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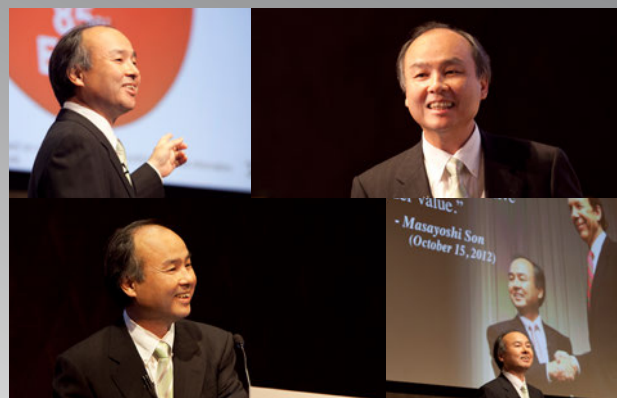
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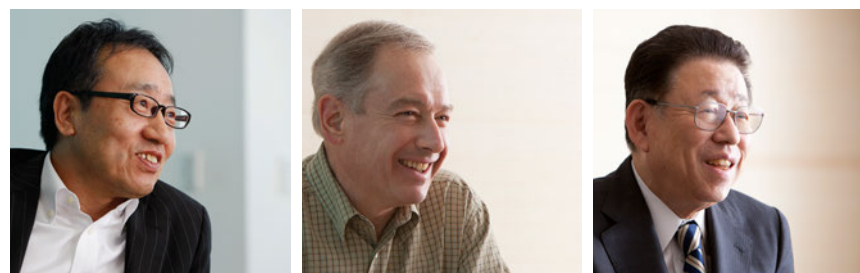
An interview with chairman and CEO Masayoshi Son, in which he talks about the Group's performance in fiscal 2012, growth forecasts, and strategies for the medium and long term.




Masayoshi Son  
Chairman & CEO

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## Great Expectations



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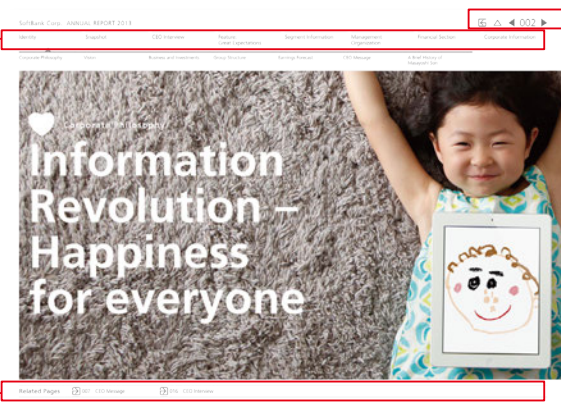
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## User Guide

This PDF has various features to make it easy to use and to search for information. It also contains links to external web sites to allow you to refer to external information easily.

Identity      Snapshot      CEO Interview      Feature: Great Expectations

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### Disclaimer

- This annual report is made based on information available at the time of writing. Plans, forecasts, strategies, and other forward-looking statements in this report are not historical facts, and include elements of risk and uncertainty. Actual results may therefore differ materially from these forward-looking statements due to changes in the business environment and other factors.
- Information in this report regarding companies other than SoftBank Corp. and other companies of the SoftBank Group is quoted from public sources and others. We do not guarantee the accuracy of this information.
- SoftBank Corp. expressly disclaims any obligation or responsibility to update or revise or supplement any forward-looking statement in any presentation material or generally to any extent. Use of or reliance on the information in this annual report is at your own risk.

### Company Names

- Except where specifically noted otherwise, "SoftBank" and "the Company" in this annual report refer to SoftBank Corp., and "the SoftBank Group" and "the Group" indicate the Company, its consolidated subsidiaries, and affiliates. In principle, "Co. Ltd.," "Corporation," etc., are omitted from the names of companies and organizations in this annual report.

### Definition of Terms

- "Fiscal 2012" refers to our fiscal year ended March 31, 2013, and other fiscal years are referred to in a corresponding manner in this annual report. FYE denotes the fiscal year-end. For example, FYE2012 denotes March 31, 2013, the last day of fiscal 2012.
- Please refer to the Glossary on pages 150–151 for meanings and definitions of the terms used in this annual report.

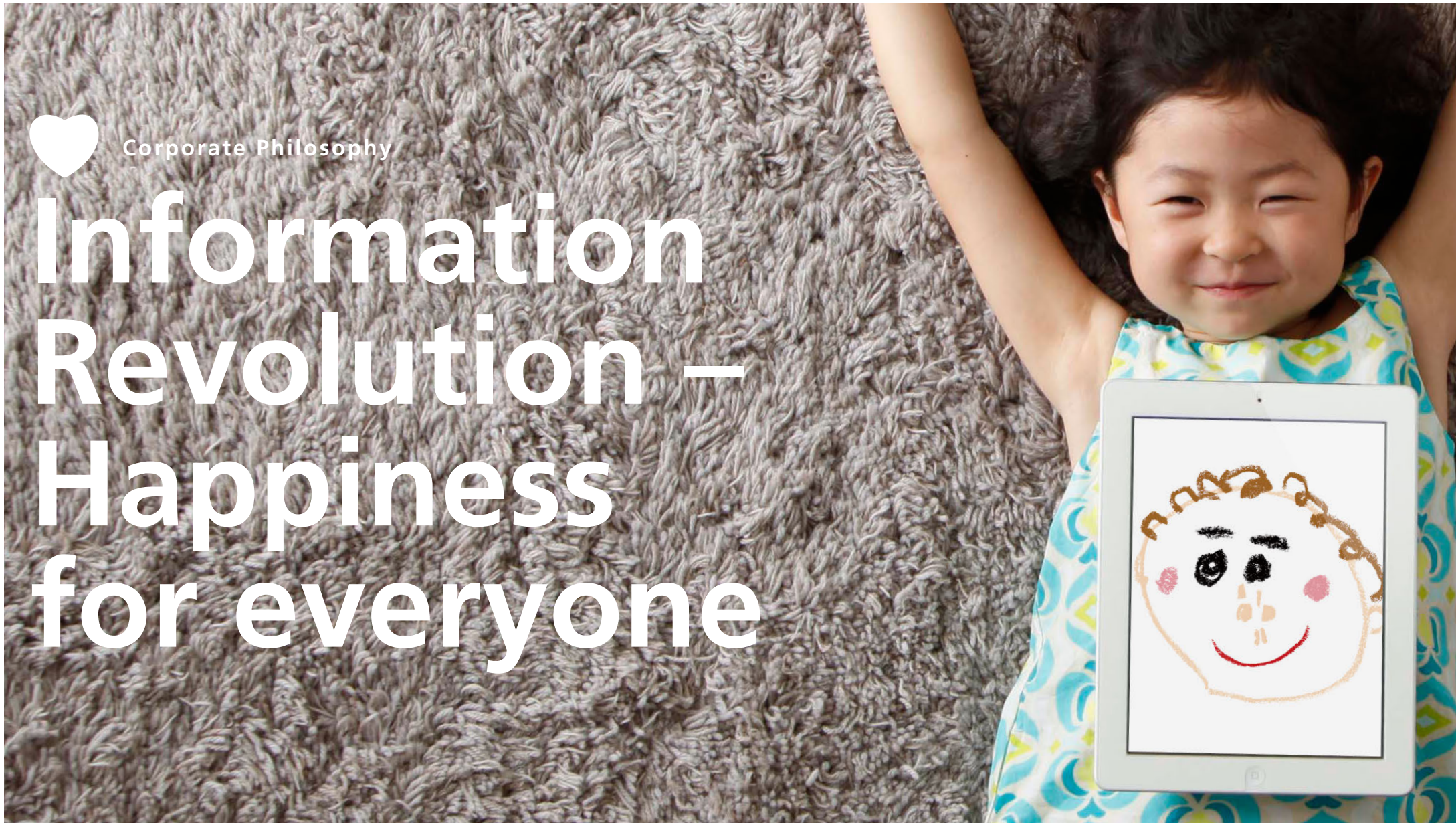
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Corporate Philosophy

# Information Revolution – Happiness for everyone



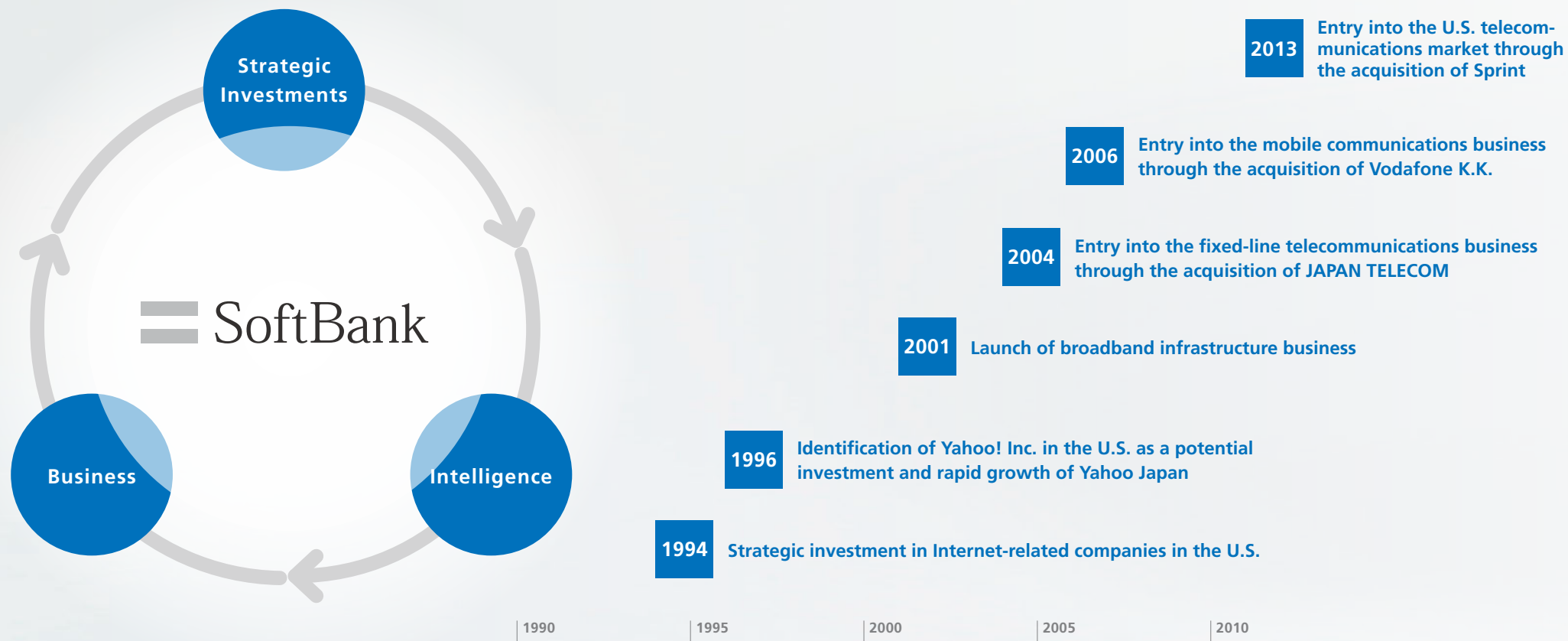
Identity

Vision



**The corporate group  
needed most by people  
around the world**

## Business and Investments



## Seamless Interaction Between Business Operations and Investments Creates a Virtuous Cycle

The SoftBank Group contains a unique combination of business operations and strategic investments. Through investing in information industry-related businesses we gather intelligence about transformative opportunities and new future trends. We use this to inform many of our core operating decisions. This seamless interaction between operations and investments creates a virtuous cycle that keeps reinforcing itself.

## Group Structure

(As of March 31, 2013)

The SoftBank Group comprises the pure holding company SoftBank, 235 subsidiaries and 108 affiliates (including 150 consolidated subsidiaries and 83 equity method companies). The Group possesses both advanced infrastructure and diverse services and content, and invests in promising companies working in the Internet field.



**SoftBank Corp.**  
(a pure holding company)

### Major Consolidated Subsidiaries



SoftBank Mobile Corp.

Voting rights: **100%**



SoftBank BB Corp.

Voting rights: **100%**



SoftBank Telecom Corp.

Voting rights: **100%**



Yahoo Japan Corporation

Voting rights: **42.5%**

### Major Equity Method Affiliates



Wireless City Planning Inc.

Voting rights: **33.3%**



eAccess Ltd.

Voting rights: **33.3%**



GungHo Online Entertainment, Inc.

Voting rights: **33.6%**



Alibaba Group Holding Limited

Voting rights: **36.7%**



Renren Inc.

Voting rights: **34.1%**

### Others



WILLCOM, Inc.

Shares owned: **100%**

- (Notes) 1. Shares of voting rights held are as of the most recent fiscal year-end for each company.  
2. Following the application of the International Financial Reporting Standards (IFRS) at SoftBank, Wireless City Planning and eAccess will be treated as consolidated subsidiaries, whereas they had previously been treated as equity method affiliates under Japanese-GAAP.  
3. GungHo Online Entertainment became a consolidated subsidiary of the Company from April 1, 2013. Please see p.141 for details.  
4. The Company owns 100% of shares issued by WILLCOM. However, as of March 31, 2013 WILLCOM was in the process of rehabilitation under the Corporate Reorganization Act and the Company does not have effective control over WILLCOM. Therefore, WILLCOM was not treated as a subsidiary. WILLCOM became a consolidated subsidiary on July 1, 2013, following an order by the Tokyo District Court to terminate the rehabilitation proceedings.



## Earnings Forecast

2013年度 見通し

国内 営業利益

(国際会計基準)

**1兆円以上**

(ガンホー連結化に伴う一時益約1,500億円を含む)

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2014/3 Forecast

Domestic Operating Income  
(IFRS)

Exceed

**JPY 1 trillion**

(USD 10bn)

(Including approx. JPY150 billion of one-time gain from consolidation of GungHo Online Entertainment)

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## CEO Message

## Global No. 1 is the Starting Point

One day we will become the global No. 1 company in every aspect-profit, cash flow, stock value.

These figures prove our strength, and pursuing them fulfills our responsibility to our shareholders, who support us in our dreams and our aspirations.

But global No. 1 is just the starting point, not the goal.

As a corporate group, we aim to continue growing for the next 300 years and beyond.

But this too is just the process, not the goal.

The important thing is what we can do for humanity after we become No. 1.

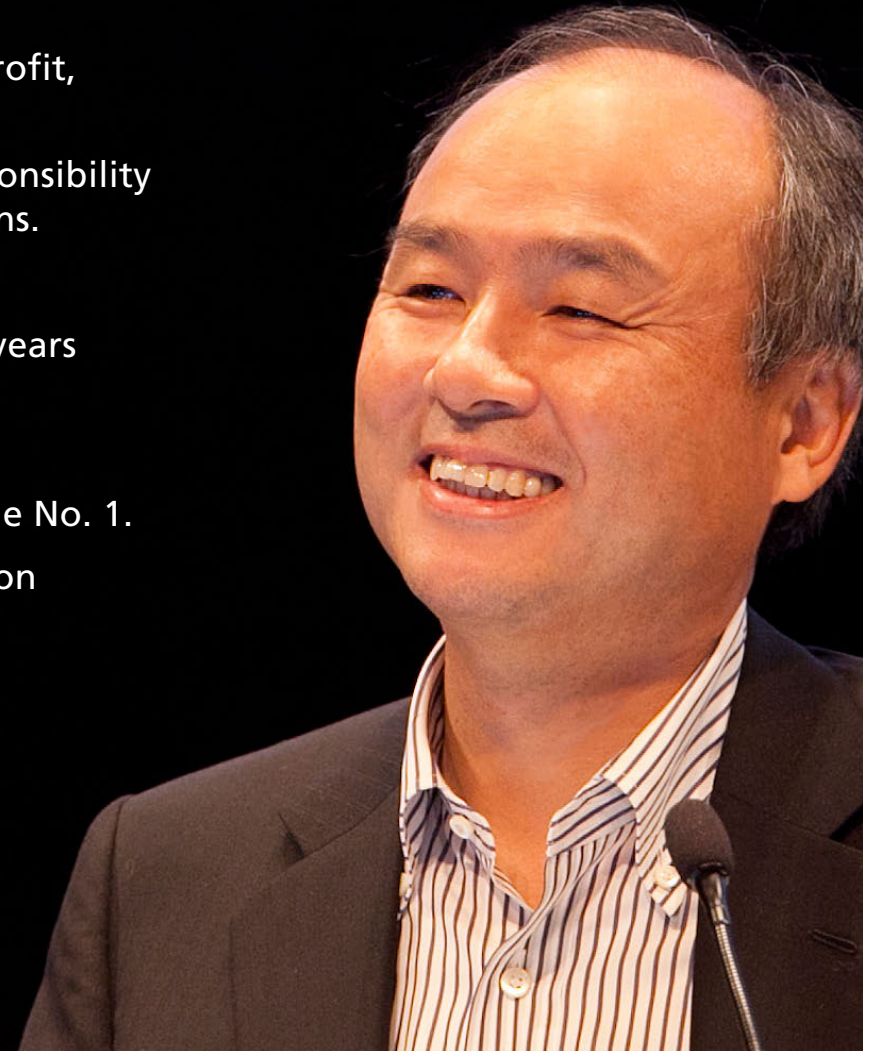
Gaining people's gratitude and respect by realizing lifestyle innovation through IT is the only way we can achieve our purpose.

Information Revolution – Happiness for everyone.

This is our one and only aspiration.

July 2013  
Masayoshi Son  
Chairman & CEO

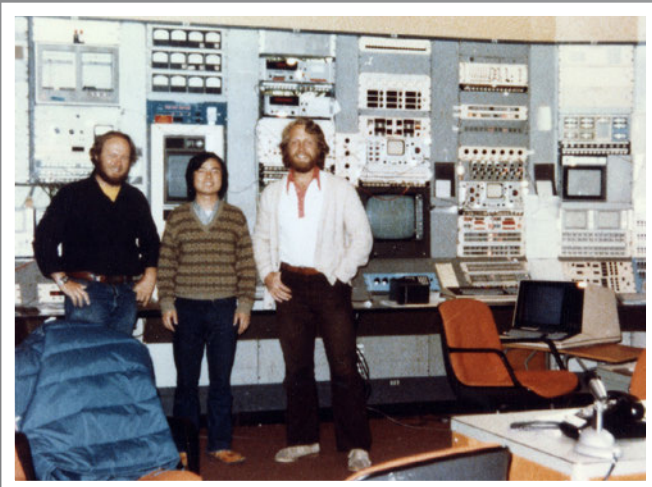
孫正義



## Masayoshi Son—A Brief History

SoftBank's founder, chairman and CEO, Masayoshi Son is an extraordinary entrepreneur who in a single generation built a corporate group with sales topping ¥3 trillion.

In August 1957, Mr. Son was born in Japan's Saga Prefecture as the second son of four children. In 1974, he ventured to the U.S. at the age of 16. He entered the University of California, Berkeley in the Department of Economics. When he was a 19-year-old university student, Mr. Son resolved to become an entrepreneur and created a 50-year life plan. The plan was to get acknowledged in his 20s, build up a war chest in his 30s, take on a major challenge in his 40s, complete business in his 50s, and hand over business to the next generation in his 60s. Life has gone according to plan so far for Mr. Son, who is now 55 years old.



**20s:** After graduating from university in 1980, Mr. Son returned to Japan and established SoftBank Corp. Japan (currently SoftBank) in Tokyo the following year. Inspired by a photograph of an Intel micro-processor that he saw in a science magazine while studying in the U.S., Mr. Son predicted that computers would rapidly evolve and become part of everyday life. His starting point in business was PC software distribution.



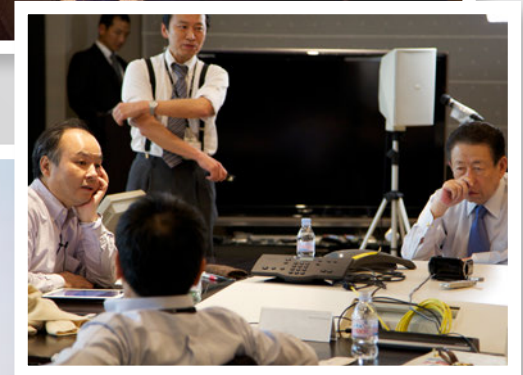
**30s:** After SoftBank's initial public offering in 1994, Mr. Son closed one big M&A deal after another in the U.S., including the acquisition of Ziff-Davis Publishing Company, publisher of the computer magazine *PC Week*. He became well-versed in the M&A process through the cut and thrust of negotiations. In 1996, SoftBank became the primary shareholder of U.S. Yahoo! Inc. and together they established and launched the joint venture in Japan, the portal site *Yahoo! JAPAN*. The new venture contributed significantly to the rapid popularization of the Internet in Japan. SoftBank subsequently sold off shares in Yahoo! Inc. in stages to fund its broadband business.



20s 30s

**40s:** In 2001, SoftBank rolled out the high-speed, low-cost broadband service *Yahoo! BB ADSL*. The service required heavy capital expenditures that resulted in the posting of large losses from fiscal 2001 through 2004, but through it SoftBank took on the telecommunications industry giant NIPPON TELEGRAPH AND TELEPHONE CORPORATION to drive the uptake of broadband in Japan. In addition, SoftBank acquired JAPAN TELECOM CO., LTD. (currently SoftBank Telecom) in 2004, and Vodafone K.K. (currently SoftBank Mobile) in 2006.

**50s:** Undaunted by criticism from some quarters that the Vodafone K.K. acquisition had been expensive, Mr. Son continued to rock the industry with a rapid series of bold measures that succeeded in turning the company around. Operating income hit record highs for eight consecutive fiscal years through fiscal 2012. In July 2013, SoftBank acquired U.S.-based Sprint. Mr. Son continues to forge ahead toward completing the business, pursuing synergies with Sprint, and strengthening links with Group Internet companies.



40s 50s

## Snapshot

## Five-year Summary

## Five-year Summary

SoftBank Corp. and its consolidated subsidiaries Fiscal years ended March 31

FY	Millions of yen					YoY change	Thousands of
	2008	2009	2010	2011	2012		U.S. dollars
							2012
Net sales	¥2,673,035	¥2,763,406	¥3,004,640	¥3,202,436	¥3,378,365	¥ 175,929	\$35,920,946
EBITDA	678,636	787,631	930,730	1,013,716	1,149,810	136,094	12,225,518
Operating income	359,121	465,871	629,163	675,283	745,000	69,717	7,921,318
Net income	43,172	96,716	189,713	313,753	289,404	(24,349)	3,077,129
Total assets	4,386,672	4,462,875	4,655,725	4,899,705	6,524,886	1,625,181	69,376,778
Total shareholders' equity	374,094	470,532	619,253	936,695	1,569,085	632,390	16,683,519
Interest-bearing debt	2,400,391	2,195,471	2,075,801	1,568,126	2,107,682	539,556	22,410,229
Net interest-bearing debt	1,939,521	1,501,074	1,209,636	547,299	733,843	186,544	7,802,690
Net cash provided by (used in) operating activities	447,858	668,050	825,837	740,227	894,460	154,233	9,510,473
Net cash (used in) provided by investing activities	(266,295)	(277,162)	(264,448)	(375,656)	(919,770)	(544,114)	(9,779,585)
Free cash flow	181,563	390,888	561,389	364,571	(25,310)	(389,881)	(269,112)
Capital expenditure (acceptance basis)	259,094	222,915	420,591	516,375	785,224	268,849	8,349,006
Depreciation and amortization (excluding amortization of goodwill)	236,014	243,944	224,937	275,826	340,696	64,870	3,622,499
<b>Major Indicators</b>							
EBITDA margin	25.4%	28.5%	31.0%	31.7%	34.0%		
Operating margin	13.4%	16.9%	20.9%	21.1%	22.1%		
Return on assets (ROA)	1.0%	2.2%	4.2%	6.6%	5.1%		
Return on equity (ROE)	11.4%	22.9%	34.8%	40.3%	23.1%		
Equity ratio	8.5%	10.5%	13.3%	19.1%	24.0%		
Debt / equity ratio	6.4 times	4.7 times	3.4 times	1.7 times	1.3 times		
<b>Per Share Data</b>							
						Yen	U.S. dollars
Net income	¥ 39.95	¥ 89.39	¥175.28	¥285.78	¥ 258.35	¥ (27.43)	\$ 2.75
Shareholders' equity	346.11	434.74	572.14	852.69	1,316.90	464.21	14.00
Cash dividends	2.50	5.00	5.00	40.00	40.00	—	0.43

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥94.05 to \$1, the approximate rate of exchange at March 31, 2013.

## Net Sales

**¥3.3 trillion**  
(Up 5.5% YoY)

The increase in sales was due to steady growth in telecom service revenue on the back of a higher number of mobile phone subscribers.

## Cash Flows from Investing Activities

**-¥919.7 billion**

(Previous fiscal year:  
-¥375.6 billion)

In addition to additional capital expenditure, cash outflows were also increased by an outlay of US\$3.1 billion for the acquisition of convertible bonds of Sprint.

## EBITDA Margin

**34.0%**  
(Increased for an  
8<sup>th</sup> consecutive year)

## Operating Margin

**22.1%**  
(Increased for a  
7<sup>th</sup> consecutive year)

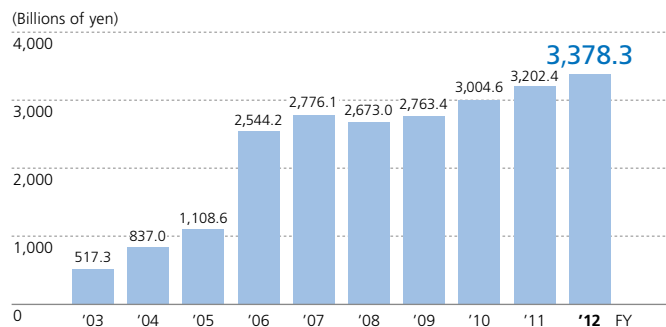
In addition to the increase in sales, the operating margin continued to increase as a result of efforts to acquire profitable subscribers, conduct lean store operations using IT, and a drive to control costs.

Snapshot

Graphs I

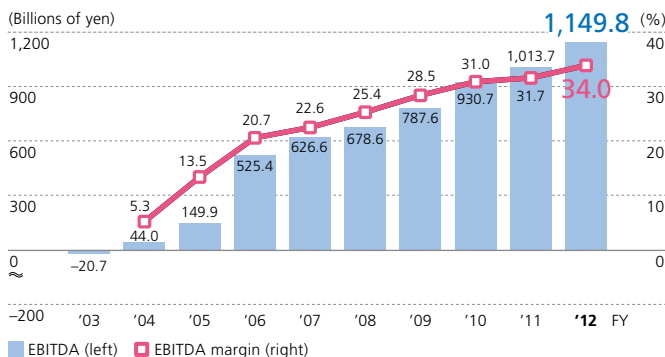
### Graphs I

#### Net Sales



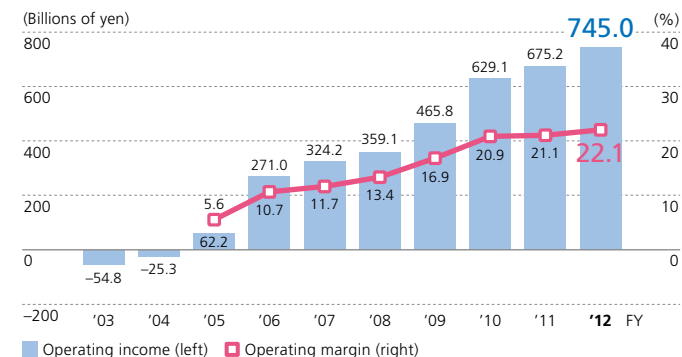
(FY2012)  
**Net sales** Up 5.5% YoY  
**Record high for a 3<sup>rd</sup> consecutive year**

#### EBITDA, EBITDA Margin



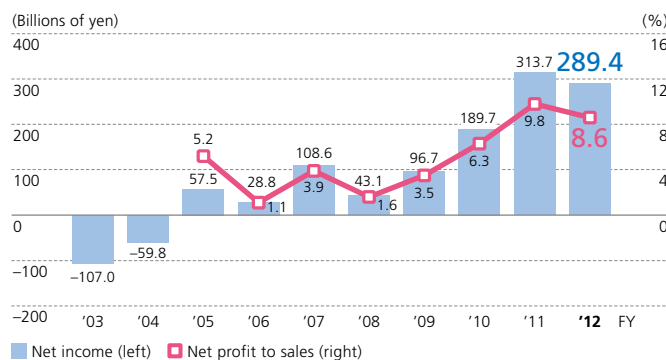
(FY2012)  
**EBITDA** Up 13.4% YoY  
**Record high for an 8<sup>th</sup> consecutive year**  
**EBITDA margin** 34.0%

#### Operating Income, Operating Margin



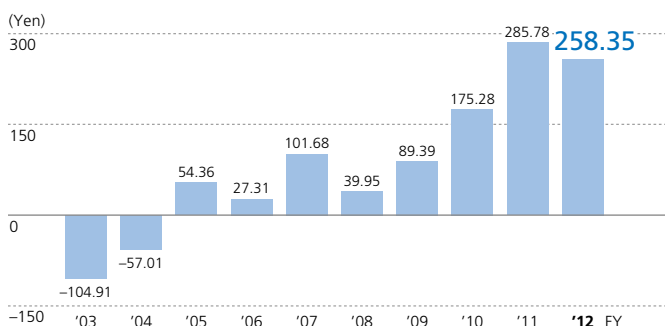
(FY2012)  
**Operating income** Up 10.3% YoY  
**Record high for an 8<sup>th</sup> consecutive year**  
**Operating margin** 22.1%

#### Net Income, Net Profit to Sales



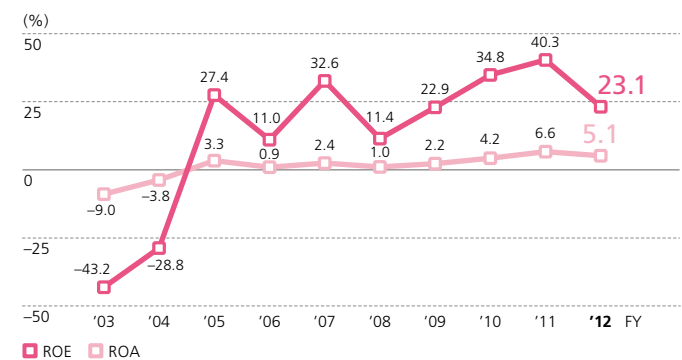
(FY2012)  
**Net income** YoY -7.8%  
**Net profit to sales** 8.6%

#### Net Income per Share



(FY2012)  
**Net income per share** ¥258.35  
**Net income per share—diluted** ¥254.12

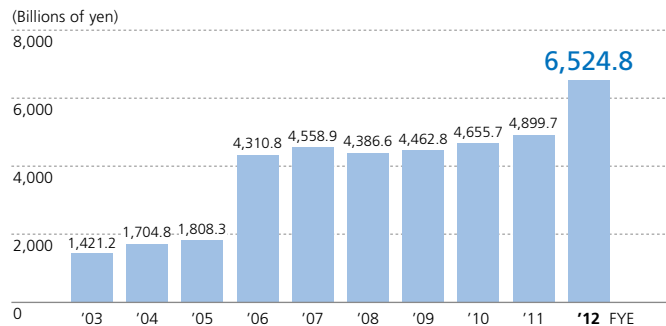
#### ROE, ROA



(FY2012)  
**ROE** 23.1%  
**ROA** 5.1%

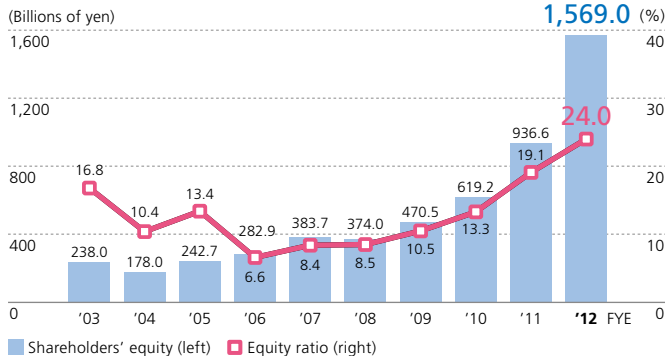
## Graphs II

### Total Assets



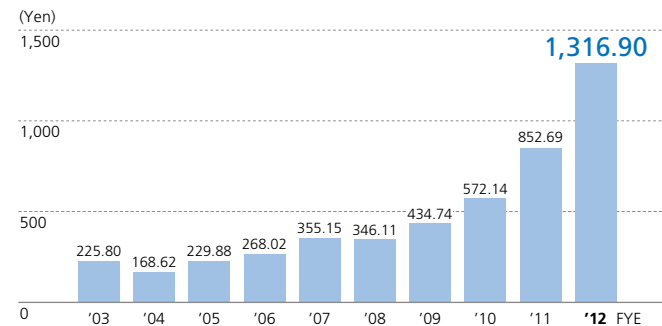
(FYE2012)  
**Total assets** **¥6.5 trillion**  
 Up 33.2% YoY

### Shareholders' Equity, Equity Ratio



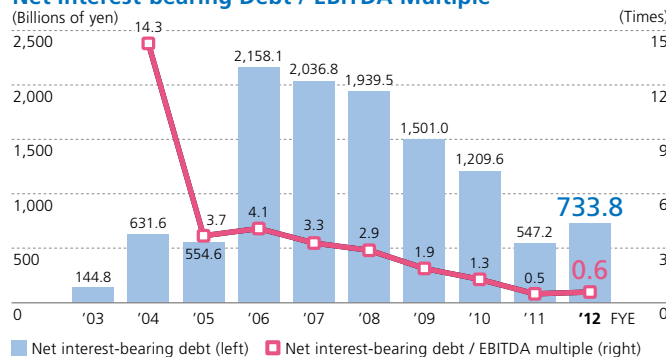
(FYE2012)  
**Shareholders' equity** **Up 67.5% YoY**  
**Equity ratio** **24.0%**

### Shareholders' Equity per Share



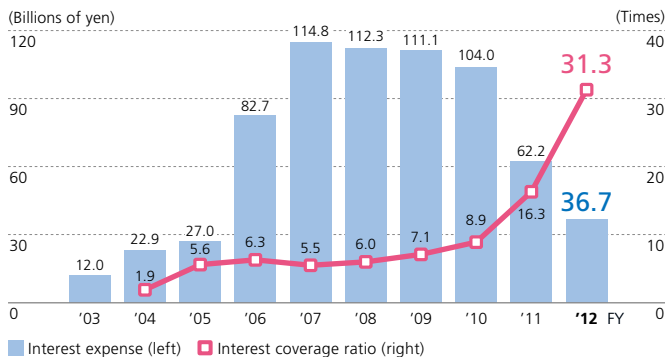
(FYE2012)  
**Shareholders' equity per share** **¥1,316.90**  
 Up 54.4% YoY

### Net Interest-bearing Debt, Net Interest-bearing Debt / EBITDA Multiple



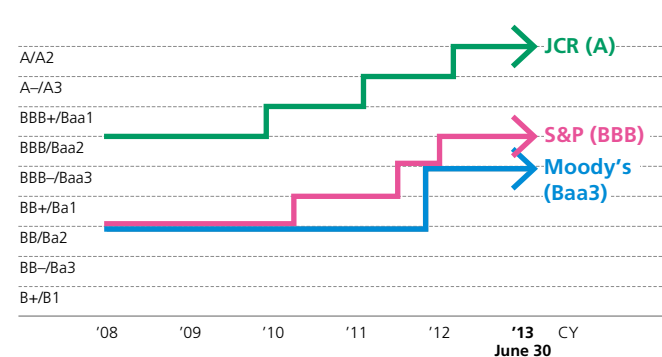
(FYE2012)  
**Net interest-bearing debt** **¥733.8 billion**  
**Net interest-bearing debt / EBITDA multiple** **0.6 times**

### Interest Expense, Interest Coverage Ratio



(FYE2012)  
**Interest expense** **Down 40.9% YoY**  
**Interest coverage ratio** **31.3 times**

### Credit Ratings



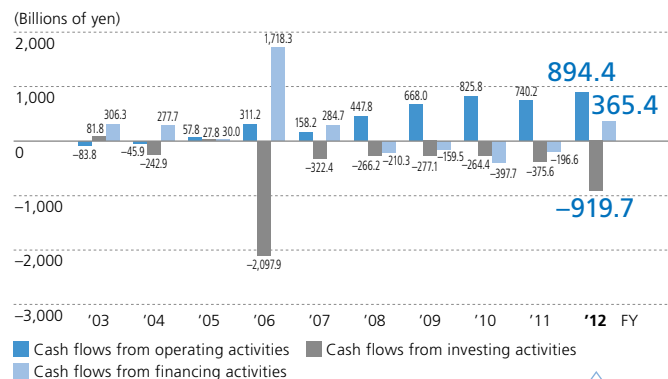
Credit ratings Investment grade (as of June, 2013)  
 Downward revision under consideration following announcement of Sprint acquisition

Snapshot

Graphs III

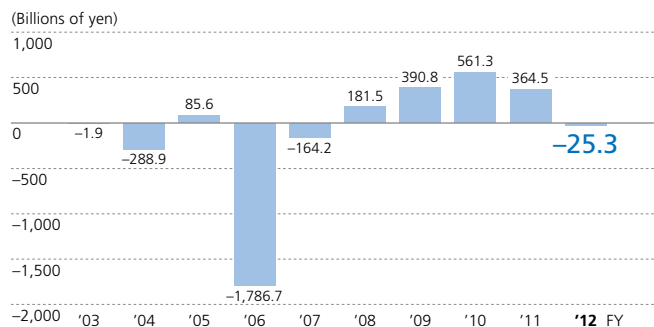
Graphs III

Cash Flow



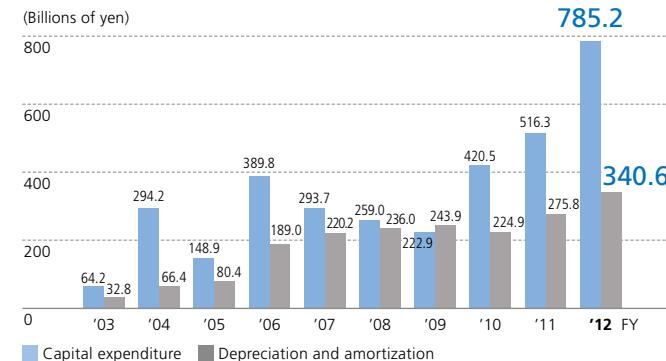
(FY2012)  
 Cash flows from operating activities **¥894.4 billion**  
 Cash flows from investing activities **-¥919.7 billion**  
 Cash flows from financing activities **¥365.4 billion**

Free Cash Flow



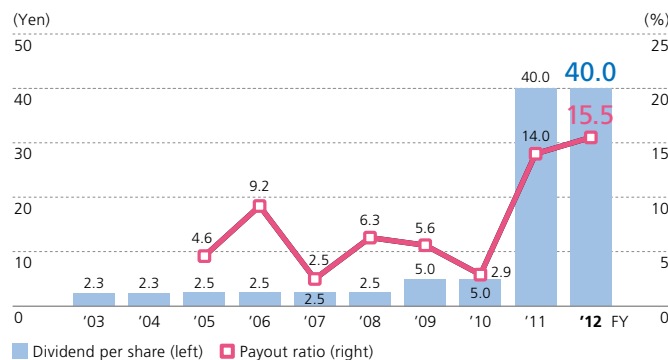
(FY2012)  
 Free cash flow **¥-25.3 billion**  
**-¥389.8 billion** YoY

Capital Expenditure, Depreciation and Amortization



(FY2012)  
 Capital expenditure **¥785.2 billion**  
 Depreciation and amortization **¥340.6 billion**

Dividend per Share, Payout Ratio



(FY2012)  
 Dividend per share **Interim dividend: ¥20**  
**Year-end dividend: ¥20**  
**Annual dividend maintained at ¥40**

Market Capitalization



## At a Glance



### Mobile Communications Segment

**Core Company**  
**SoftBank Mobile**

**Main Businesses**

- Mobile communications services
- Sales of mobile phone handsets, etc., mobile communications services-related business



### Broadband Infrastructure Segment

**Core Company**  
**SoftBank BB**

**Main Businesses**

- ADSL services, ISP services\*
  - IP telephony services, wireless LAN services
- \* Offered as a package with NTT East and NTT West FLET'S Hikari Series fiber-optic connection.

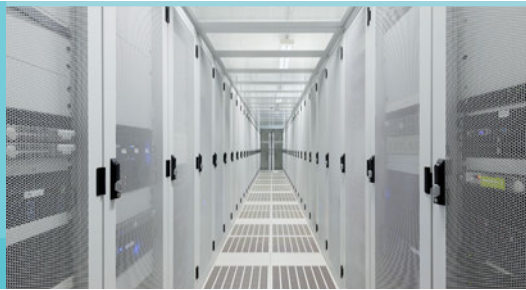


### Fixed-line Telecommunications Segment

**Core Company**  
**SoftBank Telecom**

**Main Businesses**

- Fixed-line telephone services
- Data transmission, dedicated line services

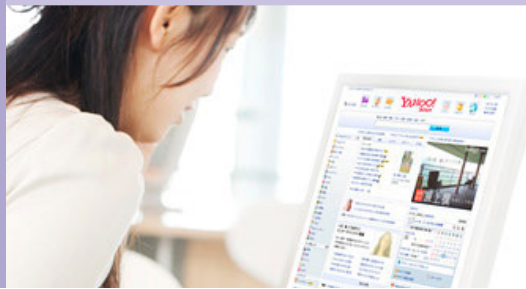


### Internet Culture Segment

**Core Company**  
**Yahoo Japan**

**Main Businesses**

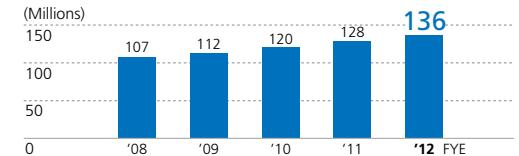
- Internet advertising
- E-commerce
- Membership services



## Market Conditions

At the end of fiscal 2012, the cumulative number of mobile phone subscribers in Japan stood at 136.04 million, a year-on-year increase of 6.1%. The mobile phone penetration rate has surpassed 100% of the population, and the number of smartphone and communication module service subscribers increased, as in the previous fiscal year, driving overall market growth. Continued market expansion is forecast, based on increased use of these devices and tablets going forward.

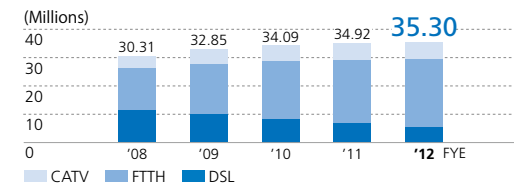
### Cumulative Mobile Subscribers in Japan



(Note) Created by the Company based on Telecommunications Carriers Association statistical data and material published by eAccess.

In fiscal 2012, Japan's market for broadband services expanded by 1%. As a result, the household penetration rate climbed to 68%, up 6 percentage points from fiscal 2008. A gradual shift from ADSL to FTTH is under way, with this trend expected to persist in fiscal 2013 and beyond.

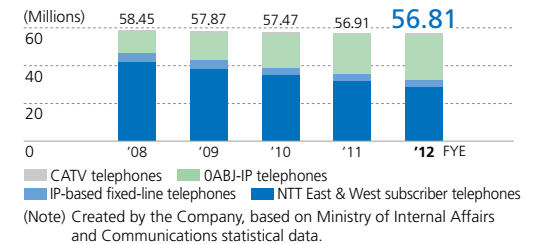
### Number of Broadband Service Subscribers in Japan



(Note) Created by the Company, based on Ministry of Internal Affairs and Communications statistical data.

Fixed-line telephones continue to see solid fundamental demand from corporate customers as before, despite declining use by individual customers. Additionally, in the corporate market, demand for data center and cloud services is forecast to expand as corporations make further use of big data. There is also firm demand in the corporate market for data transmission services such as IP-VPN and wide-area Ethernet.

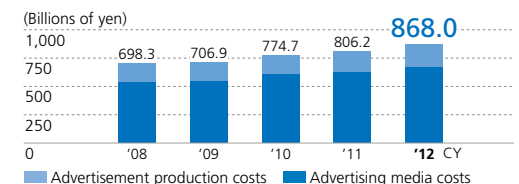
### Subscribers for Fixed-line Telephones in Japan



(Note) Created by the Company, based on Ministry of Internal Affairs and Communications statistical data.

In 2012, Internet advertising expenditures rose 7.7% year on year to ¥868.0 billion, including advertising media costs of ¥662.9 billion, up 7.1% year on year. Despite a lull in market growth due to the effects of the Great East Japan Earthquake and other factors in 2011, the market grew in 2012, driven by greater use of Internet advertisements for events such as the Olympic Games and the general election.

### Internet Advertising Expenditures in Japan



(Note) Created by the Company, based on press release by DENTSU INC. dated February 21, 2013.

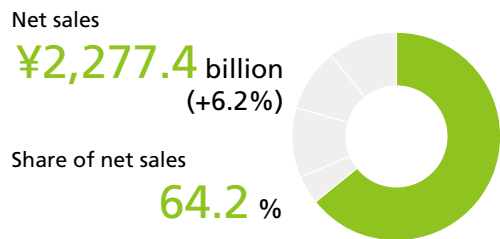




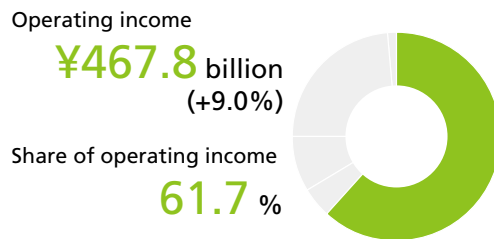
Snapshot

At a Glance

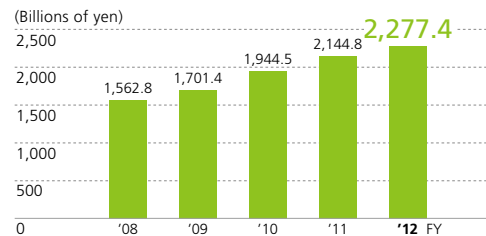
Net Sales,  
Share of Net Sales\* (Fiscal 2012)



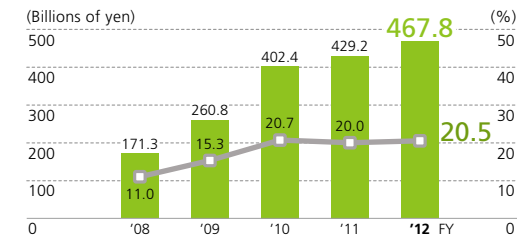
Operating Income,  
Share of Operating Income\* (Fiscal 2012)



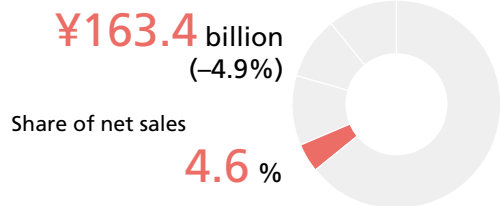
Net Sales



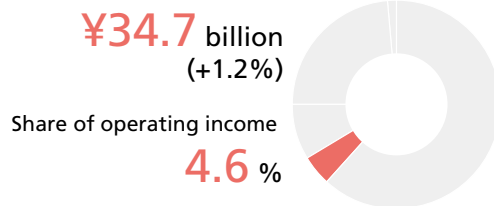
Operating Income, Operating Margin



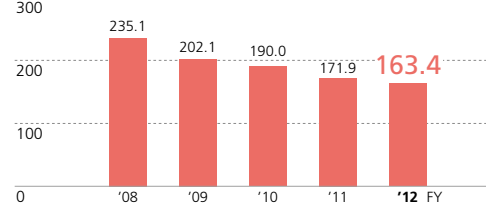
Net sales



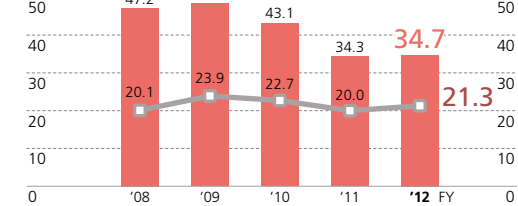
Operating income



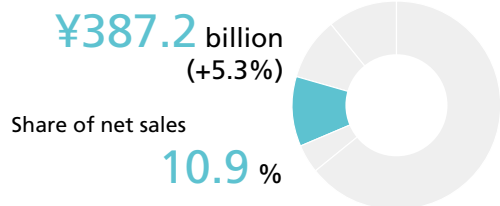
(Billions of yen)



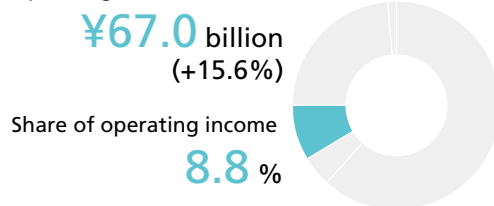
(Billions of yen)



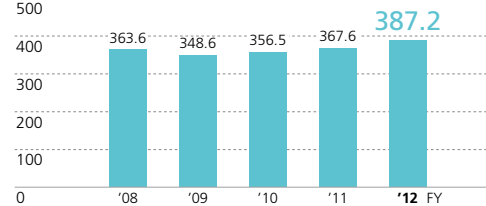
Net sales



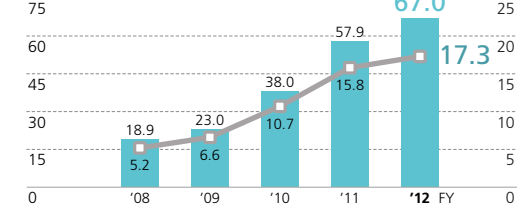
Operating income



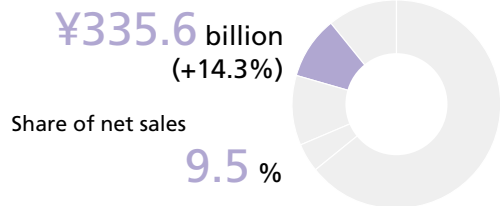
(Billions of yen)



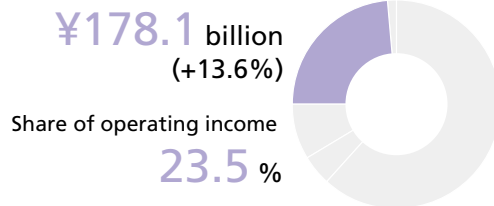
(Billions of yen)



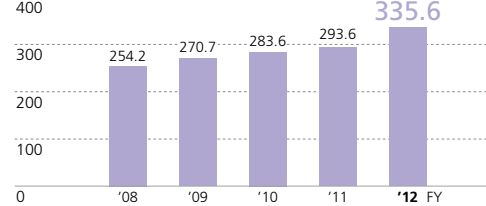
Net sales



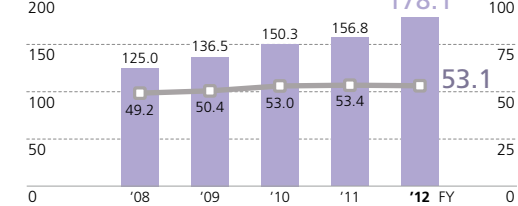
Operating income



(Billions of yen)



(Billions of yen)

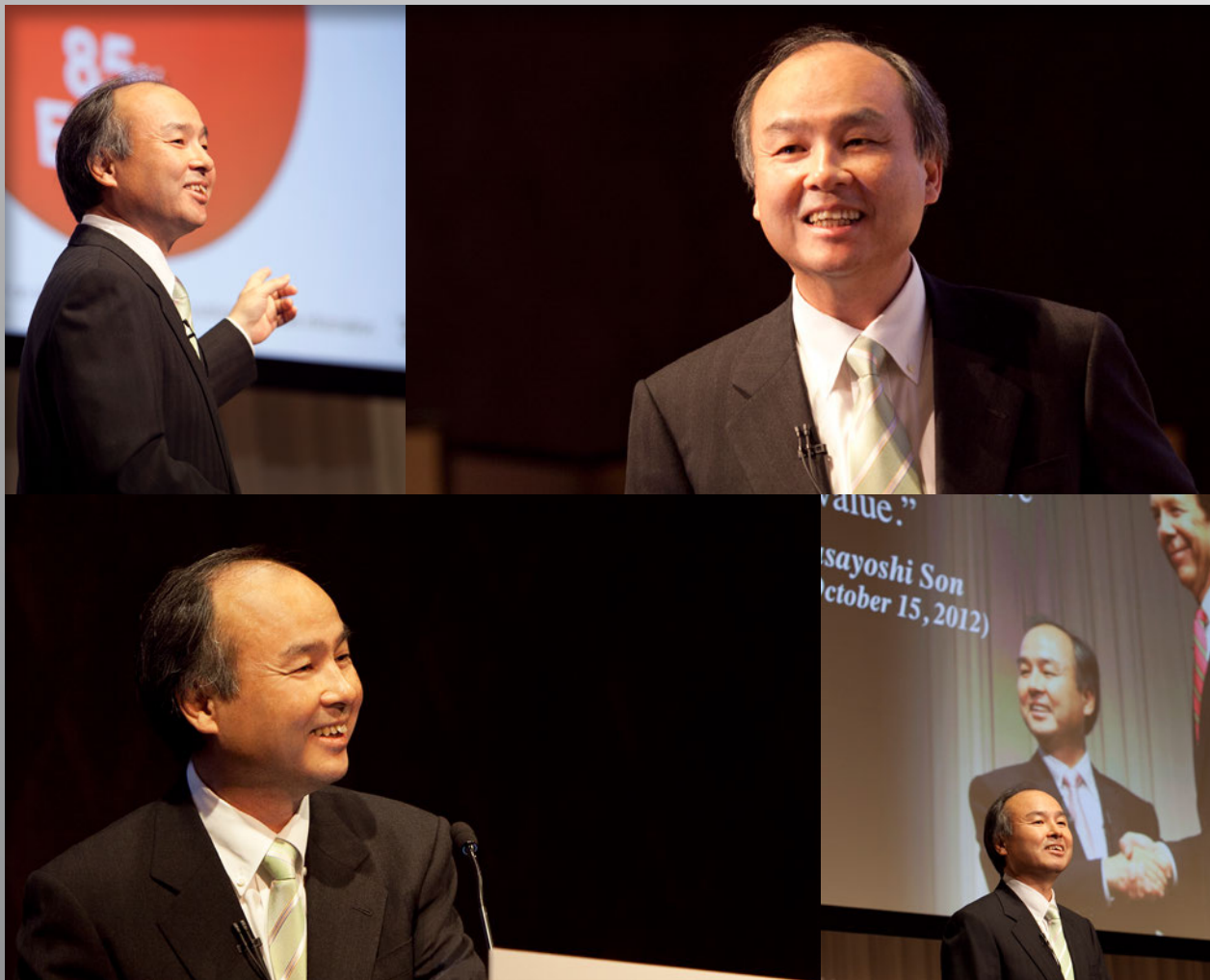


\* The ratio of the segments' net sales and operating income against the total of all segments (including Others) excluding eliminations.

■ Operating income (left) ■ Operating margin (right)

## CEO Interview

In fiscal 2012, the SoftBank Group continued to deliver solid growth. In this interview, chairman and CEO Masayoshi Son gives an overview of fiscal 2012 and talks about medium- and long-term Group strategies and the outlook for growth in the future.



