SOFTBANK CORP.
CONSOLIDATED FINANCIAL REPORT
For the six-month period ended September 30, 2005

Tokyo, November 10, 2005

FINANCIAL HILIGHTS

1. Results of Operations

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

	Net sales		Operating income (loss)		Ordinary loss		Net loss	
	Amount	%	Amount	%	Amount	%	Amount	%
Six-month period ended September 30, 2005	**¥522,787**	**72.1**	**¥4,400**	**-**	**¥(13,483)**	**-**	**¥(4,182)**	-
Six-month period ended September 30, 2004	¥303,706	34.7	¥(6,790)	-	¥(25,908)	-	¥(6,045)	-
Fiscal year ended March 31, 2005	¥837,018	-	¥(25,359)	-	¥(45,248)	-	¥(59,871)	-

	Net loss per share—primary (yen)	Net loss per share—diluted (yen)
Six-month period ended September 30, 2005	**¥(11.90)**	**-**
Six-month period ended September 30, 2004	¥(17.20)	-
Fiscal year ended March 31, 2005	¥(171.03)	-

Notes:

1. Equity in earnings (loss) under the equity method

Six-month period ended September 30, 2005:	¥ 4,378	million
Six-month period ended September 30, 2004:	¥ (4,575)	million
Fiscal year ended March 31, 2005:	¥ 5,425	million

2. Weighted-average number of shares issued and outstanding during each fiscal period (consolidated)

Six-month period ended September 30, 2005:	351,456,370	shares
Six-month period ended September 30, 2004:	351,402,492	shares
Fiscal year ended March 31, 2005:	351,418,709	shares

3. Changes in accounting methods: Yes

4. Percentage changes for net sales, operating loss, ordinary loss and net loss are compared with the corresponding period of the previous fiscal year.

2. Financial Condition

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

	Total assets	Shareholders' equity	Equity ratio (%)	Shareholders' equity per share (yen)
As of September 30, 2005	**¥1,578,924**	**¥170,342**	**10.8**	**¥484.67**
As of September 30, 2004	¥2,080,360	¥231,846	11.1	¥659.78
As of March 31,2005	¥1,704,853	¥178,016	10.4	¥505.86

Note: Number of shares outstanding (consolidated)

As of September 30, 2005:	351,457,486	shares
As of September 30, 2004:	351,400,767	shares
As of March 31, 2005:	351,457,170	shares

3. Cash Flows

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

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at the end of the period
Six-month period ended September 30, 2005	**¥(17,981)**	**¥(74,296)**	**¥1,843**	**¥231,408**
Six-month period ended September 30, 2004	¥(5,292)	¥(160,211)	¥119,221	¥397,578
Fiscal year ended March 31, 2005	¥(45,989)	¥(242,944)	¥277,770	¥320,194

4. Scope of Consolidation at September 30, 2005

Consolidated subsidiaries:	153
Equity-method non-consolidated subsidiaries:	5
Equity-method affiliates:	94

5. Changes in Scope of Consolidation

Consolidated subsidiaries:

Newly added:	9
Excluded:	9

Equity-method non-consolidated subsidiaries and affiliates:

Newly added:	7
Excluded:	16

Management Policies

1. Fundamental Management Policies

The core management philosophy of the SOFTBANK CORP. (hereafter “the Company”) and the SOFTBANK Group (hereafter “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 contributing to the development of society and increasing its corporate value.

The household penetration rate of broadband connections in Japan is already more than 41%. The rising use of broadband connections along with rapid advances in data communications technology is steadily bringing the world closer to the advent of the ubiquitous information age. As a 21st century lifestyle company that uses broadband technologies to make people's lifestyles richer and more fun, the Group aims to be the number one broadband corporate group in Japan, providing comprehensive telecommunications infrastructure as well as the portals and content that are deployed over such infrastructure. The Group is creating more affluent and enjoyable lifestyles that will allow people to communicate via broadband anywhere they may be and with anyone.

As of September 30, 2005, the *Yahoo! BB ADSL*, comprehensive broadband service had 4.97 million accumulated lines installed, and the *BB Phone,* IP telephony service had 4.72 million accumulated lines installed. Beginning in April 2005, *BB Phone* sought to arrange for connections with other IP telephony service providers, and from October 2005 onward, connections were established with NTT Communications Corporation, and three other service providers, thus further increasing convenience for *BB Phone* users. In addition, in October 2005, *Yahoo! BB Mobile*, the public wireless LAN service, completed its free trial services, and merged with *Mobile Point*, wireless LAN service of JAPAN TELECOM CO., LTD. (hereafter “JAPAN TELECOM”). The integrated service is now available as *BB Mobile Point* at an attractive price of ¥304 per month. Moreover, the service area will gradually expand to approximately 3,200 spots from December 2005, and *BB mobile point* will have one of the largest number of service spots in Japan, including nation-wide’s stores of McDonald’s Company (Japan), Ltd.

Otoku Line, a direct connection voice service that was first offered in December 2004, reported 680 thousand accumulated lines installed as of September 30, 2005. JAPAN TELECOM strengthens the direct marketing channels of its enterprise marketing department and in August 2005, entered into operating and capital alliance with INVOICE INC. which is expected to further enhance the agency sales system for *Otoku Line*. These initiatives are expected to improve profitability in this business and enable it to attain operating profit at an early date.

In September 2005, with the aim of entering the mobile phone market, wholly-owned subsidiary BB Mobile Corp. applied for a license to operate in the 1.7GHz frequency band and submitted an application to the Ministry of Internal Affairs and Communication for approval of related plans to establish specified base stations. The Group is conducting R&D in preparation for entering this field and in October 2005, became the first in the world to link third-generation mobile communications (wideband code division multiple access, W-CDMA), the *Yahoo! BB ADSL* wireless LAN network, and the Worldwide Interoperability for Microwave Access WiMAX network in handover* experiments. The Group is working toward the realization of a truly ubiquitous society through the creation of revolutionary services based on a broadband environment that will enable anyone to communicate anywhere they may be and with anyone.

In addition, the Group is working to expand and enhance the service content that it can offer on the broadband infrastructure it has created thus far. In October 2005, test trials began of a new Internet-based video service, *TV Bank* (provisional name), that will enable all broadband users to access brilliant contents offered by major content providers in Japan and overseas using their PCs. The Group will continue to expand its lineup of broadband video services, mainly through the new *TV Bank* service.

Along with these developments, in August 2005, the Company reached basic agreement to form a strategic partnership in the Internet business in China with Alibaba.com Corporation, the leading business-to-business (B2B) site in China and Yahoo! Inc., operator of portal sites in countries around the world. The objective of this partnership will be to respond to the rapid growth of the Internet market in China. The Group plans to build a strong position in the Internet market of China, using the customer recognition and brand merits of both companies.

* Handover: Switching over to connections with base stations without breakups in voice and movie communications

2. Policy Regarding Allocation of Earnings

The fundamental policy of the Company is to increase the profits of shareholders by raising its corporate value, returning earnings to shareholders and all other stakeholders in a suitable manner.

The Company's policy regarding dividends is to set dividend payments while taking into consideration the need to maintain the proper balance between measures to bolster the operating base and to preserve a stable dividend from a medium- and long-term perspective. Please note that the dividend for the interim period under review has not been decided as of this date.

3. Position and Policies Regarding Reduction of the Investment Unit

As reducing the investment unit is generally regarded as one of the effective means to broaden the shareholder base among individuals and increase market liquidity, the Company reduced its share trading unit to 100 shares in August 1995. Looking forward, the Company plans to give consideration to this issue from a comprehensive perspective, including the promotion of long-term, stable holdings of its shares as well as its performance, market conditions, and other factors.

4. Target Management Indices

In addition to actual figures and changes in the principal management indices—including net sales, operating income, ordinary income, net income, cash flows, and EBITDA* —for each of our internal management segments, we attach great importance to such indices, particularly in the telecommunications businesses, that track such user trends as the number of subscribers, market share, churn rate, and average revenue per user (ARPU). The target is to achieve consolidated operating income on a full-year basis during the current fiscal year.

*EBITDA: Operating income + Depreciation and loss from disposal of fixed assets (which are included in operating expenses)

5. Medium- and Long-Term Strategies

(1) Becoming a Comprehensive Telecommunications Provider

The Group aims to become a comprehensive telecommunications provider capable of offering a broad range of communication modes, with effectively utilizing the customer base, technology, and services it has developed in its Broadband Infrastructure and Fixed-line Telecommunications businesses. Once a license is granted for entering into the mobile-phone market, the Group seeks to achieve stable and sustained expansion in the mobile-phone business.

(2) Establishing a Unique Business Model

The Group has established a foundation as a comprehensive telecommunications group, and it is also a corporate group based on the Internet related business. The Group includes many companies that are using the *Yahoo! BB* and other broadband infrastructures to provide a diverse range of services and content in such areas as music, broadcasting, games, sports, and e-commerce. The 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.

6. Important Management Issues

(1) Achieving Consolidated Operating Profit for the Fiscal Year as a Whole

The Company is working to achieve consolidated operating profit for the full fiscal year. Especially in *Otoku Line* business, in order to bring operating profit at an early date, JAPAN TELECOM strengthens its direct marketing channels and creates a more efficient agency sales system by way of using a strategic alliance with INVOICE INC. In addition, efforts to shorten the time between the receipt of orders and connections of lines are also expected to strengthen profitability.

(2) Expansion of Service Content

The Group is taking steps to further expand the service content available on broadband infrastructure. Along with the growth in the household penetration rate of access to broadband services, the ability to offer attractive service content going forward will result in improvement of ARPU and keep churn rates to a low level. In addition to substantially improving the service content available under the Company’s brand, arranging tie-ups with leading content providers in Japan and overseas will make it possible to offer a wide range of service content.

(3) Strengthening the Internal Management Systems

To respond to needs associated with growth in the scale of its operations, in the number of employees and in the size of the organizational structure, the Company is reassessing its organizational systems while also taking steps to enhance its internal management systems employing internal auditing functions. Strengthening the internal management systems is intended to establish appropriate management systems.

(4) Enhancement of Information Security Management Systems

As a part of its corporate social responsibility (CSR) programs, the Group is continuing to build and maintain top-level Groupwide information security management systems while maintaining existing Privacy Mark and Information Security Management System (ISMS) certifications and obtaining such certifications for additional Group units. In addition, the Group has launched a project aimed at developing a common platform for information security and is working to achieve a unified across-the-board rise in the level of information security through the implementation of measures such as those involving the construction of portal sites, the establishment of guidelines, the distribution of handbooks, and the implementation of e-learning programs. Looking ahead, through the continuation of these initiatives, the Group intends to work to raise the information security consciousness of its employees.

7. Fundamental Policy and Measures Regarding Corporate Governance

<Fundamental Policy for Corporate Governance>

The Company believes that corporate governance is essential to conducting management that places priority on shareholders and cash flows. As a pure holding company, 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.

<Enactment of Measures Regarding Corporate Governance>

(1) Management Organization and Other Corporate Governance Items Related to Management Decision Making and the Execution and Supervision of Business Operations.

(a) Corporate Governance Units

The Board of Directors of the Company has eight members, including two from outside the Group. The directors make decisions regarding important management issues and supervise the execution of business operations. Directors serve terms lasting two years, and an election for Board members was held at the Annual General Meeting of Shareholders in June 2005. In addition, a CEO Conference composed of the Company's representative director and the CEOs of each business segment and others is held each month. The Conference coordinates management policies for the entire Group, manages operating results of Group companies, and performs other tasks. A consulting attorney provides advice and guidance as necessary regarding daily business operations and management decisions. This attorney also attends all meetings of the Board of Directors and CEO Conferences to provide advice and guidance. This adds transparency to Group management and reinforces compliance activities.

