SOFTBANK CORP.
CONSOLIDATED FINANCIAL REPORT
For the six-month period ended September 30, 2006

Tokyo, November 8, 2006

FINANCIAL HIGHLIGHTS

1. Results of Operations

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

	Net sales		Operating income		Ordinary income (loss)		Net income (loss)	
	Amount	%	Amount	%	Amount	%	Amount	%
Six-month period ended September 30, 2006	**¥1,120,173**	**114.3**	**¥112,552**	**2,457.8**	**¥62,690**	**-**	**¥14,439**	**-**
Six-month period ended September 30, 2005	¥522,787	72.1	¥4,400	-	¥(13,483)	-	¥(4,182)	-
Fiscal year ended March 31, 2006	¥1,108,665		¥62,299		¥27,492		¥57,550	

	Net income (loss) per share— primary (yen)	Net income per share— diluted (yen)
Six-month period ended September 30, 2006	**¥13.68**	**¥12.84**
Six-month period ended September 30, 2005	¥(11.90)	-
Fiscal year ended March 31, 2006	¥54.36	¥50.71

Notes:

1. Equity in earnings under the equity method
   Six-month period ended September 30, 2006: ¥ 8,046 million
   Six-month period ended September 30, 2005: ¥ 4,378 million
   Fiscal year ended March 31, 2006: ¥ 9,521 million

2. Weighted-average number of shares issued and outstanding during each fiscal period (consolidated)
   Six-month period ended September 30, 2006: 1,055,140,098 shares
   Six-month period ended September 30, 2005: 351,456,370 shares
   Fiscal year ended March 31, 2006: 1,054,478,501 shares

3. Changes in accounting methods: No

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

2. Financial Condition

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

	Total assets	Net assets	Equity ratio (%)	Net assets per share (yen)
As of September 30, 2006	**¥3,986,991**	**¥665,696**	**6.2**	**¥236.14**
As of September 30, 2005	¥1,578,924	¥256,524	10.8	¥484.67
As of March 31, 2006	¥1,808,398	¥347,263	13.4	¥229.88

Note: Number of shares outstanding (consolidated)

As of September 30, 2006: 1,055,170,502 shares
As of September 30, 2005: 351,457,486 shares
As of March 31, 2006: 1,055,082,087 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, 2006	**¥187,139**	**¥(1,956,985)**	**¥1,598,773**	**¥272,572**
Six-month period ended September 30, 2005	¥(17,981)	¥(74,296)	¥1,843	¥231,408
Fiscal year ended March 31, 2006	¥57,806	¥27,852	¥30,078	¥446,694

4. Scope of Consolidation at September 30, 2006

Consolidated subsidiaries: 121
Equity-method non-consolidated subsidiaries: 3
Equity-method affiliates: 68

5. Changes in Scope of Consolidation

Consolidated subsidiaries:
Newly added: 12
Excluded: 44

Equity-method non-consolidated subsidiaries and affiliates:
Newly added: 10
Excluded: 26

Management Policies

1. Fundamental Management Policies

Since their establishment, SOFTBANK CORP. (hereafter "the Company") and the SOFTBANK Group (hereafter "the Group") have followed the core management philosophy of "Endeavoring to benefit society and the economy and to maximize enterprise value by fostering the sharing of wisdom and knowledge gained through the IT revolution." The Group is working to facilitate the realization of the true ubiquitous society, where broadband will enable anyone to access all kinds of information at any time and anywhere.

In October 2006, the corporate names of Vodafone K.K. and JAPAN TELECOM CO., LTD., were changed to SOFTBANK MOBILE Corp. (hereafter "SOFTBANK MOBILE") and SOFTBANK TELECOM Corp. (hereafter "SOFTBANK TELECOM"), respectively. The Group has established a fast, efficient management system for the purpose of realizing its management philosophy under a unified Softbank brand.

As a corporate group based on Internet-related businesses, the Group will not limit itself to its existing role as a comprehensive telecommunications carrier. Rather, by providing innovative services as a comprehensive digital information company, the Group aims to make people's lifestyles and business styles more affluent and enjoyable and to be the global No. 1 corporate group in the broadband era.

2. Policy Regarding Allocation of Earnings

The fundamental policy of the Company is to increase shareholder value by raising the Company's enterprise value and providing an appropriate return to shareholders and all other stakeholders.

The Company's policy regarding dividends is to set dividend payments by taking into consideration the need to maintain the proper balance between bolstering the operating base and preserving a stable dividend from a medium- to long-term perspective. At this point, dividend payments for the current fiscal year have not yet been determined.

3. Target Management Indices

The Group places great importance on results and rates of change in the principal management indices—net sales, operating income, ordinary income, net income, cash flows, and EBITDA[*1]—for each of our internal management segments. The Group also attaches great importance to indices that track user trends, particularly in telecommunications businesses, such as the number of subscribers, market share, churn rate, and average revenue per user (ARPU).

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

4. Medium-and-Long-Term Strategies

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

*2. FMC: Fixed Mobile Convergence

(1)Maximizing cash flow to reduce interest-bearing debt in the mobile communications business

To fund the acquisition of Vodafone K.K. (currently SOFTBANK MOBILE Corp.), in April 2006, the Group raised ¥1.28 trillion based on a bridge facility agreement as a non recourse loan from 17 financial institutions. That agreement is scheduled to be refinanced in November 2006, with the refinancing as a non recourse loan expected to total ¥1.45 trillion. The Group plans to use the structured finance method known as WBS[*4]. Under the terms of the WBS transaction, the debt and the cash flow from the mobile communications business will be separated from the Group, and the cash flow from the business will, as a rule, be used for repayment of the debt (except for reinvestment in the business), thereby increasing the certainty of principal and interest payments. As a result, the refinancing will receive a higher rating, and, in comparison with borrowings using conventional financing methods, it will be possible to reduce fund-raising costs. For the near future, the Group will try to maximize the cash flow from the mobile communications business, reduce the interest-bearing debt resulting from the securitization, and strengthen its financial position. Accordingly the Group will strive to increase the number of subscribers and raise ARPU.

*3. A type of loan for which, if the borrower is unable to repay the loan, the lender can seize the assets pledged as collateral for the loan, but not any of the borrower's other assets.
*4. WBS = whole business securitization

(2) Expanding broadband content
The Group is targeting further expansion of the content available on the broadband infrastructure. The elimination of areas with no broadband service is an objective of the Ministry of Internal Affairs and Communications' Next-Generation Broadband Strategy 2010. Along with the growth in the household penetration rate of fixed-line broadband access services, the realization of broadband capabilities in mobile communications is also expected. The Group believes that it will be important to provide appealing broadband content, such as video and social networking services (SNS). In November 2006, the Company came to an agreement with News Corporation Group on the establishment of MySpace Japan KK, to operate "*MySpace Japan*" as the Japanese service of the world's largest SNS site "MySpace" and started the testing service of *MySpace Japan*. In addition to substantially improving the services and content available under the Group's brand, including *Yahoo! JAPAN*, the Group will strive to expand broadband content through alliances with leading content providers in Japan and overseas.

(3) Rapidly establishing ubiquitous, seamless broadband infrastructure
To realize a ubiquitous, seamless broadband environment, the Group aims to provide a comprehensive range of telecommunications modes. In fixed-line broadband infrastructure, the Group's *Yahoo! BB ADSL* service has driven the popularization of broadband in Japan. The Group will continue to implement R&D targeting the commercialization of various new technologies, such as FTTR*5 and high-speed PLC*6. In the mobile communications business, the Group is making steady progress toward the realization of mobile broadband, including the ongoing establishment of base stations for Third-Generation (3G) mobile phones and the start of a HSDPA*7 high-speed data communication service. The Group aims to achieve FMC at an early stage through utilization of next-generation high-speed mobile communications services and Group wireless LAN networks.

*5. Fiber To The Remote terminal: From NTT central offices to equipment located near the user's premises, transmission is handled over fiberoptic technology, like that used with FTTH. From the nearby transmission equipment, which is installed on such structures as telephone poles, to the user, transmission is handled over metal wire technology, like that used with ADSL.
*6. Power line communications: technology for using power lines in housing and commercial buildings for communications transmission.
*7. High Speed Downlink Packet Access: A high-speed data transmission protocol for 3G mobile communications systems.

(4) Providing broadband content developed in-house to customers around the world
The Group aims to be the No. 1 broadband content group in Japan, which has the fixed-line broadband infrastructure with the lowest cost and highest speed in the world. The Group's strategy is to promote this broadband content in countries around the world. Following the acquisition of SOFTBANK MOBILE in May 2006, the Group agreed on a strategic alliance with Vodafone PLC, of the U.K., a mobile phone operator with one of the largest customer bases in the world. This alliance will include the establishment of a joint venture that will target global promotions of broadband content. And in November 2006, the Group started the testing service of *MySpace Japan*, the Japanese service of the world's largest SNS site "MySpace". As the first step, the Group will extend the unique broadband business model developed by the Group and expand profit opportunities on a global basis.

5. Important Management Issues
(1) Mobile Communications Initiatives
Mobile number portability*8 took effect on October 24, 2006, and competition among carriers in the mobile communications market is expected to intensify. In this setting, the Group will need to acquire

new customers by increasing customer satisfaction. In October, the brand of the Group's mobile communications business was changed from Vodafone to SOFTBANK, and the Group is implementing the following four initiatives.

1. 3G Network Enhancement

We are enhancing our network to eliminate areas in which it is difficult to receive 3G mobile phone signals. Our objective is to increase the number of 3G base stations to 46,000 within the current fiscal year. As of the end of September 2006, the number of 3G base stations was 24,539. Based on the results of a customer survey, we need to improve the 3G mobile phone signal strength in customers' homes, and accordingly we are taking steps to enhance our network, such as a campaign featuring free installation of home antennas.

2. 3G Handset Lineup Enrichment

We will develop our lineup of 3G handsets that are optimal for the Japanese market. In the second quarter, the SoftBank 705SH, by Sharp, was the best-selling*9 model in Japan in August and September. In addition, the SoftBank 905SH, by Sharp, which can receive one-segment*10 broadcasts, was the No. 1 one-segment model for four consecutive months from June to September*9. In September 2006, we announced a broad product lineup with 13 new 3G handsets available in 54 colors. We are strengthening our sales initiatives for the third quarter, including the introduction of two handsets available in 11 colors (which have not yet been announced).

3. Content Enhancement

We have started the innovative mobile Internet content, such as the *Yahoo! Keitai* new mobile Internet portal site, which links to *Yahoo! JAPAN* with just a press of the Y! button, and *Yahoo! mocoa**11, which integrates *Yahoo JAPAN's* communication tools. In the future, we will generate synergies with Group companies, such as a business alliance with Yahoo Japan Corporation (hereafter "Yahoo Japan"), and expand our content lineup for mobile platforms.

4. Enhancement of Sales Structure

Vodafone shops have been renamed Softbank shops, and we are working to bolster our sales structure. At the same time, we will strengthen the handling of SOFTBANK MOBILE products through mass electronics retailers, one of the SOFTBANK Group's powerful sales channels. In July 2006, the Group merged SOFTBANK MOBILE's corporate sales department into SOFTBANK TELECOM to enhance corporate sales of mobile services.

In October 2006, we introduced new rate plans. Under the Gold Plan*13, SOFTBANK MOBILE offers free*12 phone calls and mail between SoftBank mobile customers. In addition, under the Softbank Grand Opening Campaign, which will run until January 15 2007, subscribers will receive 70% off the monthly basic charge when they entered into the Gold Plan, and customers using mobile number portability to switch from other mobile phone companies will receive a basic monthly charge discount based on the number of years in their contract with the other mobile phone company.

When SOFTBANK MOBILE experienced problems with its computer systems on October 28 and 29, it suspended the acceptance of applications, including applications related to mobile number portability. These suspensions caused inconvenience to customers and other mobile phone companies. SOFTBANK MOBILE has implemented countermeasures to prevent any reoccurrence of these problems. In addition to upgrading the processing capacity of its computer systems, SOFTBANK MOBILE has reevaluated registration system settings and reconsidered the path used to handle information when an application is received so that application processing can be completed quickly.

