	\$2,216,974
Net loss	—	—	—	(557,518)	—	—	—	—	(557,518)
Cash dividends (Note 19)	—	—	—	(22,906)	—	—	—	—	(22,906)
Bonuses to directors	—	—	—	(1,646)	—	—	—	—	(1,646)
Net adjustments to accumulated deficit due to changes in the scope of consolidation <sup>(Notes)</sup>	—	—	—	(912)	—	—	—	—	(912)
Increase due to merger	—	—	—	162	—	—	—	—	162
Decrease due to merger	—	—	—	(1,372)	—	—	—	—	(1,372)
Exercise of warrants	61,300	873	873	—	—	—	—	—	1,746
Increase in net unrealized gain on other securities (Note 11)	—	—	—	—	292,989	—	—	—	292,989
Increase in net unrealized loss on derivative instruments	—	—	—	—	—	(294,196)	—	—	(294,196)
Foreign currency translation adjustments	—	—	—	—	—	—	24,711	—	24,711
Acquisition of treasury stock (Note 18)	(8,226)	—	—	—	—	—	—	(367)	(367)
<b>Balance at March 31, 2005</b>	<b>351,457,170</b>	<b>\$1,512,220</b>	<b>\$1,739,305</b>	<b>\$(2,545,510)</b>	<b>\$1,272,581</b>	<b>\$(382,313)</b>	<b>\$62,369</b>	<b>\$(987)</b>	<b>\$1,657,665</b>

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

# CONSOLIDATED STATEMENTS OF CASH FLOWS

SOFTBANK CORP. AND ITS SUBSIDIARIES For the years ended March 31, 2004 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2004	2005	2005
Cash flows from operating activities:			
Loss before income taxes and minority interest	¥ (76,745)	¥ (9,549)	\$ (88,917)
Adjustments to reconcile loss before income taxes and minority interest to net cash used in operating activities:			
Depreciation and amortization	32,865	66,417	618,469
Equity in loss (earnings) under the equity method, net	2,276	(5,425)	(50,520)
Dilution gain from changes in equity interest, net	(658)	(25,201)	(234,664)
Valuation loss on investments	14,274	8,841	82,324
Gain (loss) on sale of marketable and investment securities, net	(27,033)	(56,049)	(521,920)
Foreign exchange (gain) loss, net	(5,367)	5,325	49,583
Interest and dividend income	(1,324)	(2,863)	(26,659)
Interest expense	12,052	22,972	213,912
Changes in operating assets, liabilities and others			
Increase in receivables - trade	(25,023)	(15,854)	(147,633)
(Decrease) increase in payables - trade	(9,531)	2,373	22,085
Increase in other receivables	(75,485)	(70,813)	(659,400)
Increase in other payables	73,831	97,096	904,140
Other, net	24,673	(17,522)	(163,143)
	(61,195)	(252)	(2,343)
Interest and dividends received	979	2,506	23,340
Interest paid	(11,206)	(17,924)	(166,907)
Income taxes paid, net of refund	(12,407)	(30,319)	(282,336)
Net cash used in operating activities	(83,829)	(45,989)	(428,246)
Cash flows from investing activities:			
Purchase of property and equipment and intangibles	(61,472)	(90,943)	(846,852)
Purchase of marketable and investment securities	(38,945)	(29,582)	(275,468)
Proceeds from sale of marketable and investment securities	151,137	57,099	531,700
Acquisition of interests in subsidiaries newly consolidated, net of cash acquired (Notes 25 (2) and 25 (4))	1,693	(172,320)	(1,604,619)
Sale of interests in subsidiaries previously consolidated, net (Note 25 (3))	(1,168)	34,840	324,428
Proceeds from sale of interests in consolidated subsidiaries	29,213	8,110	75,523
Increase in loan receivables	(23,028)	(21,388)	(199,160)
Collection of loans	22,577	9,106	84,790
Purchase of business rights and others (Note 25 (4))	—	(13,113)	(122,107)
Other, net	1,871	(24,753)	(230,497)
Net cash provided by (used in) investing activities	81,878	(242,944)	(2,262,262)
Cash flows from financing activities:			
(Decrease) increase in short-term borrowings, net	(76,852)	53,468	497,890
Increase in commercial paper, net	7,000	4,500	41,903
Proceeds from long-term debt	204,829	166,400	1,549,493
Repayment of long-term debt	(50,994)	(192,837)	(1,795,668)
Proceeds from issuance of bonds	216,636	153,378	1,428,236
Redemption of bonds	(56,871)	(36,124)	(336,383)
Proceeds from issuance of shares	48,631	188	1,745
Proceeds from issuance of shares to minority shareholders	3,705	30,299	282,137
Proceeds from issuance of shares through public offering and allocation to a third party in SOFTBANK INVESTMENT CORPORATION	—	51,362	478,279
Redemption of preferred shares held by minority shareholder	—	(33,909)	(315,751)
Cash dividends paid	(2,317)	(2,457)	(22,884)
Cash dividends paid to minority shareholders	(113)	(2,160)	(20,121)
Increase in cash receipts as collateral	10,000	90,000	838,069
Other, net	2,736	(4,337)	(40,385)
Net cash provided by financing activities	306,390	277,771	2,586,560
Effect of exchange rate changes on cash and cash equivalents	(13,459)	1,473	13,729
Net increase (decrease) in cash and cash equivalents	290,980	(9,689)	(90,219)
Increase in cash and cash equivalents due to newly consolidated companies	—	12	114
Decrease in cash and cash equivalents due to exclusion of previously consolidated entities	(1,373)	(107,529)	(1,001,296)
Increase in cash and cash equivalents due to merger	—	268	2,491
Cash and cash equivalents at the beginning of the year	147,526	437,133	4,070,516
Cash and cash equivalents at the end of the year (Note 25 (1))	¥437,133	¥320,195	\$2,981,606

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

## 1. ORGANIZATION AND NATURE OF BUSINESS

SOFTBANK CORP. (hereafter the “Company”) was incorporated in September 1981 in Japan. The Company and its consolidated subsidiaries and affiliates (hereafter the “Group”) are involved in the following businesses, which are categorized into non-financial and financial businesses.

### Non-financial business

- Broadband Infrastructure: ADSL and fiber-optic high-speed Internet connection service, IP telephony service, provision of content and other operations
- Fixed-line Telecommunications: Fixed-line telecommunications such as voice transmission service, data transmission service and private leased circuits
- e-Commerce: Distribution of PC software and such hardware as PCs and peripherals, enterprise solutions and diversified e-commerce businesses, including business transaction platform (B to B) and consumer-related e-commerce (B to C)
- Internet Culture: Internet-based advertising operations, broadband portal business and Internet-based auction business
- Broadmedia: Promoting the spread of broadband service such as broadcasting and communications; support for procurement of content
- Technology Services: System solution business and business solution business
- Media & Marketing: Book and magazine publication in such areas as PCs, the Internet, entertainment, etc., and development of web content specializing in IT
- Other Businesses: Leisure and service business, holding company functions for overseas operations and back-office services in Japan

### Financial business

- e-Finance: Internet-based all-inclusive financial operations
- Overseas Funds: U.S.- and Asia-focused global venture capital business with a main focus on Internet-related companies

## 2. BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (1) Consolidation and investments in affiliates

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

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

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

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

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

## **(2) Translation of foreign currency transactions and accounts**

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

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

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

## **(3) Inventories**

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

## **(4) Allowance for doubtful accounts**

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

## **(5) Depreciation and amortization**

Property and equipment are carried at cost less accumulated depreciation.

Buildings and structures are depreciated primarily using the straight-line method. Telecommunications equipment and telecommunications service lines are depreciated using the straight-line method, and other property and equipment are depreciated primarily using the declining-balance method.