The Company has adopted the Corporate Auditor System, and the Board of Auditors consists of four members, three of whom are external auditors. The auditors perform their duties together with the Internal Audit Department and the independent auditors. The auditors monitor the performance of directors in the execution of their duties with regard to business activity, with the aim of ensuring objectivity, fairness, and transparency of management.

(b) Internal Controls

The Group has an internal control framework for the purpose of minimizing operational risks and promoting compliance activities. Based on a plan, the Internal Audit Department conducts operational audits covering the Group's significant 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, this department gives specific suggestions and directives in order to improve operations as well as to prevent problems from occurring in advance.

(c) Independent Public Accountants

The Company has signed an engagement agreement with ChuoAoyama PricewaterhouseCoopers to perform audits of its accounts as required by Japan's Securities and Exchange Law and the Commercial Code of Japan. For the six-month period ended September 30, 2005, the following certified public accountants, belonging to the previously mentioned accounting firm, were engaged in the audit on a continuous basis. The number of years they have audited the Company are shown in parentheses.

Names of Certified Public Accountants Engaged in the Audit

Engagement Partners

Hiroshi Koyama (two accounting terms)
Kiyoshi Ichimura (10 accounting terms)
Hiroshi Suzuki (two accounting terms)

Note: In October 2005, ChuoAoyama PricewaterhouseCoopers, the auditor of the Company, issued the following statement regarding those of its employees who audit a single company for more than seven years: the auditor will be changed after auditing one company for seven years. Therefore, in accordance with the auditor's rules, Mr. Kiyoshi Ichimura, a member of engagement partners, will be replaced by another auditor at the completion of the current fiscal year.

(2) Measures Taken During the Past Year to Improve Corporate Governance

(a) The companies of the Group, as part of their activities to improve information security, are strengthening their security policies and internal regulations as well as their supervisory systems. As a result, Group companies have established their own Information Security committees consisting of personnel in charge of information security in each department. In addition, to ensure that matters decided by the Group Information Security Committee, which oversees the Information Security committees of Group companies, are communicated fully to employees, a cross-Group portal site has been created, with the objective of improving the level of information security in the Group as a whole. Among Group companies, SOFTBANK BB Corp. has established an Information Security Committee and has implemented various measures, including the placement of Information Security Committee representatives in each of its divisions (organizational measure), the implementation of continuous training such as e-learning for all employees (individual measure), the classification of all operations areas as having one of five security levels (physical measure), and the implementation of surveillance tools and biometrics (technological measure). The Group is working to further strengthen its management systems for information security, reassessing security regulations timely. In July 2005, the Technical Subcommittee, a subcommittee to the Group Information Security Committee, was formed to be in charge of comparing and evaluating the security tools adopted by Group companies. The Company plans to continue to conduct activities aimed at acquiring such certifications as information security management system (ISMS) and P-Mark, with a particular focus on Group companies that handle personal information.

(b) The Company has adopted the Group Representative Oath System and certification of the appropriateness of the financial statements of SOFTBANK CORP., under which a representative of each consolidated subsidiary and each company accounted for under the equity method must submit a representative. This system ensures that there is no misconduct or violations of the law or articles of incorporation; that an internal management system is in place, functioning properly; that reports are being made to top management; and that the information security system is cohesive, enabling the Group to disclose company information in a timely and appropriate manner as well as promote stronger corporate governance and risk management. Furthermore, with the establishment of this system, Group companies conduct periodic self-assessments covering more than 100 items related to internal control 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 control of the entire Group and improving the Company’s internal management system.

Results of Operations and Financial Position

1. Consolidated Results of Operations

<Overview of First-half Result> (comparison with the first half of fiscal 2005)

Net sales increased ¥219,080 million, or 72% over the same period of the previous fiscal year, to ¥522,787 million. The financial results of JAPAN TELECOM, which was consolidated on its deemed acquisition date of September 30, 2004, were newly included starting in the latter half of the previous fiscal year, which has added ¥171,904 million to net sales in the Fixed-line Telecommunications segment. In the Broadband Infrastructure segment, sales rose ¥29,650 million, or 31%, to ¥125,645 million as a result of increases in the number of paying customers and ARPU. In addition, sales of Internet Culture segment continued to be robust and reported a ¥27,735 million increase, or 63%, to ¥71,531 million. As SOFTBANK INVESTMENT CORPORATION (See Note 1.) changed to an equity-method affiliate from a consolidated subsidiary at March 31, 2005, sales were not recorded in the e-Finance segment compared with ¥30,771 million in sales recorded in that segment for the same period of the previous year.

Operating income of ¥4,400 million was reported while operating loss of ¥6,790 million was reported for the same period of the previous fiscal year. In the Broadband Infrastructure segment, the operating loss decreased ¥33,667 million to ¥1,010 million as a consequence of steady increases in sales and efforts to reduce costs, including customer acquisition cost. Moreover, as a result of the steady improvement in profitability, the Broadband Infrastructure segment reported operating income of ¥3,483 million in the second quarter of the current fiscal year. In the Internet Culture segment, operating income rose ¥11,439 million, or 52%, to ¥33,636 million, due to the continued robustness of advertising-related business. On the other hand, the Fixed-line Telecommunications segment reported an operating loss of ¥26,299 million, owing to initial investments in the *Otoku Line* service of JAPAN TELECOM. The operating income of the e-Finance segment for the same period of the previous year was ¥7,135 million.

Ordinary loss decreased ¥12,424 million from the same period of the previous fiscal year, to ¥13,483 million. As a result of the transition of SOFTBANK INVESTMENT CORPORATION to an equity-method affiliate from a consolidated subsidiary, equity in earnings under the equity method recorded ¥4,378 million improving from equity in loss under the equity method by ¥8,954 million. On the other hand, an increase in interest-bearing debt caused interest expense to increase ¥3,568 million, to ¥13,799 million, and other non-operating expense amounted to ¥7,698 million.

Net loss decreased ¥1,863 million compared with the same period of the previous year to ¥4,182 million. As special income, the company recorded a gain on sale of investment securities of ¥52,475 million in relation primarily to the sale of investment securities in IT Fund (See Note 2.), Advanced Media, Inc., BroadBand Tower, Inc., and other companies, while the Company reported losses amounting to ¥7,608 million in connection with the contract revision relating to sales operation following a review of the sales systems for the *Otoku Line* services, and refinance arrangement fee of ¥3,153 million as a special loss. Moreover income taxes of ¥16,886 million (after refunds and adjustments) were recorded mainly due to the performance of Yahoo Japan Corporation. In addition, minority interest of ¥13,197 million was recorded.

Notes:

*1 Current SBI Holdings, Inc.

*2 SOFTBANK INTERNET TECHNOLOGY FUND No.1 and No.2

<First-half Results by Business Segment> (comparison with the first half of fiscal 2005)

Broadband Infrastructure

Segment sales increased ¥29,650 million, or 31% compared with the same period of the previous fiscal year, to ¥125,645 million. The operating loss decreased by ¥33,667 million to ¥1,010 million. Of particular note was the attainment of operating income of ¥3,483 million reported in the second quarter of the current fiscal year.

(Quarterly trends of the Segment) (Million yen)

	FY2006		FY2005			
	2006/Q2	2006/Q1	2005/Q4	2005/Q3	2005/Q2	2005/Q1
Sales	**64,439**	61,205	56,861	52,450	49,819	46,175
Operating income (loss)	**3,483**	(4,494)	(6,594)	(12,474)	(16,340)	(18,337)

ADSL Business

Yahoo! BB ADSL, the driving force for expanding the usage of broadband internet services, reported 4.97 million accumulated lines installed as of September 30, 2005. In addition, the churn rate remained at a low level of 1%. As a result, even though competing companies aggressively attempted to expand their fiber optic telecommunications service, *Yahoo! BB ADSL* was able to report a net increase in the number of paid customer.

ARPU of the ADSL business continued to increase during the six-month period ended September 30, 2005 as a result of the rise in the number of users of high-value-added services such as higher-speed service plans and wireless LAN services. The percentage of *Yahoo! BB 50M* users is rising, and the accumulated number of subscribers is approaching 20% in total. In addition, the number of wireless LAN users has exceeded 1.2 million and remains on a rising trend leading accumulated number of subscribers to close to 25% in total.

The accumulated lines installed of *BB Phone*, the Group's IP telephony service, totaled 4.72 million as of September 30, 2005, and it retained its No.1 share position in Japan. The connectivity with other IP telephony service providers is being expanded to increase convenience for customers.

In October 2005, *Yahoo! BB Mobil*e, the public wireless LAN service, completed its free trial services, and merged with *Mobile Point*, JAPAN TELECOM's wireless LAN service. The integrated service is now available as *BB Mobile Point* at an attractive price of ¥304 per month. Moreover, the service area will expand to approximately 3,200 spots in December 2005, largest service area in Japan, including nation-wide's

McDonald’s Company (Japan), Ltd. stores.

Regarding costs, customer acquisition costs have been substantially reduced. This is attributed to the decline of incentive cost which is caused by more gradual rise in the number of new customers and the increase in the efficient customer-acquisition, which is collaborated with large appliance discount stores.

BBTV Business

In the broadband TV broadcasting service (*BBTV*) business, the *Yahoo! BB hikari TV Package* and full-scale *Yahoo! BB ADSL* services have been introduced in nationwide in Japan in July 2005. This has enabled “triple play” service at the lowest-price in the market.

FTTH Business

In the FTTH business, a strategy focusing on cost efficiency has been adopted. While aggressive marketing for customer acquisition is now restrained, activities are under way to expand the service lineup in preparation for full-fledged services, such as *Yahoo! BB hikari TV Package* and *Wireless TVBOX*, which allow users to watch TV broadcast from terrestrial stations on their PCs, and the *BB Phone hikari*, a fiber optic telephony service.

With an aim to achieve operating income on a consolidated basis, broad-ranging efforts have been conducted to reduce costs in this business segment. These efforts sought to increase operating efficiency with the scrutiny of all expenditures, including a cut back on outsourcing costs by reducing the number of subcontracted employees and a reduction of selling and general administrative expenses. Proactive capital investments for the establishment of the broadband infrastructure have largely been completed, and, as a result of strict costs control, operating income was achieved in the second quarter, not only in the ADSL business but also in the broadband infrastructure segment as a whole.

In this segment, the financial results of the Broadband Infrastructure business of Yahoo Japan Corporation and JAPAN TELECOM such as ISP revenues and others are reflected, as well as the results of BB Mobile Corp., which plans to enter the mobile telephone market in the future.

Fixed-line Telecommunications

Segment sales totaled ¥171,904 million and the operating loss was ¥26,299 million, due to the burden of initial investments associated with the start of *Otoku Line* services launched by JAPAN TELECOM. The segment's operating loss for the second quarter amounted to ¥12,209 million.