### Masayoshi Son

Chairman & CEO, SoftBank  
Chairman & CEO, SoftBank Mobile  
Chairman & CEO, SoftBank BB  
Chairman & CEO, SoftBank Telecom



Facebook  
Official Masayoshi Son Page  
(Japanese Only)



Twitter  
@masason  
(Japanese Only)

## Q1 Looking back on fiscal 2012, what kind of year was it?

**A1 In fiscal 2012, the SoftBank Group continued to deliver solid growth, with record highs in net sales, for a third consecutive year, and operating income, for an eighth consecutive year, among other achievements.** In terms of our consolidated results for the fiscal year, net sales increased 5.5% year on year to ¥3,378.3 billion, EBITDA was up 13.4% to ¥1,149.8 billion, operating income increased 10.3% to ¥745.0 billion, while net income decreased 7.8% to ¥289.4 billion. Among Japan's three major mobile operators, the SoftBank Group was the only one to achieve a double-digit increase in the growth rate of operating income.

This growth was driven by our core Mobile Communications segment. Ever since we entered this business in fiscal 2006, the number of subscribers has continued to increase steadily. In fiscal 2012, we outpaced our competitors to achieve the highest number of net subscriber additions for the year. Our telecom service revenue also

increased in step with growth in our customer base. In fact, our mobile EBITDA margin\*1 has reached 50%, the highest in the world among mobile operators.

So our existing businesses performed steadily. However, we are going to remain hungry for growth. In fiscal 2012, we consolidated the foundations that will support our growth, and took on some new challenges.

First, we have made a dramatic improvement in network connectivity, which had been SoftBank's Achilles' heel in our mobile communications business up until now. We have now overcome this completely by launching services using the 900 MHz "platinum band" and the *SoftBank 4G LTE* high-speed data communication service based on the FDD-LTE standard. We expect this to bring about an increase in our subscriber additions and a lower churn rate, so we have laid a strong foundation for even further growth in our mobile communications business in fiscal 2013 and beyond.

In taking on new challenges, we made major decisions to acquire eAccess and Sprint Nextel Corporation (Sprint). These acquisitions will move us closer to our goal of becoming the global No. 1 in mobile Internet. As we seek to build even stronger mobile Internet infrastructure, eAccess offers advantages with its 1.7 GHz band network, and its strengths in data communication. Meanwhile, our acquisition of Sprint, as the third-largest mobile operator in the U.S., will set us on our way to achieving our global ambitions. Although our existing businesses are showing extremely strong growth, we see our success in the Japanese market as a milestone, not an end in itself. In fiscal 2013, the SoftBank Group will strive to scale new heights as we work to achieve our ambition for global leadership in the mobile Internet.

\*1 Mobile EBITDA margin = Mobile Communications segment EBITDA / SoftBank Mobile telecom service revenue

**Q2** What network enhancements have you made, and what are your strategies going forward?

**A2** We have dramatically improved our connectivity. In fact, SoftBank Mobile finally achieved the No. 1 rating in both call and data connection rates for smartphones. The engine behind our growth will be services using the platinum band—the optimal frequency band for mobile phone services. Immediately after we were allocated the 900 MHz platinum band, we began pressing ahead with base station construction at an urgent pace. We had completed about 20,000 base stations by March 31, 2013, 4,000 more than initially planned. By fully leveraging our strengths in speed and execution to build a huge number of base stations in a short time, we have succeeded

in dramatically improving our connectivity.

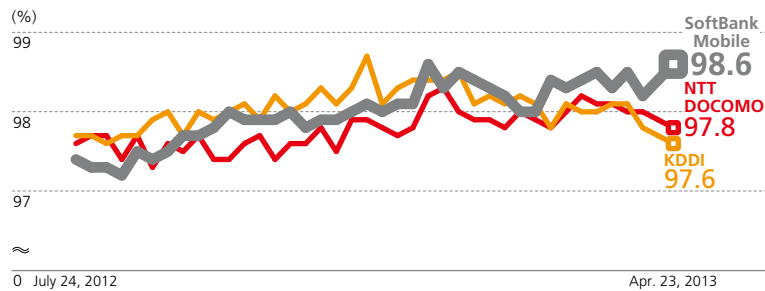
To become No. 1 in an era where smartphones take center stage, it is imperative to provide smooth, high-speed data communication services. The SoftBank Group is the only one among Japan's three major mobile operators to have come from an Internet background. For this reason, we have ample experience and know-how of building data communication networks. We will use this advantage to ensure that we are No. 1 in connectivity in the smartphone era.

Our approach to dispersing the huge volume of network traffic is to provide the *SoftBank 4G LTE* high-speed data communication service based on the FDD-LTE standard

for iPhone 5, and the (TD-LTE compatible) AXGP standard network of Wireless City Planning to provide the *SoftBank 4G* high-speed data communication service for Android™ smartphones. We are also working to reduce the size of cells in the network, and to increase Wi-Fi access points. Furthermore, to help cope with burgeoning traffic in urban areas, we launched *Double LTE* in March 2013, which gives *SoftBank 4G LTE* users access to the 1.7 GHz band of eAccess.

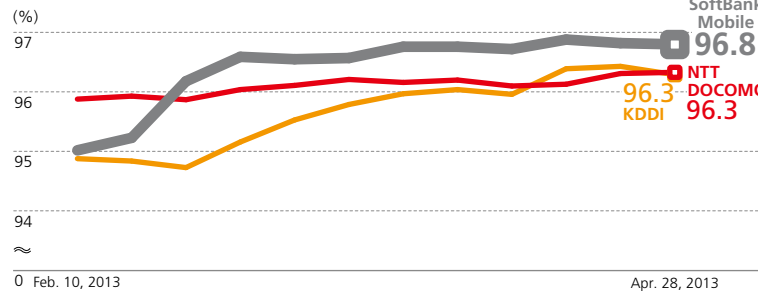
Over the past few years, the mobile phone industry has frequently experienced network outages. However, SoftBank Mobile experienced no major communication disruption incidents\*2 from June 2011 to today (June 30, 2013). Going forward, SoftBank will build a reputation for superior connectivity, as we strive to win even more customers, and increase their satisfaction even further.

**Call Connection Rates for All Smartphones (Japan)**



\* Surveyed by IPSOS K.K.  
Actual connection rate for each operator on calls made to 14,100 smartphone users (SoftBank Mobile: 5,700 users, NTT DOCOMO: 4,000 users, KDDI: 4,400 users).

**Data Connection Rates for All Smartphones (Japan)**



\* Platinum band smartphone data connection statistics analyzed by Agoop Corp. Total 108,000 platinum band-compatible smartphones (36,000 for each operator) were randomly selected for analysis, data was collected through the Disaster Warning app (by Yahoo Japan) and the Ramen Checker app (by Agoop).

\*2 Based on material incidents that must be reported to the Minister of Internal Affairs and Communications (30,000 users or more affected for 2 hours or more).

### Q3 What is the forecast for capital expenditure?

**A3 To accelerate the schedule for network enhancement in the mobile communications business, we expect our consolidated capital expenditure to be**

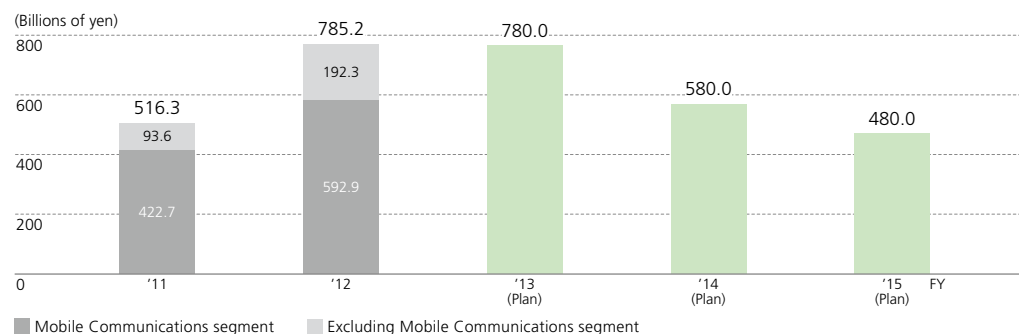
**¥780.0 billion in fiscal 2013, and to begin declining after that.**

This spending includes the capital expenditure of eAccess, Wireless City Planning, which

become consolidated subsidiaries under the International Financial Reporting Standards (IFRS), and WILLCOM, which will become a consolidated subsidiary from the second quarter of fiscal 2013 (capital expenditure of Sprint is excluded).

We are concentrating on base station construction in fiscal 2012–2013, and we expect to reduce capital expenditure in subsequent years to around ¥580.0 billion in fiscal 2014 and around ¥480.0 billion in fiscal 2015.

#### Consolidated Capital Expenditure



### Q4 What are your expectations for synergies with eAccess?

**A4 We are projecting total synergies of around ¥360.0 billion. Among these, our highest expectations are for synergies in the network field.** With network traffic increasing, mainly in urban areas, we came up against the challenge of how to retain the speed of our newly launched FDD-LTE network. We moved quickly to harness the 1.7 GHz band of eAccess by launching *Double LTE*. This service allows users with *SoftBank*

*4G LTE* compatible devices to use the FDD-LTE network of eAccess. We have also enabled use of eAccess' *EMOBILE LTE* compatible smartphones in SoftBank Mobile's 3G service area from July 2013. This will greatly enhance convenience for customers of both companies. Meanwhile, outside of networks we have also started to capture synergies in procuring telecommunications equipment, sharing distribution networks, and other areas.

Going forward, eAccess will retain its *EMOBILE* brand name, and the company will continue to develop businesses that leverage its strengths in data communication. By differentiating the respective services offered by eAccess, WILLCOM, and SoftBank Mobile, and developing their businesses based on a multi-brand approach, we will be better positioned to answer the needs of an even broader range of customers.

## Q5 What is your forecast for fiscal 2013?

### A5 **SoftBank is projecting continued growth in its existing businesses, with consolidated operating income from its domestic business of at least ¥1 trillion in fiscal 2013.**

Immediately after we acquired Vodafone K.K. (currently SoftBank Mobile), we announced that SoftBank would surpass NTT DOCOMO within 10 years. In fiscal 2013, SoftBank is forecast to finally surpass NTT DOCOMO in

terms of operating income and become the leading mobile operator in Japan.

In addition to growth in existing businesses, there will also be an impact from the Company's adoption of IFRS in place of the Japanese-GAAP standards from fiscal 2013. The effects of this change will include discontinuing the regular amortization of goodwill and expanding the scope of consolidation. Furthermore, we expect to book a gain of

approximately ¥150.0 billion resulting from the re-evaluation of the existing interests held in GungHo Online Entertainment at fair value as GungHo Online Entertainment, which was an affiliate under the equity method, became a consolidated subsidiary.

We will continue to maintain the growth trajectory of our existing businesses, while seeking out new earnings opportunities to move even further ahead of the competition.

## Q6 How will you set SoftBank apart from competitors?

### A6 **What makes us fundamentally different from other companies is that our background is in the Internet, not simply telecom operations.**

As smartphones take center stage, this difference will give us a powerful competitive advantage.

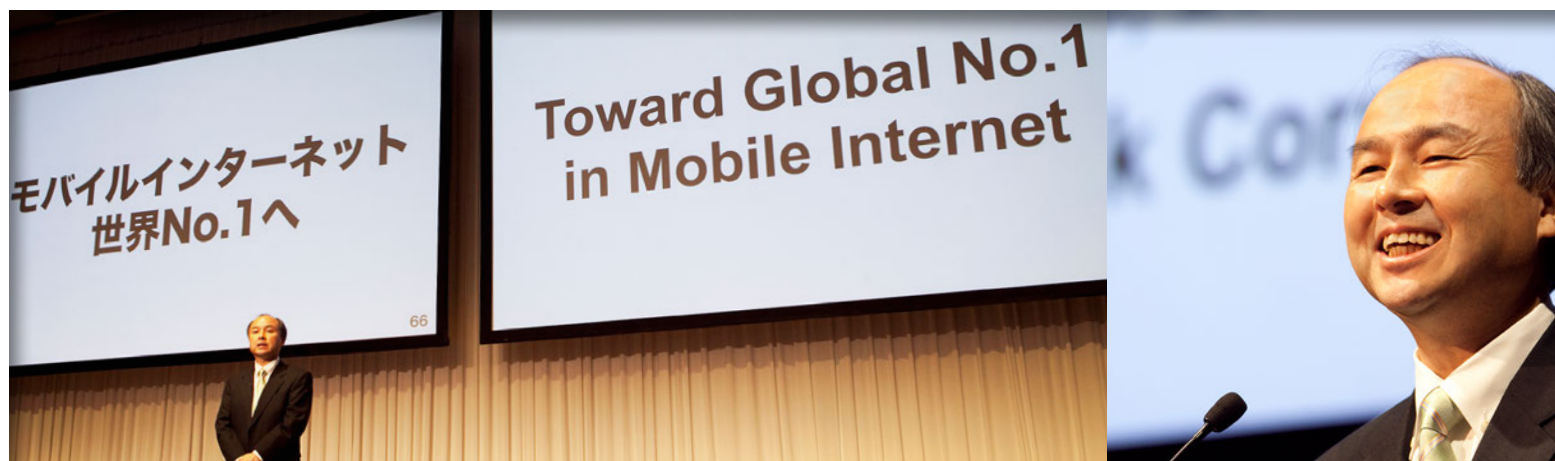
Since its founding, SoftBank's journey has been in the Internet world. Our entry into the mobile phone business itself was prompted by predicting that the main stage for the Internet would shift from PCs to mobile devices. When iPhone 3G was rolled out in 2008, our competitors were skeptical about the market penetration of smartphones. Having foreseen the arrival of the mobile Internet era, however, we

were convinced that it was exactly the right time to seize a prime business opportunity, and we took a proactive stance. The rest is history. Smartphones have taken the world by storm, and SoftBank Mobile has been the unrivaled market leader in terms of net subscriber additions over the past few years. What separates the winners and losers in today's mobile business is whether a company understands the mobile Internet. In this sense, SoftBank commands an absolute advantage.

Another difference is that we have the know-how required to generate high profitability in our businesses. SoftBank has brought various companies into its fold, including

JAPAN TELECOM (currently SoftBank Telecom), Vodafone K.K. (currently SoftBank Mobile) and WILLCOM. Through our know-how and aggressive management approach, we have successfully achieved a sharp turnaround in performance at every one of these companies.

In the fiercely competitive telecommunications industry, we must not let down our guard even for a moment. However, we can certainly prevail against the competition by having the foresight to see where the trends of our time are leading and draw up a medium- and long-term vision, and by exercising our speed and execution capabilities to stay on top of the fast-paced world of the Internet.



## Q7 What are SoftBank's medium- and long-term strategies?

**A7 The SoftBank Group's goal is to become the global No. 1 in mobile Internet.** Our vision for the Group is to enable people around the world to lead enriched lifestyles by enjoying a diverse spectrum of services and content, such as music, video, e-commerce, and financial settlements. These will be provided by our Group companies, via SoftBank's advanced and user-friendly infrastructure. To this end, we will provide high-quality mobile Internet infrastructure and build strategic partnerships with a variety of global companies providing services and content.

There is a tendency to see telecom operators as merely dumb pipes. However, we see things differently. To us, infrastructure is the very platform for delivering a diverse spectrum of services to users around the world. It is the source of our competitive strength in the Internet business. It is no exaggeration to say that controlling the infrastructure means controlling the world of the Internet. Indeed, infrastructure lies at the heart of our strategies. This is the rationale for our involvement in the telecommunications businesses.

Unlike infrastructure, however, the world of content and services is characterized by

short lifecycles, and only a tiny fraction of businesses succeed in it. Therefore, we will flexibly realign our portfolio while identifying "gems" such as Yahoo! Inc. and Alibaba Group Holding at an early stage, and developing them into major companies. For these sorts of companies, partnering with the SoftBank Group offers major advantages in terms of the Internet business know-how and platforms we offer, as well as funding.

By forming an ecosystem that combines infrastructure with content and services on a global scale, we will strive to increase profitability and maximize enterprise value.

**Q8** What were the goals behind the Sprint acquisition, and why do you think it will succeed?

**A8** **The Sprint acquisition will enable us to develop our mobile Internet platform on a global scale.** The reason why we chose the U.S. for expansion is that it is the world's largest economy, and the mobile market there has both scale and strong growth potential. It also has much in common with the Japanese market in terms of its advanced penetration of smartphones and LTE.

In July 2013 we closed a deal to invest approximately US\$21.6 billion to acquire

approximately 78% of Sprint's shares. Through this acquisition, the SoftBank Group now ranks third\*<sup>3</sup> in the world among mobile operators in terms of net sales. And, we will have the largest customer base of any mobile operator in the combined U.S.-Japan market.\*<sup>4</sup>

Looking ahead, I plan to assume the position of chairman at Sprint and take an active hand in management. We started exchanging information with Sprint's management

through video conferencing and direct visits to the U.S. right after we announced the acquisition. It is clear now that we can expect to create even more synergies than we initially estimated. For example, we plan to leverage economies of scale in procuring mobile devices and telecommunications equipment, and share insights and knowledge about the mobile business. Through these synergies, we are projecting average annual cost savings of ¥2.0 billion at Sprint between fiscal 2014 and fiscal 2017.

Verizon and AT&T both have large shares of the U.S. mobile telecommunications market. It will not be easy for Sprint to catch up to these two leaders and close the gap. However, I am more confident that we will succeed this time than I was when we acquired Vodafone K.K., which had been heading steadily downhill for some time. I am sure we will succeed in the medium term, and Sprint will definitely make a significant contribution toward increasing the SoftBank Group's profits. I hope you will share my confidence.



With Sprint CEO Dan Hesse (right)

\*<sup>3</sup> For the period from January–June, 2012. Based on an exchange rate of US\$=¥78 (as of October, 2012)

\*<sup>4</sup> As of March 31, 2013, Wireless Intelligence, 2013. Telecommunication Carriers Association data and respective companies' publicly available information.





**Q9** What impact do you expect the Sprint acquisition to have on the SoftBank Group's business performance?

**A9** As a mobile operator, our net sales will rank third in the world. We will see a negative impact on earnings in the first few years after the acquisition, mainly from amortization of Sprint assets ("customer

relationship," etc.). Over the medium term, however, we are certain that Sprint will contribute significantly to increasing our profits.

Our net interest-bearing debt will increase temporarily due to procuring

funds for the acquisition. However, we aim to rapidly repay debt by drawing on the abundant cash flows generated primarily by the mobile communications business in Japan.

**Q10** What is your outlook for the Internet companies operating in Asia?

**A10** The Internet companies operating in Asia, such as Alibaba Group Holding should see continued steady growth supported by rapid expansion in Internet users. The SoftBank Group is investing in or establishing joint ventures with companies possessing outstanding technologies or business models to form what we refer to as the

strategic synergy group. Asia is a particularly promising market for this initiative, since it includes China and India.

In China, an e-commerce subsidiary of Alibaba Group Holding operates the C2C online shopping site *TaoBao Marketplace*, where annual transaction volume has reached RMB 1 trillion—outstripping Amazon and

e-Bay by a significant degree. This shows just how bright the future is for the Internet business in Asia. We will continue to keep our eyes on Asia, looking for companies with outstanding technologies or business models that we can add to the strategic synergy group.

## Q11 What are SoftBank's initiatives in the renewable energy business?

### A11 Japan's energy policies have arrived at a major historical turning point following the Great East Japan Earthquake. The SoftBank Group is now working to promote the uptake of renewable energy.

The enforcement of the Act on Special Measures concerning the Procurement of Renewable Electric Energy by Operators of Electric Utilities in July 2012 has added momentum to a wave of expansion for

renewable energy. SoftBank is also contributing to this movement. We established SB Energy Corp., as a subsidiary and announced plans to build renewable energy power plants in multiple locations across Japan with a total capacity of around 260 MW.

However, since the SoftBank Group's core business domain is the information industry, we will limit our investments to a scale that does not affect the entire Group or its

performance. By acting as an instigator in renewable energy, we hope to contribute by invigorating the market and encouraging new players to enter the field. Over the medium- to long-term, renewable energy will help to diversify energy sources and lower electricity costs. Therefore, we believe it will offer advantages to us as a telecom operator too.

## Q12 What is your approach to shareholder returns and dividends?

### A12 We aim to maximize enterprise value, while skillfully balancing the three priorities of strategic growth, strengthening financials, and shareholder returns.

Regarding dividends, we implemented a substantial eight-fold year-on-year increase in

fiscal 2011 to ¥40 per share. In fiscal 2012, we maintained the same dividend. Going forward, we will strive to continue stable dividend payments, while reinvesting profits and quickly putting Sprint on a growth path, with a view to increasing its enterprise value.

Once we have turned around Sprint's business performance and started to see the company steadily generate abundant cash flows, we will consider shareholder return policies such as stock buybacks and dividend increases.

Feature:  
Great Expectations

Feature



# Great Expectations

Telecommunications Business Strategy



# Speed and Execution Capabilities Deliver High Earnings Growth

## No. 1 Connection Rate with the Platinum Band

Fiscal 2012 was another challenging year in terms of competition. SoftBank Mobile out-classed its rivals, achieving the highest number of net subscriber additions for the year for the third consecutive year. And, we have finally achieved the No. 1\* rating in both call and data connection rates for smartphones.

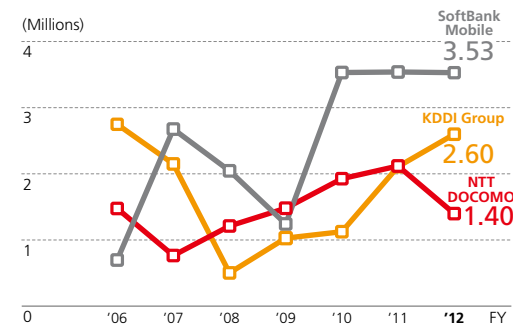
We decided three years ago to bolster our network extensively in order to completely wipe away any reputation for poor connectivity. We trumped this issue once and for all with the

\* Smartphone call connection rate (nationwide, weekly average): Ipsos nationwide survey (smartphone segment). Measurement of connection rate for each operator on calls made to approximately 14,100 monitors. Platinum band-compatible smartphone data connection rate (nationwide, weekly average): statistics analyzed by Agoop: individual analysis of data from a total of approximately 108,000 platinum band-compatible smartphones collected through a Disaster Warning app (by Yahoo Japan) and the Ramen Checker app (by Agoop).

launch of the 900 MHz “platinum band” service in July 2012.

Although our initial application plan submitted to the Ministry of Internal Affairs and Communications included installation of 16,000 compatible base stations by March 31, 2013, we have in fact surpassed this mark and installed approximately 20,000. In doing so, we have

## Net Subscriber Additions



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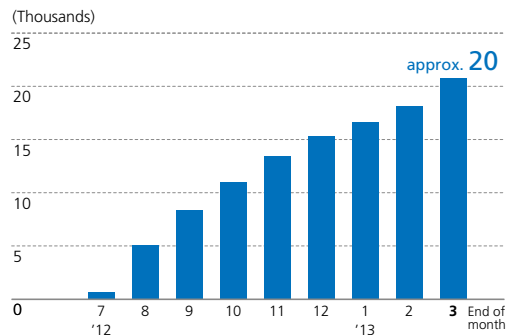
 Telecommunications  
Business Strategy
 

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extended our service area and eliminated connectivity problems in areas where reception had been poor due to surrounding buildings and other factors. Our efforts to improve the data connection rate have also been successful. Here we have focused on reducing the size of cells by installing more base stations to cover each area, and on offloading data traffic flow to other networks by increasing the number of Wi-Fi access points.

The biggest reason for SoftBank Mobile customers to cancel their subscriptions was poor connectivity. We are certain that the improvements we have made to the network will gradually contribute to a fall in the churn rate and a rise in net subscriber additions going forward.

#### Number of Platinum Band-compatible Base Stations



### There are three things that impact on customer satisfaction: pricing, network quality, and customer service.

#### Beating the Competition in LTE

SoftBank Mobile rolled out its *SoftBank 4G LTE* high-speed data communication service based on the FDD-LTE standard in September 2012.

Today, some models such as iPhone 5 are using the service. We have already installed around 21,000 compatible base stations as of March 31, 2013, and various surveys have ranked us far ahead of the competition in terms of both service area and communication speed. Going a step further, we also launched *Double LTE* in March 2013, which allows *SoftBank 4G LTE* compatible handsets to use the FDD-LTE network of eAccess. This enables us to provide a smoother communication service experience for users by automatically selecting and connecting to the optimal network depending on how crowded the network is at the time.

In another initiative, we have been using the AXGP standard network of Wireless City

Planning, which is compatible with TD-LTE, to provide *SoftBank 4G* high-speed data communication services from February 2012. We also use this network to disperse traffic.

#### Three Keys to Improving Customer Satisfaction

We are expecting our competition to be tough in fiscal 2013, too. The situation is a little different now than it has been in the past, in that we should see NTT DOCOMO and KDDI nipping at our heels in some areas now. We need to outperform our competitors in any situation, and so we have made improving customer satisfaction our top priority. There are three things that impact on customer satisfaction: pricing, network quality, and customer service.

In terms of pricing, we have had the highest support from customers among the three major



mobile operators ever since we first entered the market. Nothing succeeds in the market like an attractive price plan that leaves customers pleasantly surprised. Our task here, then, is to find ways to increase ARPU without hurting current customer satisfaction levels. For example, we positioned *SoftBank 4G LTE* as a real, high-value wireless broadband communication service, and after considering it multiple times from the customer's perspective, we finally settled on a monthly service charge that was about ¥1,000 higher than the conventional data communication price plan.

Network quality improved dramatically by the end of fiscal 2012, as I noted above. Since some of the older handsets are not compatible with the 900 MHz service, we will promote handset upgrades so that more customers will be able to experience the difference in the network for themselves.

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 Telecommunications  
Business Strategy
 

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## We will respond carefully to each individual customer in our efforts to become No. 1 in customer service too.

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Finally, the area we are really pouring our effort into is customer service. Our goal is to improve the skills of our sales staff, and increase the number of stores throughout Japan that can produce the high customer satisfaction levels achieved by our directly-managed flagship store, SoftBank Ginza. While innovation is always a key focus in business management, it is also very important to make those steady improvements in areas that are not quite up to par. We will respond carefully to each individual customer in our efforts to become No. 1 in customer service, too.

### Steady Growth in Fixed-line Telecommunications

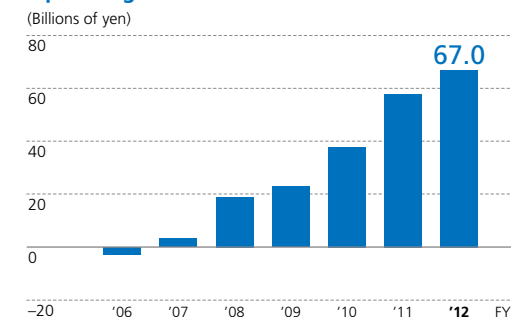
SoftBank Telecom is the mainstay of our corporate business. In this field we have stepped beyond simple provision of fixed telephone lines. Today we propose new work styles that combine

network and cloud computing services, and mobile devices, to help corporate customers improve their productivity and curtail costs. There is a widespread expectation for a wave of full-scale ICT adoption among Japanese companies going forward, and we are constantly bombarding our sales staff, telling them over and over again that there are literally countless business opportunities. We have seen an increase in contracts with major companies recently, which shows that they are beginning to appreciate the value we provide. In other initiatives, we launched the O2O (online to offline) service *Super O2O Solution "ULTRA"* in collaboration with Yahoo Japan. This service links real stores with the Internet to promote customer visits to stores and increase their purchases. When we announced the introduction of this service at retail giant Aeon Co., Ltd., we received inquiries from a lot of our business

partners about introducing the system. We will continue to develop this service with the goal of achieving a three-way "win-win-win" relationship between consumers, our corporate customers, and ourselves.

At SoftBank BB, which operates the Group's broadband business, the combined number of subscribers to our ADSL service *Yahoo! BB ADSL* and ISP service *Yahoo! BB hikari with FLET'S* continues to increase. In June 2013, we started providing an optical IP telephony service as an option with *Yahoo! BB hikari with FLET'S*. With the effects of these efforts to lift ARPU, we are hopeful that we will also see profits rise from fiscal 2014 onwards.

### Fixed-line Telecommunications Segment Operating Income



Telecommunications  
Business Strategy

## Massive Growth Potential at Sprint

We have been exchanging information regularly with the management team at Sprint using video teleconferences and other means. There seem to be a lot of points for improvement in Sprint's network and sales structure, as well as cost management—and that is good news, because it means there is lots of room to grow. Right after we acquired Vodafone K.K. (currently SoftBank Mobile) in 2006, there were a mountain of problems to address in many areas, including the network and mobile handsets. Our bold SoftBank-style reforms reversed the continuous decline in operating income, and today SoftBank Mobile's operating income is

more than six times what it was before the acquisition. At Sprint, we will also inject our know-how to help them to transform into a more aggressive, sales-oriented organization.

We also expect to realize a range of benefits from the Sprint acquisition in our domestic mobile communications business. For example, joint purchasing of mobile handsets and telecommunications equipment will lend greater weight to our negotiations with manufacturers. As a result, we can expect them to be even more willing to meet our needs in terms of price, specifications, and delivery and so forth.

## Speed and Execution Capabilities are Key Strengths

Speed is our greatest strength and our lifeline. In an intensely competitive environment such as we face today, winning or losing can come down to keeping just one or two steps ahead of the competition. SoftBank's entire organization is capable of acting extremely fast. When we succeed, we can reshape the entire market in a flash, and when we fail, we can switch strategies with great agility, while the fallout is still small. One of the main reasons why we can achieve this kind of speed is that we have

advanced, flexibly-constructed networks and systems that allow us to respond rapidly to fast-paced decision-making by management.

We also have outstanding execution capabilities with respect to strategies and achieving targets. Even if you have an outstanding strategy, the front line will not move into action simply by being ordered to. For example, at SoftBank Mobile we have extremely precise targets for increasing ARPU detailing which division is to increase its contribution by how much, and by when. Not only do we break down our strategy to clarify the targets and responsibilities for each department, we also check on their progress and think about what to do next. Applying this kind of PDCA cycle strictly brings eye-opening transformation to the front line.

## Challenge + Innovation = SoftBank

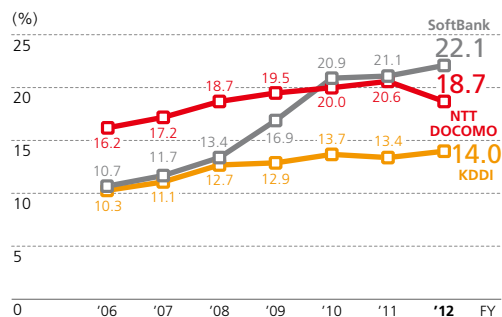
SoftBank has grown from a small venture company with just a few employees into a corporate group with tens of thousands of employees. But we are still aiming to become the global No. 1 in mobile Internet—we haven't lost our driving urge to grow. The spirit of challenge and

innovation with which SoftBank started is still alive and well. We began our journey as a PC software distributor, and took on new challenges as a broadband service provider and a mobile communications provider while looking ahead to read the changes in the times. At each juncture, we have brought innovation and change into the market. This latest foray into the U.S. market is one of a long line of challenges that we have taken on.

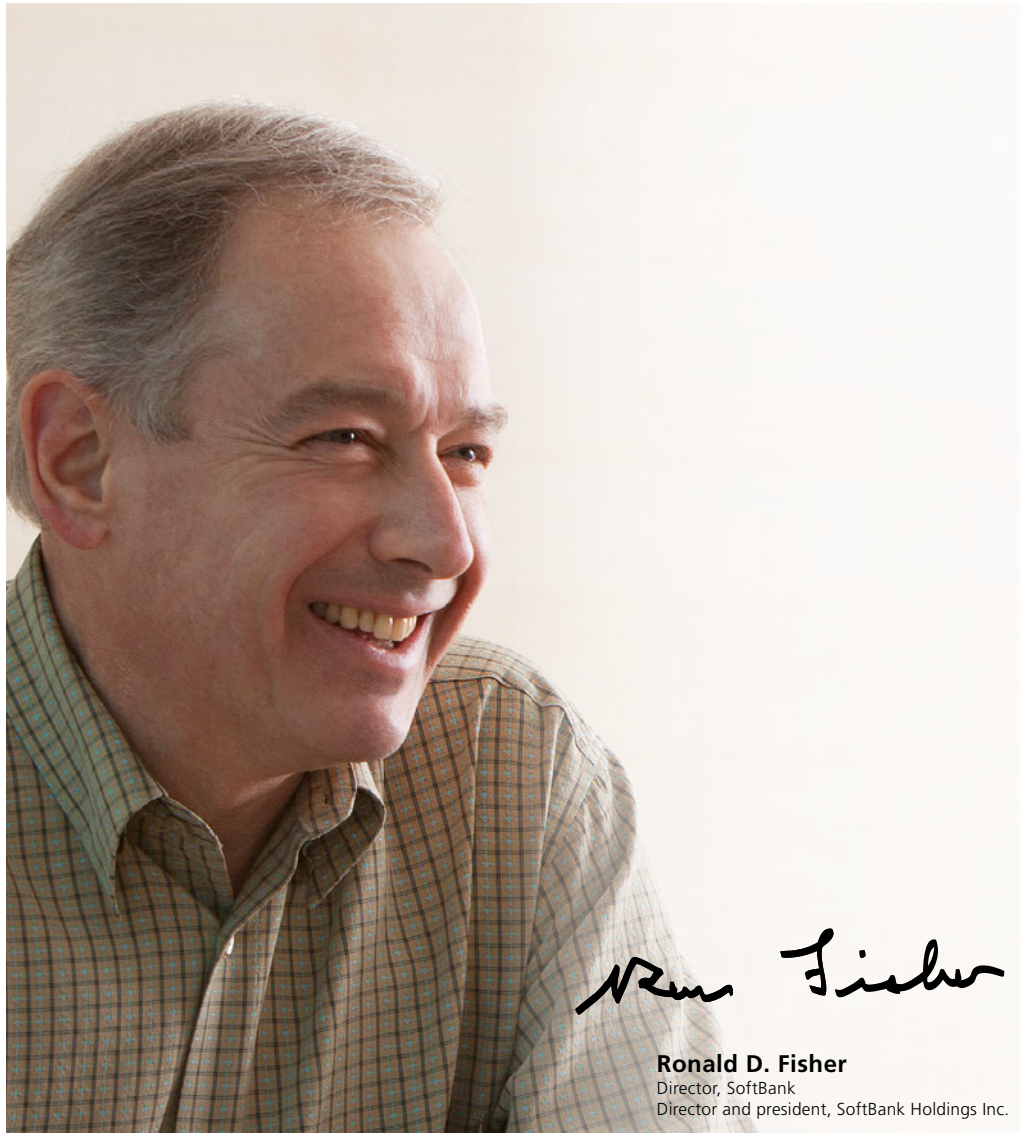
Big changes in the Company bring opportunities for employees to take on big challenges too. The development of new businesses entails dynamic changes in staff positions, and employees often find themselves suddenly involved in completely new areas. These new challenges stimulate people and increase their motivation and imagination.

Fiscal 2013 holds many significant new challenges. We have already changed the world, and we are confident that we will succeed again now, driven by our passion to make the Information Revolution work for the happiness of everyone. We will never stop pursuing new challenges and innovations. That is what SoftBank is all about.

## Operating Margins



## Investment Strategy



## Bringing It to America

### A Culture of Openness and Trust

SoftBank has been a presence in the U.S. technology world for a long time. My own association with SoftBank in the U.S. goes back 28 years to 1985. At that time, I was president of a software company called Interactive Systems Corp. A mutual friend introduced me to Masa (CEO Masayoshi Son), who was looking to expand the software services that SoftBank was providing in the U.S. at the time. He was very interested in what Interactive Systems was doing.

As a result of our meeting, SoftBank became Interactive Systems' partner for selling products and services in Japan. We spent a lot of time together in those days, and I came to understand how different Masa's style was to anything I had

come across before. I've seen him finalize agreements with people on the back of a napkin in a restaurant, all based on incredible trust in people. I think his straightforward style, with an emphasis on keeping his word and long-term relationships, is core to SoftBank's success today. There is an openness and a directness to SoftBank's culture—it's about partnership, about trust, about keeping our word, and our commitment to getting things done. You can see it in the way Masa runs the staff meetings. There are no secrets. No hidden agenda items—everybody is free to discuss everything openly.

I decided that I wanted to be a part of this culture, and in 1995, I became director and president of SoftBank Holdings Inc. in the U.S.



## Looking Ahead for Transformative Opportunities

In 1995, SoftBank was looking to expand in the U.S. Our strategy was to become a presence at the center of the U.S. technology industry. We made two strategic acquisitions to achieve this goal: one was the operator of COMDEX, the world's largest PC trade show, and the other was Ziff-Davis Publishing Company, the largest publisher of PC and technology magazines. In a very short time, SoftBank changed from being a Japan-focused company to being at the center of the U.S. technology industry. We were at the center of the flow of industry information.

One of the benefits of this was that we grasped earlier than virtually anyone else what was going to happen with the Internet. Although most of our activities at the time were publishing and trade-show based, the people we were speaking to were at the forefront of technology. Our operations became a source of strategic information.

About that time, the CEO of Ziff-Davis Publishing told us about a little company in California called Yahoo! Inc. Ziff-Davis

**An integral part of our philosophy is to look for transformative opportunities—fundamental changes in markets, technologies, and business models that will spark opportunities.**

Publishing was planning to make a small investment in Yahoo! Inc., and their CEO encouraged Masa to meet the founders, Jerry Yang and David Filo. When they met, there was an immediate resonance between them. Masa could see that what they were doing was going to change the industry, and change what we were doing. One night, over cold pizza, we agreed to invest over US\$100 million to become Yahoo! Inc.'s largest shareholder, and to start the joint venture of Yahoo Japan. This is a perfect example of how we do business; we agree on the principles and we do not deviate from them. We deal with people that we can trust. That's what happened with the Yahoo! Inc. deal—we never deviated from the principle—it was what we shook hands on over pizza. The rest was just implementation.

## Synergies between Operations and Investments

An integral part of our philosophy is to look for transformative opportunities—fundamental changes in markets, technologies, and business models that will spark opportunities. But in order to see these, we need to participate. It's like swimming—you can't sit on the side of the pool and conceptualize how to swim; you have to get into the water. That's why we combine investing and operating. We use this combination to inform a lot of our core operating decisions. And it's a virtuous cycle that keeps reinforcing itself. Looking back, the acquisition of Ziff-Davis Publishing informed us about what was happening with the Internet. That led us to invest in companies like Yahoo! Inc. and E\*TRADE Group, Inc., and literally




## Investment Strategy

hundreds of other technology investments. Through them we realized that what was happening with the Internet was going to fundamentally change our core operating businesses, so over the next few years we sold off many of the original investments and focused on building a broad ecosystem of Internet companies. These in turn continued to inform us about fundamental changes going through the industry. As a result, when the tech bubble burst in 2000, we had this incredible intelligence about what was happening, and we were in a position to ask “What are the opportunities here?” rather than “What do we do now?”

The intelligence we gained from the investing side of our business enabled our decision to take literally billions of dollars that we’d earned in the

U.S. and invest it in building the first broadband service in Japan. This became *Yahoo! BB*, which led to the acquisition of JAPAN TELECOM (currently SoftBank Telecom), and then to the acquisition of Vodafone K.K. (currently SoftBank Mobile).

So our approach is about using our knowledge base, looking for transformative opportunities, and then building on them. It creates a self-reinforcing ecosystem that enhances our operating companies, and the operating companies enhance our investment philosophy. So the investing side and the operating side act in a kind of seamless interaction where each contributes value to the other. Our strength is in getting them to work together in concert.



**Our approach is about using our knowledge base,  
looking for transformative opportunities,  
and then building on them.**

### Sprint—A Different Kind of Investment

Sprint isn’t an “investment” in the way of our other investments—it’s an extension of our core operating business. Over the last few years our core operating business in Japan has been focused around integrated communications and the Internet. We looked at a few areas around the world to extend our operations, and decided to focus on the U.S. as presenting the best opportunity.

Coming into the U.S., we want to make sure that the current shareholders of Sprint continue to benefit from what we are able to bring to Sprint and from the future of Sprint. That’s why we decided that we would leave it as a public company, with a significant public ownership. That way, the public shareholders will continue to own a large stake and benefit from it. This comes back to our sense of value and partnership.

### Synergies with Sprint

Observers have asked: “How much of what SoftBank has achieved in Japan will it be able to use in the U.S.?” We don’t even need to

## Investment Strategy

speculate on that. One of the first things we did after signing the agreement with Sprint was to create working groups between the two companies to identify potential synergies between the companies and exchange information on best practices. We do this on a regular basis, and we have multiple working groups on both sides. They are actively engaged in such areas as network planning, information technology, and sales management that could benefit the company post-closing. At the management level we have a weekly video conference between Japan and the U.S. to talk about and identify opportunities.

We've identified literally billions of dollars of opportunities to enhance Sprint. Some of these come from the economies of scale that we can leverage, and some of them come from sharing operational expertise.

In terms of scale, SoftBank with Sprint would be the largest purchaser of network equipment outside of China Mobile Limited. This will give us a unique relationship with network equipment vendors. In handsets, too, we will become one of the largest purchasers in the world.

In operating expertise, SoftBank has a proven track record with its acquisition of Vodafone K.K., which had a similar operating margin to that of Sprint at the time. This track-record is not just in Japan; SoftBank is recognized worldwide as a leader in efficiency and operating margins. I think we achieved this because we have a different philosophy. We didn't grow up in the carrier environment. We started out with an Internet and technology orientation. We question everything about carrier economics and we do things differently. We don't have that legacy of "this is how you do things" that comes with a carrier background. We see our field as the next generation of the Internet—the mobile Internet.

### Looking Ahead

Sprint in the past has been undercapitalized. The management team has done an excellent job of turning the company around, but it's been a very capital-constrained business. We made a capital injection of over US\$3.1 billion in October 2012 and injected additional capital of US\$1.9 billion at the time of closing the transaction.

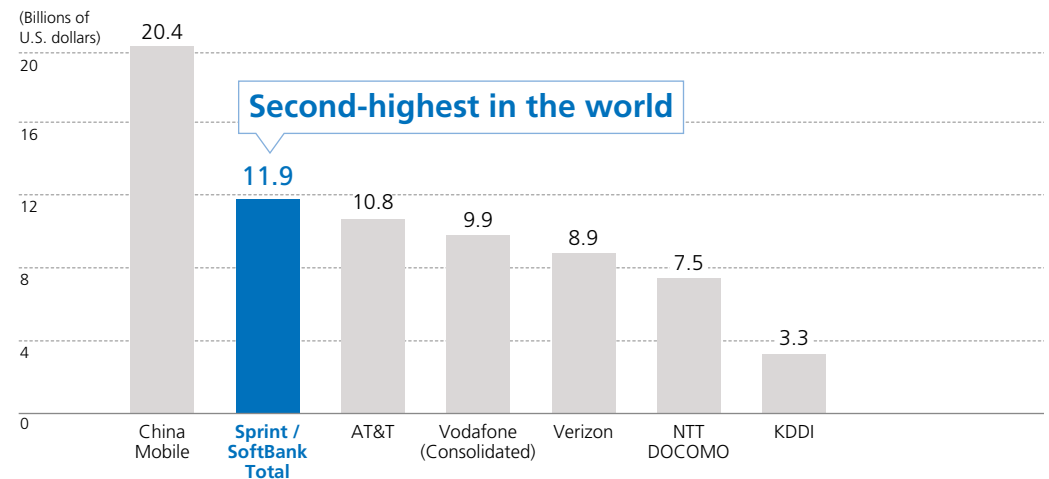
We are also sharing our philosophy of mobile Internet and our knowledge of ways to create operating efficiencies. Working with the Sprint management team, we can achieve something transformative in the U.S. If we didn't believe that we wouldn't be investing approximately US\$21.6 billion in the deal.

We see enormous potential to create differentiation, operating efficiencies and benefits. SoftBank's ecosystem in the U.S. and in other parts of the world will help Sprint to identify new

approaches, new services, and new technologies that will enhance and differentiate the Sprint services. This is important in terms of growth.

My own focus for the next 10 years will be on helping Dan (Dan Hesse, CEO of Sprint) and his team make Sprint a huge success in the U.S. I am totally dedicated to that goal. It's a very exciting phase for SoftBank.

### Mobile CAPEX



\* FY2012 actual results  
Calculated by SoftBank, based on respective companies' publicly available information.

## Financial and Capital Strategy



# Financial Management to Realize a Global Business

## From Improving Our Financial Status to Maximizing Our Enterprise Value

In fiscal 2012, we took a major strategic change of course. We set our sights on maximizing our enterprise value, aiming to strike a balance between actively investing in sustainable growth and returning profits to shareholders while maintaining an appropriate degree of financial leverage. Up until fiscal 2011, our top priority was improving our financial status, which had been weakened with the acquisition of Vodafone K.K. We were successful on this front, achieving our initial goals by improving our net interest-bearing debt (including lease obligations)/ EBITDA multiple from the peak of about five times to about one time as of March 31, 2012.

Emboldened by this performance, we changed course in our financial policy.

We have achieved rapid growth in the fast-paced telecommunications market by anticipating the changing times and making bold strategic investments. We will continue procuring the necessary funds for such strategic investments in a timely and appropriate manner to support our progress toward becoming the global No. 1 in mobile Internet.

## Financing the Sprint Acquisition

For the Sprint buyout, we need to raise about ¥1.8 trillion (about US\$21.6 billion). For about ¥1.3 trillion of this we will use the bridge loan that we arranged in December 2012. We are also procuring longer term finance in progressive

Financial and Capital Strategy

stages for acquisition capital and funds that require refinancing, and have already procured around ¥1.1 trillion through domestic and overseas corporate bond issues with maturities ranging from four to seven years. Moreover, we plan to refinance our bridge loan with a (medium- to long-term) permanent loan. Our improved financial standing has brought our credit rating to the highest level ever, and we look to leverage this strong creditworthiness to keep total financing interest low at around 2%. The acquisition was also helped by the yen appreciating to historic levels during 2012.

**Financial Strategy for a New Growth Stage**

Completing the Sprint acquisition will usher the entire Group into a new stage of growth. Targeting even stronger finances to provide ongoing support for the Group's growth, we will execute Group cash management while securing diverse means of financing to ensure appropriate procurement cost. Further, we will emphasize a

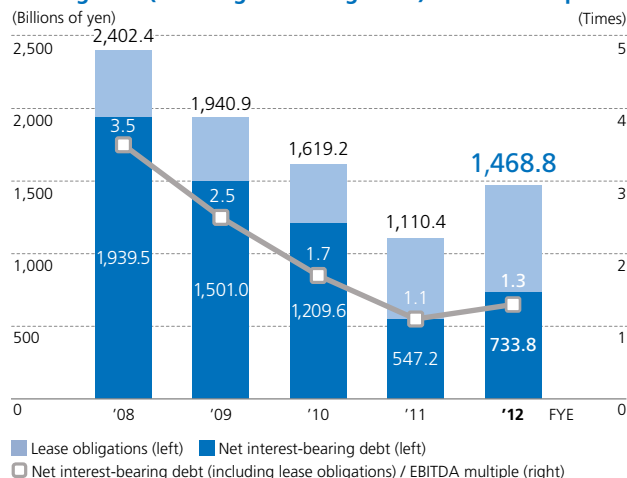
balance between direct and indirect financing to allow us to respond to various risks.

While we expect our financial status to weaken temporarily due to the Sprint acquisition, we still have a much stronger financial position compared to seven years ago when we acquired Vodafone K.K. Moving ahead, we will use the strong cash flows from our domestic operations to reduce our net interest-bearing

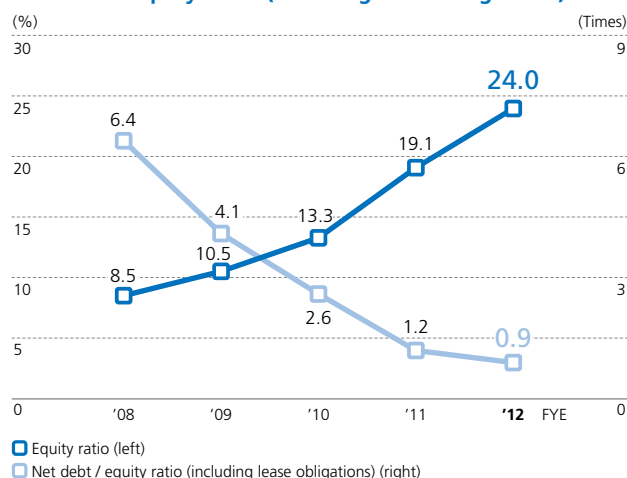
debt and quickly restore our credit rating from any temporary decline. That said, financial leverage is necessary for our sustained growth, and we therefore plan to control the level of leverage appropriately going forward.

Regarding shareholder returns, we will strive to retain the support of our shareholders by further increasing shareholder value through growth while continuing to provide stable dividends.

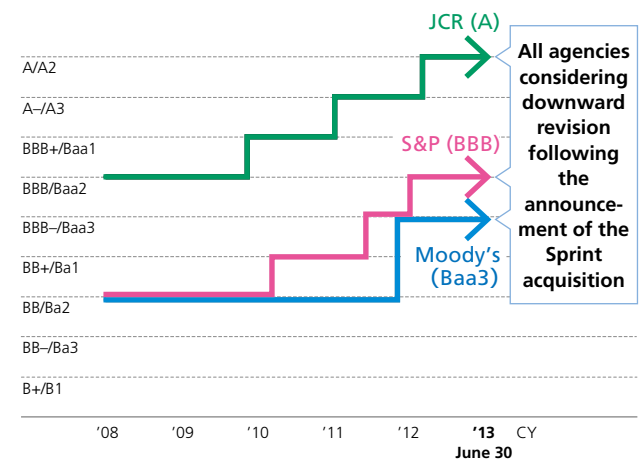
**Net Interest-bearing Debt and Lease Obligations, Net Interest-bearing Debt (including lease obligations)/EBITDA Multiple**



**Equity Ratio, Net Debt / Equity Ratio (including lease obligations)**

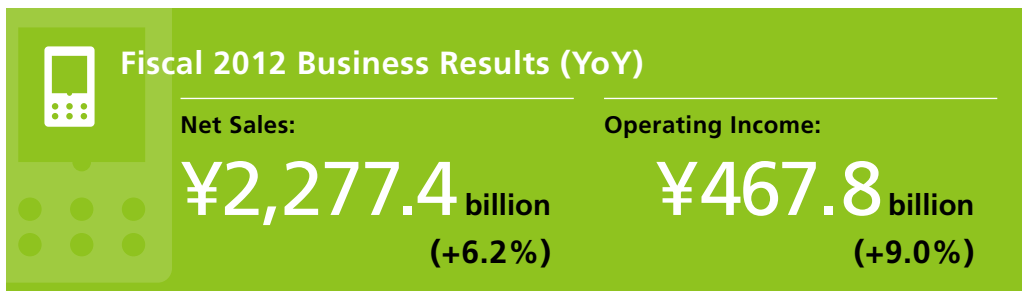


**Credit Ratings**



Mobile Communications Segment

## Mobile Communications Segment



### Fiscal 2012 Overview

Net sales totaled ¥2,277.4 billion, an increase of 6.2% year on year. The main factor behind the increase was higher telecom service revenue resulting from steady growth in the number of mobile phone subscribers. Operating expenses increased 5.5% year on year to ¥1,809.6 billion, owing to higher depreciation and amortization due to construction of base stations and other factors.

As a result, operating income was ¥467.8 billion, an increase of 9.0% year on year, and the operating margin was 20.5%, an increase of 0.5 of a percentage point year on year.

### Number of Subscribers

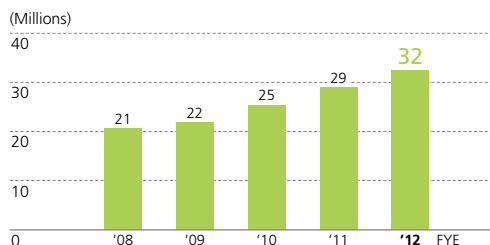
Net subscriber additions for fiscal 2012 totaled 3,531,000, topping the 3.5 million mark for a third consecutive year. This was largely due to brisk sales of iPhone, handsets with a security

buzzer, and iPad, among others.

As a result, the cumulative number of subscribers at the end of fiscal 2012 stood at 32,480,000, raising SoftBank Mobile's cumulative subscriber share\*1 by 1.3 percentage points year on year, to 23.9%.

\*1 Created by the Company based on Telecommunications Carriers Association statistical data and material published by eAccess.

### Cumulative Mobile Subscribers at SoftBank Mobile



### Number of Mobile Handsets Shipped and Units Sold

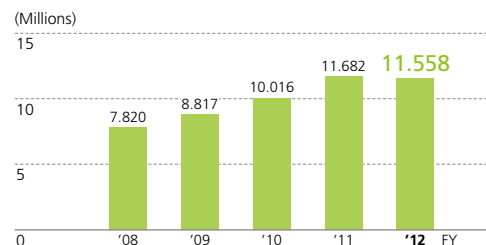
Handsets shipped for fiscal 2012 totaled 11,558,000, a decrease of 1.1% year on year. This was mainly the result of a decrease in conventional mobile handsets shipped, while the number of iPhones shipped increased.

Further, the number of units sold\*2 increased 6.6% year on year to 13,113,000. Of units sold, new subscriptions increased 5.0% year on year to 7,519,000, while handset upgrades increased 8.9% year on year to 5,594,000.

The increase in units sold was mainly due to the success of various iPhone sales promotions.

\*2 Total of new subscriptions and handset upgrades.

### Number of Handsets Shipped



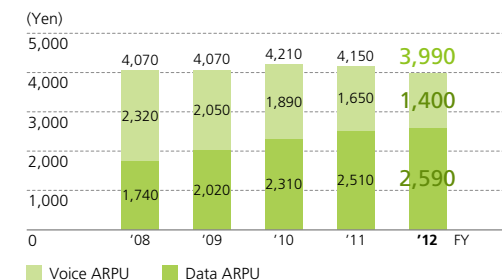
### ARPU

ARPU for fiscal 2012 decreased ¥170 year on year to ¥3,990. Out of this, voice ARPU declined ¥250 year on year to ¥1,400 and data ARPU rose ¥80 year on year to ¥2,590.

The decline in voice ARPU mainly reflects dilution due to an increase in devices that do not have voice communication functionality (such as iPad and mobile data communications devices).

Data ARPU increased primarily because of a continuing increase in data-intensive smartphone subscribers. Data ARPU was also buoyed by an increase in subscribers for smartphones compatible with *SoftBank 4G LTE*, a high-speed data communication service based on the FDD-LTE standard, launched in September 2012.

### SoftBank Mobile ARPU



Mobile Communications Segment

Strategies Ahead

1. Enhancing the Network

(1) Installation of Platinum Band

Base Stations

In fiscal 2012, the segment rolled out telecommunications services using the 900 MHz “platinum band” and worked urgently to install new base stations. With over 20,000 compatible base stations as of March 31, 2013, SoftBank Mobile’s smartphone call and data connection rates have improved and surpassed competitors. In fiscal 2013, the segment will continue enhancing base station infrastructure to further increase connection rates.

(2) Enhancement of the LTE Network

The segment launched *SoftBank 4G LTE*, a high-speed data communication service based on the FDD-LTE standard, in September 2012, and started selling compatible devices such as iPhone 5 and iPad mini.