*8. A system that allows mobile phone users to switch to another operator without changing their mobile phone number

*9. Source: Research by GfK Japan

*10. Terrestrial digital broadcasts for mobile devices

*11. Yahoo! mocoa: **Yahoo!** **mo**bile **co**mmunication **a**pplication

*12. Applies to voice calls to other SoftBank mobile phones. If the total of calls to other SoftBank mobile phones between 21:00 and 0:59 exceed 200 minutes in one billing month, there will be a charge of ¥21 (tax included) for each 30 seconds over 200 minutes. Free phone calls and mail between SoftBank mobile customers do not apply to international service.

*13. Gold Plan subscribers must subscribe to the New Super Bonus.

(2) Broadband infrastructure initiatives

The FTTH access service in Japan has spread rapidly. Nonetheless, the cost and speed of the Group's *Yahoo! BB ADSL* service have received broad support from customers, and at this point, we believe that this service has sufficient functionality for customers to enjoy a wide range of content over broadband. While the Group will make every effort to acquire new customers to maintain its customer base for *Yahoo! BB ADSL* of over 5 million lines, we will continue our R&D activities targeting the commercialization of new technologies that will succeed ADSL, such as FTTR access services and high-speed PLC services. A fair competitive environment has not been established in the FTTH access service market in Japan, not only in costs but also in such areas as procedural requirements. In this setting, the Group is maintaining a state of readiness that will enable it to start full-fledged operations once a fair competitive environment is established. For the near future, our basic policy is to develop operations in line with anticipated revenues.

(3) Fixed-line telecommunications initiatives

In fixed-line telecommunications operations, the consumer market continues to contract due to the penetration of mobile phones and e-mail, but demand remains firm in the corporate market. In such an environment, SOFTBANK TELECOM continues to directly market fixed-line services to corporations, with an emphasis on the *Otoku Line* direct connection voice service. In addition, SOFTBANK TELECOM has been developing and providing mobile solutions for corporate customers utilizing the services of SOFTBANK MOBILE, and will work aggressively to provide data services to corporate customers. With continuous cost reduction through the effective use of the Group's management resources, SOFTBANK TELECOM will work to enhance its profitability.

(4) Generation of a synergistic effect among Group companies

The Group will work to generate new synergies between new Group member SOFTBANK MOBILE, which joined the Group in the period under review, and other Group companies. Through the integration of the management systems of the Group's three communications companies (BB TECHNOLOGY, SOFTBANK TELECOM, and SOFTBANK MOBILE) in October 2006, the Group built a unified system for its communications operations. Moreover, SOFTBANK MOBILE is taking steps to generate synergies in content and services, such as launching innovative mobile Internet content, including *Yahoo! Keitai* and *Yahoo! mocoa*. In the future, we will continue to pursue a range of Group synergies, such as reducing costs through network integration and leveraging sales synergies through expansion of our customer base and sales channels.

(5) Becoming a comprehensive digital information company

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

(6) Strengthening governance and compliance systems

The Group considers governance and compliance to be important management issues. The Company revised the SOFTBANK Group Charter, formulated the SOFTBANK Group Code of Conduct for Officers and Employees, and set up the Group Hotline. In respect to compliance systems, in May 2006, the Group inaugurated the CCO Committee, which is composed of the Chief Compliance Officers of Group companies. In the future, the Group will continue to implement initiatives to bolster its governance and compliance systems. In addition, the Group will continue working to ensure that all Group employees strictly observe all applicable laws, regulations, and social norms in corporate and social activities and that the Group meets the expectations of all stakeholders, and to that end the Group will strive to see that the Group acts in accordance with an even higher level of ethical standards.

Results of Operations and Financial Position

1. Consolidated Results of Operations

<Overview of Results for the six-month period ended September 30, 2006>

Net sales increased by ¥597,386 million, or 114% on a year-on-year basis, to ¥1,120,173 million. On April 27, 2006, the Company completed the acquisition of Vodafone K.K. (currently SOFTBANK MOBILE Corp.), which is included in scope of the consolidation from the end of April 2006, and the financial results were consolidated from May 2006. As a result, sales in the Mobile Communications segment, which was newly established in the current fiscal period, amounted to ¥584,459 million. In the Internet Culture segment, sales increased by ¥19,788 million, or 28%, to ¥91,319 million, due to strong advertising revenues and *Yahoo! Auction* system usage fees. In addition, the Broadband Infrastructure and the Fixed-line Telecommunications segments also recorded strong performances.

Operating income was ¥112,552 million, an increase of ¥108,151 million from ¥4,400 million in the same period of the previous fiscal period. The Mobile Communications segment, which was newly established in the current fiscal year, recorded operating income of ¥56,635 million. The Broadband Infrastructure segment became profitable, with operating income of ¥11,668 million, an improvement of ¥12,679 million, due to a shift of ADSL subscriber acquisition efforts to more effective channels and improved results in the FTTH business. The Fixed-line Telecommunications segment became profitable, with operating income of ¥295 million, an improvement of ¥26,595 million, following improved profitability accompanying a change in the marketing strategy for the *Otoku Line* service of SOFTBANK TELECOM. In the Internet Culture segment, advertising revenues and *Yahoo! Auctions* system usage fees were favorable, resulting in an increase in operating income of ¥10,706 million, or 32%, to ¥44,343 million.

Ordinary income was ¥62,690 million, an improvement of ¥76,174 million from the ordinary loss of ¥13,483 million recorded in the same period of the previous fiscal year. In addition to the increase in operating income, equity in earnings under the equity method[*1] increased by ¥3,667 million, to ¥8,046 million, due to higher profit at SBI Holdings, Inc. On the other hand, principally as a result of borrowings associated with the acquisition of SOFTBANK MOBILE, interest expense rose ¥18,745 million, to ¥32,545 million, and financing-related expenses were ¥19,954 million.

*1: Equity in earnings under the equity method for the period under review includes the Group's portion of the profits of SBI Holdings, Inc. through July 2006.

Net income was ¥14,439 million, an improvement of ¥18,621 million from a net loss of ¥4,182 million recorded in the same period of the previous fiscal year. Due principally to the sale of all shares in SBI Holdings, Inc., in August 2006, gain on sales of investment securities was ¥69,206 million. As a result, special income was ¥71,468 million. Special loss was ¥15,260 million, due primarily from a loss on bond redemption of ¥7,386 million following the repurchase and redemption of Euro-denominated Straight Bonds due 2011. Current income taxes were ¥80,972 million, deferred income taxes were ¥6,041 million, and minority interest was ¥17,444 million. The increase in current income taxes was primarily attributable to the gain on sales of investment securities.

<Results for the Interim Period Ended September 30, 2006 by Business Segment>

Mobile Communications

This segment, which was newly established in the current fiscal period, is principally comprised of the results of SOFTBANK MOBILE starting in May. Net sales in the interim period were ¥584,459 million, and operating income was ¥56,635 million.

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

	FY2007		FY2006			
	2007/Q2	2007/Q1	2006/Q4	2006/Q3	2006/Q2	2006/Q1
Sales	351,991	232,467	Newly established on April 30, 2006			
Operating income	29,341	27,293				

As of the end of September 2006, SOFTBANK MOBILE had a total of 15,307,000 subscribers. The number of subscribers has risen steadily since June 2005. The number of 3G subscribers reached 4,562,400, or 29.8% of the total number of subscribers.

Following favorable results in the first quarter, sales were favorable in the second quarter as a result of growth in the number of subscribers and higher data transmission charges stemming from the rising percentage of 3G subscribers. In the second quarter, ARPU (average revenue per user) was ¥5,700, an increase of ¥110 from the first quarter. In respect to costs, with imminent mobile number portability, new customer acquisition was limited, and as a result new customer acquisition commissions followed a declining trend. On the other hand, the aggressive introduction of new handsets led to an increase in the number of customers replacing their handsets, and replacement commissions followed an increasing trend. The churn rate in the second quarter declined to 1.27%, from 1.50% in the first quarter, and the upgrade rate increased to 2.53%, from 1.99% in the first quarter.

In the future, we will take aggressive steps to control costs, such as reducing network costs and cutting administrative costs through Group synergies. In addition, with the goal of establishing a framework that is fair for both customers who replace their handsets within short periods of time and customers who use the same handsets for relatively long periods of time, we introduced the installment sales method for handsets. We will continue working to acquire customers and to reduce the churn rate by increasing customer satisfaction.

Broadband Infrastructure

Segment sales increased by ¥3,405 million, or 3% from the same period of the previous fiscal year, to ¥129,050 million. Operating income in the interim period was ¥11,668 million, an improvement of ¥12,679 million.

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

	FY2007		FY2006			
	2007/Q2	2007/Q1	2006/Q4	2006/Q3	2006/Q2	2006/Q1
Sales	65,728	63,322	71,262	71,543	64,439	61,205
Operating income (loss)	6,189	5,479	12,321	9,361	3,483	(4,494)

The number of *Yahoo! BB ADSL* lines installed continued to increase steadily, reaching a total of 5.14 million at the end of September 2006. The ARPU of the ADSL business also continued to improve due to growth in the percentage of users subscribing to high-speed service plans, such as *Yahoo! BB 50M*. For subscriber acquisition, the Group's efforts remain centered on mass electronics retailers. In the future, the Group will strive to take advantage of synergies, such as cross-selling *Yahoo! BB ADSL* services to SOFTBANK MOBILE's existing mobile phone subscribers.

In FTTH connection service, the Group is maintaining a state of readiness that will enable it to start full-fledged operations as soon as a fair competitive environment is established, but until that point is reached, our basic policy is to develop operations in line with anticipated revenues. The profitability of our FTTH business is improving. We will continue to implement R&D targeting the commercialization of various new technologies, such as FTTR and high-speed PLC.

Modem rental income is declining because BB TECHNOLOGY Corp. (hereafter “BB TECHNOLOGY”) sold its modem rental business in December 2005. On the other hand, under the terms of a service agreement with BB Modem Rental Yugen Kaisha (hereafter “BB Modem Rental”), BB TECHNOLOGY is receiving servicing fees, incentives, and royalties. In the interim period, net sales and operating income declined substantially from the second half of the fiscal year ended March 31, 2006, due to a decrease in incentives payments from BB Modem Rental. However the ADSL business, excluding this impact, continues to record strong results.

Fixed-line Telecommunications

Segment sales increased by ¥10,045 million, or 6%, to ¥181,950 million. Operating income in the interim period was ¥295 million, an improvement of ¥26,595 million.

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

	FY2007		FY2006			
	2007/Q2	2007/Q1	2006/Q4	2006/Q3	2006/Q2	2006/Q1
Sales	93,276	88,673	92,071	90,256	83,300	88,604
Operating income (loss)	(916)	1,212	2,928	(1,787)	(12,209)	(14,089)

SOFTBANK TELECOM positioned the *Otoku Line* direct connection voice service as its core voice service and continued to focus on marketing the service directly to corporate customers. The number of lines installed reached 1,020 thousand as of the end of September 2006. In June 2006, SOFTBANK TELECOM acquired the telecommunication services (CHOKKA direct connection, My Line, ADSL, ISP service, etc.) of HEISEI DENDEN CO., LTD., and HDD COMMUNICATIONS CO., LTD. As a result, the number of lines installed for direct connection voice services offered by SOFTBANK TELECOM, including CHOKKA, reached 1,070 thousand.

In the fiscal year ended March 31, 2006, agency management and other responsibilities related to the *Otoku Line* business were transferred to JAPAN TELECOM INVOICE Co., Ltd. As a result, the profitability of the *Otoku Line* business is improving. In the second quarter, due to expenses related to operational integration following the acquisition of services from HEISEI DENDEN and HDD COMMUNICATIONS, an operating loss was recorded.

In the future, SOFTBANK TELECOM will work to enhance its profitability by reducing costs through the effective use of SOFTBANK Group management resources. At the same time, SOFTBANK TELECOM will aggressively focus its management resources on strategic fields, principally mobile solutions for corporate customers utilizing the services of SOFTBANK MOBILE and data services to corporate customers.

Internet Culture

Segment sales in the interim period increased by ¥19,788 million, or 28%, to ¥91,319 million, and operating income increased by ¥10,706million, or 32%, to ¥44,343 million.

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

	FY2007		FY2006			
	2007/Q2	2007/Q1	2006/Q4	2006/Q3	2006/Q2	2006/Q1
Sales	46,676	44,642	42,374	42,214	36,896	34,635
Operating income	22,712	21,630	21,297	19,256	17,167	16,469

Yahoo Japan continued to record strong results in Internet advertising due to the provision of advertising products that meet the needs of advertisers and to efforts to secure new demand. In non-advertising business services, the number of stores registered in *Yahoo! Auctions* and *Yahoo! Shopping* increased, and as a result tenant fees and commission revenues were favorable. In consumer services, *Yahoo! Auctions* recorded strong system usage revenues, and the number of customer IDs for *Yahoo! Premium* continued to increase, reaching 6.43 million at the end of September 2006.

