

**SOFTBANK CORP.**  
**CONSOLIDATED FINANCIAL REPORT**  
**For the First Quarter ended June 30, 2003**

**FINANCIAL HIGHLIGHTS**

**1. Results of Operations**

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

	Net Sales	Operating loss	Ordinary loss	Net loss
<b>Three-month period ended June 30, 2003</b>	<b>¥103,881</b>	<b>¥(24,197)</b>	<b>¥(30,633)</b>	<b>¥(34,734)</b>
FY2003 April 2002 through March 2003	406,892	(91,997)	(109,808)	(99,989)

	Net loss per share— primary (yen)	Net loss per share— diluted (yen)
<b>Three-month period ended June 30, 2003</b>	<b>¥(103.31)</b>	-
FY2003 April 2002 through March 2003	(296.94)	-

Note: No changes in accounting methods

**2. Financial Condition**

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

	Total assets	Shareholders' equity	Equity ratio (%)	Shareholders' equity per share (yen)
<b>June 30, 2003</b>	<b>¥1,008,478</b>	<b>¥272,630</b>	<b>27.0</b>	<b>¥809.35</b>
FY2003 March 31, 2003	946,331	257,396	27.2	767.56

**3. Cash Flows**

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

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at end of the period
<b>Three-month period ended June 30, 2003</b>	<b>¥(37,821)</b>	<b>¥(7,899)</b>	<b>¥22,791</b>	<b>¥124,660</b>
FY2003 April 2002 through March 2003	(68,600)	119,749	(17,615)	147,526

**4. Scope of Consolidation at June 30, 2003**

Consolidated subsidiaries:	251
Equity-method non-consolidated subsidiaries:	4
Equity-method affiliates:	111

**5. Changes in Scope of Consolidation during the three-month period ended June 30, 2003**

Consolidated subsidiaries:

Newly included:	2
Newly excluded:	20

Equity-method non-consolidated subsidiaries and affiliates:

Newly included:	4
Newly excluded:	5

## Management Policies

The core management philosophy of the SOFTBANK Group (the “Group”) is “Endeavoring to benefit society and the economy by fostering the sharing of wisdom and knowledge gained through the IT revolution.” By conducting business activities in a creative manner, the Group focuses its energy on both benefiting society and increasing its enterprise value.

In line with the management vision of accelerating the IT revolution by promoting the use of broadband, the Group in recent years has taken the lead in increasing the utilization of broadband. The Group’s policy is to use broadband to maximize its enterprise value. The Group expects to accomplish this policy by promoting the growth of broadband-related markets through the establishment of an environment in which low-cost, high-speed, high-capacity, and always-on Internet access is readily available. The Group’s strategy for the medium and long terms is to use its broadband infrastructure businesses to capture synergies that can create an Internet-based group of companies with a diversified profit structure and the ability to generate cash.

In Japan, the number of broadband subscribers rose to 10.93 million as of the end of June 2003, a figure that includes more than 8.25 million DSL subscribers (Data from Ministry of Public Management, Home Affairs, Posts and Telecommunications). In the broadband infrastructure business, a sector of the highest priority for the Group, the *Yahoo! BB* service, which jointly provided by SOFTBANK BB Corp. and Yahoo Japan Corporation, surpassed 2.82 million in cumulative lines installed as of the end of June 2003. *Yahoo! BB* has maintained the leading market share in the ADSL sector as both a communications carrier and ISP. In addition, the number of *Yahoo! BB* paying customers passed the 2-million level in June 2003. The Group already has an overwhelming lead in the market for IP telephony services. Now, the Group will also be placing emphasis on content developed on its infrastructure. In this domain, all Group broadband businesses will be promoted to build a profit structure that is diversified and has long-term stability.

Regarding the Group’s important issues, the Group is working on rapidly achieving profitability in its Broadband Infrastructure segment and further growth and stability in its other businesses, which have already become profitable. Another important issue is diversifying fund raising channels. On June 30, 2003, SOFTBANK CORP. decided to sell all its shares in Aozora Bank, Ltd. to Cerberus NCB Acquisition, L.P. (“Cerberus”). Proceeds from this sale, which will be received when Cerberus completes its take-over bid, are earmarked for the broadband infrastructure business and other activities. In

**addition, the Group's policy is to establish many methods of raising funds, such as lease finance and liquidation of assets, needed for up-front investments in the broadband infrastructure business, such as capital expenditures and customer acquisition costs.**

## Results of Operations and Financial Position

### 1. Consolidated Results of Operations

#### Summary of First-Quarter Results

First-quarter net sales totaled ¥103,881 million. In addition to net sales in the e-Commerce segment, there were strong performances in the Broadband Infrastructure segment as the number of paying customers grew and in the Internet Culture segment.

Operating loss was ¥24,197 million, mainly due to expenses associated with growth in the scale of operations in the Broadband Infrastructure segment. Excluding the Broadband Infrastructure segment, results continued to be steady at the operating level with a profit of ¥4,692 million.

Ordinary loss was ¥30,633 million. In non-operating items, there were a net equity gain under the equity method of ¥880 million and a net exchange gain of ¥364 million. However, interest expense was ¥2,767 million because of an increase in long-term debt. Other non-operating expenses were ¥6,807 million.

Net loss was ¥34,734 million. After net special income of ¥5,694 million, the sum of special income of ¥12,362 million and special loss of ¥6,667 million, the loss before income taxes and minority interest was ¥24,938 million. The largest component of special income was a gain on sale of investment securities of ¥11,280 million representing the partial sale of stock in UTStarcom, Inc. and cyber communications inc. The largest component of special loss was a valuation loss on investment securities of ¥2,339 million, mainly in the Overseas Funds segment.