In an urgent effort to build up network infrastructure, the segment brought the number of compatible base stations up to roughly 21,000 as of March 31, 2013, and far surpassed competitors in third-party tests of data communication speed.\*<sup>3</sup> The segment also worked to provide a smooth telecommunications experience by introducing *Double LTE* in March 2013. This service enables subscribers to use the 1.7 GHz band network of eAccess, which joined the SoftBank Group.

In fiscal 2013, the segment will keep working to expand the service area, disperse network traffic, and take other steps to enhance network quality, while aiming to increase telecom service revenue.

\*<sup>3</sup> Smartphone speed surveys conducted by entities including RBB TODAY and MOBILE MARKETING DATA LABO.

2. Increasing Customer Satisfaction

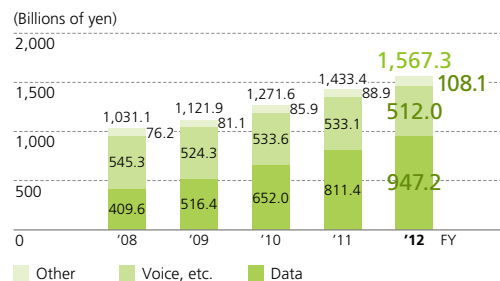
The segment will strive to further increase customer satisfaction by expanding the network of shops offering a comfortable atmosphere and high-quality customer service.

At these shops, knowledgeable staff with advanced sales skills use iPads and other devices to offer courteous, flexible customer service in a

spacious, comfortable environment. The shops have systems that enable customers to check if the store is busy and book a time to visit in advance. These systems shorten waiting time and time needed for processing contract paperwork. Moreover, the shops will play a role in promoting the SoftBank brand by showcasing a rich lineup of the Group’s diverse products and services.

By increasing the number of shops that deliver customer service with high added value, the segment will endeavor to increase both customer satisfaction and subscriber acquisitions.

Telecom Service Revenue at SoftBank Mobile



Broadband Infrastructure  
Segment

## Broadband Infrastructure Segment



## Fiscal 2012 Business Results (YoY)

Net Sales:

¥163.4 billion  
(-4.9%)

Operating Income:

¥34.7 billion  
(+1.2%)

## Fiscal 2012 Overview

The segment's net sales decreased by 4.9% year on year to ¥163.4 billion. This was mainly because of decreases in the number of subscribers and ARPU for *Yahoo! BB ADSL*, which has a relatively higher ARPU than *Yahoo! BB hikari with FLET'S*, while the number of subscribers for *Yahoo! BB hikari with FLET'S* increased. Operating income rose 1.2% year on year to ¥34.7 billion. The main factor behind the increase was a decline in sales commissions that offset lower net sales.

In fiscal 2012, the cumulative number of subscribers for *Yahoo! BB ADSL* decreased by 428,000. However, the cumulative number of subscribers for *Yahoo! BB hikari with FLET'S* increased by 473,000. Consequently, the cumulative number of subscribers for both broadband services, increased by 44,000 to 4,253,000, for a third consecutive year-on-year increase.

## Strategies Ahead

## Increase ARPU

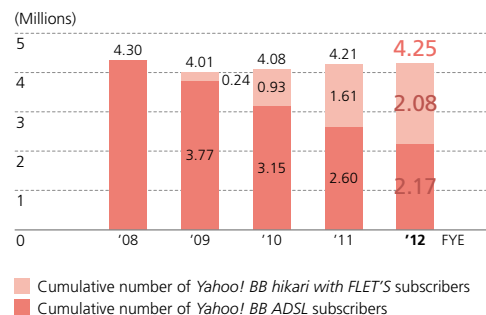
Along with continuing to expand subscribers to *Yahoo! BB hikari with FLET'S*, the segment aims to grow earnings by providing a variety of optional services to boost ARPU.

In addition to IP telephony, wireless LAN, and other telecommunications-related services, the segment provides optional services that make life richer and more convenient in collaboration with other companies. Popular offerings among these include *BB Marche by DAICHI WO MAMORU KAI*, a natural food delivery service provided through a tie-up with DAICHI WO MAMORU KAI, and *BB Osouji & Rescue*, an emergency

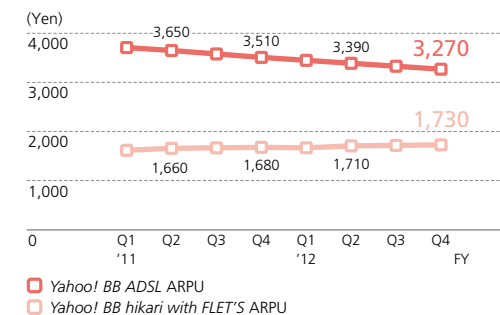
service to help with problems that occur in everyday life such as plumbing issues and lockouts, as well as a low-cost housekeeping service for members, provided through a partnership with Life Depot Inc. The segment will strive to further expand users of these services.

In fiscal 2013, in addition to enhancing these services, the segment will endeavor to raise ARPU by selling tablets with strong broadband and Internet compatibility targeting *Yahoo! BB hikari with FLET'S* customers, launching *White hikari Phone*, an optical IP telephony service, with conventional telephone numbers available since June 2013, and working to secure new sources of revenue.

## Cumulative Number of Yahoo! BB Subscribers



## Yahoo! BB ARPU





## Segment Information

Fixed-line Telecommunications  
Segment

## Fixed-line Telecommunications Segment



## Fiscal 2012 Business Results (YoY)

Net Sales:

¥387.2 billion  
(+5.3%)

Operating Income:

¥67.0 billion  
(+15.6%)

## Fiscal 2012 Overview

The segment's net sales increased by 5.3% year on year to ¥387.2 billion. The main factor in the increase was growth in provision of telecommunications lines to Group companies, and recording of sales relating to construction of telecommunications signal transfer stations.

Operating income increased 15.6% year on year to ¥67.0 billion. This was due to the increase in net sales, combined with a decrease in lease payments for *OTOKU Line* equipment and a decrease in interconnection charges paid to other operators following a reduction in interconnection charges between operators.

The segment leveraged price competitiveness and other benefits to win more customers for the direct connection voice service *OTOKU Line*. As a result, the number of corporate subscriber lines increased 44,000 year on year to 1,496,000. Also, the number of lines for corporate data communication services grew 13,000 year on year to

146,000, on the back of an increase in Internet connection service subscribers—mainly for IP-VPN.

## Strategies Ahead

## 1. Support Growth of Corporate Customers through Provision of ICT Solutions

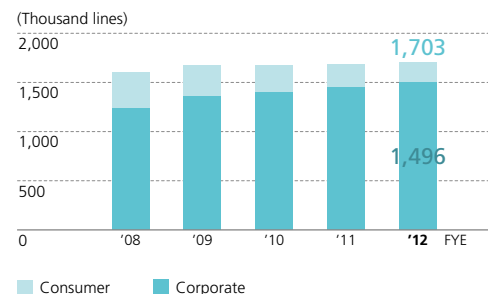
SoftBank Telecom has implemented work styles that combine mobile Internet and cloud services to enable employees to work anytime, anywhere. Based on its achievements in increasing productivity and cutting costs, SoftBank Telecom conducts global ICT health checks of corporate ICT environments and uses the findings of these comprehensive examinations to propose ways to effectively utilize ICT for corporate growth. Working with customers to create strategic ICT investment policies and medium-term ICT plans, the segment provides ICT solutions that help corporate customers grow by optimizing IT costs and creating new business opportunities, among other benefits.

Further, the segment pursues alliances with companies providing outstanding cloud services, including Google Inc., VMware, Inc. and VCE Company LLC, to ensure rapid response to customers' diverse needs. These initiatives support total optimization of customers' ICT costs and business processes.

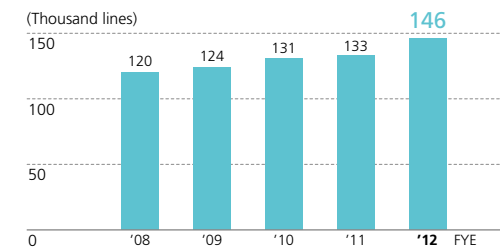
## 2. O2O Strategy and Using Big Data

The O2O (Online-to-Offline) market links online and offline stores to encourage consumer traffic and greater spending. Recently this market has been generating interest. In October 2012, SoftBank Telecom collaborated with Yahoo Japan to launch *Super O2O Solution "ULTRA,"* an O2O service that helps bring customers to stores and supports corporate clients' sales promotion activities. In addition to posting information on corporate customers' products on the *Yahoo! JAPAN*

web site to increase recognition and interest, the service encourages customers to visit stores by issuing e-coupons that can be exchanged for merchandise. Along with installing and operating e-coupon terminals at stores, SoftBank Telecom accumulates big data in a cloud-based storage system and provides feedback to corporate customers. The e-coupon terminals have already been supplied to approximately 40,000 stores of retail firms such as the Aeon Group, and companies from various other sectors such as manufacturing are also using the service for promotions. Looking ahead, the segment will continue to promote deployment of the system, and to expand new revenue opportunities.

Number of *OTOKU Line* Lines

## Number of Lines for Corporate Data Communication Services



(Note) Total number of lines for *ULTINA IP-VPN*, *ULTINA Wide Ethernet*, *ULTINA Internet*, and *ULTINA Managed Ether* (formerly *ODN-Biz*) (excluding overlaps).

Internet Culture  
Segment

## Internet Culture Segment



## Fiscal 2012 Business Results (YoY)

Net Sales:

¥335.6 billion  
(+14.3%)

Operating Income:

¥178.1 billion  
(+13.6%)

## Fiscal 2012 Overview

The segment's net sales climbed 14.3% year on year to ¥335.6 billion. Sales growth was the result of Yahoo Japan's proactive drive to sell promotion advertising, coupled with strengthening functions to enhance advertising efficiency.

Operating income increased by 13.6% year on year to ¥178.1 billion. In addition to higher net

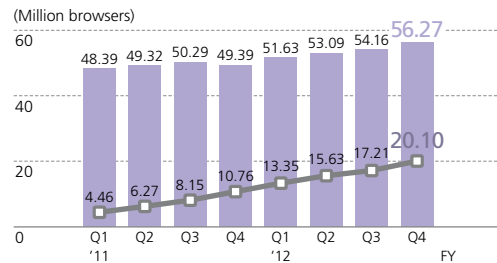
sales, the increase also reflects a reduction in outsourcing expenses.

## Strategies Ahead

## Measures to Double Operating Income

Aiming to double operating income during the 2010s, Yahoo Japan is transforming its business structure under the slogan of "Smartphone First." It also has three strategies to achieve faster profit growth: the "Only 1 Strategy," "The Most Powerful Tag Teams," and "Unexplored Frontier."

## Daily Unique Browsers at Yahoo! JAPAN



■ Number of daily unique browsers  
■ Of which, number of smartphone daily unique browsers

## 1. Only 1 Strategy

Yahoo Japan focuses its in-house development resources by extending proprietary services where it has a competitive edge, while building alliances with leading companies in services where it does not possess strengths.

Under this strategy, Yahoo Japan has worked to strengthen proprietary services in the advertising business and e-commerce. Meanwhile, it has made CyberAgent FX, Inc. a wholly-owned subsidiary in the finance business, and formed alliances with GREE, Inc. and DeNA Co., Ltd. in the game business. Yahoo Japan also made Carview Corporation a consolidated subsidiary and integrated its web site, with an eye to offering "Smart Car Life" services.

Yahoo Japan will continue to hone its strongest products, and sharpen its competitive edge.

## 2. The Most Powerful Tag Teams

Yahoo Japan looks to generate new business value by collaborating with companies that excel in non-Internet businesses. Examples of key alliances include the *LOHACO* online shopping site for daily

commodities and other necessities launched with equity-method affiliate ASKUL Corporation, and the new *Smart Kitchen* home delivery service focused on chilled and frozen foods, rolled out in partnership with Lawson, Inc.

Yahoo Japan has also forged partnerships with the SoftBank Group members SoftBank Telecom in the realm of O2O marketing, and SoftBank Mobile in acquiring *Yahoo! Premium* members. Yahoo Japan will continue to pursue partnerships with companies that have an edge to boost its enterprise value.

## 3. Unexplored Frontier

Yahoo Japan is taking on new fields and businesses. As part of these efforts, it is investing in domestic start-up companies through YJ Capital Inc. and working to discover emerging companies. Yahoo Japan is also scouting out companies offering new services and businesses overseas via its New York office.

## Segment Information

## Major Consolidated Subsidiaries and Affiliates

## Major Consolidated Subsidiaries and Affiliates

## Consolidated Subsidiaries

Company Name	Listed Market	Fiscal Year-end	Capital (Millions of yen)	Voting Rights*1 (%)	Principal Business Activities
<b>Mobile Communications Segment</b>					
SoftBank Mobile Corp.		Mar.	177,251	100.0	Mobile communications services, mobile handset sales
BB Mobile Corp.		Mar.	315,155	100.0	Holding company
<b>Broadband Infrastructure Segment</b>					
SoftBank BB Corp.*2		Mar.	100,000	100.0	ADSL services, IP telephony services, distribution and sales of IT-related merchandise
<b>Fixed-line Telecommunications Segment</b>					
SoftBank Telecom Corp.		Mar.	100	100.0	Fixed-line telephone services, data transmission and leased-line services
SoftBank Telecom Partners Corp.		Mar.	100	100.0	<i>OTOKU Line</i> sales and billing operations for telecommunications services
<b>Internet Culture Segment</b>					
Yahoo Japan Corporation	TSE First Section, JASDAQ Standard	Mar.	8,037	42.5	Operation of the <i>Yahoo! JAPAN</i> portal, sales of Internet advertising, operation of e-commerce sites, membership services
CyberAgent FX, Inc.		Mar.	490	100.0	Foreign exchange margin trading business
IDC Frontier Inc.		Mar.	100	100.0	Sales and distribution of data centers, provision of solutions
Carview Corporation	TSE Mothers	Mar.	1,572	52.2	Online provision of automobile-related information
ValueCommerce Co., Ltd.	TSE First Section	Dec.	1,728	50.7	Operation of performance-based Internet advertising system
<b>Others</b>					
Mobiletech Corporation		Mar.	315,966	100.0	Holding company
SB Energy Corp.		Mar.	746	100.0	Generation of electricity from renewable energy sources, and supply and sale of electricity
SoftBank Payment Service Corp.		Mar.	450	100.0	Payment processing, invoice collections, and computation services for business
Fukuoka SoftBank HAWKS Marketing Corp.		Feb.	100	100.0	Management and maintenance of baseball stadium and other sports facilities, operation of baseball games
Fukuoka SoftBank HAWKS Corp.		Feb.	100	100.0	Ownership of professional baseball team and baseball game administration
SBBM Corporation		Mar.	11	100.0	Holding company
ITmedia Inc.	TSE Mothers	Mar.	1,623	59.7	Operation of comprehensive IT information site <i>ITmedia</i>
SoftBank Technology Corp.	TSE First Section	Mar.	634	55.5	Online business solutions and services

\*1 Shares of voting rights held are as of the most recent fiscal year-end for each company.

\*2 Among principal business activities, the distribution and sale of IT-related products business is included under Others.

## Segment Information

Major Consolidated  
Subsidiaries and Affiliates

Company Name	Listed Market	Fiscal Year-end	Capital (Millions of yen)	Voting Rights*1 (%)	Principal Business Activities
<b>Others</b>					
Vector Inc.	JASDAQ Standard	Mar.	1,006	52.4	Operation of online games, software sales through downloading
SFJ Capital Limited	The Cayman Islands Stock Exchange	May/Nov.	200,000	100.0	Procurement of funds by issuing preferred (restricted voting) securities
SB CHINA HOLDINGS PTE LTD		Mar.	US\$100M	100.0	Holding company
SoftBank Ventures Korea Inc.		Dec.	KRW18,000M	100.0	Holding company
SoftBank Korea Co., Ltd.		Dec.	KRW2,200M	100.0	Holding company
Starburst I, Inc.		Mar.	US\$0M	100.0	Holding company
Starburst II, Inc.		Dec.	US\$0M	100.0	Holding company
SoftBank Holdings Inc.		Mar.	US\$0M	100.0	Holding company
SoftBank America Inc.		Mar.	US\$0M	100.0	Holding company

## Segment Information

Major Consolidated  
Subsidiaries and Affiliates

## Affiliates and Others

Company Name	Listed Market	Fiscal Year-end	Capital (Millions of yen)	Voting Rights*1 (%)	Principal Business Activities
<b>Equity Method Affiliates</b>					
<b>Internet Culture Segment</b>					
ASKUL Corporation	TSE First Section	May	20,035	42.6	Mail-order sales of office supplies
Estore Corporation	JASDAQ Standard	Mar.	523	32.5	Services including distribution, settlement, sales promotion, and administration for Internet business
MACROMILL, INC.	TSE First Section	June	1,648	25.4	Market surveys and other services utilizing the Internet and mobile phones
<b>Others</b>					
Broadmedia Corporation	JASDAQ Standard	Mar.	2,666	34.5	Video, audio and data content distribution services using communications networks
GungHo Online Entertainment, Inc. *3	JASDAQ Standard	Dec.	5,332	33.6	Planning, development, operations, and distribution of PC online games, consumer games, and smartphone games
Wireless City Planning Inc.		Mar.	10,751	33.3	Planning and provision of wireless broadband services
eAccess Ltd.		Mar.	43,286	33.3	Provision of mobile broadband communication services, development and sales of communications devices, provision of ADSL services
Telecom Service Co., Ltd.		Mar.	500	17.3	Sales agency for mobile phones and other products
Bharti SoftBank Holdings Pte. Ltd.		Mar.	US\$27M	50.0	Holding company
InMobi Pte. Ltd.		Mar.	US\$0M	35.0	Provision of advertising distribution services for mobile devices
Renren Inc.	NYSE	Dec.	US\$1M	34.1	Investor company of company operating <i>Renren.com</i> SNS site in China
Alibaba Group Holding Limited		Mar.	US\$0M	36.7	Investor company of companies operating e-commerce sites <i>Alibaba.com</i> , <i>Taobao.com</i> , and <i>TMALL.com</i>

## Main Overseas Fund Data

Fund Name	Category*4	Principal Investment Region	Fund Size	Commitment	Ownership*5 (%)
<b>Consolidated Subsidiaries</b>					
SoftBank Ranger Venture Investment Partnership	A	South Korea	KRW22,100M	KRW22,100M	100.0
SoftBank Capital Fund '10 L.P.	A	U.S.	US\$122M	US\$120M	98.0
SoftBank US Ventures VI L.P.	B	U.S.	US\$626M	US\$608M	97.0
<b>Equity Method Affiliates</b>					
SoftBank Capital Technology Fund III L.P.	B	U.S.	US\$232M	US\$131M	56.3

\*3 GungHo Online Entertainment became a consolidated subsidiary of the Company from April 2013. See P.141 for details.

\*4 A: funds managed by the Company; B: funds other than category A.

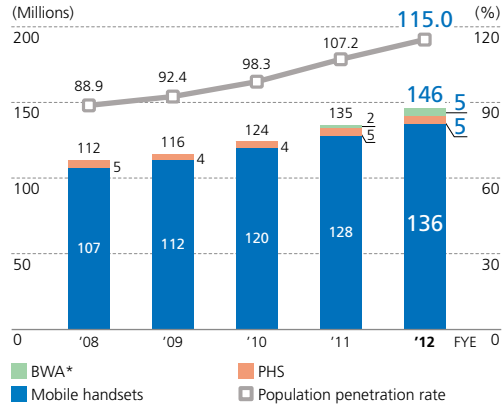
\*5 Holdings as percentage of fund size.

Segment Information

Market Data for Mobile Communications

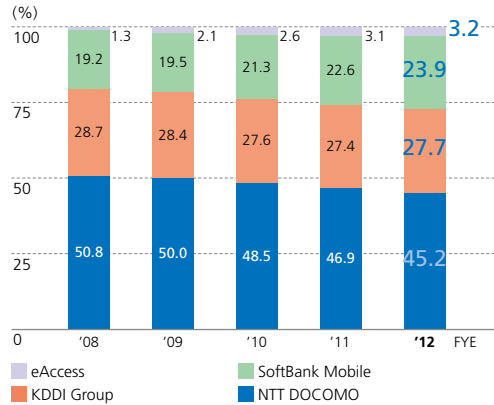
Market Data for Mobile Communications

Number of Cumulative Subscribers in Mobile Communications in Japan



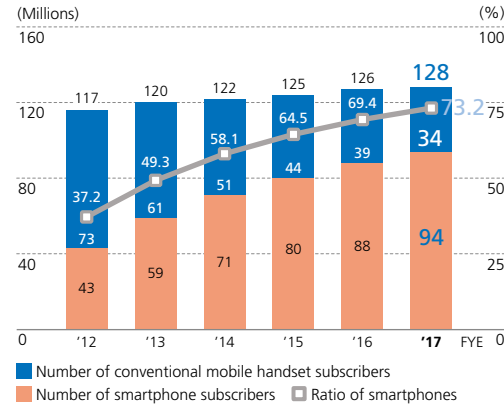
(Note) Created by the Company based on Telecommunications Carriers Association statistical data and material published by eAccess.  
\* Broadband Wireless Access

Share of Cumulative Mobile Subscribers in Japan



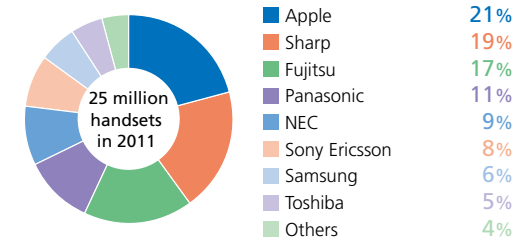
(Note) Created by the Company based on Telecommunications Carriers Association statistical data and material published by eAccess.

Estimated Smartphone Penetration in Japan



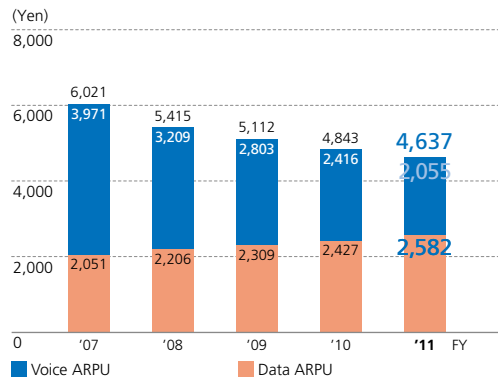
(Note) Based on MM Research Institute "Smartphone Market Scale Trends and Projections" (March 2013). The above total is the total for smartphones and conventional mobile handsets; it does not include PHS, tablet PCs, data communication cards, communication modules, or others.

Manufacturers' Shares of the Japanese Smartphone Market



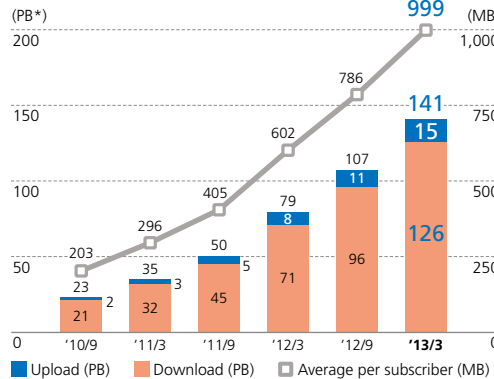
(Note) According to Ministry of Internal Affairs and Communications, "2012 White Paper for Information and Communications in Japan," material by Gartner, Inc.

ARPU of Japanese Mobile Operators



(Note) From Ministry of Internal Affairs and Communications, "2012 White Paper Information and Communications in Japan." ARPU is the average for NTT DOCOMO, KDDI, and SoftBank Mobile communication services. ARPU is the average for the fiscal year. The number of subscribers is the weighted average of the number of subscribers at the end of the fiscal year.

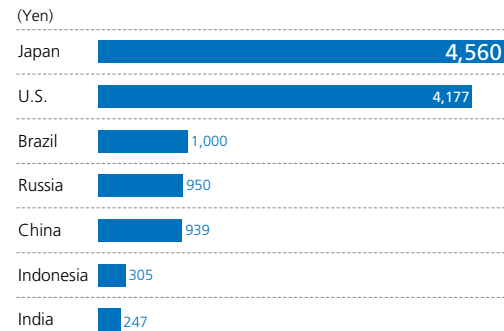
Mobile Communication Traffic in Japan



(Note) From Ministry of Internal Affairs and Communications, "Mobile Communications Traffic in Japan (March 2013)." Aggregation of non-voice traffic data from four mobile operators and two BWA operators.

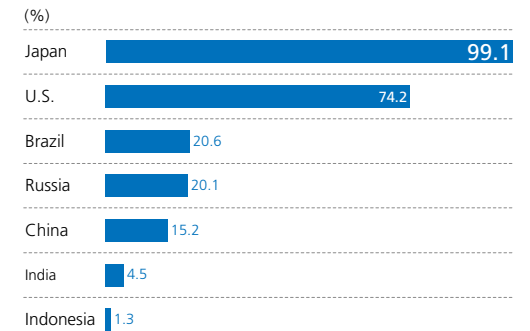
\* Petabyte, a unit of data volume. The order of units up to petabyte is kilobyte (KB), megabyte (MB), gigabyte (GB), terabyte (TB), petabyte (PB).

Global Comparison of ARPU



(Note) From Wireless Intelligence (October – December 2012). Top seven countries by cumulative number of subscribers.

Global Comparison of Postpaid Subscriber Ratio



(Note) From Wireless Intelligence (October – December 2012). Top seven countries by cumulative number of subscribers.

Segment Information

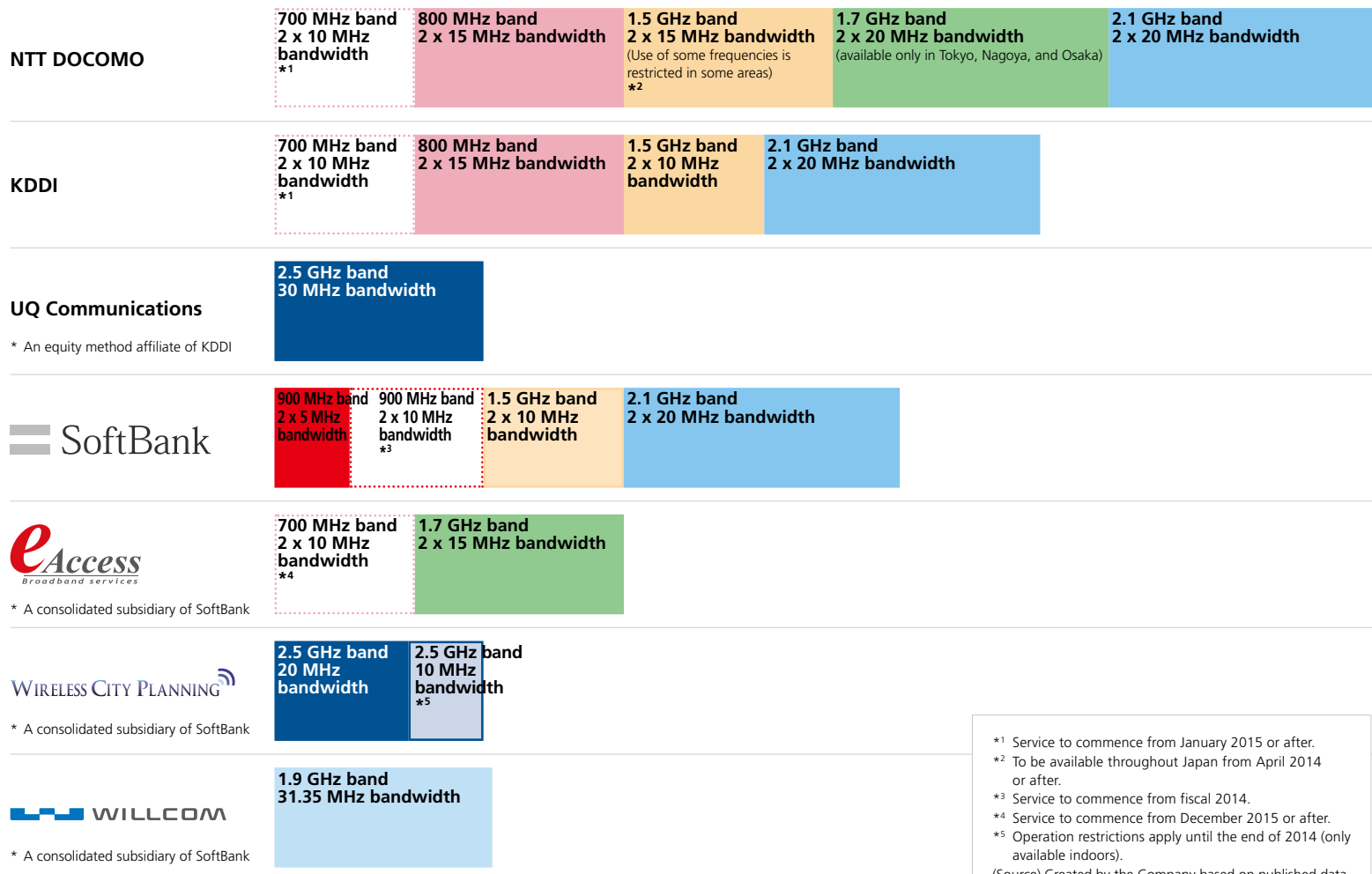
Market Data for  
Mobile Communications

### Government Policy on Frequency Bands in Japan

In Western countries, frequency bands for mobile phones are generally allotted based on auctions. In Japan, however, the Ministry of Internal Affairs and Communications (MIC) determines a frequency band allotment policy based on usage plans submitted by operators seeking an allotment. The policy is then examined by the Radio Regulatory Council. Upon receiving a report on these deliberations from the Radio Regulatory Council, MIC allots the frequency bands to the operators. The allotted frequency bands may be used for 5–10 years before they expire. However, if MIC restructures the allotted frequency bands, the operators are required to shift to other frequency bands by the deadline set by MIC. For the allotment of the 900 MHz and 700 MHz bands in 2012, a new system was introduced, featuring a termination promotion measure whereby new frequency band users are to bear the migration costs for existing frequency band users. In addition, frequency band users are required to pay radio utilization fees to MIC (¥200 a year for every base station and approximately ¥95.15 million a year for every 1 MHz of bandwidth used).

### Allocation of Frequency Bands to Japanese Mobile Telecommunications Service Operators

(As of July 1, 2013)



\*1 Service to commence from January 2015 or after.  
\*2 To be available throughout Japan from April 2014 or after.  
\*3 Service to commence from fiscal 2014.  
\*4 Service to commence from December 2015 or after.  
\*5 Operation restrictions apply until the end of 2014 (only available indoors).  
(Source) Created by the Company based on published data of each company, as of July 1, 2013.

## Segment Information

Macro and  
Semi-macro Data

## Macro and Semi-macro Data

Fiscal years ended March 31

	Units	FYE2010	FYE2011	FY2012			
				EOQ1	EOQ2	EOQ3	EOQ4
<b>Mobile Telecommunications</b>							
Mobile phone subscribers	Millions	119.54	128.20	129.91	131.62	133.42	136.04
3G	Millions	118.13	125.93	126.57	125.42	124.74	124.48
LTE	Millions	0.03	2.30	3.62	7.29	13.63	20.36
Other	Millions	1.38	0.05	0.02	—	—	—
Prepaid	Millions	1.26	1.37	1.26	1.19	1.13	1.17
Communication modules	Millions	4.77	6.42	6.74	7.22	7.79	8.35
Mobile IP connection service	Millions	97.38	102.70	103.46	103.96	104.66	106.08
Number of PHS subscribers	Millions	3.75	4.56	4.70	4.81	4.94	5.09
Total number of mobile phone and PHS subscribers	Millions	123.29	132.76	134.61	136.43	138.36	141.13
Broadband wireless access subscribers	Millions	0.81	2.30	3.05	4.01	4.66	5.31
<b>Fixed-line Telecommunications</b>							
Internet penetration							
Internet users	Millions	94.62 <sup>*1</sup>	96.10 <sup>*2</sup>	—	—	96.52 <sup>*3</sup>	—
Population penetration rate	%	78	79	—	—	80	—
Internet connection service subscribers	Millions	37.68	38.71	38.96	38.99	39.15	39.29
Wireless LAN contracts	Millions	9.48	15.57	17.52	19.88	25.14	30.07
IP-VPN contracts	Millions	0.41	0.43	0.43	0.44	0.44	0.45
Wide-area Ethernet contracts	Millions	0.31	0.34	0.35	0.36	0.37	0.38
Subscriber telephones							
NTT subscriber telephones	Millions	34.52	31.35	30.65	29.90	29.21	28.47
IP-based fixed-line telephones	Millions	4.18	3.86	3.78	3.71	3.63	3.57
OABJ-IP telephones	Millions	17.90	20.96	21.77	22.51	23.26	24.07
CATV telephones	Millions	0.86	0.75	0.74	0.72	0.69	0.70
Total number of subscriber telephones	Millions	57.47	56.91	56.94	56.84	56.79	56.81
IP telephone numbers in use							
050 numbers	Millions	7.90	7.53	7.45	7.31	7.25	7.21
0AB-J numbers (reincluded)	Millions	17.90	20.96	21.77	22.51	23.26	24.07
Total number of IP telephone numbers in use	Millions	25.80	28.48	29.22	29.83	30.51	31.27
<b>(Reference) Broadband service subscribers</b>							
FTTH	Millions	20.22	22.30	22.84	23.20	23.55	23.86
DSL	Millions	8.20	6.70	6.34	6.05	5.74	5.42
CATV	Millions	5.67	5.91	5.96	5.98	6.01	6.01
BWA service (reincluded)	Millions	0.81	2.30	3.05	4.01	4.66	5.31
LTE service (reincluded)	Millions	0.03	2.30	3.62	7.29	13.63	20.36
Total broadband service subscribers <sup>*4</sup>	Millions	34.94	39.53	41.82	46.54	53.59	60.97

<sup>\*1</sup> As of December 31, 2010<sup>\*2</sup> As of December 31, 2011<sup>\*3</sup> As of December 31, 2012<sup>\*4</sup> Total number of subscribers for FTTH service, DSL service, CATV Internet service, BWA service, LTE service, and FWA service.

(Note) Created by the Company based on Telecommunications Carriers Association and Ministry of Internal Affairs and Communications statistical data and material published by eAccess; however, accuracy of transcription is not guaranteed.



## Segment Information

SoftBank Group in Figures

## SoftBank Group in Figures

Fiscal years ended March 31

## Principal Operational Data

	Units	FY2010	FY2011	FY2012	FY2012			
					Q1	Q2	Q3	Q4
<b>Mobile Communications</b>								
Cumulative subscribers	Millions	25.41	28.95	32.48	29.70	30.46	31.32	32.48
Market share	%	21.3	22.6	23.9	22.9	23.1	23.5	23.9
Postpaid	Millions	24.56	28.08	31.66	28.85	29.62	30.49	31.66
Prepaid	Millions	0.85	0.87	0.82	0.85	0.84	0.83	0.82
3G	Millions	25.41	28.95	32.48	29.70	30.46	31.32	32.48
Net subscriber additions (total for the period)	Millions	3.53	3.54	3.53	0.75	0.76	0.86	1.16
Market share	%	48.0	40.8	45.0	44.1	44.5	47.8	44.1
Postpaid	Millions	3.32	3.52	3.59	0.77	0.77	0.87	1.17
Prepaid (net decrease)	Millions	0.21	0.02	(0.06)	(0.02)	(0.01)	(0.01)	(0.01)
ARPU	¥/month	4,210	4,150	3,990	4,020	4,070	4,050	3,800
Basic monthly charge + voice	¥/month	1,890	1,650	1,400	1,480	1,490	1,450	1,190
Data	¥/month	2,310	2,510	2,590	2,540	2,580	2,610	2,620
Data ratio	%	55.0	60.4	64.9	63.2	63.4	64.3	68.8
Churn rate	%/month	0.98	1.12	1.09	1.03	1.06	1.12	1.14
Churn rate (3G postpaid)	%/month	0.94	1.05	1.03	0.96	1.00	1.06	1.09
Upgrade rate	%/month	1.40	1.59	1.53	1.05	1.42	2.10	1.51
Average acquisition cost per subscriber	¥	36,900	30,300	26,100	26,500	23,000	24,900	29,100
Average upgrade cost per subscriber	¥	26,700	27,100	28,300	27,000	26,400	30,300	28,000
Handsets shipped	Millions	10.02	11.68	11.56	2.36	2.63	3.49	3.08
Units sold	Millions	10.24	12.30	13.11	2.59	3.00	3.84	3.69
<b>Broadband Infrastructure</b>								
Cumulative number of Yahoo! BB ADSL subscribers	Millions	3.15	2.60	2.17	2.47	2.36	2.27	2.17
Cumulative number of Yahoo! BB ADSL charged lines	Millions	2.75	2.22	1.81	2.10	2.00	1.91	1.81
Yahoo! BB ADSL ARPU	¥/month	–	–	–	3,450	3,390	3,330	3,270
Yahoo! BB ADSL churn rate	%/month	2.54	2.45	2.28	2.60	2.12	2.16	2.25
Cumulative number of Yahoo! BB hikari with FLET'S subscribers	Millions	0.93	1.61	2.08	1.77	1.86	1.95	2.08
Yahoo! BB hikari with FLET'S ARPU	¥/month	–	–	–	1,670	1,710	1,720	1,730
<b>Fixed-line Telecommunications</b>								
Number of OTOKU Line lines	Millions	1.67	1.68	1.70	1.68	1.69	1.69	1.70
OTOKU Line ARPU	¥/month	–	–	–	6,530	6,390	6,510	6,560
Corporate subscriber lines	Millions	1.94	1.93	1.96	1.93	1.94	1.94	1.96
Corporate MYLINE subscriber lines	Millions	0.54	0.48	0.46	0.47	0.47	0.46	0.46
Corporate OTOKU Line subscriber lines	Millions	1.40	1.45	1.50	1.46	1.47	1.47	1.50

(Note) Market shares of cumulative subscribers and net subscriber additions are calculated by the Company based on Telecommunications Carriers Association statistical data and material published by eAccess.

## Segment Information

SoftBank Group in Figures

SoftBank Corp. and its consolidated subsidiaries Fiscal years ended March 31

## Segment Financial Data

Millions of yen	FY2010	FY2011	FY2012	FY2012			
				Q1	Q2	Q3	Q4
<b>Mobile Communications</b>							
Net sales	1,944,551	2,144,899	2,277,480	506,212	542,234	649,436	579,598
EBITDA	620,470	684,120	783,098	199,431	213,402	202,726	167,539
EBITDA margin (%)	31.9	31.9	34.4	39.4	39.4	31.2	28.9
Operating income	402,412	429,237	467,829	128,106	138,278	123,550	77,895
Operating margin (%)	20.7	20.0	20.5	25.3	25.5	19.0	13.4
Capital expenditure (acceptance basis)	351,526	422,766	592,918	82,465	134,004	164,660	211,789
Depreciation and amortization (excluding amortization of goodwill)	156,993	203,456	263,841	58,467	62,267	66,320	76,787
<b>Broadband Infrastructure</b>							
Net sales	190,055	171,905	163,426	41,363	40,991	40,497	40,575
EBITDA	61,023	50,283	51,035	13,291	13,943	13,437	10,364
EBITDA margin (%)	32.1	29.3	31.2	32.1	34.0	33.2	25.5
Operating income	43,154	34,328	34,734	9,460	10,076	9,502	5,696
Operating margin (%)	22.7	20.0	21.3	22.9	24.6	23.5	14.0
Capital expenditure (acceptance basis)	16,851	26,763	24,938	2,671	4,819	6,193	11,255
Depreciation and amortization (excluding amortization of goodwill)	15,841	14,395	14,741	3,442	3,476	3,545	4,278
<b>Fixed-line Telecommunications</b>							
Net sales	356,562	367,646	387,240	92,438	99,541	95,801	99,460
EBITDA	85,693	105,034	114,254	27,169	30,640	29,186	27,259
EBITDA margin (%)	24.0	28.6	29.5	29.4	30.8	30.5	27.4
Operating income	38,006	57,950	67,003	15,599	19,041	17,519	14,844
Operating margin (%)	10.7	15.8	17.3	16.9	19.1	18.3	14.9
Capital expenditure (acceptance basis)	36,236	39,878	41,647	8,237	8,280	10,587	14,543
Depreciation and amortization (excluding amortization of goodwill)	36,634	39,801	39,967	9,749	9,778	9,846	10,594
<b>Internet Culture</b>							
Net sales	283,616	293,635	335,644	75,435	77,004	86,983	96,222
EBITDA	161,545	169,013	193,479	43,194	44,409	52,025	53,851
EBITDA margin (%)	57.0	57.6	57.6	57.3	57.7	59.8	56.0
Operating income	150,306	156,822	178,112	40,113	40,766	48,216	49,017
Operating margin (%)	53.0	53.4	53.1	53.2	52.9	55.4	50.9
Capital expenditure (acceptance basis)	10,713	15,921	22,985	4,942	3,195	6,310	8,538
Depreciation and amortization (excluding amortization of goodwill)	9,423	10,288	12,739	2,637	3,135	3,170	3,797

## Segment Information

SoftBank Group in Figures

Millions of yen	FY2010	FY2011	FY2012	FY2012			
				Q1	Q2	Q3	Q4
<b>Others</b>							
Net sales	343,635	360,999	383,628	88,269	99,932	93,725	101,702
EBITDA	12,594	15,510	18,705	3,707	7,795	4,050	3,153
EBITDA margin (%)	3.7	4.3	4.9	4.2	7.8	4.3	3.1
Operating income	7,092	8,800	9,982	1,682	5,730	1,935	635
Operating margin (%)	2.1	2.4	2.6	1.9	5.7	2.1	0.6
Capital expenditure (acceptance basis)	5,265	11,047	102,736	94,971	1,942	2,179	3,644
Depreciation and amortization (excluding amortization of goodwill)	4,834	6,277	7,508	1,739	1,780	1,825	2,164
<b>Elimination or Corporate</b>							
Net sales	(113,779)	(136,648)	(169,053)	(36,815)	(40,494)	(42,762)	(48,982)
EBITDA	(10,595)	(10,244)	(10,761)	(2,389)	(2,685)	(2,811)	(2,876)
Operating income	(11,807)	(11,854)	(12,660)	(2,835)	(3,254)	(3,335)	(3,236)
<b>Consolidated</b>							
Net sales	3,004,640	3,202,436	3,378,365	766,902	819,208	923,680	868,575
EBITDA	930,730	1,013,716	1,149,810	284,403	307,504	298,613	259,290
EBITDA margin (%)	31.0	31.7	34.0	37.1	37.5	32.3	29.9
Operating income	629,163	675,283	745,000	192,125	210,637	197,387	144,851
Operating margin (%)	20.9	21.1	22.1	25.1	25.7	21.4	16.7
Capital expenditure (acceptance basis)	420,591	516,375	785,224	193,286	152,240	189,929	249,769
Depreciation and amortization (excluding amortization of goodwill)	224,937	275,826	340,696	76,480	81,005	85,231	97,980

Management  
OrganizationDirectors and Audit &  
Supervisory Board Members

## Directors and Audit &amp; Supervisory Board Members (As of June 21, 2013)

## Directors

Chairman & CEO  
**Masayoshi Son**Representative director,  
senior executive vice  
president  
**Ken Miyauchi**Director  
**Kazuhiko Kasai**Director  
**Ronald D. Fisher**Director and president,  
SoftBank Holdings Inc.

Sept. 1981 Founded SoftBank Corp. Japan (currently SoftBank), chairman & CEO

Apr. 1983 Chairman, SoftBank Japan

Feb. 1986 Chairman & CEO, SoftBank Japan (to present)

Jan. 1996 President & CEO, Yahoo Japan

July 1996 Chairman of the board, Yahoo Japan (to present)

June 2001 President, BB Technologies (currently SoftBank BB)

Feb. 2004 Chairman & CEO, SoftBank BB (to present)

July 2004 Chairman of the board, JAPAN TELECOM (currently SoftBank Telecom)

Apr. 2006 Chairman of the board, president & CEO, Vodafone K.K. (currently SoftBank Mobile)

Oct. 2006 Chairman & CEO, SoftBank Telecom (to present)

June 2007 Chairman & CEO, SoftBank Mobile (to present)

Feb. 1977 Joined Japan Management Association

Oct. 1984 Joined SoftBank Corp. Japan (currently SoftBank)

Feb. 1988 Director, SoftBank Japan

Apr. 1993 Executive director, SoftBank

Sept. 1999 Representative director & president, SOFTBANK COMMERCE (currently SoftBank BB)

June 2000 Director, SoftBank

Feb. 2004 Vice president, director & COO, SoftBank BB

July 2004 Director, JAPAN TELECOM (currently SoftBank Telecom)

Apr. 2006 Executive vice president, director & COO, Vodafone K.K. (currently SoftBank Mobile)

Oct. 2006 Representative director & COO, SoftBank Telecom (to present)

June 2007 Representative director & COO, SoftBank Mobile (to present)

June 2007 Representative director & COO, SoftBank BB (to present)

Aug. 2010 Trustee, WILLCOM (to present)

Nov. 2010 Representative director & president, WILLCOM (to present)

June 2012 Director, Yahoo Japan (to present)

Jan. 2013 Director, eAccess (to present)

Apr. 2013 Representative director, executive vice president, SoftBank

June 2013 Representative director, senior executive vice president, SoftBank (to present)

Apr. 1959 Joined The Fuji Bank, Ltd.

May 1992 Executive vice president, The Fuji Bank

Apr. 1998 Corporate advisor, The Yasuda Trust and Banking Co., Ltd. (currently Mizuho Trust & Banking Co., Ltd.)

June 1998 Chairman of the board, The Yasuda Trust and Banking

Apr. 2000 Director, executive advisor, The Yasuda Trust and Banking

June 2000 Corporate advisor, SoftBank

June 2000 Director, SoftBank (to present)

July 2004 Director, JAPAN TELECOM (currently SoftBank Telecom) (to present)

Jan. 2005 President & owners' representative, Fukuoka SoftBank HAWKS (to present)

June 2005 Chairman & president, Fukuoka SoftBank HAWKS Marketing (to present)

Apr. 2006 Director, Vodafone K.K. (currently SoftBank Mobile) (to present)

July 1984 President, Interactive Systems Corp. in the U.S.

Jan. 1990 CEO, Phoenix Technologies Ltd. in the U.S.

Oct. 1995 Director and president, SoftBank Holdings (to present)

June 1997 Director, SoftBank (to present)

Director  
**Yun Ma**Chairman,  
Alibaba Group Holding  
Limited

Feb. 1995 Founded China Pages, president

Jan. 1998 President, MOFTEC EDI Centre

July 1999 Director, Alibaba.com Corporation (currently Alibaba Group Holding Limited)

Nov. 1999 Director, chairman of the board and CEO, Alibaba Group Holding

Feb. 2004 Chairman and CEO, Alibaba Group Holding

June 2007 Director, SoftBank (to present)

Oct. 2007 Non-executive director, chairman, Alibaba.com Limited (to present)

May 2013 Chairman, Alibaba Group Holding Limited (to present)

Director  
**Manabu Miyasaka**President and  
representative director,  
Yahoo Japan Corporation

Apr. 1991 Joined UPU Co., Ltd.

June 1997 Joined Yahoo Japan Corporation

Jan. 2002 Senior manager, Media Business Group, Yahoo Japan

Apr. 2009 Operating officer, head of Consumer Business Group, Yahoo Japan

Apr. 2012 CEO and operating officer, Yahoo Japan

June 2012 President and representative director, Yahoo Japan (to present)

June 2013 Director, SoftBank (to present)

Management  
OrganizationDirectors and Audit &  
Supervisory Board Members

## External Directors

Director, independent  
officer**Tadashi Yanai**Chairman,  
president & CEO,  
FAST RETAILING CO., LTD.Director, independent  
officer**Mark Schwartz**Vice chairman,  
Goldman Sachs Group, Inc.  
Chairman,  
Goldman Sachs Asia PacificAug. 1972 Joined Ogori Shoji Co., Ltd.  
(currently FAST RETAILING CO., LTD.)

Sept. 1972 Director, Ogori Shoji

Aug. 1973 Senior managing director, Ogori Shoji

Sept. 1984 President &amp; CEO, Ogori Shoji

June 2001 Director, SoftBank (to present)

Nov. 2002 Chairman &amp; CEO, FAST RETAILING

Sept. 2005 Chairman, president & CEO, FAST RETAILING  
(to present)Nov. 2005 Chairman, president & CEO, UNIQLO CO., LTD.  
(to present)Sept. 2008 Chairman, GOV RETAILING CO., LTD.  
(currently G.U. CO., LTD.) (to present)July 1979 Joined the investment banking division of  
Goldman, Sachs & Co.

Nov. 1988 Partner, Goldman Sachs

Nov. 1996 Managing director, Goldman Sachs

June 1997 President, Goldman Sachs Japan Co., Ltd.

July 1999 Chairman, Goldman Sachs Asia

June 2001 Director, SoftBank

Jan. 2003 President and CEO, Soros Fund Management LLC

June 2004 Retired from the position of director of SoftBank

Jan. 2006 Chairman, MissionPoint Capital Partners, LLC

June 2006 Director, MasterCard Incorporated (to present)

June 2006 Director, SoftBank (to present)

June 2012 Vice chairman, Goldman Sachs Group, Inc. (to present)

June 2012 Chairman, Goldman Sachs Asia Pacific (to present)

Note: Mr. Tadashi Yanai and Mr. Mark Schwartz satisfy the qualifications of external directors as provided in Article 2, Paragraph 15 of the Companies Act. Mr. Soichiro Uno, Mr. Koichi Shibayama, and Mr. Hidekazu Kubokawa satisfy the qualifications of external Audit & Supervisory Board members as provided in Article 2, Paragraph 16 of the Companies Act.

Change of Wording in SoftBank ANNUAL REPORT 2013

For SoftBank ANNUAL REPORT 2013 we have adopted a new wording recommended by the Japan Audit & Supervisory Board Members Association. Where previous annual reports used "Board of Corporate Auditors" and "corporate auditor," SoftBank ANNUAL REPORT 2013 uses "Audit & Supervisory Board" and "Audit & Supervisory Board member."

## Audit &amp; Supervisory Board Members

Full-time Audit &  
Supervisory Board  
member**Mitsuo Sano**

Certified public accountant

Audit & Supervisory  
Board member**Soichiro Uno**

Lawyer

Oct. 1982 Joined Price Waterhouse

Mar. 1986 Registered as a certified public accountant

Oct. 1990 Joined SoftBank

Dec. 1995 Accounting general manager of the Finance & Accounting  
department, SoftBank

June 1998 Full-time Audit &amp; Supervisory Board member, SoftBank

June 1999 Retired from full-time Audit & Supervisory Board member  
of SoftBankJune 1999 Director, E\*TRADE Securities Co., Ltd.  
(currently SBI SECURITIES Co., Ltd.)June 2000 Full-time Audit & Supervisory Board member, SoftBank  
(to present)Apr. 1988 Joined Nagashima & Ohno  
(currently Nagashima Ohno & Tsunematsu),  
admitted to practice law in Japan

Nov. 1993 Passed the bar examination of the State of New York, USA

Jan. 2000 Partner, Nagashima Ohno &amp; Tsunematsu (to present)

June 2004 Audit &amp; Supervisory Board member, SoftBank (to present)

Audit & Supervisory  
Board member,  
independent officer**Koichi Shibayama**Certified public accountant,  
Certified tax accountant

Apr. 1960 Joined Yamaichi Securities Co., Ltd.

Oct. 1966 Joined Price Waterhouse  
(currently PricewaterhouseCoopers)

Mar. 1970 Registered as a certified public accountant

Aug. 1983 Registered as a certified tax accountant

July 1997 Advisor, Price Waterhouse Aoyama Consulting Co., Ltd.

July 2002 Advisor, Zeirishi-Hojin ChuoAoyama  
(currently Zeirishi-Hojin PricewaterhouseCoopers)

(to present)

June 2003 Audit &amp; Supervisory Board member, SoftBank (to present)

Audit & Supervisory  
Board member,  
independent officer**Hidekazu Kubokawa**Certified public accountant,  
Certified tax accountant

Nov. 1976 Joined Chuo Audit Corporation

Aug. 1980 Registered as a certified public accountant

July 1986 Founded Kubokawa CPA Office,  
(currently Yotsuya Partners Accounting Firm),  
representative partner (to present)

Mar. 1987 Registered as certified tax accountant

Feb. 1989 Audit & Supervisory Board member, SoftBank Corp. Japan  
(currently SoftBank) (to present)

May 2003 Corporate auditor, KASUMI CO., LTD. (to present)

June 2004 Corporate auditor, TAKE AND GIVE. NEEDS Co., Ltd.  
(to present)June 2005 Corporate auditor, KYORITSU PRINTING CO., LTD.  
(to present)

## External Audit &amp; Supervisory Board Member Interview



Audit & Supervisory Board member,  
independent officer

**Hidekazu Kubokawa**

Certified public accountant, certified tax accountant

## Governance Underpins Group Growth Strategies

**Q1** How do you rate corporate governance at SoftBank?

**A1** I think that effective corporate governance at SoftBank is ensured in part by management's characteristic style of active, open discussion, and strong adherence to the corporate philosophy and vision.

There are two sides to corporate governance. One is observing laws and regulations, and the other is maximizing enterprise value by promoting corporate activities based on growth strategies. The essential thing is to create systems and structures that achieve both of these aspects. SoftBank has the governance system that it needs, and I think that it is maintained in excellent working order thanks to three outstanding traits in the Company's management.

The first is that the corporate philosophy and

vision that form the heart of the Company are always steadfast, and senior management always makes them very clear to ensure they are understood by the executives and employees of the Group. I have served as an Audit & Supervisory Board member for SoftBank for over 20 years since 1989, and I remember Mr. Son declaring his long-term vision for the Company to develop the best infrastructure in the global IT industry at a meeting to announce the medium-term business plan in May 1995, at which he described the Company's long-term growth strategy. Given that the Internet had yet to become widespread in those years, it's amazing that he has described the same vision from that time right through to the present. I think this consistent message from top management has ingrained the corporate philosophy and vision in every part of the Group, enabling each organization within it to make the best decisions.

The second key trait in SoftBank's management is that it really does take on new challenges and

evolve. SoftBank's journey has been one of constant and ambitious growth—we started out in software distribution, and from there we progressed through Internet, broadband, and now we work with mobile communications. We have had both successes and failures along the way as we've taken on these challenges, but the experiences have taught us to build systems, either to continue with a success, or to avoid repeating a failure. Sharing these systems has continued to drive the evolution of our management.

The third is a corporate culture of active, open discussion. SoftBank has had an image of being a company that just does whatever Mr. Son decides, but the reality is very different. In fact, Mr. Son has always emphasized the importance of discussion, and he listens very attentively to the opinions of everyone who attends at a meeting. In the Board of Directors meetings, management decisions are taken only after the directors have thoroughly discussed the issue at hand. Another important

External Audit & Supervisory  
Board Member Interview

element that helps to deepen our discussions is that we always have a wealth of data and other related information prepared, and make good use of it. And the directors all speak actively and directly from the wealth of knowledge and experience they have accumulated through their various careers. What's more, their discussion isn't just limited to issues for decision and reporting matters—a good deal of time is spent in discussion about medium- and long-term strategies and prospects too. During fiscal 2012 SoftBank conducted major M&As with the eAccess and Sprint deals. It was because management had already been discussing overseas expansion and the medium- to long-term strategy for the mobile business for some time beforehand that they were able to make decisions on these deals so swiftly.