The *Yahoo! Keitai* Internet portal site, which links SOFTBANK MOBILE customers to *Yahoo! JAPAN* with just a press of the *Y!* button, was started in October 2006, marking a major step toward the realization of true mobile Internet services.

e-Commerce
Segment sales in the interim period decreased by ¥3,976 million, or 3%, to ¥124,180 million, while operating income rose ¥1,316 million, or 85%, to ¥2,860 million.

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

	FY2007		FY2006			
	2007/Q2	2007/Q1	2006/Q4	2006/Q3	2006/Q2	2006/Q1
Sales	65,037	59,142	83,661	71,456	67,688	60,469
Operating income	1,399	1,461	1,843	1,473	817	726

Higher sales and profits were recorded in the distribution business of SOFTBANK BB Corp. (hereafter “SOFTBANK BB”). SOFTBANK BB reinforced its sales system for corporate customers, and as a result, shipments increased, centered on PC servers and peripherals, and sales of software were also strong. In the future, SOFTBANK BB will also focus on mobile services for corporate customers. In consumer business, wholesaling to EC companies remained favorable. In distribution, from the current period, a strategy of shifting to e-commerce and service businesses is being implemented. As one facet of that initiative, in April 2006, BB Softservice Corp. was established through the corporate separation of SOFTBANK BB’s consumer ASP*[2] service department and made a full-scale operational start. In the future, leveraging synergies among SOFTBANK Group companies, services will be further strengthened and extended to corporate customers.

From the period under review, the Company applied “Practical solution on accounting for revenue recognition of software” (Financial Accounting Standards Implementation Guideline No.17 issued on March 30, 2006). As a result, the Company is required to present certain transactions as net sales from this fiscal year, and net sales of certain software transactions were recorded at ¥596 million, which would have been the amount of gross profit if the previous accounting standard had been applied. Due to the netting with the amounts for goods purchased, net sales and cost of goods sold decreased by ¥16,226 million.

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

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

2. Financial Position

<Balance Sheet Analysis>

In the Company's consolidated balance sheet at the end of the interim period, the new consolidation of SOFTBANK MOBILE from the end of April 2006 had the effect of increasing current assets by ¥305,944 million, non-current assets by ¥2,008,463 million (including goodwill of ¥1,105,569 million), current liabilities by ¥277,210 million, and long-term liabilities by ¥153,786 million. In raising funds for the acquisition of SOFTBANK MOBILE, a bridge loan from 17 financial institutions increased current liabilities by ¥1,173,830 million, subordinated loans by Vodafone International Holdings B.V. increased long-term liabilities by ¥100,000 million, and the issuance of BB Mobile Corp. preferred stock allocated to Vodafone International Holdings B.V. raised net assets by ¥300,000 million. In August 2006, as a result of a share exchange through delivery of cash implemented pursuant to the Law on Special Measures for Industrial Revitalization, SOFTBANK MOBILE became a wholly owned subsidiary of the Company. Also, the bridge loan undertaken for the acquisition of SOFTBANK MOBILE is scheduled to be converted to long-term debt through the securitization of the mobile communications business, with a target date of late November 2006.

Current assets increased by ¥197,153 million from the end of the previous fiscal year, to ¥942,283 million. Principally as a result of the new consolidation of SOFTBANK MOBILE, the Company recorded increases of ¥160,290 million in notes and accounts receivable-trade, ¥75,667 million in short-term deferred tax assets, and ¥23,853 million in inventories, such as mobile phone handsets. Other current assets increased by ¥115,662 million due to the recording of deposits following the implementation of legal defeasance with respect to Euro-denominated Straight Bonds due 2011. On the other hand, principally as the result of payment for the acquisition of SOFTBANK MOBILE, cash and deposits declined by ¥173,139 million.

Property and equipment, net increased by ¥554,688 million, to ¥973,293 million. Primarily as a result of the new consolidation of SOFTBANK MOBILE, the Company recorded increases of ¥448,751 million in telecommunications equipment, such as base stations and switching equipment, ¥30,607 million in buildings and structures, such as network centers, and ¥10,712 million in land. In addition, construction-in-progress increased by ¥45,092 million.

Intangible assets increased by ¥1,268,508 million, to ¥1,370,794 million. Primarily as a result of the new consolidation of SOFTBANK MOBILE, goodwill increased ¥1,106,529 million and software increased by ¥133,343 million.

Investments and other assets increased by ¥156,134 million, to ¥697,517 million. Primarily as a result of the new consolidation of SOFTBANK MOBILE, long-term deferred tax assets increased ¥137,974 million and other assets including long-term prepaid expenses rose ¥42,127 million. Although Yahoo JAPAN acquired shares in The Japan Net Bank, Limited, investment securities declined ¥24,101 million due to the sale of all shares in SBI Holdings, Inc..

Current liabilities increased by ¥1,665,175 million, to ¥2,252,078 million. Short-term borrowings rose ¥1,203,894 million, primarily on account of a bridge loan used in the acquisition of SOFTBANK MOBILE. In addition, principally due to the new consolidation of SOFTBANK MOBILE, accounts payable-other and accrued expenses rose ¥185,434 million and accounts payable-trade rose ¥45,952 million. Due to plans for the repurchase and redemption in October 2006 of Euro-denominated Straight Bonds due 2011, as well as an increase in the current portion of other existing bonds, current portion of corporate bonds rose ¥83,137 million and cash receipts as collateral rose ¥50,000 million. In addition, due primarily to gain on the sales of investment securities, income taxes payable rose ¥53,653 million. The Company plans to shift from the bridge loan used in the acquisition of SOFTBANK MOBILE to long-term debt in late November 2006 through the securitization of the mobile communications business.

Long-term liabilities increased by ¥194,983 million, to ¥1,069,215 million. Long-term debt rose ¥180,547 million, primarily as a result of fund-raising associated with the acquisition of SOFTBANK MOBILE. The new consolidation of SOFTBANK MOBILE increased corporate bonds by ¥100,000 million, while the shift to current liabilities of Euro-denominated Straight Bonds due 2011 and other existing bonds decreased corporate bonds by ¥82,415 million. As a result, corporate bonds rose ¥17,584 million. Accompanying the new consolidation of SOFTBANK MOBILE, an allowance for point mileage of ¥43,682 million was recorded.

Net assets increased by ¥318,432 million, to ¥665,696 million. Minority interest in consolidated subsidiaries rose ¥312,033 million, primarily due to the issuance of BB Mobile Corp. preferred stock allocated to Vodafone International Holdings B.V.

<Cash Flow Analysis>

1.Overview of Interim Period

During the interim period ended September 30, 2006, net cash provided by operating and financing activities was ¥187,139 million and ¥1,598,773 million, respectively, while net cash used in investing activities was ¥1,956,985 million. As a result, cash and cash equivalents at the end of the period amounted to ¥272,572 million, a decrease of ¥174,121 million from the end of the previous fiscal year.

Net cash provided by operating activities was ¥187,139 million. Income before income taxes and minority interest amounted to ¥118,898 million. Non-cash items included depreciation and amortization, excluding amortization of goodwill totaling ¥84,542 million and amortization of goodwill amounting to ¥26,871 million. Adjustments included the subtraction of gain on sales of marketable and investment securities, net, of ¥69,192 million, which is included in income before income taxes and minority interest and the addition of interest expense of ¥32,545 million. Interest paid was ¥24,551 million and income taxes paid, for Yahoo Japan and others, was ¥27,436 million.

Net cash used in investing activities was ¥1,956,985 million. This mainly reflected the payment of ¥1,844,046 million for acquisition of interests in subsidiaries newly consolidated, net of cash acquired, accompanying the acquisition of SOFTBANK MOBILE. As a result of capital investment, principally in the Mobile Communications, Broadband Infrastructure, and Fixed-line Telecommunications segments, purchase of property and equipment and intangibles totaled ¥158,611 million. In addition, purchase of marketable and investment securities was ¥95,349 million, while proceeds from sales of marketable and investment securities, due primarily to the sale of all shares in SBI Holdings, Inc. was ¥145,434 million.

Net cash provided by financing activities was ¥1,598,773 million. Short-term borrowings, net, rose ¥1,183,612 million, and long-term debt increased by ¥220,070 million, principally on account of funds raised for the acquisition of SOFTBANK MOBILE. Due primarily to the issuance of BB Mobile Corp. preferred stock that was allocated to Vodafone International Holdings B.V., proceeds from issuance of shares to minority shareholders was ¥300,203 million.

2. Factors That May Have a Material Impact on Cash Flows in the Following Fiscal Year

(1) Need for Funds to Support Expansion of Services in Mobile Communications

In addition to broadband infrastructure and fixed-line telecommunications, in which the Group has concentrated its management resources, the Group made a full-scale entry into mobile communications operations at the end of April 2006. Since that time, the Group has focused on four priority challenges: (a) 3G network enhancement, (b) 3G handset lineup enrichment, (c) content enhancement, (d) enhancement of sales structure. Capital investment accompanying business expansion in the Company's new mobile communications business and customer acquisition costs undertaken to strengthen the Group's customer base might result in a temporarily negative cash flow in the mobile communications business.

(2) Refinancing of Short-Term Facility Related to the Acquisition of SOFTBANK MOBILE

In April 2006, in order to raise funds for the acquisition of Vodafone K.K. (currently, SOFTBANK MOBILE Corp.), BB Mobile entered into a short-term, one-year bridge facility contract totaling ¥1,280 billion with a group of 17 financial institutions, centered on 7 co-lead managers. As of the end of the interim period under review, approximately ¥1,173.8 billion had been borrowed under this facility. To refinance this debt, the Group plans to utilize the whole business securitization (WBS) method. Through the use of WBS, under which the cash flow generated by the mobile communications business will be a resource for the repayment of the borrowed funds, the certainty of repayment will be increased, making possible a high credit rating and lower fund-raising costs in comparison with conventional financing methods.

(3) Purchase and Redemption of Euro-Denominated Senior Notes Due 2011

The Company offered to purchase any and all of its €400 million in euro-denominated Senior Notes due 2011 through a tender offer outside Japan. The results of the offer were settled on September 29, 2006, and approximately €396 million of notes were tendered, or approximately 99.93% of the aggregate issue amount. As a result, on October 3, 2006, the Company purchased and redeemed those notes. After the purchase and redemption, the balance of the notes was approximately €4 million. On April 3, 2006, the Company deposited with a trustee cash sufficient for the payment of principal and interest on the notes and implemented legal defeasance. The purchase of the notes was financed with the cash deposited with the trustee.

(4) Issue of Euro-Denominated Senior Notes Due 2013

On October 12, 2006, the Company issued an aggregate amount of €500 million in euro-denominated Senior Notes due 2013.
(See P37 “Significant Subsequent Event”)

(5) Commitment-line Contract

When a commitment-line established in the previous fiscal year reached the end of its term, in October 2006 the Company entered into a ¥179 billion, an increase by ¥18 billion from the end of the previous fiscal year, commitment-line with 37 financial institutions, which was arranged by Mizuho Corporate Bank, Ltd., and Citibank N.A. As of the end of the interim period, the balance of commitment-line borrowings totaled ¥131 billion.

<Trends in Cash Flow Indicators>

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

	September 2006 (27th fiscal year, interim period)	March 2006 (26th fiscal year)	September 2005 (26th fiscal year, interim period)	March 2005 (25th fiscal year)
Equity ratio	6.2%	13.4%	10.8%	10.4%
Equity ratio (Market cap.)	64.7%	201.3%	140.2%	91.1%
Debt repayment period	6.3 years	15.6 years	—	—
Interest coverage ratio	5.7	2.1	—	—

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
(For the interim close, operating cash flow is multiplied by 2 to annualize the figure.)
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 the end of the period.

3. Interest-bearing debt is the sum of all liabilities on the consolidated balance sheet on which interest is 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 "－".

(Reference: a summary of trends in cash flow indicators excluding the Mobile Communications Segment is presented below.)