Quarterly trends of the Segment (Million yen)

	FY2006		FY2005			
	2006/Q2	2006/Q1	2005/Q4	2005/Q3	2005/Q2	2005/Q1
Sales	83,300	88,604	84,803	82,075	Newly established at September 30, 2004	
Operating (loss)	(12,209)	(14,089)	(21,767)	(14,297)		

Regarding Voice Transmission Services, JAPAN TELECOM launched the *Otoku Line* direct connection voice service in December 2004, and the cumulative number of lines installed for this service reached 680 thousand as of September 30, 2005. As with top strategic priority on the *Otoku Line* operations, JAPAN TELECOM has proactively undertaken large scale of capital investments and recorded business start-up expenses associated with these operations. These investments have led to the substantial operating losses in the Fixed-line Telecommunications segment. During the six-month period ended September 30, 2005, JAPAN TELECOM took the following fundamental countermeasures aiming at the improvement of its profitability in *Otoku Line* services.

(1) In August 2005, aiming to further strengthen its sales agent system, the Company arranged a capital alliance with INVOICE INC. From October 2005, JAPAN TELECOM INVOICE Co., Ltd, a joint venture established in cooperation with INVOICE INC. was launched. While JAPAN TELECOM directly handled sales agencies of *Otoku Line* in the past, the operation of sales agents is shifting to JAPAN TELECOM INVOICE Co., Ltd. As a result of the transformation, it would reduce agency administration expenses and other expenses, which would considerably improve profitability in the business.

(2) Building up of the sales representatives for corporate customers, JAPAN TELECOM has continued to strengthen its direct marketing capabilities for *Otoku Line* services through measures that include those to augment its sales engineer (SE)s who set up customers' voice network and back-office departments'

capabilities for managing the progress of work by NTT and other engineering companies. By improving all the management processes prior to the installation of *Otoku Line* services, the company is striving to enhance profitability in the business.

As a result of these profitability enhancement measures, JAPAN TELECOM projects that operating losses in the *Otoku Line* services bottomed out and would restore operating profitability for the Fixed-line Telecommunications segment during the current fiscal period.

In addition, to expand its operations with greater efficiency, in April 2005, JAPAN TELECOM merged three wholly owned subsidiaries—Telecom Service Co., Ltd., JENS Corporation. and Digital Foundations Co., Ltd. In July 2005, JAPAN TELECOM merged with JAPAN TELECOM IDC INC., which had inherited the telecommunications business of Cable & Wireless IDC Inc., and then strategically shifted personnel to strategic departments and streamlined its organizational structure through the unification of the two companies' corporate sales departments, network operating departments, and administration departments. JAPAN TELECOM has emphasized measures to realize additional cost reductions and synergies through the integration of its technical, corporate sales departments, and consumer marketing departments with those of SOFTBANK BB Corp.

JAPAN TELECOM plans to quickly attaining operating profitability through cost reductions centered on its administration and network departments as well as measures to progressively integrate all telecommunications infrastructure throughout the Group.

E-Commerce

Segment sales increased ¥8,546 million, or 7%, to ¥128,157 million. Operating income decreased ¥1,036 million, or 40%, to ¥1,544 million.

(Quarterly trends of the Segment) (Million yen)

	FY2006		FY2005			
	2006/Q2	2006/Q1	2005/Q4	2005/Q3	2005/Q2	2005/Q1
Sales	**67,688**	60,469	71,922	63,388	61,574	58,035
Operating income	**817**	726	1,168	1,491	1,039	1,540

As a result of the strengthening of sales of PC and peripheral equipment through large appliance discount stores and sales of PC servers and software to business users, sales of SOFTBANK BB Corp. were strong. Along with these sales activities reinforcement, personnel costs increased, leading to a decline in operating income.

Internet Culture

Segment sales increased ¥27,735 million, or 63%, to ¥71,531 million. Operating income increased ¥11,439 million, or 52%, to ¥33,636 million.

(Quarterly trends of the Segment) (Million yen)

	FY2006		FY2005			
	2006/Q2	2006/Q1	2005/Q4	2005/Q3	2005/Q2	2005/Q1
Sales	**36,896**	34,635	31,663	26,989	22,725	21,070
Operating income	**17,167**	16,469	15,033	12,849	11,093	11,103

Among advertising sales, revenues from “Sponsor Site” have increased. The sales of “branding advertisements” also were strong, supported by a growing awareness of the effectiveness of Internet advertising among a broader range of advertisers. In business services other than advertising, sales of employment information and Business Express services by the Listing Business expanded. In addition, the sales of the Shopping Business grew on the strength of higher transaction volumes due to an increase in the number of stores on its shopping site. In the consumer business, sales of *Yahoo! Premium* reported a robust performance.

Other Segments

In the Broadmedia segment, Sales of the Broadmedia Studios Corporation, to which the operations of MOVIE TELEVISION INC. were transferred during the second quarter of the previous fiscal year, increased compared with the same period of the previous fiscal year. In addition, profitability in this segment was considerably improved by the shift of BB Cable Corporation to the Broadband Infrastructure segment in the third quarter of the previous fiscal year. The performance of Fukuoka Softbank Hawks related business is reflected in the other segment.

2. Financial Position

<Balance Sheet Analysis> (comparison with the end of fiscal 2005)

Current assets decreased ¥96,645 million, to ¥509,472 million. The principal reasons were a decline in cash and deposits of ¥55,488 million and decrease in marketable securities of ¥31,775 million.

Property and equipment increased ¥5,752 million, to ¥457,470 million. The rate of increase was only 1% owing to the completion of proactive investment by SOFTBANK BB Corp. and JAPAN TELECOM.

Intangible assets increased ¥1,089 million, to ¥104,630 million. Other intangibles, such as software, increased ¥3,025 million, but goodwill decreased ¥1,935 million due to amortization.

Investments and other assets decreased ¥36,033 million, to ¥505,939 million. This mainly reflected a ¥31,570 million decrease in investment securities due to the sale of investment securities of IT Fund and other companies.

Current liabilities decreased ¥167,954 million, to ¥522,841 million. The principal reasons were a ¥120,657 million decrease in accounts payable-other and accrued expenses and a ¥48,051 million decrease in current portion of corporate bonds.

Long-term liabilities increased ¥35,611 million, to ¥802,708 million. Although corporate bonds increased ¥66,240 million, the decrease in long-term liabilities mainly reflected a ¥22,246 million decrease in long-term debt and a ¥8,964 million decrease in deferred tax liabilities.

Shareholders' equity decreased ¥7,674 million, to ¥170,342 million. The principal reasons were that, while the foreign currency translation adjustment increased ¥7,662 million, retained earnings declined ¥6,916 million and the net unrealized gain on other securities decreased ¥8,856 million.

<Cash Flow Analysis>

(1)Overview of First-half Results

During the first half, cash was used in operating and investing activities, while cash was provided by financing activities. As a result, cash and cash equivalents at the end of the period totaled ¥231,408 million, a decrease of ¥88,786 million compared to March 31, 2005.

Net cash used in operating activities was ¥17,981 million. Income before income taxes and minority interest amounted to ¥25,901 million, and depreciation and amortization totaled ¥42,586 million. However, the sale of shares in IT Fund and other securities caused a gain on sales of marketable and investment securities of ¥52,348 million to be posted as an adjustment item (affecting special income and loss in the consolidated statements of operations). Other major factors affecting net cash used in operating activities were interest paid of ¥11,789 million and payment of ¥18,134 million in corporate income taxes by Yahoo Japan Corporation and others.

Net cash used in investing activities was ¥74,296 million. This mainly reflected the payment of accounts payable-other associated with capital investments in Broadband Infrastructure and Fixed-line Telecommunications segments, causing ¥157,476 million in cash outflow for the purchase of property and equipment and intangibles. Cash outflows of ¥30,718 million were reported for purchases of investment securities. However, ¥98,370 million in proceeds from the sale of marketable and investment securities were recorded in connection with the sale of shares in IT Fund and other securities.

Net cash provided by financing activities was ¥1,843 million. The principal reasons were ¥71,978 million for proceeds from issuance of bonds and an increase of ¥20,000 million for cash received as collateral under security deposit agreements, but cash outflows of ¥53,515 million were reported for the redemption of bonds, and short-term borrowings declined ¥18,273 million.

(2) Factors That May Have a Material Impact on Cash Flows in the Second Half

-Need for Funds to Support Growth in the Group’s Telecommunications Business

The Group has concentrated management resources in the telecommunications businesses to expand various services, including focused on *Yahoo! BB* services and *Otoku Line* services. Furthermore, in September 2005, with the aim of entering the mobile phone market, the Group applied for a license and submitted an application to Ministry of Internal Affairs and Communications. If the Group obtains the license, with this business expansion, prior investment generated in the form of capital investment as well as customer acquisition costs would aim at strengthening our customer base. Since the license has not been obtained by the Group and the Group has not decided detailed business plan of the mobile business at this point, the impact to future operating cash flows and free cash flows have not be expected.

-Commitment-line Contract

Upon the end of the term of a commitment-line established in the previous fiscal year, in October 2005, the Company entered into a ¥109,000 million commitment-line contract with eight financial institutions, which was arranged by Mizuho Corporate Bank, Ltd. With respect to commitment-line, the Company is in the process of negotiations in order to increase the size of the commitment-line facility. The total size of the commitment-line facility is expected to be ¥160,000 million upon the increase of the size. The size might change depending on further negotiations. Borrowings through the commitment line will be made in consideration of the current level of liquidity, the availability of other fund procurement methods, and other factors. At first-half year-end, the balance of commitment-line borrowings totaled ¥75,000 million.

-Sales of Equity Stock

On October 2005, the consolidated subsidiary of the Company sold 4.5 million shares held in Tao Bao Holding Limited for US$360 million (Approximately ¥41.7 billion, $1=¥115.98).

On November 2005, the company and three consolidated subsidiaries have entered into an agreement with Yahoo! Inc. that the companies sell their entire respective stocks of Yahoo! Deutschland GmbH, Yahoo! UK Limited, Yahoo! France SAS, and Yahoo! Korea Corporation to Yahoo! Inc. for a total of $500 million (approximately ¥59.0 billion, $1=¥118.16).

-Redemption of Bonds

As of September 30, 2005, outstanding Group bonds totaled ¥444,582 million, of which ¥94 million is expected to be redeemed within one year from September 30, 2005.

<Trends in Cash Flow Indicators>

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

	Six months ended Sept.30, 2005	Year ended March.31, 2005	Six months ended Sept.30, 2004	Year ended March.31, 2005
Equity ratio	**10.8%**	10.4%	11.1%	16.8%
Equity ratio (Market cap.)	**140.2%**	91.1%	86.3%	120.4%
Debt repayment period	—	—	—	—
Interest coverage ratio	—	—	—	—

Notes:

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

Equity ratio	Shareholders' equity divided by total assets
Equity ratio (Market cap.)	Market capitalization divided by total assets
Debt repayment period	Interest-bearing debt divided by net operating cash inflows
Interest coverage ratio	Net operating cash inflows divided by interest expenses

2. Market capitalization is calculated by multiplying the closing stock price by the number of shares outstanding, net of treasury stock, as at September 30, 2005.
3. Interest-bearing debt is the sum of all consolidated liabilities on which interest must be paid.
4. Net operating cash inflows and interest expenses are the corresponding figures shown on the consolidated statements of cash flows.
5. Negative figures are indicated by a "—" sign.

3. Risks Relating to Our Businesses and Others

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.