**Q2** **SoftBank always sets ambitious management targets. Do you worry that this might lead to misconduct?**

**A2** **Precisely because we have this corporate culture of ambitiously pursuing growth, management is always careful to ensure that we don't trip up on important fundamentals like legal compliance and so forth.**

As a corporation, SoftBank has an outstanding vision and business strategy, and is aggressively pursuing revenue growth. Recently we have

outperformed our competitors in achieving high profit margins, but management has long been focused on profit as the essential yardstick for our performance. This has seen us introduce daily account settlements, separate profit management for each team, and other in-house measures. The management trait I mentioned earlier, about a business always needing to evolve, is something that Mr. Son is always reminding us. To reach these challenging targets we make continuous, daily improvements to generate profits. But at the same time, precisely because we have this corporate culture of ambitiously pursuing growth, management is always careful to ensure that we don't trip up on important fundamentals like legal compliance and so forth. Mr. Son, in particular, leads by example here. While he insists that targets must be achieved, he certainly doesn't accept that "any means will do." He always searches for the best way within the framework of the law and other rules. Not only that, but he always makes time in his busy schedule to exchange opinions with myself and the other Audit & Supervisory Board members on a regular basis. I feel that he has a very enlightened view of governance.

The Audit & Supervisory Board members have an important role in making sure that governance functions effectively. The three external Audit & Supervisory Board members all bring a wealth of experience to their roles, as CPAs, tax accountants, and as a lawyer. We work closely with the full-time

Audit & Supervisory Board member using our various expert knowledge and experience to conduct audits from an independent standpoint. Corporate M&A strategies and financial activities continue to grow more complex in structure day by day, and I think SoftBank is right at the forefront of this trend. To ensure proper audits from an independent perspective, it is essential to have Audit & Supervisory Board members who can understand these deals correctly. In this respect, I'd say our current system is functioning extremely well.

**Q3** **What challenges in corporate governance will SoftBank face going forward?**

**A3** **Our main challenges are to further strengthen governance for the entire Group, and to raise our self-awareness as a telecommunications operator even higher.**

To ensure that the SoftBank Group continues to grow, it's important to establish corporate governance not only at SoftBank Corp. but throughout the entire Group. Specifically, for example, we have an Audit & Supervisory Board for the Group made up of the Audit & Supervisory Board members from the core Group companies. This body meets several times each year and receives regular reports from the independent auditor and the full-time Audit & Supervisory Board members of each Group company. Currently, the SoftBank

Group has 150 consolidated subsidiaries, which is no small number. "Group companies" for SoftBank includes a wide range from major telecommunications infrastructure companies to brand new venture startups. Part of our role is to propose appropriate organizations to suit each company's scale and growth stage, appointment of directors and external directors, and voluntary accounting audits. Again, for companies that have been newly brought into the Group through M&As and other methods, we need to make sure that their governance is functioning in line with that of the SoftBank Group. An important challenge here will be to establish governance in our Group companies in Japan and overseas and conduct thorough checks on their management practices.

Finally, our experience in the Great East Japan Earthquake underscored the extremely important responsibility that we telecommunications operators have as providers of a lifeline to the public. SoftBank today has a number of telecommunications companies under its umbrella, and their respective customer bases continue to grow. We need to raise their awareness of their responsibilities as telecommunications operators even further, and encourage them to take steps to merit customers' trust—things like improving the quality of their communications networks and developing internal systems to deal with emergency situations. As an Audit & Supervisory Board member, I plan to check up on these matters going forward.

## Corporate Governance

A report (Japanese only) on corporate governance based on the Company's Corporate Governance Report was submitted to the Tokyo Stock Exchange on June 21, 2013.

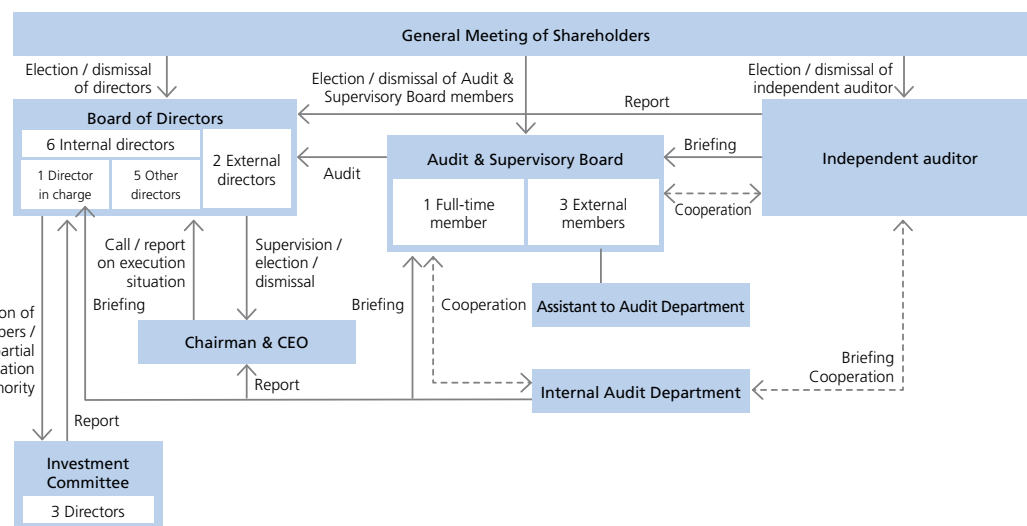
The following is an overview of corporate governance at SoftBank Corp.

### I. Basic Approach to Corporate Governance and Other Basic Information

#### 1. Basic approach

The SoftBank Group is guided by a fundamental concept of "free, fair, innovative," and a corporate philosophy of "Information Revolution – Happiness for everyone." The Group aims to be a provider of essential technologies and services to people around the world through its endeavors in various businesses in the information industry.

#### Chart of Corporate Governance System



The Group's holding company, the Company, recognizes that it is vital to maintain effective corporate governance in order to realize this vision. In working to strengthen governance within the Group, the Company has formulated the SoftBank Group Charter, which sets out the Group's fundamental concept and corporate philosophy, fundamental management policy and other items, and has established guidelines for public relations, investor relations, information security measures and other matters.

The Company's corporate governance system centers on the Board of Directors meeting, Audit & Supervisory Board members, and the Audit & Supervisory Board meeting. Two of the eight directors are external directors to ensure a robust mutual monitoring between the directors. Likewise, three of the four Audit & Supervisory Board members are external Audit & Supervisory Board members, to ensure independent auditing functions, thereby strengthening the monitoring of management.

#### 2. Other special circumstances that may critically affect corporate governance

As of March 31, 2013, the Company has six subsidiaries with their common stock listed on securities exchanges in Japan as shown below. The Company respects the independence of management of these listed companies, which, while adhering to the aforementioned SoftBank Group Charter, conduct their operations based on independent decision-making and management judgments.

- (a) Yahoo Japan Corporation  
Listed stock exchanges: First Section of the Tokyo Stock Exchange and JASDAQ Standard; voting rights: 42.5%
- (b) SoftBank Technology Corp.  
Listed stock exchanges: First Section of the Tokyo Stock Exchange; voting rights: 55.5%
- (c) Vector Inc.  
Listed stock exchanges: JASDAQ Standard; voting rights: 52.4%
- (d) ITmedia Inc.  
Listed stock exchanges: Tokyo Stock Exchange Mothers; voting rights: 59.7%
- (e) Carview Corporation  
Listed stock exchanges: Tokyo Stock Exchange Mothers; voting rights: 52.2%
- (f) ValueCommerce Co., Ltd.  
Listed stock exchanges: First Section of the Tokyo Stock Exchange; voting rights: 50.7%

\* Shares of voting rights held are as of March 31, 2013.



## II. Overview of Business Management Organizations Related to Management Decision-making, Business Execution and Management Supervision, and Other Corporate Governance Systems

### 1. Items related to organizational structure/operations, etc.

Form of Organization	Company with Audit & Supervisory Board members
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#### [Directors]

Number of Directors Stipulated in the Articles of Incorporation	15
Term of Office of Directors Stipulated in the Articles of Incorporation	2 years
Chairman of the Board of Directors	CEO
Number of Directors	8
Election of External Directors	Elected
Number of External Directors	2
Number of External Directors Designated as Independent Officers	2

### Relationship with the Company (1)

Name	Affiliation	Relationship with the Company*								
		a	b	c	d	e	f	g	h	i
Tadashi Yanai	From another company					○				○
Mark Schwartz	From another company				○	○				○

\* Selection criteria regarding the relationship with the Company

- Originally from the parent company
- Originally from another affiliated company
- Major shareholder of the Company
- Concurrently serves as an external director or external Audit & Supervisory Board member of another company.
- Serves as an executive officer (director) or operating officer (non-director) at another company.
- Spouse, relative within the third degree of kinship, or equivalent person of executive officer or operating officer of the Company or specified affiliates
- Receiving remuneration, etc., or other financial benefits as a director of the parent company of the Company or a subsidiary of the parent company.
- Limited liability agreement concluded between this individual and the Company.
- Others

### Relationship with the Company (2)

Name	Independent Officer	Supplementary Information Related to the Criteria	Reason for Election as External Director (for Independent Officers, Including the Reason for Appointment as Such)
Tadashi Yanai	○	Chairman, president & CEO, FAST RETAILING CO., LTD.	<p>&lt;Reason for Election as External Director&gt; As the manager of one of the world's leading speciality share retailers of private label apparel (SPA), Mr. Yanai has a wealth of knowledge and experience relating to corporate management and business strategy. He was elected as an external director to the Company in June 2001 to leverage his knowledge and experience in offering advice and recommendations in the Company's business judgments and decision-making processes.</p> <p>&lt;Reason for Designation as an Independent Officer&gt; Mr. Yanai is deemed to be adequately independent since none of the items listed in Clause III 5-3-2 in the Guideline for Listing Controls issued by the Tokyo Stock Exchange applies to him. The Company judged that there is no potential conflict of interest between Mr. Yanai and ordinary shareholders, and designated him as an independent officer in March 2010.</p>
Mark Schwartz	○	Vice chairman, Goldman Sachs Group, Inc. Chairman, Goldman Sachs Asia Pacific	<p>&lt;Reason for Election as External Director&gt; Mr. Schwartz has served in senior positions at global investment banking services provider Goldman, Sachs &amp; Co. and related companies and has extensive knowledge and experience in the financial sector. He was elected as an external director in June 2006 to leverage his knowledge and experience in offering advice and recommendations in the Company's business judgments and decision-making processes. He also served as an external director to the Company prior to his current appointment, from June 2001 through June 2004.</p> <p>&lt;Reason for Designation as an Independent Officer&gt; Mr. Schwartz is deemed to be adequately independent since none of the items listed in Clause III 5-3-2 in the Guideline for Listing Controls issued by the Tokyo Stock Exchange applies to him. The Company judged that there is no potential conflict of interest between Mr. Schwartz and ordinary shareholders, and designated him as an independent officer in March 2010.</p>

Management  
Organization

## Corporate Governance

**[Audit & Supervisory Board members]**

Establishment of an Audit & Supervisory Board	Established
Number of Audit & Supervisory Board Members Stipulated in the Articles of Incorporation	4
Number of Audit & Supervisory Board Members	4

**Cooperation among Audit & Supervisory Board Members, Independent Auditor and Internal Audit Department****<Cooperation between Audit & Supervisory Board Members and the Independent Auditor>**

The Audit & Supervisory Board members receive regular briefings from the independent auditor (Deloitte Touche Tohmatsu LLC) on the audit plan, main items to be audited, the audit results and other matters. The Audit & Supervisory Board members and the independent auditor also cooperate as necessary, by exchanging information, opinions and so on.

**<Cooperation between the Audit & Supervisory Board Members and the Internal Audit Department>**

The Audit & Supervisory Board members receive briefings from the Internal Audit Department, which is responsible for the Company's internal audits. The briefings include the audit plan and the results of internal audits performed on each department of the Company and its major subsidiaries. The Audit & Supervisory Board members and the Internal Audit Department also cooperate as necessary, by exchanging information, opinions and so on.

**<Cooperation between the Independent Auditor and the Internal Audit Department>**

The independent auditor receives briefings from the Internal Audit Department on the audit plan, and, when necessary, on the results of internal audits and other matters. The Internal Audit Department receives regular briefings from the independent auditor regarding audit results and other matters. Moreover, both entities cooperate with each other as necessary, by exchanging information, opinions and so on.

Election of External Audit & Supervisory Board Members	Elected
Number of External Audit & Supervisory Board Members	3
Number of External Audit & Supervisory Board Members Designated as Independent Officers	2

**Relationship with the Company (1)**

Name	Affiliation	Relationship with the Company*									
		a	b	c	d	e	f	g	h	i	
Soichiro Uno	Lawyer										○
Koichi Shibayama	Certified public accountant Certified tax accountant										○
Hidekazu Kubokawa	Certified public accountant Certified tax accountant				○						○

\* Selection criteria regarding the relationship with the Company

- Originally from the parent company
- Originally from another affiliated company
- Major shareholder of the Company
- Concurrently serves as an external director or external Audit & Supervisory Board member at another company.
- Serves as an executive officer (director) or operating officer (non-director) at another company.
- Spouse, relative within the third degree of kinship, or equivalent person of executive officer or operating officer of the Company or specified affiliates
- Receiving remuneration, etc., or other financial benefits as a director of the parent company of the Company or a subsidiary of the parent company.
- Limited liability agreement concluded between this individual and the Company.
- Others

**Relationship with the Company (2)**

Name	Independent Officer	Supplementary Information Related to the Criteria	Reason for Election as External Audit & Supervisory Board Member (for Independent Officers, Including the Reason for Designation as Such)
Soichiro Uno		Partner, Nagashima Ohno & Tsunematsu	<p>&lt;Reason for Election as External Audit &amp; Supervisory Board Member&gt; Mr. Uno has extensive knowledge and experience as a lawyer. He was elected as an external Audit &amp; Supervisory Board member in June 2004 to leverage his knowledge and experience to perform audits from a specialist perspective and to ensure a more independent perspective in the audits.</p> <p>&lt;Reason for Non-designation as an Independent Officer&gt; Although Mr. Uno is deemed to be adequately independent since none of the items listed in Clause III 5-3-2 in the Guideline for Listing Controls issued by the Tokyo Stock Exchange applies to him currently, the Company did not designate him as an independent officer because a subsidiary of the Company uses the services of Nagashima Ohno &amp; Tsunematsu, and the amounts of remuneration for these services to be paid in the future are not yet decided. Moreover, the Company may also use the services of Nagashima Ohno &amp; Tsunematsu in the future.</p>

## Corporate Governance

Name	Independent Officer	Supplementary Information Related to the Criteria	Reason for Election as External Audit & Supervisory Board Member (for Independent Officers, Including the Reason for Designation as Such)
Koichi Shibayama	○	Advisor, Zeirishi-Hojin PricewaterhouseCoopers	<p>&lt;Reason for Election as External Audit &amp; Supervisory Board Member&gt; Mr. Shibayama has extensive knowledge and experience as a certified public accountant and certified tax accountant. He was elected as an external Audit &amp; Supervisory Board member in June 2003 to leverage his knowledge and experience to perform audits from a specialist perspective and to ensure a more independent perspective in the audits.</p> <p>&lt;Reason for Designation as an Independent Officer&gt; Mr. Shibayama is deemed to be adequately independent since none of the items listed in Clause III 5-3-2 in the Guideline for Listing Controls issued by the Tokyo Stock Exchange applies to him. The Company judged that there is no potential conflict of interest between Mr. Shibayama and ordinary shareholders, and designated him as an independent officer in March 2010.</p>
Hidekazu Kubokawa	○	Representative partner, Yotsuya Partners Accounting Firm	<p>&lt;Reason for Election as an External Audit &amp; Supervisory Board Member&gt; Mr. Kubokawa has extensive knowledge and experience as a certified public accountant and certified tax accountant. He was elected as an external Audit &amp; Supervisory Board member in February 1989 to leverage his knowledge and experience to perform audits from a specialist perspective and to ensure a more independent perspective in the audits.</p> <p>&lt;Reason for Designation as an Independent Officer&gt; Mr. Kubokawa is deemed to be adequately independent since none of the items listed in Clause III 5-3-2 in the Guideline for Listing Controls issued by the Tokyo Stock Exchange applies to him. The Company judged that there is no potential conflict of interest between Mr. Kubokawa and ordinary shareholders, and designated him as an independent officer in March 2010.</p>

**[Independent officers]**

Number of Independent Officers	4
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**[Incentives]**

Implementation of Measures for Granting of Incentives to Directors	Stock options implemented
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**Supplementary information**

The Company issues stock acquisition rights with charge to directors, corporate officers, and employees of the Company and subsidiaries of the Company, in order to encourage their motivation on enhancing the enterprise value of the Company. The stock acquisition rights are exercisable only if the Company's consolidated operating income for the fiscal year ending March 31, 2016 exceeds ¥1.2 trillion.

The due date of payment in exchange for the stock acquisition rights and the allotment date of the stock acquisition rights are scheduled to be June 26, 2013, and July 31, 2013 respectively.

Recipients of Stock Acquisition Rights	Directors, corporate officers, and employees of the Company and subsidiaries of the Company
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**[Remuneration for directors]**

Disclosure of Remuneration for Individual Directors	Remuneration for some of the directors is disclosed
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**Supplementary information**

The Company has disclosed the total amount of remuneration for directors and Audit & Supervisory Board members in the fiscal year ended March 31, 2013, adding subtotals for external officers and for each type of remuneration. The Company has also disclosed the total amount of remuneration for the fiscal year ended March 31, 2013 by person, with subtotals for each type of remuneration, for directors whose total of remuneration paid by the Company and its consolidated subsidiaries is ¥100 million or more.

### <Total Remuneration for Directors and Audit & Supervisory Board Members with Subtotals for External Officers and Each Type of Remuneration for the Fiscal Year Ended March 31, 2013>

	Number of Recipients	Total Remuneration Paid	Basic Remuneration	Stock Options	Bonus	Retirement Package
Directors (Excluding external directors)	3	¥262 million	¥226 million	–	¥36 million	–
Audit & Supervisory Board Members (Excluding external Audit & Supervisory Board members)	1	¥ 42 million	¥ 42 million	–	–	–
External Officers	6	¥ 59 million	¥ 59 million	–	–	–

(Note 1) In the fiscal year ended March 31, 2013, the Company paid no remuneration to two out of the eight directors: Ken Miyauchi and Ronald D. Fisher.

(Note 2) The number of external officers includes one director who retired at the conclusion of the 33<sup>rd</sup> Annual General Meeting of Shareholders held on June 21, 2013.

### <Total Remuneration Paid to Respective Directors by the Company and its Consolidated Subsidiaries for the Fiscal Year Ended March 31, 2013>

	Total Remuneration Paid	Company Name	Basic Remuneration	Stock Options	Bonus	Retirement Package
Masayoshi Son (Director)	¥126 million	SoftBank Corp.	¥108 million	–	¥18 million	–
Ken Miyauchi (Director)	¥126 million	SoftBank Mobile Corp.	¥ 43 million	–	¥ 7 million	–
		SoftBank BB Corp.	¥ 21 million	–	¥ 3 million	–
		SoftBank Telecom Corp.	¥ 43 million	–	¥ 7 million	–
Kazuhiko Kasai (Director)	¥126 million	SoftBank Corp.	¥108 million	–	¥18 million	–
Ronald D. Fisher (Director)	¥169 million	SoftBank Inc.	¥104 million	–	¥65 million	–

(Note) Only directors whose total remuneration paid by the Company and consolidated subsidiaries is ¥100 million or more are listed.

Establishment of Policy for Determining Amount or Calculation Method of Remuneration	Established
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### Disclosure of policy for determining amount and calculation method of remuneration

The total amount of remuneration for directors and Audit & Supervisory Board members is determined within the aggregate amount determined by a resolution of the General Meeting of Shareholders. The total amount of remuneration for directors is determined by a resolution of the Board of Directors meeting and that of Audit & Supervisory Board members is determined by deliberation of the Audit & Supervisory Board meeting. Pursuant to the resolution of the General Meeting of Shareholders on June 28, 1990, the annual aggregate remuneration paid to directors and to Audit & Supervisory Board members shall not exceed ¥800 million (total) and ¥80 million (total), respectively.

### [Support system for external directors and external Audit & Supervisory Board members]

The Company seeks to ensure that all officers including the external directors and external Audit & Supervisory Board members can participate fully in the Board of Directors meetings having fully grasped the specific details of the agenda for discussion. The secretariat to the Board of Directors therefore provides them with materials for the Board of Directors meeting beforehand, including supplemental briefings and other information as required.

The Company has also established the Assistant to Audit Department to support the work of all the Audit & Supervisory Board members, including the external Audit & Supervisory Board members. The department comprises dedicated staff (two persons as of June 21, 2013) who act under the directions of the Audit & Supervisory Board members to gather information, investigate matters, and give other assistance.

## 2. Matters related to the functions of business execution, audit and supervision, nomination, decision on remuneration, etc. (overview of the current corporate governance system)

### [1] Governance system at the Company

#### (1) Board of Directors

The Company's Board of Directors consists of eight directors, including two external directors. The chairman and CEO of the Company serves as the chairman of the board. The Company ensures adequate independence of the two external directors, who bring a wealth of knowledge and experience to the board as business managers and specialists in finance. Both external directors participate actively in the discussions of the Board of Directors and the Company makes management judgments and decisions based on these discussions.

Agenda matters for discussion in the Board of Directors meetings are set forth in the Board of Directors Regulations. The board discusses the following at regular Board of Directors meetings and at extraordinary meetings that are convened when necessary.

- (i) Statutory matters
- (ii) Critical matters relating to business management such as (a) fundamental management policy, business plans, and (b) matters such as investments and loans exceeding a certain amount
- (iii) Certain matters relating to subsidiaries (excluding listed subsidiaries and their subsidiaries), such as investments or borrowings exceeding a certain amount.
- (iv) Other matters

The Board of Directors also supervises the execution of duties by directors. Authority to decide matters other than these agenda matters discussed by the Board of Directors is delegated to committees, directors, and department managers to enable speed and flexibility in corporate activities.

To elect directors, the Board of Directors selects candidates in accordance with the Company's Articles of Incorporation and the Board of Directors Regulations and these candidates are proposed at the General Meeting of Shareholders.

#### <External Directors' Attendance at the Board of Directors Meetings>

Attendance at the Board of Directors meetings for the fiscal year ended March 31, 2013 was as follows. Moreover, Mr. Sunil Bharti Mittal retired as a director of the Company at the conclusion of the General Meeting of Shareholders held on June 21, 2013.

##### Attendance at the Board of Directors Meetings

Tadashi Yanai	Attended all 9 Board of Directors meetings held in the fiscal year ended March 31, 2013
Mark Schwartz	Attended 7 out of 9 Board of Directors meetings held in the fiscal year ended March 31, 2013
Sunil Bharti Mittal	Attended 2 out of 9 Board of Directors meetings held in the fiscal year ended March 31, 2013

(Note) Excluding the number of the meetings held in writing without meeting.

#### (2) Investment Committee

The Investment Committee has been authorized by the Board of Directors to make decisions on investments, financing, and related matters. It is made up of three directors elected by the Board of Directors.

The agenda matters for discussion by the Investment Committee are set forth in the Regulations of the Investment Committee. The committee makes decisions on the following matters:

- (i) Matters such as investments, loans and borrowings under a certain amount
- (ii) Certain matters relating to subsidiaries (excluding listed subsidiaries and their subsidiaries), such as
  - (a) investments, loans, and borrowings under a certain amount, (b) issue and gratis issue of new stock or stock acquisition rights (except matters such as the issue of new stocks that will not alter the shareholding ratio), (c) issue of corporate bonds, (d) overseas business expansion, and (e) entry into new business fields

- (iii) Other matters

The committee requires unanimous agreement from all members to make a decision. If one or more members is against a proposal, it is brought to the Board of Directors. All decision results of the committee are reported to the Board of Directors.

#### (3) Audit & Supervisory Board members and Audit & Supervisory Board

The Audit & Supervisory Board consists of one full-time Audit & Supervisory Board member and three external Audit & Supervisory Board members. The full-time Audit & Supervisory Board member was formerly the accounting general manager of the Finance & Accounting Department of the Company, and therefore has a deep understanding of the Group's management and operations, in addition to expertise in financial accounting as a certified public accountant. The Company ensures adequate independence of the three external Audit & Supervisory Board members, who possess a wealth of knowledge and experience in their professional roles as a lawyer, certified public accountants, and certified tax accountants.

The Audit & Supervisory Board members, including the external Audit & Supervisory Board members, attend the Board of Directors meetings, allowing them to monitor and verify the decision-making of the board and fulfillment of the board's obligation to supervise the execution of duties by each director. Moreover, the Audit & Supervisory Board members conduct regular hearings with directors, employees, Audit & Supervisory Board members of major subsidiaries and others to audit the execution of duties by the directors of the Company.

The Audit & Supervisory Board meeting is held once a month in principle. At the meeting, the Audit & Supervisory Board members decide on the audit policy, plan, and other matters, receive quarterly briefings and reports relating to the earnings results from the independent auditor, and exchange information and opinions with the independent auditor as necessary. The Audit & Supervisory Board members also receive briefings on individual matters from directors as necessary.

The Company established the Assistant to Audit Department to support the work of all the Audit & Supervisory Board members. The department comprises dedicated staff who act under the directions of the Audit & Supervisory Board members to gather information, investigate matters, and give other assistance.

**<Attendance of the External Audit & Supervisory Board Members>**

Attendance at the Board of Directors meetings and the Audit & Supervisory Board meetings for the fiscal year ended March 31, 2013 was as follows:

Attendance at the Board of Directors Meetings and the Audit & Supervisory Board Meetings	
Soichiro Uno	Attended 7 out of 9 Board of Directors meetings held in the fiscal year ended March 31, 2013 Attended 11 out of 13 Audit & Supervisory Board meetings held in the fiscal year ended March 31, 2013
Koichi Shibayama	Attended all 9 Board of Directors meetings held in the fiscal year ended March 31, 2013 Attended 12 out of 13 Audit & Supervisory Board meetings held in the fiscal year ended March 31, 2013
Hidekazu Kubokawa	Attended all 9 Board of Directors meetings held in the fiscal year ended March 31, 2013 Attended all 13 Audit & Supervisory Board meetings held in the fiscal year ended March 31, 2013

(Note) Excluding the number of the meetings held in writing without meeting.

**(4) Internal audits**

The Internal Audit Department responsible for internal audits is independent of the lines of business execution under the direct supervision of the chairman and CEO. The department consists of nine staff under the department head (as of June 21, 2013). The department conducts internal audits of the Company's internal departments and subsidiaries to check that duties are carried out legally and correctly based on laws, regulations, the Articles of Incorporation, and Company Regulations. The results of these internal audits are reported to the chairman and CEO, and briefings are also given to the director in charge and the Audit & Supervisory Board members.

**[2] Audit by independent auditor**

The status of the audit by the independent auditor in the fiscal year ended March 31, 2013 is as follows:

**(1) Status of audit by independent auditor**

The Company has concluded an independent audit agreement with Deloitte Touche Tohmatsu based on the Financial Instruments and Exchange Act. The names of the certified public accountants who executed the audit duties in the fiscal year ended March 31, 2013, number of accounting periods they engaged in for auditing and number of assistants for the audit duties for the fiscal year are as follows:

(a) Names of certified public accountants who executed the audit duties

Designated Limited Liability Partner and Engagement Partner:

Yoshitaka Asaeda (7 accounting periods)

Akemi Mochizuki (3 accounting periods)

Nozomu Kunimoto (7 accounting periods)

Satoshi Takeuchi (1 accounting period)

(b) Structure of assistants who supported the audit duties

Certified Public Accountants: 7, Junior Certified Public Accountants, etc.: 14

**(2) Remuneration for audit**

Amount of remuneration to Deloitte Touche Tohmatsu

(a) Remuneration for audit certification

The Company ¥353 million

Consolidated subsidiaries: ¥672 million

(b) Remuneration for duties other than the above

The Company: ¥148 million

Consolidated subsidiaries: ¥ 14 million

**3. Reason for adopting the current corporate governance system**

The Company has adopted the Company with Audit & Supervisory Board system. As explained in "2. Overview of the Current Corporate Governance System," the Company's corporate governance system is built around the Board of Directors, the Audit & Supervisory Board members, and the Audit & Supervisory Board.

The directors always carry out lively discussions at the Board of Directors meetings. Moreover, since two of the eight directors are external directors, management benefits from diverse perspectives, and the function for mutual monitoring between directors is enhanced.

The Audit & Supervisory Board members conduct strict audits of directors' execution of duties from their specialist perspectives as certified public accountants and a lawyer. Moreover, since the majority of the Audit & Supervisory Board members are external members, the Company's audit function is enhanced by ensuring more independent perspectives.

The current system has thus been selected because the Company judges that it can ensure effective corporate governance.

### III. Implementation of Measures Related to Shareholders and Other Stakeholders

#### 1. Measures to revitalize the General Meeting of Shareholders and facilitate the exercise of voting rights

	Supplementary Information
Scheduling General Meeting of Shareholders on Off-peak Days	To allow a greater number of the shareholders to attend, the Annual General Meeting of Shareholders is scheduled on off-peak days when meetings of many other companies are not concentrated.
Measures to Allow the Exercising of Voting Rights by Electromagnetic Means	A system for executing voting rights through the Internet has been in place since 2002 (the 22 <sup>nd</sup> Annual General Meeting of Shareholders).
Participation in Electronic Voting Platform for Institutional and Foreign Investors and Other Measures to Enhance Environment for Institutional Investors to Execute Their Voting Rights	The Company has participated in the Electronic Voting Platform for institutional and foreign investors since the start of the service in 2006 (the 26 <sup>th</sup> Annual General Meeting of Shareholders).
Availability of Notice of General Meeting of Shareholders (or Summary) in English	The Company prepares an English translation of the full text of its Notice of Annual General Meeting of Shareholders. The notice is available on the web sites of the Company and the Tokyo Stock Exchange from the day on which they are sent out by post.
Others	<p>&lt;Initiatives to Promote Understanding&gt; At the Annual General Meeting of Shareholders, the Company uses video footage to report on its operations to help shareholders to better understand the results of operations and the status of its businesses. Moreover, the chairman and CEO, who chairs the meeting, explains the Group's corporate philosophy and vision, as well as its medium- and long-term business strategy in addition to reporting on legally mandated items. Moreover, in 2012 (the year of the 32<sup>nd</sup> Annual General Meeting of Shareholders), the Company renewed its Notice of the General Meeting of Shareholders. The new notice is combined with the "Report to shareholders (spring/summer issue)" that used to be sent out after the meeting in previous years, in order to provide shareholders with a greater volume of information to use in exercising their voting rights. Other improvements to the notice in 2012 included charts and color photographs, and use of a larger font size to facilitate easy reading.</p> <p>&lt;Disclosure of Voting Results&gt; The voting results for proposals at the General Meeting of Shareholders are posted in an Extraordinary Report on EDINET, as well as being posted in both Japanese and English on the Company's web site.</p> <p>&lt;Dissemination via the Internet&gt; The Annual General Meeting of Shareholders is streamed in real time on the Company's web site and on <i>Ustream</i>. After the meeting, the Company publishes a video of the meeting on its web site.</p>

#### 2. IR activities

	Supplementary Information	Explanation by Representative
Development and Publication of Disclosure Policy	The Company's policy for IR activities can be viewed on the Company's web site. The web page titled "IR Activities" shows the basic policy for disclosure, disclosure standards, and methods. The page also lists measures to improve communications and the quiet periods for IR activities. For the details please refer to the Company's web site:	
Regular Briefings for Individual Investors	The Company is vigorously working on IR activities targeting individual investors. Investor Relations Department staffs hold briefing sessions at branches of securities companies and other venues in Japan. In the fiscal year ended March 31, 2013, 19 sessions were held in total.	None
Regular Briefings for Analysts and Institutional Investors	<p>&lt;Earnings Results Briefings&gt; On the days when quarterly earnings results are announced, the Company holds earnings results briefings for analysts, institutional investors, and the media. The chairman and CEO delivers an overview of the earnings results and explains the Company's business strategy.</p> <p>&lt;Business Briefings&gt; To help investors to better understand the Group's businesses, the Company holds business briefings at its discretion.</p>	Yes
Regular Briefings for Foreign Investors	<p>&lt;Overseas IR Activities&gt; The Company's representatives visit institutional investors in Europe, the U.S., and Asia to explain its business and financial strategies. They also participate in conferences held by securities companies overseas to give presentations about the Company's business strategies.</p> <p>&lt;Earnings Results Conference Calls&gt; On the days when quarterly earnings results are announced, the Company conducts a conference call for institutional investors overseas. The chairman and CEO delivers an overview of the earnings results and explains the Company's business strategy.</p> <p>&lt;Other&gt; The Company's web site provides streaming of earnings results briefings dubbed in English in real time. Videos of the earnings results briefings are made available to the public after the briefings are finished.</p>	Yes

## Corporate Governance

	Supplementary Information	Explanation by Representative
Posting of IR Materials on Web Site	The following IR materials are posted on the Company's web site. Items (a) through (g) are available in both Japanese and English. (a) Consolidated financial reports (b) Earnings results briefing presentation materials (c) Data sheets for earnings results (d) Important news releases including timely disclosures (e) Corporate governance reports (f) Annual reports (g) Notices of the Annual General Meeting of Shareholders (h) Securities reports and quarterly reports (i) Reports to shareholders Please see the Company's web site for these materials.	—
Establishment of Department Dedicated to IR Activities	The Company has established an Investor Relations Department to handle IR and has appointed the general manager of the department as a person in charge of the handling of information. As of June 21, 2013, 15 people in the department were engaged in IR activities.	—
Others	Earnings results briefings are streamed live through <i>Ustream</i> as well as on the Company's web site, and the content of presentation is posted on <i>Twitter</i> sequentially.	—

## 3. Measures for respecting stakeholders' interests

	Supplementary Information
Establishment of Internal Regulations, etc. for Respecting Stakeholders' Interests	The Company aims to grow together with customers, shareholders, employees, business partners, society, and all other stakeholders by actively contributing to society through its businesses. This is stipulated in the SoftBank Group CSR Principles. The principles can be viewed in detail on the Company's web site:
Environmental Conservation, Corporate Social Responsibility (CSR), and Other Activities	Under the SoftBank Group CSR Principles, each Group company is engaged in CSR activities that leverage the nature and scope of their respective businesses. Details of specific CSR activities can be viewed on the Company's web site:
Development of Policies, etc. for Providing Information to Stakeholders	The Company strives to ensure timely and appropriate disclosure of information according to the statutory disclosure requirements based on the Financial Instruments and Exchange Act and other relevant acts and ordinances, and as required by the Rules on Timely Disclosure and so forth set by the Tokyo Stock Exchange. The Company also discloses critical information that is not subject to either statutory disclosure or timely disclosure requirements but could potentially affect investment decisions. This information is disclosed in a fair and prompt manner so as to give all the stakeholders equal access to it. The Company also works to promote information disclosure to stakeholders through its annual reports, web site, reports to shareholders, and other means. Most of these materials, with a few exceptions, are made available both in Japanese and English to narrow the information gap between disclosure in Japanese and English.



## IV. Matters Related to the Internal Control System

### 1. Basic approach and development and operation status related to the internal control system

The content of the basic policy of the Company that was formulated according to the resolution by the Board of Directors of the Company to ensure the appropriateness of the Company's business is explained below.

#### System to ensure that the execution of the duties of directors and employees is in compliance with laws, regulations, and the Articles of Incorporation of the Company

The Company has established the SoftBank Group Officer and Employee Code of Conduct to prescribe the code of conduct to be followed by all directors and employees to ensure that corporate activities are appropriate based not only on regulatory compliance, but also on high ethical standards, and has established the following structure to continuously reinforce the compliance system:

- (1) A chief compliance officer (CCO) is appointed. In addition to proposing and carrying out measures required to establish and enhance the Company's compliance system, the CCO regularly reports to the Board of Directors on compliance-related issues and the status of addressing those issues.
- (2) Internal and external hotlines are established for direct reporting and consultations by directors and employees, to quickly identify, rectify, and prevent the reoccurrence of any inappropriate issues in corporate activities.
- (3) The Internal Audit Department carries out audits to ensure that execution of duties complies with laws, regulations, and the Articles of Incorporation and such, and the results of those audits are reported to the chairman and director in charge. The Internal Audit Department also works in cooperation with the Audit & Supervisory Board members by providing them with the results of those audits.

#### System for the storage and management of information regarding the execution of duties by directors

The Company has established the following system to appropriately store and maintain documents and other important information related to the execution of duties by directors including minutes and proposals of the Board of Directors meetings and requests for internal approval:

- (1) The Company determines retention periods, methods and measures to prevent accidents, based on the Information Management Regulations, and classifies and appropriately stores these documents according to their degree of confidentiality.

- (2) In addition to the appointment of a chief information security officer (CISO) as the person responsible for information security, based on the Information Security Basic Regulations, an Information Security Committee, chaired by the CISO, has been established to promote activities related to information security.

#### Regulations and system relating to managing the risk of loss

The Company has established the following system to avoid and minimize risk and to implement necessary measures related to the variety of risks in its business operations:

- (1) Responsible departments are designated to address various risks, manage risks in each responsible department and work to reduce risks and prevent the occurrence of risk events based on the Risk Management Regulations. In addition, when an emergency situation arises, an Emergency Response Department will be established according to the designated escalation flow, and efforts will be made to minimize the damage (loss) based on the instructions of the Emergency Response Department.
- (2) The General Administration Department will summarize the status of risk evaluation, analysis and response at each responsible department, and regularly report its findings to the Board of Directors.
- (3) The Internal Audit Department carries out internal audits of the risk management system.

#### System to ensure the efficiency of directors in the execution of their duties

The Company has established the following structure to maintain an efficient management system:

- (1) The Company has set out the Board of Directors Regulations to clarify matters to be decided and reported on by the Board of Directors, and the Internal Approval Regulations and other regulations relating to institutional decision-making to clarify decision-making authority.
- (2) To strengthen functions for overseeing the execution of duties and enhance objectivity in management, the Board of Directors includes external directors who are independent of the Company.
- (3) To ensure that the directors, including external directors, can discuss matters fully at the Board of Directors meetings, they are provided with materials for the meeting in advance, and with additional or supplementary materials upon their request.
- (4) The Company has set out the Regulations on Segregation and Authority of Duties which clearly define the scope of operations, authority and responsibilities necessary for operations.

**System to ensure appropriateness of the Group operations**

The Company has formulated the SoftBank Group Charter, which spells out regulations on matters related to strengthening the governance system, to promote fundamental concepts and policies shared throughout the Group. In addition, the following have been established to determine a common code of conduct for directors and employees of Group companies:

- (1) A group compliance officer (GCO) has been appointed to promote the establishment and reinforcement of Group-wide compliance systems, as the person ultimately responsible for compliance throughout the Group. A Group Hotline has also been established to receive reports and provide consultation to all directors and employees of Group companies to quickly identify, rectify, and prevent the reoccurrence of any inappropriate issues in corporate activities.
- (2) The representative of each Group company must submit a Representative Oath pertaining to the financial reports submitted to the Company, thereby ensuring the accuracy of the annual securities reports and other reports submitted by the Group.
- (3) The Internal Audit Department comprehensively judges the results of past internal audits, financial position, and other matters, and carries out internal audits of Group companies deemed as having high risk.
- (4) A group chief information security officer (GCISO) has been appointed to promote the establishment and reinforcement of Group-wide information security systems, as the person ultimately responsible for information security throughout the Group.

**System for excluding antisocial forces**

The Company clearly states in the SoftBank Group Officer and Employee Code of Conduct its policy of having absolutely no association with antisocial forces that pose a threat to public order and safety. The General Administration Department is responsible for dealing with inappropriate requests from antisocial forces and will firmly refuse those requests in a resolute manner in cooperation with the police and other external specialist institutions.

**System relating to support staff that assist the Audit & Supervisory Board members, and matters relating to the independence of the relevant employees from the directors**

The Company has established the Assistant to Audit Department as an organization to support the work of the Audit & Supervisory Board members, and has assigned dedicated staff to this department. Directions and instructions to the support staff are issued by the Audit & Supervisory Board members and any personnel changes, evaluations, or other such actions, require the agreement of the Audit & Supervisory Board members.

**System for reporting to the Audit & Supervisory Board members**

Directors and employees of the Company report the following matters to the Audit & Supervisory Board members:

- (1) Important matters related to the management, finances, or business execution of the Company or the Group.
- (2) Matters related to the compliance system or use of the hotlines.
- (3) The development status of internal control systems.
- (4) Matters which could cause significant damage to the Company.
- (5) Matters relating to violations of laws, regulations, or the Articles of Incorporation.
- (6) Results of audits conducted by the Internal Audit Department.
- (7) Other matters that the Audit & Supervisory Board members have decided that need to be reported in order for them to execute their duties.

**Other systems to ensure that the audits by the Audit & Supervisory Board members are conducted effectively**

When the Audit & Supervisory Board members deem it necessary, opportunities shall be provided for them to interview directors or employees. In addition, the Audit & Supervisory Board members periodically meet with the independent auditor, the Audit & Supervisory Board members and other relevant personnel of major subsidiaries for an exchange of information and to ensure cooperation. At the same time, the full-time Audit & Supervisory Board member attends meetings of major committees including the Departmental Liaison Committee, which is made up of department managers of the Company.

**2. Basic approach to excluding antisocial forces and establishment of relevant structures**

The Company's approach to excluding antisocial forces, and its structures for doing so are as described in "1. Basic approach and development and operation status related to the internal control system."

The Company clearly states in the SoftBank Group Officer and Employee Code of Conduct its policy of having absolutely no association with antisocial forces that pose a threat to public order and safety. The General Administration Department is responsible for dealing with inappropriate requests from antisocial forces and will firmly refuse such requests in a resolute manner in cooperation with the police and other external specialist institutions.

## V. Others

### 1. Adoption of takeover defense measures

Adoption of Takeover Defense Measures	None
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#### Supplementary information

The Company has not adopted any takeover defense measures.

### 2. Other matters related to the corporate governance system

#### 1. Information disclosure system

(Basic approach to timely disclosure)

The Company strives to ensure fair and timely information disclosure as set forth in the SoftBank Group CSR Principles.

#### (Internal system for timely disclosure)

The Company has established the SoftBank Group Public Relations and IR Guideline to describe the rules and processes of reporting on and consulting about disclosure. The guideline contains the following content.

The Company has established dedicated Public Relations and Investor Relations departments for handling information disclosure. The system for information disclosure is as follows:

All departments of the Company and each Group company are required to report to and consult with the Public Relations and Investor Relations departments of the Company immediately regarding important matters potentially requiring timely disclosure either (1) before a decision-making body meets to deliberate and decide on execution of duties regarding such a matter, or (2) upon occurrence of such a matter. The Public Relations and Investor Relations departments of the Company judge whether the matter raised requires timely disclosure. If so, the departments promptly disclose the matter after obtaining approval from the director in charge immediately after a matter as in (1) is resolved by the decision-making body or after a matter as in (2) has occurred.

Matters subject to timely disclosure requirements relating to earnings results are compiled into a disclosure document by the Accounting Department and relevant departments based on information collected from the Group companies. The general manager of the Accounting Department is responsible for preparation of the disclosure document related to earnings results. The document is disclosed after obtaining approval from the director in charge.

In addition, when matters occur that may need to be widely disclosed to society via media organizations and other bodies, regardless of requirements for timely disclosure, the director in charge, the Public Relations and Investor Relations departments, and relevant departments if necessary, discuss whether the matter needs to be disclosed or not, and the director in charge decides whether or not to disclose it.

#### 2. System for management and oversight of Group companies, and collection of information (System for management and oversight, and information collection)

Management and oversight of the Group companies by the Company is centered on the Company's Finance Department with the aim of strengthening Group governance and risk management. The Finance Department collects monthly results (flash reports) from affiliates to analyze key changes in operating results and other factors. The department has developed and maintained a company information database as a system to appropriately and constantly collect updated and accurate information about the Group companies.

Furthermore, the Company requires the accounting departments of each subsidiary to submit financial statements every month, in order to accurately monitor Group-wide accounting data. At the same time, the Company performs variance analyses of actual results against budgets. In addition, the Company has its major subsidiaries report the results of their accounting audits in order to improve governance and puts this information to good use in the management of its subsidiaries.

#### (Submission of Representative Oath pertaining to financial reporting)

The Company requires the representatives of each Group company to submit a Representative Oath pertaining to financial reporting every quarter. The Company strives to ensure the accuracy of the annual securities reports and other documents.

## Compliance

The SoftBank Group will implement compliance to meet the expectations and demands of stakeholders and enhance management efficiency.

### 1. Basic Policy

#### Compliance at the SoftBank Group

The SoftBank Group considers it crucial to meet the expectations and demands of all stakeholders in the course of its business operations. The stakeholders include shareholders, customers, business partners, and regional communities. To meet their expectations and demands, the Group strives to create an organization and an environment that enables every officer and employee to act with a strong awareness of compliance. As the Group's officers and employees work in concert to ensure proper compliance throughout the organization, they will tighten risk management and enhance management efficiency, thereby driving further improvement in the Group's enterprise value.

#### Compliance Code

The awareness and conduct of every officer and employee is crucial to implementing compliance. The SoftBank Group has compiled the SoftBank Group Officer and Employee Code of Conduct—a set of rules for conduct that must be observed by all officers and employees. To ensure that everyone follows this Code of Conduct, the SoftBank Group provides all officers and employees with a

Compliance Manual, which provides clear and simple explanations of the Code of Conduct using examples and a Q&A format.

### 2. Compliance Structure

#### An Organizational Structure Centered on a GCO and CCOs

The SoftBank Group appoints a group compliance officer (GCO) who has responsibility for compliance for the entire Group, and each Group company has a chief compliance officer (CCO) who has responsibility for compliance at each company. The GCO establishes and strengthens the compliance system for the entire Group, while providing advice and guidance to the CCOs of various Group companies as necessary. The CCOs formulate and implement policies at each Group company and regularly report on the status of the compliance structure to the GCO.

The GCO and CCOs have discretionary authority to modify or stop actions that constitute actual or suspected compliance breaches, from compliance, corporate social responsibility (CSR) and other perspectives. Rather than adopt a committee system, the SoftBank Group has concentrated all compliance authority and responsibility in the

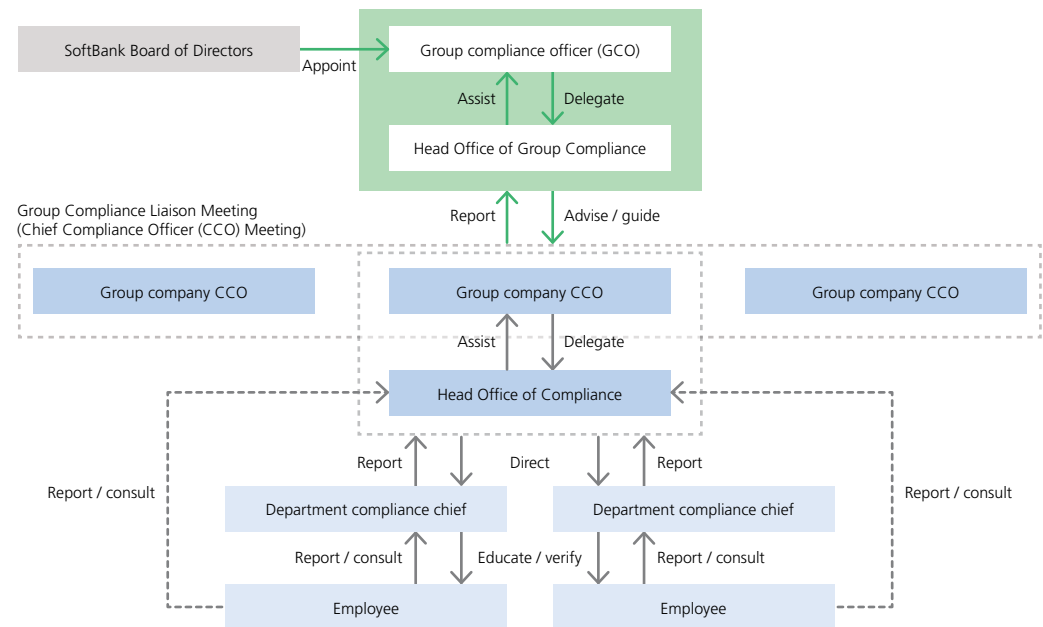
GCO and CCOs for a swifter and more flexible organization.

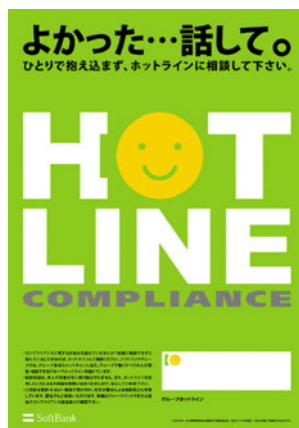
#### Hotlines (Internal Reporting System)

The main Group companies have a hotline in place to receive reports and provide consultations for officers and employees who discover compliance breaches or actions that may breach compliance. In addition to the hotlines at each Group

company, a Group Hotline has been established as a channel for reports and issues arising from all Group officers and employees. This Hotline is intended principally for employees of Group companies that do not have their own individual hotlines and employees who find it difficult to consult someone using the hotlines of their own companies. The Group Hotline has an internal contact point staffed by Internal Compliance Department

#### Group Compliance Structure





A poster advertising the Group Hotline.

### Compliance Training for Officers Using a Group Discussion Session

The SoftBank Group provides compliance training to between 100 and 150 officers of various Group companies every year.

In this training, participants conduct group discussion sessions focused on case studies of past incidents that have occurred in the Group, along with themes believed to pose a potential risk within the Group.

By providing the opportunity for officers to study the risks associated with various laws, as well as specific means of addressing them, the SoftBank Group strives to minimize risk and enhance management efficiency. These laws include the Financial Instruments and Exchange Act, the Labor Law, the Companies Act and the Act on the Prohibition of Private Monopolization and Maintenance of Fair Trade. Additionally, the SoftBank Group's training themes actively incorporate new risks associated with changes in the business environment and labor conditions, while exploring and sharing specific means of addressing them.

### Raising Employee Awareness through Compliance Awareness Month

The SoftBank Group holds a Compliance Awareness Month annually for all Group officers and employees. Throughout the month, seminars, contests, and other events are held. In fiscal

2012, the SoftBank Group conducted intranet-based lectures by posting training content on the intranet, including case studies, video-based training materials that use mini-dramas to simulate real situations, and e-learning. This new intranet format replaced lectures based on a traditional face-to-face format that had been offered until the previous fiscal year. By conducting intranet-based training, which has fewer restrictions in terms of time and place, the SoftBank Group increased penetration of compliance awareness among an even larger number of employees. The intranet-based seminars looked at a new theme every week, explaining possible risks and problems that could occur within the company using specific examples familiar to employees.



A poster advertising Compliance Awareness Month.

The Compliance Slogan Contest is held during Compliance Awareness Month. In this contest, the SoftBank Group calls for the submission of compliance-related slogans by Group officers and employees, in an effort to encourage their proactive participation in compliance activities. Outstanding slogans are used to create a calendar that is put up within various Group companies. In these and other ways, the SoftBank Group works to put an environment in place that fosters compliance awareness among employees on a day-to-day basis.

### 4. Key Challenges Ahead

The SoftBank Group sees strengthening the compliance system at Group companies as a key challenge going forward. At Group companies with small organizations that do not have dedicated compliance staff, the Group is promoting creation of a checklist for CCOs that will make it easier for them to strengthen the compliance systems.

The Group will continue to enhance Group-wide compliance awareness, including advancing risk management with respect to overseas laws and regulations in anticipation of the Group's aggressive global business expansion.

personnel and an external contact point staffed by external lawyers. By establishing multiple contact points throughout the Group, the SoftBank Group endeavors to identify risks at an early stage and prevent them from materializing.

### 3. Measures to Enhance Awareness

There are a variety of compliance risks on the frontlines of business. The SoftBank Group conducts practical training and awareness-raising activities for various officer and employee levels, to ensure that these personnel can make decisions and act properly, as well as carry out their duties efficiently. The goal is to build a strong organization where each and every member embraces a high awareness of compliance while implementing compliance as part of his or her daily duties.

## Risk Management

The SoftBank Group makes daily efforts to manage risk, aiming to prevent the materialization of potential risks, while minimizing the potential human, economic, and social impacts that may ensue in emergency situations that could arise when a substantial risk materializes.

### Telecommunications Businesses

SoftBank Mobile, SoftBank BB and SoftBank Telecom, the SoftBank Group's three companies engaged in the telecommunications businesses, have business continuity plans (BCP) in place to ensure the continuity of telecommunications services and the rapid restoration of service during emergency situations such as natural disasters, terrorist attacks, and the outbreak of pandemics. Through these plans, the three



Demonstration trial of an emergency balloon-moored radio relay system

companies will give top priority to protecting human life while striving to ensure business continuity. They will also work to prevent secondary damage, while contributing to coexisting with regional communities.

When a major disaster or accident occurs, the relevant operating departments at each of the three companies ascertain the damage status in their respective businesses. Based on the damage situation, an Emergency Response Department covering the three companies may be established. The Emergency Response Department implements measures to recover the telecommunications network quickly. Based on experience from the Great East Japan Earthquake, the Group continues to build a telecommunications network that is resilient to natural disasters.

Besides enhancing the quake-resistance of facilities, we have completed installation of emergency power generators nationwide and bolstered battery reserves at 2,200 base stations in our network across Japan in order to prepare for a large-scale blackout. We have deployed 100 mobile base station vehicles and 200 portable satellite base station kits to help restore the telecommunications network quickly if any base stations are put out of action. Other steps taken to ensure readiness include setting up monitoring functions for the telecommunications network and information systems and decentralizing call center base locations.

As a new initiative from fiscal 2012, the Group has been conducting demonstration trials of an emergency balloon-moored radio relay system.

The system is designed to achieve rapid recovery of service areas where telecommunications have been disrupted by a natural disaster or some other event.

### Internet Culture Segment

Yahoo Japan discloses risk management information together with quarterly financial results. Yahoo Japan has systematically compiled and documented the Risk Management Regulations which set out measures for monitoring and controlling business risks. Moreover, departments responsible for its risk management have been established to reduce the potential for risks to materialize, and to minimize the impact when risks do materialize.

As part of these efforts, Yahoo Japan has formulated Emergency Disaster Response Guidelines based on earthquake, fire, and other disaster scenarios. Using these guidelines, Yahoo Japan prepares countermeasures in advance to ensure business continuity in the event of a disaster. For example, to ensure that the company can continue to provide the *Yahoo! JAPAN* service, multiple data centers are dispersed across several regions at some distance from one another to ensure back up in the event of an emergency situation. The *Yahoo! News – Topics* is one service that is likely to serve as a lifeline during a disaster. Yahoo Japan has therefore taken steps to ensure that it can continue providing this service during such a time, by placing *Topics* editing teams in multiple locations.

## Information Security

The SoftBank Group recognizes that it has a social responsibility to appropriately manage information assets, including customers' personal information. We therefore work constantly to improve our information security.

### Information Security Management System

We formulated the SoftBank Group Guideline for Information Security Measures as a guide to measures for appropriate management and handling of information assets. The guideline forms a common basis of understanding for all Group companies as they work to implement a variety of countermeasures.