#### Results of Operations by Business Segment

**Broadband Infrastructure**—Segment sales totaled ¥23,809 million. Contributing to this performance were SOFTBANK BB Corp., where there was growth in the *Yahoo! BB* business in terms of both the number of paying customers and average revenue per user as additional services being expanded, and Yahoo Japan Corporation, where there was growth in ISP revenues. Growth also continued at IP REVOLUTION, INC. as the number of customers rose. The segment had an operating loss of ¥28,890 million, mainly the result of expenses in the *Yahoo! BB* business for acquiring new customers and other activities.

**e-Commerce**—Segment sales were ¥56,309 million. Due to weakness throughout the industry, sales of hardware and software were sluggish at SOFTBANK BB Corp. First-quarter sales are normally lower than in other periods because hardware and

software sales tend to be concentrated in the four-month period ending in March of each fiscal year. Segment operating income was ¥645 million as competitive forces squeezed the gross profit margin. Operating income remained generally steady at other e-Commerce segment companies. Carview Corporation (formerly CarPoint K.K.), e-Career CORP. and several other companies increased earnings. Dee Corp. increased sales and operating income, turning to profitability at the operating level.

**e-Finance**—Segment revenue totaled ¥7,009 million. Brokerage commissions increased as the number of accounts, including margin accounts, and stock transactions at E\*TRADE SECURITIES CO., LTD. (E\*TRADE) rose. Operating income was ¥447 million, which included financial income at E\*TRADE, a gain on sale of operational investment securities and other items. On June 2, 2003, SOFTBANK INVESTMENT CORPORATION merged with E\*TRADE Japan K.K., with the former the surviving company.

**Broadmedia**—Segment sales were ¥3,125 million. Incentive revenue from sales promotion for the *Yahoo! BB* service at Club iT Corporation contributed to this performance, although there was a decline in membership at “Club iT”, a CS broadcasting service organization. The segment had an operating loss of ¥749 million. The primary cause was start-up and development-related expenses at BB Cable Corporation, which operates the “BB Cable TV” service via the ADSL network.

**Internet Culture**—Segment sales totaled ¥13,165 million. Advertising revenues at Yahoo Japan Corporation increased for the sixth consecutive quarter, rising to an all-time high. In addition, sales were strong in the auction business due to the introduction of a system utilization fee. Operating income was ¥6,648 million.

## **2. Consolidated Financial Position**

### **Balance Sheet Analysis**

**Total current assets** decreased ¥13,131 million to ¥394,305 million, compared with March 31, 2003 mainly because of an ¥18,144 million decline in cash and deposits.

**Property and equipment** increased ¥9,383 million to ¥111,633 million mainly because of capital expenditures by SOFTBANK BB Corp. in its broadband infrastructure business.

**Total investments and other assets** increased ¥65,422 million to ¥477,769 million. The primary reason was a ¥73,768 million increase in investment securities, which included an increase in the market value of stock in Yahoo! Inc. and UTStarcom, Inc. UTStarcom, Inc. was reclassified from an equity-method affiliate to an available-for-sale security

and carried at fair market value at the end of the quarter.

**Total liabilities** increased ¥43,889 million to ¥686,818 million, compared with March 31, 2003. The major reasons were a ¥26,819 million increase in long-term debt, mainly at SOFTBANK America Inc., and a ¥24,399 million increase in long-term deferred tax liabilities resulting mainly from the increase in net unrealized gain on other securities in relation to stock in Yahoo! Inc. and UTStarcom, Inc. Due to the seasonal decline in sales of hardware and software and to other factors, notes and accounts payable–trade decreased ¥20,024 million to ¥38,509 million.

**Total shareholders' equity** increased ¥15,233 million to ¥272,630 million. Accumulated deficits increased ¥37,485 million because of the net loss in this period, while net unrealized gain on other securities increased ¥51,283 million, reflecting increases in the value of stock in Yahoo! Inc. and UTStarcom, Inc.

#### **Cash Flows Analysis**

Cash was provided by financing activities, but was used for operating and investing activities. As a result, cash and cash equivalents decreased ¥22,865 million to ¥124,660 million, compared with March 31, 2003.

**Net cash used for operating activities** was ¥37,821 million. Loss before income taxes and minority interest was ¥24,938 million, mainly the result of the operating loss in the Broadband Infrastructure segment. Income taxes paid was ¥9,886 million mainly at Yahoo Japan Corporation.

**Net cash used for investing activities** was ¥7,899 million. Proceeds from sale of marketable and investment securities, including stock in UTStarcom, Inc., totaled ¥19,559 million, but ¥22,890 million was used for the purchase of property and equipment and intangibles, mainly transmission equipment at SOFTBANK BB Corp., and for other requirements.