Backbone equipment used for mainly ADSL service had been depreciated over five years. Effective from April 1, 2004, the Company changed the estimated useful life of the backbone equipment, which is included in “Telecommunications equipment” in the Company’s consolidated balance sheets, to ten years, to be consistent with other telecommunications equipment for fiberoptics, since the backbone equipment is also used for the optical Internet connection service “*Yahoo! BB hikari*,” which started commercial operation in October 2004.

As a result, depreciation expense included in cost of sales decreased by ¥3,035 million (\$28,257 thousand), operating loss decreased by the same amount and loss before income taxes and minority interest decreased by the same amount for the fiscal year ended March 31, 2005 as compared with the amount which would have been recognized if the previous estimated useful life had not been changed.

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

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

#### **(6) Investments in debt and equity securities**

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

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

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

#### **(7) Retirement benefits**

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

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

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

Certain domestic consolidated subsidiaries have defined benefit pension plans.

JAPAN TELECOM CO., LTD., JAPAN TELECOM IDC INC. and certain other subsidiaries which became newly consolidated subsidiaries of the Company during the fiscal year ended March 31, 2005 have defined benefit pension plans for their employees. The liability for these companies' retirement benefits, based on the projected benefit obligations, at March 31, 2005 is included in "Accrued retirement benefits" in the consolidated balance sheets.

#### **(8) Reserves under special laws**

Reserve for securities trading liabilities and reserve for commodities trading liabilities are accrued at certain domestic consolidated subsidiaries engaged in the securities business or commodities business in accordance with the Securities Exchange Law of Japan, No. 51, and Commodity Exchange Act of Japan, No. 136-22, respectively.

#### **(9) Appropriation of retained earnings**

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

#### **(10) Income taxes**

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

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

Effective from April 1, 2004, the enterprise tax components attributed to added value and capital were reported in selling, general and administrative expenses due to the change in the standard enterprise tax component amounts in Japan. Selling, general and administrative expenses therefore increased by ¥1,715 million (\$15,974 thousand).

As a result, operating loss increased by the same amount and loss before income taxes and minority interest increased by the same amount for the fiscal year ended March 31, 2005.

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

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

Per share information is disclosed in Note 24, "Per share data."

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

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

**(13) Derivatives**

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

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

**(14) Leases**

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

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

## 4. U.S. DOLLAR AMOUNTS

The Company maintains its accounting records in Japanese yen. U.S. dollar amounts presented in the accompanying consolidated financial statements and notes thereto are included solely for the convenience of readers outside Japan, and represent the arithmetical result of translating Japanese yen into U.S. dollars at the rate of ¥107.39=US\$1, the effective rate of exchange at March 31, 2005. These translations should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into U.S. dollar amounts at that or any other rate.

## 5. CHANGES IN SCOPE OF CONSOLIDATION

As of March 31, 2004 and 2005, the Company consolidated 177 and 153 subsidiaries, and excluded from consolidation 15 and 13 subsidiaries, respectively, due to their immateriality in terms of the consolidated total assets, sales and revenues, net loss and accumulated deficit.

Changes in the Company's scope of consolidation for the fiscal years ended March 31, 2004 and 2005 were as follows:

Newly consolidated subsidiaries (including partnerships) in 2004	
Subsidiary	Reason
WORLD NICHIEI FRONTIER Securities Co., Ltd. (former WORLD NICHIEI Securities Co., Ltd.)	Newly invested
Indival, Inc.	Newly established
Plus 17 other companies	

Subsidiaries (including partnerships) excluded from consolidation in 2004	
Subsidiary	Reason
E*TRADE Japan K.K.	Merger
SOFTBANK FRONTIER SECURITIES CO., LTD.	Merger
SOFTBANK INVESTMENT INTERNATIONAL (STRATEGIC) LIMITED and its 79 consolidated subsidiaries	Sale of all shares
Plus 29 other companies	

As of March 31, 2004, the Company had six non-consolidated subsidiaries and 97 affiliated companies including partnerships accounted for under the equity method. Other than the above, nine non-consolidated subsidiaries and two affiliated companies were not accounted for under the equity method due to their immateriality in terms of consolidated net loss and accumulated deficit.

Newly consolidated subsidiaries (including partnerships) in 2005	
Subsidiary	Reason
JAPAN TELECOM CO., LTD.	Newly acquired
JAPAN TELECOM IDC INC. (former Cable & Wireless IDC Inc.)	Newly acquired
Fukuoka Softbank Hawks Corp. (formerly, the Fukuoka Daiei Hawks)	Newly acquired
Plus 28 other companies	

Subsidiaries (including partnerships) excluded from consolidation in 2005	
Subsidiary	Reason
SOFTBANK TECHNOLOGY HOLDINGS CORP.	Merger
BB Call Corp.	Sale of all shares
SOFTBANK INVESTMENT CORPORATION	Decrease in ownership percentage
E*TRADE SECURITIES CO., LTD.	Due to exclusion of its parent company, SOFTBANK INVESTMENT CORPORATION, from consolidation
WORLD NICHIEI FRONTIER Securities Co., Ltd.	Due to exclusion of its parent company, SOFTBANK INVESTMENT CORPORATION, from consolidation
Plus 50 other companies	

As of March 31, 2005, the Company had eight non-consolidated subsidiaries and 100 affiliated companies including partnerships accounted for under the equity method. Other than the above, five non-consolidated subsidiaries and two affiliated companies were not accounted for under the equity method due to their immateriality in terms of consolidated net loss and accumulated deficit.

Changes in non-consolidated subsidiaries and affiliated companies including partnerships (hereafter the “Entities”) accounted for under the equity method for the fiscal years ended March 31, 2004 and 2005 were as follows:

Six entities were newly accounted for under the equity method as of March 31, 2004.

Entities no longer accounted for under the equity method in 2004	
Subsidiary or affiliate	Reason
Aozora Bank, Ltd.	Sale of all shares
UTStarcom, Inc.	Partial sale of shares
Plus 17 other companies	

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

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

## 6. ACQUISITIONS AND BUSINESS TRANSFERS

### (1) Acquisition of JAPAN TELECOM CO., LTD. (“JAPAN TELECOM”)

On July 30, 2004, the Company acquired the entire 143,855,424 shares of common stock of JAPAN TELECOM for approximately ¥143 billion (\$1,356 million). JAPAN TELECOM has become a consolidated subsidiary of the Company, accordingly.

The acquisition of JAPAN TELECOM was made for the purposes of significantly increasing the scale of the Group’s business operations and providing a comprehensive line of communication services that include consumer and corporate voice, data, Internet connection and other services.

### (2) Sale of BB Call Corp. (“BB Call”)

On August 9, 2004, the Company sold the entire holdings of the shares of BB Call through its wholly-owned subsidiary SOFTBANK BB Corp (“SOFTBANK BB”) and recorded a gain from sale amounting to ¥38,706 million (\$360 million).

SOFTBANK BB integrated its call centers and those outsourced to several suppliers into BB Call. After the integration, all shares of BB Call were sold to BELLSYSTEM 24, Inc., a highly specialized call center operator, to provide a higher level of call center operations and facilitate improvements in efficient telemarketing by operating the call centers as a member of the BELLSYSTEM 24 Group.

### (3) Acquisition of the Fukuoka Daiei Hawks (“the FDH”), a Japanese professional baseball team, and related agreements

#### 1. Acquisition of the FDH

On January 28, 2005, the Company acquired 14,432,000 shares (ownership: approximately 98%) of the FDH for approximately ¥4.2 billion (\$39 million) and assumed interest-bearing debt of approximately ¥1.0 billion (\$9.7 million). The FDH has become a consolidated subsidiary of the Company, accordingly. The Fukuoka Daiei Hawks altered its corporate name to Fukuoka Softbank Hawks Corp.