	September 2006 (27th fiscal year, interim period)
Debt repayment period	10.9 years
Interest coverage ratio	2.9

3. Risk Factors

The following is a list of some significant risk factors 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 the Group's 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 Conditions and Market Trends

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

In particular, deregulation of the telecommunications industry has facilitated easier market entry, resulting in extremely tough competition in Japan's broadband, fixed-line telecommunications, and mobile communications markets. As a result, broadband usage fees in Japan are the lowest in the world, and competition is intensifying in the fixed-line telecommunications and mobile phone markets. Therefore, it is possible that price competition will continue in each of these markets. Some of the Group's competitors boast capital strength, price competitiveness, customer bases, and brand recognition that exceed those of the Group. As a result of these factors, the Group's competitiveness could decline.

In the Mobile Communications segment, the introduction of mobile number portability on October 24, 2006, is expected to intensify competition among carriers. If new customer acquisition does not proceed as planned, ARPU declines, or customer acquisition costs increase, profits could be substantially affected. Moreover, it is possible that the recognition and acceptance of the Group's new service brand and new sales practices for mobile handsets, such as installment sales, will require time, that new customer acquisition will be sluggish, and that the Group will be unable to stem the churn of existing customers, with an adverse effect on the customer base.

Specifically, in the Broadband Infrastructure segment, the emergence of new market trends may result in increased customer acquisition costs. In addition, if the market penetration of FTTH access service exceeds the Group's projections and the churn rate of the ADSL access service increases, or if Japan's broadband market penetration approaches saturation, the growth in this business could be severely restricted.

In the Fixed-line Telecommunications segment, accompanying the spread of mobile phone and other services, specifically the consumer market, the fixed-line voice market has been shrinking each year, and if the ARPU for the *MYLINE* service offered by SOFTBANK TELECOM declines, or if the churn rate for the service increases, it is possible that revenues could be significantly influenced. The marketing of the *Otoku Line* direct connection voice services to small and medium-sized companies was transferred to JAPAN TELECOM INVOICE Co., Ltd., a joint venture with INVOICE INC. SOFTBANK TELECOM directly develops the marketing of the *Otoku Line* for large companies. Generally, the circuits provided to large companies generate higher profits per circuit than those provided to small and medium-sized companies but require more time for construction work, so it is possible that it will take longer to realize profits than initially projected.

In the e-Commerce segment, wholesale sales of security-related software and PC peripheral equipment to corporate clients and mass retailers remain favorable, but if the Group is not able to respond to changes in the market environment, such as changes in the methods of distribution for products handled by the Group companies or rapid shifts in consumer preferences, this business could be adversely affected.

In the Internet Culture segment, the Internet advertising business conducted by Yahoo Japan and other companies is generally extremely sensitive to economic trends, particularly in sluggish economic conditions, when the tendency in all industries is to put a high priority on controlling advertising spending. Furthermore, as the Internet advertising business has a short history, it is also easily affected by overseas markets that are ahead of Japan in this field, such as the United States.

(2) Risks Related to Technological Innovation

In the telecommunications and IT industries in which the Group is developing business, technologies and industry standards are changing rapidly on an industry-wide scale, including the fields of telecommunications networks and telecommunications systems technologies. The industries are undergoing rapid progress and change, and the Group must respond on a daily basis.

However, if the Group is unable to respond appropriately for any of a number of reasons, it is possible that the services offered by the Group in the telecommunications and IT industries could become obsolete or lose competitiveness, accompanied by a loss of the Group's competitive advantage in these industries.

Furthermore, even if the Group is able to respond to such changes, it is possible that the cost of improving existing equipment and the cost of new development will increase. These trends and the Group's response to them could affect the Group's results.

(3) Risks Related to Rules and Regulations

1. Rules and regulations related to telecommunications operations

A number of laws and regulations—including the Telecommunications Business Law and the Radio Law—apply to the Group's telecommunications operations. In the event of changes in these laws and regulations or the implementation of new laws and regulations in the future, the Group might not be able to develop its business as expected. Furthermore, the Ministry of Internal Affairs and Communications has set up study groups that have the potential to influence future competition policies in the telecommunications industry, such as the "Study Group on a Framework for Competition Rules to Address Progress in the Move to IP" and the "Study Group on a Framework for Telecommunications and Broadcasting." The final reports of these study groups have been delivered. The future competition policy, in accordance with these reports, could have a significant influence on the development of the Group's operations in the future.

2. Rules and regulations related to intellectual property

The Group strives to ensure that the video content handled in the Group's video distribution operations, including *Yahoo! Streaming*, and *BBTV*, does not infringe on any rights or interests, including the intellectual property rights of holders of various intellectual property rights. However, it is possible that the Group's actions will infringe upon various rights and interests, including the intellectual property rights of intellectual property rights holders, and that the Group will be subject to demands that it stop using video content or that it pay compensatory damages.

With regard to intellectual property, a number of companies are aggressively promoting the development of Internet technologies and business models that include broadband technology, and as a result there is the possibility that the Group might be sued by a third party for compensatory damages for patent infringement and that, in the future, the Group's business activities may be restricted in regard to the provision of content and/or the use of technologies.

In addition, if laws and regulations regarding intellectual property, such as the Copyright Law, are revised, the Group might not be able to develop its operations as expected.

3. Rules and regulations related to the protection of personal information

In regard to the management of personal information, the Group has implemented measures to prevent leaks of personal information by significantly strengthening its customer information management system, establishing handling methods for personal information that it acquires and retains, and restricting access to databases that contain personal information. In particular, telecommunications carriers of the Group are handling personal information appropriately in accordance with the "Guidelines on the Protection of Personal Data in Telecommunications Business" (MPT Notice No. 570 of 1998, revised on April 1, 2005). Nonetheless, despite the aforementioned policies being implemented by the Group, it is possible that the Group will not be able to completely prevent leaks of personal information.

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

The value of investment securities in the Group's possession depends on economic conditions and trends in stock and foreign exchange markets in Japan and overseas, and imports of telecommunications equipment are influenced by trends in the foreign exchange market.

As of September 30, 2006, consolidated interest-bearing debt totaled ¥2,390,057 million, and interest expense was ¥32,545 million. The Group has a substantial amount of interest-bearing debt and holds large amounts of assets and liabilities denominated in foreign currencies. The Group considers interest rate and foreign exchange rate risks to be significant risks. The Group strives to minimize the risks it faces, utilizing long-term fixed rates to minimize interest rate risks and currency hedges on major assets and liabilities denominated in foreign currencies.

Investing activities are a primary source of cash flows for the Group, and an overall decline in the market prices of its investments could adversely affect the Group's ability to raise funds. 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 ability to raise funds for its operations. As of September 30, 2006, the unrealized gain on other marketable securities totaled ¥94,523 million. In addition, the Group's equity in publicly traded consolidated subsidiaries and affiliates accounted for under the equity-method amounted to ¥1,194,951 million at market value. The consolidated book value of these securities was ¥84,953 million and the unrealized gain (the difference between the market value of the portion held by the Group and the consolidated book value) was ¥1,110,004 million.

(5) Risks Related to Operational Expansion Based on Investments Accompanying M&A Activities and Business Alliances

The Group is developing a comprehensive range of operations, from telecommunications infrastructure to content and portal businesses. The Group believes that M&A activities and alliances are effective means of rapidly building competitive advantages in these operational fields. In past fiscal years, the Group has made major acquisitions and investments, such as investing in Yahoo! Inc. (1995), establishing Yahoo Japan in conjunction with Yahoo! Inc. (1996), and acquiring JAPAN TELECOM (2004), acquiring Cable & Wireless IDC Inc. (2005) and acquiring Vodafone K.K. (2006) These acquisitions and investments have made a major contribution to the establishment of the foundation of a comprehensive digital information company as well as a major contribution to the establishment of points of differentiation and competitive advantage in regard to other companies, and the Group believes that they have had a certain level of results. The Group will continue to place importance on mergers with, acquisitions of, and alliances with companies that hold key content in these fields and companies that hold technologies that will be essential for progress in broadband operations, and the Group will consider them as necessary.

In the event of an acquisition or alliance, the Group works to avoid risk by conducting due diligence regarding such matters as the financial position of the other party. However, there is clearly a risk that unrecognized debts will arise after an acquisition, such as bad debts. Furthermore, due to changes in the business environment or competitive conditions, it is possible that the implementation of initial operating plans will be hindered. Moreover, there is a risk that the Group will not be able to adequately recover investments already made due to such problems as a failure to realize, for any of a number of reasons, the synergies with the other company that had been initially anticipated. As a result, the Group might not be able to develop its operations as expected.

(6) Risks Related to Reliance on the Management Resources of Other Companies

In developing its mobile telecommunications, broadband infrastructure, and fixed-line telecommunications operations, the Group uses telecommunications facilities owned by NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (hereafter "NTT East-West"). In building its network, the Group uses telecommunications facilities including dark fiber and dry copper owned by NTT East-West and installs telecommunications equipment at NTT East-West central offices. Under the Telecommunications Business Law, NTT East-West is required to provide access to their dark fiber and dry copper, which are classified as designated telecommunications facilities. Therefore, at this point, the Group believes that the possibility of its operational development being hindered is low, but in the future, for any of a number of reasons, if the continued use of these network facilities becomes difficult, or if usage fees are increased, there could be an adverse influence on the Group's performance.

In addition, the Broadband Infrastructure segment's primary service, *Yahoo! BB*, employs the Yahoo! brand of Yahoo! Inc. Currently, the Group has a good relationship with Yahoo! Inc., but if there is a significant change in this relationship in the future, it is possible that the Group will not be able to develop its business as forecast.

(7) Risks Related to Disruption of System Services

To provide comprehensive telecommunications services, the Group has created networks for fixed-line telephone, mobile phone, FTTH, ADSL, and other modes of telecommunication. To prevent disruption of services on these networks, the Group pays maximum attention to continuity through internal control activities, but there is a possibility of disruption due to human error. In addition, it is also possible that major natural and other disasters (such as typhoons, earthquakes, and terrorist incidents) could result in disruption of services. In such an event, the Group's ability to provide continuing telecommunication services may be significantly affected and considerable time might be required to restore these services. As a result, such circumstances could have an adverse impact on the performance of the Group.

(8) Risks Related to Unforeseen Situations Concerning Management

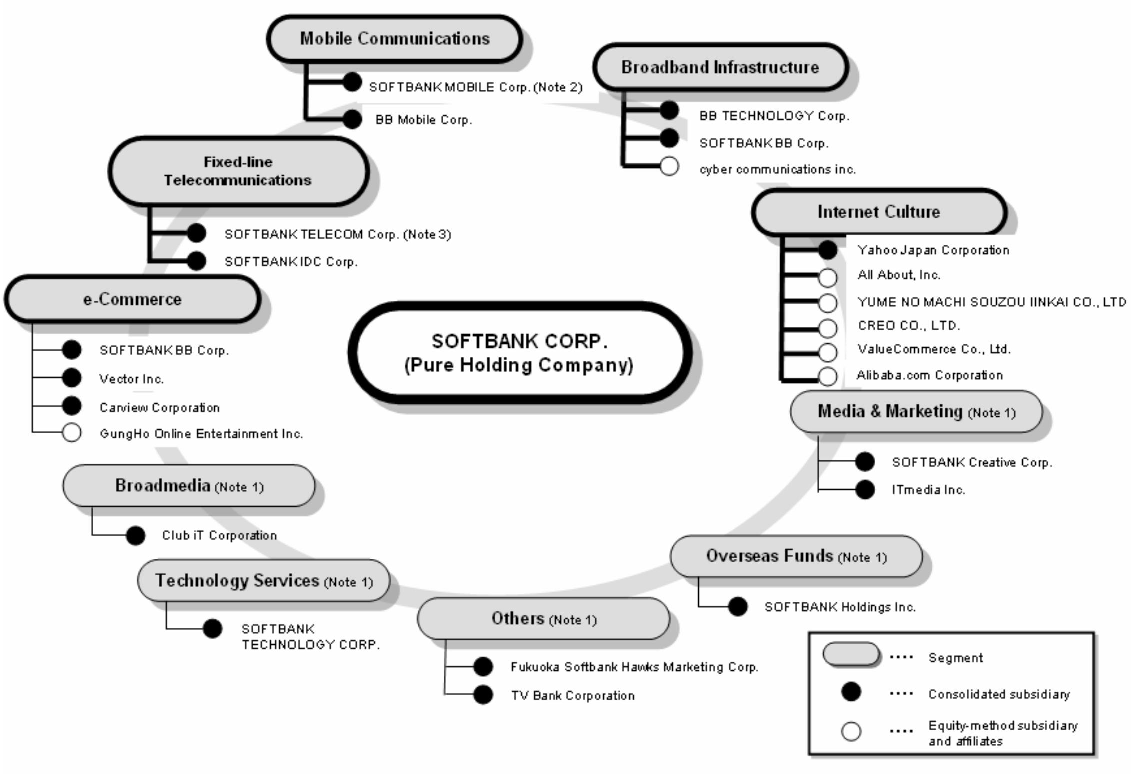
The Company’s existing and new businesses are planned and promoted by the Group’s officers and employees. Unforeseen situations concerning top management— especially the President and Chief Executive Officer Masayoshi Son—could create an obstacle to smooth operational progress and influence the Group’s operations.