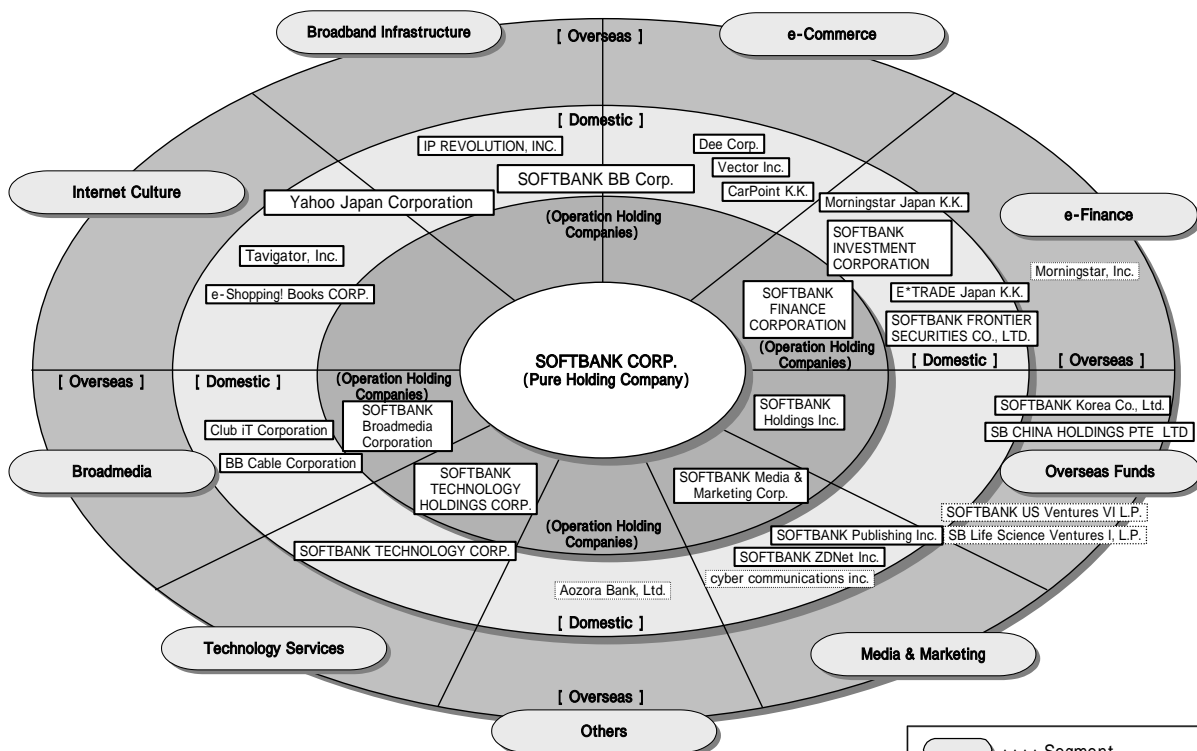
**Net cash provided by financing activities** was ¥22,791 million. Short-term borrowings decreased ¥22,850 million, but proceeds from long-term debt totaled ¥45,406 million, mainly reflecting borrowings at SOFTBANK America Inc.

## The SOFTBANK Group

As of June 30, 2003, the SOFTBANK Group comprised 366 companies with operation in 8 segments as follows.

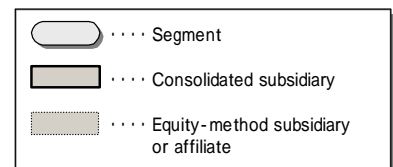
Business segment	Consolidated subsidiaries (includes partnerships)	Equity-method non-consolidated subsidiaries and affiliates (includes partnerships)	Principal products and operational content of each business
1. Broadband Infrastructure	14	8	ADSL high-speed Internet connection service and IP telephony service; fiber-optic ultra-high-speed Internet connection service and other operations
2. e-Commerce	18	10	Sales of PC software and such hardware as PCs and peripherals; enterprise solutions; diversified e-commerce business, including e-commerce between business and consumer
3. e-Finance	117	17	All-inclusive Web-based financial operations, including Internet securities operations; management of domestic venture capital funds; incubation of portfolio corporations
4. Media & Marketing	13	6	Book and magazine publication in such areas as PCs, the Internet, entertainment, etc.; exhibition management; web content development
5. Broadmedia	14	2	Provision of applications and content for broadband broadcasting and communications and promoting the spread of such operations
6. Internet Culture	16	5	Internet-based advertising operations; broadband portal business; Internet-based auction business
7. Technology Services	7	4	Systems solutions business; business solutions business
8. Overseas Funds	42	55	U.S.- and Asia-focused global private equity operations in Internet-related companies
9. Others	10	8	Holding company functions for overseas operations; back-office services in Japan
<b>Total</b>	<b>251</b>	<b>115</b>	

Note: SOFTBANK BB Corp., which is engaged in the Broadband Infrastructure and e-Commerce segments, is included in the Broadband Infrastructure segment; Yahoo Japan Corporation, which is engaged in the Internet Culture and Broadband Infrastructure segments, is included in the Internet Culture segment. Both of them are consolidated subsidiaries.



Notes: Changes after July 1, 2003

- (1) Aozora Bank, Ltd.: SOFTBANK will take necessary procedures to sell its shares in Aozora Bank through a TOB initiated by Cerberus NCB Acquisition, L.P.
- (2) "CarPoint K.K.": The corporate name changed to "Carview Corporation" from July 1, 2003.





## CONSOLIDATED BALANCE SHEETS

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

	June 30, 2003		March 31, 2003		Increase (decrease)
	Amount	%	Amount	%	
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and deposits	¥129,358		¥147,503		¥(18,144)
Notes and accounts receivable - trade	54,710		64,255		(9,544)
Marketable securities	2,562		5,059		(2,497)
Inventories	35,959		42,201		(6,242)
Deferred tax assets	6,228		7,035		(807)
Receivables related to margin transaction:	63,138		48,847		14,290
Other current assets	110,528		99,802		10,725
Less : allowance for doubtful accounts	(8,179)		(7,268)		(911)
<b>Total current assets</b>	<b>394,305</b>	<b>39.1</b>	<b>407,437</b>	<b>43.1</b>	<b>(13,131)</b>
<b>Non-current assets:</b>					
<b>Property and equipment, net</b>					
Transmission equipment	91,215		79,284		11,930
Other	20,417		22,964		(2,547)
<b>Total tangible assets</b>	<b>111,633</b>	<b>11.1</b>	<b>102,249</b>	<b>10.8</b>	<b>9,383</b>
<b>Intangible assets, net</b>					
Software	12,454		11,194		1,260
Consolidation adjustment	8,965		9,830		(864)
Other intangibles	3,007		2,814		193
<b>Total intangible assets</b>	<b>24,427</b>	<b>2.4</b>	<b>23,838</b>	<b>2.5</b>	<b>588</b>
<b>Investments and other assets</b>					
Investment securities	341,183		267,414		73,768
Investments in partnerships	88,730		97,606		(8,875)
Long-term loans	835		780		55
Deferred tax assets	33,536		32,701		835
Other assets	15,276		15,637		(360)
Less : allowance for doubtful accounts	(1,794)		(1,794)		(0)
<b>Total investments and other assets</b>	<b>477,769</b>	<b>47.4</b>	<b>412,346</b>	<b>43.6</b>	<b>65,422</b>
<b>Deferred charges</b>	<b>343</b>	<b>0.0</b>	<b>459</b>	<b>0.0</b>	<b>(115)</b>
<b>Total assets</b>	<b>¥1,008,478</b>	<b>100.0</b>	<b>¥946,331</b>	<b>100.0</b>	<b>¥62,147</b>