(1) Risks Related to Economic Environment and Market Trends

The Group is active in a broad range of markets, including broadband-related markets, fixed-line telecommunications markets, IT-related distribution markets and other markets. Demand for services and products supplied by the Group are 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 Fixed-line Telecommunications segment, JAPAN TELECOM launched *Otoku Line* services aimed at capturing new customers. However, due to changes in demand whereby customers are moving away from fixed-line telephone services while the use of mobile phones and the Internet has permeated the market and is expanding, shrinkage in the market for fixed-line telephone services is advancing. It may cost more than initially estimated to acquire customers, or it may be difficult or take longer to realize projected profit in this business.

In 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.

(2) 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 networks and systems—are progressing while competition intensifies, and there is a possibility that the services offered by the Group in the IT and telecommunications sectors could lose their competitiveness.

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

Past 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 exceeds those of the Group, which could reduce the Group's competitiveness.

(3) 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. Due to changes in these laws and regulations or the implementation of new laws and regulations 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 interconnection charge of the NTT would decrease profitability in the Broadband Infrastructure segment and Fixed-line Telecommunications segment. 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 business activities may be restricted. 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 segment. 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 be possible that we cannot completely protect against personal information leaks.

(4) Risks Related to Foreign Exchange, Financial, and Stock Markets

The value of investment securities in the Group's possession depends on 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 market.

As of September 30, 2005, the Company's foreign currency bonds include straight bonds denominated in euros worth €400 million and approximately $1,400 million in borrowings owed to an overseas subsidiary, and, due to market influences, the consolidated foreign exchange loss during the six-month period ended September 30, 2005, amounted to ¥3,937 million, while during the six-month period ended September 30, 2004, the consolidated foreign exchange loss of ¥4,040 million was recorded.

As of September 30, 2005, consolidated interest-bearing debt totaled ¥850,743 million, and interest expense was ¥13,799 million. It is possible that the payment of interest could increase in recent increase 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 Group's capital procurement capabilities. Stocks of Internet-related companies in Japan, the United States, and other countries constitute the majority of the Group's investments. Changes in the stock prices of these companies could be extreme, and a decline in the value of these assets could have a significant effect on the Group's funding capabilities. At September 30, 2005, the unrealized gain on other marketable securities totaled ¥127,805 million. In addition, the Group's equity in publicly traded consolidated subsidiaries and affiliates accounted for under the equity method, amounted to ¥2,089,246 million at market value. The consolidated book value of these securities was ¥106,549 million and the unrealized gain (the difference between the market value of the portion held by the Group and the book value) was ¥1,982,697 million.

(5) 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 as expected. The Group has applied for a license to conduct mobile telephone business activities using the 1.7GHz frequency band. However, the Group may not be able to enter the mobile business and develop its activities as planned because this will depend on whether the previously mentioned license is granted and such business operations will be influenced by trends in demand.

(6) Risks Related to Other Companies' Equipment and Brands

In developing the Group's Broadband Infrastructure segment and Fixed-line Telecommunications segment, dark fiber of NTT Group is used, and telecommunications equipment is installed at their central offices, so the

Group depends on them. In addition, the Broadband Infrastructure segment's primary service, *Yahoo! BB*, employs the Yahoo! brand of Yahoo! Inc. 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 success of the Group businesses is affected not only by Group trends, but also by relationships with its content providers, Internet service providers (ISPs), and hardware makers.

(7) Risks of Interruption of System Services

To provide comprehensive telecommunications services, the Group has created networks for fixed-line telephone, FTTH, ADSL, and other modes of telecommunication. To prevent interruption of services on these networks, the Group pays maximum attention through internal control activities, but there is a possibility of interruption due to human error. In addition, it is also possible that major natural and other disasters (such as typhoons, earthquakes, and terrorist activity) could result in interruption of services. In such cases, these disasters may not only have a serious impact on the ability to provide continuing telecommunication services but also require considerable time to restore these services. As a result, such circumstances may have an adverse impact on the performance of the Group.

(8) 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.

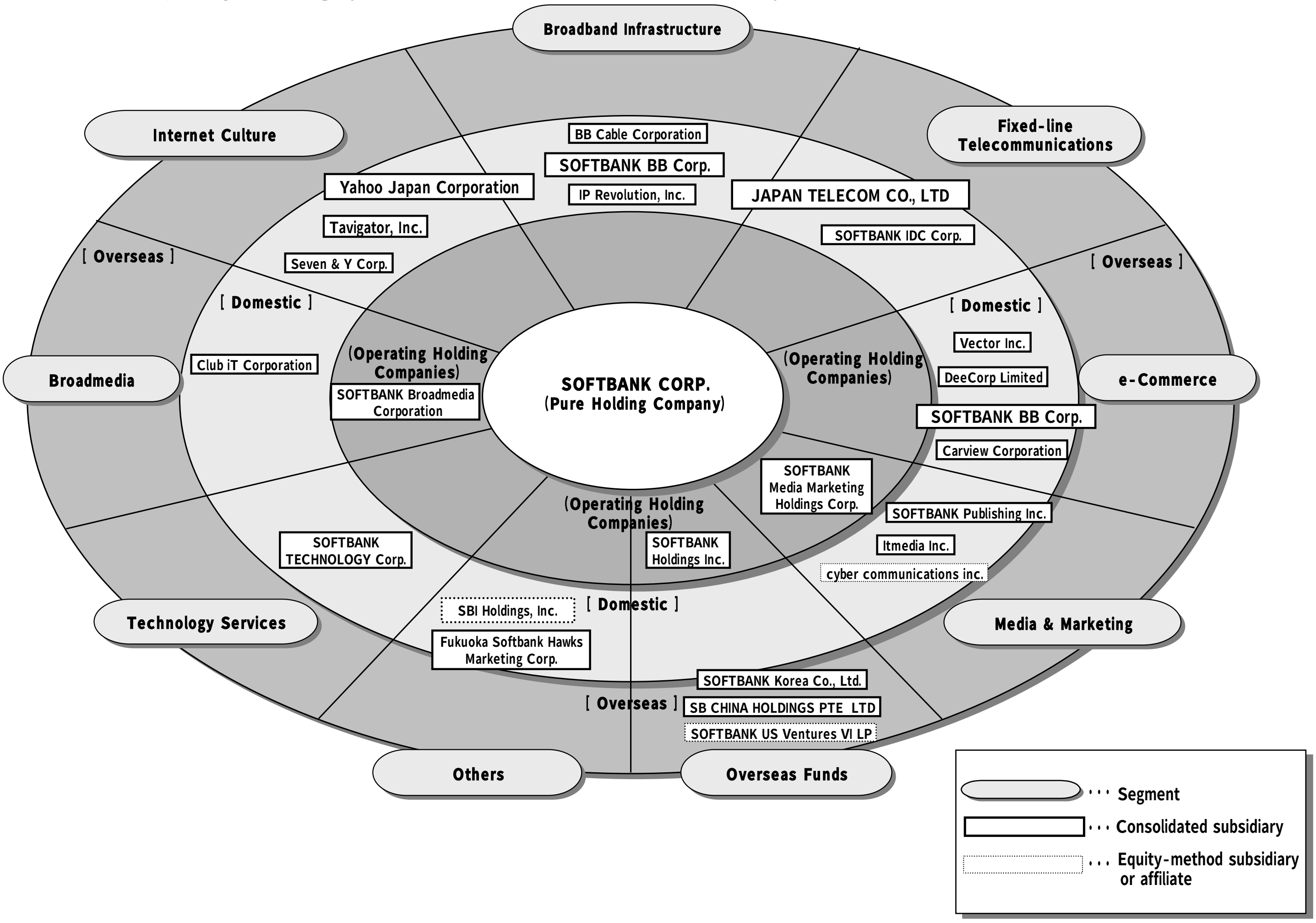
The SOFTBANK Group

As of September 30, 2005, the SOFTBANK Group included 252 companies with operations in nine business segments as follows.

Business segment	Consolidated subsidiaries	Equity-method non-consolidated subsidiaries and affiliates	Principal products and operational content of each business
1. Broadband Infrastructure	(Note 1) 19	5	ADSL and fiber-optic high-speed Internet connection service, IP telephony service, provision of content and other operations
2. Fixed-line Telecommunications	(Note 1) 12	3	Fixed-line telecommunications such as voice transmission service, data transmission service, private leased circuit and data center service
3. e-Commerce	(Note 1) 16	11	Distribution of PC software and such hardware as PCs and peripherals, enterprise solutions, and diversified e-commerce businesses, including business transaction platform (B2B) and consumer-related e-commerce (B2C)
4. Internet Culture	(Note 1) 23	11	Internet-based advertising operations, broadband portal business, and Internet-based auction business
5 Others:			
Broadmedia	10	2	Promoting the spread of broadband service such as broadcasting and communications; support for procurement of content
Technology Services	7	3	System solution business and business solution business
Media & Marketing	9	6	Book and magazine publication in such areas as PCs, the Internet, entertainment, etc., and development of web content specializing in IT
Overseas Funds	34	51	U.S.- and Asia-focused global venture capital business principally focused on Internet-related companies
Others	23	7	Leisure and service business, holding company functions for overseas operations, and back-office services in Japan
Total	153	99	

Note: 1. SOFTBANK BB Corp., JAPAN TELECOM CO., LTD. and Yahoo Japan Corporation are included in the consolidated subsidiaries of the Broadband Infrastructure, Fixed-line Telecommunications and Internet Culture segments, respectively, while SOFTBANK BB Corp., JAPAN TELECOM CO., LTD. and Yahoo Japan Corporation operate multiple businesses and their operating results are allocated to multiple business segments.

2. The former e-Finance business segment ended as SOFTBANK INVESTMENT CORPORATION (current SBI Holdings, Inc.) changed to an equity-method affiliate from a consolidated subsidiary on March 31, 2005.



SOFTBANK subsidiaries listed on domestic stock exchanges as of September 30, 2005:

Subsidiary	Listed exchange
1.Yahoo Japan Corporation	Tokyo Stock Exchange 1st section
2.SOFTBANK TECHNOLOGY CORP.	Tokyo Stock Exchange 2nd section
3.Vector Inc.	Hercules
4.Club iT Corporation	Hercules

CONSOLIDATED BALANCE SHEETS

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

	As of September 30, 2005		As of March 31, 2005		Increase (Decrease)	As of September 30, 2004	
	Amount	**%**	Amount	%		Amount	%
ASSETS							
Current assets:							
Cash and deposits	**¥232,490**		¥287,978		¥(55,488)	¥349,884	
Notes and accounts receivable – trade	**159,443**		168,262		(8,819)	150,108	
Marketable securities	**7,628**		39,403		(31,775)	53,084	
Inventories	**52,641**		47,224		5,416	40,158	
Deferred tax assets	**3,264**		3,025		239	4,996	
Cash segregated as deposits related to securities business	**-**		-		-	137,983	
Receivables related to margin transactions	**-**		-		-	253,113	
Other current assets	**61,227**		67,542		(6,314)	117,776	
Less: Allowance for doubtful accounts	**(7,224)**		(7,319)		95	(8,559)	
Total current assets	**509,472**	**32.3**	606,117	35.5	(96,645)	1,098,547	52.8
Non-current assets:							
Property and equipment, net							
Buildings and structures	**58,284**		56,860		1,424	50,344	
Telecommunications equipment	**217,350**		198,598		18,751	185,504	
Telecommunications service lines	**95,068**		99,133		(4,064)	101,084	
Land	**19,396**		19,396		-	15,769	
Construction-in-progress	**40,197**		49,354		(9,157)	20,400	
Others	**27,171**		28,373		(1,201)	26,577	
Total tangible assets	**457,470**	**29.0**	451,717	26.5	5,752	399,682	19.2
Intangible assets, net:							
Goodwill	**46,377**		48,313		(1,935)	38,499	
Other intangibles	**58,252**		55,227		3,025	40,750	
Total intangible assets	**104,630**	**6.6**	103,540	6.1	1,089	79,249	3.8
Investments and other assets:							
Investment securities and investments in partnerships	**402,871**		434,441		(31,570)	331,144	
Other investments	**-**		-		-	90,176	
Deferred tax assets	**43,206**		40,472		2,734	38,397	
Other assets	**68,827**		75,728		(6,901)	51,322	
Less: Allowance for doubtful accounts	**(8,965)**		(8,669)		(295)	(9,751)	
Total investments and other assets	**505,939**	**32.0**	541,972	31.8	(36,033)	501,288	24.1
Deferred charges	**1,411**	**0.1**	1,504	0.1	(92)	1,592	0.1
Total assets	**¥1,578,924**	**100.0**	¥1,704,853	100.0	¥ (125,929)	¥2,080,360	100.0