The Group information security management system comprises a Group chief information security officer (GCISO), who is responsible for the entire Group, and chief information security officers (CISO), who are responsible for each

Group company. The GCISO chairs a Group Information Security Committee (G-ISC) comprised of the CISOs from each Group company. The G-ISC holds meetings on a regular basis. It works to acquire an accurate grasp of information security at each Group company, and vigorously promotes information security countermeasure activities throughout the Group.

### Specific Initiatives

Unauthorized access to government or corporate computer systems via the Internet is commonly known as a cyber attack. Recently, these cyber attacks have become increasingly sophisticated and advanced. The SoftBank Group continuously implements measures to prevent cyber attacks. Through the G-ISC, we have rechecked the information security systems at all Group companies, and continue to enhance information security across the Group.

Furthermore, the SoftBank Group provides a variety of applications and services for smartphones. As with traditional services, we have a system in place to check in advance whether the proper measures to protect personal information, diagnostic checks of security weak points, and other measures have been performed for each application. This is to ensure that

customers can use these applications and services securely and with confidence.

Moreover, the Group regularly conducts a variety of measures to improve the information security literacy of officers and employees, such as e-learning programs and training seminars. To ensure optimal security measures are realized, we actively share know-how about various issues within the Group.

### Large-scale Service Disruption at a Group Company

In June 2012, a large-scale service disruption occurred at Group company Firstserver, Inc. The SoftBank Group extends its sincere apologies for any inconvenience caused to customers by this incident. Based on the results of an investigation by an independent investigation committee, we are working to prevent a recurrence of any future incidents of this kind. In addition, the lessons learned will be shared within the Group in an effort to further bolster its information security management systems.

#### Firstserver, Inc.

Measures to promote confidence and trust  
(Japanese only)



e-learning screenshot



The Group Information Security Committee

## Corporate Social Responsibility (CSR)

# "We will never forget that day."

### Continuous Support for Children in Areas Affected by the Great East Japan Earthquake

#### *Charity White*

*Charity White* is an optional service that allows users of SoftBank Mobile and SoftBank BB services to make donations together with payments of their monthly service charges. The number of *Charity White* subscribers has topped 1.3 million,\*<sup>1</sup> with the circle of support continuing to expand apace. Under this program, the SoftBank Group provides a matching donation (¥10) for every monthly donation received from a *Charity White* subscriber (monthly donation of ¥10 per subscriber). Through the program, the SoftBank Group donates more than ¥20 million a month to children in the Tohoku region. Thus far, the Group has supported a cumulative total of 308 NPOs\*<sup>2</sup> through the Red Feather Community Chest Movement run by Central Community Chest of Japan, as well as Ashinaga. The donations are used to support the education of children living in temporary housing, provide programs to alleviate their stress, and conduct other activities.

\*<sup>1</sup> As of March 31, 2013

\*<sup>2</sup> As of December 31, 2012

Special web site for recovery support  
A special reporting web site for the *Charity White* program  
(Japanese only)

The SoftBank Group seeks to help realize a rich and happy society through its business activities. To this end, the SoftBank Group Fundamental CSR Policy sets forth the Group's aspirations to develop along with all stakeholders, including customers, shareholders, employees, and business partners. Under this policy, the Group has positioned the following as key themes in its CSR activities: building a healthy Internet society, cultivating a next generation that has dreams and aspirations, and protecting the planet's future through environmental protection. The Group is promoting CSR activities focused on each of these themes.



Children in a mobile childcare program play in a low-radiation outdoor area.



For further details on the SoftBank Group's CSR activities, please refer to the CSR Report 2013 (issued July 2013)



A class at the University of California, Berkeley

## Supporting a Short-term Study Abroad Program in the U.S. for Japanese High School Students from the Tohoku Region

### TOMODACHI SoftBank Leadership Program

SoftBank conducts the TOMODACHI SoftBank Leadership Program, which reflects the Company's support for the purpose and intent of the U.S.-Japan TOMODACHI Educational and Exchange Programs. This program supports Japanese high school students from the Tohoku region, an area affected by the Great East Japan Earthquake, by offering them a short-term study abroad program in the U.S. The purpose is to offer students an opportunity to learn about global leadership skills and community services, with the view to develop human resources capable of leading the recovery of the disaster-hit areas in the future. In fiscal 2012, 300 Japanese high school students participated in a leadership training program at the University of California, Berkeley for three weeks. Many of the students are now using the problem-solving skills they learned through this program to conduct activities such as sightseeing campaigns and other special events designed to help promote the recovery of their hometowns. The SoftBank Group will continue to extend its support for this program in fiscal 2013.

July 1, 2012, saw the start of operations at a solar power plant in Shinto, Gunma Prefecture.



## Promoting and Expanding the Use of Renewable Energy

### Helping to Create a Society that Uses Secure, Reliable Energy

The SoftBank Group is implementing various measures to create opportunities for promoting and expanding the use of renewable energy.

SB Energy Corp., \* a Group company, is planning to build renewable energy power plants in several locations across Japan that will have a total installed capacity of around 260 MW. In fiscal 2012, SB Energy began commercial operation of five solar photovoltaic power plants nationwide. Furthermore, in cooperation with EDUAS Corp. and EDUCA & QUEST INC., the Group conducts an environmental education program for elementary schools located near the solar photovoltaic power plants. Called "The Future x Energy Project," the project is designed to provide children, who will lead in the future, with a chance to proactively and creatively think about energy issues. Other initiatives at SB Energy include the "Home Power Generation" Project, a joint initiative with SoftBank Mobile, which converts the rooftop space of homes into power generation sites.

\* (Japanese only)

## The "Magic Projects" Enter Their 4<sup>th</sup> Year

(Japanese only)

### Supporting Children with Disabilities through ICT

From 2009, in cooperation with the University of Tokyo's Research Center for Advanced Science and Technology, the SoftBank Group has been conducting trial research projects, called "Magic Projects," to support the education and daily lives of children with disabilities using ICT. The project supports children's learning and participation in society by making use of the small, lightweight nature of mobile phones and tablets, which also offer advanced functionality. For example, children can record their memories by taking photos, instead of writing down notes, and augment their understanding using applications. In fiscal 2012, the project created examples of how smartphones and tablets can be used for communication with families and in other everyday situations, in addition to being used for classroom instruction in school. In fiscal 2013, the project's research achievements will be promoted and expanded through a "Magic Lamp Project."



A child involved in a tablet-based learning experience.

## Financial Section

(Content is current as of June 21, 2013)

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## Eleven-year Summary

## Eleven-year Summary

SoftBank Corp. and its consolidated subsidiaries Fiscal years ended March 31

(Millions of yen)	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	
Net sales	406,892	517,394	837,018	1,108,665	2,544,219	2,776,169	2,673,035	2,763,406	3,004,640	3,202,436	3,378,365	
EBITDA	(69,781)	(20,705)	44,095	149,913	525,428	626,662	678,636	787,631	930,730	1,013,716	1,149,810	
Operating income (loss)	(91,997)	(54,894)	(25,359)	62,299	271,066	324,287	359,121	465,871	629,163	675,283	745,000	
Income (loss) before income taxes and minority interests	(71,474)	(76,745)	(9,549)	129,484	208,574	225,887	107,338	289,250	480,613	632,257	650,494	
Net income (loss)	(99,989)	(107,094)	(59,872)	57,551	28,815	108,625	43,172	96,716	189,713	313,753	289,404	
Total assets	946,331	1,421,207	1,704,854	1,808,399	4,310,853	4,558,902	4,386,672	4,462,875	4,655,725	4,899,705	6,524,886	
Total shareholders' equity	257,396	238,081	178,017	242,768	282,950	383,743	374,094	470,532	619,253	936,695	1,569,085	
Interest-bearing debt	340,795	585,541	953,918	1,005,293	2,544,404	2,532,969	2,400,391	2,195,471	2,075,801	1,568,126	2,107,682	
Net interest-bearing debt	188,232	144,858	631,680	554,614	2,158,149	2,036,879	1,939,521	1,501,074	1,209,636	547,299	733,843	
Net cash (used in) provided by operating activities	(68,600)	(83,829)	(45,989)	57,806	311,202	158,258	447,858	668,050	825,837	740,227	894,460	
Net cash provided by (used in) investing activities	119,749	81,878	(242,944)	27,852	(2,097,937)	(322,461)	(266,295)	(277,162)	(264,448)	(375,656)	(919,770)	
Net cash provided by (used in) financing activities	(17,615)	306,390	277,771	30,078	1,718,385	284,727	(210,348)	(159,563)	(397,728)	(196,667)	365,494	
Net increase (decrease) in cash and cash equivalents	27,805	290,980	(9,689)	126,642	(65,277)	113,517	(31,169)	230,719	159,457	168,069	348,112	
Cash and cash equivalents at the end of the year	147,526	437,133	320,195	446,694	377,521	490,267	457,644	687,682	847,155	1,014,559	1,364,630	
<b>Major Indicators</b>												
	(Units)											
EBITDA margin	%	—	—	5.3	13.5	20.7	22.6	25.4	28.5	31.0	31.7	34.0
Operating margin	%	—	—	—	5.6	10.7	11.7	13.4	16.9	20.9	21.1	22.1
Return on assets (ROA)	%	(9.5)	(9.0)	(3.8)	3.3	0.9	2.4	1.0	2.2	4.2	6.6	5.1
Return on equity (ROE)	%	(27.7)	(43.2)	(28.8)	27.4	11.0	32.6	11.4	22.9	34.8	40.3	23.1
Equity ratio	%	27.2	16.8	10.4	13.4	6.6	8.4	8.5	10.5	13.3	19.1	24.0
Debt / equity ratio	Times	1.3	2.5	5.4	4.1	9.0	6.6	6.4	4.7	3.4	1.7	1.3
Net debt / equity ratio	Times	0.7	0.6	3.5	2.3	7.6	5.3	5.2	3.2	2.0	0.6	0.5
<b>Per Share Data*1</b>												
	(Units)											
Net income (loss)	¥	(98.98)	(104.91)	(57.01)	54.36	27.31	101.68	39.95	89.39	175.28	285.78	258.35
Net income – diluted	¥	— *2	— *2	— *2	50.71	26.62	95.90	38.64	86.39	168.57	278.75	254.12
Shareholders' equity	¥	255.85	225.80	168.62	229.88	268.02	355.15	346.11	434.74	572.14	852.69	1,316.90
Cash dividends	¥	2.33	2.33	2.33	2.50	2.50	2.50	2.50	5.00	5.00	40.00	40.00
<b>Others</b>												
Shares outstanding (thousands of shares)		335,293	351,404	351,457	1,055,082	1,055,704	1,080,501	1,080,855	1,082,329	1,082,350	1,098,515	1,191,500
Consolidated subsidiaries		269	177	153	153	118	109	108	109	117	133	150
Equity method non-consolidated subsidiaries and affiliates		116	103	108	87	66	67	74	64	73	74	83
Number of public companies*3		14	14	11	11	11	14	13	12	13	14	15
Number of employees (consolidated basis)		4,966	5,108	12,949	14,182	17,804	19,040	21,048	21,885	21,799	22,710	24,598

\*1 The number of shares is retroactively adjusted to reflect the following stock split: January 5, 2006 3.0:1.

\*2 Not shown because of net loss for the fiscal year.

\*3 Number of subsidiaries and affiliates with publicly offered shares (including SFJ Capital Limited, which has issued preferred (restricted voting) securities).

Management's Discussion and Analysis of  
Operating Results and Financial Condition

## Management's Discussion and Analysis of Operating Results and Financial Condition

- Net sales reached ¥3.3 trillion, an increase of 5.5% from fiscal 2011 and a record high for a third consecutive fiscal year.
- Operating income was ¥745.0 billion, a 10.3% increase from fiscal 2011 and a record high for an eighth consecutive fiscal year.
- Shareholders' equity reached ¥1.5 trillion, a 67.5% increase from fiscal 2011. The equity ratio rose to 24.0%.

### Scope of Consolidation

As of March 31, 2013, the Group's business segments were comprised of the following consolidated subsidiaries and equity method companies. The segments' main businesses were as follows.

SoftBank owns 100% of shares issued by WILLCOM. However WILLCOM is in the process of rehabilitation under the Corporate Reorganization Act and the Company does not have effective control over WILLCOM. Therefore, WILLCOM is not treated as a subsidiary.

	Business Segments	Consolidated Subsidiaries	Equity Method Non-consolidated Subsidiaries and Affiliates	Main Business and Name of Core Affiliates
Reportable segments	Mobile Communications	3	1	Provision of mobile communication services and sale of mobile handsets accompanying the services, etc. (Core company: SoftBank Mobile)
	Broadband Infrastructure	3	–	Provision of high-speed Internet connection services, IP telephony services, and provision of content, etc. (Core company: SoftBank BB*)
	Fixed-line Telecommunications	2	–	Provision of fixed-line telecommunication services etc. (Core company: SoftBank Telecom*)
	Internet Culture	22	12	Internet-based advertising operations, operation of YAFUOKU!, Yahoo! Shopping, and various other e-commerce businesses and member services, etc. (Core company: Yahoo Japan*)
Others		120	70	Distribution of PC software and peripherals, Fukuoka SoftBank HAWKS-related businesses, etc.
<b>Total</b>		<b>150</b>	<b>83</b>	

\* SoftBank BB, SoftBank Telecom, and Yahoo Japan are included as consolidated subsidiaries in the Broadband Infrastructure, Fixed-line Telecommunications, and Internet Culture segments, respectively, while SoftBank BB, SoftBank Telecom, and Yahoo Japan operate multiple businesses and their operating results are allocated to multiple reportable segments.

Management's Discussion and Analysis of  
Operating Results and Financial Condition

## In Detail (1) Changes at Subsidiaries and Affiliates

	Companies		Companies
Consolidated subsidiaries	150	Equity method affiliates	80
New	24	New	16
Excluded	7	Excluded	7
Non-consolidated subsidiaries	85	Non-consolidated subsidiaries not accounted for by the equity method	82
Equity method non-consolidated subsidiaries	3	Affiliates not accounted for by the equity method	28
New	–		
Excluded	–		

Profit (loss) and interest-bearing debt at non-consolidated subsidiaries not accounted for by the equity method, equity method non-consolidated subsidiaries, and affiliates not accounted for by the equity method are as shown below.

These subsidiaries and affiliates have a very minor impact on the consolidated earnings results and therefore their significance is deemed low.

	Companies	Net Income / Loss (After consideration of economic interest)	Interest-bearing Debt
Non-consolidated subsidiaries not accounted for by the equity method	82	¥ 250 million	¥10 million
Equity method non-consolidated subsidiaries	3	–	–
Affiliates not accounted for by the equity method	28	¥(330) million	Not applicable

## Analysis of Consolidated Operating Results

### 1. Overview

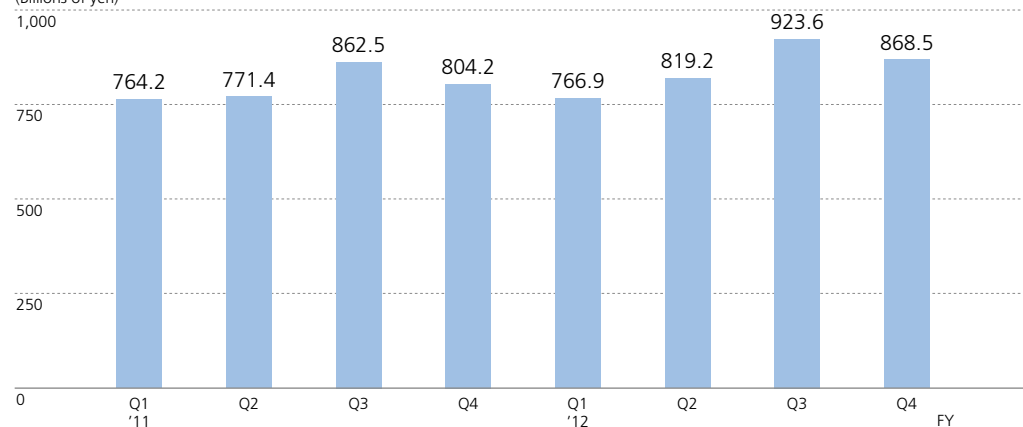
For fiscal 2012 (April 1, 2012 to March 31, 2013), the Group achieved consolidated net sales of ¥3,378,365 million, a ¥175,929 million (5.5%) increase compared with fiscal 2011 (April 1, 2011 to March 31, 2012; “year on year”), with a ¥69,717 million (10.3%) increase in operating income to ¥745,000 million. Net income declined ¥24,349 million (7.8%) to ¥289,404 million.

### 2. Net Sales

Net sales totaled ¥3,378,365 million, for a ¥175,929 million (5.5%) year-on-year increase. This was mainly due to increased telecom service revenue from steady growth in the number of mobile phone subscribers.

### Net Sales

(Billions of yen)



Management's Discussion and Analysis of  
Operating Results and Financial Condition**In Detail (2) Difference between Normal Effective Statutory Tax Rate and Actual Effective Tax Rate**

The effective income tax rate in fiscal 2012 was 44.1%. The reasons for and effects of the difference from the statutory income tax rate (38.0%) were as follows:

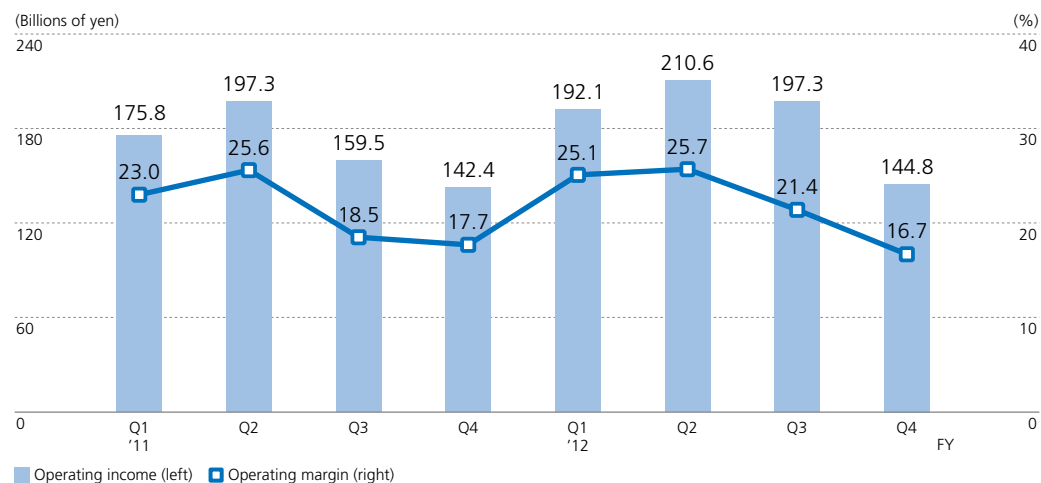
<b>Statutory income tax rate</b>	<b>38.0%</b>
(Main factors behind difference)	
Amortization of goodwill (mainly SoftBank Mobile)	3.6%
Changes in valuation allowance	2.0%
Dilution gain from changes in equity interest, net	-0.2%
Other – net	0.7%
<b>Effective income tax rate</b>	<b>44.1%</b>

**3. Operating Income**

Operating income totaled ¥745,000 million, for a ¥69,717 million (10.3%) year-on-year increase. The operating margin rose 1.0 percentage point year on year to 22.1%.

Cost of sales increased by ¥104,989 million (7.1%) year on year to ¥1,590,740 million. This was primarily due to an increase in depreciation and amortization in the Mobile Communications segment, mainly due to the installation of additional base stations.

Selling, general and administrative expenses increased by ¥1,223 million (0.1%) year on year to ¥1,042,625 million. This was mainly because of an increase in personnel costs, despite a decrease in sales commissions and sales promotion expenses. The increase in personnel costs was mainly due to an increase in personnel to bolster sales activities. The decrease in sales commissions and sales promotion expenses was mainly due to a decline in sales promotion expenses in the Mobile Communications segment and a decline in subscriber sales commissions in the Broadband Infrastructure segment.

**Operating Income and Operating Margin**

#### 4. Income before Income Taxes and Minority Interests

Income before income taxes and minority interests grew ¥18,237 million (2.9%) year on year, to ¥650,494 million.

The Group recorded a ¥4,061 million gain on sale of investment securities, net, a decrease of ¥84,256 million year on year. In fiscal 2011, the Group recorded a ¥76,430 million gain on sale of Yahoo! Inc. shares. For details, refer to page 115 "4 Marketable and investment securities" in Notes to Consolidated Financial Statements.

Equity in losses of affiliated companies was ¥33,524 million, an increase of ¥30,576 million year on year. This was mainly due to a write-down of goodwill that arose related to InMobi Pte. Ltd. and PPLive Corporation.

Interest expense was ¥36,737 million, a decrease of ¥25,469 million year on year.

#### 5. Income Taxes and Net Income

Provisions for current income taxes were ¥278,663 million and provisions for deferred income taxes were ¥8,511 million. Total income taxes increased by ¥32,461 million year on year to ¥287,174 million. The actual effective tax rate for the fiscal year was 44.1%.

As a result of the above, net income totaled ¥289,404 million, for a ¥24,349 million (7.8%) year-on-year decrease.

#### 6. Comprehensive Income

Comprehensive income totaled ¥554,234 million, for a ¥197,245 million (55.3%) year-on-year increase. Of this, comprehensive income attributable to owners of the parent was ¥480,498 million, for a ¥183,955 million (62.0%) year-on-year increase.

#### Reportable Segment Analysis

##### Overview of Reportable Segments

Reportable segments of the Group are components of an entity about which separate financial information is available and such information is evaluated regularly by the Board of Directors in deciding how to allocate resources and in assessing performance.

The Company, as a pure holding company, assigns core operating companies to primary businesses. The core operating companies develop comprehensive business strategies for the products and services and perform business activities.

Accordingly, the Company's segments are separated based on the products and services provided by the core operating companies, and four segments, "Mobile Communications," "Broadband Infrastructure," "Fixed-line Telecommunications," and "Internet Culture" are treated as reportable segments.

The Mobile Communications segment provides mobile communications services and sale of mobile handsets accompanying the services. The Broadband Infrastructure segment provides high-speed Internet connection services, IP telephony services, and content. The Fixed-line Telecommunications segment provides fixed-line telecommunication services. The Internet Culture segment provides Internet-based advertising operations, e-commerce site operations such as *YAFUOKU!* and *Yahoo! Shopping*, and membership services.

##### Calculation Method for Net Sales, Income or Loss, and Others of Reportable Segments

Accounting treatment for segments is the same as the treatment described in Note 21 of the Notes to Consolidated Financial Statements. Income of reportable segments is based on operating income. Internal net sales between segments are under the same general business conditions as are applied for external customers.

Assets are not allocated between the reportable segments.



Management's Discussion and Analysis of Operating Results and Financial Condition

Mobile Communications Segment

Overall Results

Net sales in this segment totaled ¥2,277,480 million, for an increase of ¥132,581 million (6.2%) year on year. The main factor behind the increase was an increase in telecom service revenue resulting from steady growth in the number of mobile phone subscribers.

The segment's operating expenses were ¥1,809,651 million, for an increase of ¥93,989 million (5.5%) year on year. The principal cause of this increase was higher depreciation and amortization recorded, mostly relating to the installation of additional base stations.

Operating income was ¥467,829 million, for a ¥38,592 million (9.0%) increase year on year.

Number of Mobile Phone Subscribers

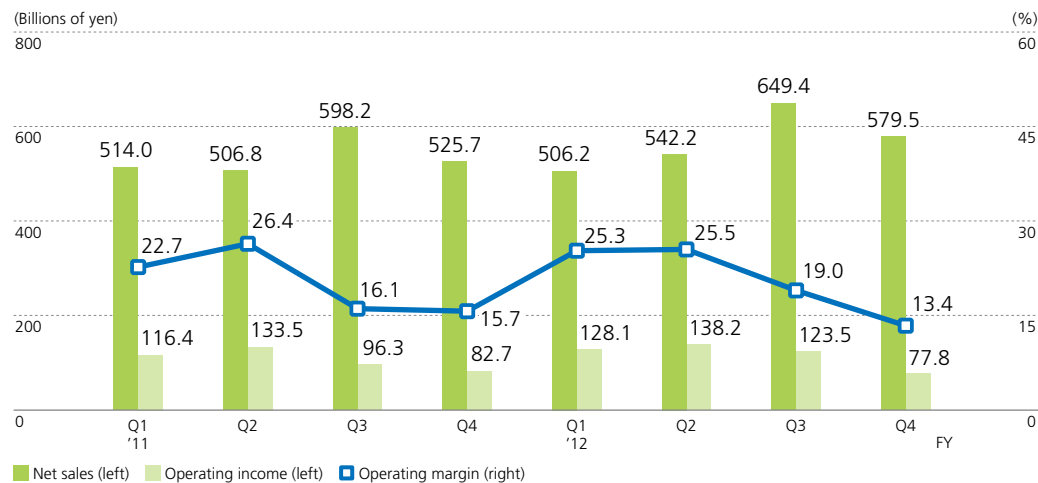
Net subscriber additions for fiscal 2012 totaled 3,531,000. This was primarily the result of steady sales of iPhone, *Mimamori Phone* (handset with security buzzer), and iPad. As a result, the cumulative number of subscribers at the end of fiscal 2012 stood at 32,480,000, raising SoftBank Mobile's cumulative subscriber share by 1.3 percentage points year on year, to 23.9%.

Number of Mobile Handsets Shipped and Units Sold

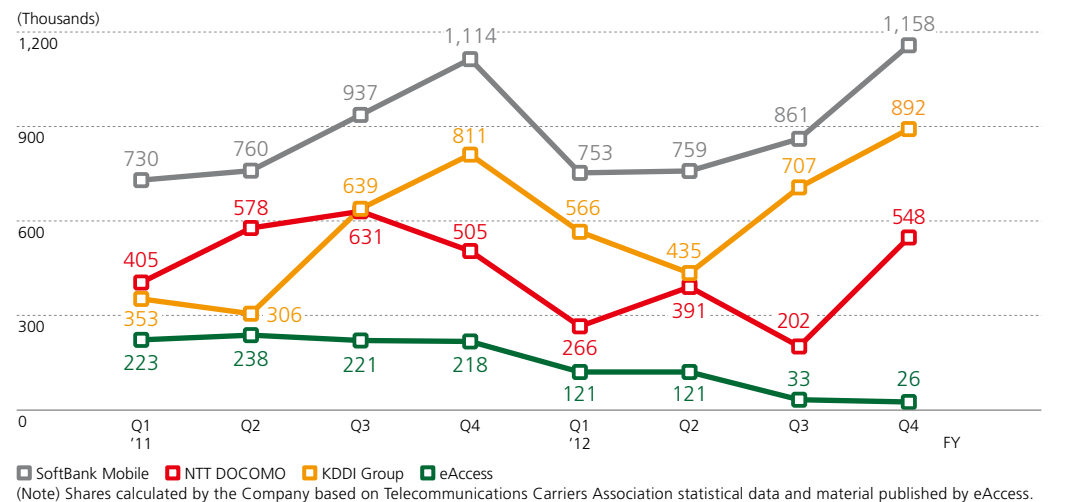
Handsets shipped for fiscal 2012 decreased by 124,000 year on year to 11,558,000. This was mainly the result of a decrease in conventional mobile handsets shipped while the number of iPhones shipped increased.

The number of units sold for fiscal 2012 increased by 812,000 year on year to 13,113,000. Of units sold, new subscriptions increased by 356,000 year on year to 7,519,000, while handset upgrades increased by 456,000 year on year to 5,594,000.

Mobile Communications



Net Subscriber Additions



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**Management's Discussion and Analysis of  
Operating Results and Financial Condition**

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The increase in units sold was mainly due to the success of various iPhone sales promotions.\*

\* Including a promotion for new and upgrading customers offering discounts, a promotion offering discounts to upgrading existing customers that allows their family members to use the old handset (if they make a new subscription), etc.

### ARPU

ARPU for fiscal 2012 (based on cumulative subscribers including communication modules) decreased by ¥170 year on year to ¥3,990. Out of this, voice ARPU declined ¥250 year on year to ¥1,400 and data ARPU rose ¥80 year on year to ¥2,590.

The decline in voice ARPU mainly reflects dilution due to an increase in devices that do not have voice communication functionality (such as iPad and mobile data communications devices).

On the other hand, the increase in data ARPU was mainly the result of the continuing increase in the number of high data-ARPU smartphone subscribers, although an increase in subscribers to low data-usage products such as *Mimamori Phone* has had a dilution effect on data ARPU. Another factor contributing to the rise in data ARPU was an increase in subscribers to smartphones compatible with the FDD-LTE service, *SoftBank 4G LTE*, which started in September 2012.

### Churn Rate and Upgrade Rate

The churn rate for fiscal 2012 was 1.09%, which was 0.03 of a percentage point lower year on year, and the upgrade rate for the fiscal year also decreased by 0.06 of a percentage point to 1.53%.

### Average Acquisition and Upgrade Cost per Subscriber

The average acquisition cost per subscriber for fiscal 2012 declined ¥4,200 year on year to ¥26,100. This was mainly due to an increased proportion of units sold that have a lower acquisition cost per subscriber among overall mobile handset sales.

The average upgrade cost per subscriber for fiscal 2012 increased by ¥1,200 year on year to ¥28,300.

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## Broadband Infrastructure Segment

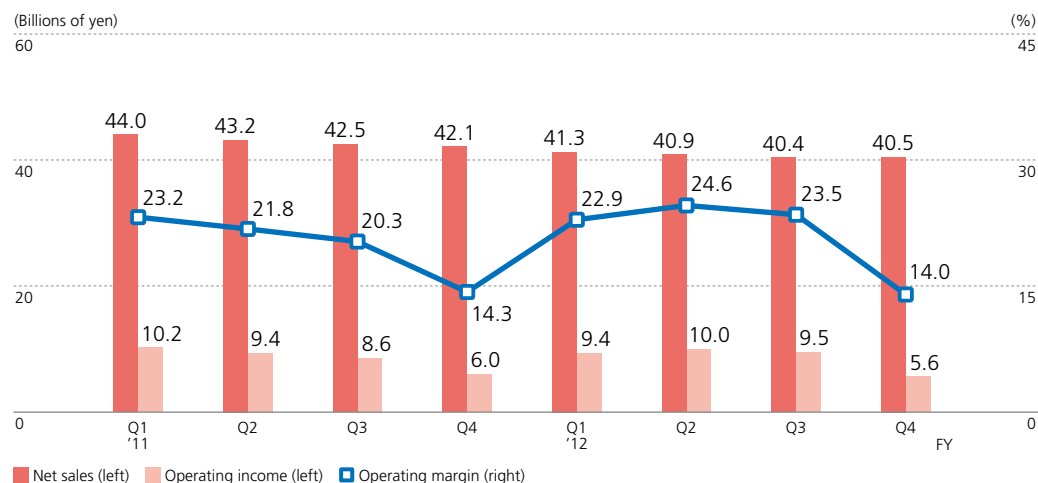
### Overall Results

Net sales was ¥163,426 million, for a decrease of ¥8,479 million (4.9%) year on year. This was mainly because of decreases in the number of subscribers and ARPU for *Yahoo! BB ADSL*, which has a relatively higher ARPU than *Yahoo! BB hikari with FLET'S*, while the number of subscribers for *Yahoo! BB hikari with FLET'S* increased.

Operating income was ¥34,734 million, for an increase of ¥406 million (1.2%) year on year. This was mainly due to a decrease in sales commissions.

The cumulative number of *Yahoo! BB* subscribers (total of the cumulative number of *Yahoo! BB ADSL* subscribers and the cumulative number of *Yahoo! BB hikari with FLET'S* subscribers) at the end of fiscal 2012 totaled 4,253,000 for a year-on-year increase of 44,000. Out of this, the cumulative number of *Yahoo! BB ADSL* subscribers stood at 2,172,000, for a decrease of 428,000 from March 31, 2012, and the cumulative number of *Yahoo! BB hikari with FLET'S* subscribers totaled 2,081,000, an increase of 473,000 from March 31, 2012.

### Broadband Infrastructure



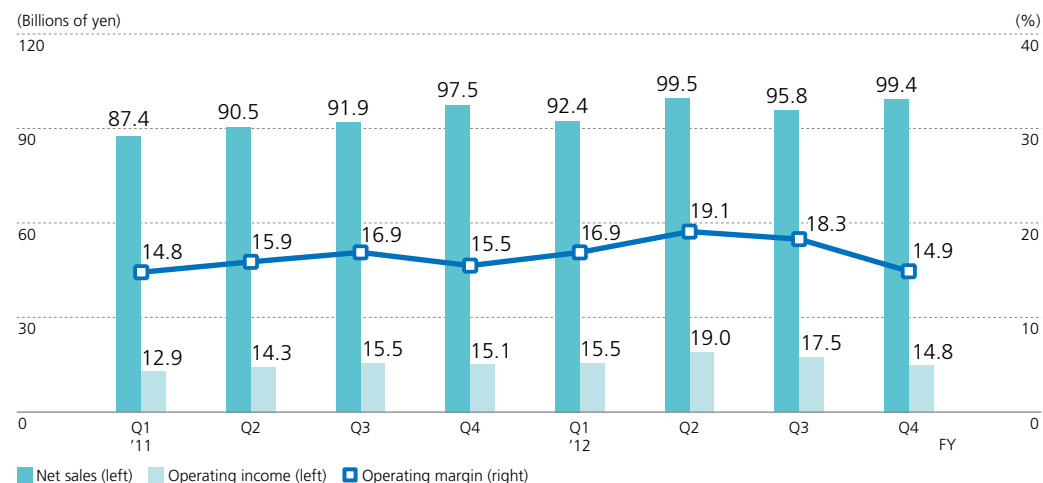
## Fixed-line Telecommunications Segment

### Overall Results

Net sales was ¥387,240 million, for an increase of ¥19,594 million (5.3%) year on year. This was mainly due to an increase in provision of telecommunication lines to Group companies such as SoftBank Mobile and recording sales related to projects for installing telecommunication signal transfer stations.

Operating income was ¥67,003 million, for an increase of ¥9,053 million (15.6%) year on year. This was due to the increase in net sales, combined with a decrease in lease payments for *OTOKU Line* equipment and a decrease in interconnection charges paid to other operators at SoftBank Telecom following a reduction in interconnection charges between operators.

### Fixed-line Telecommunications



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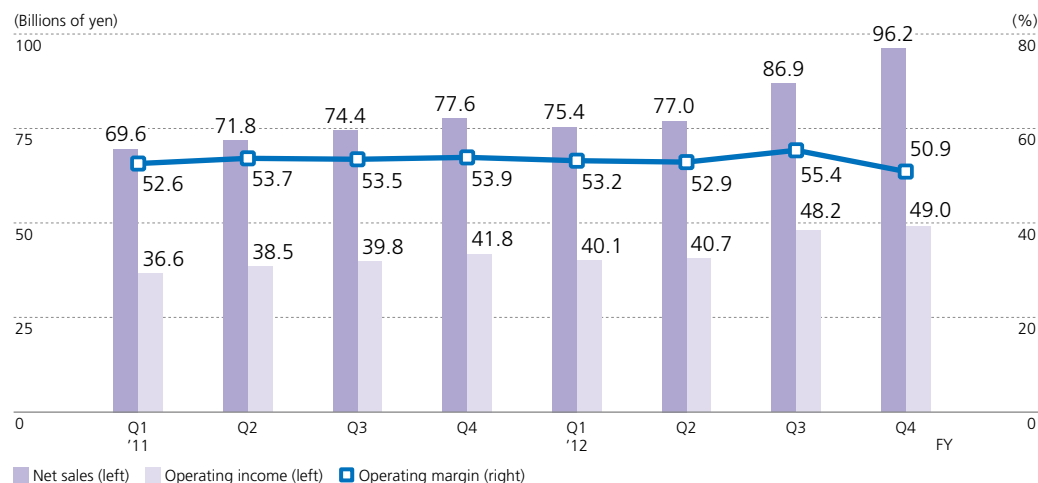
## Internet Culture Segment

### Overall Results

Net sales was ¥335,644 million, for an increase of ¥42,009 million (14.3%) year on year. Overall revenue growth was driven by revenue from promotion advertising, at Yahoo Japan as a result of strengthening various functions to enhance advertising efficiency and a vigorous sales drive, especially revenue via smartphones increased. There was also an increase in revenue from premium advertising, including growth in advertisements on Brand Panel and Prime Display. Growth in revenues from *Yahoo! Premium ID*, game-related services and data center-related services also contributed to higher overall sales.

Operating income was ¥178,112 million, for an increase of ¥21,290 million (13.6%) year on year. This was primarily the result of the increase in net sales, as well as efforts to reduce costs such as sales commissions and sales promotion costs.

### Internet Culture



## Analysis of Financial Position

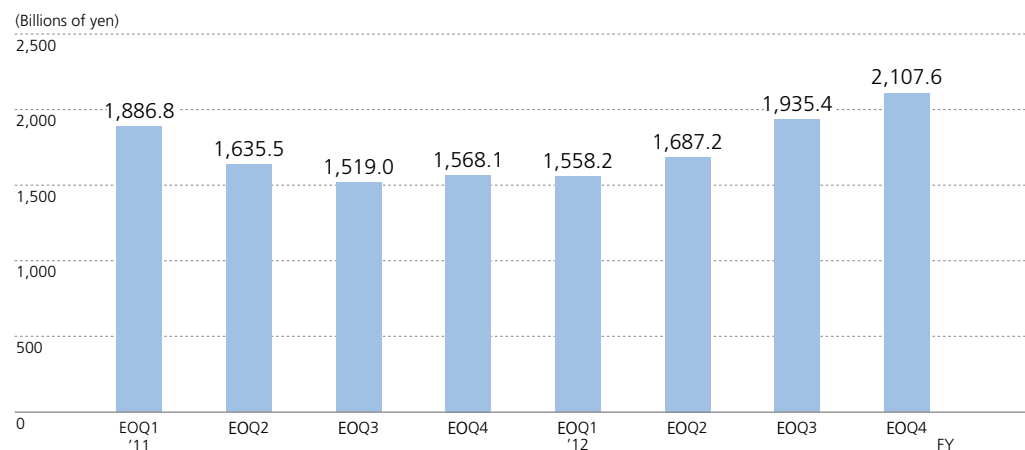
### Current Assets

Current assets at the end of fiscal 2012 totaled ¥2,591,197 million, for a ¥680,745 million (35.6%) increase year on year.

Cash and cash equivalents was ¥1,364,630 million, for an increase of ¥350,071 million year on year.

Other current assets increased ¥325,061 million year on year to ¥495,800 million, primarily because of an increase of ¥193,591 million in derivative assets included in other current assets. This increase in derivative assets was mainly due to a foreign currency forward contract for approximately US\$17 billion for the proposed acquisition of Sprint being marked to market at the end of fiscal 2012. Please refer to page 114 "3 Acquisition of Sprint Nextel Corporation (5) Foreign currency forward contracts" in Notes to Consolidated Financial Statements and page 138 "17 Derivatives" for details about the foreign currency forward contract.

### Interest-bearing Debt



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**Management's Discussion and Analysis of  
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**Property and Equipment, Net**

Total property and equipment increased ¥361,247 million (27.9%) year on year to ¥1,657,640 million. The main increases were ¥205,393 million in telecommunications equipment, ¥50,754 million in land, and ¥44,534 million in buildings and structures. The increase in telecommunications equipment was primarily due to new acquisitions of equipment such as base stations in order to strengthen the communications network in the Mobile Communications segment. The increases in land and buildings and structures were due primarily to recording the lease asset relating to the FUKUOKA YAFUOKU! DOME (YAFUOKU! DOME) on the consolidated balance sheet for the first quarter (the three-month period from April 1, 2012 to June 30, 2012). In accordance with transitional measures, after the revision of the accounting standard for leases effective from April 1, 2008, the lease contract relating to the YAFUOKU! DOME continued to be accounted for as an operating lease transaction. In March 2012, Fukuoka SoftBank HAWKS Marketing entered into a purchase contract to acquire a trust beneficiary interest in the YAFUOKU! DOME in July 2015 and also concluded a new lease contract relating to the YAFUOKU! DOME. Since lease assets and liabilities relating to finance lease transactions concluded after April 1, 2008 are recorded on the consolidated balance sheet this leased asset is also recorded on the balance sheet. Although Fukuoka SoftBank HAWKS Marketing entered into this contract in March 2012, since Fukuoka SoftBank HAWKS Marketing's fiscal year ends in February its financial statements are reflected in the consolidated financial statements with a one-month lag. Therefore, this is reflected in the consolidated financial statements for the fiscal year.

**Intangible Assets, Net**

Total intangible assets increased ¥28,430 million (2.5%) year on year to ¥1,154,945 million. This was mainly because software increased by ¥73,582 million as a result of new acquisitions of telecommunications equipment, while goodwill decreased by ¥45,836 million. The decrease in goodwill resulted from regular amortization of the goodwill recorded when SoftBank acquired SoftBank Mobile, SoftBank Telecom, and others, although new goodwill was recorded on Yahoo Japan's acquisition of the shares of CyberAgent FX Inc. and other items.

**Investments and Other Assets**

Total investments and other assets increased by ¥554,759 million (98.0%) year on year to ¥1,121,104 million. This was mainly due to a ¥273,708 million increase in investment securities and a ¥258,702 million increase in investments in unconsolidated subsidiaries and affiliated companies. The primary components of the increase in investment securities were an increase of ¥291,837 million due to the acquisition by the Company's subsidiary Starburst II, Inc. of a US\$3.1 billion convertible bond issued by Sprint, the Company's acquisition of the shares of eAccess of ¥269,694 million, and Yahoo Japan's acquisition of 42.6% of the shares (voting rights at the time of acquisition) of ASKUL for ¥33,038 million. The acquisition of the shares of eAccess reflected an increase of ¥219,395 million due to the issue of new shares in connection with the share exchange with eAccess and the Company undertaking the full amount of a capital increase amounting to ¥49,000 million. These increases were partially offset by a decrease of ¥51,208 million as a result of Alibaba Group Holding Limited, a Company equity method affiliate, acquiring the shares of Alibaba.com Limited, a subsidiary of Alibaba Group Holding, through a privatization completed in June 2012. Also a decrease of ¥19,197 million, mainly associated with the drop in the stock price of Zynga Inc., was recorded. Please refer to page 111 "3 Acquisition of Sprint Nextel Corporation" in Notes to Consolidated Financial Statements, and to page 120 "8. Equity (5) Changes in foreign affiliate's interests in its subsidiary" for details about the Sprint transaction and Alibaba.com privatization, respectively.

**Current Liabilities**

Current liabilities at the end of fiscal 2012 totaled ¥2,590,184 million, for a ¥666,459 million (34.6%) increase year on year.

Short-term borrowings increased by ¥350,210 million year on year to ¥454,168 million. This was mainly attributable to the initial draw-down in December 2012 of ¥250,000 million under the bridge loan facility of up to an aggregate of ¥1.65 trillion concluded with financial institutions in the same month in connection with funding the proposed acquisition of Sprint. In addition, borrowings on the Company's credit line facility increased by ¥100,000 million. Please refer to page 113 "3 Acquisition of Sprint Nextel Corporation (4) Financing" in Notes to Consolidated Financial Statements for details about the bridge loan.

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**Management's Discussion and Analysis of  
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Accounts payable – other and accrued expenses were ¥751,690 million, for a decrease of ¥83,363 million year on year. This was mainly the result of the payment of an accounts payable – other of ¥200,000 million in April 2012 relating to a transaction with the Vodafone Group executed in December 2010 by the Company, while SoftBank Mobile recorded an increase in accounts payable relating to capital expenditures.

Short-term deferred tax liabilities were ¥71,975 million, for a ¥71,975 million increase year on year. This was mainly deferred tax liabilities relating to derivative assets.

The current portion of long-term debt was ¥564,323 million, an increase of ¥120,125 million year on year. This was mainly due to reclassifications from long-term debt under long-term liabilities to current liabilities of unsecured straight corporate bonds in the amount of ¥205,000 million, along with the redemption of unsecured straight corporate bonds in the amount of ¥95,000 million and a reduction of ¥49,988 million in the Convertible Bond due 2013 due to its conversion into common stock of the Company. For further details regarding the issuance and redemption of corporate bonds in fiscal 2012, please refer to the relevant items on page 88 “In Detail (5) Major Financing Activities During Fiscal 2012.”

**Long-term Liabilities**

Long-term liabilities totaled ¥1,828,243 million at the end of fiscal 2012, for a ¥287,903 million (18.7%) increase year on year.

Long-term debt stood at ¥1,089,191 million, an increase of ¥69,221 million year on year. This was due to the Company issuing unsecured straight corporate bonds in the total amount of ¥480,000 million. Meanwhile, the total amount of ¥205,000 million of unsecured straight corporate bonds was reclassified from long-term to current liabilities, as the redemption dates came to be within one year. For further information on the issue and redemption of corporate bonds, please refer to the relevant items on page 88 “In Detail (5) Major Financing Activities During Fiscal 2012.”

Lease obligations amounted to ¥526,739 million, an increase of ¥179,039 million year on year. This was mainly due to an increase in telecommunications equipment through lease transactions, as well as the lease contract related to the YAFUOKU! DOME concluded by Fukuoka SoftBank HAWKS Marketing. Please refer to page 83 “Property and Equipment, Net” for details.

**Total Equity**

Equity totaled ¥2,106,459 million at the end of fiscal 2012, for a ¥670,819 million (46.7%) increase year on year.

Common stock increased by ¥24,974 million year on year to ¥238,772 million. This was the result of the conversion of the Convertible Bond due 2013 into common stock of the Company.

Additional paid-in capital increased by ¥193,126 million year on year to ¥429,689 million. This primarily reflected an increase of ¥219,395 million due to the issue of new shares in connection with the share exchange conducted with eAccess in January 2013, and an increase of ¥24,939 million due to the conversion of the Convertible Bond due 2013 into common stock of the Company. On the other hand, a decrease of ¥51,208 million was recorded as a result of Alibaba Group Holding, a Company equity method affiliate, acquiring the shares of Alibaba.com, a subsidiary of Alibaba Group Holding, through a privatization completed in June 2012. Please refer to page 120 “8 Equity (5) Changes in foreign affiliate’s interests in its subsidiary” in Notes to Consolidated Financial Statements for details about Alibaba.com privatization.

Retained earnings increased by ¥223,082 million year on year to ¥753,616 million. This was primarily because net income of ¥289,404 million was recorded, although this was partially offset by a year-end dividend for fiscal 2011 of ¥43,940 million, and an interim dividend for fiscal 2012 of ¥22,104 million, resulting in a combined decrease of ¥66,044 million in retained earnings.

Net unrealized gain on available-for-sale securities was ¥4,164 million at the end of fiscal 2012, a ¥6,403 million decrease year on year. This decrease was mainly associated with the drop in the stock price of Zynga.

Deferred gain on derivatives under hedge accounting improved by ¥115,151 million year on year to ¥114,158 million and was recorded as credit. Please refer to page 138 “17 Derivatives” in Notes to Consolidated Financial Statements for details.

Foreign currency translation adjustments improved by ¥82,347 million year on year to ¥51,520 million and were recorded as credit at the end of fiscal 2012. This was due to the yen’s depreciation.

## Analysis of Cash Flows

During fiscal 2012, operating activities provided net cash in the amount of ¥894,460 million, investing activities used net cash in the amount of ¥919,770 million, and financing activities provided net cash of ¥365,494 million.

Free cash flow for fiscal 2012 was a negative ¥25,310 million (compared with a positive ¥364,571 million in fiscal 2011), for a year-on-year decrease of ¥389,881 million.

Cash and cash equivalents at the end of fiscal 2012 totaled ¥1,364,630 million, for a ¥350,071 million increase year on year.

### Cash Flows from Operating Activities: **¥894,460 million net inflow**

Income before income taxes and minority interests totaled ¥650,494 million. The main items added to income before income taxes and minority interests were ¥340,696 million in depreciation and amortization, ¥64,114 million in amortization of goodwill, and ¥33,524 million in equity in losses of affiliated companies.

In addition, income taxes paid of ¥216,216 million were recorded, for a ¥20,575 million year-on-year increase (cash outflow).

### Cash Flows from Investing Activities: **¥919,770 million net outflow**

Outlays for purchase of property and equipment, and intangibles amounted to ¥548,602 million. The main factor was capital expenditures in the telecommunications-related business.

Outlays for purchase of marketable and investment securities were ¥368,512 million. This was mainly due to the acquisition by the Company's subsidiary Starburst II of a US\$3.1 billion convertible bond issued by Sprint, the Company's undertaking of the full amount of a capital increase of ¥49,000 million conducted by its equity method affiliate eAccess, and Yahoo Japan's acquisition of 42.6% of the shares (voting rights at the time of acquisition) of ASKUL for ¥33,038 million.

### Cash Flows from Financing Activities: **¥365,494 million net inflow**

Proceeds included ¥474,608 million from issuance of bonds, ¥350,130 million from an increase in short-term borrowings, net, ¥330,145 million from the sale and leaseback of equipment newly acquired, and ¥153,314 million from long-term debt.

Outlays included ¥299,234 million for the repayment of long-term debt, ¥206,096 million for the repayment of lease obligations, ¥200,444 million for payments for repurchase of minority interests and long-term debt, ¥95,074 million for the redemption of bonds, and ¥65,844 million for the payment of dividends.

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### In Detail (3) Status of Interest-bearing Debt and Leases (As of March 31, 2013)

#### (1) Interest-bearing debt and finance leases (lease obligations)

(Millions of yen)	Balance	Payment Due By	
		FY2013	After FY2014
SoftBank Corp. and consolidated subsidiaries (excluding SoftBank Mobile and Yahoo Japan)			
Borrowings	1,167,782	813,491	354,291
Bonds	939,900	205,000	734,900
Straight bond	939,900	205,000	734,900
Yen-denominated	939,900	205,000	734,900
<b>Total interest-bearing debt</b>	<b>2,107,682</b>	<b>1,018,491</b>	<b>1,089,191</b>
Finance leases (lease obligations)	159,480	40,224	119,256
SoftBank Mobile			
Borrowings	–	–	–
<b>Total interest-bearing debt</b>	<b>–</b>	<b>–</b>	<b>–</b>
Finance leases (lease obligations)	559,821	152,338	407,483
Yahoo Japan			
Borrowings	–	–	–
<b>Total interest-bearing debt</b>	<b>–</b>	<b>–</b>	<b>–</b>
Finance leases (lease obligations)	41	41	–

#### (3) Interest-bearing debt and leases

(Millions of yen)	Balance	Payment Due By	
		FY2013	After FY2014
<b>Total interest-bearing debt</b>	<b>2,107,682</b>	<b>1,018,491</b>	<b>1,089,191</b>
Borrowings	1,167,782	813,491	354,291
Bonds	939,900	205,000	734,900
<b>Total balance of leases</b>	<b>798,779</b>	<b>222,403</b>	<b>576,376</b>
Finance leases (lease obligations)	719,342	192,603	526,739
Finance leases (accounted for as operating lease transactions)* <sup>1</sup>	15,695	6,778	8,917
Operating leases* <sup>2</sup>	63,742	23,022	40,720

#### (2) Finance leases (accounted for as operating leases; see footnote 2 below) and operating leases

(Millions of yen)	Balance	Payment Due By	
		FY2013	After FY2014
SoftBank Corp. and consolidated subsidiaries (excluding SoftBank Mobile and Yahoo Japan)			
Finance leases (accounted for as operating lease transactions)* <sup>1</sup>	15,695	6,778	8,917
Operating leases* <sup>2</sup>	30,770	14,204	16,566
<b>Total</b>	<b>46,465</b>	<b>20,982</b>	<b>25,483</b>
SoftBank Mobile			
Finance leases (accounted for as operating lease transactions)* <sup>1</sup>	–	–	–
Operating leases* <sup>2</sup>	10,606	3,001	7,605
<b>Total</b>	<b>10,606</b>	<b>3,001</b>	<b>7,605</b>
Yahoo Japan			
Finance leases (accounted for as operating lease transactions)* <sup>1</sup>	–	–	–
Operating leases* <sup>2</sup>	22,366	5,817	16,549
<b>Total</b>	<b>22,366</b>	<b>5,817</b>	<b>16,549</b>

(Notes) 1. Balance after consolidated elimination

2. Finance leases (accounted for as operating lease transactions): leases contracted before April 1, 2008 are continuously accounted for as operating lease transactions with footnote disclosure. Refer to page 109 "2. Summary of significant accounting policies (15) Leases" in Notes to Consolidated Financial Statements.

\*<sup>1</sup> Discounted future lease payments under finance leases (accounted for as operating lease transactions) at the end of each fiscal year.

\*<sup>2</sup> Future lease payments under operating leases



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**In Detail (4) Corporate Bond Details** (As of March 31, 2013)

(In order of maturity date)

Company Name	Bond	Issue Date	Maturity Date	Interest Rate (%/year)	Collateral	Balance (Millions of yen)
SoftBank	31 <sup>st</sup> Unsecured Straight Bond	June 2, 2010	May 31, 2013	1.170	None	25,000
	33 <sup>rd</sup> Unsecured Straight Bond (Fukuoka SoftBank HAWKS Bond)	Sept. 17, 2010	Sept. 17, 2013	1.240	None	130,000
	38 <sup>th</sup> Unsecured Straight Bond	Jan. 27, 2012	Jan. 27, 2014	0.420	None	50,000
	37 <sup>th</sup> Unsecured Straight Bond	June 10, 2011	June 10, 2014	0.650	None	30,000
	26 <sup>th</sup> Unsecured Straight Bond	June 19, 2007	June 19, 2014	4.360	None	14,900
	30 <sup>th</sup> Unsecured Straight Bond	Mar. 11, 2010	Mar. 11, 2015	3.350	None	30,000
	32 <sup>nd</sup> Unsecured Straight Bond	June 2, 2010	June 2, 2015	1.670	None	25,000
	34 <sup>th</sup> Unsecured Straight Bond	Jan. 25, 2011	Jan. 25, 2016	1.100	None	45,000
	36 <sup>th</sup> Unsecured Straight Bond (Fukuoka SoftBank HAWKS Bond)	June 17, 2011	June 17, 2016	1.000	None	100,000
	42 <sup>nd</sup> Unsecured Straight Bond	Mar. 1, 2013	Mar. 1, 2017	1.467	None	70,000
	41 <sup>st</sup> Unsecured Straight Bond (Fukuoka SoftBank HAWKS Bond)	Mar. 12, 2013	Mar. 10, 2017	1.470	None	300,000
	40 <sup>th</sup> Unsecured Straight Bond	Sept. 14, 2012	Sept. 14, 2017	0.732	None	10,000
	39 <sup>th</sup> Unsecured Straight Bond (Fukuoka SoftBank HAWKS Bond)	Sept. 24, 2012	Sept. 22, 2017	0.740	None	100,000
	35 <sup>th</sup> Unsecured Straight Bond	Jan. 25, 2011	Jan. 25, 2018	1.660	None	10,000
Total	—	—	—	—	—	939,900

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## In Detail (5) Major Financing Activities During Fiscal 2012

The major financing activities during fiscal 2012 were as follows:

Item	Company	Details	Summary
Bond issuances	SoftBank	39 <sup>th</sup> Unsecured Straight Corporate Bond (Fukuoka SoftBank HAWKS Bond)	Issue date : September 24, 2012 Redemption date : September 22, 2017 Total amount of issue : ¥100 billion Interest rate : 0.74%/year
		40 <sup>th</sup> Unsecured Straight Corporate Bond	Issue date : September 14, 2012 Redemption date : September 14, 2017 Total amount of issue : ¥10 billion Interest rate : 0.732%/year
		41 <sup>st</sup> Unsecured Straight Corporate Bond (Fukuoka SoftBank HAWKS Bond)	Issue date : March 12, 2013 Redemption date : March 10, 2017 Total amount of issue : ¥300 billion Interest rate : 1.47%/year
		42 <sup>nd</sup> Unsecured Straight Corporate Bond	Issue date : March 1, 2013 Redemption date : March 1, 2017 Total amount of issue : ¥70 billion Interest rate : 1.467%/year
Bond redemption	SoftBank	28 <sup>th</sup> Unsecured Straight Corporate Bond	Redemption date : July 24, 2012 Redemption amount : ¥30 billion
		29 <sup>th</sup> Unsecured Straight Corporate Bond (Fukuoka SoftBank HAWKS Bond)	Redemption date : September 18, 2012 Redemption amount : ¥65 billion
Increase or decrease in debt	SoftBank	Increase of ¥203,600 million	Mainly bridge loan* concluded for the proposed acquisition of Sprint.
Execute sale and leaseback	SoftBank Mobile, etc.	Procurement of ¥330,145 million	Capital expenditure via finance leases

\* Refer to page 113 "3 Acquisition of Sprint Nextel Corporation (4) Financing" in Notes to Consolidated Financial Statements

## Forecasts for Fiscal 2013

The Company has adopted the International Financial Reporting Standards (IFRS) in place of the Japanese-GAAP standards from fiscal 2013 (transition date: April 1, 2012). Under IFRS the Company is projecting consolidated operating income from its domestic business of at least ¥1 trillion in fiscal 2013. This includes an expected gain of approximately ¥150.0 billion resulting from the re-evaluation of the existing interests held in GungHo Online Entertainment at fair value as GungHo Online Entertainment, which was an affiliate under the equity method, became a consolidated subsidiary on April 1, 2013.