## CONSOLIDATED BALANCE SHEETS

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

	June 30, 2003		March 31, 2003		Increase (decrease)
	Amount	%	Amount	%	
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
<b>Current liabilities:</b>					
Notes and accounts payable - trade	¥38,509		¥58,534		¥(20,024)
Short-term borrowings	145,432		150,557		(5,124)
Commercial paper	4,000		4,000		-
Current portion of corporate bonds	56,219		56,219		-
Current portion of convertible bonds	60		60		-
Accounts payable - other	50,994		60,243		(9,248)
Accrued expenses	15,591		14,576		1,015
Income taxes payable	9,856		10,912		(1,055)
Deferred tax liabilities	9,596		5,978		3,618
Payables related to margin transactions	53,250		44,458		8,791
Other current liabilities	67,614		52,964		14,649
<b>Total current liabilities</b>	<b>451,126</b>	<b>44.7</b>	<b>458,504</b>	<b>48.5</b>	<b>(7,378)</b>
<b>Long-term liabilities:</b>					
Corporate bonds	121,049		121,763		(713)
Convertible bonds	45		45		-
Long-term debt	34,969		8,149		26,819
Deferred tax liabilities	57,684		33,285		24,399
Accrued retirement benefits	28		49		(21)
Other liabilities	21,914		21,130		784
<b>Total long-term liabilities</b>	<b>235,691</b>	<b>23.4</b>	<b>184,424</b>	<b>19.4</b>	<b>51,267</b>
<b>Total liabilities</b>	<b>686,818</b>	<b>68.1</b>	<b>642,929</b>	<b>67.9</b>	<b>43,889</b>
<b>Minority interest in consolidated subsidiaries</b>	<b>49,029</b>	<b>4.9</b>	<b>46,005</b>	<b>4.9</b>	<b>3,024</b>
<b>Shareholders' equity:</b>					
Common stock	137,867	13.6	137,867	14.6	-
Additional paid-in capital	162,264	16.1	162,231	17.1	32
Accumulated deficits	(138,516)	(13.7)	(101,031)	(10.7)	(37,485)
Net unrealized gain on other securities	90,879	9.0	39,595	4.2	51,283
Translation adjustments	20,176	2.0	20,932	2.2	(756)
Less: treasury stock	(40)	(0.0)	(2,199)	(0.2)	2,158
<b>Total shareholders' equity</b>	<b>272,630</b>	<b>27.0</b>	<b>257,396</b>	<b>27.2</b>	<b>15,233</b>
<b>Total liabilities and shareholders' equity</b>	<b>¥1,008,478</b>	<b>100.0</b>	<b>¥946,331</b>	<b>100.0</b>	<b>¥62,147</b>

## CONSOLIDATED STATEMENTS OF INCOME

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

	Three-month period ended		FY2003	
	June 30, 2003		April 2002 through March 2003	
	Amount	%	Amount	%
<b>Net sales</b>	<b>¥103,881</b>	<b>100.0</b>	¥406,892	100.0
<b>Cost of sales</b>	<b>83,824</b>	<b>80.7</b>	361,243	88.8
<b>Gross profit</b>	<b>20,057</b>	<b>19.3</b>	45,648	11.2
<b>Selling, general and administrative expenses</b>	<b>44,255</b>	<b>42.6</b>	137,646	33.8
<b>Operating loss</b>	<b>(24,197)</b>	<b>(23.3)</b>	(91,997)	(22.6)
Interest income	159		1,092	
Exchange gain	364		-	
Equity in gain under the equity method	880		11,107	
Other non-operating income	1,735		5,553	
<b>Non-operating income</b>	<b>3,139</b>	<b>3.0</b>	17,753	4.4
Interest expense	2,767		8,741	
Exchange loss	-		7,704	
Other non-operating expenses	6,807		19,119	
<b>Non-operating expenses</b>	<b>9,575</b>	<b>9.2</b>	35,564	8.8
<b>Ordinary loss</b>	<b>(30,633)</b>	<b>(29.5)</b>	(109,808)	(27.0)
Gain on sale of investment securities	11,280		127,607	
Other special income	1,082		6,797	
<b>Special income</b>	<b>12,362</b>	<b>11.9</b>	134,405	33.0
Loss on sale of investment securities	20		10,846	
Valuation loss on investment securities	2,339		33,848	
Valuation loss on investment in affiliates	545		32,323	
Other special losses	3,762		19,051	
<b>Special loss</b>	<b>6,667</b>	<b>6.4</b>	96,071	23.6
<b>Loss before income taxes and minority interest</b>	<b>(24,938)</b>	<b>(24.0)</b>	(71,474)	(17.6)
<b>Income taxes:</b>				
Current	9,360	9.0	14,849	3.6
Refunded	-	-	11,125	2.7
Deferred	(721)	(0.7)	27,350	6.7
<b>Minority interest</b>	<b>1,156</b>	<b>1.1</b>	(2,560)	(0.6)
<b>Net loss</b>	<b>¥(34,734)</b>	<b>(33.4)</b>	¥(99,989)	(24.6)

Note: SOFTBANK CORP. had presented the results of the financing businesses separately in the accounts of "Revenue from financing business" and "Financing business expenses" in the consolidated statements of income. Effective from April 1, 2003, SOFTBANK CORP. has presented the combined results of operations of non-financing business and financing business in the accounts of "Net sales", "Cost of sales", and "Selling, general and administrative expenses" in the consolidated statements of income for the first quarter period ended June 30, 2003.