CONSOLIDATED BALANCE SHEETS

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

	As of September 30, 2005		As of March 31, 2005		Increase (Decrease)	As of September 30, 2004	
	Amount	%	Amount	%		Amount	%
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current liabilities:							
Accounts payable - trade	**¥45,242**		¥63,684		¥(18,441)	¥57,063	
Short-term borrowings	**185,070**		181,186		3,883	189,381	
Commercial paper	**12,500**		15,500		(3,000)	5,000	
Current portion of corporate bonds	**94**		48,145		(48,051)	54,945	
Accounts payable - other and accrued expenses	**107,607**		228,264		(120,657)	116,895	
Income taxes payable	**21,885**		21,600		284	19,278	
Deferred tax liabilities	**104**		527		(422)	1,218	
Payables related to margin transactions	**-**		-		-	215,442	
Guarantee deposits received from customers related to securities business	**-**		-		-	124,155	
Cash receipts as collateral	**120,000**		100,000		20,000	70,000	
Other current liabilities	**30,336**		31,887		(1,550)	119,913	
Total current liabilities	**522,841**	**33.1**	690,796	40.5	(167,954)	973,294	46.8
Long-term liabilities:							
Corporate bonds	**444,488**		378,248		66,240	272,716	
Long-term debt	**208,591**		230,837		(22,246)	292,602	
Deferred tax liabilities	**48,454**		57,419		(8,964)	61,041	
Accrued retirement benefits	**17,812**		17,359		452	15,021	
Other liabilities	**83,362**		83,232		130	84,290	
Total long-term liabilities	**802,708**	**50.8**	767,096	45.1	35,611	725,672	34.9
Total liabilities	**1,325,550**	**83.9**	1,457,893	85.6	(132,342)	1,698,966	81.7
Minority interest in consolidated subsidiaries	**83,032**	**5.3**	68,943	4.0	14,088	149,546	7.2
Shareholders' equity:							
Common stock	**162,407**	**10.3**	162,397	9.5	10	162,303	7.8
Additional paid-in capital	**186,794**	**11.8**	186,783	10.9	10	186,690	9.0
Accumulated deficit	**(280,278)**	**(17.7)**	(273,362)	(16.0)	(6,916)	(219,257)	(10.6)
Net unrealized gain on other securities	**127,805**	**8.1**	136,662	8.0	(8,856)	133,484	6.4
Net unrealized loss on derivative instruments	**(40,619)**	**(2.6)**	(41,056)	(2.4)	436	(41,673)	(2.0)
Foreign currency translation adjustments	**14,360**	**0.9**	6,697	0.4	7,662	10,382	0.5
Less: Treasury stock	**(126)**	**(0.0)**	(106)	(0.0)	(20)	(82)	(0.0)
Total shareholders' equity	**170,342**	**10.8**	178,016	10.4	(7,674)	231,846	11.1
Total liabilities and shareholders' equity	**¥1,578,924**	**100.0**	¥1,704,853	100.0	¥(125,929)	¥2,080,360	100.0

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Six-month period ended September 30, 2005		Six-month period ended September 30,2004		Increase (Decrease)	Fiscal year ended March 31, 2005	
	Amount	**%**	Amount	%		Amount	%
Net sales	**¥522,787**	**100.0**	¥303,706	100.0	¥219,080	¥837,018	100.0
Cost of sales	**354,250**	**67.8**	192,478	63.4	161,772	547,402	65.4
Gross Profit	**168,536**	**32.2**	111,228	36.6	57,308	289,615	34.6
Selling, general and administrative expenses	**164,136**	**31.4**	118,018	38.8	46,118	314,975	37.6
Operating income(loss)	**4,400**	**0.8**	(6,790)	(2.2)	11,190	(25,359)	(3.0)
Interest income	**716**		1,446		(729)	2,398	
Equity in earnings under the equity method	**4,378**		-		4,378	5,425	
Income from investments in partnerships	**741**		980		(239)	3,711	
Other non-operating income	**1,715**		2,207		(492)	4,931	
Non-operating income	**7,551**	**1.5**	4,634	1.5	2,916	16,466	2.0
Interest expense	**13,799**		10,231		3,568	22,971	
Foreign exchange loss	**3,937**		5,526		(1,588)	4,040	
Equity in loss under the equity method	**-**		4,575		(4,575)	-	
Other non-operating expenses	**7,698**		3,419		4,278	9,343	
Non-operating expenses	**25,435**	**4.9**	23,752	7.8	1,682	36,356	4.4
Ordinary loss	**(13,483)**	**(2.6)**	(25,908)	(8.5)	12,424	(45,248)	(5.4)
Gain on sales of investment securities	**52,475**		46,314		6,161	59,121	
Dilution gain from changes in equity interest	**4,364**		568		3,795	26,269	
Other special income	**1,990**		3,570		(1,579)	3,969	
Special income	**58,831**	**11.3**	50,454	16.6	8,377	89,360	10.7
Valuation loss on investment securities	**2,088**		3,493		(1,404)	8,840	
Loss on contract revision relating to sales operation change	**7,608**		-		7,608	-	
Penalty for unfulfilled contract commitment	**3,307**		-		3,307	6,147	
Refinance arrangement fee	**3,153**		-		3,153	-	
Bond covenant amendment fee	**-**		-		-	4,071	
Other special loss	**3,287**		7,398		(4,110)	34,601	
Special loss	**19,445**	**3.7**	10,891	3.6	8,554	53,660	6.4
Income (loss) before income taxes and minority interest	**25,901**	**5.0**	13,654	4.5	12,247	(9,548)	(1.1)
Income taxes:							
Current	**19,853**	**3.8**	12,744	4.2	7,108	34,740	4.2
Refunded	**-**		-	-	-	2,897	0.3
Deferred	**(2,967)**	**(0.6)**	(8,491)	(2.8)	5,524	(21,963)	(2.6)
Minority interest	**13,197**	**2.6**	15,446	5.1	(2,248)	40,444	4.8
Net loss	**¥(4,182)**	**(0.8)**	¥(6,045)	(2.0)	¥1,863	¥(59,871)	(7.2)

CONSOLIDATED STATEMENTS OF ADDITIONAL PAID-IN CAPITAL AND RETAINED EARNINGS

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

	Six-month period ended September 30, 2005	Six-month period ended September 30,2004	Fiscal year ended March 31, 2005
ADDITIONAL PAID-IN CAPITAL			
Additional paid-in capital at the beginning of the period	**¥186,783**	¥186,690	¥186,690
Increase due to issuance of shares	**10**	-	93
Additional paid-in capital at the end of the period	**¥186,794**	¥186,690	¥186,783

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

	Six-month period ended September 30, 2005	Six-month period ended September 30,2004	Fiscal year ended March 31, 2005
ACCUMULATED DEFICIT			
Accumulated deficit at the beginning of the period	**¥(273,362)**	¥(210,625)	¥(210,625)
Net loss	**(4,182)**	(6,045)	(59,871)
Cash dividends	**(2,460)**	(2,459)	(2,459)
Bonuses to directors	**(86)**	(176)	(176)
Net adjustments to accumulated deficit due to change in scope of the consolidation	**-**	42	(98)
Increase due to merger	**-**	14	17
Decrease due to merger	**(187)**	(7)	(147)
Accumulated deficit at the end of the period	**¥(280,278)**	¥(219,257)	¥(273,362)

Note: In accordance with accounting principles generally accepted in Japan, the cumulative effect arising from any changes in the scope of consolidation is treated as an adjustment to accumulated deficit in the consolidated statements of additional paid-in capital and retained earnings.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Six-month period ended September 30, 2005	Six-month period ended September 30,2004	Fiscal year ended March 31, 2005
Ⅰ. Cash flows from operating activities:			
Income (loss) before income taxes and minority interest	**¥25,901**	¥13,654	¥(9,548)
Adjustments to reconcile income (loss) before income taxes and minority interest to net cash used in operating activities:			
Depreciation and amortization	**42,586**	18,806	66,417
Equity in (earnings) loss under the equity method, net	**(4,378)**	4,575	(5,425)
Dilution gain from changes in equity interest, net	**(4,354)**	(523)	(25,200)
Valuation loss on investment securities	**2,088**	3,493	8,840
Gain on sales of marketable and investment securities, net	**(52,348)**	(46,190)	(56,049)
Foreign exchange loss, net	**3,266**	5,385	5,324
Interest and dividend income	**(934)**	(1,692)	(2,862)
Interest expense	**13,799**	10,231	22,971
Changes in operating assets, liabilities and others			
Decrease (increase) in receivables - trade	**5,915**	808	(15,854)
(Decrease) increase in payables - trade	**(12,721)**	(7,102)	2,371
Increase in other receivables	**(5,015)**	(27,782)	(70,813)
(Decrease) increase in other payables	**(16,395)**	55,430	97,095
Others, net	**9,269**	(8,938)	(17,519)
Sub-total	**6,680**	20,153	(251)
Interest and dividends received	**2,298**	1,640	2,506
Interest paid	**(11,789)**	(8,990)	(17,924)
Income taxes paid	**(18,134)**	(19,334)	(31,533)
Refund of income taxes	**2,964**	1,238	1,213
Net cash used in operating activities	**¥(17,981)**	¥(5,292)	¥(45,989)