The SOFTBANK Group

As of September 30, 2006, the SOFTBANK Group included 121 companies with operations in ten business segments as follows.

Business segment	Consolidated subsidiaries	Equity-method non-consolidated subsidiaries and affiliates	Principal products and operational content of each business
1. Mobile Communications	(Note 1) 5	1	Mobile communication services, and sale of cellular phones accompanying to its services
2. Broadband Infrastructure	(Note 2) 6	3	ADSL and fiber-optic high-speed Internet connection service, IP telephony service, provision of content and other operations
3. Fixed-line Telecommunications	(Note 2) 5	-	Fixed-line telecommunications such as voice transmission service, data transmission service, private leased circuit and data center service
4. Internet Culture	(Note 2) 19	16	Internet-based advertising operations, broadband portal business, and Internet-based auction business
5. e-Commerce	(Note 2) 9	3	Distribution of PC software and such hardware as PCs and peripherals, enterprise solutions, and diversified e-commerce businesses, including business transaction platform (B2B) and consumer-related e-commerce (B2C)
6 Others:			
Broadmedia	9	1	Broadband service such as broadcasting and communications; support for procurement of content
Technology Services	1	-	System solution business and business solution business
Media & Marketing	3	-	Book and magazine publication in such areas as PCs, the Internet, entertainment, etc., and development of web content specializing in IT
Overseas Funds	38	39	U.S.- and Asia-focused global venture capital business principally focused on Internet-related companies
Others	26	8	Leisure and service business, holding company functions for overseas operations, back-office services in Japan, and contents operations
Total	121	71	

Note:
1. Mobile Communications segment was established in the six-month period ended September 30, 2006 due to the consolidation of SOFTBANK MOBILE Corp. and its consolidated subsidiaries.
2. SOFTBANK BB Corp., SOFTBANK TELECOM Corp. and Yahoo Japan Corporation are included in the consolidated subsidiaries of the e-Commerce, Fixed-line Telecommunications and Internet Culture segments, respectively, while SOFTBANK BB Corp., SOFTBANK TELECOM Corp. and Yahoo Japan Corporation operate multiple businesses and their operating results are allocated to multiple business segments.
3. Due to the consolidation of SOFTBANK MOBILE Corp. and its subsidiaries from the six-month period ended September 30, 2006, certain 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.



Note:
1. Broadmedia, Technology Services, Media & Marketing, Overseas Funds, and other segments are included in "Others" segment.
2. Vodafone K.K. changed its company name to SOFTBANK MOBILE Corp. on October 1, 2006.
3. JAPAN TELECOM CO., LTD. changed its company name to SOFTBANK TELECOM Corp. on October 1, 2006.
4. On August 1, 2006, SBI Holdings, Inc. was excluded from the equity method. Its operational result is reflected for the four months, from April to July 2006.

SOFTBANK subsidiaries listed on domestic stock exchanges as of September 30, 2006:

Subsidiary	Listed exchange
1.Yahoo Japan Corporation	Tokyo Stock Exchange 1st section
2.SOFTBANK TECHNOLOGY CORP.	Tokyo Stock Exchange 1st 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, 2006		As of March 31, 2006		Increase (Decrease)	As of September 30, 2005	
	Amount	**%**	Amount	%		Amount	%
ASSETS							
Current assets:							
Cash and deposits	**¥273,166**		¥446,306		¥(173,139)	¥232,490	
Notes and accounts receivable – trade	**349,211**		188,921		160,290	159,443	
Marketable securities	**7,792**		4,372		3,419	7,628	
Inventories	**74,450**		50,597		23,853	52,641	
Deferred tax assets	**89,774**		14,107		75,667	3,264	
Other current assets	**163,912**		48,250		115,662	61,227	
Less: Allowance for doubtful accounts	**(16,024)**		(7,424)		(8,600)	(7,224)	
Total current assets	**942,283**	**23.6**	745,130	41.2	197,153	509,472	32.3
Non-current assets:							
Property and equipment, net							
Buildings and structures	**87,911**		57,304		30,607	58,284	
Telecommunications equipment	**643,721**		194,970		448,751	217,350	
Telecommunications service lines	**94,204**		91,724		2,479	95,068	
Land	**30,117**		19,404		10,712	19,396	
Construction-in-progress	**72,968**		27,875		45,092	40,197	
Others	**44,370**		27,325		17,045	27,171	
Total tangible assets	**973,293**	**24.4**	418,605	23.1	554,688	457,470	29.0
Intangible assets, net:							
Goodwill	**1,152,108**		45,578		1,106,529	49,225	
Software	**167,015**		33,671		133,343	30,893	
Other intangibles	**51,671**		23,036		28,635	24,511	
Total intangible assets	**1,370,794**	**34.4**	102,286	5.7	1,268,508	104,630	6.6
Investments and other assets:							
Investment securities and investments in partnerships	**440,549**		464,650		(24,101)	402,871	
Deferred tax assets	**163,014**		25,039		137,974	43,206	
Other assets	**103,369**		61,241		42,127	68,827	
Less: Allowance for doubtful accounts	**(9,415)**		(9,548)		133	(8,965)	
Total investments and other assets	**697,517**	**17.5**	541,382	29.9	156,134	505,939	32.0
Deferred charges	**3,101**	**0.1**	993	0.1	2,108	1,411	0.1
Total assets	**¥3,986,991**	**100.0**	¥1,808,398	100.0	¥2,178,592	¥1,578,924	100.0

CONSOLIDATED BALANCE SHEETS

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

	As of September 30, 2006		As of March 31, 2006		Increase (Decrease)	As of September 30, 2005	
	Amount	**%**	Amount	%		Amount	%
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current liabilities:							
Accounts payable - trade	**¥106,385**		¥60,432		¥45,952	¥45,242	
Short-term borrowings	**1,422,194**		218,300		1,203,894	185,070	
Commercial paper	**10,000**		10,400		(400)	12,500	
Current portion of corporate bonds	**94,231**		11,094		83,137	94	
Accounts payable - other and accrued expenses	**299,557**		114,122		185,434	107,607	
Income taxes payable	**82,791**		29,137		53,653	21,885	
Cash receipts as collateral	**150,000**		100,000		50,000	120,000	
Other current liabilities	**86,918**		43,414		43,503	27,291	
Total current liabilities	**2,252,078**	**56.5**	586,902	32.4	1,665,175	519,691	33.0
Long-term liabilities:							
Corporate bonds	**473,712**		456,128		17,584	444,488	
Long-term debt	**389,918**		209,370		180,547	208,591	
Deferred revenue	**33,865**		41,840		(7,974)	-	
Deferred tax liabilities	**44,588**		48,642		(4,054)	48,454	
Accrued retirement benefits	**17,248**		17,279		(31)	17,812	
Allowance for point mileage	**43,682**		-		43,682	-	
Other liabilities	**66,200**		100,970		(34,770)	83,362	
Total long-term liabilities	**1,069,215**	**26.8**	874,232	48.4	194,983	802,708	50.8
Total liabilities	**3,321,294**	**83.3**	1,461,135	80.8	1,860,159	1,322,400	83.8
Net assets:							
Common stock	**162,983**	**4.1**	162,916	9.0	67	162,407	10.3
Pre-stock issuance paid-in capital	**-**	**-**	5	0.0	(5)	-	-
Additional paid-in capital	**187,343**	**4.7**	187,303	10.3	40	186,794	11.8
Accumulated deficit	**(206,373)**	**(5.2)**	(218,561)	(12.1)	12,187	(280,278)	(17.7)
Less: Treasury stock	**(179)**	**(0.0)**	(169)	(0.0)	(9)	(126)	(0.0)
Total shareholders' equity	**143,774**	**3.6**	131,494	7.2	12,280	68,796	4.4
Net unrealized gain on other securities	**94,523**	**2.3**	129,051	7.1	(34,527)	127,805	8.1
Deferred losses on hedges	**(12,427)**	**(0.3)**	(36,840)	(2.0)	24,413	(40,619)	(2.6)
Foreign currency translation adjustments	**23,292**	**0.6**	19,062	1.1	4,229	14,360	0.9
Total valuation and translation adjustments	**105,388**	**2.6**	111,273	6.2	(5,885)	101,546	6.4
Stock acquisition right	**3,154**	**0.1**	3,150	0.2	4	3,150	0.2
Minority interest in consolidated subsidiaries	**413,379**	**10.4**	101,346	5.6	312,033	83,032	5.2
Total net assets	**665,696**	**16.7**	347,263	19.2	318,432	256,524	16.2
Total liabilities and net assets	**¥3,986,991**	**100.0**	¥1,808,398	100.0	¥2,178,592	¥1,578,924	100.0

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Six-month period ended September 30, 2006		Six-month period ended September 30, 2005		Increase (Decrease)	Fiscal year ended March 31, 2006	
	Amount	**%**	Amount	%		Amount	%
Net sales	**¥1,120,173**	**100.0**	¥522,787	100.0	¥597,386	¥1,108,665	100.0
Cost of sales	**615,339**	**54.9**	354,250	67.8	261,088	723,812	65.3
Gross profit	**504,834**	**45.1**	168,536	32.2	336,297	384,853	34.7
Selling, general and administrative expenses	**392,282**	**35.0**	164,136	31.4	228,145	322,553	29.1
Operating income (loss)	**112,552**	**10.1**	4,400	0.8	108,151	62,299	5.6
Interest income	**2,134**		716		1,417	2,136	
Equity in earnings under the equity method	**8,046**		4,378		3,667	9,521	
Income from investments in partnerships	**1,758**		741		1,017	777	
Other non-operating income	**3,693**		1,715		1,978	3,321	
Non-operating income	**15,631**	**1.4**	7,551	1.5	8,080	15,756	1.4
Interest expense	**32,545**		13,799		18,745	27,005	
Financing related expenses	**19,954**		-		19,954	-	
Other non-operating expenses	**12,992**		11,635		1,357	23,558	
Non-operating expenses	**65,493**	**5.9**	25,435	4.9	40,057	50,564	4.5
Ordinary income (loss)	**62,690**	**5.6**	(13,483)	(2.6)	76,174	27,492	2.5
Gain on sales of investment securities	**69,206**		52,475		16,730	172,306	
Other special income	**2,261**		6,355		(4,093)	26,218	
Special income	**71,468**	**6.4**	58,831	11.3	12,637	198,524	17.9
Valuation loss on investment securities	**627**		2,088		(1,460)	7,188	
Loss on redemption of bonds	**7,386**		-		7,386	-	
Loss on office relocation	**1,853**		-		1,853	-	
Loss on contract revision relating to sales operation change	**-**		7,608		(7,608)	25,495	
Impairment loss in fixed-line telecommunication business	**-**		-		-	18,052	
Restructuring charge relating to BBTV business	**-**		-		-	14,749	
Penalty for unfulfilled contract commitment	**-**		3,307		(3,307)	3,565	
Refinance arrangement fee	**-**		3,153		(3,153)	3,153	
Other special loss	**5,393**		3,287		2,105	24,326	
Special loss	**15,260**	**1.4**	19,445	3.7	(4,185)	96,532	8.7
Income before income taxes and minority interest	**118,898**	**10.6**	25,901	5.0	92,996	129,484	11.7
Income taxes:							
Current	**80,972**	**7.2**	19,853	3.8	61,119	40,753	3.7
Deferred	**6,041**	**0.5**	(2,967)	(0.6)	9,008	1,837	0.2
Minority interest	**17,444**	**1.6**	13,197	2.6	4,246	29,342	2.6
Net income (loss)	**¥14,439**	**1.3**	¥(4,182)	(0.8)	¥18,621	¥57,550	5.2