**CONSOLIDATED STATEMENTS OF  
ADDITIONAL PAID-IN CAPITAL AND RETAINED EARNINGS**

	(Millions of yen; amounts less than one million yen are omitted.)	
	Three-month period ended	FY2003
	June 30, 2003	April 2002 through March 2003

**ADDITIONAL PAID-IN CAPITAL**

<b>Additional paid-in capital at the beginning of the period</b>	<b>¥162,231</b>	¥162,231
Increase in paid-in capital due to sale of treasury stock	32	-
<b>Additional paid-in capital at the end of the period</b>	<b>¥162,264</b>	¥162,231

	(Millions of yen; amounts less than one million yen are omitted.)	
	Three-month period ended	FY2003
	June 30, 2003	April 2002 through March 2003

**RETAINED EARNINGS (DEFICITS)**

<b>Retained earnings (deficits) at the beginning of the period</b>	<b>(¥101,031)</b>	¥4,035
Net loss	(34,734)	(99,989)
Cash dividends	(2,342)	(2,358)
Bonuses to directors	(70)	(75)
Net adjustments to retained earnings due to changes in investment in the affiliated companies accounted for under the equity method	(381)	(2,636)
Increase in retained earnings of consolidated subsidiaries excluded from consolidation	44	11
Decrease in retained earnings of subsidiaries included into consolidation	-	(2)
Decrease due to merger	-	(17)
<b>Accumulated deficits at the end of the period</b>	<b>¥(138,516)</b>	¥(101,031)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Three-month period ended June 30, 2003	FY2003 April 2002 through March 2003
<b>I Cash flows from operating activities:</b>		
Loss before income taxes and minority interest	¥(24,938)	¥(71,474)
Adjustments to reconcile loss before income taxes and minority interest to net cash used for operating activities:		
Depreciation and amortization	7,587	20,904
Equity in gain under the equity method, net	(880)	(11,107)
Valuation loss on investment securities	2,884	66,172
Gain on sale of marketable and investment securities, net	(11,259)	(116,839)
Exchange loss, net	567	8,626
Interest and dividend income	(322)	(1,311)
Interest expense	2,767	8,741
Decrease (increase) in receivables- trade	9,626	(3,522)
(Decrease) increase in payables-trade	(20,172)	3,172
(Increase) decrease in other receivables	(11,197)	8,576
Increase in other payables	8,587	2,208
Others, net	10,439	32,792
	(26,311)	(53,061)
Interest and dividends received	552	1,138
Interest paid	(2,174)	(9,386)
Income taxes paid	(9,886)	(13,202)
Refund of income taxes	-	5,911
Net cash used for operating activities	(37,821)	(68,600)
<b>II Cash flows from investing activities:</b>		
Purchase of property and equipment and intangibles	(22,890)	(64,500)
Purchase of marketable and investment securities	(686)	(33,413)
Proceeds from sale of marketable and investment securities	19,559	171,350
Additional investments in newly consolidated entities	-	(591)
Proceeds from sale of interests in subsidiaries previously consolidated	-	(23)
Proceeds from sale of interests in consolidated subsidiaries	292	56,356
Increase in loan receivables	(2,729)	(5,211)
Collection of loans	812	1,975
Others, net	(2,258)	(6,191)
Net cash (used for) provided by investing activities	(7,899)	119,749
<b>III Cash flows from financing activities:</b>		
Proceeds from issuance of shares to minority shareholders	43	4,842
(Decrease) increase in short-term borrowings, net	(22,850)	44,104
Proceeds from issuance of commercial paper	-	14,000
Repayment of commercial paper	-	(20,000)
Proceeds from long-term debt	45,406	1,380
Repayment of long-term debt	(859)	(7,758)
Proceeds from issuance of bonds	-	2,496
Repayment of bonds	(108)	(52,223)
Cash dividends paid	(1,530)	(2,354)
Cash dividends paid to minority shareholders	(54)	(122)
Others, net	2,745	(1,980)
Net cash provided by (used for) financing activities	22,791	(17,615)
<b>IV Effect of exchange rate changes</b>	213	(5,728)
<b>V Net (decrease) increase in cash and cash equivalents</b>	(22,716)	27,805
<b>VI Increase in cash and cash equivalents due to the companies newly consolidated</b>	-	60
<b>VII Decrease in cash and cash equivalents due to exclusion of the entities previously consolidated</b>	(149)	(194)
<b>VIII Cash and cash equivalents at the beginning of the period</b>	147,526	119,855
<b>IX Cash and cash equivalents at the end of the period</b>	¥124,660	¥147,526

## **Basis of Presentation of Consolidated Financial Statements**

### **1. Changes in scope of consolidation**

(1) As of June 30, 2003, SOFTBANK C O R P . (the "Company") consolidated 251 subsidiaries. 15 subsidiaries were not consolidated due to their immateriality in terms of the consolidated total assets, sales and revenues, net loss and accumulated deficits of the SOFTBANK consolidated financial statements.

(2) As of June 30, 2003, the Company held four non-consolidated subsidiaries and 111 affiliated companies, all of which were accounted for under the equity method.

The Company has excluded its shares of UTStarcom, Inc. ("UTStarcom") from the scope of the affiliated companies, which it had previously accounted for under the equity method, due to the decrease of its shareholding percentage in UTStarcom through a partial sale of its shares of that company.