## Fundamental Policy for Distribution of Profit, and Dividend for Fiscal 2012

SoftBank's basic policy is to maintain a sound financial status while both investing aggressively to ensure sustained growth and returning profits to shareholders. Returns to shareholders include cash dividends, paid twice per year in principle as an interim dividend and a year-end dividend.

Under this policy, the Company has decided to pay a year-end dividend for fiscal 2012 of ¥20 per share. Together with the interim dividend of ¥20 per share paid in December 2012, this brings the annual dividend for fiscal 2012 to ¥40 per share, the same as fiscal 2011.

### Adoption of IFRS

From fiscal 2013, the Company has adopted the International Financial Reporting Standards (IFRS) for its consolidated financial statements in lieu of Japanese-GAAP, which was used in the past. The Company will begin disclosing its consolidated financial statements according to IFRS from the first quarter of fiscal 2013 (transition date: April 1, 2012).

For further information about the differences against the financial reports for fiscal 2012 due to the difference between Japanese-GAAP and IFRS, please refer to the disclosure in the Consolidated Financial Report for the three-month period ended June 30, 2013.

## Risk Factors

Operating a wide range of businesses, the SoftBank Group faces a variety of risks in carrying out its operations. The major risks envisioned by the Group as of June 21, 2013 that could significantly affect investors' investment decisions are outlined below. These factors do not include all of the risks that the Group could face in the course of carrying out its future business operations. Forward-looking statements were determined on June 21, 2013, unless otherwise stated.

### (1) Economic conditions

Demand for services and products provided by the Group (including but not limited to telecommunications services and Internet advertising) is subject to economic conditions. Therefore, deterioration of the business climate and changes in Japan's economic structure attendant on the aging and decline of Japan's population could affect the Group's operating results.

### (2) Response to technology and business models

The Group's primary business domain is the information industry, which is subject to rapid changes in technology and business models. If for some reason, the Group is unable to develop or launch outstanding, up-to-date technologies or business models, its service offerings will lose competitiveness in the markets, making it difficult to acquire and retain customers. This could have an impact on the Group's operating results.

### (3) Capacity increases in telecommunications networks

To maintain and enhance the quality of telecommunications services, the Group must continuously increase the capacity of its telecommunications networks based on predictions of the amount of future network traffic. The Group thus plans to systematically increase network capacity. However, if the actual amount of network traffic were to drastically exceed the Group's predictions, service quality could be adversely affected, making it difficult to acquire and retain customers. In this case, the Group would also need to execute additional capital expenditure. These outcomes could have an impact on the Group's operating results and financial position.

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#### (4) Dependence on management resources of other companies

##### (a) Use of facilities, etc., of other companies

The Group makes use of certain telecommunications lines and facilities owned by other operators when constructing the telecommunications networks required for providing telecommunications services.

The Group's business development and operating results could therefore be impacted if for some reason it became difficult to continue to use those facilities, or if utilization or connection rates for those facilities were to be increased.

##### (b) Procurement of various equipment

The Group procures telecommunications equipment, network devices, and so forth (including but not limited to mobile devices and radio equipment for mobile phone base stations) from other companies.

The Group may be unable to switch suppliers or equipment in a timely manner should problems occur with the procurement of equipment in a case where the Group relies heavily on a specific supplier.

Such problems could include supply interruptions, delivery delays, order volume shortfalls, and defects. Suppliers may also cease providing the maintenance and inspection services required for telecommunications equipment to maintain performance. Either of these situations could impede the Group's provision of services, making it difficult to acquire and retain customers or cause the Group to incur additional costs for changing a supplier. This could have an impact on the Group's operating results.

##### (c) Consignment of operations

The Group consigns sales activities, acquisition and retention of customers mainly for telecommunications services, and the execution of other related operations in whole or part to subcontractors.

The Group's business development could therefore be impacted if for some reason these subcontractors are unable to execute operations in line with the Group's expectations.

The Group also has a network of sales agents responsible for the sale of the Group's services and products. Damage to the credibility or image of these sales agents would also have a negative impact on the Group's credibility or corporate image. This could hinder business development and the acquisition and retention of customers, which could impact the Group's operating results. Furthermore, if these sales agents should fail to comply with laws and regulations, the Group could

receive a warning or administrative guidance from the regulatory authorities, or be investigated for non-fulfillment of its supervisory responsibility, and the Group's credibility or corporate image could deteriorate as a result, making it difficult to acquire and retain customers. This could impact the Group's operating results.

##### (d) Use of the *Yahoo!* brand

The Group makes use of the *Yahoo!* brand belonging to U.S. company Yahoo! Inc. in certain service names such as *Yahoo! JAPAN*, *Yahoo! BB*, and *Yahoo! Keitai*. If the Group were to become unable to use the *Yahoo!* brand due to a drastic change in its relationship with Yahoo! Inc. or other reasons, the Group may be prevented from developing businesses as anticipated.

#### (5) Competition

In certain instances, the Group's competitors may have a competitive advantage over the Group in terms of capital, services and products, price competitiveness, customer base, sales capability, brands, or public recognition, for example. If these competitors were to sell services and products that harness these competitive advantages to a greater extent than at present, the Group may be placed at a disadvantage in sales competition, or may be unable to provide services and products, or acquire or retain customers as anticipated. This could impact the Group's operating results.

Moreover, when the Group introduces highly competitive services, products, and sales methods ahead of its competitors, the Group's competitive edge may be diminished if the Group's competitors deploy equivalent or better services, products, and sales methods. This could impact the Group's business development and operating results.

#### (6) Inappropriate use of services

If the Group's mobile telecommunications and other services were to be used to commit crimes such as bank-transfer phishing scams, the Group's credibility or corporate image could be damaged, and business development could be negatively affected.

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**(7) Management team**

Unforeseen situations concerning key members of management – especially chairman and CEO of the Company and Group representative Masayoshi Son – could impede the Group's business development.

**(8) Information leaks, etc.**

In its business operations, the Group handles customer information (including personal information) and other confidential information. This information could be leaked, lost, or involved in a similar incident, either intentionally or accidentally by a person related to the Group or a subcontractor, or through a malicious attack by a third party. Such an occurrence could damage the Group's competitiveness, and incur significant costs to the Group for payment of damages and modification of security systems, in addition to having an adverse impact on the Group's credibility or corporate image and making it difficult to acquire and retain customers. These outcomes could impact the Group's operating results.

**(9) Service disruptions or decline in quality due to human error and other factors**

In its provision of various services, including telecommunications services, there is a possibility that a major problem could occur if the Group became unable to continuously provide the services, or suffered a decline in the quality of the services, due to human error, serious problems with equipment or systems, or other causes. If such disruptions or declines in quality were to become widespread and/or significant time were required to restore services, the Group's credibility or corporate image could deteriorate, making it difficult to acquire and retain customers. This could impact the Group's operating results.

**(10) Natural disasters and accidents**

The Group constructs and maintains telecommunications networks and information systems necessary for the provision of various services, including Internet and telecommunications services. Natural disasters, such as earthquakes, typhoons, flooding, and tsunamis, other unexpected disruptions such as fires, power outages or shortages, or attacks such as terrorist attacks or computer viruses could

interfere with the normal operation of telecommunications networks and information systems. This could hinder the provision of various services by the Group. If these impacts were to become widespread and/or significant time were required to restore services, the Group's credibility or corporate image could deteriorate, making it difficult to acquire and retain customers. Moreover, significant costs may be incurred by the Group for recovery of the telecommunications networks, information systems, and others. This could impact the Group's operating results.

The head offices and business offices of various Group companies are concentrated in the Tokyo Metropolitan Area. The possibility therefore exists that a major earthquake or other force majeure event in the area could incapacitate these business locations, impeding the continuity of the Group's business.

**(11) Country risk**

The Group conducts business and investment overseas in the U.S., China and other regions and countries. The enactment of or revisions to the laws or regulations of these countries or regions, or a change in their enforcement as practiced by prior or existing administrations, could prevent the Group from conducting business activities as anticipated, or delay or prevent the recovery of the Group's investments, with a consequent impact on the Group's operating results and financial position. In addition, such enactment of and revision to laws or various regulations could also restrict the Group from engaging in new businesses or investments, or prevent the Group from carrying out its strategy as anticipated.

Moreover, a change in the political and social conditions in such countries and regions, or in various other environmental aspects could prevent the Group from carrying out its business activities or could delay or prevent the recovery of the Group's investments as anticipated.

**(12) Investment activities**

The Group conducts investment activities for the purpose of setting up new businesses (including, but not limited to a power generation business using renewable energy or other means), and expanding existing businesses. Such activities include corporate acquisitions, establishment of joint ventures and subsidiaries, and investments in operating companies or holding companies (including separate

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**Management's Discussion and Analysis of  
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companies that the Company effectively controls through various contracts) and funds. If an invested company is included in the Group's scope of consolidation in conjunction with these investment activities, this could impact the Group's operating results and financial position. In addition, if an invested company is unable to conduct business as anticipated at the time of the Group's investment, the Group's operating results and business development could be impacted, for example, through write-downs on intangible assets, such as goodwill, that are booked in conjunction with investment activities. Furthermore, the Group may also book valuation losses and other charges in the event of a decline in the value of equity interests and other assets acquired through investment activities. This could impact the Group's operating results.

Additionally, the Group occasionally provides financial assistance to invested companies through loans, guarantees, and other means, when it deems such assistance to be necessary. However, if the invested company is unable to conduct business in line with the Group's expectations, this could impact the Group's operating results.

Moreover, if the Group is unable to secure sufficient human resources and other management resources for the start-up of new businesses and other projects, or to allocate sufficient management resources to its investees and existing businesses, it could have an impact on the Group's operating results and business development.

**(13) Foreign exchange risk on overseas investment**

The Company invests in overseas companies directly or through its overseas subsidiaries, and via other means. The Company may incur a foreign exchange loss if it sells its equity interests, including the stock of such overseas companies, when the yen is stronger than at the time of investment. A foreign exchange loss may also be incurred if overseas subsidiaries and so forth repatriate proceeds from the sale of shares and other equity interests to Japan when the yen is stronger than at the time of investment. Such foreign exchange losses could impact the Group's operating results.

**(14) Fund procurement and leasing**

The Group procures the funds it requires for developing its business by borrowing from financial institutions, issuing corporate bonds, and other sources. The Group also executes capital expenditure utilizing leases. The cost of procuring funds could increase because of rising interest rates or a decline in the Group's creditworthiness stemming mainly from a downgrading of the credit ratings of SoftBank or its Group companies. Such an increase in fund procurement costs could impact the Group's operating results. In addition, various covenants are attached to the Group's borrowings from financial institutions, corporate bonds, and other transactions. If these covenants are breached, the Group could be requested by financial institutions or other lenders to repay its borrowings early. As a result, the Group's financial position could be impacted. Furthermore, depending on financial market conditions, the Group may be unable to procure funds or structure leases as planned. This could have an impact on the Group's business development, operating results, and financial position.

**(15) Laws and regulations**

The Group is subject to various laws and regulations pertaining to general corporate business activities, as well as laws and regulations governing specific business operations, such as the Telecommunications Business Act and Radio Act in the telecommunications business. Revisions to such laws and regulations, or the enforcement of new laws and regulations, or new interpretations and applications of laws and regulations (including amendments thereof) could prevent the Group from developing businesses as anticipated.

**(16) Government policies and regulations for the telecommunications sector**

The revision and establishment of mainly the following government policies for the telecommunications sector in Japan, along with the revision and development of accompanying regulations, could have an impact on the Group's business development and operating results:

- a) Regulations regarding the status of business management and operations of the NIPPON TELEGRAPH AND TELEPHONE CORPORATION (NTT) Group;

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- b) Designated telecommunications facilities system (rules on open access to optic-fiber facilities, rules related to dominant carrier regulations for mobile network operators, etc.);
- c) The scope of universal service and the universal service fund system;
- d) Regulations regarding access to the next-generation networks (NGN) and other infrastructure of NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION and NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION;
- e) Regulations and rules regarding countermeasures for network traffic to secure communications in the event of a major natural disaster or other emergency;
- f) Regulations regarding access charge calculation formulas for mobile telecommunications services;
- g) Regulations and rules concerning the mobile communications business model (SIM Lock\* regulations and rules on promoting new entry by Mobile Virtual Network Operators (MVNOs), and regulations and rules for coping with the sharp increase in network traffic);
- h) Radio utilization fee structure;
- i) Frequency band allocation system, including introduction of an auction system;
- j) Entry of new operators into newly allocated frequency bands;
- k) Regulations concerning the effect of radio waves on health;
- l) Regulations concerning personal information and customer information;
- m) Regulations and rules for the protection of consumers;
- n) Regulations concerning the method of sales and presentation of advertising for telecommunications services;
- o) Spam regulations;
- p) Regulations on responses to unlawful and harmful information on the Internet and access to such information;
- q) Regulations concerning the improper use of mobile handsets.

\* SIM Lock: a control that restricts the use of a mobile handset or other mobile communication device to the SIM card (an IC card on which the telephone number and other subscriber information is recorded) of a designated telecom operator.

**(17) Frequency band**

The Group uses a frequency band allocated by the government minister in charge to provide its mobile telecommunications services. As traffic on the mobile telecommunications network continues to increase due to the spread of smartphones, the Group will need to secure additional bandwidth as well as to enhance effective use of the frequency band by introducing LTE (Long Term Evolution) in order to promote business development. If the Group is unable to secure the required bandwidth in the future, service quality may decline, making it difficult to acquire and retain customers, or there may otherwise be some impact on the Group's business development. Either of these outcomes could impact the Group's operating results. Moreover, with the introduction of the auction system, securing new bandwidth may entail considerable expense, which could impact the Group's operating results and financial position.

Moreover, the frequency band used by the Group for providing mobile telecommunications services could receive interference from other radio waves, which could impede reception at mobile phone base stations or mobile handsets. If such an effect were to occur over a wide area, it might have an impact on the Group's ability to acquire and retain customers, or on business development. This could impact the Group's operating results.

**(18) Intellectual property**

If the Group were to unintentionally infringe on intellectual property rights held by third parties, it may be prevented from using the intellectual property or subjected to claims for compensatory damages or commercially unreasonable license fees from the third party, or experience some other impediment to its business development. Such actions could impact the Group's operating results.

On the other hand, if intellectual property held by the Group, such as the SoftBank brand, were infringed upon by a third party, such an infringement might have a negative impact on the Group's credibility or on its corporate image.

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**(19) Litigation**

The Group faces the possibility of lawsuits by third parties claiming compensatory damages for the alleged infringement of rights or benefits. These third parties may include customers, business partners, shareholders of investees, and employees. Such lawsuits could hinder the Group's business development or may impair the Group's corporate image, as well as create a financial burden. These outcomes could have an impact on the Group's operating results.

**(20) Administrative sanctions and other orders**

The Group may be subject to administrative sanctions and guidance by government agencies. Such administrative actions may hinder the Group's business development and may create a financial burden that could have an impact on the Group's operating results.

**(21) Conclusion of agreement regarding the acquisition of Sprint**

SoftBank and Sprint have agreed to SoftBank's investing in businesses of Sprint (acquisition of Sprint). SoftBank, a U.S. subsidiary of SoftBank established to execute the acquisition of Sprint, and Sprint have concluded an agreement on the merger of the subsidiary and Sprint (the merger agreement). Pursuant to the merger agreement, the acquisition of Sprint will take effect only with approval by U.S. regulatory authorities, approval at a meeting of the Sprint shareholders, and satisfaction of other closing conditions. If these closing conditions are not satisfied, (or waived), acquisition of management control of Sprint may be delayed further than anticipated, or may not be realized. Moreover, the merger agreement stipulates that either party may terminate the merger agreement with sufficient reason prior to the merger taking effect. For this reason, if the merger agreement is terminated, acquisition of management control of Sprint may not be realized. Furthermore, if the acquisition is not completed, SoftBank may incur foreign exchange losses on the cancellation of foreign currency forward contracts related to acquisition funds, or may be obligated to pay a termination fee to Sprint (if SoftBank is held liable for reasons such as the inability to procure the funds needed for the acquisition). This could have an impact on the Group's operating results. In addition, because Sprint has received an offer for purchase from another company, the conditions relating to the acquisition of Sprint may change. Such a change could have an impact on the Group's financial position.

Since Sprint received a counter offer from another company, as of June 11, 2013, SoftBank and Sprint agreed to a partial amendment of the merger agreement including an increase of the total investment amount from approximately US\$20.1 billion to approximately US\$21.6 billion.

Moreover, following completion of the acquisition, Sprint may be unable to deliver operating results according to plans or SoftBank's expectations due to changes in the market conditions faced by Sprint, changes in legal regulations, or other factors, and the effects of the Sprint acquisition may not be able to be sufficiently realized. In addition, SoftBank could incur unexpected costs, damages or liabilities in regard to Sprint as a result of the need to address demands by the U.S. regulatory authorities and lawsuits regarding the Sprint merger and the post-merger Sprint.

**Significant Contracts****1. Agreement on investment in Sprint Nextel Corporation**

On October 15, 2012, the Company and Sprint Nextel Corporation in the U.S. entered into an Agreement and Plan of Merger under which the Company will invest (the transaction) in Sprint. On June 11, 2013, the parties amended certain material terms of the agreement.

As amended, the total consideration to be paid by the Company is approximately US\$21.6 billion, consisting of approximately US\$16.6 billion to be paid to Sprint shareholders and US\$5.0 billion of new capital to be used, among other purposes, to strengthen Sprint's balance sheet.

The transaction is subject to approval at a meeting of the Sprint shareholders (to be held on June 25, 2013 (EDT) in Kansas, U.S.), customary antitrust and other regulatory approvals, and the satisfaction or waiver of other closing conditions, including accuracy of representations and warranties. The Company expects to complete the transaction in early July 2013.

As a result of the transaction the Company will own approximately 78% of the fully-diluted (as used herein, not giving effect to out-of-the-money options) shares of New Sprint (as defined (1) 1 below)), which will own 100% of the shares of Sprint.



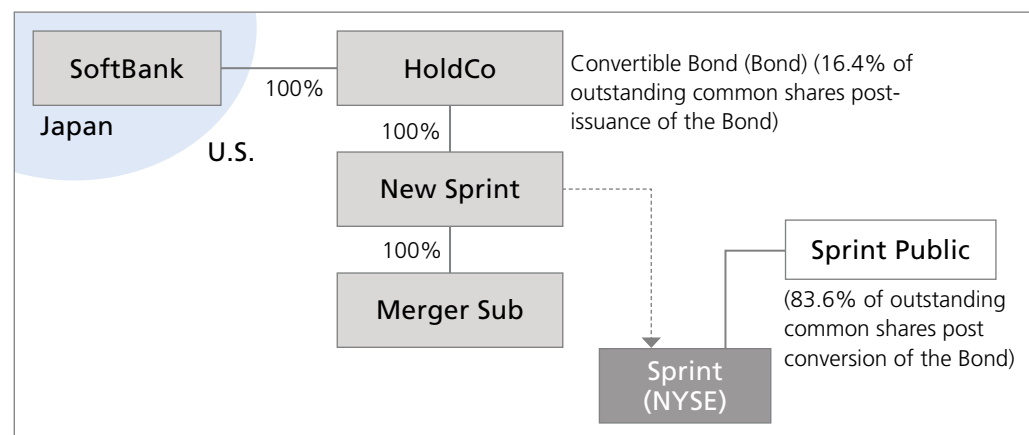
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### (1) Outline of acquisition

#### 1) Establishment of subsidiaries

The Company has formed a new U.S. holding company, Starburst I, Inc. (HoldCo), and two further subsidiaries, Starburst II, Inc. (New Sprint), which is owned directly by HoldCo, and Starburst III, Inc. (Merger Sub), which is owned directly by New Sprint and indirectly by HoldCo.

On October 15, 2012, New Sprint entered into a Bond Purchase Agreement with Sprint to purchase a newly-issued convertible bond (Bond), and on October 22, 2012 (EST) New Sprint purchased the Bond for US\$3.1 billion. The Bond has a 1.0% coupon rate with a seven-year maturity and, if the merger agreement is terminated prior to completion of the Merger (as defined in 2) below), subject to regulatory approval, will be convertible, or if the Merger (as defined in 2) below) is completed, will be converted, at US\$5.25 per share into 16.4% of outstanding Sprint common shares on a post-issuance basis (as used herein; specifically, the ratio is against the issued shares less the number of shares of treasury stock and the number of cancelled shares. However, customary adjustments apply).



#### 2) Merger

Following receipt of Sprint shareholder and regulatory approvals and the satisfaction or waiver of the other closing conditions to the transaction, the Company will capitalize, through HoldCo, New Sprint with an additional approximately US\$18.5 billion. Approximately US\$16.6 billion will be distributed to Sprint shareholders as merger consideration. Merger Sub will merge with and into Sprint (the Merger) as a result of which:

- A) Sprint will become a wholly-owned subsidiary of New Sprint;
- B) In aggregate, Sprint shareholders will receive, in exchange for their Sprint shares approximately 22% of the fully-diluted equity of New Sprint and approximately US\$16.6 billion cash;
- C) Individual Sprint shareholders will have the right to elect to receive, for each share of Sprint that they own, either (i) US\$7.65 in cash or (ii) one share of New Sprint stock, subject to proration if shareholders in the aggregate elect more than the total amount of cash or stock consideration, as applicable (which would result in the receipt of a mix of cash and stock);
- D) Holders of Sprint stock options will receive stock options in the New Sprint;
- E) The Bond will be converted into shares of Sprint, with the value of such shares reflected (together with the Company's additional investment) in the approximately 78% of the fully-diluted equity of New Sprint which HoldCo will hold after consummation of the Merger;
- F) New Sprint will issue a 5 year warrant, for approximately 55 million shares of New Sprint with an exercise price of US\$5.25 per share (Warrant) to HoldCo,
- G) New Sprint is expected to succeed Sprint's New York Stock Exchange listing as a publicly traded company in the U.S.

Management's Discussion and Analysis of Operating Results and Financial Condition

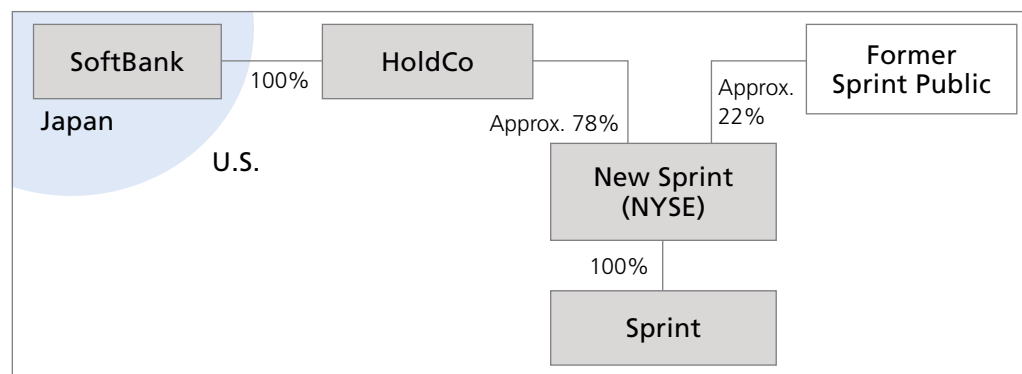
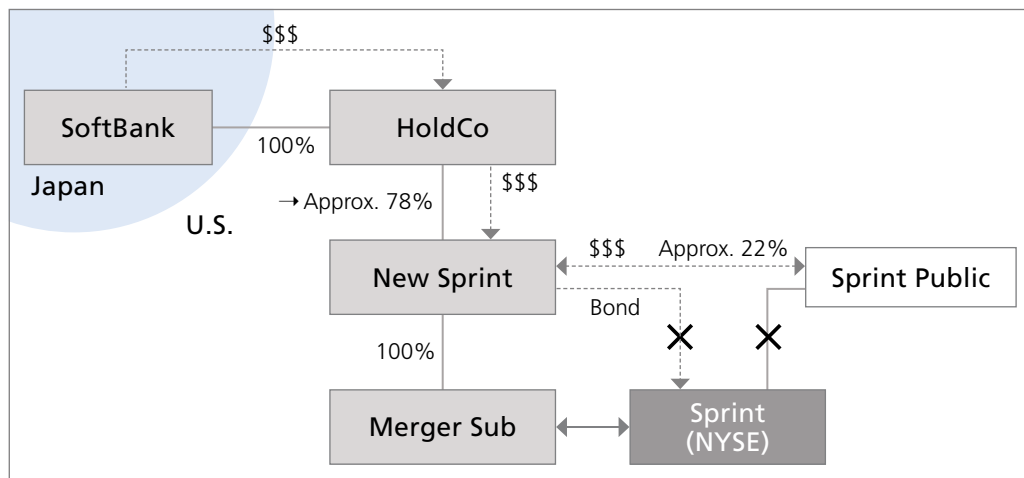
Until the earlier of (i) adoption of the amended Merger Agreement by Sprint shareholders and (ii) June 25, 2013 (EDT), Sprint has the right to terminate the transaction by accepting a superior offer by a third party after giving the Company opportunity to exercise its matching rights. Other key terms include:

- A) The Company must pay Sprint a termination fee of US\$600 million if the merger does not close because the Company does not obtain financing;
- B) Sprint must pay the Company a termination fee of US\$800 million if the merger does not close because Sprint accepts a superior offer by a third party, etc.;
- C) Sprint must pay up to US\$200 million of the Company's expenses if Sprint's shareholders do not approve the transaction at their shareholder meeting.
- D) Sprint is required to adopt a shareholder rights plan.

3) Post-transaction (fully-diluted basis)

Post-transaction:

- A) The Company will own, through HoldCo, approximately 78% of New Sprint shares and Sprint shareholders will own approximately 22% of New Sprint shares in aggregate on a fully-diluted basis;
- B) New Sprint will retain US\$1.9 billion of the US\$18.5 billion contribution by the Company, which, in combination with the US\$3.1 billion purchase price for the Bond, represents an US\$5.0 billion contribution to the New Sprint balance sheet;
- C) Sprint's current CEO Dan Hesse will be the CEO of New Sprint;
- D) New Sprint will have a 10-member board of directors, including three members from the current Sprint Board of Directors as well as the CEO; and
- E) Sprint's headquarters will continue to be in Overland Park, Kansas.



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## (2) Funds procurement (Execution of a bridge loan agreement and related agreements)

On December 18, 2012, the Company entered into a loan agreement (the Bridge Loan) for the maximum amount of ¥1,650 billion (Facility A: ¥250 billion; Facility B: ¥1,400 billion,\* with both facilities to be fully repaid by December 17, 2013) with Mizuho Corporate Bank, Ltd., Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Deutsche Bank AG, Tokyo Branch to procure funds for the Sprint acquisition. Facility A is intended to provide funds for the Company's acquisition of the Bond, and was drawn down on December 21, 2012. Facility B is intended to provide funds for the investment in and resulting acquisition of Sprint. The Company plans to draw down this facility when the Merger is executed.

\* Following the execution of the Bridge Loan, the Company procured a total of ¥370 billion by issuing the 41st Unsecured Straight Corporate Bond (issued: March 12, 2013; total amount of issue: ¥300.0 billion) and the 42nd Unsecured Straight Corporate Bond (issued: March 1, 2013; total amount of issue: ¥70.0 billion). After deducting costs associated with the bond issuance, the remaining ¥365.1 billion of the procured funds will be allocated to part of the investment in the business of Sprint. Therefore the equivalent amount was deducted from the maximum total amount of borrowing under the Bridge Loan. As of March 27, 2013 Facility B stood at ¥1,034.9 billion.

In addition, the Company, HoldCo, and New Sprint entered into a Pledge and Security Agreement with Sumitomo Mitsui Banking Corporation, as the collateral agent for the Bridge Loan, on December 18, 2012, under which the following assets 1) to 3) were provided as security against the obligations of the Company under the Bridge Loan.

- 1) Shares of HoldCo held by the Company
- 2) Shares of New Sprint and all other assets held by HoldCo
- 3) The Bonds and all other assets held by New Sprint, except for other shares held by Merger Sub (which cease to be collateral upon consummation of the Merger)

Moreover, the obligation borne by the Company under the Bridge Loan was jointly guaranteed by HoldCo and New Sprint by submitting a guarantee to the abovementioned financial institutions dated December 18, 2012 (however, this joint guarantee will cease upon consummation of the Merger). From and after consummation of the Merger, HoldCo, SoftBank Mobile, SoftBank Telecom, and SoftBank BB are expected to become joint guarantors of the Company's obligations.

## 2. Share Exchange between SoftBank and eAccess, and partial transfer of eAccess Shares

On September 27, 2012 the Board of Directors resolved to conduct a share exchange with eAccess, and entered into a Share Exchange Agreement with eAccess on October 1, 2012. As a result of subsequent discussions with eAccess regarding the shortening of the schedule of the share exchange and revision of the exchange rate and other matters, the Board of Directors decided to execute an Amendment Agreement with eAccess to amend part of the Share Exchange Agreement on November 2, 2012. Based on the above, the Company and eAccess conducted a share exchange on January 1, 2013 (the effective date of the share exchange) in which the Company became the sole parent company of eAccess and eAccess became the Company's wholly-owned subsidiary.

Subsequently, eAccess acquired all common shares held by the Company on January 17, 2013, and issued newly-created Class A Shares (without voting rights) and Class B Shares (with voting rights) to the Company. The Company transferred 66.71% of the Class B shares (with voting rights) to 11 third-party purchasers based on the share transfer agreement on the same date.

eAccess became the Company's affiliated company as a result of these transactions.

(Note) Rights associated with the Class A Shares and Class B Shares other than voting rights are the same.

Details of the share exchange and partial share transfer are as follows.

### (1) Share exchange between the Company and eAccess

#### 1) Purpose of the Share Exchange

The Company resolved to exchange shares, aiming to establish a structure which will allow the Group to combine management resources effectively and efficiently, and accelerate the penetration of the mobile broadband service through making eAccess a wholly-owned subsidiary of the Company.

Effects of Making eAccess a Wholly-owned Subsidiary

- A) Shared utilization of mobile communications network
- B) Mutual collaboration on efficient operation of base station sites
- C) Creation of synergies

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Management's Discussion and Analysis of  
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## 2) Method of the share exchange

The Company and eAccess completed the Share Exchange and the Company became the sole parent company of eAccess and eAccess became the wholly-owned subsidiary of the Company effective January 1, 2013, in accordance with the share exchange agreement between the Company and eAccess dated October 1, 2012, as amended on November 2, 2012.

The Share Exchange was conducted as a simplified share exchange under Article 796, Paragraph 3, of the Companies Act, which did not require approval of the general meeting of shareholders of the Company, while it was approved at the special and general meeting of shareholders of eAccess held on December 7, 2012.

## 3) Details of the share exchange

For each common share of eAccess the Company granted 20.09 common shares of the Company.

The number of shares granted by the company in the share exchange was 69,871,312 shares. All of the granted shares were newly issued shares, and did not include grants of treasury stock held by the Company.

The acquisition amount of the common shares of eAccess (excluding accompanying cost) based on the Share Exchange was ¥219,395 million,\* which was the fair value of the granted common shares of the Company on the day before the effective date of the exchange.

\* 69,871,312 shares (number of granted shares) x ¥3,140 (the closing share price of the Company on the First Section of the Tokyo Stock Exchange as of December 28, 2012).

## 4) Grounds for calculation of exchange ratio in share exchange

The closing price of the common stock of eAccess as of September 28, 2012 was ¥15,070, and as of November 2, 2012 it was ¥45,500. The Company and eAccess determined the appraisal value of the common stock of eAccess through mutual consultation, taking into comprehensive consideration the current share prices of eAccess, as well as (i) the mobile communications network held by eAccess, (ii) the customer base held by eAccess, and (iii) synergies that are expected to be generated together with SoftBank Mobile.

To ensure the fairness and appropriateness upon calculation of the share exchange ratio, the Company and eAccess, upon the execution of the Amendment Agreement, decided to separately engage independent financial advisors to the financial analysis on the share exchange ratio. The Company appointed Mizuho Securities Co., Ltd. and PLUTUS CONSULTING Co., Ltd. eAccess appointed Goldman Sachs Japan Co., Ltd.

## 5) Outline of the sole parent company upon share exchange

Name	SoftBank Corp.
Address	1-9-1 Higashi-shimbashi, Minato-ku, Tokyo
Name and title of representative	Mr. Masayoshi Son, Chairman and CEO
Business description	Pure holding company
Paid-in capital	¥238,772 million

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**(2) Partial transfer of eAccess shares**

## 1) Reason for partial transfer of eAccess shares

eAccess provides mobile communications service under the EMOBILE brand and operates mobile data communications services for its MVNO (Mobile Virtual Network Operator) contractors. The Company decided to transfer a part of its shares in eAccess to the 11 third-party purchasers in order for eAccess to maintain a certain degree of independence, which the Company believes will facilitate the continued expansion of eAccess' business.

In November 2012, the Company explained to the Ministry of Internal Affairs and Communications that it was considering reducing its voting rights in eAccess to less than one-third after making eAccess a wholly-owned subsidiary. The Ministry of Internal Affairs and Communications subsequently reported this to the Radio Regulatory Council (an advisory panel to the Minister of Internal Affairs and Communications) in the same month.

## 2) Companies to which the shares were transferred

- Alcatel-Lucent Participations
- Telefonaktiebolaget L M Ericsson
- Comverse, Inc.
- Samsung Asia Pte. Ltd.
- Nokia Siemens Networks Holdings Singapore Ltd.
- ORIX Corporation
- JA Mitsui Leasing, Ltd.
- Century Tokyo Leasing Corporation
- Fuyo General Lease Co., Ltd.
- Sumitomo Mitsui Finance and Leasing Company, Limited
- Mitsubishi UFJ Lease & Finance Company Limited

## 3) The number of shares transferred, and the number of shares held before and after the transfer

The Company transferred 100 Class B shares each to 11 purchasers listed in "2) Companies to which the shares were transferred." Shares held before and after the transfer are as follows:

## Before the share transfer

Class of Shares	Shareholder	Number of Shares Held	Ownership %
Class A shares (without voting rights)	The Company	218,777 shares	100.00%
Class B shares (with voting rights)	The Company	1,649 shares	100.00%
Total	The Company	220,426 shares	100.00%

## After the share transfer

Class of Shares	Shareholder	Number of Shares Held	Ownership %
Class A shares (without voting rights)	The Company	218,777 shares	100.00%
Class B shares (with voting rights)	The Company	549 shares	33.29%
	Other shareholders (11 third parties)	1,100 shares	66.71%
Total	The Company	219,326 shares	99.50%
	Other shareholders (11 third parties)	1,100 shares	0.50%

**R&D Activities**

R&D expenditures during fiscal 2012 totaled ¥779 million.

The major portion of R&D activities took place in the Mobile Communications, Broadband Infrastructure, and Fixed-line Telecommunications segments.

Consolidated  
Balance Sheet**Consolidated Balance Sheet**SoftBank Corp. and its Consolidated Subsidiaries  
March 31, 2013

	Millions of yen		Thousands of
	2012	2013	U.S. dollars (Note 1)
			2013
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Notes 5 and 16) . . . . .	¥1,014,559	¥1,364,630	\$14,509,623
Marketable securities (Notes 4 and 16) . . . . .	3,794	4,373	46,497
Notes and accounts receivable – trade (Notes 5 and 16) . . . . .	661,288	662,187	7,040,797
Merchandise and finished products . . . . .	42,618	43,846	466,199
Deferred tax assets (Note 7) . . . . .	56,469	50,580	537,799
Other current assets (Note 5) . . . . .	170,739	495,800	5,271,664
Allowance for doubtful accounts (Note 16) . . . . .	(39,015)	(30,219)	(321,308)
Total current assets . . . . .	1,910,452	2,591,197	27,551,271
<b>Property and equipment (Notes 2 (8) and 5):</b>			
Land . . . . .	23,176	73,930	786,071
Buildings and structures . . . . .	77,405	121,939	1,296,534
Telecommunications equipment . . . . .	988,542	1,193,935	12,694,684
Telecommunications service lines . . . . .	65,214	59,974	637,682
Construction in progress . . . . .	80,502	137,079	1,457,512
Other . . . . .	61,554	70,783	752,610
Total property and equipment . . . . .	1,296,393	1,657,640	17,625,093
<b>Intangible assets:</b>			
Goodwill . . . . .	780,243	734,407	7,808,687
Software (Note 5) . . . . .	310,151	383,733	4,080,096
Other intangibles (Note 5) . . . . .	36,121	36,805	391,334
Total intangible assets . . . . .	1,126,515	1,154,945	12,280,117
<b>Investments and other assets:</b>			
Investment securities (Notes 4 and 16) . . . . .	128,714	402,422	4,278,809
Investments in unconsolidated subsidiaries and affiliated companies (Note 16) . . . . .	209,484	468,186	4,978,054
Deferred tax assets (Note 7) . . . . .	104,327	99,967	1,062,913
Other assets (Note 5) . . . . .	123,820	150,529	1,600,521
Total investments and other assets . . . . .	566,345	1,121,104	11,920,297
<b>Total assets</b> . . . . .	¥4,899,705	¥6,524,886	\$69,376,778

See notes to consolidated financial statements.

Consolidated  
Balance Sheet

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
<b>Current liabilities:</b>			
Short-term borrowings (Notes 5 and 16) . . . . .	¥ 103,958	¥ 454,168	\$ 4,829,006
Current portion of long-term debt (Notes 5 and 16) . . . . .	444,198	564,323	6,000,245
Accounts payable – trade (Note 16) . . . . .	190,533	194,654	2,069,686
Accounts payable – other and accrued expenses (Notes 5 and 16) . . . . .	835,053	751,690	7,992,451
Income taxes payable (Note 16) . . . . .	125,116	179,559	1,909,187
Current portion of lease obligations (Notes 5 and 16) . . . . .	152,683	192,603	2,047,879
Deferred tax liabilities (Note 7) . . . . .	0	71,975	765,284
Other current liabilities . . . . .	72,184	181,212	1,926,762
Total current liabilities . . . . .	1,923,725	2,590,184	27,540,500
<b>Long-term liabilities:</b>			
Long-term debt (Notes 5 and 16) . . . . .	1,019,970	1,089,191	11,580,978
Liability for retirement benefits (Note 6) . . . . .	14,953	14,506	154,237
Allowance for point mileage . . . . .	32,074	22,548	239,745
Lease obligations (Notes 5 and 16) . . . . .	347,700	526,739	5,600,627
Deferred tax liabilities (Note 7) . . . . .	20,370	17,940	190,750
Other liabilities (Note 5) . . . . .	105,273	157,319	1,672,716
Total long-term liabilities . . . . .	1,540,340	1,828,243	19,439,053
<b>Commitments and contingent liabilities (Notes 15, 17 and 18)</b>			
<b>Equity (Notes 5, 8, 9 and 20):</b>			
Common stock:			
Authorized: 3,600,000,000 shares			
Issued: 1,107,728,781 shares in 2012 and 1,200,660,365 shares in 2013 . . . . .	213,798	238,772	2,538,777
Additional paid-in capital . . . . .	236,563	429,689	4,568,729
Stock acquisition rights . . . . .	898	736	7,827
Retained earnings . . . . .	530,534	753,616	8,012,929
Treasury stock – at cost: 9,213,962 shares in 2012 and 9,160,493 shares in 2013 . . . . .	(22,947)	(22,834)	(242,786)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities . . . . .	10,567	4,164	44,274
Deferred gain (loss) on derivatives under hedge accounting . . . . .	(993)	114,158	1,213,801
Foreign currency translation adjustments . . . . .	(30,827)	51,520	547,794
Subtotal . . . . .	937,593	1,569,821	16,691,345
Minority interests . . . . .	498,047	536,638	5,705,880
Total equity . . . . .	1,435,640	2,106,459	22,397,225
<b>Total liabilities and equity . . . . .</b>	<b>¥4,899,705</b>	<b>¥6,524,886</b>	<b>\$69,376,778</b>

See notes to consolidated financial statements.

Consolidated  
Statement of Income**Consolidated Statement of Income**SoftBank Corp. and its Consolidated Subsidiaries  
Year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
<b>Net sales</b> .....	¥3,202,436	¥3,378,365	\$35,920,946
<b>Cost of sales</b> .....	1,485,751	1,590,740	16,913,769
Gross profit .....	1,716,685	1,787,625	19,007,177
<b>Selling, general and administrative expenses</b> (Note 10) .....	1,041,402	1,042,625	11,085,859
Operating income .....	675,283	745,000	7,921,318
<b>Other income (expenses):</b>			
Interest and dividend income .....	4,400	6,526	69,389
Interest expense (Note 5) .....	(62,206)	(36,737)	(390,611)
Equity in losses of affiliated companies, net .....	(2,948)	(33,524)	(356,449)
Gain on sale of investment securities, net (Note 4) .....	88,317	4,061	43,179
Valuation loss on investment securities .....	(13,971)	(9,773)	(103,913)
Other, net (Note 11) .....	(56,618)	(25,059)	(266,443)
Other expenses, net .....	(43,026)	(94,506)	(1,004,848)
<b>Income before income taxes and minority interests</b> .....	632,257	650,494	6,916,470
<b>Income taxes</b> (Note 7):			
Current .....	(196,509)	(278,663)	(2,962,924)
Deferred .....	(58,204)	(8,511)	(90,494)
Total income taxes .....	(254,713)	(287,174)	(3,053,418)
<b>Net income before minority interests</b> .....	377,544	363,320	3,863,052
<b>Minority interests in net income</b> .....	(63,791)	(73,916)	(785,923)
<b>Net income</b> .....	¥ 313,753	¥ 289,404	\$ 3,077,129
		Yen	U.S. dollars (Note 1)
	2012	2013	2013
<b>Net income per share</b> (Notes 2 (23) and 12)			
– Basic .....	¥285.78	¥258.35	\$2.75
– Diluted .....	278.75	254.12	2.70
<b>Cash dividends applicable to the year</b> .....	40.00	40.00	0.43

See notes to consolidated financial statements.



Consolidated Statement of  
Comprehensive Income**Consolidated Statement of Comprehensive Income**SoftBank Corp. and its Consolidated Subsidiaries  
Year ended March 31, 2013

	Millions of yen		Thousands of
	2012	2013	U.S. dollars (Note 1)
			2013
<b>Net income before minority interests</b> .....	¥377,544	¥363,320	\$3,863,052
<b>Other comprehensive income (loss) (Note 13):</b>			
Unrealized loss on available-for-sale securities .....	(25,780)	(8,121)	(86,348)
Deferred gain (loss) on derivatives under hedge accounting .....	(12,661)	117,859	1,253,153
Foreign currency translation adjustments .....	21,328	65,906	700,755
Share of other comprehensive income (loss) in affiliated companies .....	(3,442)	15,270	162,360
<b>Total other comprehensive income (loss)</b> .....	<b>(20,555)</b>	<b>190,914</b>	<b>2,029,920</b>
<b>Comprehensive income</b> .....	<b>¥356,989</b>	<b>¥554,234</b>	<b>\$5,892,972</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent .....	¥296,543	¥480,498	\$5,108,963
Minority interests .....	60,446	73,736	784,009

See notes to consolidated financial statements.

Consolidated Statement of  
Changes in Equity

## Consolidated Statement of Changes in Equity

SoftBank Corp. and its Consolidated Subsidiaries  
Year ended March 31, 2013

Millions of yen

	Number of shares of common stock outstanding	Common stock	Additional paid-in capital	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated other comprehensive income			Total	Minority interests	Total equity
							Unrealized gain (loss) on available-for- sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments			
<b>Balance, April 1, 2011</b>	1,082,349,905	¥188,775	¥212,510	¥703	¥222,277	¥ (240)	¥ 34,921	¥ 11,224	¥(50,214)	¥ 619,956	¥259,662	¥ 879,618
Net income	-	-	-	-	313,753	-	-	-	-	313,753	-	313,753
Cash dividends, ¥5.00 per share (record date: March 31, 2011)	-	-	-	-	(5,412)	-	-	-	-	(5,412)	-	(5,412)
Adjustments of retained earnings due to change in scope of consolidation	-	-	-	-	(84)	-	-	-	-	(84)	-	(84)
Purchase of treasury stock	(9,033,459)	-	-	-	-	(22,707)	-	-	-	(22,707)	-	(22,707)
Exercise of warrants	25,198,373	25,023	24,980	-	-	-	-	-	-	50,003	-	50,003
Changes in foreign subsidiaries' and affiliated companies' interests in their subsidiaries	-	-	(927)	-	-	-	-	-	-	(927)	-	(927)
Net change in the year	-	-	-	195	-	-	(24,354)	(12,217)	19,387	(16,989)	238,385	221,396
<b>Balance, March 31, 2012</b>	1,098,514,819	¥213,798	¥236,563	¥ 898	¥530,534	¥(22,947)	¥ 10,567	¥ (993)	¥(30,827)	¥ 937,593	¥498,047	¥1,435,640
Net income	-	-	-	-	289,404	-	-	-	-	289,404	-	289,404
Cash dividends, ¥40.00 per share (record date: March 31, 2012) and ¥20.00 per share (record date: September 30, 2012)	-	-	-	-	(66,045)	-	-	-	-	(66,045)	-	(66,045)
Adjustments of retained earnings due to change in scope of consolidation	-	-	-	-	(277)	-	-	-	-	(277)	-	(277)
Purchase of treasury stock	(12,399)	-	-	-	-	(87)	-	-	-	(87)	-	(87)
Disposal of treasury stock	(14,232)	-	13	-	-	200	-	-	-	213	-	213
Increase by share exchanges with eAccess Ltd.	69,871,312	-	219,395	-	-	-	-	-	-	219,395	-	219,395
Exercise of warrants	23,140,372	24,974	24,940	-	-	-	-	-	-	49,914	-	49,914
Changes in foreign subsidiaries' and affiliated companies' interests in their subsidiaries (Note 8 (5))	-	-	(51,222)	-	-	-	-	-	-	(51,222)	-	(51,222)
Net change in the year	-	-	-	(162)	-	-	(6,403)	115,151	82,347	190,933	38,591	229,524
<b>Balance, March 31, 2013</b>	1,191,499,872	¥238,772	¥429,689	¥ 736	¥753,616	¥(22,834)	¥ 4,164	¥114,158	¥ 51,520	¥1,569,821	¥536,638	¥2,106,459

Thousands of U.S. dollars (Note 1)

	Number of shares of common stock outstanding	Common stock	Additional paid-in capital	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated other comprehensive income			Total	Minority interests	Total equity
							Unrealized gain (loss) on available-for- sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments			
<b>Balance, March 31, 2012</b>	1,098,514,819	\$2,273,238	\$2,515,290	\$ 9,548	\$5,640,978	\$(243,987)	\$ 112,355	\$ (10,558)	\$(327,772)	\$ 9,969,092	\$5,295,555	\$15,264,647
Net income	-	-	-	-	3,077,129	-	-	-	-	3,077,129	-	3,077,129
Cash dividends, \$0.43 per share (record date: March 31, 2012) and \$0.21 per share (record date: September 30, 2012)	-	-	-	-	(702,233)	-	-	-	-	(702,233)	-	(702,233)
Adjustments of retained earnings due to change in scope of consolidation	-	-	-	-	(2,945)	-	-	-	-	(2,945)	-	(2,945)
Purchase of treasury stock	(12,399)	-	-	-	-	(925)	-	-	-	(925)	-	(925)
Disposal of treasury stock	(14,232)	-	138	-	-	2,126	-	-	-	2,264	-	2,264
Increase by share exchanges with eAccess Ltd.	69,871,312	-	2,332,749	-	-	-	-	-	-	2,332,749	-	2,332,749
Exercise of warrants	23,140,372	265,539	265,178	-	-	-	-	-	-	530,717	-	530,717
Changes in foreign subsidiaries' and affiliated companies' interests in their subsidiaries (Note 8 (5))	-	-	(544,626)	-	-	-	-	-	-	(544,626)	-	(544,626)
Net change in the year	-	-	-	(1,721)	-	-	(68,081)	1,224,359	875,566	2,030,123	410,325	2,440,448
<b>Balance, March 31, 2013</b>	1,191,499,872	\$2,538,777	\$4,568,729	\$ 7,827	\$8,012,929	\$(242,786)	\$ 44,274	\$1,213,801	\$ 547,794	\$16,691,345	\$5,705,880	\$22,397,225

See notes to consolidated financial statements.

Consolidated Statement of  
Cash Flows**Consolidated Statement of Cash Flows**SoftBank Corp. and its Consolidated Subsidiaries  
Year ended March 31, 2013

	2012	Millions of yen 2013	Thousands of U.S. dollars (Note 1) 2013
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests . . . . .	¥ 632,257	¥ 650,494	\$ 6,916,470
Adjustments for:			
Income taxes paid . . . . .	(195,641)	(216,216)	(2,298,947)
Depreciation and amortization . . . . .	275,826	340,696	3,622,499
Amortization of goodwill . . . . .	62,607	64,114	681,701
Equity in losses of affiliated companies, net . . . . .	2,948	33,524	356,449
Dilution gain from changes in equity interest, net . . . . .	(19,685)	(3,559)	(37,842)
Valuation loss on investment securities . . . . .	13,971	9,773	103,913
(Gain) loss on valuation of investments and sale of investments in subsidiaries in the U.S., net . . . . .	(1,986)	1,525	16,215
Gain on sale of marketable and investment securities, net . . . . .	(88,278)	(4,093)	(43,519)
Foreign exchange gain, net . . . . .	(256)	(2,322)	(24,689)
Changes in assets and liabilities, net of effects from changes in scope of consolidation:			
(Increase) decrease in receivables – trade . . . . .	(5,032)	2,656	28,240
(Decrease) increase in payables – trade . . . . .	(3,005)	2,657	28,251
Other, net . . . . .	66,501	15,211	161,732
Total adjustments . . . . .	107,970	243,966	2,594,003
Net cash provided by operating activities . . . . .	740,227	894,460	9,510,473
<b>Cash flows from investing activities:</b>			
Purchases of property and equipment, and intangibles . . . . .	(455,024)	(548,602)	(5,833,089)
Purchases of marketable and investment securities . . . . .	(33,323)	(368,512)	(3,918,256)
Proceeds from sale of marketable and investment securities (Note 4) . . . . .	87,985	25,799	274,312
Proceeds from advanced redemption of debt security (Note 14 (2)) . . . . .	30,375	–	–
Acquisition of interests in subsidiaries newly consolidated, net of cash acquired . . . . .	(4,007)	(18,670)	(198,511)
Other, net . . . . .	(1,662)	(9,785)	(104,041)
Net cash used in investing activities . . . . .	(375,656)	(919,770)	(9,779,585)

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Consolidated Statement of  
Cash Flows

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
<b>Cash flows from financing activities:</b>			
(Decrease) increase in short-term borrowings, net	¥ (124,291)	¥ 350,130	\$ 3,722,807
Decrease in commercial paper	(25,000)	–	–
Proceeds from long-term debt	600,819	153,314	1,630,133
Repayment of long-term debt (Note 4)	(919,696)	(299,234)	(3,181,648)
Proceeds from issuance of bonds	179,160	474,608	5,046,337
Redemption of bonds	(163,438)	(95,074)	(1,010,888)
Proceeds from issuance of shares to minority shareholders	323	564	5,997
Proceeds from issuance of preferred securities by a subsidiary (Note 14 (3))	200,000	–	–
Cash dividends paid	(5,421)	(65,844)	(700,096)
Cash dividends paid to minority shareholders	(20,346)	(24,745)	(263,105)
Proceeds from sale and lease-back of equipment newly acquired (Note 14 (1))	338,706	330,145	3,510,314
Repayment of lease obligations	(166,290)	(206,096)	(2,191,345)
Payments for repurchase of minority interests and long-term debt (Note 14 (4))	–	(200,444)	(2,131,249)
Other, net	(91,193)	(51,830)	(551,090)
Net cash (used in) provided by financing activities	(196,667)	365,494	3,886,167
<b>Effect of exchange rate changes on cash and cash equivalents</b>	165	7,928	84,296
<b>Net increase in cash and cash equivalents, net</b>	168,069	348,112	3,701,351
<b>Increase in cash and cash equivalents due to newly consolidated subsidiaries</b>	69	3,782	40,212
<b>Decrease in cash and cash equivalents due to exclusion of previously consolidated subsidiaries</b>	(734)	(1,823)	(19,383)
<b>Cash and cash equivalents, beginning of year</b>	847,155	1,014,559	10,787,443
<b>Cash and cash equivalents, end of year</b>	¥1,014,559	¥1,364,630	\$14,509,623
<b>Non cash investing and financing activities:</b>			
Acquisition of fixed assets by installments	¥ 11,717	¥ 75,000	\$ 797,448
Increase of additional paid-in capital due to the issuance of new shares by share exchange with eAccess Ltd.	–	219,395	2,332,749
Increase of common stock and additional paid-in capital by the exercise of stock acquisition rights on convertible bond due 2013 and convertible bond due 2014	50,003	49,914	530,718
Assets and obligations for finance lease transactions	23,074	124,057	1,319,054

See notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

SoftBank Corp. and its Consolidated Subsidiaries  
Year ended March 31, 2013

### 1 Basis of presentation of consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2012 consolidated financial statements to conform to the classifications used in 2013.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which SoftBank Corp. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥94.05 to \$1, the approximate rate of exchange at March 31, 2013. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

### 2 Summary of significant accounting policies

#### (1) Consolidation

The consolidated financial statements as of March 31, 2013 include the accounts of the Company and its 150 significant (133 in 2012) subsidiaries (together, the "Group"). The Company does not consolidate other subsidiaries due to their immateriality in terms of consolidated total assets, net sales, net income and retained earnings.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in three (three in 2012) unconsolidated subsidiaries and 80 (71 in 2012) affiliated companies are accounted for by the equity method.