#### 2. Business transfer to Fukuoka Softbank Hawks Marketing Corp. (“FSBHM”) from Hawks Town Co. (“HT”)

On January 28, 2005, FSBHM, a wholly-owned consolidated subsidiary of the Company, entered into an agreement with HT on the transfer of the baseball-related business at FUKUOKA Yahoo! JAPAN DOME (former Fukuoka Dome) (hereinafter referred to as “the Dome business”) from HT for ¥15 billion (\$140 million) and completed the transfer of the Dome business on the same date.

#### 3. Lease agreement for FUKUOKA Yahoo! JAPAN DOME

In accordance with the above-mentioned agreement on the transfer of the Dome business, FSBHM entered into a lease agreement for FUKUOKA Yahoo! JAPAN DOME and commenced the lease on the same date. The lease payments are ¥4.8 billion (\$45 million) per annum and the lease period is 30 years.

FSBHM and HT are to revise the lease payments every five years. FSBHM retains the right to cancel the lease agreement without penalty after an initial lease period of twenty years.

#### (4) Acquisition of Cable and Wireless IDC Inc. ("C&W IDC")

On February 17, 2005, the Company acquired 12,086,632,927 shares of the common stock outstanding (99.9%) of C&W IDC for approximately ¥12.7 billion (\$118 million). C&W IDC was renamed JAPAN TELECOM IDC INC. ("JAPAN TELECOM IDC") upon completion of the acquisition. JAPAN TELECOM IDC separated to form JAPAN TELECOM IDC and SOFTBANK IDC Corp. on May 1, 2005.

## 7. ACCOUNTS RECEIVABLE SOLD

The commerce division of SOFTBANK BB Corp. entered into factoring agreements with financial institutions containing a repurchase clause. "Accounts receivable - trade" amounting to ¥6,582 million and ¥7,856 million (\$73,150 thousand) at March 31, 2004 and 2005, respectively, have been excluded from the consolidated balance sheets, accordingly.

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

## 8. INVENTORIES

Inventories at March 31, 2004 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Merchandise	¥ 9,348	<b>¥10,813</b>	<b>\$100,693</b>
Transmission supplies	12,649	<b>31,147</b>	<b>290,039</b>
Other inventories	3,068	<b>5,265</b>	<b>49,020</b>
Total	¥25,065	<b>¥47,225</b>	<b>\$439,752</b>

## 9. ACCUMULATED DEPRECIATION

Accumulated depreciation at March 31, 2004 and 2005 was ¥49,427 million and ¥625,281 million (\$5,822,525 thousand), respectively.

## 10. INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in non-consolidated subsidiaries and affiliates including partnerships at March 31, 2004 and 2005 were accounted for under the equity method and are shown in the table below:

	Millions of yen		Thousands of U.S. dollars	Voting rights	Ownership interest percentage
	2004	2005	2005		
SOFTBANK INVESTMENT CORPORATION	¥ —	¥ 45,002	\$ 419,051	38.3	38.3
Morningstar, Inc.	4,636	3,462	32,237	19.6	19.6
Yahoo! Korea Corporation	2,770	3,219	29,976	33.0	30.6
All About, Inc.	—	2,234	20,800	41.3	17.3
Alibaba.com Corporation	1,209	1,462	13,615	29.7	26.9
cyber communications inc.	1,280	1,436	13,371	26.7	26.7
SOFTBANK US Ventures VI L.P.	22,203	25,412	236,633	97.0 <sup>(Note)</sup>	—
SOFTBANK Technology Ventures V L.P.	6,913	5,334	49,673	30.0 <sup>(Note)</sup>	—
SOFTBANK Ventures Fund 1	1,329	1,033	9,622	60.0 <sup>(Note)</sup>	—
Others	25,735	32,304	300,804		
<b>Total</b>	<b>¥66,075</b>	<b>¥120,898</b>	<b>\$1,125,782</b>		

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

## 11. INVESTMENTS IN DEBT AND EQUITY SECURITIES

Most investments in debt and equity securities at March 31, 2004 and 2005 were classified as other securities as described in Note 3 (6).

There were no material trading securities at March 31, 2005.

The market value (carrying value) of trading securities at March 31, 2004 was as follows:

As of March 31, 2004	Millions of yen	
	Assets	Liabilities
Equity securities	¥ 22	¥5
Debt securities	1,285	—
<b>Total</b>	<b>¥1,307</b>	<b>¥5</b>

The aggregate cost, gross unrealized gain (loss) and market value (carrying value) of other securities at March 31, 2004 and 2005 were as follows:

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

As of March 31, 2005	Cost	Gross unrealized		Market value (carrying value)
		Gain	(Loss)	
Equity securities	\$278,652	\$1,857,836	\$(230)	\$2,136,258
Debt securities	47,808	69	—	47,877
Other	172	1	—	173
<b>Total</b>	<b>\$326,632</b>	<b>\$1,857,906</b>	<b>\$(230)</b>	<b>\$2,184,308</b>

As of March 31, 2004	Millions of yen			Market value (carrying value)
	Cost	Gross unrealized		
		Gain	(Loss)	
Equity securities	¥38,573	¥168,101	¥(68)	¥206,606
Debt securities	5,382	0	(17)	5,365
Other	379	43	(8)	414
<b>Total</b>	<b>¥44,334</b>	<b>¥168,144</b>	<b>¥(93)</b>	<b>¥212,385</b>

Unlisted investment securities at March 31, 2004 and 2005 had carrying amounts as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Other securities:			
Equity securities (excluding over-the-counter stocks)	¥ 19,237	<b>¥16,466</b>	<b>\$ 153,333</b>
Foreign debt securities	1,081	<b>1,108</b>	<b>10,321</b>
Money management fund	3,272	<b>1,836</b>	<b>17,098</b>
Mid-term government bonds fund	262	<b>191</b>	<b>1,783</b>
Preferred fund certificates	2,000	<b>2,000</b>	<b>18,624</b>
Designated money trust	5,000	—	—
Investment trust without market quotations	106,427	<b>30,389</b>	<b>282,975</b>
Investments in limited partnerships <sup>(Note)</sup>	—	<b>63,374</b>	<b>590,127</b>
Others	0	<b>3,011</b>	<b>28,029</b>
<b>Total</b>	<b>¥137,279</b>	<b>¥118,375</b>	<b>\$1,102,290</b>

Note: Following the application of a partial revision to the Japanese securities and exchange laws effective from December 1, 2004 and the release of revised practical guidelines for financial instrument accounting on February 15, 2005, investments in limited partnerships and similar investments, except for those classified as investments in non-consolidated subsidiaries and affiliates, are classified as "investment securities" at March 31, 2005. Prior year amounts are not reclassified to conform to the presentation used at March 31, 2005.

The amount of applicable investments in partnerships which is included in "Investment securities" on the consolidated balance sheets was ¥63,374 million (\$590,127 thousand) at March 31, 2005. The difference between the cost and fair value of the investment securities held by limited partnerships at March 31, 2005, net of tax, is recorded in "Net unrealized gain on other securities" in the consolidated balance sheets.