### **2. Summary of significant accounting policies and methods**

[1] Standards and methods of valuation for significant assets

(1) Marketable securities and investment securities

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

Other securities:

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

With no market quotations: Carried at cost, primarily based on the moving-average method

(2) Derivative instruments: Stated at fair value

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

[2] Depreciation and amortization

(1) Property and equipment:

Transmission equipment: Computed using the straight-line method

Others: Computed primarily using the declining-balance method

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

[3] Accounting principles for major allowances and accruals

Allowance for doubtful accounts:

The 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.

[4] 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 in foreign currencies are translated at the foreign exchange rates prevailing at the respective balance sheet dates. Exchange gains or losses are credited or charged to current income when incurred.

The translation of revenues and expenses in the financial statements of foreign subsidiaries into Japanese yen is performed by using the average exchange rates for the period. Assets and liabilities are translated using the foreign exchange rates prevailing at the balance sheet dates, and capital stock is translated using the historical rates.

Foreign currency financial statement translation differences 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".

[5] Leases

Under the Japanese accounting standards, 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 accounted for as operating leases with certain disclosures.

### **3. Scope of cash and cash equivalents in the consolidated statements of cash flows**

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

**(Additional information)**

**Sale of shares of Aozora Bank, Ltd.**

On June 30, 2003, the board of directors of the Company resolved to sell all shares of Aozora Bank, Ltd. to Cerberus NCB Acquisition, L.P. ("Cerberus"). The Company is going to proceed sales procedures by applying for a take-over bid by Cerberus. In addition, Cerberus needs to obtain an approval required under the Long-Term Credit Banking Law.

**I. Overview of sale**

1. Number of shares to be sold: 1,385,548,000 (percentage of shareholding: 48.87%)
2. Sales value: ¥101,100 million (at ¥73 per share)
3. Purchaser: Cerberus
4. Implementation plan: Applying of all shares for a take-over bid by Cerberus
5. Timing: In the late of August 2003 (plan)

**II. Reason of sale and use of proceeds**

The Company plans to apply all proceeds of sale to the broadband infrastructure businesses, on which the entire SOFTBANK Group has been focusing.

**III. Expected impact on results of operation for fiscal year 2004  
(assuming sale of all shares held by the Company )**

1. Stand-alone result: Gain on sale of investment in affiliates of approximately ¥50,000 million
2. Consolidated result: Loss on sale of investment securities of approximately ¥10,000 million

## NOTES

### 1. Accumulated depreciation of property and equipment

	June 30, 2003	March 31, 2003
	<b>32,754 million yen</b>	27,417 million yen

### 2. Number of treasury stock held by the Company and its subsidiaries

		June 30, 2003	March 31, 2003
Held by the Company	common stock	<b>26,285 shares</b>	24,781 shares
Held by consolidated subsidiaries	common stock	<b>- shares</b>	1,558,719 shares
Number of shares issued	common stock	<b>336,876,826 shares</b>	336,876,826 shares

### 3. Receivables and payables relating to margin transactions

Receivables and payables relating to margin transactions in securities businesses engaged by certain consolidated subsidiaries are as follows:

	June 30, 2003	March 31, 2003
Receivables related to margin transactions -		
Loans receivable from customers for margin transactions	<b>55,779 million yen</b>	42,457 million yen
Cash deposits as collateral for securities borrowed from securities finance companies	<b>7,358</b>	6,389
Payables related to margin transactions -		
Loans from securities finance companies for margin transactions	<b>30,476</b>	27,906
Proceeds from securities sold for margin transactions	<b>22,773</b>	16,552

### 4. Assets pledged as collateral

(1) For future lease liabilities

	June 30, 2003	March 31, 2003
<u>Assets pledged as collateral:</u>		
Notes and accounts receivable - trade	<b>5,504 million yen</b>	9,450 million yen
Other current assets (accounts receivable -other)	<b>72</b>	81
<u>Secured liabilities:</u>		
Notes and accounts payable - trade	<b>220 million yen</b>	251 million yen

Note: The collateral for the future lease liabilities was provided by mortgaging against the aggregate of the current and future receivables due from customers of certain consolidated subsidiaries and a broadcasting company, based on marketing agreements, etc.

The future lease liabilities at the end of periods are as follows:

	June 30, 2003	March 31, 2003
Future lease liabilities (including the above "Notes and accounts payable-trade")	<b>31,134 million yen</b>	32,732 million yen



#### 4. Assets pledged as collateral (continued)

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

	June 30, 2003	March 31, 2003
<u>Assets pledged as collateral:</u>		
Inventory	1,982 million yen	1,704 million yen
Property and equipment	193	195
Investment securities	161,395	55,711
<u>Secured liabilities:</u>		
Short-term borrowings	18,057	19,920
Accrued expenses	-	58
Long-term debt	28,904	1,350

Note: SOFTBANK America Inc. ("SBA"), a wholly-owned subsidiary of the Company, pledged and delivered investment securities into a collateral securities account. SBA is able to release the excess amount over 142.857% of the secured liabilities.

The assets pledged as collateral and secured liabilities at the end of the periods are as follows

	June 30, 2003	March 31, 2003
<u>Assets pledged as collateral:</u>		
Investment securities (Book value)	161,395 million yen	55,711 million yen
(Fair market value)	161,395	63,175
(Releasable amount)	78,513	34,758
<u>Secured liabilities:</u>		
Short-term borrowings	17,970	19,833
Accrued expenses	-	58
Long-term debt	27,554	-

(3) For long-term debt owed by a third party

	June 30, 2003	March 31, 2003
<u>Assets pledged as collateral:</u>		
Investments in partnerships	2,004 million yen	2,229 million yen
<u>Secured liabilities:</u>		
Long-term debt owed by a third party	2,376	2,388

#### 5. Guaranteed obligation

In connection with an acquisition of license from the Monetary Authority of Singapore ("MAS") of security businesses by SBI E2-Capital Securities Pte Ltd, an affiliate of the Company, and SBI E2-Capital Pte Ltd, an investee of the Company's subsidiary in Singapore, SOFTBANK INVESTMENT INTERNATIONAL (STRATEGIC) LIMITED ("SBIIS") in Hong Kong, a consolidated subsidiary of the Company, has provided MAS the Letter of Undertaking, stipulating that SBIIS undertakes irrevocably and unconditionally to pay and settle all obligations and liabilities of those two entities. E2-Capital (Holdings) Limited has also provided the same Letter of Undertaking to MAS.