Investments in 82 (60 in 2012) unconsolidated subsidiaries and 28 (26 in 2012) affiliated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of an acquired consolidated subsidiary at the date of acquisition is being amortized over reasonably estimated periods, in which economic benefits are expected to be realized. The goodwill resulting from acquisition of Vodafone K.K. (currently SoftBank Mobile Corp.) is being amortized over a period of 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

#### (2) Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, except for the following items which should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; and 5) exclusion of minority interests from net income, if contained in net income.

#### (3) Unification of accounting policies applied to foreign affiliated companies for the equity method

In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The standard requires adjustments to be made to conform the affiliated company's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the affiliated company's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign affiliated companies in accordance with either IFRS or the generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model accounting for property, plant, and equipment and investment properties and incorporation of the cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

**(4) Cash equivalents**

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include highly liquid investments with maturities of three months or less from the date of acquisition and a low risk of fluctuation in value.

**(5) Marketable and investment securities**

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

(a) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings, (b) held-to-maturity debt securities, for which there is the positive intent and ability to hold to maturity are reported at amortized cost; and (c) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Foreign subsidiaries of the Company applying IFRS measure "available-for-sale securities" at fair value and net changes in fair value are recorded as "Unrealized gain and loss on available-for-sale securities." Embedded derivatives that should be accounted for separately are accounted for according to the accounting treatment for derivatives. Certain subsidiaries in the U.S. qualify as investment companies under the provisions set forth in "Financial Services – Investment Companies" of the FASB Accounting Standards Codification Topic 946 (ASC 946) and account for investment securities in accordance with ASC 946. The investment securities are carried at fair value, and net changes in fair value are recorded in the consolidated statement of income under the application of ASC 946.

**(6) Merchandise and finished products**

Merchandise and finished products are stated at the lower of cost, determined, by the moving-average method, or net selling value.

**(7) Allowance for doubtful accounts**

To prepare for uncollectible credits, an allowance for doubtful accounts is calculated based on the actual bad debt ratio, and a specific allowance for doubtful accounts deemed to be uncollectible is calculated considering its collectability.

**(8) Property and equipment, and intangible assets**

Property and equipment are stated at cost less accumulated depreciation. Accumulated depreciation at March 31, 2012 and 2013 was ¥1,205,105 million and ¥1,304,479 million (\$13,870,058 thousand), respectively.

Buildings and structures are depreciated primarily using the straight-line method over the estimated useful lives of the assets. Telecommunications equipment and telecommunications service lines are depreciated using the straight-line method over the estimated useful lives of the assets. Other property and equipment are depreciated primarily using the straight-line method over the estimated useful lives of the assets. Intangible assets are amortized using the straight-line method over the estimated useful lives of the assets.

**(9) Impairment of long-lived assets**

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amounts of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

**(10) 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.

**(11) Retirement and pension plans**

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

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

Contributions made by the Company and most of its domestic consolidated subsidiaries into these pension plans are expensed when incurred.

Certain domestic consolidated subsidiaries, mainly SoftBank Mobile Corp. and SoftBank Telecom Corp., have defined benefit pension plans. The liability for retirement benefits for these companies is accounted for based on the projected benefit obligations at the consolidated balance sheet date.

SoftBank Mobile Corp. and SoftBank Telecom Corp. have amended their pension plans by fixing the periods covered by the plans through the end of March 2007 and March 2006, respectively. The retirement benefits calculated under the benefit pension plans were fixed and will be paid at the retirement of covered employees. The projected benefit obligations are calculated based on these fixed retirement benefits.

As a result, there is no service cost under the defined benefit pension plans at SoftBank Mobile Corp. and SoftBank Telecom Corp.

### (12) Asset retirement obligations

In March 2008, the ASBJ published ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

The Group has obligations to restore mobile phone base stations and telephone line facilities for transmission to their original conditions under the rental contracts. However, considering business continuity, the removal of these facilities is difficult and the possibility of executing the obligation to restore these facilities to their original condition is extremely low, and therefore, asset retirement obligations are not recorded at the years ended March 31, 2012 and 2013.

### (13) Stock options

The ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and after May 1, 2006.

This standard requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

### (14) Research and development costs

Research and development costs are charged to income as incurred and were ¥867 million and ¥779 million (\$8,283 thousand) for the years ended March 31, 2012 and 2013, respectively.

### (15) Leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group continues to account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

### (16) Revenue recognition

In the Mobile Communications segment, net sales are mainly generated from the provision of mobile telecommunications services and the sale of handsets. The mobile telecommunications services consist of voice and data services and are recognized as revenue when services are provided to customers, based upon basic flat-rate monthly charges plus usage of traffic in accordance with price plans subjected to discounts. Sales of mobile handsets are recognized when merchandise is shipped to sales agents. The agents sell the mobile handsets to the customers mainly by installment payments over a period of 24 months. SoftBank Mobile Corp. purchases the installment sales receivables from the agents and collects the installment sales receivables during the 24 months. Activation fees are recognized as revenue when services are activated.

In the Broadband Infrastructure segment, revenues are mainly from subscriber charges related to *Yahoo! BB ADSL* services. Monthly charges consist of an ISP charge, an ADSL service charge, a modem rental charge, and the usage of the network. Revenues from *Yahoo! BB ADSL* services are recognized as revenue when services are provided to customers, based upon fixed monthly charges plus the usage of the network.

In the Fixed-line Telecommunications segment, net sales are generated from voice communications, digital data transmission services, private line and other businesses. Telecommunications services, such as voice communications, digital data transmission services and private line are recognized as revenue when services are provided to customers, based upon fixed monthly charges plus usage of the network. Other businesses are mainly generated from sales and rental of telecommunications equipment and data center services. Sales of telecommunications equipment are recognized as one-time revenue upon inspection and acceptance by customers. Sales and rental of telecommunications equipment and data center services are recognized when services are provided to the customers, based upon fixed monthly charges plus usage.

Yahoo Japan Corporation, the core company in the Internet culture segment, records internet-related revenues such as premium advertising, promotion advertising, commission of e-commerce transaction, and fee revenue. Revenues from premium advertising are recognized over the period in which advertisements are shown on the *Yahoo! JAPAN* website. Revenue from promotion advertising is recognized when a user clicks on an advertiser's search result listing. Advertising revenues, such as *Yahoo! Real Estate*, *Yahoo! Car* and other services, are recognized over the period in which these services are shown on the *Yahoo! JAPAN* website. Revenues from commissions of e-commerce transactions, such as *Yahoo! Shopping*, and *YAFUOKU!* are recognized when the transactions occur. Fee revenues such as membership revenue from *Yahoo! Premium* are recognized over the period in which the memberships are valid.

#### (17) Customer acquisition commission

Customer acquisition commission is recorded as expense when incurred.

#### (18) Bonuses to directors and audit & supervisory board members

Bonuses to directors and audit & supervisory board members are accrued at the end of the year to which such bonuses are attributable.

#### (19) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

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

BB Mobile Corp., as a parent company of the consolidated tax return, SoftBank Mobile Corp., and other two companies, adopted the consolidated taxation system.

#### (20) Foreign currency transactions

All short-term and long-term monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates at the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by foreign currency forward contracts.

#### (21) Foreign currency financial statements

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation are shown as foreign currency translation adjustments under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate for the year.

#### (22) Derivatives and hedging activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign currency forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (a) all derivatives, except those which qualify for hedge accounting are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income and (b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Receivables and obligations denominated in foreign currencies for which foreign currency forward contracts are used to hedge the foreign currency fluctuation are translated at the contracted rate, if the forward contracts qualify for hedge accounting. For scheduled transactions denominated in foreign currencies, the recognition of gains or losses resulting from changes in fair value of derivative instruments used for hedging are deferred under hedge accounting under accumulated other comprehensive income in a separate component of equity until the related gains and losses on hedged items are recognized.

Interest rate swaps are utilized to hedge interest rate exposures of borrowings. Those swaps that qualify for hedge accounting are measured at fair value at the consolidated balance sheet date and the unrealized gains or losses are deferred until maturity as deferred gain (loss) under hedge accounting under accumulated other comprehensive income in a separate component of equity.



**(23) Per share information**

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year, retroactively adjusted for stock splits.

**(24) Accounting changes and error corrections**

In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections."

Accounting treatments under this standard and guidance are as follows:

**(a) Changes in accounting policies**

When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions.

**(b) Changes in presentation**

When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

**(c) Changes in accounting estimates**

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

**(d) Corrections of prior-period errors**

When an error in prior-period financial statements is discovered, those statements are restated.

**3 Acquisition of Sprint Nextel Corporation**

On October 15, 2012, the Company and Sprint Nextel Corporation ("Sprint") in the U.S. entered into a series of definitive agreements under which the Company will invest in Sprint (the "transaction"). On June 11, 2013, the Company and Sprint agreed to partially amend the transaction between the two companies. The total amount of investment is approximately \$21.6 billion, consisting of approximately \$16.6 billion to be paid to Sprint shareholders and \$5.0 billion of new capital to be used, amongst other purposes, to strengthen Sprint's balance sheet.

The transaction is subject to approval at a meeting of the Sprint shareholders (to be held on June 25, 2013 in Kansas, U.S.), customary antitrust, and the U.S. regulatory approvals and the satisfaction or waiver of other closing conditions, including accuracy of representations and warranties. The Company anticipates closing the transaction in early July, 2013. As a result of the transaction the Company will own approximately 78% of the fully-diluted (as used herein, not giving effect to out-of-the-money options) shares of New Sprint (as defined below), which will own 100% of the shares of Sprint.

**(1) Purposes of acquisition**

- (a) Enables the Group to establish an operating base as one of the largest mobile Internet companies in the world. The combined subscriber base will be one of the largest<sup>(Note 1)</sup> between the U.S. and Japan, and the combined mobile telecom service revenue will rank third<sup>(Note 2)</sup> amongst global operators.
- (b) Enables the Group to leverage its deep expertise in smartphones and next-generation mobile networks, and its track record of success in competing in mature markets with large incumbents, to enhance Sprint's competitiveness in the U.S.
- (c) Provides Sprint with \$5.0 billion of new capital for its mobile network, strategic investments, and balance sheet improvement as part of its continued efforts to fortify its operating base towards future growth.

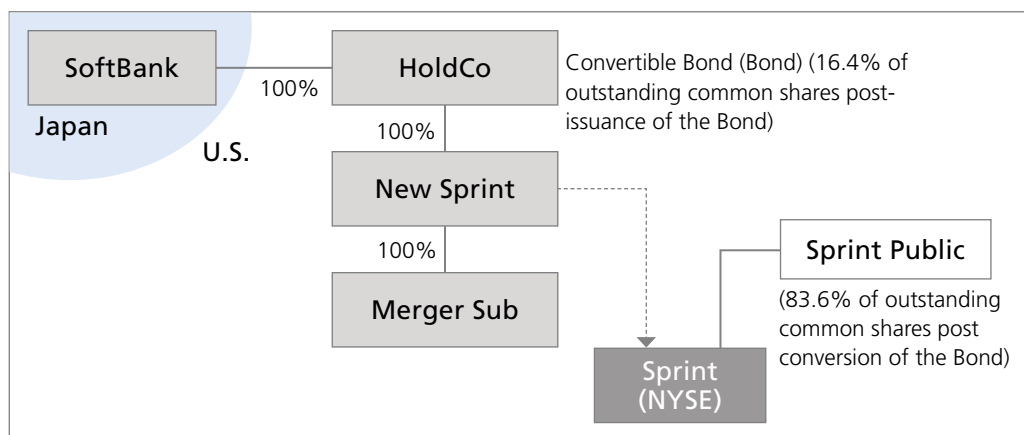
(Notes) 1. Based on Wireless Intelligence data, TCA data, and disclosed material by relevant companies. U.S. as of June 2012, and Japan as of September 2012 (eAccess Ltd. data as of August 2012).

2. Based on disclosures by global mobile operators such as China Mobile and Verizon Wireless (January to June 2012).

**(2) Outline of acquisition****(a) Establishment of subsidiaries**

The Company has formed a new U.S. holding company, Starburst I, Inc. ("HoldCo"), and two further subsidiaries, Starburst II, Inc. ("New Sprint"), which is owned directly by HoldCo, and Starburst III, Inc. ("Merger Sub"), which is owned directly by New Sprint and indirectly by HoldCo.

Via New Sprint, the Company invested \$3.1 billion in Sprint in the form of a newly-issued convertible bond (Bond) on October 22, 2012. The Bond has a 1.0% coupon rate with a seven-year maturity and, if the merger agreement is terminated prior to completion of the merger (as defined in (b) below), subject to regulatory approval, will be convertible, or if the merger (as defined in (b) below) is completed, will be converted, at \$5.25 per share into 16.4% of outstanding Sprint common shares on a post-issuance basis (subject to customary adjustments).



(b) Merger

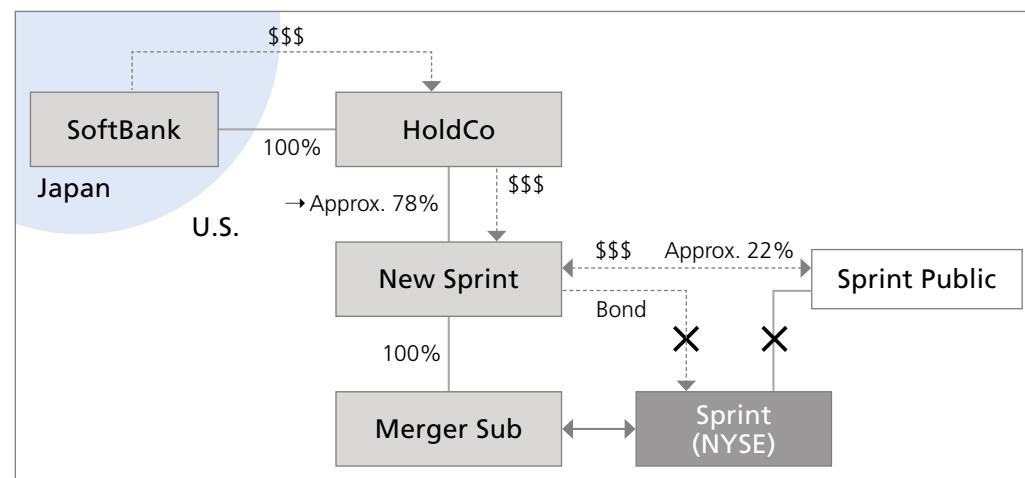
Following receipt of Sprint shareholders and regulatory approvals and the satisfaction or waiver of the other closing conditions to the transaction, the Company will capitalize, through HoldCo, New Sprint with an additional approximately \$18.5 billion. Approximately \$16.6 billion will be distributed to Sprint shareholders as merger consideration. Merger Sub will merge with and into Sprint as a result of which:

- (1) Sprint will become a wholly-owned subsidiary of New Sprint.
- (2) In aggregate, Sprint shareholders will receive, in exchange for their Sprint shares approximately 22% of the fully-diluted equity of New Sprint and approximately \$16.6 billion cash.
- (3) Individual Sprint shareholders will have the right to elect to receive, for each share of Sprint that they own, either (i) \$7.65 in cash or (ii) one share of New Sprint stock, subject to proration if shareholders in the aggregate elect more than the total amount of cash or stock consideration, as applicable (which would result in the receipt of a mix of cash and stock).
- (4) Holders of Sprint stock options will receive stock options in the New Sprint.
- (5) The Bond will be converted into shares of Sprint, with the value of such shares reflected (together with the Company's additional investment) in the approximately 78% of the fully-diluted equity of New Sprint which HoldCo will hold after consummation of the merger.
- (6) New Sprint will issue a five year warrant for approximately 55 million shares of New Sprint with an exercise price of \$5.25 per share (Warrant) to HoldCo, for free.
- (7) New Sprint is expected to succeed Sprint's New York Stock Exchange listing as a publicly traded company in the U.S.

Until the earlier of adoption of the amended transaction by Sprint shareholders and June 25, 2013, Sprint has the right to terminate the transaction by accepting a superior offer by a third party after giving the Company the opportunity to exercise its matching rights.

Other key terms include:

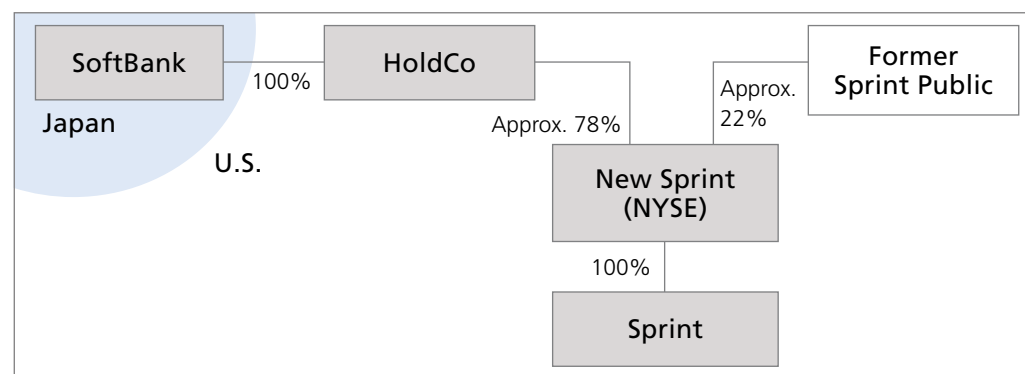
- (1) The Company must pay Sprint a termination fee of \$600 million if the merger does not close because the Company does not obtain financing.
- (2) Sprint must pay the Company a termination fee of \$800 million if the merger does not close because Sprint accepts a superior offer by a third party, etc.
- (3) Sprint must pay up to \$200 million of the Company's expenses if Sprint's shareholders do not approve the transaction at their shareholders meeting.
- (4) Sprint is required to adopt a shareholder rights plan.



(c) Post-transaction (fully-diluted basis)

Post-transaction:

- (1) The Company will own, through HoldCo, approximately 78% of New Sprint shares and Sprint shareholders will own approximately 22% of New Sprint shares in aggregate on a fully-diluted basis.
- (2) New Sprint will retain \$1.9 billion of the \$18.5 billion contribution by the Company, which, in combination with the \$3.1 billion issue price for the Bond, represents a \$5.0 billion contribution to the New Sprint balance sheet.
- (3) Sprint's current CEO Dan Hesse will be the CEO of New Sprint.
- (4) New Sprint will have a 10-member board of directors, including three members from the current Sprint Board of Directors as well as the CEO.
- (5) Sprint's headquarters will continue to be in Overland Park, Kansas.



### (3) New Sprint's number of shares to be acquired, acquisition price and state of share ownership before and after acquisition

1. Number of shares held before transfer	0 shares (number of voting rights: 0) (voting rights holding ratio: 0.0%)
2. Number of shares to be acquired	3,124,219,513 shares <sup>(Note)</sup>
3. Acquisition price	Total amount invested: approximately \$21.6 billion Advisory fees and others: to be determined
4. Number of shares held after transfer	3,124,219,513 shares <sup>(Note)</sup> (number of voting rights: 3,124,219,513) (voting rights holding ratio: 78.0%)

(Note) Based on Sprint's fully-diluted shares (as of June 7, 2013, calculated not giving effect to out-of-the-money options) and giving effect to full exercise of the warrant.

### (4) Financing

In order to raise necessary funds for the transaction, on December 18, 2012, the Company entered into a bridge loan agreement ("the bridge loan") for the maximum amount of ¥1.65 trillion (\$17,543,860 thousand) with financial institutions. The Company raised a total amount of ¥370.0 billion (\$3,934,078 thousand) by issuing the 42<sup>nd</sup> Unsecured Straight Corporate Bond on March 1, 2013 and the 41<sup>st</sup> Unsecured Straight Corporate Bond on March 12, 2013. Funds procured by the issuance of those corporate bonds of ¥365.1 billion (\$3,881,978 thousand), excluding the related approximate issuance cost, are planned to be used as part of the investment of the transaction.

With the issuances of the 41<sup>st</sup> and the 42<sup>nd</sup> Unsecured Straight Corporate Bonds, the Company reduced the maximum amount of the bridge loan from ¥1.65 trillion (\$17,543,860 thousand) to ¥1 trillion 284.9 billion (\$13,661,882 thousand), decreasing the maximum amount by ¥69.7 billion (\$741,095 thousand) on March 19, 2013 and by ¥295.4 billion (\$3,140,883 thousand) on March 27, 2013 respectively. The loan procured by the bridge loan is planned to be refinanced by medium and long term loans.

On April 23, 2013, the Company raised \$2,485 million and €625 million by issuing USD-denominated Senior Notes due year 2020 and Euro-denominated Senior Notes due year 2020 respectively. The Company also raised ¥400 billion (\$4,253,057 thousand) by issuing the 43<sup>rd</sup> Unsecured Straight Corporate Bond on June 20, 2013. The funds are planned to be used for refinancing the Company's loans and operating capital, as well as for part of the investment for the transaction.

The summaries of the bridge loan, the 41<sup>st</sup> and the 42<sup>nd</sup> Unsecured Straight Corporate Bonds, USD-denominated Senior Notes due year 2020, Euro-denominated Senior Notes due year 2020, and the 43<sup>rd</sup> Unsecured Straight Corporate Bond are as follows:

#### Summary of the bridge loan

1. Borrower	The Company
2. Mandated lead arrangers (MLAs)	Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Deutsche Bank AG, Tokyo Branch
3. Date of contract	December 18, 2012 (last date of amendment March 27, 2013)
4. Maximum total amount of borrowing	¥1 trillion 284.9 billion (\$13,661,882 thousand) (after the reduction of maximum total amount of borrowing) (Breakdown) Facility A: ¥250 billion (already borrowed) (\$2,658,161 thousand) Facility B: ¥1 trillion 34.9 billion (\$11,003,721 thousand) (after the reduction of maximum total amount of borrowing)
5. Loan drawdown date	Facility A: December 21, 2012 Facility B: At the time of the Sprint acquisition
6. Use of loan proceeds	Facility A: Investment in Sprint in the form of newly-issued convertible bonds (restore balance of cash on hand used for the investment in Sprint in the form of newly-issued convertible bonds in October 2012) Facility B: Investment in and resulting acquisition of Sprint
7. Maturity	December 17, 2013
8. Collateral	(a) Shares of Starburst I, Inc. held by the Company (b) Shares of Starburst II, Inc. and all other assets held by Starburst I, Inc. (c) Sprint convertible bonds and all other assets held by Starburst II, Inc. <sup>(Note)</sup>
9. Guarantors	(a) Pre-transaction: Starburst I, Inc. and Starburst II, Inc. (b) Post-transaction: Starburst I, Inc., SoftBank Mobile Corp., SoftBank BB Corp. and SoftBank Telecom Corp.

(Note) Until immediately prior to, but subject to the occurrence of, the Company's acquisition of Sprint.

Notes to Consolidated  
Financial StatementsSummary of the 41<sup>st</sup> and the 42<sup>nd</sup> Unsecured Straight Corporate Bonds

	The 41 <sup>st</sup> Unsecured Straight Corporate Bonds	The 42 <sup>nd</sup> Unsecured Straight Corporate Bonds
1. Total amount of issue	¥300.0 billion (\$3,189,793 thousand)	¥70.0 billion (\$744,285 thousand)
2. Payment amount	¥100 per ¥100 in each corporate bond (\$1.1 per \$1.1 in each corporate bond)	
3. Coupon rate	1.47% per annum	1.467% per annum
4. Redemption	The bonds will be redeemed in full upon maturity. The bonds may also be repurchased and redeemed at any time commencing from the first day following the closing date, subject to requirements of the book-entry transfer institution.	
5. Maturity date	March 10, 2017	March 1, 2017
6. Issue date	March 12, 2013	March 1, 2013
7. Collateral	None	
8. Guarantors	None	
9. Use of proceeds	Planned to use for part of the investment for the acquisition of Sprint.	

## Summary of USD-denominated Senior Notes due year 2020 and Euro-denominated Senior Notes due year 2020

	USD-denominated Senior Notes due year 2020	Euro-denominated Senior Notes due year 2020
1. Total amount of issue	\$2,485 million (¥244.1 billion)	€625 million (¥80.2 billion)
2. Issue price	100% of the par value	
3. Interest rate	4.500% per annum	4.625% per annum
4. Redemption	Lump-sum redemption at maturity	
5. Maturity date	April 15, 2020	
6. Issue date	April 23, 2013	
7. Collateral	None	
8. Guarantors	SoftBank Mobile Corp., SoftBank Telecom Corp.	
9. Use of proceeds	Planned to use for the investment for the acquisition of Sprint, refinancing loan or operating capital.	

(Note) With regards to above USD-denominated Senior Notes and Euro-denominated Senior Notes, the Company has entered into currency swap contracts with financial institutions and the amount of principal by redemption and interest payments in JPY are fixed. The amount of redemption after the currency swap contracts are ¥244.1 billion for USD-denominated Senior Notes due year 2020 and ¥80.2 billion for Euro-denominated Senior Notes due year 2020.

\* The conversion rate used in the summary is \$=¥98.2, €=¥128.3

Summary of the 43<sup>rd</sup> Unsecured Straight Corporate Bond

1. Total amount of issue	¥400.0 billion (\$4,253,057 thousand)
2. Issue price	¥100 per ¥100 in each corporate bond (\$1.1 per \$1.1 in each corporate bond)
3. Interest rate	1.74% per annum
4. Redemption	The bonds will be redeemed in full upon maturity. The bonds may also be repurchased and redeemed at any time commencing from the first day following the closing date, subject to requirements of the book-entry transfer institution.
5. Maturity date	June 20, 2018
6. Issue date	June 20, 2013
7. Collateral	None
8. Guarantors	None
9. Use of proceeds	Planned to use for the investment for business of Sprint, for redemption of current corporate bond, and for refinancing current loan.

## (5) Foreign currency forward contracts

In addition to a \$3.1 billion convertible bond subscribed on October 22, 2012, the Company will capitalize, through HoldCo, New Sprint with an additional approximately \$18.5 billion. The Company entered into foreign currency forward contracts to hedge the foreign exchange risk related to approximately \$17.0 billion out of the additional investment and hedge accounting is applied to the contracts. Please see Note 2 (22) for more detail about foreign currency forward contracts.

## (6) Outline of Sprint

1. Name	Sprint Nextel Corporation
2. Address	6200 Sprint Parkway, Overland Park, Kansas
3. Name and title of representative	Daniel R. Hesse, Chief Executive Officer and President
4. Business description	Telecommunications
5. Common shares	\$6,019 million (as of December 31, 2012)
6. Date of foundation	November 15, 1938

#### 4 Marketable and investment securities

Most marketable and investment securities at March 31, 2012 and 2013 were classified as available-for-sale securities.

The Group does not hold trading securities at March 31, 2012 and 2013.

The costs and aggregate fair values of marketable and investment securities at March 31, 2012 and 2013 were as follows:

March 31, 2012	Millions of yen			
	Cost	Gains	Unrealized Losses	Fair Value
Equity securities . . . . .	¥43,944	¥23,156	¥(2,653)	¥64,447
Other . . . . .	4,143	4	(110)	4,037
Total . . . . .	¥48,087	¥23,160	¥(2,763)	¥68,484

March 31, 2013	Millions of yen			
	Cost	Gains	Unrealized Losses	Fair Value
Equity securities . . . . .	¥ 34,842	¥12,698	¥(2,766)	¥ 44,774
Other . . . . .	259,585	42,377	(106)	301,856
Total . . . . .	¥294,427	¥55,075	¥(2,872)	¥346,630

March 31, 2013	Thousands of U.S. dollars			
	Cost	Gains	Unrealized Losses	Fair Value
Equity securities . . . . .	\$ 370,463	\$135,013	\$(29,410)	\$ 476,066
Other . . . . .	2,760,074	450,579	(1,127)	3,209,526
Total . . . . .	\$3,130,537	\$585,592	\$(30,537)	\$3,685,592

Proceeds from sales of available-for-sale securities for the years ended March 31, 2012 and 2013 were ¥79,156 million and ¥13,237 million (\$140,744 thousand), respectively. These proceeds included the proceeds from sales of available-for-sale securities, where the fair values are extremely difficult to measure, of ¥12,415 million and ¥5,931 million (\$63,062 thousand) for the years ended March 31, 2012 and 2013, respectively.

Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥87,060 million and ¥129 million, respectively, for the year ended March 31, 2012 and ¥4,192 million (\$44,572 thousand) and ¥1,023 million (\$10,877 thousand), respectively, for the year ended March 31, 2013. These gains and losses included gross realized gains and losses on sales of available-for-sale securities, where the fair values are extremely difficult to measure. The gross realized gains were ¥8,454 million and ¥1,832 million (\$19,479 thousand), and the gross realized losses were ¥20 million and ¥356 million (\$3,785 thousand) for the years ended March 31, 2012 and 2013, respectively.

"Gain on sale of investment securities, net" for the year ended March 31, 2012 is primarily attributable to a ¥76,430 million gain on sale of Yahoo! Inc. shares.

In February 2004, the Company entered into a variable share prepaid forward contracts ("collar transaction") through its U.S. subsidiary with CITIBANK, N.A., utilizing Yahoo! Inc. shares held by the U.S. subsidiary in order to effectively hedge the variability of cash flows associated with the future market price of the underlying securities. At the same time, the Company financed \$1,135 million from CITIBANK, N.A., which would be settled at maturity by delivering Yahoo! Inc. shares.

During the year ended March 31, 2012, the obligation reached maturity and the cash proceeds received by the Company's U.S. subsidiary from delivering the shares of Yahoo! Inc. (cost of \$142 million) to CITIBANK, N.A. were used to repay the related obligation. "Gain on sale of investment securities, net" of ¥76,430 million, was recorded as a result of settling the variable share prepaid forward contracts. This was U.S. dollar denominated transaction, and the gain in U.S. dollar was \$993 million.

In the consolidated cash flow statement, the proceeds of ¥57,191 million equaled the \$743 million fair value of the shares, the transaction amount denominated in U.S. dollar, when delivered and was recorded as "Proceeds from sale of marketable and investment securities." The same amount of ¥57,191 million was recorded as "Repayment of long-term debt."

The difference between the obligation balance of \$1,135 million at maturity and the \$743 million of proceeds from delivering the shares of Yahoo! Inc., which was used for the settlement of the obligation, was a realized gain on the variable share prepaid forward contracts upon the settlement. The balance of the obligation after deduction of the realized gain on the variable share prepaid forward contracts was the same amount of the fair value of Yahoo! Inc. shares delivered for the repayment of the obligation, and therefore, this amount was recorded under "Repayment of long-term debt."

Certain marketable and investment securities were impaired, and valuation losses on investment securities for the years ended March 31, 2012 and 2013 were ¥13,971 million and ¥9,773 million (\$103,913 thousand), respectively. These amounts included valuation losses on investment securities, where the fair value is extremely difficult to measure, of ¥5,291 million and ¥2,988 million (\$31,770 thousand) for the years ended March 31, 2012 and 2013, respectively.

Certain subsidiaries in the U.S. qualify as investment companies under the provisions set forth in ASC 946 and account for investment securities in accordance with ASC 946.

Proceeds from sales for the years ended March 31, 2012 and 2013 and the carrying amounts of the investment securities at fair value recorded in the consolidated balance sheet at March 31, 2012 and 2013 were as follows:

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Proceeds from sales . . . . .	¥ 508	¥ 53	\$ 564
Carrying amounts of investment securities at fair value recorded in consolidated balance sheet . . . .	13,859	14,023	149,102

Notes to Consolidated  
Financial Statements**5 Short-term borrowings, long-term debt and lease obligations**

(1) Short-term borrowings at March 31, 2012 and 2013 mainly consisted of notes to banks and bank overdrafts. The annual interest rates applicable to these short-term borrowings ranged from 0.56% to 8.50% and 0.26% to 8.50% at March 31, 2012 and 2013, respectively.

Cash receipts as collateral from financial institutions in the amounts of ¥93,000 million and ¥93,000 million (\$988,836 thousand) at March 31, 2012 and 2013, respectively, to whom the Company lent shares of its subsidiary under security deposit agreements, are included in short-term borrowings.

(2) Long-term debt at March 31, 2012 and 2013 consisted of the following:

March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Unsecured borrowings principally from financial institutions:			
Due on various dates through 2016 – generally at 0.84% to 6.05% in 2012 and 0.66% to 5.31% in 2013 . . . . .	¥ 859,187	¥ 713,488	\$ 7,586,263
Collateralized borrowings principally from financial institutions:			
Due on various dates through 2015 – generally at 3.44% to 4.20% in 2012 and 2.20% to 4.20% in 2013 . . . . .	93	126	1,340
Unsecured straight bonds:			
Due on various dates through 2018 – generally at 0.42% to 4.72% in 2012 and 0.42% to 4.36% in 2013 . . . . .	554,900	939,900	9,993,620
Convertible bonds:			
Due on various dates through 2013 – generally at 1.50% in 2012, convertible into common stock at prices of ¥2,165 . . . . .	49,988	–	–
Total . . . . .	1,464,168	1,653,514	17,581,223
Less current portion . . . . .	(444,198)	(564,323)	(6,000,245)
Long-term debt, less current portion . . . . .	¥1,019,970	¥1,089,191	\$11,580,978

(3) Current portion of lease obligations and lease obligations at March 31, 2012 and 2013 consisted of the following:

March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Current portion of lease obligations –			
At 1.44% to 5.71% in 2012 and 1.32% to 5.71% in 2013 . . . . .	¥152,683	¥192,603	\$2,047,879
Lease obligations –			
At 1.44% to 5.71% in 2012 and 1.32% to 5.71% in 2013 . . . . .	347,700	526,739	5,600,627

(4) The aggregate annual maturities of borrowings from financial institutions outstanding at March 31, 2013 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2014 . . . . .	¥359,323	\$3,820,553
2015 . . . . .	267,126	2,840,255
2016 . . . . .	64,278	683,445
2017 . . . . .	22,887	243,350
Total . . . . .	¥713,614	\$7,587,603

(5) The aggregate annual maturities of corporate bonds outstanding at March 31, 2013 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2014 . . . . .	¥205,000	\$2,179,692
2015 . . . . .	74,900	796,385
2016 . . . . .	70,000	744,285
2017 . . . . .	470,000	4,997,342
2018 and thereafter . . . . .	120,000	1,275,916
Total . . . . .	¥939,900	\$9,993,620

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(6) The aggregate annual maturities of lease obligations outstanding at March 31, 2013 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥192,603	\$2,047,879
2015	170,204	1,809,718
2016	213,583	2,270,952
2017	105,438	1,121,085
2018 and thereafter	37,514	398,872
<b>Total</b>	<b>¥719,342</b>	<b>\$7,648,506</b>

(7) The carrying amounts of assets pledged as collateral at March 31, 2013 for the collateralized borrowings of ¥250,125 million (\$2,659,490 thousand) were as follows:

The carrying amounts of assets pledged as collateral

March 31,	Millions of yen	Thousands of U.S. dollars
	2013	2013
Cash and cash equivalents	¥ 240	\$ 2,552
Other current assets	3,995	42,477
Buildings and structures	229	2,435
Investment securities	291,872	3,103,371
<b>Total</b>	<b>¥296,336</b>	<b>\$3,150,835</b>

With regard to ¥250,000 million (\$2,658,161 thousand) of the short-term bridge loan for the acquisition of Sprint, shares of Starburst I, Inc. owned by the Company and the shares of Starburst II, Inc. owned by Starburst I, Inc. are pledged as collateral in addition to the above assets. Starburst I, Inc. and Starburst II, Inc. are both consolidated subsidiaries.

(8) A consolidated subsidiary purchased assets by installments and installment payables were recorded in accounts payable – other and accrued expenses of ¥31,958 million (\$339,798 thousand) and long-term accounts payable – other of ¥104,829 million (\$1,114,609 thousand) as of March 31, 2013, respectively.

The assets whose ownership rights had not been transferred to the consolidated subsidiary were as follows:

Assets whose ownership rights had not been transferred

March 31,	Millions of yen	Thousands of U.S. dollars
	2013	2013
Buildings and structures	¥ 72	\$ 766
Telecommunications equipment	96,201	1,022,871
Construction in progress	278	2,956
Property and equipment, net – other	5	53
Software	34,602	367,911
Other intangibles	38	404
Investments and other assets – other assets	235	2,498
<b>Total</b>	<b>¥131,431</b>	<b>\$1,397,459</b>

(9) Financial covenants

The Group's interest-bearing debt includes financial covenants, with which the Group is in compliance. The major financial covenants are as follows. If the Group fails to comply with the following covenants, creditors may require repayment of all debt. (Where the covenants set several conditions, the strictest condition is presented below.)

As of March 31, 2013, there is no infringement of the debt covenants.

(a) The amount of the Company's net assets at the end of the year and the first half of the year must not fall below 75% of the Company's net assets at the end of the previous year.

(b) The consolidated balance sheets of the Company and BB Mobile Corp. at the end of the year and the first half of the year must not show a net capital deficiency. The balance sheets of SoftBank Mobile Corp., SoftBank BB Corp. and SoftBank Telecom Corp. at the end of the year and the first half of the year, must not show a net capital deficiency.

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## 6 Retirement and pension plans

The Company and most of its domestic consolidated subsidiaries participate in defined contribution pension plans and welfare pension plans. Certain domestic consolidated subsidiaries have defined benefit pension plans.

The liability for employees' retirement benefits at March 31, 2012 and 2013 consisted of the following:

March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Projected benefit obligation . . . . .	¥14,953	¥14,506	\$154,237
Net liability . . . . .	¥14,953	¥14,506	\$154,237

The components of net periodic retirement benefit costs are as follows:

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Service cost <sup>(Note)</sup> . . . . .	¥1,231	¥1,318	\$14,014
Interest cost . . . . .	271	182	1,935
Recognized actuarial gain (loss) . . . . .	835	(104)	(1,106)
Contributions to the defined contribution pension plan . . . . .	2,171	2,381	25,316
Net periodic retirement benefit costs . . . . .	¥4,508	¥3,777	\$40,159

(Note) Service cost for the years ended March 31, 2012 and 2013 includes ¥1,221 million and ¥1,304 million (\$13,865 thousand), respectively, of contributions to multi-employer contributory defined benefit welfare pension plans.

Assumptions used for the years ended March 31, 2012 and 2013 are set forth as follows:

For the years ended March 31,	2012	2013
Discount rate	Primarily 1.10%	Primarily 1.00%
Amortization period of prior service cost	Primarily expensed in the fiscal year incurred	Primarily expensed in the fiscal year incurred
Recognition period of actuarial gain/loss	Primarily expensed in the fiscal year incurred	Primarily expensed in the fiscal year incurred

## 7 Income taxes

The Company and domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.69% for the year ended March 31, 2012 and 38.01% for the year ended March 31, 2013.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2012 and 2013 are as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Deferred tax assets:			
Depreciation and amortization . . . . .	¥ 49,458	¥ 55,830	\$ 593,620
Loss carryforwards . . . . .	43,554	38,108	405,189
Investment securities . . . . .	19,975	26,070	277,193
Valuation of assets and liabilities of acquired consolidated subsidiaries at fair market value. . .	30,281	24,285	258,214
Enterprise tax payable . . . . .	9,808	14,682	156,108
Accounts payable – other and accrued expenses .	10,775	12,235	130,090
Provision for bonuses . . . . .	7,779	10,250	108,985
Allowance for point mileage . . . . .	12,191	8,437	89,708
Allowance for doubtful accounts . . . . .	12,298	7,852	83,488
Other . . . . .	51,381	52,882	562,275
Gross deferred tax assets . . . . .	247,500	250,631	2,664,870
Less valuation allowance . . . . .	(79,412)	(88,017)	(935,854)
Total deferred tax assets . . . . .	168,088	162,614	1,729,016
Deferred tax liabilities:			
Deferred gain on derivatives under hedge accounting . . . . .	–	(71,975)	(765,284)
Deferred taxable gain on a sale of shares of a subsidiary to a 100% owned subsidiary under the Japanese group taxation regime . . . .	(11,644)	(11,661)	(123,987)
Unrealized gain on available-for-sale securities . .	(4,942)	(4,142)	(44,040)
Other . . . . .	(11,076)	(14,204)	(151,027)
Total deferred tax liabilities . . . . .	(27,662)	(101,982)	(1,084,338)
Net deferred tax assets . . . . .	¥140,426	¥ 60,632	\$ 644,678



A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2012 and 2013 is as follows:

	2012	2013
Normal effective statutory tax rate	40.69%	38.01%
Reconciliation –		
Amortization of goodwill	3.84	3.58
Changes in valuation allowance	(5.81)	1.97
Dilution gain from changes in equity interest	(1.27)	(0.20)
Decrease of deferred tax assets, net of liabilities at fiscal year-end by the change of tax rate	1.97	–
Other – net	0.87	0.79
Actual effective tax rate	40.29%	44.15%

At March 31, 2013, the Group has tax loss carryforwards which are available to be offset against taxable income in future years. The tax effects of these tax loss carryforwards, aggregating to approximately ¥38,107 million (\$405,178 thousand), if not utilized, will expire as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
	2013	2013
2014	¥ 4,421	\$ 47,007
2015	3,136	33,344
2018	9,070	96,438
2019	1,988	21,138
2020	5,177	55,045
2021	1,660	17,650
2022 and thereafter	12,656	134,567
Total	¥38,108	\$405,189

## 8 Equity

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

### (1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For companies that meet certain criteria such as; (a) having a Board of Directors, (b) having independent auditors, (c) having an Audit & Supervisory Board, and (d) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

### (2) Increases / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

### (3) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

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Financial Statements**(4) Stock acquisition rights**

The Company and certain consolidated subsidiaries recorded stock acquisition rights of ¥898 million and ¥736 million (\$7,827 thousand) as of March 31, 2012 and 2013, respectively.

**(5) Changes in foreign subsidiaries' and affiliated companies' interests in their subsidiaries**

Alibaba Group Holding Limited, the Company's affiliate company under the equity method, acquired the shares of Alibaba.com Limited, a subsidiary of Alibaba Group Holding Limited, through its takeover bid in June 2012 and conducted the privatization of Alibaba.com Limited. Financial statements of Alibaba Group Holding Limited were prepared in accordance with accounting principles generally accepted in the U.S., and Alibaba Group Holding Limited recorded the change in the interests in its controlled subsidiary as a decrease in additional paid-in capital.

The Company applied "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (Practical Issues Task Force No. 24)" for the transaction, and as a result, additional paid-in capital decreased by ¥51,208 million (\$544,476 thousand).

**9 Stock options**

(1) The stock options outstanding as of March 31, 2013 were mainly as follows:

	The Sixth Series of Stock Acquisition Rights (2010)	
Company name	The Company	
Persons granted	Employees of the Company:	28
	Directors and Executive officers of Subsidiaries:	11
	Employees of Subsidiaries:	194
Class and number of shares	3,449,500 shares of common stock of the Company	
Grant date	August 27, 2010	
Exercise period	A. 25% of allotment shares from July 1, 2012 to June 30, 2017 B. 25% of allotment shares from July 1, 2013 to June 30, 2017 C. 25% of allotment shares from July 1, 2014 to June 30, 2017 D. 25% of allotment shares from July 1, 2015 to June 30, 2017	

	The First Series of Stock Acquisition Rights (2002)	The Second Series of Stock Acquisition Rights (2002)
Company name	Yahoo Japan Corporation	
Persons granted	Directors of Yahoo Japan Corporation: 2 Employees of Yahoo Japan Corporation: 65	Employees of Yahoo Japan Corporation: 19
Class and number of shares	47,616 shares of common stock of Yahoo Japan Corporation	
Grant date	July 29, 2002	
Exercise period	A. 50% of allotment shares from June 21, 2004 to June 20, 2012 B. 25% of allotment shares from June 21, 2005 to June 20, 2012 C. 25% of allotment shares from June 21, 2006 to June 20, 2012	A. 50% of allotment shares from November 21, 2004 to June 20, 2012 B. 25% of allotment shares from November 21, 2005 to June 20, 2012 C. 25% of allotment shares from November 21, 2006 to June 20, 2012

	The First Series of Stock Acquisition Rights (2003)	The Second Series of Stock Acquisition Rights (2003)
Company name	Yahoo Japan Corporation	
Persons granted	Directors of Yahoo Japan Corporation: 5 Employees of Yahoo Japan Corporation: 83	Employees of Yahoo Japan Corporation: 43
Class and number of shares	19,840 shares of common stock of Yahoo Japan Corporation	
Grant date	July 25, 2003	
Exercise period	A. 50% of allotment shares from June 21, 2005 to June 20, 2013 B. 25% of allotment shares from June 21, 2006 to June 20, 2013 C. 25% of allotment shares from June 21, 2007 to June 20, 2013	A. 50% of allotment shares from November 5, 2005 to June 20, 2013 B. 25% of allotment shares from November 5, 2006 to June 20, 2013 C. 25% of allotment shares from November 5, 2007 to June 20, 2013

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	The Third Series of Stock Acquisition Rights (2003)	The Fourth Series of Stock Acquisition Rights (2003)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 38	Employees of Yahoo Japan Corporation: 41
Class and number of shares	2,400 shares of common stock of Yahoo Japan Corporation	1,168 shares of common stock of Yahoo Japan Corporation
Grant date	January 29, 2004	May 13, 2004
Exercise period	A. 50% of allotment shares from January 30, 2006 to June 20, 2013 B. 25% of allotment shares from January 30, 2007 to June 20, 2013 C. 25% of allotment shares from January 30, 2008 to June 20, 2013	A. 50% of allotment shares from May 14, 2006 to June 20, 2013 B. 25% of allotment shares from May 14, 2007 to June 20, 2013 C. 25% of allotment shares from May 14, 2008 to June 20, 2013

	The First Series of Stock Acquisition Rights (2004)	The Second Series of Stock Acquisition Rights (2004)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Directors of Yahoo Japan Corporation: 5 Employees of Yahoo Japan Corporation: 131	Employees of Yahoo Japan Corporation: 46
Class and number of shares	9,856 shares of common stock of Yahoo Japan Corporation	712 shares of common stock of Yahoo Japan Corporation
Grant date	July 29, 2004	November 1, 2004
Exercise period	A. 50% of allotment shares from June 18, 2006 to June 17, 2014 B. 25% of allotment shares from June 18, 2007 to June 17, 2014 C. 25% of allotment shares from June 18, 2008 to June 17, 2014	A. 50% of allotment shares from November 2, 2006 to June 17, 2014 B. 25% of allotment shares from November 2, 2007 to June 17, 2014 C. 25% of allotment shares from November 2, 2008 to June 17, 2014

	The Third Series of Stock Acquisition Rights (2004)	The Fourth Series of Stock Acquisition Rights (2004)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 29	Employees of Yahoo Japan Corporation: 42
Class and number of shares	344 shares of common stock of Yahoo Japan Corporation	276 shares of common stock of Yahoo Japan Corporation
Grant date	January 28, 2005	May 12, 2005
Exercise period	A. 50% of allotment shares from January 29, 2007 to June 17, 2014 B. 25% of allotment shares from January 29, 2008 to June 17, 2014 C. 25% of allotment shares from January 29, 2009 to June 17, 2014	A. 50% of allotment shares from May 13, 2007 to June 17, 2014 B. 25% of allotment shares from May 13, 2008 to June 17, 2014 C. 25% of allotment shares from May 13, 2009 to June 17, 2014

	The First Series of Stock Acquisition Rights (2005)	The Second Series of Stock Acquisition Rights (2005)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Directors of Yahoo Japan Corporation: 5 Employees of Yahoo Japan Corporation: 180	Employees of Yahoo Japan Corporation: 31
Class and number of shares	5,716 shares of common stock of Yahoo Japan Corporation	234 shares of common stock of Yahoo Japan Corporation
Grant date	July 28, 2005	November 1, 2005
Exercise period	A. 50% of allotment shares from June 18, 2007 to June 17, 2015 B. 25% of allotment shares from June 18, 2008 to June 17, 2015 C. 25% of allotment shares from June 18, 2009 to June 17, 2015	A. 50% of allotment shares from November 2, 2007 to June 17, 2015 B. 25% of allotment shares from November 2, 2008 to June 17, 2015 C. 25% of allotment shares from November 2, 2009 to June 17, 2015

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	The Third Series of Stock Acquisition Rights (2005)	The Fourth Series of Stock Acquisition Rights (2005)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 65	Employees of Yahoo Japan Corporation: 49
Class and number of shares	316 shares of common stock of Yahoo Japan Corporation	112 shares of common stock of Yahoo Japan Corporation
Grant date	January 31, 2006	May 2, 2006
Exercise period	A. 50% of allotment shares from February 1, 2008 to June 17, 2015 B. 25% of allotment shares from February 1, 2009 to June 17, 2015 C. 25% of allotment shares from February 1, 2010 to June 17, 2015	A. 50% of allotment shares from May 3, 2008 to June 17, 2015 B. 25% of allotment shares from May 3, 2009 to June 17, 2015 C. 25% of allotment shares from May 3, 2010 to June 17, 2015

	The First Series of Stock Acquisition Rights (2006)	The Second Series of Stock Acquisition Rights (2006)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Directors of Yahoo Japan Corporation: 5 Employees of Yahoo Japan Corporation: 157	Employees of Yahoo Japan Corporation: 49
Class and number of shares	8,569 shares of common stock of Yahoo Japan Corporation	313 shares of common stock of Yahoo Japan Corporation
Grant date	September 6, 2006	November 6, 2006
Exercise period	A. 50% of allotment shares from August 24, 2008 to August 23, 2016 B. 25% of allotment shares from August 24, 2009 to August 23, 2016 C. 25% of allotment shares from August 24, 2010 to August 23, 2016	A. 50% of allotment shares from October 24, 2008 to October 23, 2016 B. 25% of allotment shares from October 24, 2009 to October 23, 2016 C. 25% of allotment shares from October 24, 2010 to October 23, 2016

	The Third Series of Stock Acquisition Rights (2006)	The First Series of Stock Acquisition Rights (2007)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 62	Employees of Yahoo Japan Corporation: 66
Class and number of shares	360 shares of common stock of Yahoo Japan Corporation	651 shares of common stock of Yahoo Japan Corporation
Grant date	February 7, 2007	May 8, 2007
Exercise period	A. 50% of allotment shares from January 25, 2009 to January 24, 2017 B. 25% of allotment shares from January 25, 2010 to January 24, 2017 C. 25% of allotment shares from January 25, 2011 to January 24, 2017	A. 50% of allotment shares from April 25, 2009 to April 24, 2017 B. 25% of allotment shares from April 25, 2010 to April 24, 2017 C. 25% of allotment shares from April 25, 2011 to April 24, 2017

	The Second Series of Stock Acquisition Rights (2007)	The Third Series of Stock Acquisition Rights (2007)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Directors of Yahoo Japan Corporation: 5 Employees of Yahoo Japan Corporation: 225	Employees of Yahoo Japan Corporation: 119
Class and number of shares	10,000 shares of common stock of Yahoo Japan Corporation	766 shares of common stock of Yahoo Japan Corporation
Grant date	August 7, 2007	November 7, 2007
Exercise period	A. 50% of allotment shares from July 25, 2009 to July 24, 2017 B. 25% of allotment shares from July 25, 2010 to July 24, 2017 C. 25% of allotment shares from July 25, 2011 to July 24, 2017	A. 50% of allotment shares from October 25, 2009 to October 24, 2017 B. 25% of allotment shares from October 25, 2010 to October 24, 2017 C. 25% of allotment shares from October 25, 2011 to October 24, 2017

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	The Fourth Series of Stock Acquisition Rights (2007)	The First Series of Stock Acquisition Rights (2008)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 124	Employees of Yahoo Japan Corporation: 246
Class and number of shares	817 shares of common stock of Yahoo Japan Corporation	2,059 shares of common stock of Yahoo Japan Corporation
Grant date	February 13, 2008	May 9, 2008
Exercise period	A. 50% of allotment shares from January 31, 2010 to January 30, 2018 B. 25% of allotment shares from January 31, 2011 to January 30, 2018 C. 25% of allotment shares from January 31, 2012 to January 30, 2018	A. 50% of allotment shares from April 26, 2010 to April 25, 2018 B. 25% of allotment shares from April 26, 2011 to April 25, 2018 C. 25% of allotment shares from April 26, 2012 to April 25, 2018

	The Second Series of Stock Acquisition Rights (2008)	The Third Series of Stock Acquisition Rights (2008)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Directors of Yahoo Japan Corporation: 5 Employees of Yahoo Japan Corporation: 336	Employees of Yahoo Japan Corporation: 128
Class and number of shares	11,750 shares of common stock of Yahoo Japan Corporation	407 shares of common stock of Yahoo Japan Corporation
Grant date	August 8, 2008	November 7, 2008
Exercise period	A. 50% of allotment shares from July 26, 2010 to July 25, 2018 B. 25% of allotment shares from July 26, 2011 to July 25, 2018 C. 25% of allotment shares from July 26, 2012 to July 25, 2018	A. 50% of allotment shares from October 25, 2010 to October 24, 2018 B. 25% of allotment shares from October 25, 2011 to October 24, 2018 C. 25% of allotment shares from October 25, 2012 to October 24, 2018

	The Fourth Series of Stock Acquisition Rights (2008)	The First Series of Stock Acquisition Rights (2009)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 128	Employees of Yahoo Japan Corporation: 100
Class and number of shares	350 shares of common stock of Yahoo Japan Corporation	890 shares of common stock of Yahoo Japan Corporation
Grant date	February 10, 2009	May 12, 2009
Exercise period	A. 50% of allotment shares from January 28, 2011 to January 27, 2019 B. 25% of allotment shares from January 28, 2012 to January 27, 2019 C. 25% of allotment shares from January 28, 2013 to January 27, 2019	A. 50% of allotment shares from April 29, 2011 to April 28, 2019 B. 25% of allotment shares from April 29, 2012 to April 28, 2019 C. 25% of allotment shares from April 29, 2013 to April 28, 2019

	The Second Series of Stock Acquisition Rights (2009)	The Third Series of Stock Acquisition Rights (2009)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Directors of Yahoo Japan Corporation: 5 Employees of Yahoo Japan Corporation: 454	Employees of Yahoo Japan Corporation: 61
Class and number of shares	12,848 shares of common stock of Yahoo Japan Corporation	277 shares of common stock of Yahoo Japan Corporation
Grant date	August 11, 2009	November 10, 2009
Exercise period	A. 50% of allotment shares from July 29, 2011 to July 28, 2019 B. 25% of allotment shares from July 29, 2012 to July 28, 2019 C. 25% of allotment shares from July 29, 2013 to July 28, 2019	A. 50% of allotment shares from October 28, 2011 to October 27, 2019 B. 25% of allotment shares from October 28, 2012 to October 27, 2019 C. 25% of allotment shares from October 28, 2013 to October 27, 2019

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	The Fourth Series of Stock Acquisition Rights (2009)	The First Series of Stock Acquisition Rights (2010)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 101	Employees of Yahoo Japan Corporation: 155
Class and number of shares	571 shares of common stock of Yahoo Japan Corporation	700 shares of common stock of Yahoo Japan Corporation
Grant date	February 10, 2010	May 11, 2010
Exercise period	A. 50% of allotment shares from January 28, 2012 to January 27, 2020 B. 25% of allotment shares from January 28, 2013 to January 27, 2020 C. 25% of allotment shares from January 28, 2014 to January 27, 2020	A. 50% of allotment shares from April 28, 2012 to April 27, 2020 B. 25% of allotment shares from April 28, 2013 to April 27, 2020 C. 25% of allotment shares from April 28, 2014 to April 27, 2020