The redemption schedule for held-to-maturity and other securities with maturity dates subsequent to March 31, 2005 is as follows:

	Millions of yen			
	April 1, 2005 to March 31, 2006	April 1, 2006 to March 31, 2010	April 1, 2010 to March 31, 2015	April 1, 2015 and thereafter
Debt securities:				
Corporate bonds	¥—	¥3,373	¥—	¥—
Government bonds	—	0	—	—
Others	—	—	892	—
<b>Total</b>	<b>¥—</b>	<b>¥3,373</b>	<b>¥892</b>	<b>¥—</b>

	Thousands of U.S. dollars			
	April 1, 2005 to March 31, 2006	April 1, 2006 to March 31, 2010	April 1, 2010 to March 31, 2015	April 1, 2015 and thereafter
Debt securities:				
Corporate bonds	\$—	\$31,410	\$—	\$—
Government bonds	—	4	—	—
Others	—	—	8,311	—
<b>Total</b>	<b>\$—</b>	<b>\$31,414</b>	<b>\$8,311</b>	<b>\$—</b>

## 12. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

(1) "Short-term borrowings" and "Commercial paper" at March 31, 2004 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Short-term borrowings principally from banks with interest rates ranging from:			
0.23% to 3.75%	¥74,500	¥ —	\$ —
1.44% to 3.75%	—	135,245	1,259,382
Commercial paper with an interest rate of:			
0.99% per annum	10,000	—	—
0.29% per annum	1,000	—	—
0.14% to 0.18% per annum	—	15,500	144,334

(2) "Long-term debt" outstanding at March 31, 2004 and 2005 consisted of borrowings from financial institutions and corporate bonds, as shown below:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Unsecured borrowings from financial institutions with interest rates ranging from:			
1.24% to 9.38% due 2005 to 2011	¥156,819	¥ —	\$ —
1.35% to 9.38% due 2006 to 2011	—	276,779	2,577,327
Unsecured straight bonds:			
Due 2004 to 2011 with interest rates ranging from 2.45% to 9.38%	170,192	—	—
Due 2005 to 2016 with interest rates ranging from 1.23% to 9.38%	—	276,364	2,573,458
Convertible bonds:			
Due 2005 to 2015 with interest rates ranging from 0.00% to 2.00%	163,030	—	—
Due 2005 to 2015 with interest rates ranging from 1.50% to 2.00%	—	150,030	1,397,056
	490,041	703,173	6,547,841
Less: Portion due within one year	(50,496)	(94,088)	(876,129)
Total long-term debt	¥439,545	¥609,085	\$5,671,712

(3) The aggregate annual maturities of borrowings from financial institutions outstanding at March 31, 2005 were as follows:

For the years ending March 31,	Millions of yen	Thousands of U.S. dollars
2006	¥ 45,942	\$ 427,805
2007	45,433	423,068
2008	45,292	421,752
2009	35,326	328,954
2010 and thereafter	104,786	975,748
Total	¥276,779	\$2,577,327

(4) The aggregate annual maturities of corporate bonds outstanding at March 31, 2005 were as follows:

For the years ending March 31,	Millions of yen	Thousands of U.S. dollars
2006	¥ 48,146	\$ 448,324
2007	16,400	152,714
2008	43,900	408,790
2009	—	—
2010 and thereafter	317,948	2,960,686
<b>Total</b>	<b>¥426,394</b>	<b>\$3,970,514</b>

### 13. ASSETS PLEDGED AS COLLATERAL

Assets pledged as collateral at March 31, 2005 were as follows:

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

Assets pledged as collateral	Millions of yen	Thousands of U.S. dollars
Cash and deposits	¥ 447	\$ 4,161
Notes and accounts receivable - trade	1,120	10,433
Buildings and structures	6,660	62,019
Telecommunications equipment	14,172	131,969
Telecommunications service lines	13,689	127,471
Land	5,582	51,981
Property and equipment - others	1	6
Investment securities	193,399	1,800,901
<b>Total</b>	<b>¥235,070</b>	<b>\$2,188,941</b>

Secured liabilities	Millions of yen	Carrying amount Thousands of U.S. dollars
Accounts payable - trade	¥ 494	\$ 4,599
Short-term borrowings	25,883	241,018
Accounts payable - other and accrued expenses	19	175
Long-term debt	219,119	1,975,224
Other long-term liabilities	290	2,698
<b>Total</b>	<b>¥245,805</b>	<b>\$2,223,714</b>

Notes: 1. Short-term borrowings of ¥6,625 million (\$61,691 thousand) and long-term debt of ¥99,375 million (\$925,365 thousand) at JAPAN TELECOM, a wholly-owned subsidiary of the Company, are secured by investment securities in JAPAN TELECOM held by the Company and three consolidated subsidiaries of JAPAN TELECOM.

2. JAPAN TELECOM repaid short-term borrowings of ¥6,625 million (\$61,691 thousand) and long-term debt of ¥99,375 million (\$925,365 thousand) on April 27, 2005, and entered into a new long-term debt agreement totaling ¥130 billion (\$1,211 million) on that date. In connection with this refinancing, investment securities in JAPAN TELECOM held by the Company and three consolidated subsidiaries of JAPAN TELECOM noted above were released.

(2) For future lease obligations

The collateral for future lease liabilities of ¥37,264 million (\$346,996 thousand), including a ¥5 million (\$49 thousand) "Accounts payable - trade" balance at March 31, 2005, was provided by mortgaging the aggregate of the current and future receivables due from the customers of certain consolidated subsidiaries and a broadcasting company based on marketing agreements, etc.

Current receivables, held as collateral for the above future lease liabilities at March 31, 2005, consisted of "Notes and accounts receivable - trade" of ¥11,247 million (\$104,731 thousand) and "Other current assets" of ¥8 million (\$73 thousand).

## 14. RECEIVABLES AND PAYABLES RELATED TO MARGIN TRANSACTIONS

Receivables and payables at March 31, 2004 and 2005 related to margin transactions in the securities business were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Receivables:			
Loans receivable from customers for margin transactions	¥168,485	¥—	\$—
Cash deposits (collateral) for securities borrowed from securities companies	12,558	—	—
Total	¥181,043	¥—	\$—
Payables:			
Loans payable to securities companies for margin transactions	¥126,722	¥—	\$—
Proceeds from securities sold for margin transactions	33,661	—	—
Total	¥160,383	¥—	\$—

## 15. CASH RECEIPTS AS COLLATERAL

Cash receipts as collateral from financial institutions, to whom the Company lent shares of its subsidiaries under security deposit agreements, at March 31, 2004 and 2005 are presented as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Cash receipts as collateral	¥10,000	¥100,000	\$931,186

The Company paid certain amounts calculated using a fixed rate as stock bailment fees and other fees totaling ¥1,692 million (\$15,757 thousand) for the fiscal year ended March 31, 2005 according to the security deposit agreements, and recorded the fees as other non-operating expenses in the consolidated statements of operations.

## 16. RETIREMENT BENEFITS

The Company and most of its domestic consolidated subsidiaries participate in defined contribution pension plans and the welfare pension plan. Certain domestic consolidated subsidiaries have defined benefit pension plans. Contributions to the defined contribution pension plans for the fiscal years ended March 31, 2004 and 2005 were ¥368 million and ¥511 million (\$4,753 thousand), respectively.

Information on liabilities for retirement benefits at March 31, 2004 and 2005 is as follows:

Funded status:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Projected benefit obligations	¥2,086	¥17,202	\$160,183
Plan assets at fair value	1,880	—	—
Unfunded projected benefit obligations	206	17,202	160,183
Unrecognized actuarial (loss) gain	(195)	158	1,470
Net liability for retirement benefits	11	17,360	161,653
Prepaid pension costs	23	—	—
Accrued retirement benefits	¥ 34	¥17,360	\$161,653

Note: The fair value of the pooled fund assets of the welfare pension plan at March 31, 2005 belonging to employees of the Company and most of its domestic consolidated subsidiaries amounted to ¥11,452 million (\$106,638 thousand).

Composition of net periodic pension costs:

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Service costs	¥ 627	¥1,714	\$15,964
Interest costs	20	213	1,980
Expected return on plan assets	(17)	(42)	(395)
Recognized actuarial loss	50	212	1,978
Net periodic pension costs	680	2,097	19,527
Contributions	368	511	4,753
Loss on transfer of pension plans	—	138	1,287
Total periodic pension costs	¥1,048	¥2,746	\$25,567

The assumptions used for the actuarial computation of the retirement benefit obligations for the fiscal year ended March 31, 2005 are as follows:

Allocation of projected benefit obligations	Projected unit-credit method
Discount rate	Primarily 2.0%
Expected return on plan assets	Primarily 2.5%
Actuarial gains/losses	Primarily expensed in the fiscal year incurred

## 17. INCOME TAXES

The Group is subject to a number of different income taxes, which, in the aggregate, resulted in a statutory income tax rate in Japan of 42.05% and 40.69% for the years ended March 31, 2004 and 2005, respectively.