#### 6. Line of credit as a creditor (not used)

	June 30, 2003	March 31, 2003
	131 million yen	51 million yen

#### 7. Balance of accounts receivable sold

	June 30, 2003	March 31, 2003
	5,328 million yen	7,466 million yen

## 8. Valuation loss on investments in subsidiaries and affiliates

"Valuation loss on investments in affiliates" presented as a special loss in the consolidated statements of income is as follows.

### (1) Valuation loss on investment in consolidated subsidiaries

<b>June 30, 2003</b>	March 31, 2003
<b>545 million yen</b>	10,610 million yen

### (2) Valuation loss on investment in affiliates accounted for under the equity method

<b>June 30, 2003</b>	March 31, 2003
<b>- million yen</b>	21,713 million yen

## 9. Consolidated statements of cash flows

Reconciliation of cash and cash equivalents to the amounts presented in the accompanying consolidated balance sheet

	<b>June 30, 2003</b>	March 31, 2003
Cash and deposits	<b>129,358 million yen</b>	147,503 million yen
Marketable securities	<b>2,562</b>	5,059
Time deposits with original maturity over three months	<b>(5,561)</b>	(2,866)
Deposits received from customers in the commodities business	<b>(144)</b>	(29)
Stocks and bonds with original maturity over three months	<b>(1,553)</b>	(2,140)
Cash and cash equivalents	<b>124,660 million yen</b>	147,526 million yen

## 10. Leases

### 1. Capital leases in which the ownership of leased assets is not transferred to lessees at the end of lease periods

#### (as a lessee)

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

	<b>June 30, 2003</b>	March 31, 2003
Property and equipment		
Equivalent to acquisition costs	<b>52,309</b>	52,311
Less: amount equivalent to accumulated depreciation	<b>(19,247)</b>	(17,328)
Net book value	<b>33,061 million yen</b>	34,982 million yen
Software (intangible assets)		
Equivalent to acquisition costs	<b>1,267</b>	1,105
Less: amount equivalent to accumulated amortization	<b>(331)</b>	(261)
Net book value	<b>935 million yen</b>	844 million yen
Total		
Equivalent to acquisition costs	<b>53,576</b>	53,417
Less: amount equivalent to accumulated depreciation	<b>(19,579)</b>	(17,589)
Net book value	<b>33,997 million yen</b>	35,827 million yen

(2) The future lease payments for capital lease at the end of the periods

	<b>June 30, 2003</b>	March 31, 2003
Due within one year	<b>12,361</b>	12,434
Due after one year	<b>23,972</b>	25,708
Total	<b>36,333 million yen</b>	38,143 million yen

(3) Lease payments, amounts equivalent to depreciation and interest expense

	<b>Three-month period ended June 30, 2003</b>	FY2003 April 2002 through March 2003
Lease payments	<b>3,441 million yen</b>	12,021 million yen
Amount equivalent to depreciation expense	<b>2,929</b>	10,062
Amount equivalent to interest expense	<b>529</b>	2,142

(4) Calculation method of amount equivalent to depreciation and interest expense

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

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

## 10. Leases (continued)

### 1. Capital leases in which the ownership of leased assets is not transferred to lessees at the end of lease periods

#### (as a lessor)

(1) Acquisition costs, accumulated depreciation and net book value at the end of the periods:

	June 30, 2003	March 31, 2003
Property and equipment		
Acquisition costs	613	613
Less: accumulated depreciation	(294)	(262)
Net book value	319 million yen	350 million yen
Software (intangible assets)		
Acquisition costs	295	295
Less: accumulated amortization	(156)	(141)
Net book value	139 million yen	154 million yen
Total		
Acquisition costs	909	909
Less: accumulated depreciation	(451)	(404)
Net book value	458 million yen	504 million yen

(2) The future lease receivables for capital leases at the end of the periods:

	June 30, 2003	March 31, 2003
Due within one year	191	188
Due after one year	299	348
Total	490 million yen	536 million yen

(3) Lease income, depreciation and amount equivalent to interest income:

	Three-month period ended June 30, 2003	FY2003 April 2002 through March 2003
Lease income	54 million yen	333 million yen
Depreciation expense	46	286
Amount equivalent to interest income	8	63

(4) Calculation method of amount equivalent to interest income:

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

### 2. Non-cancelable operating lease transactions

#### (as a lessee)

The future lease payments for non-cancelable operating lease:

	June 30, 2003	March 31, 2003
Due within one year	257	210
Due after one year	248	240
Total	505 million yen	451 million yen

#### (as a lessor)

No transaction applicable.

## Segment information

### Business Segment Information

(1) For the three-month period ended June 30, 2003

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

	Broadband Infrastructure	e-Commerce	e-Finance	Media & Marketing	Broadmedia	Internet Culture	Technology Services	Overseas Funds	Others	Total	Elimination or corporate	Consolidated
Net Sales												
(1) Third parties	¥23,726	¥53,282	¥5,621	¥3,318	¥2,219	¥13,044	¥1,771	¥632	¥262	¥103,881	-	¥103,881
(2) Inter-segment	82	3,026	1,387	280	906	120	2,335	-	393	8,533	(8,533)	-
Total	23,809	56,309	7,009	3,598	3,125	13,165	4,107	632	656	112,415	(8,533)	103,881
Operating expenses	52,699	55,663	6,561	3,817	3,875	6,517	4,059	470	1,702	135,367	(7,287)	128,079
Operating income (loss)	¥(28,890)	¥645	¥447	¥(218)	¥(749)	¥6,648	¥47	¥162	¥(1,045)	¥(22,952)	¥(1,245)	¥(24,197)