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

From April 1, 2006 to September 30, 2006:

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

	Shareholders' equity						Valuation and translation adjustments				Stock acquisition right	Minority interests	Total net assets
	Common stock	Pre-stock issuance paid-in capital	Additional paid-in capital	Accumulated deficit	Treasury stock	Total	Net unrealized gain (losses) on other securities	Deferred losses on hedges	Foreign currency translation adjustments	Total			
Balance at March 31, 2006	¥162,916	¥5	¥187,303	¥(218,561)	¥(169)	¥131,494	¥129,051	¥(36,840)	¥19,062	¥111,273	¥3,150	¥101,346	¥347,263
Changes of items during the period													
Issuance of new shares	67	(5)	67	-	-	128	-	-	-	-	-	-	128
Dividend from surplus	-	-	-	(2,637)	-	(2,637)	-	-	-	-	-	-	(2,637)
Bonuses to directors (see Note1)	-	-	-	(90)	-	(90)	-	-	-	-	-	-	(90)
Net adjustment to additional paid-in capital and accumulated deficit due to change in scope of consolidation (see Note 2)	-	-	(26)	476	-	449	-	-	-	-	-	-	449
Net income	-	-	-	14,439	-	14,439	-	-	-	-	-	-	14,439
Acquisition of treasury stock	-	-	-	-	(9)	(9)	-	-	-	-	-	-	(9)
Items other than changes in shareholders' equity	-	-	-	-	-	-	(34,527)	24,413	4,229	(5,885)	4	312,033	306,152
Total movement in this period	67	(5)	40	12,187	(9)	12,280	(34,527)	24,413	4,229	(5,885)	4	312,033	318,432
Balance at September 30, 2006	¥162,983	¥-	¥187,343	¥(206,373)	¥(179)	¥143,774	¥94,523	¥ (12,427)	¥23,292	¥105,388	¥3,154	¥413,379	¥665,696

From April 1, 2005 to September 30, 2005:

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

	Shareholders' equity						Valuation and translation adjustments				Stock acquisition right	Minority interests	Total net assets
	Common stock	Pre-stock issuance paid-in capital	Additional paid-in Capital	Accumulated deficit	Treasury stock	Total	Net unrealized gain (losses) on other securities	Deferred losses on hedges	Foreign currency translation adjustments	Total			
Balance at March 31, 2005	¥162,397	¥-	¥186,783	¥(273,362)	¥(106)	¥75,712	¥136,662	¥(41,056)	¥6,697	¥102,303	¥3,150	¥68,943	¥250,110
Changes of items during the period													
Issuance of new shares	10	-	10	-	-	20	-	-	-	-	-	-	20
Dividend from surplus	-	-	-	(2,460)	-	(2,460)	-	-	-	-	-	-	(2,460)
Bonuses to directors (see Note1)	-	-	-	(86)	-	(86)	-	-	-	-	-	-	(86)
Decrease due to merger	-	-	-	(187)	-	(187)	-	-	-	-	-	-	(187)
Net income	-	-	-	(4,182)	-	(4,182)	-	-	-	-	-	-	(4,182)
Acquisition of treasury stock	-	-	-	-	(20)	(20)	-	-	-	-	-	-	(20)
Items other than changes in shareholders' equity	-	-	-	-	-	-	(8,856)	436	7,662	(757)	-	14,088	13,330
Total movement during the period	10	-	10	(6,916)	(20)	(6,916)	(8,856)	436	7,662	(757)	-	14,088	6,413
Balance at September 30, 2005	¥162,407	¥-	¥186,794	¥(280,278)	¥(126)	¥68,796	¥127,805	¥(40,619)	¥14,360	¥101,546	¥3,150	¥83,032	¥256,524

- Continued -

From April 1, 2005 to March 31, 2006:

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

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

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Six-month period ended September 30, 2006	Six-month period ended September 30, 2005	Fiscal year ended March 31, 2006
Ⅰ. Cash flows from operating activities:			
Income before income taxes and minority interest	**¥118,898**	¥25,901	¥129,484
Adjustments to reconcile income before income taxes and minority interest to net cash provided by (used in) operating activities:			
Depreciation and amortization (excludes amortization of goodwill)	**84,542**	42,267	79,744
Amortization of goodwill	**26,871**	3,471	6,945
Equity in earnings under the equity method, net	**(8,046)**	(4,378)	(9,521)
Dilution gain from changes in equity interest, net	**(960)**	(4,354)	(21,806)
Valuation loss on investment securities	**627**	2,088	7,188
Gain on sales of marketable and investment securities, net	**(69,192)**	(52,348)	(171,864)
Foreign exchange loss, net	**1,749**	3,266	5,497
Interest and dividend income	**(2,348)**	(934)	(2,402)
Interest expense	**32,545**	13,799	27,005
Changes in operating assets, liabilities and others			
Decrease (increase) in receivables - trade	**5,237**	5,915	(23,333)
Increase (decrease) in payables - trade	**6,797**	(12,721)	4,331
Decrease (increase) in other receivables	**5,422**	(5,015)	(9,864)
Increase (decrease) in other payables	**11,430**	(16,395)	(26,773)
Others, net	**21,754**	6,117	110,731
Sub-total	**235,330**	6,680	105,361
Interest and dividends received	**3,796**	2,298	3,301
Interest paid	**(24,551)**	(11,789)	(22,332)
Income taxes paid	**(27,436)**	(18,134)	(31,588)
Refund of income taxes	**-**	2,964	3,064
Net cash provided by (used in) operating activities	**¥187,139**	¥(17,981)	57,806

- Continued -

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

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

	Six-month period ended September 30, 2006	Six-month period ended September 30, 2005	Fiscal year ended March 31, 2006
Ⅱ. Cash flows from investing activities:			
Purchase of property and equipment and intangibles	**¥(158,611)**	¥(157,476)	¥(189,490)
Purchase of marketable and investment securities	**(95,349)**	(30,718)	(88,479)
Proceeds from sales of marketable and investment securities	**145,434**	98,370	178,022
Acquisition of interests in subsidiaries newly consolidated, net of cash acquired	**(1,844,046)**	(842)	(4,525)
Sales of interests in subsidiaries previously consolidated	**91**	957	39,826
Proceeds from sales of interests in consolidated subsidiaries	**8**	5,853	29,232
Increase in loan receivables	**(9,232)**	(10,211)	(17,425)
Collection of loans	**6,534**	10,799	16,583
Others, net	**(1,815)**	8,971	64,107
Net cash (used in) provided by investing activities	**(1,956,985)**	(74,296)	27,852
Ⅲ. Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	**1,183,612**	(18,273)	32,043
Decrease in commercial paper, net	**(400)**	(3,000)	(5,100)
Proceeds from long-term debt	**220,070**	110,020	125,550
Repayment of long-term debt	**(29,822)**	(119,892)	(158,211)
Proceeds from issuance of bonds	**-**	71,978	91,849
Redemption of bonds	**(26,931)**	(53,515)	(53,547)
Proceeds from issuance of shares	**134**	20	1,038
Proceeds from issuance of shares to minority shareholders	**300,203**	533	1,619
Cash dividends paid	**(2,628)**	(2,397)	(2,456)
Cash dividends paid to minority shareholders	**(3,045)**	(2,380)	(2,442)
Increase in cash receipt as collateral	**50,000**	20,000	-
Others, net	**(92,418)**	(1,249)	(264)
Net cash provided by financing activities	**1,598,773**	1,843	30,078
Ⅳ. Effect of exchange rate changes on cash and cash equivalents	**838**	1,790	10,905
Ⅴ. Net (decrease) increase in cash and cash equivalents	**(170,234)**	(88,643)	126,642
Ⅵ. Decrease in cash and cash equivalents due to exclusion of previously consolidated entities	**(3,886)**	(142)	(142)
Ⅶ. Cash and cash equivalents at the beginning of the period	**446,694**	320,194	320,194
Ⅷ. Cash and cash equivalents at the end of the period	**¥272,572**	¥231,408	¥446,694

CONDENSED QUARTERLY FINANCIAL INFORMATION

Condensed Statement of Operations

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

	Second quarter July 1, 2006 to September 30, 2006	First quarter April 1, 2006 to June 30, 2006	Fourth quarter January 1, 2006 to March 31, 2006	Third quarter October 1, 2005 to December 31, 2005	Second quarter July 1, 2005 to September 30, 2005	First quarter April 1, 2005 to June 30, 2005
	Amount	Amount	Amount	Amount	Amount	Amount
Net sales	¥625,941	¥494,231	¥298,406	¥287,471	¥264,149	¥258,637
Cost of sales	341,443	273,895	185,010	184,551	178,575	175,674
Gross profit	284,498	220,336	113,395	102,920	85,573	82,962
Selling, general and administrative expenses	226,303	165,978	79,009	79,407	77,983	86,153
Operating income (loss)	58,194	54,357	34,386	23,512	7,590	(3,190)
Non-operating income (Note)	4,540	12,096	6,227	2,784	4,442	3,122
Non-operating expenses (Note)	26,039	40,459	10,867	15,068	12,499	12,950
Ordinary income (loss)	36,696	25,994	29,747	11,228	(466)	(13,017)
Special income	66,795	4,672	40,758	98,934	35,916	22,914
Special loss	13,895	1,365	26,610	50,475	10,309	9,136
Income before income taxes and minority interest	89,596	29,302	43,895	59,687	25,141	760
Income taxes - Current	70,826	10,146	11,204	9,695	11,623	8,230
Income taxes - Deferred	(3,182)	9,224	(15,366)	20,171	(187)	(2,779)
Minority interest	8,930	8,514	8,326	7,817	6,734	6,463
Net income (loss)	¥13,021	¥1,418	¥39,730	¥22,002	¥6,971	¥(11,153)

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

Condensed Statement of Cash Flows

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

		Second quarter July 1, 2006 to September 30, 2006	First quarter April 1, 2006 to June 30, 2006	Fourth quarter January 1, 2006 to March 31, 2006	Third quarter October 1, 2005 to December 31, 2005	Second quarter July 1, 2005 to September 30, 2005	First quarter April 1, 2005 to June 30, 2005
		Amount	Amount	Amount	Amount	Amount	Amount
Ⅰ	Net cash provided by (used in) operating activities	¥122,464	¥64,675	¥13,837	¥61,949	¥232	¥(18,213)
Ⅱ	Net cash provided by (used in) investing activities	8,847	(1,965,832)	15,521	86,627	(45,593)	(28,703)
Ⅲ	Net cash (used in) provided by financing activities	(144,656)	1,743,429	74,963	(46,728)	(11,081)	12,925
Ⅳ	Effect of exchange rate changes on cash and cash equivalents	703	134	5,248	3,866	639	1,150
Ⅴ	Net (decrease) increase in cash and cash equivalents	(12,641)	(157,593)	109,571	105,714	(55,802)	(32,840)
Ⅵ	(Decrease) in cash and cash equivalents due to exclusion of previously consolidated entities	-	(3,886)	-	-	-	(142)
Ⅶ	Cash and cash equivalents at the beginning of the period	285,214	446,694	337,122	231,408	287,211	320,194
Ⅷ	Cash and cash equivalents at the end of the period	¥272,572	¥285,214	¥446,694	¥337,122	¥231,408	¥287,211
Note: “Depreciation and amortization”, and “Amortization of goodwill” included in net cash provided by operating activities		¥62,424	¥48,989	¥19,919	¥21,031	¥23,195	¥22,543

Basis of Presentation of Consolidated Financial Statements

1. Changes in scope of consolidation

As of September 30, 2006, SOFTBANK CORP. （the "Company"）consolidated 121 subsidiaries.　64 subsidiaries were not consolidated as the individual and aggregate amounts were not considered material in relation to the consolidated total assets, net sales, net income (loss) and retained earnings (accumulated deficit) of the SOFTBANK consolidated financial statements.

Changes in scope of consolidation were as follows:

<Increase>

12 companies

Significant changes:

SOFTBANK MOBILE Corp. — Newly acquired

<Decrease>

44 companies

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

2. Changes in scope of equity method

As of September 30, 2006, the Company held three non-consolidated subsidiaries and 68 affiliates, all of which were accounted for under the equity method.　61 non-consolidated subsidiaries and 22 affiliates were not accounted for under the equity method, as the individual and aggregate amounts were not considered material in relation to the net income (loss) and retained earnings (accumulated deficit) of the SOFTBANK consolidated financial statements.