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

	2004	2005
Statutory income tax rate	42.05%	40.69%
Reconciliation:		
Dilution gain from changes in equity interest	—	111.94
Tax reserve reversal of the Company's subsidiary in the United States of America	—	46.05
Differences related to investments in affiliates	(1.36)	33.81
Tax rate differential	(2.81)	17.68
Changes in valuation allowance	(55.54)	(354.40)
Change in statutory tax rate	(2.79)	—
Other	0.65	0.78
Income tax rate per statements of operations	(19.80)%	(103.45)%

The enterprise tax rate, which is a component of the statutory income tax rate, has been lowered from 10.08% to 7.56% effective from the fiscal year commencing on April 1, 2004 upon approval of the National Diet in March 2003. Accordingly, deferred tax assets and liabilities at March 31, 2003, which were expected to be realized in the following year, were calculated using a 42.05% tax rate, while those expected to be realized after April 1, 2004 were calculated using a 40.69% tax rate.

The significant components of deferred tax assets and liabilities at March 31, 2004 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Deferred tax assets:			
Loss carry-forwards	¥143,906	¥195,151	\$1,817,220
Valuation loss on investment securities	64,792	76,289	710,388
Allowance for doubtful accounts	7,407	16,789	156,339
Valuation loss on inventories	6,001	6,452	60,076
Net unrealized loss on derivative instruments	4,940	21,950	204,393
Accrued expenses	—	9,697	90,301
Unrealized profit	3,158	1,306	12,158
Enterprise tax payable	1,808	2,409	22,433
Depreciation and amortization	1,623	41,511	386,548
Others	5,605	8,211	76,457
Gross deferred tax assets	239,240	379,765	3,536,313
Less: Valuation allowance	(191,221)	(305,825)	(2,847,796)
Total deferred tax assets	48,019	73,940	688,517
Deferred tax liabilities:			
Unrealized gain on other securities	(57,892)	(79,677)	(741,937)
Valuation gain on investment securities	(4,764)	(6,078)	(56,595)
Foreign exchange gain on long-term receivables	(4,324)	(2,093)	(19,489)
Others	(4,927)	(541)	(5,049)
Total deferred tax liabilities	(71,907)	(88,389)	(823,070)
Net amount of deferred tax assets (liabilities)	¥ (23,888)	¥ (14,449)	\$ (134,553)

The valuation allowance was provided mainly against the deferred tax assets relating to future tax-deductible temporary differences and operating tax loss carry-forwards of certain consolidated subsidiaries, as it is more likely than not that these deferred tax assets will not be realized within the foreseeable future. The net change in total valuation allowance for the fiscal year ended March 31, 2005 was an increase of ¥114,604 million (\$1,067,177 thousand).

## 18. COMMON STOCK AND TREASURY STOCK

Upon resolution at the shareholders' meeting held on June 24, 2004, the Company amended the statutes of corporation regarding acquisition of treasury stock such that the Company is able to acquire treasury stock upon the resolution at the Board of Directors' meeting in accordance with the Commercial Code of Japan. The Company held 40,956 shares of treasury stock at March 31, 2005.

## 19. RETAINED EARNINGS (ACCUMULATED DEFICIT)

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

In June 2004, the Company paid a year-end cash dividend of ¥7 per share, or ¥2,460 million in total, to the shareholders on the register at March 31, 2004 in accordance with a resolution passed at the shareholders' meeting on June 24, 2004, and recorded the dividend in the consolidated financial statements for the fiscal year ended March 31, 2005.

At the shareholders' meeting on June 22, 2005, a cash dividend payment of ¥7 per share, or ¥2,460 million (\$22,909 thousand) in total, to the shareholders on the register at March 31, 2005, was approved.

## 20. NON-FINANCIAL BUSINESS SELLING, GENERAL AND ADMINISTRATIVE EXPENSES AND FINANCIAL BUSINESS EXPENSES

The main components of "Selling, general and administrative expenses" and "Financial business expenses" for the fiscal years ended March 31, 2004 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Non-financial business:			
Sales promotion expenses	¥81,631	<b>¥95,046</b>	<b>\$885,056</b>
Payroll and bonuses	22,164	<b>38,471</b>	<b>358,236</b>
Fees for outsourced services	6,940	<b>31,867</b>	<b>296,735</b>
Allowance for doubtful accounts	2,690	<b>3,476</b>	<b>32,369</b>
Financial business:			
Sales promotion expenses	52	<b>86</b>	<b>799</b>
Payroll and bonuses	4,424	<b>7,080</b>	<b>65,924</b>
Fees for outsourced services	3,103	<b>5,799</b>	<b>54,001</b>
Allowance for doubtful accounts	228	<b>244</b>	<b>2,276</b>

In addition, research and development costs of ¥4,099 million (\$38,166 thousand) for the fiscal year ended March 31, 2005 were included in cost of sales and selling, general and administrative expenses.

## 21. GAIN ON SALE OF INVESTMENT SECURITIES, NET

Gain (loss) on sale of investment securities for the fiscal years ended March 31, 2004 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
BB Call Corp.	¥ —	<b>¥38,706</b>	<b>\$360,428</b>
E*TRADE SECURITIES CO., LTD.	5,846	<b>2,909</b>	<b>27,089</b>
Morningstar Japan K.K.	—	<b>2,749</b>	<b>25,596</b>
eAccess Ltd.	—	<b>(2,173)</b>	<b>(20,238)</b>
SOFTBANK INVESTMENT CORPORATION	10,398	<b>315</b>	<b>2,929</b>
UTStarcom, Inc.	9,043	—	—
Aozora Bank, Ltd.	(10,272)	—	—
Others	12,000	<b>13,534</b>	<b>126,032</b>
Total	¥27,015	<b>¥56,040</b>	<b>\$521,836</b>

## 22. VALUATION LOSS ON INVESTMENTS IN SUBSIDIARIES AND AFFILIATES

"Valuation loss on investments in subsidiaries and affiliates" for the fiscal years ended March 31, 2004 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Valuation loss on investments in:			
Subsidiaries	¥7,276	<b>¥ 355</b>	<b>\$ 3,309</b>
Affiliates	1,913	<b>1,324</b>	<b>12,325</b>
Total valuation loss	¥9,189	<b>¥1,679</b>	<b>\$15,634</b>

## 23. PENALTY FOR UNFULFILLED CONTRACT COMMITMENT

"Penalty for unfulfilled contract commitment" of ¥6,148 million (\$57,245 thousand) was calculated based on the estimated penalty amount relating to the contracts for line installation. The aggregate payment for the penalty has not been settled.