(2) For the year ended March 31, 2003

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

	Broadband Infrastructure	e-Commerce	e-Finance	Media & Marketing	Broadmedia	Internet Culture	Technology Services	Overseas Funds	Others	Total	Elimination or corporate	Consolidated
Net Sales												
(1) Third parties	¥39,945	¥250,782	¥23,615	¥15,916	¥10,442	¥37,740	¥10,912	¥3,277	¥14,258	¥406,892	¥-	¥406,892
(2) Inter-segment	62	15,304	4,551	996	1,502	459	14,815	-	1,603	39,296	(39,296)	-
Total	40,007	266,086	28,167	16,912	11,944	38,200	25,728	3,277	15,862	446,188	(39,296)	406,892
Operating expenses	136,212	263,620	33,990	17,436	13,560	21,319	24,615	1,286	22,246	534,286	(35,397)	498,889
Operating income (loss)	¥(96,204)	¥2,466	¥(5,823)	¥(523)	¥(1,615)	¥16,881	¥1,113	¥1,991	¥(6,383)	¥(88,098)	¥(3,899)	¥(91,997)

Notes:

1. Business segments are categorized primarily based on the nature of business operations, type of services, and similarity of sales channels, etc., which the SOFTBANK Group uses for an internal management purpose.
2. Please refer to the chart of "The SOFTBANK Group" for main businesses by segment

## Investment in debt and equity securities

June 30, 2003

### 1. Other securities (available-for-sale) at fair value

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

	Investment Cost	Carrying Amount	Differences
(1) Equity securities	¥35,473	¥174,415	¥138,942
(2) Debt securities			
Government bonds	109	110	0
(3) Others	483	409	(74)
<b>Total</b>	<b>¥36,066</b>	<b>¥174,935</b>	<b>¥138,868</b>

### 2. Unlisted investment securities

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

	Carrying Amounts
(1) Unlisted held-to-maturity debt securities	
Domestic debt securities	¥0
Foreign debt securities	199
(2) Unlisted other securities (available-for-sale)	
Equity securities (excluding over-the-counter stocks)	16,902
Domestic debt securities	0
Foreign debt securities	1,697
MMF	4,047
Mid-term government bonds fund	261
Preferred fund certificates	2,000
Others	589
<b>Total</b>	<b>¥25,698</b>

March 31, 2003

### 1. Other securities (available-for-sale) at fair value

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

	Investment Cost	Carrying Amount	Differences
Carrying Amount > Investment Cost			
(1) Equity securities	¥16,312	¥78,934	¥62,621
(2) Debt securities			
Government bonds	9	9	0
(3) Others	0	0	0
Sub-total	16,322	78,944	62,622
Carrying Amount < Investment Cost			
(1) Equity securities	7,094	4,444	(2,649)
(2) Debt securities			
Government bonds	100	100	(0)
(3) Others	469	297	(172)
Sub-total	7,664	4,842	(2,822)
<b>Total</b>	<b>¥23,987</b>	<b>¥83,787</b>	<b>¥59,800</b>

### 2. Unlisted investment securities

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

	Carrying Amounts
(1) Unlisted held-to-maturity debt securities	
Domestic debt securities	¥0
Foreign debt securities	199
(2) Unlisted other securities (available-for-sale)	
Equity securities (excluding over-the-counter stocks)	19,109
Domestic debt securities	250
Foreign debt securities	1,724
MMF	4,370
Mid-term government bonds fund	320
Commercial paper	1,999
Preferred fund certificates	2,000
Others	605
<b>Total</b>	<b>¥30,580</b>

## Derivative transactions

### Currency Related

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

	Nature of transaction	June 30, 2003				March 31, 2003			
		Contract amounts		Fair value	Unrealized gain (loss)	Contract amounts		Fair value	Unrealized gain
			Over 1 year				Over 1 year		
Off-market transactions	Swap transactions to-								
	• Receive Australia dollars and pay Japanese yen	¥1,000	¥1,000	¥48	¥48	¥1,000	¥1,000	¥15	¥15
	Option transactions to-								
	• Purchase U.S. dollar call option and Japanese yen put option	12,065	-	142	43	-	-	-	-
	• Sell U.S. dollar put option and Japanese yen call option	11,124	-	(8)	90	-	-	-	-
	Forward exchange contracts to-								
• Purchase U.S. dollars and sell Japanese yen	75,793	27,699	75,946	153	49,124	-	50,105	980	
• Purchase Japanese yen and sell U.S. dollars	282	-	287	(4)	-	-	-	-	
	Total				¥330				¥996

- Notes: 1. Fair value is based on information from financial institutions  
2. The Company and some consolidated subsidiaries entered into forward exchange contracts in order to manage the risk of foreign exchange rate fluctuations relating to the value of assets and liabilities denominated in foreign currency. The Company and its consolidated subsidiaries did not apply hedge accounting.

### Interest Related

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

	Nature of transaction	June 30, 2003				March 31, 2003			
		Notional amounts		Fair value	Unrealized gain (loss)	Notional amounts		Fair value	Unrealized gain (loss)
			Over 1 year				Over 1 year		
Off-market transactions	Swap transactions to-								
	• Receive fixed rate and pay floating rate	¥1,285	¥1,142	¥80	¥80	¥1,528	¥1,285	¥121	¥121
	• Receive floating rate and pay fixed rate	2,142	1,571	(120)	(120)	2,814	2,142	(198)	(198)
• Receive fixed rate (receipt later) and pay fixed rate (prepayment)	1,000	1,000	36	36	1,000	1,000	36	36	
	Total				¥(3)				¥(40)

Note: Fair value is based on the information from the financial institutions