Main changes in application of equity method were as follows:

<Increase>

10 companies

<Decrease>

26 companies

Significant changes:

SBI Holdings, Inc. — Sale of shares

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

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)	62	34
June end	1	―
December end	3	17
January end	1	1
February end	2	―

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 net assets, net of tax, while cost is primarily determined using the moving-average method)

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

(2) Derivative instruments: Stated at fair value

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

[2] Depreciation and amortization

(1) Property and equipment

Buildings and structures:	Computed primarily using the straight line method
Telecommunications equipment:	Computed using the straight line method
Telecommunications service lines:	Computed using the straight line method
Others:	Computed primarily using the straight line method

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

[3] Accounting principles for major allowances and accruals

(1) <Allowance for doubtful accounts>

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

(2) <Accrued retirement benefits>

SOFTBANK MOBILE Corp., SOFTBANK TELECOM Corp., and certain other subsidiaries have defined benefit pension plans for their employees. These companies account for the obligation for retirement benefits based on the projected benefit obligations as of September 30, 2006.

(3) <Allowance for point mileage>

SOFTBANK MOBILE Corp. has an allowance for point mileage which is accrued based on the estimated future obligation arising from point service, based on past experience.

[4] Translation of foreign currency transactions and accounts

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

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

[5] Capital leases

Under the accounting principles generally accepted in Japan, 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 collar transaction that qualifies as an effective cash flow hedge at consolidated subsidiaries in the United States of America are reported as a separate component of "Net assets" 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. Accounting for business combinations

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

6. Amortization of goodwill

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

The goodwill resulting from the acquisition of SOFTBANK MOBILE Corp. is amortized over a 20-year-period.

7. 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.

8. Presentation of net assets in the balance sheets

The Company applied "Accounting Standards for presentation of net asset" (Financial Accounting Standards for presentation of net asset in balance sheet Guideline No.5 issued on December 9, 2005 by the Business Accounting Council in Japan), and "Application Guideline for Accounting Standards for presentation of net assets" (Financial Accounting Standards Implementation Guideline No.8 issued on December 9, 2005) from the six-month period ended on September 30, 2006.

The shareholders' equity based on the previous presentation of shareholders' equity in the balance sheet is ¥249,162 million.

The Company disclosed net assets in the balance sheet using the new presentation as of September 30, 2006. Furthermore, the Company presented its net assets in the balance sheets using the new presentation as of March 31, 2006 and September 30, 2005.

9. Accounting standard for statements of changes in net assets

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

Consolidated statements of changes in net asset is disclosed for the six-month period ended September 30, 2006 under the new standard. Furthermore, the consolidated statements of changes in net assets for the fiscal year ended March 31, 2006 and for the six-month period ended September 30, 2005 are presented under the new standard.

10. Accounting standard for share-based payment

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

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

11. Practical solution on accounting for revenue recognition of software

The Company applied "Practical solution on accounting for revenue recognition of software" (Financial Accounting Standards Implementation Guideline No.17 issued on March 30, 2006) from the six-month period ended September 30, 2006.

As a result, the Company is required to present certain transactions as net sales from this fiscal year, and net sales of certain software transactions were recorded at ¥596 million, which would have been the amount of gross profit if the previous accounting standard had been applied. Due to the netting with the amounts for goods purchased, net sales and cost of goods sold decreased by ¥16,226 million.

12. Presentation of goodwill in the balance sheets and statements of cash flows

The Company applied "Accounting Standard for Business Combinations" (Accounting Standards issued on October 31, 2003 by the Business Accounting Council in Japan), "Accounting Standard for Business Divestitures and the related Implementation Guidance" (Accounting Standards Statement No.7 issued on December 27, 2005 by the Accounting Standards Board of Japan), "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Guidance No. 10 issued on December 27, 2005 by the Accounting Standards Board of Japan) from the six-month period ended on September 30, 2006.

(Consolidated Balance Sheets)

Goodwill related to business rights included in "Other intangibles" of intangible assets, net and goodwill related to consolidation goodwill are presented as "Goodwill" as of September 30, 2006. The same presentation has been adopted for its accounts as of March 31, 2006 and as of September 30, 2005.

(Consolidated Statements of Cash Flows)

Amortization of goodwill related to business rights accounted in "Depreciation and amortization" and amortization of goodwill related to consolidation goodwill accounted in "Others, net" of cash flows from operating activities is presented as "Amortization of goodwill" for the six-month period ended September 30, 2006. The same presentation has been adopted for its accounts for the fiscal year ended March 31, 2006 and the six-month period ended September 30, 2005.

Notes

(Consolidated Balance Sheets)

1. Accumulated depreciation of property and equipment

September 30, 2006	March 31, 2006	September 30, 2005
655,520 million yen	603,313 million yen	609,452 million yen

2. Assets pledged as collateral

(1) For future lease liabilities

	September 30, 2006	March 31, 2006	September 30, 2005
Assets pledged as collateral:			
Notes and accounts receivable - trade	**10,927 million yen**	10,653 million yen	11,887 million yen
Other current assets (accounts receivable – other)	**-**	-	2
Secured liabilities:			
Notes and accounts payable - trade	**- million yen**	- million yen	2 million yen

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

	September 30, 2006	March 31, 2006	September 30, 2005
Future lease liabilities (including the above "Notes and accounts payable-trade")	**17,300 million yen**	23,846 million yen	31,053 million yen

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

All common stocks of BB Mobile Corp., SOFTBANK MOBILE Corp., and subsidiaries of SOFTBANK MOBILE Corp. are pledged as collateral for short-term borrowings of ¥1,173,830 million resulting from the acquisition of SOFTBANK MOBILE Corp.

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

	September 30, 2006	March 31, 2006	September 30, 2005
Assets pledged as collateral:			
Cash and deposits	**566 million yen**	336 million yen	483 million yen
Notes and accounts receivable - trade	**949**	1,061	1,060
Buildings and structures	**499**	867	884
Telecommunications equipment	**1,062**	1,513	2,113
Land	**5,001**	5,001	5,001
Property and equipment- others	**0**	0	0
Investment securities	**158,369**	201,293	203,486
Total	**166,450 million yen**	210,074 million yen	213,030 million yen
Secured liabilities:			
Notes and accounts payable - trade	**854 million yen**	975 million yen	407 million yen
Short-term borrowings	**7,843**	8,209	15,859
Accounts payable – other and accrued expenses	**116**	25	21
Long-term debt	**119,158**	119,805	116,313
Other long-term liabilities	**-**	113	207
Total	**127,973 million yen**	129,128 million yen	132,809 million yen

3. Securities loaned

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

	September 30, 2006	March 31, 2006	September 30, 2005
Investment securities	**336 million yen**	364 million yen	259 million yen

4. Cash receipts as collateral

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

	September 30, 2006	March 31, 2006	September 30, 2005
Cash receipts as collateral	**150,000 million yen**	100,000 million yen	120,000 million yen

According to the security deposit agreements, the Company paid a fixed rate amount as stock bailment fees and other fees totaling ¥ 1,369 million, ¥ 2,859 million and ¥1,482 million for the periods ended September 30, 2006, March 31, 2006 and September 30, 2005, respectively, and recorded the fees as other non-operating expenses in the consolidated statements of operations.

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

September 30, 2006	March 31, 2006	September 30, 2005
15,196 million yen	16,097 million yen	15,809 million yen

6. Balance of accounts receivable sold

September 30, 2006	March 31, 2006	September 30, 2005
- million yen	8,477 million yen	7,461 million yen

7. Notes receivable maturing at period-end

Notes receivable are settled on the date of clearance. Since the interim period end date of September 30, 2006 was a non-business day, the following balance of notes receivable maturing on that date was not settled and was included in the closing balances of "Notes and accounts receivable-trade".

	September 30, 2006	March 31, 2006	September 30, 2005
Notes and accounts receivable-trade	**41 million yen**	- million yen	- million yen

8. Legal defeasance

In April, 2006 the Company conducted legal defeasance for SOFTBANK CORP. Euro-denominated Senior Notes due 2011 (Principal amount: 400 million euro, interest rate 9.375%) and deposited 493 million Euro which is sufficient for the payment of principal and interest on the notes with the trustee.

On October 3, 2006, the repurchase and redemption of 395 million euro (¥59,267 million) of the outstanding 400 million euro has been finalized. Therefore, 395 million euro (¥59,267 million) was recorded as current portion of corporate bonds in current liabilities.

A 469 million euro (¥70,380 million) deposited with trustee for the redemption of the notes was recorded as "Other current assets" in current assets. The current portion of corporate bonds in current liabilities and the deposit in current assets were extinguished on October 3, 2006 for the redemption of the notes.

(Consolidated Statements of Operations)

1. Selling, general and administrative expenses

	Six-month period ended September 30, 2006	Six-month period ended September 30, 2005	Fiscal year ended March 31, 2006
Payroll and bonuses	**¥44,300 million**	¥35,071 million	¥69,505 million
Sales promotion expense	**60,550**	29,855	59,671
Sales commission	**125,794**	4,247	9,211
Allowance for doubtful accounts	**2,502**	2,315	4,319

2. Financing related expenses

It is the financing related expense in order to raise funds for the acquisition of SOFTBANK MOBILE Corp.

3. Loss on redemption of bonds

Associated with the repurchase and redemption of SOFTBANK CORP. Euro 9.375% Senior Notes due 2011, the purchase offer was settled on September 29, 2006 and the loss on the redemption of notes was determined. It is recorded as "Loss on redemption of bonds" in special loss for the six months period ended September 30, 2006.

4. Loss on office relocation

It is the loss incurred from the headquarter office relocation of SOFTBANK MOBILE Corp. in May, 2006.

(Consolidated Statements of Cash Flows)

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

	September 30, 2006		September 30, 2005		March 31, 2006	
Cash and deposits	**273,166**	**million yen**	232,490	million yen	446,306	million yen
Marketable securities	**7,792**		7,628		4,372	
Time deposits with original maturities over three months	**(2,379)**		(1,489)		(1,400)	
Stocks and bonds with original maturities over three months	**(6,006)**		(7,221)		(2,584)	
Cash and cash equivalents	**272,572**	**million yen**	231,408	million yen	446,694	million yen

2. SOFTBANK MOBILE Corp. and three consolidated subsidiaries acquired in connection with the acquisition of SOFTBANK MOBILE Corp.

		(as of April 30, 2006)	
Current assets	Note 1	324,183	million yen
Non-current assets		851,905	
Goodwill		1,129,092	
Current liabilities	Note 1	(453,849)	
Long-term liabilities		(144,665)	
Acquisition cost	Note 2, 3	1,706,666	million yen
Loans made by the Company	Note 4	163,000	
Cash and cash equivalents of newly consolidated companies		(25,419)	
Payments for the acquisition		1,844,246	million yen

(Note 1) Amounts are after considering intercompany transactions.
(Note 2) The costs incurred for the acquisition of remaining shares of SOFTBANK MOBILE Corp. in August 2006 are included. Accordingly, SOFTBANK MOBILE Corp. became a fully-owned subsidiary.
(Note 3) Accompanying costs are included.
(Note 4) Loan amounts until the acquisition date, April 30, 2006

(Statements of changes in stockholders' equity)

1. Class and number of outstanding shares:

	March 31, 2006	Increase	Decrease	September 30, 2006
Number of common stocks	1,055,231,478	92,100	-	1,055,323,578

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

2. Class and number of treasury stocks:

	March 31, 2006	Increase	Decrease	September 30, 2006
Number of common stocks	149,391	3,685	-	153,076

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

3. Share warrants:

Type	Detail of stock acquisition rights	Class of shares	Number of shares for stock acquisition rights				Million of yen
			March 31,2006	Increase	Decrease	September 30, 2006	September 30, 2006
SOFTBANK	Stock acquisition rights issued in 2004	Common stocks	24,000,000	-	-	24,000,000	3,150
Subsidiary companies	-	-					4
Total		-					3,154

4. Dividends:

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

Significant Subsequent Event

Issue of Senior Notes

The Company issued Senior Notes based on the resolution of its Board of Directors' meeting held on September 26, 2006.

1. Name of Notes: SOFTBANK CORP. 7.75% Senior Notes due 2013.
2. Aggregate amount of issue: 500 million euro
3. Price at issue: 99.335% of par
4. Coupon rate: 7.75%
5. Payment date: October 12, 2006
6. Redemption date: October 15, 2013
7. Use of funds: Mainly repayment of existing short term borrowings.