## 24. PER SHARE DATA

Per share information is disclosed as follows:

For the years ended March 31,	Yen		U.S. dollars
	2004	2005	2005
Net loss per share:			
Basic	¥(314.72)	¥(171.03)	\$(1.59)
Diluted	—	—	—
Shareholders' equity per share	¥ 677.40	¥ 505.86	\$ 4.71

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

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

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Net loss	¥(107,094)	¥(59,872)	\$(557,518)
Bonuses to directors	(40)	(230)	(2,140)
Net loss after bonuses to directors	¥(107,134)	¥(60,102)	\$(559,658)
Weighted-average number of common stock issued and outstanding during each fiscal year (unit: shares)	340,407,372	351,418,709	351,418,709

## 25. CASH FLOW INFORMATION

(1) "Cash and cash equivalents" at March 31, 2004 and 2005 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Cash and deposits	¥327,024	¥287,979	\$2,681,616
Marketable securities	113,659	39,404	366,924
Subtotal	440,683	327,383	3,048,540
Less:			
Time deposits with maturity over three months	(2,332)	(1,456)	(13,557)
Stocks and bonds with maturity over three months	(1,143)	(5,732)	(53,377)
Deposits from customers in commodities business	(75)	—	—
Cash and cash equivalents	¥437,133	¥320,195	\$2,981,606

(2) Assets and liabilities of companies newly consolidated through acquisitions

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

As of September 30, 2004	Millions of yen	Thousands of U.S. dollars
Current assets <sup>(Note 1)</sup>	¥163,748	\$1,524,798
Non-current assets <sup>(Note 1)</sup>	333,419	3,104,747
Goodwill	38,836	361,643
Current liabilities <sup>(Note 1)</sup>	(159,117)	(1,481,677)
Long-term liabilities <sup>(Note 1)</sup>	(152,973)	(1,424,465)
Minority interest	(33,954)	(316,175)
Acquisition cost <sup>(Note 2)</sup>	189,959	1,768,871
Loans made by the Company <sup>(Note 3)</sup>	29,462	274,347
Cash and cash equivalents of newly consolidated companies <sup>(Note 4)</sup>	(60,584)	(564,150)
Payments for the acquisition	¥158,837	\$1,479,068

Notes: 1. Inter-company transactions are eliminated.

2. Ancillary expenses related to the acquisition and additional investments up to September 30, 2004, the deemed acquisition date, are included.

3. This represents loans made by the Company up to September 30, 2004, the deemed acquisition date.

4. Funds used for the redemption of preferred shares of ¥33,909 million (\$315,751 thousand) on October 4, 2004 are included.

2. Cable & Wireless IDC Inc. (present JAPAN TELECOM IDC INC. and SOFTBANK IDC Corp.)

As of March 31, 2005	Millions of yen	Thousands of U.S. dollars
Current assets	¥11,504	\$107,120
Non-current assets	14,474	134,787
Goodwill	2,924	27,228
Current liabilities	(12,667)	(117,956)
Long-term liabilities	(3,537)	(32,935)
Acquisition cost	12,698	118,244
Cash and cash equivalents of a newly consolidated company	(3,620)	(33,707)
Payments for the acquisition	¥ 9,078	\$ 84,537

(3) Assets and liabilities of previously consolidated companies

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

SOFTBANK INVESTMENT CORPORATION and its consolidated subsidiaries

As of March 31, 2005	Millions of yen	Thousands of U.S. dollars
Current assets	¥717,170	\$6,678,178
Non-current assets	39,288	365,843
Deferred charges	458	4,269
Total assets	¥756,916	\$7,048,290
Current liabilities	¥532,335	\$4,957,024
Long-term liabilities	38,544	358,910
Reserves under special laws	2,675	24,913
Minority interest	53,943	502,310
Total liabilities and minority interest	¥627,497	\$5,843,157

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

BB Call Corp.

As of July 31, 2004	Millions of yen	Thousands of U.S. dollars
Current assets	¥9,928	\$92,447
Non-current assets	—	—
Total assets	¥9,928	\$92,447
Current liabilities	¥ 1	\$ 6
Long-term liabilities	—	—
Total liabilities	¥ 1	\$ 6

(4) Payments for the acquisition of the Fukuoka Daiei Hawks (present Fukuoka Softbank Hawks Corp.)

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

As of February 28, 2005	Millions of yen	Thousands of U.S. dollars
Acquisition cost	¥4,155	\$38,686
Cash and cash equivalents of a newly consolidated company	(169)	(1,573)
Payments for the acquisition	¥3,986	\$37,113

Note: In addition to the above payments, the Company assumed interest-bearing debt of ¥1,045 million (\$9,735 thousand).

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

As of January 28, 2005	Millions of yen	Thousands of U.S. dollars
Acquisition cost for the Dome business related assets	¥15,000	\$139,678
Cash and cash equivalents included in the above assets	(1,887)	(17,571)
Payments for the purchase of business rights and others	¥13,113	\$122,107

## 26. DERIVATIVE TRANSACTIONS

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

The Company and its domestic consolidated subsidiaries have entered into forward exchange contracts, currency and interest rate swaps and interest rate cap transactions to hedge against adverse fluctuations in foreign currency exchange rates and interest rates as described in Note 3 (13).

The consolidated subsidiary in the United States of America has entered into a variable share prepaid forward contract utilizing its shares of an equity security to hedge the variability of cash flows associated with the future market price of the underlying security, which is used for the settlement of loans at their maturity. The subsidiary applies SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as described in Note 3 (13).

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

The fair value of the derivatives outstanding as of March 31, 2004 and 2005, excluding derivatives for which hedge accounting applies, was as follows:

(1) Trading transactions

There were no trading transactions as of March 31, 2005.

As of March 31, 2004	Millions of yen			
	Assets		Liabilities	
	Contract amounts	Fair value	Contract amounts	Fair value
Forward exchange contracts	¥ 33	¥2	¥71	¥1
Nikkei future contracts	24	0	—	—
Bond future contracts	138	1	—	—
<b>Total</b>	<b>¥195</b>	<b>¥3</b>	<b>¥71</b>	<b>¥1</b>

(2) Non-trading transactions

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

As of March 31, 2005	Thousands of U.S. dollars		
	Contract amounts	Fair value <sup>(Notes)</sup>	Unrealized gain (loss)
Forward exchange contracts to:			
Purchase U.S. dollars and sell Japanese yen	\$ 29,734	\$30,256	\$ 522
Currency swaps	9,312	120	120
Interest rate swaps to:			
Receive fixed rate and pay floating rate	10,643	372	372
Receive floating rate and pay fixed rate	107,752	(1,390)	(1,390)
Receive fixed rate (receipt later) and pay fixed rate (prepayment)	9,312	329	329
			<b>\$ (47)</b>

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

As of March 31, 2004	Millions of yen		
	Contract amounts	Fair value <sup>(Note)</sup>	Unrealized gain (loss)
Forward exchange contracts to:			
Purchase U.S. dollars and sell Japanese yen	¥ 5,650	¥5,438	¥(213)
Purchase Japanese yen and sell U.S. dollars	5,276	5,269	(6)
Forward exchange contracts with conditions to:			
Purchase Japanese yen and sell euros	8,868	1	1
Knock-out option transactions to:			
Purchase Japanese yen put option and euro call option	3,915	(9)	(9)
Sell Japanese yen call option and euro put option	3,915	23	23
Currency swaps	1,000	20	20
Interest rate swaps to:			
Receive fixed rate and pay floating rate	1,286	77	77
Receive floating rate and pay fixed rate	12,143	(291)	(291)
Receive fixed rate (receipt later) and pay fixed rate (prepayment)	1,000	36	36
			¥(362)

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

## 27. LEASES

As described in Note 3 (14), the Group, as a lessee, charges periodic capital lease payments to expenses when paid. Such payments for the fiscal years ended March 31, 2004 and 2005 amounted to ¥15,837 million and ¥27,366 million (\$254,830 thousand), respectively.

If capital leases that do not transfer the ownership of the assets to the lessee at the end of the lease term had been capitalized, capital lease assets at March 31, 2004 and 2005 would have been as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Equivalent to acquisition cost:			
Telecommunications equipment and telecommunications service lines	¥49,114	¥195,682	\$1,822,160
Less: Accumulated depreciation	(17,251)	(45,685)	(425,412)
	31,863	149,997	1,396,748
Equivalent to acquisition cost:			
Buildings and structures	61	47,057	438,186
Less: Accumulated depreciation	(18)	(350)	(3,258)
	43	46,707	434,928
Equivalent to acquisition cost:			
Property and equipment	11,115	15,938	148,413
Less: Accumulated depreciation	(5,310)	(10,293)	(95,851)
	5,805	5,645	52,562
Equivalent to acquisition cost:			
Software	928	2,728	25,403
Less: Accumulated amortization	(187)	(1,076)	(10,023)
	741	1,652	15,380
Net book value	¥38,452	¥204,001	\$1,899,618

Depreciation and amortization expense for these leased assets for the fiscal years ended March 31, 2004 and 2005 would have been ¥13,748 million and ¥24,210 million (\$225,437 thousand), respectively, if it had been computed using the straight-line method over the period of the capital leases, assuming no residual value except in cases where the residual value is guaranteed in the lease contract.