- Continued -

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

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

	Six-month period ended September 30, 2005	Six-month period ended September 30,2004	Fiscal year ended March 31, 2005
II. Cash flows from investing activities:			
Purchase of property and equipment and intangibles	**¥(157,476)**	¥(30,594)	¥ (90,943)
Purchase of marketable and investment securities	**(30,718)**	(14,637)	(29,582)
Proceeds from sales of marketable and investment securities	**98,370**	9,599	57,099
Acquisition of interests in subsidiaries newly consolidated, net of cash acquired	**(842)**	(158,205)	(172,320)
Sales of interests in subsidiaries previously consolidated	**957**	39,451	34,840
Proceeds from sales of interests in consolidated subsidiaries	**5,853**	5,536	8,110
Increase in loan receivables	**(10,211)**	(5,321)	(21,387)
Collection of loans	**10,799**	3,339	9,105
Purchase of business rights and others	**-**	-	(13,113)
Others, net	**8,971**	(9,380)	(24,753)
Net cash used in investing activities	**(74,296)**	(160,211)	(242,944)
III. Cash flows from financing activities:			
(Decrease) increase in short-term borrowings, net	**(18,273)**	51,400	53,468
(Decrease) increase in commercial paper	**(3,000)**	(6,000)	4,500
Proceeds from long-term debt	**110,020**	27,400	166,400
Repayment of long-term debt	**(119,892)**	(5,498)	(192,836)
Proceeds from issuance of bonds	**71,978**	20,529	153,378
Redemption of bonds	**(53,515)**	(29,324)	(36,124)
Proceeds from issuance of shares	**20**	-	187
Proceeds from issuance of shares to minority shareholders	**533**	3,475	30,298
Proceeds from issuance of shares through public offering and allocation to a third party in SOFTBANK INVESTMENT CORPORATION	**-**	-	51,362
Redemption of preferred shares held by minority shareholder	**-**	-	(33,908)
Cash dividends paid	**(2,397)**	(2,445)	(2,457)
Cash dividends paid to minority shareholders	**(2,380)**	(1,836)	(2,160)
Increase in cash receipt as collateral	**20,000**	60,000	90,000
Others, net	**(1,249)**	1,521	(4,336)
Net cash provided by financing activities	**1,843**	119,221	277,770
IV. Effect of exchange rate changes on cash and cash equivalents	**1,790**	6,755	1,474
V. Net decrease in cash and cash equivalents	**(88,643)**	(39,527)	(9,688)
VI. Increase in cash and cash equivalents due to newly consolidated companies	**-**	12	12
VII. Decrease in cash and cash equivalents due to exclusion of previously consolidated entities	**(142)**	(45)	(107,529)
VIII. Increase in cash and cash equivalents due to merger	**-**	6	267
IX. Cash and cash equivalents at the beginning of the period	**320,194**	437,132	437,132
X. Cash and cash equivalents at the end of the period	**¥231,408**	¥397,578	¥320,194

CONDENSED QUARTERLY FINANCIAL INFORMATION

Condensed Statement of Income

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

	Second quarter July 1, 2005 to September 30, 2005	First quarter April 1, 2005 to June 30, 2005	Fourth quarter January 1, 2005 to March 31, 2005	Third quarter October 1, 2004 to December 31, 2004	Second quarter July 1, 2004 to September 30, 2004	First quarter April 1, 2004 to June 30, 2004
	Amount	Amount	Amount	Amount	Amount	Amount
Net sales	¥264,149	¥258,637	¥275,224	¥258,087	¥156,395	¥147,311
Cost of sales	178,575	175,674	184,434	170,489	99,707	92,770
Gross profit	85,573	82,962	90,789	87,597	56,687	54,540
Selling, general and administrative expenses	77,983	86,153	101,822	95,134	59,658	58,359
Operating income (loss)	7,590	(3,190)	(11,032)	(7,536)	(2,970)	(3,819)
Non-operating income (Note)	4,442	3,122	10,704	10,465	1,846	3,068
Non-operating expenses (Note)	12,499	12,950	10,978	10,963	13,114	10,918
Ordinary loss	(466)	(13,017)	(11,306)	(8,034)	(14,239)	(11,669)
Special income	35,916	22,914	22,240	16,665	40,690	9,763
Special loss	10,309	9,136	24,496	18,272	8,526	2,365
Income (loss) before income taxes and minority interest	25,141	760	(13,561)	(9,641)	17,925	(4,271)
Income taxes - Current	11,623	8,230	12,470	9,524	3,817	8,927
Income taxes - Refunded	-	-	2,897	-	-	-
Income taxes - Deferred	(187)	(2,779)	(6,022)	(7,449)	(4,542)	(3,949)
Minority interest	6,734	6,463	10,153	14,843	6,819	8,626
Net income (loss)	¥6,971	¥(11,153)	¥(27,266)	¥(26,560)	¥11,830	¥(17,876)

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

Condensed Statement of Cash Flows

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

	Second quarter July 1, 2005 to September 30, 2005	First quarter April 1, 2005 to June 30, 2005	Fourth quarter January 1, 2005 to March 31, 2005	Third quarter October 1, 2004 to December 31, 2004	Second quarter July 1, 2004 to September 30, 2004	First quarter April 1, 2004 to June 30, 2004
	Amount	Amount	Amount	Amount	Amount	Amount
Ⅰ Net cash provided by (used in) operating activities	¥232	¥(18,213)	¥(15,280)	¥(25,416)	¥6,644	¥(11,937)
Ⅱ Net cash used in investing activities	(45,593)	(28,703)	(65,379)	(17,352)	(136,910)	(23,301)
Ⅲ Net cash (used in) provided by financing activities	(11,081)	12,925	124,046	34,503	20,469	98,752
Ⅳ Effect of exchange rate changes on cash and cash equivalents	639	1,150	2,082	(7,364)	2,977	3,778
Ⅴ Net (decrease) increase in cash and cash equivalents	(55,802)	(32,840)	45,468	(15,630)	(106,819)	67,291
Ⅵ Increase in cash and cash equivalents due to newly consolidated companies	-	-	-	-	1	10
Ⅶ Decrease in cash and cash equivalents due to exclusion of previously consolidated entities	-	(142)	(107,483)	-	-	(45)
Ⅷ Increase in cash and cash equivalents due to merger	-	-	261	-	-	6
Ⅸ Cash and cash equivalents at the beginning of the period	287,211	320,194	381,948	397,578	504,395	437,132
Ⅹ Cash and cash equivalents at the end of the period	¥231,408	¥287,211	¥320,194	¥381,948	¥397,578	¥504,395
Note: Depreciation and amortization included in net cash provided by (used in) operating activities	¥21,643	¥20,942	¥24,763	¥22,847	¥8,956	¥9,850

Basis of Presentation of Consolidated Financial Statements

1. Changes in scope of consolidation

As of September 30, 2005, SOFTBANK CORP.（the "Company"）consolidated 153 subsidiaries. Nine subsidiaries were not consolidated as the individual and aggregate amounts were not considered material in relation to the consolidated total assets, net sales, net income (loss) and retained earnings (accumulated deficit) of the SOFTBANK consolidated financial statements.

Changes in the scope of the consolidation were as follows:

<Increase>

Softbank Media Marketing Holdings Corp.	Newly established
Eight other companies	

<Decrease>

Nine companies

2. Changes in scope of equity method

As of September 30, 2005, the Company held five non-consolidated subsidiaries and 94 affiliates, all of which were accounted for under the equity method.

Main changes in application of the equity method were as follows:

<Increase>

ValueCommerce Co., Ltd.	Newly acquired
Six other companies	

<Decrease>

Morningstar, Inc.	Sale of all shares
Fifteen other companies	

3. Fiscal year end

Fiscal year ends of consolidated subsidiaries in terms of domestic and overseas are as follows:

<Fiscal year end>	<Domestic>	<Overseas>
March end (as same as the consolidated balance sheet date)	79	30
May end	1	ー
June end	1	ー
September end	1	ー
December end	6	30
January end	1	ー
February end	4	ー

4. Summary of significant accounting policies

[1] Evaluation standards and methods for major assets

(1) Marketable securities and investment securities

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

Other securities:

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

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

(2) Derivative instruments: Stated at fair value

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

[2] Depreciation and amortization

(1) Property and equipment

Buildings and structures:	Computed primarily using the straight line method
Telecommunications equipment:	Computed using the straight line method
Telecommunications service lines:	Computed using the straight line method
Others:	Computed primarily using the straight line method for Broadband Infrastructure and Fixed-line Communications segments and computed primarily using the declining balance method for other segments

<Additional information for change of estimated useful life>

Transmitters, exchangers and power supply facilities of JAPAN TELECOM CO., LTD. had primarily been depreciated over a period of six years. Effective from April 1, 2005, the Company changed the estimated useful life of a portion of the equipment, which is included in "Telecommunications equipment" in the Company's consolidated balance sheets, to ten years based on a reassessment of the assets' operational lives taking into consideration of years of service provided by the equipment, technological innovation cycles in the telecommunications industry and other relevant factors.

As a result, depreciation expense included in cost of sales decreased by ¥5,903 million. Operating income increased, ordinary loss decreased and income before income taxes and minority interest increased by the same amount for the six-month period ended September 30, 2005 as compared with the amounts which would have been recognized if the previous estimated useful life had not been changed.

<Change in method of depreciation>

The depreciation method of assets used internally by SOFTBANK BB Corp. and another subsidiary (mainly fixtures and equipment presented as "Buildings and structures" and "others" in "Property and equipment, net") has been changed from the declining balance method to the straight-line method.

The Company relocated the headquarters to Tokyo Shiodome Building in fiscal year 2005 and purchased a large amount of assets internally used in SOFTBANK BB Corp. and other subsidiaries. Based on a reassessment of expense allocation, the change of the depreciation method has been made because the straight line method represents a more appropriate allocation of expense, while equally recording depreciation expense for each period to reflect the decline in usefulness of property and equipment from period to period.

As a result, for the six-month period ended September 30, 2005, cost of goods sold and selling, general and administrative expense decreased by ¥183 million and ¥247 million, respectively. Operating income and income before income taxes increased by ¥431 million and ordinary loss decreased by the same amount as compared to the amounts that would have been recognized if the declining balance method had been applied.

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

<Change in accounting policy of network line construction expense>

Beginning April 1, 2005, accounting policy of network line construction expense has been changed to capitalize the expense as non-current assets which was previously recognized as selling, general and administrative expense. The capitalized network line construction expenses relate to cost incurred for each individual network set up prior to network activation. This change in accounting policy is considered a more appropriate way to reflect the allocation of such network line construction costs over the period of future economic benefit.

As a result, for the six-month period ended September 30, 2005, cost of goods sold increased by ¥6 million and selling, general and administrative expense decreased by ¥1,340 million. Operating income increased by ¥1,334 million, ordinary loss decreased and income before income taxes increased by the same amount as compared to the amounts that would have been recognized under the original method.

[3] Accounting principles for major allowances and accruals

(1) <Allowance for doubtful accounts>

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

(2) <Accrued retirement benefits>

JAPAN TELECOM CO., LTD. and certain other subsidiaries have defined benefit pension plans for their employees. Those companies account for the obligation for retirement benefits based on the projected benefit obligations as of September 30, 2005.

[4] Translation of foreign currency transactions and accounts

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

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

[5] Capital lease

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

[6] Accounting for significant hedge transactions

(1) Collar transaction

① <Hedge accounting>

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

② <Derivative instruments for hedging and hedged items>

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

Hedged items: Equity security

③ <Hedging policy>

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

(2) Interest rate swap

① <Hedge accounting>

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

② <Derivative instruments for hedging and hedged items>

Derivative instruments for hedging: Interest rate swap contracts

Hedged items: Interest expense on borrowings

③ <Hedging policy>

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

[7] Accounting method for consumption taxes

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

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

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

6. Impairment on fixed assets

The Company applied "Accounting Standards for Impairment on Fixed Assets" ("Opinions Concerning Establishment of Accounting Standards for Impairment of Fixed Assets" issued on August 9, 2002 by the Business Accounting Council in Japan), and "Application Guideline for Accounting Standards for Impairment of Fixed Assets" (Financial Accounting Standards Implementation Guideline No. 6 issued on October 31, 2003) beginning April 1, 2005.

The impact of the application of these standards and guideline on the consolidated statements of operations was not considered material.

7. Change in presentation

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 instruments accounting on February 15, 2005, investments in limited partnerships and similar investments have been classified as investment securities since the fiscal year ended March 31, 2005.