Segment Information

1. Business segment information

(1) For the six-month period ended September 30, 2006

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

	Mobile Communications	Broadband Infrastructure	Fixed-line Telecommunications	Internet Culture	e-Commerce	Others	Total	Elimination or Corporate	Consolidated
Net sales									
(1) Customers	¥581,884	¥127,473	¥166,234	¥89,679	¥117,080	¥37,821	¥1,120,173	¥ -	¥1,120,173
(2) Inter-segment	2,575	1,577	15,715	1,640	7,099	6,253	34,861	(34,861)	-
Total	584,459	129,050	181,950	91,319	124,180	44,075	1,155,035	(34,861)	1,120,173
Operating expenses	527,824	117,382	181,654	46,976	121,319	44,244	1,039,401	(31,780)	1,007,621
Operating income (loss)	¥56,635	¥11,668	¥295	¥44,343	¥2,860	¥(169)	¥115,633	¥ (3,081)	¥112,552

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

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

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

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

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

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

Notes: 1. Business segments are categorized primarily based on the nature of business operations, type of services, similarity of sales channels, etc., which the SOFTBANK Group uses for its internal management purposes.

2. Please refer to the chart of “The SOFTBANK Group” for a description of the main business segments.

3. Unallocated operating expenses for the six-month periods ended September 30, 2006, September 30, 2005 and for the fiscal year ended March 31, 2006 in the column "Elimination or corporate", which mainly represent expenses of the corporate division of the Company, were ¥2,826 million, ¥2,305 million and ¥7,841 million, respectively.

4. The Mobile Communications segment was established in the six-month period ended September 30, 2006 due to the consolidation of SOFTBANK MOBILE Corp. Net sales and operating expenses of SOFTBANK MOBILE Corp. and its consolidated subsidiaries are consolidated from May 2006.

2. Geographic segment information

(1) For the six-month period ended September 30, 2006

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

	Japan	**North America**	**Others**	**Total**	**Elimination or Corporate**	**Consolidated**
Net sales						
(1) Customers	**¥1,115,017**	**¥668**	**¥4,487**	**¥1,120,173**	**¥ -**	**¥1,120,173**
(2) Inter-segment	**262**	**-**	**62**	**325**	**(325)**	**-**
Total	**1,115,280**	**668**	**4,550**	**1,120,499**	**(325)**	**1,120,173**
Operating expenses	**998,253**	**1,170**	**4,848**	**1,004,272**	**3,348**	**1,007,621**
Operating income (loss)	**¥117,026**	**¥(501)**	**¥(298)**	**¥116,226**	**¥(3,674)**	**¥112,552**

(2) 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 income (loss)	¥8,885	¥(476)	¥(1,826)	¥6,581	¥(2,181)	¥4,400

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

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

	Japan	North America	Others	Total	Elimination or Corporate	Consolidated
Net sales						
(1) Customers	¥1,100,446	¥1,351	¥6,867	¥1,108,665	¥ -	¥1,108,665
(2) Inter-segment	3,325	686	412	4,425	(4,425)	-
Total	1,103,772	2,038	7,279	1,113,090	(4,425)	1,108,665
Operating expenses	1,028,151	2,934	12,208	1,043,294	3,071	1,046,366
Operating income (loss)	¥75,621	¥(896)	¥(4,929)	¥69,796	¥(7,496)	¥62,299

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, Singapore and others
2. Unallocated operating expenses for the six-month periods ended September 30, 2006, and September 30, 2005, and for the fiscal year ended March 31, 2006 in the column "Elimination or Corporate", which mainly represent expenses of the corporate division of the Company, were ¥2,826 million, ¥2,305 million and ¥7,841 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 the lessee at the end of lease periods (as a lessee)

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

	September 30, 2006	March 31, 2006	September 30, 2005
Telecommunications equipment and telecommunications service lines			
Equivalent to acquisition costs	**212,080 million yen**	197,727 million yen	212,136 million yen
Less:			
Amount equivalent to accumulated depreciation	**(81,206)**	(64,550)	(61,532)
Amount equivalent to accumulated impairment loss	**(21,703)**	(21,703)	-
Net book value	**109,170 million yen**	111,473 million yen	150,604 million yen
Buildings and structures			
Equivalent to acquisition costs	**48,237 million yen**	46,999 million yen	46,975 million yen
Less:			
Amount equivalent to accumulated depreciation	**(4,804)**	(2,674)	(1,485)
Amount equivalent to accumulated impairment loss	**-**	-	-
Net book value	**43,432 million yen**	44,324 million yen	45,489 million yen
Property and equipment - others			
Equivalent to acquisition costs	**19,998 million yen**	13,604 million yen	13,954 million yen
Less:			
Amount equivalent to accumulated depreciation	**(4,996)**	(5,700)	(7,263)
Amount equivalent to accumulated impairment loss	**(1,656)**	(1,657)	-
Net book value	**13,346 million yen**	6,245 million yen	6,691 million yen
Intangible assets			
Equivalent to acquisition costs	**10,682 million yen**	2,624 million yen	2,876 million yen
Less:			
Amount equivalent to accumulated amortization	**(1,755)**	(1,238)	(1,311)
Amount equivalent to accumulated impairment loss	**(287)**	(287)	-
Net book value	**8,639 million yen**	1,097 million yen	1,565 million yen
Total			
Equivalent to acquisition costs	**290,999 million yen**	260,955 million yen	275,943 million yen
Less:			
Amount equivalent to accumulated depreciation	**(92,763)**	(74,164)	(71,593)
Amount equivalent to accumulated impairment loss	**(23,647)**	(23,648)	-
Net book value	**174,588 million yen**	163,141 million yen	204,350 million yen

Long-term prepaid expense relating mainly to a ten year term lease contract with payment completed in the initial five years which is included in “Other assets” of “Investments and other assets” in the consolidated balance sheets for the period ended September 30, 2006 and for the fiscal year ended March 31, 2006 were ¥4,572 million and ¥1,989 million, respectively.

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

	September 30, 2006	March 31, 2006	September 30, 2005
Due within one year	**34,319 million yen**	34,560 million yen	42,355 million yen
Due after one year	**171,834**	158,800	168,127
Total	**206,153 million yen**	193,361 million yen	210,483 million yen
Balance of allowance for impairment loss on leased assets	**20,673million yen**	23,427 million yen	- million yen

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

	Six-month period ended September 30, 2006	FY2006 April 2005 through March 2006	Six-month period ended September 30, 2005
Lease payments	**26,125 million yen**	56,517 million yen	28,527 million yen
Reversal of allowance for impairment loss on leased assets	**2,753**	300	-
Amount equivalent to depreciation expense	**20,255**	44,595	22,559
Amount equivalent to interest expense	**7,075**	15,808	8,141
Impairment loss	**-**	23,727	-

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

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

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

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

(as a lessor)

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

	September 30, 2006	March 31, 2006	September 30, 2005
Property and equipment - others			
Acquisition costs	**115 million yen**	164 million yen	164 million yen
Less: accumulated depreciation	**(109)**	(137)	(117)
Net book value	**6 million yen**	26 million yen	47 million yen

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

	September 30, 2006	March 31, 2006	September 30, 2005
Due within one year	**6 million yen**	29 million yen	45 million yen
Due after one year	**-**	-	6
Total	**6 million yen**	29 million yen	51 million yen

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

	Six-month period ended September 30, 2006	FY2006 April 2005 through March 2006	Six-month period ended September 30, 2005
Lease income	**23 million yen**	46 million yen	23 million yen
Depreciation expense	**22**	41	20
Amount equivalent to interest income	**0**	3	2

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

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

2. Non-cancelable operating lease transactions

(as a lessee)

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

	September 30, 2006	March 31, 2006	September 30, 2005
Due within one year	**12,776 million yen**	9,904 million yen	9,081 million yen
Due after one year	**6,887**	11,041	11,362
Total	**19,663 million yen**	20,946 million yen	20,443 million yen

(as a lessor)

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

	September 30, 2006	March 31, 2006	September 30, 2005
Due within one year	**1,836 million yen**	1,305 million yen	1,161 million yen
Due after one year	**2,897**	1,921	1,864
Total	**4,734 million yen**	3,227 million yen	3,026 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.)

	September 30, 2006			March 31, 2006			September 30, 2005		
	Investment costs	**Carrying amounts**	**Differences**	Investment costs	Carrying amounts	Differences	Investment costs	Carrying amounts	Differences
1. Equity securities	**¥35,449**	**¥187,859**	**¥152,410**	¥34,810	¥234,319	¥199,509	¥35,709	¥235,731	¥200,022
2. Debt securities:									
Corporate bonds and other debt securities	**-**	**-**	**-**	-	-	-	5,060	5,064	3
3. Others	**146**	**146**	**-**	59	59	-	18	23	4
Total	**¥35,596**	**¥188,006**	**¥152,410**	¥34,869	¥234,379	¥199,509	¥40,788	¥240,818	¥200,030

2. Carrying amounts of unlisted investment securities

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

	September 30, 2006 Carrying amounts	March 31, 2006 Carrying amounts	September 30, 2005 Carrying amounts
1. Debt securities (held-to-maturity)			
Unlisted debt securities	**¥772**	¥-	¥-
2. Other securities			
Unlisted equity securities	**¥112,170**	¥26,759	¥21,482
Money Management Fund	**5,694**	2,959	2,167
Investments in limited partnerships (see Note)	**5,149**	6,494	5,388
Preferred fund certificate	**2,000**	2,000	2,000
Designated money trust	**1,000**	1,000	-
Others	**627**	614	347
Total	**¥127,415**	¥39,827	¥31,386

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

Derivative Transactions

1 Currency related derivatives

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

Nature of transaction	September 30, 2006				March 31, 2006				September 30, 2005			
	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
Option transactions to-												
• Purchase U.S. dollar call option and Japanese yen put option	5,873	-	63	63	-	-	-	-	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	68,753	-	70,255	1,502	29,132	-	29,128	(3)	85,040	-	87,977	2,936
• Purchase Japanese yen and sell British pound	50,662	-	54,978	(4,316)	-	-	-	-	8,347	8,347	8,685	338
Total				¥(2,750)				¥(3)				¥3,256

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, 2006				March 31, 2006				September 30, 2005			
	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 floating rate and pay fixed rate	¥-	¥-	¥-	¥-	¥-	¥-	¥-	¥-	¥10,000	¥-	¥(48)	¥(48)
• Receive fixed rate (receipt later) and pay fixed rate (prepayment)	-	-	-	-	-	-	-	-	1,000	-	35	35
Total				¥-				¥-				¥(12)

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, 2006	Six-month period ended September 30, 2005	FY2006 April 2005 through March 2006
Net assets per share (yen)	**¥236.14**	¥484.67	¥229.88
Net income (loss) per share - primary (yen)	**13.68**	(11.90)	54.36
Net income (loss) per share – diluted*	**12.84**	-	50.71

* Per share for six-month period ended September 30, 2005 was not disclosed due to the loss position.

The Company conducted a three-for one share split of the Company's common stock on January 5, 2006. Per share data for the six-month period ended September 30, 2005 was calculated assuming the share split was conducted at the beginning of the fiscal year.

	Six-month period ended September 30, 2006	Six-month period ended September 30, 2005	FY2006 April 2005 through March 2006
Net assets per share	**-**	161.56	-
Net loss per share	**-**	(3.97)	-

Basic data for computation of the per share data

Basic data for computation of the per share data	**Six-month period ended September 30, 2006**	Six-month period ended September 30, 2005	FY2006 April 2005 through March 2006
1. Net income (loss) (in millions of yen)	**14,439**	(4,182)	57,550
2. Net income (loss) allocated to common stock outstanding (in millions of yen)	**14,439**	(4,182)	57,325
3. Amounts not allocated to shareholders (in millions of yen)	**-**	-	224
4. Weighted average number of common stock outstanding during each fiscal year (unit: shares)	**1,055,140,098**	351,456,370	1,054,478,501
5. Adjustment for net income used to calculate net income per share – diluted (in millions of yen)	**191**	-	370
6. Increase of common stock used to calculate net income per share – diluted (unit: shares)	**84,168,845**	-	83,390,701
7. Residual securities which does not dilute net income per share	Stock acquisition rights specially approved at shareholders' meeting on June 22, 2005	-	Stock acquisition rights specially approved at shareholders' meeting on June 22, 2005