Interest expense on lease payments under these capital leases for the fiscal years ended March 31, 2004 and 2005 would have been ¥2,409 million and ¥5,179 million (\$48,230 thousand), respectively.

Future lease payments for capital leases at March 31, 2004 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Due within one year	¥15,155	<b>¥ 40,343</b>	<b>\$ 375,664</b>
Due after one year	27,902	<b>167,676</b>	<b>1,561,377</b>
Total	¥43,057	<b>¥208,019</b>	<b>\$1,937,041</b>

Future lease payments for non-cancelable operating leases at March 31, 2004 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Due within one year	¥599	<b>¥ 6,265</b>	<b>\$ 58,338</b>
Due after one year	285	<b>15,551</b>	<b>144,809</b>
Total	¥884	<b>¥21,816</b>	<b>\$203,147</b>

The Group, as a lessor, recognizes periodic capital lease payments received from lessees as financial business revenues. Lease income recognized during the fiscal years ended March 31, 2004 and 2005 was ¥157 million and ¥350 million (\$3,259 thousand), respectively.

Assets leased to third parties under capital lease contracts at March 31, 2004 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Equivalent acquisition cost:			
Property and equipment	¥617	<b>¥2,644</b>	<b>\$24,622</b>
Less: Accumulated depreciation	(284)	<b>(2,576)</b>	<b>(23,993)</b>
	333	<b>68</b>	<b>629</b>
Equivalent acquisition cost:			
Software	168	—	—
Less: Accumulated amortization	(39)	—	—
	129	—	—
Net book value	¥462	<b>¥ 68</b>	<b>\$ 629</b>

Depreciation expense for assets leased to third parties for the fiscal years ended March 31, 2004 and 2005 was ¥134 million and ¥211 million (\$1,968 thousand), respectively.

Interest income included in "Revenue from financial business" under these capital leases for the fiscal years ended March 31, 2004 and 2005 amounted to ¥24 million and ¥3 million (\$31 thousand), respectively.

Future lease receivables for capital leases at March 31, 2004 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Due within one year	¥176	<b>¥44</b>	<b>\$406</b>
Due after one year	308	<b>29</b>	<b>270</b>
Total	¥484	<b>¥73</b>	<b>\$676</b>

Future lease receivables for non-cancelable operating leases at March 31, 2004 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2005	2005
Due within one year	¥—	¥ 973	\$ 9,058
Due after one year	—	1,816	16,914
Total	¥—	¥2,789	\$25,972

## 28. CONTINGENT LIABILITIES

There were no material contingent liabilities at March 31, 2005.

## 29. SEGMENT INFORMATION

### (1) Business segment information

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

The "Fixed-line Telecommunications" segment was established as JAPAN TELECOM CO., LTD. and its subsidiaries became consolidated subsidiaries of the Company in the fiscal year ended March 31, 2005. Net sales and operating expenses of JAPAN TELECOM CO., LTD. and its subsidiaries are included in the Company's results beginning in the third quarter of the fiscal year ended March 31, 2005.

Net sales and operating expenses of BB Cable Corporation, which was acquired by SOFTBANK BB Corp. at September 30, 2004, were included in the Broadmedia segment for the interim period ended September 30, 2004. Net sales and operating expenses of BB Cable Corporation for the six-month period ended March 31, 2005 are included in the Broadband Infrastructure segment.

The following tables summarize the business segment information of the Group for the fiscal years ended March 31, 2004 and 2005.

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

Thousands of U.S. dollars

For the year ended March 31, 2005	Business											Elimination or corporate	Consolidated
	Broadband Infrastructure	Fixed-line Telecommu- nications	e-Commerce	Internet Culture	e-Finance	Broadmedia	Technology Services	Media & Marketing	Overseas Funds	Others	Total		
Net sales:													
Customers	\$1,908,697	\$1,545,482	\$2,281,137	\$ 949,002	\$ 681,954	\$ 93,488	\$149,288	\$102,919	\$ 19,112	\$ 63,114	\$ 7,794,193	\$ —	\$ 7,794,193
Inter-segment	3,088	8,470	92,657	4,980	51,801	52,366	88,260	13,291	—	15,756	330,669	(330,669)	—
Total	1,911,785	1,553,952	2,373,794	953,982	733,755	145,854	237,548	116,210	19,112	78,870	8,124,862	(330,669)	7,794,193
Operating expenses	2,412,274	1,889,788	2,324,997	487,649	550,176	155,344	226,884	126,120	6,884	137,164	8,317,280	(286,946)	8,030,334
Operating income (loss)	\$ (500,489)	\$ (335,836)	\$ 48,797	\$ 466,333	\$ 183,579	\$ (9,490)	\$ 10,664	\$ (9,910)	\$ 12,228	\$ (58,294)	\$ (192,418)	\$ (43,723)	\$ (236,141)
Identifiable assets	\$2,335,483	\$5,433,351	\$ 711,501	\$3,219,454	\$1,075,593	\$ 81,809	\$208,977	\$100,180	\$680,616	\$1,081,253	\$14,928,217	\$947,131	\$15,875,348
Depreciation and amortization	249,522	263,067	12,414	43,953	54,943	21,485	2,309	1,730	159	9,567	659,149	(11,594)	647,555
Capital expenditures	648,958	1,074,684	48,742	116,519	38,882	26,059	3,328	2,075	430	197,559	2,157,236	5,546	2,162,782

Millions of yen

For the year ended March 31, 2004	Business											Elimination or corporate	Consolidated
	Broadband Infrastructure	Fixed-line Telecommu- nications	e-Commerce	Internet Culture	e-Finance	Broadmedia	Technology Services	Media & Marketing	Overseas Funds	Others	Total		
Net sales:													
Customers	¥128,711	¥—	¥243,903	¥ 63,613	¥ 37,949	¥ 8,771	¥14,435	¥13,186	¥ 2,444	¥ 4,382	¥ 517,394	¥ —	¥ 517,394
Inter-segment	196	—	10,986	442	3,478	4,122	8,168	1,222	—	1,490	30,104	(30,104)	—
Total	128,907	—	254,889	64,055	41,427	12,893	22,603	14,408	2,444	5,872	547,498	(30,104)	517,394
Operating expenses	216,504	—	251,242	31,473	35,516	16,198	21,867	15,501	1,068	9,838	599,207	(26,919)	572,288
Operating income (loss)	¥ (87,597)	¥—	¥ 3,647	¥ 32,582	¥ 5,911	¥ (3,305)	¥ 736	¥ (1,093)	¥ 1,376	¥ (3,966)	¥ (51,709)	¥ (3,185)	¥ (54,894)
Identifiable assets	¥174,815	¥—	¥ 74,054	¥218,780	¥455,796	¥16,231	¥16,213	¥ 9,629	¥76,257	¥185,608	¥1,227,383	¥193,824	¥1,421,207
Depreciation and amortization	22,876	—	1,522	3,511	4,320	1,309	202	370	326	298	34,734	(1,187)	33,547
Capital expenditures	52,273	—	1,341	6,562	3,247	3,146	211	264	13	1,379	68,436	72	68,508

Unallocated operating expenses for the fiscal years ended March 31, 2004 and 2005 in the column "Elimination or corporate," which mainly represent expenses of the corporate division of the Company, were ¥3,482 million and ¥6,867 million (\$63,948 thousand), respectively.