The amounts of applicable investments in partnerships which are included in "Investment securities and investments in partnerships" balance within the consolidated balance sheets were ¥45,087 million and ¥101,020 million as of September 30, 2005 and March 31, 2005, respectively.

As a result, there were "Other investments" of ¥98 million and ¥40 million as of September 30, 2005 and March 31, 2005, respectively. Due to the decrease in materiality, other investments are included in "Other assets" as of September 30, 2005 and March 31, 2005.

Notes

1. Accumulated depreciation of property and equipment

	As of September 30, 2005	As of March 31, 2005	As of September 30, 2004
	609,452 million yen	625,280 million yen	558,439 million yen

2. Number of treasury stock held by the Company

		As of September 30, 2005	As of March 31, 2005	As of September 30, 2004
Shares held by the Company	common stock	**45,340 shares**	40,956 shares	36,059 shares
Number of shares issued	common stock	**351,502,826 shares**	351,498,126 shares	351,436,826 shares

3. Assets pledged as collateral

(1) For future lease liabilities

	As of September 30, 2005	As of March 31, 2005	As of September 30, 2004
Assets pledged as collateral:			
Notes and accounts receivable - trade	**11,887 million yen**	11,247 million yen	10,035 million yen
Other current assets (accounts receivable – other)	**2 million yen**	7 million yen	18 million yen
Secured liabilities:			
Accounts payable - trade	**2 million yen**	5 million yen	8 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:

	As of September 30, 2005	As of March 31, 2005	As of September 30, 2004
Future lease liabilities (including the above "Accounts payable-trade")	**31,035 million yen**	37,263 million yen	31,921 million yen

3. Assets pledged as collateral (continued)

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

	As of September 30, 2005	As of March 31, 2005	As of September 30, 2004
Assets pledged as collateral:			
Cash and deposits	**483 million yen**	446 million yen	735 million yen
Notes and accounts receivable - trade	**1,060**	1,120	1,117
Buildings and structures	**884**	6,660	15,123
Telecommunications equipment	**2,113**	14,172	16,929
Telecommunications service lines	**-**	13,689	14,739
Land	**5,001**	5,582	-
Property and equipment- others	**0**	0	6,467
Investment securities	**203,486**	193,398	207,115
Total	**213,030 million yen**	235,070 million yen	262,228 million yen
Secured liabilities:			
Notes and accounts payable - trade	**407 million yen**	493 million yen	552 million yen
Short-term borrowings	**15,859**	25,882	57,390
Accounts payable- other and accrued expenses	**21**	18	6
Other current liabilities	**-**	-	364
Long-term debt	**116,313**	212,119	246,723
Other long-term liabilities	**207**	289	-
Total	**132,809 million yen**	238,804 million yen	305,037 million yen

Note:

In connection with JAPAN TELECOM CO., LTD's loan refinancing on April 27, 2005, assets pledged as factory foundation collateral and investment securities in JAPAN TELECOM CO., LTD. held by the Company and three consolidated subsidiaries of JAPAN TELECOM CO., LTD. as of March 31, 2005 were released.

4. Securities loaned

Certain consolidated subsidiaries lend a portion of their investment securities to financial institutions according to stock lending agreements. The amounts of investment securities lent under these arrangements and reflected in the Company's consolidated balance sheets are as follows:

	As of September 30, 2005	As of March 31, 2005	As of September 30, 2004
Investment securities	**259 million yen**	- million yen	- million yen

5. Cash receipts as collateral

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

	As of September 30, 2005	As of March 31, 2005	As of September 30, 2004
Cash receipts as collateral	**120,000 million yen**	100,000 million yen	70,000 million yen

According to the security deposit agreements, the Company paid a fixed rate amount as stock bailment fees and other fees totaling ¥1,482 million, ¥1,692 million and ¥713 million for the six-month period ended September 30, 2005, the year ended March 31, 2005 and the six-month ended September 30, 2004, respectively, and recorded the fees as other non-operating expenses in the consolidated statements of operations.

6. Net unrealized gains/losses on derivative instruments

Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133") is adopted on derivative instruments which the Company's consolidated subsidiary in the United States of America utilized.

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 the loans. According to SFAS 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.

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

As of September 30, 2005	As of March 31, 2005	As of September 30, 2004
15,809 million yen	200 million yen	143 million yen

8. Balance of accounts receivable sold

As of September 30, 2005	As of March 31, 2005	As of September 30, 2004
7,461 million yen	7,855 million yen	5,030 million yen

9. Selling, general and administrative expenses

	Six-month period ended September 30, 2005	Six-month period ended September 30, 2004	Fiscal year ended March 31, 2005
Payroll and bonuses	**35,071 million yen**	15,562 million yen	45,550 million yen
Sales promotion expense	**29,855**	47,978	95,131
Fees for outsourced services	**22,899**	8,566	37,665
Allowance for doubtful accounts	**2,315**	1,875	3,720

10. Consolidated statements of cash flows

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

	As of September 30, 2005	As of March 31, 2005	As of September 30, 2004
Cash and deposits	**232,490 million yen**	349,884 million yen	287,978 million yen
Marketable securities	**7,628**	53,084	39,403
Time deposits with original maturity over three months	**(1,489)**	(4,534)	(1,455)
Deposits received from customers in the commodities business	-	(49)	-
Stocks and bonds with original maturity over three months	**(7,221)**	(807)	(5,732)
Cash and cash equivalents	**231,408 million yen**	397,578 million yen	320,194 million yen

Significant Subsequent Events

<Sale of partial shareholding of Tao Bao Holding Limited>

The Company sold its 4,500,000 shares held in Tao Bao Holding Limited to Yahoo! Inc. through its wholly-owned subsidiary, SB TB Holding Limited for approximately $360 million (approximately ¥41.7 billion, $1=¥115.98) on October 24, 2005.

The gain on the sale of investment securities of approximately ¥40.6 billion will be recorded in the third quarter of the fiscal year ending March 31, 2006. As a result, Tao Bao Holding Limited is to be excluded from a consolidated subsidiary.

<Sale of entire stocks of Yahoo! group companies in Europe and Korea>

On November 7, 2005, the Company and its consolidated subsidiaries, have entered into an agreement with Yahoo! Inc. that they sell their entire holding stocks (30%) of Yahoo! UK Limited, Yahoo! France SAS, and Yahoo! Deutschland GmbH and their entire holding stocks (33%) of Yahoo! Korea Corporation to Yahoo! Inc. for a total of $500 million (approximately ¥59.0 billion, $1=¥118.16).

The gain on the sale of investment securities of approximately ¥53.3 billion will be recorded in the third quarter of the fiscal year ending March 31, 2006.

Segment Information

1. Business segment information

(1) For the six-month period ended September 30, 2005

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

	Broadband Infrastructure	Fixed-line Telecommunications	e-Commerce	Internet Culture	e-Finance	Others	Total	Elimination or Corporate	Consolidated
Net sales					(Note 5)				
(1) Customers	**¥124,947**	**¥168,963**	**¥123,640**	**¥71,224**	**¥-**	**¥34,011**	**¥522,787**	**¥ -**	**¥522,787**
(2) Inter-segment	**697**	**2,941**	**4,517**	**307**	**-**	**6,881**	**15,344**	**(15,344)**	**-**
Total	**125,645**	**171,904**	**128,157**	**71,531**	**-**	**40,893**	**538,132**	**(15,344)**	**522,787**
Operating expenses	**126,655**	**198,204**	**126,613**	**37,894**	**-**	**41,892**	**531,261**	**(12,874)**	**518,387**
Operating income (loss)	**¥(1,010)**	**¥(26,299)**	**¥1,544**	**¥33,636**	**¥-**	**¥(999)**	**¥6,871**	**¥ (2,470)**	**¥4,400**

(2) For the six-month period ended September 30, 2004

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

	Broadband Infrastructure	Fixed-line Telecommunications	e-Commerce	Internet Culture	e-Finance	Others	Total	Elimination or Corporate	Consolidated
Net sales		(Note 4)							
(1) Customers	¥95,901	¥-	¥114,289	¥43,525	¥27,962	¥22,027	¥303,706	¥ -	¥303,706
(2) Inter-segment	93	-	5,320	269	2,808	9,258	17,751	(17,751)	-
Total	95,994	-	119,610	43,795	30,771	31,286	321,457	(17,751)	303,706
Operating expenses	130,673	-	117,029	21,598	23,635	33,697	326,635	(16,138)	310,496
Operating income (loss)	¥(34,678)	¥-	¥2,580	¥22,196	¥7,135	¥(2,411)	¥(5,177)	¥ (1,612)	¥(6,790)

(3) For the fiscal year ended March 31, 2005

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

	Broadband Infrastructure	Fixed-line Telecommunications	e-Commerce	Internet Culture	e-Finance	Others	Total	Elimination or Corporate	Consolidated
Net sales									
(1) Customers	¥204,974	¥165,969	¥244,971	¥101,913	¥73,235	¥45,954	¥837,018	¥ -	¥837,018
(2) Inter-segment	331	909	9,950	534	5,562	18,221	35,510	(35,510)	-
Total	205,306	166,878	254,921	102,448	78,797	64,175	872,528	(35,510)	837,018
Operating expenses	259,054	202,944	249,681	52,368	59,083	70,060	893,192	(30,815)	862,377
Operating income (loss)	¥(53,747)	¥(36,065)	¥5,240	¥50,079	¥19,714	¥(5,885)	¥(20,663)	¥ (4,695)	¥(25,359)

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 its internal management purpose.
2. Please refer to the chart of "The SOFTBANK Group" for main businesses segments.
3. Unallocated operating expenses for the six-month period ended September 30, 2005, and September 30, 2004, and for the year ended March 31, 2005 in the column "Elimination or Corporate", mainly represents expenses of the corporate division of the Company, totaled ¥2,305 million, ¥1,674 million and ¥6,867 million, respectively.
4. The "Fixed-line Telecommunications" business segment was established as of September 30, 2004, consequently this segment did not exist for the six-month period ended September 30, 2004
5. The former "e-Finance" business segment ended as SOFTBANK INVESTMENT CORPORATION (current SBI Holdings, Inc.) changed to an equity-method affiliate from a consolidated subsidiary on March 31, 2005.

<Change in presentation>

In fiscal year 2005, segment information for net sales and operating income (loss) of Broadmedia, Technology Services, Media & Marketing, and Overseas Funds segments were presented although the portions of net sales and operating income (loss) were less than 10% of consolidated net sales and operating income (loss). Due to the relative significance of these businesses, beginning with the six-month period ended September 30, 2005, they are included in the "Others" segment. This change in presentation of business segment information is due to increase in importance on the Broadband Infrastructure, Fixed-line Telecommunications, e-Commerce, and Internet Culture operations.

2. Geographic segment information

(1) For the six-month period ended September 30, 2005

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

	Japan	**North America**	**Others**	**Total**	**Elimination or Corporate**	**Consolidated**
Net sales						
(1) Customers	**¥519,240**	**¥633**	**¥2,913**	**¥522,787**	**¥ -**	**¥522,787**
(2) Inter-segment	**187**	**308**	**173**	**669**	**(669)**	**-**
Total	**519,428**	**942**	**3,086**	**523,457**	**(669)**	**522,787**
Operating expenses	**510,543**	**1,419**	**4,913**	**516,875**	**1,511**	**518,387**
Operating loss	**¥8,885**	**¥(476)**	**¥(1,826)**	**¥6,581**	**¥(2,181)**	**¥4,400**

(2) For the six-month period ended September 30, 2004

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

	Japan	North America	Others	Total	Elimination or Corporate	Consolidated
Net sales						
(1) Customers	¥299,324	¥1,060	¥3,321	¥303,706	¥ -	¥303,706
(2) Inter-segment	283	26	56	366	(366)	-
Total	299,607	1,087	3,378	304,073	(366)	303,706
Operating expenses	303,529	1,287	4,343	309,161	1,335	310,496
Operating loss	¥(3,922)	¥(200)	¥(965)	¥(5,088)	¥(1,702)	¥(6,790)

(3) For the fiscal year ended March 31, 2005

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

	Japan	North America	Others	Total	Elimination or Corporate	Consolidated
Net sales						
(1) Customers	¥828,768	¥1,910	¥6,339	¥837,018	¥ -	¥837,018
(2) Inter-segment	464	371	223	1,060	(1,060)	-
Total	829,233	2,281	6,563	838,078	(1,060)	837,018
Operating expenses	845,650	3,220	9,742	858,613	3,763	862,377
Operating loss	¥(16,417)	¥(938)	¥(3,178)	¥(20,535)	¥(4,823)	¥(25,359)

Notes:

1. Net sales by geographic region are recognized based on geographic location of the operation.
   Significant countries in each region are shown below:
   North America: United States of America and Canada
   Others: Europe, Korea, China, Hong Kong and Singapore
2. Unallocated operating expenses for the six-month periods ended September 30, 2005, and September 30, 2004, and for the year ended March 31, 2005 in the column "Elimination or Corporate", mainly represents expenses of the corporate division of the Company, were ¥2,305 million, ¥1,674 million and ¥6,867 million, respectively.

3. Overseas sales

Disclosure of overseas sales was omitted because the total overseas sales were less than 10% of total consolidated sales.

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 periods

	As of September 30, 2005	As of March 31, 2005	As of September 30, 2004
Telecommunications equipment and telecommunications service lines			
Equivalent to acquisition costs	**212,136**	195,681	55,414
Less: amount equivalent to accumulated depreciation	**(61,532)**	(45,685)	(24,140)
Net book value	**150,604 million yen**	149,996 million yen	31,273 million yen
Buildings and structures			
Equivalent to acquisition costs	**46,975**	47,056	-
Less: amount equivalent to accumulated depreciation	**(1,485)**	(349)	-
Net book value	**45,489 million yen**	46,706 million yen	- million yen
Property and equipment - others			
Equivalent to acquisition costs	**13,954**	15,938	17,579
Less: amount equivalent to accumulated depreciation	**(7,263)**	(10,293)	(9,319)
Net book value	**6,691 million yen**	5,644 million yen	8,260 million yen
Intangible assets			
Equivalent to acquisition costs	**2,876**	2,727	2,832
Less: amount equivalent to accumulated amortization	**(1,311)**	(1,076)	(752)
Net book value	**1,565 million yen**	1,651 million yen	2,080 million yen
Total			
Equivalent to acquisition costs	**275,943**	261,404	75,827
Less: amount equivalent to accumulated depreciation	**(71,593)**	(57,404)	(34,213)
Net book value	**204,350 million yen**	203,999 million yen	41,614 million yen

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

	As of September 30, 2005	As of March 31, 2005	As of September 30, 2004
Due within one year	**42,355**	40,342	18,835
Due after one year	**168,127**	167,676	26,449
Total	**210,483 million yen**	208,018 million yen	45,285 million yen

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

	Six-month period ended September 30, 2005	Fiscal year ended March 31,2005	Six-month period ended September 30, 2004
Lease payments	**28,527 million yen**	27,366 million yen	8,257 million yen
Amount equivalent to depreciation expense	**22,559**	24,209	7,303
Amount equivalent to interest expense	**8,141**	5,179	1,099

(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 each capital lease, 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.

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

(as a lessor)

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

	As of September 30, 2005		As of March 31, 2005		As of September 30, 2004	
Property and equipment - others						
Acquisition costs	**164**		2,644		3,288	
Less: accumulated depreciation	**(117)**		(2,576)		(2,576)	
Net book value	**47**	**million yen**	67	million yen	712	million yen
Intangible assets						
Acquisition costs	**-**		-		342	
Less: accumulated amortization	**-**		-		(61)	
Net book value	**-**	**million yen**	-	million yen	281	million yen
Total						
Acquisition costs	**164**		2,644		3,631	
Less: accumulated depreciation	**(117)**		(2,576)		(2,637)	
Net book value	**47**	**million yen**	67	million yen	994	million yen

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

	As of September 30, 2005		As of March 31, 2005		As of September 30, 2004	
Due within one year	**45**		43		610	
Due after one year	**6**		29		419	
Total	**51**	**million yen**	72	million yen	1,030	million yen

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

	Six-month period ended September 30, 2005		Fiscal year ended March 31, 2005		Six-month period ended September 30, 2004	
Lease income	**23**	**million yen**	349	million yen	114	million yen
Depreciation expense	**20**		211		99	
Amount equivalent to interest income	**2**		3		17	

(4) Calculation method of amount equivalent to interest income

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

2. **Non-cancelable operating lease transactions**

(as a lessee)

The future lease payments for non-cancelable operating leases

	As of September 30, 2005		As of March 31, 2005		As of September 30, 2004	
Due within one year	**9,081**		6,264		353	
Due after one year	**11,362**		15,551		300	
Total	**20,443**	**million yen**	21,815	million yen	654	million yen

(as a lessor)

The future lease receivables for non-cancelable operating leases

	As of September 30, 2005		As of March 31, 2005		As of September 30, 2004	
Due within one year	**1,161**		972		376	
Due after one year	**1,864**		1,816		959	
Total	**3,026**	**million yen**	2,789	million yen	1,335	million yen

Investment in Debt and Equity Securities

1. Other securities at fair value

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

	As of September 30, 2005			As of March 31, 2005			As of September 30, 2004		
	Investment costs	**Carrying amounts**	**Differences**	Investment costs	Carrying amounts	Differences	Investment costs	Carrying amounts	Differences
1. Equity securities	**¥35,709**	**¥235,731**	**¥200,022**	¥29,924	¥229,412	¥199,488	¥60,722	¥270,308	¥209,585
2. Debt securities: Corporate bonds	**5,060**	**5,064**	**3**	5,134	5,141	7	5,207	5,207	(0)
3. Others	**18**	**23**	**4**	18	18	0	4,193	4,174	(19)
Total	**¥40,788**	**¥240,818**	**¥200,030**	¥35,077	¥234,572	¥199,495	¥70,124	¥279,689	¥209,565

2. Carrying amounts of unlisted investment securities

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

	As of September 30, 2005 Carrying amounts	As of March 31, 2005 Carrying amounts	As of September 30, 2004 Carrying amounts
Other securities			
Unlisted equity securities	**21,482**	16,466	**20,930**
Investments in limited partnerships (see Note)	**5,388**	63,373	**-**
Money Management Fund	**2,167**	1,836	**3,019**
Preferred fund certificate	**2,000**	2,000	**2,000**
Mid-term government bond funds	**191**	191	**191**
Unlisted foreign debt securities	**145**	1,108	**1,157**
Investment trust without market quotations	**-**	30,388	**51,210**
Designated money trust	**-**	3,000	**-**
Others	**10**	10	**10**
Total	**¥31,386**	¥118,374	**¥78,519**

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

Derivative Transactions

1 Currency related derivatives

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

Nature of transaction	**September 30, 2005**				March 31, 2005				September 30, 2004			
	Contract amounts	**Over 1 year**	**Fair value**	**Unrealized gain (loss)**	Contract amounts	Over 1 year	Fair value	Unrealized gain (loss)	Contract amounts	Over 1 year	Fair value	Unrealized gain (loss)
Off-market transactions												
Swap transactions to-												
・Receive Australian dollars and pay Japanese yen	**¥1,000**	**¥ -**	**¥ 34**	**¥ 34**	¥1,000	¥-	¥ 12	¥12	¥1,000	¥1,000	¥40	¥40
Option transactions to-												
・Purchase U.S. dollar call option and Japanese yen put option	**5,369 (60)**	**-**	**237**	**177**	-	-	-	-	-	-	-	-
・Sell U.S. dollar put option and Japanese yen call option	**4,725 (60)**	**-**	**(3)**	**56**	-	-	-	-	-	-	-	-
・Purchase Japanese yen put option and euro call option and sell Japanese yen call option and euro put option	**15,610**	**14,645**	**(286)**	**(286)**	-	-	-	-	-	-	-	-
Forward exchange contracts to-												
・Purchase U.S. dollars and sell Japanese yen	**85,040**	**-**	**87,977**	**2,936**	3,193	-	3,249	56	418	-	426	8
・Purchase Euro and sell Japanese yen	**8,347**	**8,347**	**8,685**	**338**	-	-	-	-	-	-	-	-
Total				**¥3,256**				¥68				¥48

Notes:
1. The amounts in ( ) under "Contract amounts" represents option fees.
2. Fair value is based on information provided by financial institutions.

2 Interest related derivatives

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

Nature of transaction	**September 30, 2005**				March 31, 2005				September 30, 2004			
	Notional amounts	**Over 1 year**	**Fair value**	**Unrealized gain (loss)**	Notional amounts	Over 1 year	Fair value	Unrealized gain (loss)	Notional amounts	Over 1 year	Fair value	Unrealized gain (loss)
Off-market transactions												
Swap transactions to-												
・Receive fixed rate and pay floating rate	**¥ -**	**¥-**	**¥ -**	**¥ -**	¥1,142	¥-	¥ 39	¥ 39	¥1,142	¥ -	¥ 42	¥ 42
・Receive floating rate and pay fixed rate	**10,000**	**-**	**(48)**	**(48)**	11,571	-	(149)	(149)	11,571	10,000	(194)	(194)
・Receive fixed rate (receipt later) and pay fixed rate (prepayment)	**1,000**	**-**	**35**	**35**	1,000	-	35	35	1,000	1,000	35	35
Total				**¥(12)**				¥(73)				¥(116)

Notes:
1. Fair value is based on information provided by the financial institutions.
2. Derivative transactions on which the Company applied hedge accounting are excluded.

3 Securities related derivatives

There are no applicable items.

Note:

Derivative transactions on which the Company applied hedge accounting are excluded.

Per Share Data

	Six-month period ended September 30, 2005	Six-month period ended September 30, 2004	Fiscal year ended March 31, 2005
Net loss per share - primary (yen)	**¥(11.90)**	¥(17.20)	¥(171.03)
Net income per share - diluted (Note 1)	**-**	-	-
Shareholders' equity per share (yen)	**484.67**	659.78	505.86
Basic data for computation of the per share data			
1. Net loss (in millions of yen)	**¥(4,182)**	¥(6,045)	¥(59,871)
2. Net loss allocated to common stock outstanding (in millions of yen)	**¥(4,182)**	¥(6,045)	¥(60,101)
3. Net loss not allocated to common stock holders (in millions of yen) (Note 2)	**¥-**	¥-	¥229
4. Weighted-average number of common stock outstanding during each fiscal period (unit: shares) (Note 3)	**351,456,370**	351,402,492	351,418,709

Notes:

1. Diluted net income per share is not disclosed due to the loss position.
2. The primary component is "Bonuses to Directors."
3. There were no common stock equivalents at the end of each period.