Corporate assets at March 31, 2004 and 2005 in the column "Elimination or corporate" were ¥223,971 million and ¥151,911 million (\$1,414,571 thousand), respectively. Corporate assets represent mainly surplus operating funds (cash and marketable securities), long-term investment securities of the Company and assets held by the corporate division of the Company.

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

## (2) Geographic segment information

The table below summarizes the geographic segment information of the Group for the fiscal years ended March 31, 2004 and 2005:

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

For the year ended March 31, 2005	Geographic region				Elimination or corporate	Consolidated
	Japan	North America	Others	Total		
	Thousands of U.S. dollars					
Net sales:						
Customers	\$ 7,717,371	\$ 17,786	\$ 59,036	\$ 7,794,193	\$ —	\$ 7,794,193
Inter-segment	4,327	3,460	2,085	9,872	(9,872)	—
Total	7,721,698	21,246	61,121	7,804,065	(9,872)	7,794,193
Operating expenses	7,874,577	29,990	90,719	7,995,286	35,048	8,030,334
Operating loss	\$ (152,879)	\$ (8,744)	\$ (29,598)	\$ (191,221)	\$ (44,920)	\$ (236,141)
Identifiable assets	\$11,026,039	\$2,523,404	\$957,565	\$14,507,008	\$1,368,340	\$15,875,348

For the year ended March 31, 2004	Geographic region				Elimination or corporate	Consolidated
	Japan	North America	Others	Total		
	Millions of yen					
Net sales:						
Customers	¥509,677	¥ 2,194	¥ 5,523	¥ 517,394	¥ —	¥ 517,394
Inter-segment	522	57	108	687	(687)	—
Total	510,199	2,251	5,631	518,081	(687)	517,394
Operating expenses	558,681	3,507	7,506	569,694	2,594	572,288
Operating loss	¥ (48,482)	¥ (1,256)	¥ (1,875)	¥ (51,613)	¥ (3,281)	¥ (54,894)
Identifiable assets	¥804,978	¥334,679	¥69,367	¥1,209,024	¥212,183	¥1,421,207

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

The significant countries in each region are shown below:

North America: United States of America and Canada

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

Unallocated operating expenses for the fiscal years ended March 31, 2004 and 2005 in the column "Elimination or corporate," which mainly represent the expenses of the corporate division of the Company, were ¥3,482 million and ¥6,867 million (\$63,948 thousand), respectively.

Corporate assets at March 31, 2004 and 2005 in the column "Elimination or corporate" were ¥223,971 million and ¥151,911 million (\$1,414,571 thousand), respectively. Corporate assets represent mainly surplus operating funds (cash and marketable securities), long-term investment securities of the Company and assets held by the corporate division of the Company.

## (3) Sales to overseas customers

Sales to overseas customers for the fiscal years ended March 31, 2004 and 2005 were omitted because total overseas sales were less than 10% of total consolidated sales.



**ChuoAoyama PricewaterhouseCoopers**

**PRICEWATERHOUSECOOPERS** 

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

To the Board of Directors  
SOFTBANK CORP.

We have audited the accompanying consolidated balance sheets of SOFTBANK CORP. and its subsidiaries as of March 31, 2004 and 2005, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SOFTBANK CORP. and its subsidiaries as of March 31, 2004 and 2005, 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.

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

*ChuoAoyama PricewaterhouseCoopers*

Tokyo, Japan  
June 22, 2005



## Domestic

### SOFTBANK CORP.

<http://www.softbank.co.jp/english/>

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

### SOFTBANK BB Corp.

<http://www.softbankbb.co.jp/english/>

1-9-1, Higashi-Shimbashi, Minato-ku, Tokyo 105-7304, Japan

### JAPAN TELECOM CO., LTD.

<http://www.japan-telecom.co.jp/english/>

1-9-1, Higashi-Shimbashi, Minato-ku, Tokyo 105-7316, Japan

### Yahoo Japan Corporation

<http://www.yahoo.co.jp/>

Roppongi Hills Mori Tower, 6-10-1, Roppongi, Minato-ku,

Tokyo 106-6182, Japan

### SOFTBANK Broadmedia Corporation

<http://www.broadmedia.co.jp/e-intro.html>

Aoyama Tower Place, 6F, 8-4-14, Akasaka,

Minato-ku, Tokyo 107-0052, Japan

### SOFTBANK TECHNOLOGY CORP.

<http://www.tech.softbank.co.jp/>

Iidabashi Building, 8th Floor, 13-1, Nishi-Gokencho, Shinjuku-ku,

Tokyo 162-0812, Japan

### SOFTBANK Media & Marketing Corp.

<http://www.softbankmm.co.jp/>

4-13-13, Akasaka, Minato-ku, Tokyo 107-0052, Japan

## Overseas

### SOFTBANK Holdings Inc.

300 Delaware Avenue,

Wilmington, DE 19801, U.S.A.

### SOFTBANK Korea Co., Ltd.

<http://www.softbank.co.kr/>

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159-1 Samsung-dong, Kangnam-gu,

Seoul 135-798, Republic of Korea

### SB CHINA HOLDINGS PTE LTD

<http://www.sbcvc.com/>

15 A-C, HuaMin Empire Plaza,

728 YanAn Road (West), Shanghai 200050, P.R.C.

## Corporate Outline

### Corporate Name:

SOFTBANK CORP.

### Corporate Headquarters:

1-9-1, Higashi-Shimbashi, Minato-ku, Tokyo 105-7303, Japan  
TEL: +81-3-6889-2000

### Founded:

September 3, 1981

### Paid-in Capital:

¥162,397,286,101 (As of March 31, 2005)

### Stock Exchange Registration:

Tokyo Stock Exchange, First Section

### Annual Meeting:

June

### Independent Auditors:

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

### Transfer Agent:

UFJ Trust Bank Limited

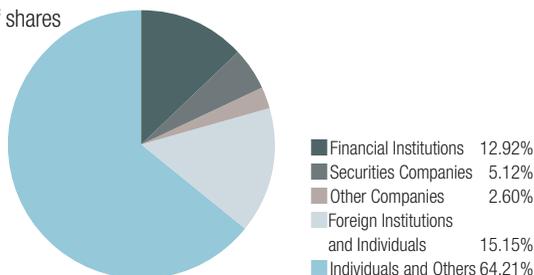
## Stock and Shareholder Information (As of March 31, 2005)

### Stock Information

Shares authorized	1,200,000,000 shares
Shares issued	351,498,126 shares
Number of shareholders	235,462

### Breakdown of Shareholders by Category

Percentage of shares



### Principal Shareholders

Name	Number of shares held (thousands)	Percentage of total shares issued (%)
Masayoshi Son	110,715	31.56
Japan Trustee Services Bank, Ltd.	12,034	3.43
The Master Trust Bank of Japan, Ltd.	10,868	3.09
Trust & Custody Services Bank, Ltd.	6,109	1.74
Clearstream Banking SA Agent: Tokyo Branch of HSBC Securities	6,059	1.72
Japan Securities Finance Co., Ltd.	4,383	1.24
Son Holdings Inc.	3,580	1.02
UBS AG London Asia Equities (Standing proxy: UBS Securities LLC)	2,858	0.81
BNP Paribas Securities (Japan) Limited (BNP Paribas Securities Corp.)	2,561	0.73
Caryon DMA OTC (Standing proxy: Caryon Securities Corp., Tokyo Branch)	2,293	0.65

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

Japan Trustee Services Bank, Ltd.	12,034 thousand shares
The Master Trust Bank of Japan, Ltd.	10,868 thousand shares
Trust & Custody Services Bank, Ltd.	6,109 thousand shares

Please use the following URL to register for "SOFTBANK BB mail":  
<http://www.softbank.co.jp/BBMail/> (only in Japanese)



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