	The Second Series of Stock Acquisition Rights (2010)	The Third Series of Stock Acquisition Rights (2010)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Directors of Yahoo Japan Corporation: 5 Employees of Yahoo Japan Corporation: 268	Employees of Yahoo Japan Corporation: 106
Class and number of shares	11,936 shares of common stock of Yahoo Japan Corporation	316 shares of common stock of Yahoo Japan Corporation
Grant date	August 10, 2010	November 5, 2010
Exercise period	A. 50% of allotment shares from July 28, 2012 to July 27, 2020 B. 25% of allotment shares from July 28, 2013 to July 27, 2020 C. 25% of allotment shares from July 28, 2014 to July 27, 2020	A. 50% of allotment shares from October 23, 2012 to October 22, 2020 B. 25% of allotment shares from October 23, 2013 to October 22, 2020 C. 25% of allotment shares from October 23, 2014 to October 22, 2020

	The Fourth Series of Stock Acquisition Rights (2010)	The First Series of Stock Acquisition Rights (2011)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 104	Employees of Yahoo Japan Corporation: 169
Class and number of shares	541 shares of common stock of Yahoo Japan Corporation	589 shares of common stock of Yahoo Japan Corporation
Grant date	February 8, 2011	June 3, 2011
Exercise period	A. 50% of allotment shares from January 26, 2013 to January 25, 2021 B. 25% of allotment shares from January 26, 2014 to January 25, 2021 C. 25% of allotment shares from January 26, 2015 to January 25, 2021	A. 50% of allotment shares from May 21, 2013 to May 20, 2021 B. 25% of allotment shares from May 21, 2014 to May 20, 2021 C. 25% of allotment shares from May 21, 2015 to May 20, 2021

	The Second Series of Stock Acquisition Rights (2011)	The Third Series of Stock Acquisition Rights (2011)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Directors of Yahoo Japan Corporation: 5 Employees of Yahoo Japan Corporation: 251	Employees of Yahoo Japan Corporation: 281
Class and number of shares	12,265 shares of common stock of Yahoo Japan Corporation	932 shares of common stock of Yahoo Japan Corporation
Grant date	August 5, 2011	November 16, 2011
Exercise period	A. 50% of allotment shares from July 23, 2013 to July 22, 2021 B. 25% of allotment shares from July 23, 2014 to July 22, 2021 C. 25% of allotment shares from July 23, 2015 to July 22, 2021	A. 50% of allotment shares from November 3, 2013 to November 2, 2021 B. 25% of allotment shares from November 3, 2014 to November 2, 2021 C. 25% of allotment shares from November 3, 2015 to November 2, 2021

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	The Fourth Series of Stock Acquisition Rights (2011)	The First Series of Stock Acquisition Rights (2012)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 114	Employees of Yahoo Japan Corporation: 45
Class and number of shares	684 shares of common stock of Yahoo Japan Corporation	1,822 shares of common stock of Yahoo Japan Corporation
Grant date	February 17, 2012	May 16, 2012
Exercise period	A. 50% of allotment shares from February 4, 2014 to February 3, 2022 B. 25% of allotment shares from February 4, 2015 to February 3, 2022 C. 25% of allotment shares from February 4, 2016 to February 3, 2022	A. 50% of allotment shares from May 3, 2014 to May 2, 2022 B. 25% of allotment shares from May 3, 2015 to May 2, 2022 C. 25% of allotment shares from May 3, 2016 to May 2, 2022

	The Second Series of Stock Acquisition Rights (2012)
Company name	Yahoo Japan Corporation
Persons granted	Directors of Yahoo Japan Corporation: 1 Employees of Yahoo Japan Corporation: 54 Directors of a subsidiary: 3
Class and number of shares	259,100 shares of common stock of Yahoo Japan Corporation
Grant date	March 1, 2013
Exercise period	From the first day of the next month of a submission date of the annual securities report of the Target Year, to February 28, 2023 Target Year is the first fiscal year during the fiscal year ending March 2014 to the fiscal year ending March 2019, in which the Target Indicator is met. Target Indicator: a total amount of operating income exceeds the following amounts: (a) operating income exceeds ¥250 billion (\$2,658,161 thousand) If exceeds before the fiscal year ending March 2016: 20% will be exercisable If exceeds before the fiscal year ending March 2017: 14% will be exercisable If exceeds before the fiscal year ending March 2018: 8% will be exercisable If exceeds before the fiscal year ending March 2019: 2% will be exercisable (b) operating income exceeds ¥330 billion (\$3,508,772 thousand) If exceeds before the fiscal year ending March 2016: 80% will be exercisable If exceeds before the fiscal year ending March 2017: 56% will be exercisable If exceeds before the fiscal year ending March 2018: 32% will be exercisable If exceeds before the fiscal year ending March 2019: 8% will be exercisable

In addition to the aforementioned information of the stock options outstanding, the stock option activity is as follows:

	The Sixth Series of Stock Acquisition Rights (2010)
Company name	The Company
Non-vested shares	
At the beginning of the year	3,393,500
Granted during the year	–
Forfeited and expired during the year	32,000
Vested during the year	841,400
At the end of the year	2,520,100
Vested shares	
At the beginning of the year	–
Vested during the year	841,400
Exercised during the year	80,100
Forfeited or expired during the year	300
Unexercised at the end of the year	761,000
Exercise price – yen	¥2,625
(U.S. dollars)	(\$27.91)
Average stock price at exercise – yen	3,185
(U.S. dollars)	(33.86)
Fair value price at the grant date – yen	2,900
(U.S. dollars)	(30.83)

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	The First Series of Stock Acquisition Rights (2002)	The Second Series of Stock Acquisition Rights (2002)	The First Series of Stock Acquisition Rights (2003)	The Second Series of Stock Acquisition Rights (2003)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation
Non-vested shares				
At the beginning of the year	-	-	-	-
Granted during the year	-	-	-	-
Forfeited and expired during the year	-	-	-	-
Vested during the year	-	-	-	-
At the end of the year	-	-	-	-
Vested shares				
At the beginning of the year	11,776	512	14,720	1,216
Vested during the year	-	-	-	-
Exercised during the year	11,776	512	576	-
Forfeited or expired during the year	-	-	10,496	256
Unexercised at the end of the year	-	-	3,648	960
Exercise price – yen (U.S. dollars)	¥10,196 (\$108.41)	¥11,375 (\$120.95)	¥33,438 (\$355.53)	¥51,478 (\$547.35)
Average stock price at exercise – yen (U.S. dollars)	25,109 (266.98)	24,605 (261.62)	39,222 (417.03)	-
Fair value price at the grant date – yen (U.S. dollars)	-	-	-	-

	The Third Series of Stock Acquisition Rights (2003)	The Fourth Series of Stock Acquisition Rights (2003)	The First Series of Stock Acquisition Rights (2004)	The Second Series of Stock Acquisition Rights (2004)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation
Non-vested shares				
At the beginning of the year	-	-	-	-
Granted during the year	-	-	-	-
Forfeited and expired during the year	-	-	-	-
Vested during the year	-	-	-	-
At the end of the year	-	-	-	-
Vested shares				
At the beginning of the year	1,056	448	8,384	360
Vested during the year	-	-	-	-
Exercised during the year	-	-	-	-
Forfeited or expired during the year	64	-	5,312	24
Unexercised at the end of the year	992	448	3,072	336
Exercise price – yen (U.S. dollars)	¥47,813 (\$508.38)	¥78,512 (\$834.79)	¥65,290 (\$694.21)	¥62,488 (\$664.41)
Average stock price at exercise – yen (U.S. dollars)	-	-	-	-
Fair value price at the grant date – yen (U.S. dollars)	-	-	-	-



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	The Third Series of Stock Acquisition Rights (2004)	The Fourth Series of Stock Acquisition Rights (2004)	The First Series of Stock Acquisition Rights (2005)	The Second Series of Stock Acquisition Rights (2005)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation
Non-vested shares				
At the beginning of the year	–	–	–	–
Granted during the year	–	–	–	–
Forfeited and expired during the year	–	–	–	–
Vested during the year	–	–	–	–
At the end of the year	–	–	–	–
Vested shares				
At the beginning of the year	208	160	4,608	122
Vested during the year	–	–	–	–
Exercised during the year	–	–	–	–
Forfeited or expired during the year	–	12	2,772	34
Unexercised at the end of the year	208	148	1,836	88
Exercise price – yen (U.S. dollars)	¥65,375 (\$695.11)	¥60,563 (\$643.94)	¥58,500 (\$622.01)	¥62,000 (\$659.22)
Average stock price at exercise – yen (U.S. dollars)	–	–	–	–
Fair value price at the grant date – yen (U.S. dollars)	–	–	–	–

	The Third Series of Stock Acquisition Rights (2005)	The Fourth Series of Stock Acquisition Rights (2005)	The First Series of Stock Acquisition Rights (2006)	The Second Series of Stock Acquisition Rights (2006)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation
Non-vested shares				
At the beginning of the year	–	–	–	–
Granted during the year	–	–	–	–
Forfeited and expired during the year	–	–	–	–
Vested during the year	–	–	–	–
At the end of the year	–	–	–	–
Vested shares				
At the beginning of the year	220	75	6,933	265
Vested during the year	–	–	–	–
Exercised during the year	–	–	–	–
Forfeited or expired during the year	56	14	3,360	25
Unexercised at the end of the year	164	61	3,573	240
Exercise price – yen (U.S. dollars)	¥79,500 (\$845.30)	¥67,940 (\$722.38)	¥47,198 (\$501.84)	¥44,774 (\$476.07)
Average stock price at exercise – yen (U.S. dollars)	–	–	–	–
Fair value price at the grant date – yen (U.S. dollars)	–	A. 30,958 (329.17) B. 35,782 (380.46) C. 39,196 (416.76)	A. 24,564 (261.18) B. 26,803 (284.99) C. 28,156 (299.37)	A. 23,832 (253.40) B. 25,311 (269.12) C. 26,766 (284.59)

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	The Third Series of Stock Acquisition Rights (2006)	The First Series of Stock Acquisition Rights (2007)	The Second Series of Stock Acquisition Rights (2007)	The Third Series of Stock Acquisition Rights (2007)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation
Non-vested shares				
At the beginning of the year	–	–	–	–
Granted during the year	–	–	–	–
Forfeited and expired during the year	–	–	–	–
Vested during the year	–	–	–	–
At the end of the year	–	–	–	–
Vested shares				
At the beginning of the year	245	478	8,240	689
Vested during the year	–	–	–	–
Exercised during the year	–	–	–	–
Forfeited or expired during the year	–	10	3,419	17
Unexercised at the end of the year	245	468	4,821	672
Exercise price – yen (U.S. dollars)	¥47,495 (\$505.00)	¥45,500 (\$483.79)	¥40,320 (\$428.71)	¥51,162 (\$543.99)
Average stock price at exercise – yen (U.S. dollars)	–	–	–	–
Fair value price at the grant date – yen (U.S. dollars)	A. 20,435 (217.28) B. 23,448 (249.31) C. 25,578 (271.96)	A. 22,586 (240.15) B. 25,697 (273.23) C. 27,206 (289.27)	A. 17,061 (181.40) B. 18,121 (192.67) C. 20,659 (219.66)	A. 20,900 (222.22) B. 23,651 (251.47) C. 26,853 (285.52)

	The Fourth Series of Stock Acquisition Rights (2007)	The First Series of Stock Acquisition Rights (2008)	The Second Series of Stock Acquisition Rights (2008)	The Third Series of Stock Acquisition Rights (2008)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation
Non-vested shares				
At the beginning of the year	–	451	2,700	139
Granted during the year	–	–	–	–
Forfeited and expired during the year	–	1	703	10
Vested during the year	–	450	1,997	129
At the end of the year	–	–	–	–
Vested shares				
At the beginning of the year	770	933	7,673	186
Vested during the year	–	450	1,997	129
Exercised during the year	–	–	–	2
Forfeited or expired during the year	76	74	2,910	19
Unexercised at the end of the year	694	1,309	6,760	294
Exercise price – yen (U.S. dollars)	¥47,500 (\$505.05)	¥51,781 (\$550.57)	¥40,505 (\$430.68)	¥34,000 (\$361.51)
Average stock price at exercise – yen (U.S. dollars)	–	–	–	39,450 (419.46)
Fair value price at the grant date – yen (U.S. dollars)	A. 20,289 (215.73) B. 23,128 (245.91) C. 24,691 (262.53)	A. 16,538 (175.84) B. 18,525 (196.97) C. 21,037 (223.68)	A. 14,918 (158.62) B. 15,716 (167.10) C. 17,980 (191.17)	A. 14,554 (154.75) B. 15,075 (160.29) C. 16,395 (174.32)

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	The Fourth Series of Stock Acquisition Rights (2008)	The First Series of Stock Acquisition Rights (2009)	The Second Series of Stock Acquisition Rights (2009)	The Third Series of Stock Acquisition Rights (2009)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation
Non-vested shares				
At the beginning of the year	142	410	5,951	118
Granted during the year	–	–	–	–
Forfeited and expired during the year	2	17	1,683	6
Vested during the year	140	177	2,129	38
At the end of the year	–	216	2,139	74
Vested shares				
At the beginning of the year	179	349	5,715	94
Vested during the year	140	177	2,129	38
Exercised during the year	–	42	126	–
Forfeited or expired during the year	2	40	2,095	13
Unexercised at the end of the year	317	444	5,623	119
Exercise price – yen (U.S. dollars)	¥32,341 (\$343.87)	¥26,879 (\$285.79)	¥30,700 (\$326.42)	¥28,737 (\$305.55)
Average stock price at exercise – yen (U.S. dollars)	– (418.84)	39,392 (418.84)	39,625 (421.32)	– (422.14)
Fair value price at the grant date – yen (U.S. dollars)	A. 10,204 (108.50) B. 10,715 (113.93) C. 11,262 (119.74)	A. 9,499 (101.00) B. 10,338 (109.92) C. 10,701 (113.78)	A. 12,264 (130.40) B. 13,247 (140.85) C. 13,747 (146.17)	A. 9,601 (102.08) B. 10,271 (109.21) C. 11,193 (119.01)

	The Fourth Series of Stock Acquisition Rights (2009)	The First Series of Stock Acquisition Rights (2010)	The Second Series of Stock Acquisition Rights (2010)	The Third Series of Stock Acquisition Rights (2010)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation
Non-vested shares				
At the beginning of the year	256	638	11,341	284
Granted during the year	–	–	–	–
Forfeited and expired during the year	7	32	3,346	22
Vested during the year	89	285	4,176	99
At the end of the year	160	321	3,819	163
Vested shares				
At the beginning of the year	218	–	–	–
Vested during the year	89	285	4,176	99
Exercised during the year	–	–	88	–
Forfeited or expired during the year	8	19	427	–
Unexercised at the end of the year	299	266	3,661	99
Exercise price – yen (U.S. dollars)	¥32,050 (\$340.78)	¥35,834 (\$381.01)	¥34,617 (\$368.07)	¥28,857 (\$306.83)
Average stock price at exercise – yen (U.S. dollars)	– (422.14)	– (422.14)	39,702 (422.14)	– (422.14)
Fair value price at the grant date – yen (U.S. dollars)	A. 12,152 (129.21) B. 12,987 (138.09) C. 13,992 (148.77)	A. 11,631 (123.67) B. 12,389 (131.73) C. 13,174 (140.07)	A. 10,077 (107.15) B. 10,734 (114.13) C. 11,507 (122.35)	A. 9,284 (98.71) B. 9,518 (101.20) C. 10,109 (107.49)

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	The Fourth Series of Stock Acquisition Rights (2010)	The First Series of Stock Acquisition Rights (2011)	The Second Series of Stock Acquisition Rights (2011)	The Third Series of Stock Acquisition Rights (2011)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation
Non-vested shares				
At the beginning of the year	539	542	12,049	881
Granted during the year	–	–	–	–
Forfeited and expired during the year	33	69	3,786	40
Vested during the year	223	–	–	–
At the end of the year	283	473	8,263	841
Vested shares				
At the beginning of the year	–	–	–	–
Vested during the year	223	–	–	–
Exercised during the year	1	–	–	–
Forfeited or expired during the year	–	–	–	–
Unexercised at the end of the year	222	–	–	–
Exercise price – yen (U.S. dollars)	¥31,193 (\$331.66)	¥27,917 (\$296.83)	¥27,669 (\$294.19)	¥25,263 (\$268.61)
Average stock price at exercise – yen (U.S. dollars)	39,050 (415.20)	–	–	–
Fair value price at the grant date – yen (U.S. dollars)	A. 10,508 (111.73) B. 10,641 (113.14) C. 11,264 (119.77)	A. 8,899 (94.62) B. 8,987 (95.56) C. 9,168 (97.48)	A. 7,634 (81.17) B. 7,711 (81.99) C. 7,780 (82.72)	A. 6,963 (74.04) B. 7,158 (76.11) C. 7,235 (76.93)

	The Fourth Series of Stock Acquisition Rights (2011)	The First Series of Stock Acquisition Rights (2012)	The Second Series of Stock Acquisition Rights (2012)
Company name	Yahoo Japan Corporation	Yahoo Japan Corporation	Yahoo Japan Corporation
Non-vested shares			
At the beginning of the year	684	–	–
Granted during the year	–	1,822	259,100
Forfeited and expired during the year	5	35	–
Vested during the year	–	–	–
At the end of the year	679	1,787	259,100
Vested shares			
At the beginning of the year	–	–	–
Vested during the year	–	–	–
Exercised during the year	–	–	–
Forfeited or expired during the year	–	–	–
Unexercised at the end of the year	–	–	–
Exercise price – yen (U.S. dollars)	¥24,900 (\$264.75)	¥25,308 (\$269.09)	¥32,400 (\$344.50)
Average stock price at exercise – yen (U.S. dollars)	–	–	–
Fair value price at the grant date – yen (U.S. dollars)	A. 7,865 (83.63) B. 8,278 (88.02) C. 8,343 (88.71)	A. 6,617 (70.36) B. 6,903 (73.40) C. 7,098 (75.47)	272 (2.89)

(Note) A, B, and C correspond to those in the table of stock options outstanding.

## (2) Estimation method for major stock options issued

The assumptions used to measure the fair value of the stock options of Yahoo Japan Corporation granted in the fiscal year ended March 31, 2013.

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## The First Series of Stock Acquisition Rights (2012)

Estimation method: Black-Scholes option-pricing model with the following assumptions:

Company name	Yahoo Japan Corporation	
Volatility of stock price <sup>(Note 2)</sup>	A	37.8%
	B	38.0%
	C	37.8%
Estimated remaining outstanding period (in years) <sup>(Note 3)</sup>	A	5.97
	B	6.47
	C	6.97
Estimated dividend yield <sup>(Note 4)</sup>	1.48%	
Risk-free interest rate <sup>(Note 5)</sup>	A	0.34%
	B	0.40%
	C	0.47%

(Notes) 1. A, B, and C correspond to those in the table of stock options outstanding.

2. Volatility of stock price is computed based on the actual stock prices traded within the following terms:

- A. From May 29, 2006 to May 16, 2012
- B. From November 28, 2005 to May 16, 2012
- C. From May 30, 2005 to May 16, 2012

3. The estimated remaining outstanding period is based on the assumption that stock acquisition rights are exercised in the middle of their exercisable periods because it cannot be reasonably estimated due to insufficient accumulated data.

4. Estimated dividend yield is based on the dividends paid in the fiscal year ended March 31, 2012.

5. Risk-free interest rate is based on government bond yield for a term consistent with the estimated remaining outstanding period.

## The Second Series of Stock Acquisition Rights (2012)

Estimation method: Monte Carlo Simulation option-pricing model with the following assumptions:

Company name	Yahoo Japan Corporation
Volatility of stock price <sup>(Note 1)</sup>	39.99%
Maturity period (in years) <sup>(Note 2)</sup>	10
Estimated dividend yield <sup>(Note 3)</sup>	1.07%
Risk-free interest rate <sup>(Note 4)</sup>	0.725%

(Notes) 1. Volatility of stock price is computed based on the actual stock prices traded within the following terms:  
From February 24, 2003 to March 1, 2013

2. Grant date: March 1, 2013

Exercise period: July 1, 2014 to February 28, 2023

3. Estimated dividend yield is based on the dividends paid in the fiscal year ended March 31, 2012.

4. Risk-free interest rate is based on government bond yield for a term consistent with the maturity period.

(3) Estimated number of options vested is determined based on the actual termination ratio of employees.

(4) Yahoo Japan Corporation recognized compensation expense for employee stock options as selling, general and administrative expenses. The effect of this expense is not material.

## 10 Selling, general and administrative expenses

The main components of selling, general and administrative expenses for the years ended March 31, 2012 and 2013 were as follows:

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Sales commission and sales promotion expense . . .	¥541,807	¥529,919	\$5,634,439
Payroll and bonuses . . . . .	124,024	137,847	1,465,678

## 11 Other income (expenses) – other, net

Other income (expenses) – other, net, for the years ended March 31, 2012 and 2013 consisted of the following:

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Dilution gain from changes in equity interest, net . . .	¥ 20,186	¥ 4,007	\$ 42,605
Gain (loss) on valuation of investments and sale of investments in subsidiaries in the U.S., net <sup>(Note 1)</sup> . . .	1,986	(1,525)	(16,215)
Gain on investments in partnership, net . . . . .	–	2,054	21,839
Gain on step acquisitions . . . . .	–	1,778	18,905
Financing related expenses <sup>(Note 2)</sup> . . . . .	–	(19,048)	(202,531)
Refinancing related expenses <sup>(Note 3)</sup> . . . . .	(46,831)	–	–
Loss on liquidation of subsidiaries and affiliated companies . . . . .	(19,071)	–	–
Other, net . . . . .	(12,888)	(12,325)	(131,046)
Total . . . . .	¥(56,618)	¥(25,059)	\$(266,443)

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(Notes) 1. Gain (loss) on valuation of investments and sale of investments in subsidiaries in the U.S., net  
Certain subsidiaries in the U.S. are investment companies under the provisions set forth in ASC 946 and account for investment securities in accordance with ASC 946.  
The net changes in the fair value of the investments recorded as gain (loss) on the net changes in the fair value of the investments and sale of investments, computed based on the acquisition cost, are included in this account. The breakdown of the account is as follows:

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Gain (loss) on valuation of investments in subsidiaries in the U.S., net	¥ 3,585	¥ (168)	\$ (1,786)
Loss on sale of investments in subsidiaries in the U.S., net	(1,599)	(1,357)	(14,429)
Total	¥ 1,986	¥(1,525)	\$(16,215)

(Notes) 2. Financing related expenses

It is primarily associated with a bridge loan agreement for a maximum amount of ¥1.65 trillion (\$17,543,860 thousand), which was entered into on December 18, 2012, in order to raise the necessary funds for the acquisition of Sprint. The Company reduced the maximum amount of the bridge loan to ¥1 trillion 284.9 billion (\$13,661,882 thousand), decreasing the maximum amount by ¥365.1 billion (\$3,881,978 thousand).

3. Refinancing related expense

It is primarily ¥23,957 million of procurement expense related to the total amount of ¥550.0 billion financing based on the resolution of the directors' meeting held on July 21, 2011, cancellation expense of interest-rate swap to hedge interest rate risks along with the repayment of the SBM loan\*, and a premium expense of ¥21,875 million for the advanced repayment of the SBM loan on October 27, 2011.

\*(Note) ¥1,366.0 billion loan to SoftBank Mobile Corp. procured in November 2006 by Mizuho Trust & Banking Co., Ltd., the "Tokutei Kingai Trust Trustee" under the whole business securitization scheme. The SBM loan was associated with the series of financing transactions for the Company to acquire Vodafone K.K. (currently SoftBank Mobile Corp.).

For the year ended March 31, 2013	Millions of yen	Number of shares	Yen	Dollars
	Net income	Weighted-average shares	EPS	EPS
Basic EPS				
Net income available to common shareholders	¥289,404	1,120,200,622	¥258.35	\$2.75
Effect of dilutive securities				
Warrants	–	374,346		
Convertible bonds	166	18,655,724		
Effects of dilutive securities issued by consolidated subsidiaries and affiliated companies under the equity method	(64)	–		
Diluted EPS				
Net income for computation	¥289,506	1,139,230,692	¥ 254.12	\$2.70

## 12 Net income per share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2012 and 2013 is as follows:

For the year ended March 31, 2012	Millions of yen	Number of shares	Yen
	Net income	Weighted-average shares	EPS
Basic EPS			
Net income available to common shareholders	¥313,753	1,097,880,178	¥285.78
Effect of dilutive securities			
Warrants	–	65,691	
Convertible bonds	445	28,715,248	
Effects of dilutive securities issued by consolidated subsidiaries and affiliated companies under the equity method	(136)	–	
Diluted EPS			
Net income for computation	¥314,062	1,126,661,117	¥278.75

**13 Other comprehensive income (loss)**

The components of other comprehensive income (loss) for the years ended March 31, 2012 and 2013 were the following:

For the year ended March 31,	Millions of Yen		Thousands of U.S. Dollars
	2012	2013	2013
Unrealized loss on available-for sale securities			
Loss arising during the year . . . . .	¥ (5,331)	¥ (13,117)	\$ (139,468)
Reclassification adjustments to profit or loss . . . .	(44,213)	3,197	33,992
Amount before income tax effect . . . . .	(49,544)	(9,920)	(105,476)
Income tax effect . . . . .	23,764	1,799	19,128
Total . . . . .	¥(25,780)	¥ (8,121)	\$ (86,348)
Deferred gain (loss) on derivatives under hedge accounting			
Gain arising during the year . . . . .	¥ 7,646	¥189,087	\$2,010,494
Reclassification adjustments to profit or loss . . . .	(29,496)	745	7,922
Amount before income tax effect . . . . .	(21,850)	189,832	2,018,416
Income tax effect . . . . .	9,189	(71,973)	(765,263)
Total . . . . .	¥(12,661)	¥117,859	\$1,253,153
Foreign currency translation adjustments			
Adjustments arising during the year . . . . .	¥ 2,344	¥ 66,146	\$ 703,307
Reclassification adjustments to profit or loss . . . .	18,984	(240)	(2,552)
Amount before income tax effect . . . . .	21,328	65,906	700,755
Income tax effect . . . . .	—	—	—
Total . . . . .	¥ 21,328	¥ 65,906	\$ 700,755
Share of other comprehensive income (loss) in affiliated companies			
Income (loss) arising during the year . . . . .	¥ (2,893)	¥ 17,744	\$ 188,666
Reclassification adjustments to profit or loss . . . .	(549)	(2,474)	(26,306)
Total . . . . .	¥ (3,442)	¥ 15,270	\$ 162,360
Total other comprehensive income (loss) . . . . .	¥(20,555)	¥190,914	\$2,029,920

**14 Supplemental cash flow information****(1) Presentation of cash flow regarding finance lease**

Once the Group purchases telecommunications equipment for the purpose of assembly, installation and inspection, the Group sells the equipment to lease companies for sale and lease-back purposes. The leased asset and the lease obligation are recorded in the consolidated balance sheet.

The cash outflows from the purchases of the equipment from vendors are included in purchases of property and equipment, and intangibles, and the cash inflows from the sale of the equipment to lease companies are included in proceeds from sales and lease back of equipment newly acquired.

**(2) Proceeds from advanced redemption of debt security**

In January 2010, the Company acquired corporate bonds issued by J-WBS Funding K.K. to provide part of the funding for the SBM loan under the whole business securitization scheme associated with the acquisition of Vodafone K.K. (currently SoftBank Mobile Corp.) and recorded the corporate bonds as investment securities on the consolidated balance sheet. These are proceeds from the advanced redemption of the corporate bonds, in connection with the repayment of the entire SBM loan by SoftBank Mobile Corp. in October 2011.

**(3) Proceeds from issuance of preferred securities by a subsidiary**

These are proceeds from the issuance of preferred securities with limited voting right (preferred securities which have the nature of a stock prescribed in the Financial Instruments and Exchange Act Article 2 (1) (ix), which is a part of securities described in the Financial Instruments and Exchange Act Article 2 (1) (xvii)) to investors through a public offering in Japan by the Company's consolidated subsidiary, SFJ Capital Limited.

**(4) Payments for repurchase of minority interests and long-term debt**

In April 2006, BB Mobile Corp issued class 1 preferred stock-series 1 and stock acquisition rights to Vodafone International Holdings B.V. and obtained a subordinated loan from Vodafone Overseas Finance Limited as a series of financing transactions for the Group's acquisition of Vodafone K.K. (currently SoftBank Mobile Corp.). In November 2006, refinancing of the funds for the acquisition was conducted, and SoftBank Mobile Corp. assumed BB Mobile Corp's subordinated loan.

In December 2010, the Company acquired all aforementioned class 1 preferred stock-series 1 and stock acquisition rights issued by BB Mobile Corp. to Vodafone International Holdings B.V., and all principal and accrued interest of a long-term loan receivable from SoftBank Mobile Corp. held by Vodafone Overseas Finance Limited for the total amount of ¥412,500 million. The amounts of ¥212,500 million out of the total amount and the remaining amount of ¥200,000 million were paid with the related expenses associated with the acquisition (¥63 million in December 2010 and ¥444 million in April 2012) in December 2010 and in April 2012, respectively.

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## 15 Leases

## (1) Lessee

The Group leases certain telecommunications equipment and telecommunications service lines, other property and equipment, and software.

Total rental expenses including lease payments under finance leases discussed below for the years ended March 31, 2012 and 2013 were ¥56,485 million and ¥44,619 million (\$474,418 thousand), respectively.

As discussed in Note 2 (15), the Group accounts for leases that existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date on an "as if capitalized" basis for the years ended March 31, 2012 and 2013 was as follows:

## Finance lease assets:

March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Telecommunications equipment and telecommunications service lines			
Acquisition cost	¥ 61,166	¥ 59,794	\$ 635,769
Accumulated depreciation	(37,469)	(38,582)	(410,229)
Accumulated impairment loss	(10,177)	(9,586)	(101,925)
Net leased property	13,520	11,626	123,615
Buildings and structures			
Acquisition cost	46,700	—	—
Accumulated depreciation	(16,565)	—	—
Accumulated impairment loss	—	—	—
Net leased property	30,135	—	—
Other property and equipment			
Acquisition cost	5,203	2,854	30,345
Accumulated depreciation	(3,132)	(2,190)	(23,285)
Accumulated impairment loss	(1,013)	—	—
Net leased property	1,058	664	7,060
Software			
Acquisition cost	428	57	606
Accumulated amortization	(233)	(51)	(542)
Accumulated impairment loss	(171)	—	—
Net leased property	24	6	64
Total	¥ 44,737	¥ 12,296	\$ 130,739

Long-term prepaid expense of ¥22,863 million and ¥16,095 million (\$171,132 thousand) relating to lease contracts in which service periods are different from payment periods is included in other assets of investments and other assets as of March 31, 2012 and 2013, respectively. The current portion of long-term prepaid expenses of ¥492 million and ¥484 million (\$5,146 thousand) relating to lease contracts is included in other current assets as of March 31, 2012 and 2013, respectively.

## Obligations under finance lease:

March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Due within one year	¥ 8,378	¥ 6,778	\$ 72,068
Due after one year	54,405	8,917	94,811
Total	¥62,783	¥15,695	\$166,879

Allowance for impairment loss on leased property as of March 31, 2012 and 2013 was ¥2,580 million and ¥1,806 million (\$19,203 thousand), respectively, and was not included in the obligations under finance leases.

Depreciation expense, interest expense and other information under finance leases:

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Depreciation and amortization expense	¥12,967	¥5,809	\$61,765
Interest expense	4,832	888	9,442
Total	¥17,799	¥6,697	\$71,207
Lease payments	¥20,514	¥7,892	\$83,913
Reversal of allowance for impairment loss on leased property	1,950	773	8,219

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statement of income, are computed by the straight-line method and the interest method, respectively.

The future minimum rental payments under non-cancelable operating leases at March 31, 2012 and 2013 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Due within one year	¥24,329	¥23,022	\$244,785
Due after one year	53,120	40,720	432,961
Total	¥77,449	¥63,742	\$677,746



**(2) Lessor**

The Group leases certain property and equipment.

Future lease receivables under non-cancelable operating lease at March 31, 2012 and 2013 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Due within one year . . . . .	¥ 592	¥ 946	\$10,058
Due after one year . . . . .	630	1,531	16,279
Total . . . . .	¥1,222	¥2,477	\$26,337

**16 Financial instruments and related disclosures****(1) Conditions of financial instruments****(a) Group policy for financial instruments**

The Group utilizes diversified financing methods for raising funds through both indirect financing, such as bank loans, and direct financing, such as issuance of bonds and commercial paper and borrowings through securitization, taking market conditions and current/non-current debts ratio into consideration. The Group makes short-term deposits for fund management purposes. The Group also utilizes derivative financial instruments to hedge various risks as described in (b) below and does not enter into derivatives for trading or speculative purposes.

**(b) Nature, extent of risks and management of risks arising from financial instruments**

The notes and accounts receivable – trade are exposed to credit risk of customers. To minimize the credit risk, the Group performs due date controls and balance controls for each customer in accordance with internal customer credit management rules, and regularly screens major customers' credit status. For credit risk associated with installment sales receivables of mobile handsets, SoftBank Mobile Corp. screens customers' credit in accordance with internal screening standards for new subscriber contracts as well as refers to an external institution for customers' credit status. Marketable securities and investment securities are exposed to market risk and fluctuation risk of exchange rate. To minimize these risks, the Group continuously monitors financial position of issuer, market price, and fluctuation of exchange rate.

Maturities of accounts payable – trade and accounts payable – other are mostly within one year. Loan payables with variable interest rate are exposed to interest rate risk, and interest rate swaps are used for certain loan payables in order to hedge this risk.

Interest rate swap contracts and foreign currency forward contracts are used with regards to derivative transactions. Interest rate swap contracts are used to hedge interest rate risks associated with financial liabilities. Foreign currency forward contracts are used to hedge foreign exchange risk associated with assets, liabilities and scheduled transactions denominated in foreign currencies. The scheduled transaction is mainly the investment denominated in foreign currency associated with the acquisition of Sprint.

Hedge accounting is applied for certain derivative transactions. Derivative transactions entered into by the Company are implemented and controlled based on the Company's internal policies and are limited to the extent of actual demand. Balance and fair value of derivative transactions are reported regularly to the board of directors. Consolidated subsidiaries also manage the derivative transactions based on the Company's policies. Please see Note 2 (22) for more detail about derivatives.

**(c) Supplemental explanation regarding fair value of financial instruments**

Fair value of financial instruments is measured based on quoted market prices, if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments for which a quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions described in Note 17 does not represent the market risk of the derivative transactions.

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## (2) Fair value of financial instruments

The carrying amounts in the consolidated balance sheet, fair value, and its differences as of March 31, 2012 and 2013 are as follows.

In addition, financial instruments, whose fair values cannot be reliably determined, are not included.

Please see Note 2. Carrying amount of financial instruments whose fair values cannot be reliably determined.

March 31, 2012	Millions of yen		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	¥1,014,559	¥1,014,559	¥ –
Notes and accounts receivable – trade	661,288		
Allowance for doubtful accounts <sup>(Note)</sup>	(36,882)		
Notes and accounts receivable – trade, net	624,406	624,406	–
Marketable securities and investment securities			
Held-to-maturity debt securities	691	580	(111)
Investments in unconsolidated subsidiaries and affiliated companies	60,599	82,042	21,443
Available-for-sale securities	82,343	82,343	–
Total	1,782,598	1,803,930	21,332
Accounts payable – trade	190,533	190,533	–
Short-term borrowings	103,958	103,958	–
Current portion of long-term debt	444,198	444,198	–
Accounts payable – other and accrued expenses	835,053	835,053	–
Income taxes payable	125,116	125,116	–
Current portion of lease obligations	152,683	152,683	–
Long-term debt	1,019,970	1,035,309	15,339
Lease obligations	347,700	351,832	4,132
Total	¥3,219,211	¥3,238,682	¥19,471

March 31, 2013	Millions of yen		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents	¥1,364,630	¥1,364,630	¥ –
Notes and accounts receivable – trade	662,187		
Allowance for doubtful accounts <sup>(Note)</sup>	(28,330)		
Notes and accounts receivable – trade, net	633,857	633,857	–
Marketable securities and investment securities			
Held-to-maturity debt securities	400	400	–
Investments in unconsolidated subsidiaries and affiliated companies	97,945	245,480	147,535
Available-for-sale securities	360,653	360,653	–
Total	2,457,485	2,605,020	147,535
Accounts payable – trade	194,654	194,654	–
Short-term borrowings	454,168	454,168	–
Current portion of long-term debt	564,323	564,323	–
Accounts payable – other and accrued expenses	751,690	751,690	–
Income taxes payable	179,559	179,559	–
Current portion of lease obligations	192,603	192,603	–
Long-term debt	1,089,191	1,086,499	(2,692)
Lease obligations	526,739	527,621	882
Total	¥3,952,927	¥3,951,117	¥ (1,810)

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March 31, 2013	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and cash equivalents . . . . .	\$14,509,623	\$14,509,623	\$ –
Notes and accounts receivable – trade . . . . .	7,040,797		
Allowance for doubtful accounts <sup>(Note)</sup> . . . . .	(301,223)		
Notes and accounts receivable – trade, net . . . . .	6,739,574	6,739,574	–
Marketable securities and investment securities			
Held-to-maturity debt securities . . . . .	4,253	4,253	–
Investments in unconsolidated subsidiaries and affiliated companies . . . . .	1,041,414	2,610,101	1,568,687
Available-for-sale securities . . . . .	3,834,694	3,834,694	–
Total . . . . .	26,129,558	27,698,245	1,568,687
Accounts payable – trade . . . . .	2,069,686	2,069,686	–
Short-term borrowings . . . . .	4,829,006	4,829,006	–
Current portion of long-term debt . . . . .	6,000,245	6,000,245	–
Accounts payable – other and accrued expenses . . . . .	7,992,451	7,992,451	–
Income taxes payable . . . . .	1,909,187	1,909,187	–
Current portion of lease obligations . . . . .	2,047,879	2,047,879	–
Long-term debt . . . . .	11,580,978	11,552,355	(28,623)
Lease obligations . . . . .	5,600,627	5,610,005	9,378
Total . . . . .	\$42,030,059	\$42,010,814	\$ (19,245)

(Note) Allowance for doubtful accounts associated with notes and accounts receivable – trade is deducted.

## Note 1. Fair value measurement of financial instruments

**Assets:**

## Cash and cash equivalents

The carrying amount approximates fair value because of the short maturity of these instruments.

## Notes and accounts receivable – trade

The carrying amount of installment sales receivables approximates fair value, which is based on the present value of future cash flows through maturity discounted using an estimated credit-risk-adjusted interest rate.

The carrying amount of notes and accounts receivable-trade other than installment sales receivables approximates fair value because of the short maturity of these instruments.

## Marketable and investment securities

The fair value of equity securities equals quoted market price, if available. The fair value of debt securities equals quoted market price or price provided by financial institutions. The investment securities held by foreign subsidiaries applying IFRS and subsidiaries in the United States of America applying ASC 946 are evaluated at fair value.

**Liabilities:**

Accounts payable-trade, Accounts payable-other and accrued expenses, and Income taxes payable  
The carrying amount approximates fair value because of the short maturity of these instruments.

## Short-term borrowings

The carrying amount approximates fair value because of the short maturity of these instruments.

## Current portion of long-term debt

The carrying amount of the current portion of long-term debt approximates fair value since the carrying amount was equivalent to the quoted market price or the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity.

## Current portion of lease obligations

The carrying amount approximates fair value since the carrying amount was equivalent to the present value of future cash flows discounted using the current interest rate for similar lease contracts of comparable maturities and contract conditions.

## Long-term debt

Fair value of long-term debts is based on the quoted market price or the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity.

## Lease obligations

Fair value equals to the present value of future cash flows discounted using the current interest rate for similar lease contracts of comparable maturities and contract conditions.

**Derivative transactions:**

Fair value information for derivatives is included in Note 17.

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## Note 2. Carrying amount of financial instruments whose fair values cannot be reliably determined

March 31, 2012	Millions of yen
Unlisted investment securities of unconsolidated subsidiaries	¥148,886
Unlisted equity securities	42,807
Investments in partnerships	6,666
Total	¥198,359

March 31, 2013	Millions of yen	Thousands of U.S. dollars
Unlisted investment securities of unconsolidated subsidiaries	¥370,241	\$3,936,640
Unlisted equity securities	37,719	401,053
Investments in partnerships	8,023	85,306
Total	¥415,983	\$4,422,999

## Note 3. Maturity analysis for financial assets and securities with contractual maturities

March 31, 2013	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥1,364,630	¥ –	¥ –	¥–
Notes and accounts receivable – trade	601,129	61,058	–	–
Marketable and investment securities				
Held-to-maturity debt securities (corporate bonds)	400	–	–	–
Available-for-sale securities with maturity date				
(corporate bonds)	500	5,432	291,955	–
(other)	630	–	–	–
Total	¥1,967,289	¥66,490	¥291,955	¥–

March 31, 2013	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	\$14,509,623	\$ –	\$ –	\$–
Notes and accounts receivable – trade	6,391,590	649,207	–	–
Marketable and investment securities				
Held-to-maturity debt securities (corporate bonds)	4,253	–	–	–
Available-for-sale securities with maturity date				
(corporate bonds)	5,316	57,757	3,104,253	–
(other)	6,699	–	–	–
Total	\$20,917,481	\$706,964	\$3,104,253	\$–

Please see Note 5 for annual maturities of borrowings, corporate bonds, and lease obligations under financial leases.

## 17 Derivatives

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities, and scheduled transactions denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

These derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

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## Derivative transactions to which hedge accounting is not applied at March 31, 2012 and 2013

March 31, 2012	Millions of yen			
	Contract amounts	Contract amount due after one year	Fair value <sup>(Note)</sup>	Unrealized gain (loss)
Foreign currency forward contracts				
Buying U.S. dollars . . . . .	¥53,100	¥–	¥1,683	¥1,683
Buying U.S. dollars and selling Korean won . . . . .	481	–	(0)	(0)
Buying Euro . . . . .	19	–	(0)	(0)

March 31, 2013	Millions of yen			
	Contract amounts	Contract amount due after one year	Fair value <sup>(Note)</sup>	Unrealized gain (loss)
Foreign currency forward contracts				
Buying U.S. dollars . . . . .	¥51,964	¥–	¥5,901	¥5,901
Buying Euro . . . . .	10	–	(0)	(0)

March 31, 2013	Thousands of U.S. dollars			
	Contract amounts	Contract amount due after one year	Fair value <sup>(Note)</sup>	Unrealized gain (loss)
Foreign currency forward contracts				
Buying U.S. dollars . . . . .	\$552,515	\$–	\$62,743	\$62,743
Buying Euro . . . . .	106	–	(0)	(0)

(Note) Fair value is based on information provided by financial institutions at the end of the fiscal year.

## Derivative transactions to which hedge accounting is applied at March 31, 2012 and 2013

March 31, 2012	Hedged item	Millions of yen		
		Contract amounts	Contract amount due after one year	Fair value <sup>(Note 2)</sup>
Foreign currency forward contracts (alternative method) <sup>(Note 3)</sup>				
Buying U.S. dollars	Accounts payable – other . . . .	¥ 148	¥ –	¥ –
Buying Euro	Accounts payable – trade . . . .	1,020	–	–
Selling U.S. dollars	Accounts receivable – trade . . .	87	–	–
Interest rate swaps (deferral hedge accounting)				
Receiving floating rate and paying fixed rate	Interest for loan . . . . .	99,000	84,000	(993)

March 31, 2013	Hedged item	Millions of yen		
		Contract amounts	Contract amount due after one year	Fair value <sup>(Note 2)</sup>
Foreign currency forward contracts (deferral hedge accounting)				
Buying U.S. dollars	Scheduled transactions for investment denominated in foreign currencies <sup>(Note 1)</sup> . . . . .	¥1,411,990	¥ –	¥189,357
Buying U.S. dollars	Scheduled transactions for expenses denominated in foreign currencies . . . . .	239	–	(7)
Selling U.S. dollars	Scheduled transactions for sales denominated in foreign currencies . . . . .	109	–	3
Foreign currency forward contracts (alternative method) <sup>(Note 3)</sup>				
Buying U.S. dollars	Accounts payable – other . . . .	176	–	–
Buying Euro	Accounts payable – trade . . . .	1,155	–	–
Selling U.S. dollars	Accounts receivable – trade . . .	88	–	–
Interest rate swaps (deferral hedge accounting)				
Receiving floating rate and paying fixed rate	Interest for loan . . . . .	94,000	10,000	(515)

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March 31, 2013	Hedged item	Thousands of U.S. dollars		
		Contract amounts	Contract amount due after one year	Fair value <sup>(Note 2)</sup>
Foreign currency forward contracts (deferral hedge accounting)				
Buying U.S. dollars	Scheduled transaction for investment denominated in foreign currencies <sup>(Note 1)</sup>	\$15,013,184	\$ —	\$2,013,365
Buying U.S. dollars	Scheduled transaction for expenses denominated in foreign currencies	2,541	—	(74)
Selling U.S. dollars	Scheduled transaction for sales denominated in foreign currencies	1,159	—	32
Foreign currency forward contracts (alternative method) <sup>(Note 3)</sup>				
Buying U.S. dollars	Accounts payable – other	1,871	—	—
Buying Euro	Accounts payable – trade	12,281	—	—
Selling U.S. dollars	Accounts receivable – trade	936	—	—
Interest rate swaps (deferral hedge accounting)				
Receiving floating rate and paying fixed rate	Interest for loan	999,468	106,326	(5,476)

(Notes) 1. This foreign currency forward contract amounting to ¥1,411,990 million is for a scheduled additional investment of \$17.0 billion in New Sprint in the U.S. regarding the acquisition of Sprint.

The translation of this Japanese yen amount into the U.S. dollar amount of \$15,013,184 thousand has been made solely for the convenience of readers outside Japan as described in Note 1.

2. Fair value is based on information provided by financial institutions at the end of the fiscal year.

3. For certain accounts payable – other, accounts payable – trade, and accounts receivable – trade denominated in foreign currencies for which foreign currency forward contracts are used to hedge the foreign currency fluctuations, fair value of the derivative financial instrument is included in fair value of the accounts payable – other, accounts payable – trade, and accounts receivable – trade as hedged items. Please see Note 16. Financial instruments and related disclosures.

## 19 Related -party disclosures

Transactions of the Group with related parties for the years ended March 31, 2012 and 2013 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
(Son Assets Management, LLC.) <sup>(Note)</sup>			
Temporary advance for expenses on behalf of Son Assets Management, LLC.	¥264	¥ 220	\$ 2,339
Payment of cost of office facility usage	46	45	478
Transfer of fixed asset (Director of the Company's significant subsidiary)	—	3,825	40,670
Exercise of stock options (A company whose majority shares were owned by a close relative of one of the Company's directors)	—	33	351
Payment of advisory fee	30	—	—

(Note) Son Assets Management, LLC. leases office space from the Company.

The balances due to or from related parties at March 31, 2012 and 2013 were as follows:

March 31,	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
(Son Assets Management, LLC.)			
Other current assets	¥ 22	¥ 22	\$ 234
Deposit received included in long-term liabilities – other liabilities (A company whose majority shares were owned by a close relative of one of the Company's directors)	178	178	1,893
Account payable – other and accrued expenses	3	—	—

## 18 Commitments and contingent liabilities

As of March 31, 2013, ¥32,290 million (\$343,328 thousand) remains as unused lines of credit.

The Group has entered into a sponsor agreement with WILLCOM, Inc. Under the sponsor agreement, the Company provides necessary financial support to WILLCOM, Inc. for business operation and execution of the rehabilitation plan. The agreement is effective until WILLCOM, Inc. completes the payment of its reorganization claims and reorganization security interests (initial amount ¥41,000 million) amounting to ¥27,374 million (\$290,845 thousand) as of March 31, 2013.

**20 Significant subsequent events****(1) Appropriation of retained earnings**

The following appropriation of retained earnings at March 31, 2013 was approved at the shareholders' meeting held on June 21, 2013:

	Millions of yen	Thousands of U.S. dollars
March 31,	2013	2013
Year-end cash dividends, ¥20.00 (\$0.21) per share . . . . .	<b>¥23,830</b>	<b>\$253,376</b>

**(2) Consolidation of GungHo Online Entertainment, Inc. as a subsidiary**

GungHo Online Entertainment, Inc. ("GungHo"), an equity method affiliate of the Company, became a consolidated subsidiary of the Company on May 7, 2013 (deemed acquisition date: April 1, 2013). As GungHo became a subsidiary and the Company re-evaluated the ordinary shares of GungHo (the "shares of GungHo"), held by the SoftBank Group, at fair value based on paragraph 25 (2) of "Accounting Standard for Business Combinations" (ASBJ Statement No. 21), ¥150,120 million (\$1,596,172 thousand), which is the difference between the book value on a consolidation basis at the time of obtaining control and the fair value, will be recorded as other income in the first quarter of the fiscal year ending March 31, 2014.

**(a) Overview of Consolidation**

A subsidiary of the Company, SoftBank Mobile Corp. resolved at its board of directors meeting on March 25, 2013, to acquire by tender offer (the "Tender Offer") the shares of GungHo by cash. Accordingly, SoftBank Mobile Corp., undertook the Tender Offer from April 1, 2013 to April 26, 2013 and acquired the shares of GungHo on May 7, 2013 by this Tender Offer. In connection with the Tender Offer, SoftBank Mobile Corp. entered into an agreement to tender shares in the Tender Offer (the "Share Tender Agreement") on March 25, 2013, with ASIAN GROOVE GOUDOU GAISHA ("Asian Groove"; number of shares held: 166,710 shares (Note 1); percentage of voting interest: 14.47% (Note 2)), which is the third largest shareholder of GungHo and of which Taizo Son, the chairman of GungHo, is the representative partner. Under the Share Tender Agreement, Asian Groove has agreed to tender 73,400 shares (percentage of voting interest: 6.37%) of the shares of GungHo, which are a portion of the shares of GungHo held by it.

In addition, the Company is notified that Masayoshi Son, chairman and CEO of the Company as well as chairman and CEO of SoftBank Mobile Corp., has entered into a Memorandum of Understanding on the Exercise of Voting Rights for Deferment of Execution of Pledges (the "MOU") with respect to the shares of GungHo on April 1, 2013, with Heartis Inc. (the "Heartis"; number of shares held: 213,080 shares; percentage of voting interest: 18.5%), which is the second largest shareholder of GungHo and Taizo Son's asset management company and of which Taizo Son, chairman of GungHo, is the representative director. The Company is notified that, under the MOU, in order to have Son Holdings Inc. (the "Son Holdings"), of which Masayoshi Son is a director and which is a Masayoshi Son's asset management

company, defer the execution of pledges over the shares of GungHo held by Heartis, Heartis has agreed, effective as of April 1, 2013, to the effect that at the shareholders' meeting of GungHo, Heartis will exercise the voting rights for all of the shares of GungHo it holds in accordance with Masayoshi Son's directions. Consequently, GungHo became a consolidated subsidiary of the Company from an equity method affiliate.

**Notes:**

- (1) GungHo executed a share split on April 1, 2013, at a ratio of ten shares for every one share ("GungHo Share Split"). As a result, the number of shares held is set out using the figure calculated by multiplying the number of shares before the GungHo Share Split by ten and converting that quotient to the number of shares after the GungHo Share Split (the "Number of Shares After GungHo's Share Split"), and the number of voting rights for the number of shares held is set out to that effect with respect to the Number of Shares After GungHo's Share Split.
- (2) The percentage of voting interest is calculated using the number of voting rights (1,152,010 rights) relating to the Number of Shares After GungHo's Share Split (1,152,010 shares) as the denominator, which is based on the number of shares (115,201 shares; the Number of Shares After GungHo's Share Split: 1,152,010 shares) calculated by adding (i) the total number of the GungHo's outstanding shares as of December 31, 2012 (114,981 shares; the Number of Shares After GungHo's Share Split: 1,149,810 shares) set out in the 16th Securities Report filed by GungHo on March 22, 2013, to (ii) the number of GungHo's Shares (220 shares; the Number of Shares After GungHo's Share Split: 2,200 shares) that are subject to the number of the Series 1 Options as of December 31, 2012 (44 options) that are set out in that Securities Report.

**(b) Purpose of the Tender Offer**

The Company recognized the importance of enhancing mobile content by combining smartphone-focused development capability and infrastructure held by SoftBank Mobile Corp. and planning and creating capability in the smartphone game industry held by GungHo to further improve the efficiency in operation of the mobile communications business, profitability and competitiveness. As a result, the Company came to the conclusion that it is necessary to establish a direct capital relationship between SoftBank Mobile Corp. and GungHo. In addition, it is important not only for SoftBank Mobile Corp. but also for the SoftBank Group, which has based its business growth on the Internet, to address the environmental change caused by online devices, enhance the content lineup catering to the market's various needs, and strengthen the content distribution capability of the SoftBank Group. This also led to the decision to enhance the capital relationship with GungHo.

It is also expected that enhancing the capital relationship with GungHo and utilizing the global management resources held by the SoftBank Group will contribute to the revenue and the expansion of distribution channels of online and smartphone games, and allow GungHo, SoftBank Mobile Corp. and the SoftBank Group to enhance their revenue base and enterprise value.

## (c) Overview of the business combination

## (1) Outline of GungHo

1. Name	GungHo Online Entertainment, Inc.
2. Address	3-8-1 Marunouchi, Chiyoda-ku, Tokyo
3. Name and title of representative	Kazuki Morishita, Representative director, President and CEO
4. Business description	Plan, development, operation and distribution of Internet online game Plan and development of mobile content Plan, development and sales of character goods Plan, development and distribution of other entertainment content
5. Common stock	¥5,332,504 thousand (as of December 31, 2012) (\$56,699 thousand)
6. Date of foundation	July 1, 1998

## (2) Date of business combination

May 7, 2013 (deemed acquisition date: April 1, 2013)

## (3) The number of shares held and percentage of voting interest

## (i) Before the Tender Offer

Shareholder	Number of shares held	Number of voting rights	Percentage of voting interest
SoftBank BB Corp.	387,440 shares	387,440	33.63%

## (ii) Additional Shares acquired by the Tender Offer

Shareholder	Number of shares held	Number of voting rights	Percentage of voting interest
SoftBank Mobile Corp.	73,400 shares	73,400	6.37%

## (iii) After the Tender Offer

Shareholder	Number of shares held	Number of voting rights	Percentage of voting interest
SoftBank BB Corp.	387,440 shares	387,440	33.63%
SoftBank Mobile Corp.	73,400 shares	73,400	6.37%
Total	460,840 shares	460,840	40.00%

## Note:

Combined with shares held by Heartis, which has agreed with Masayoshi Son, chairman and CEO of the Company, who has a close relationship with the Company that at the shareholders' meeting of GungHo, Heartis will exercise the voting rights for all of the shares of GungHo it holds in accordance with Masayoshi Son's directions, the number of shares held will be 673,920 shares (number of voting rights 673,920, percentage of voting interest 58.50%).

## (4) Basis of acquisition cost

The breakdown of the acquisition cost is SoftBank Mobile Corp.'s additional acquisition of ¥24,976 million (\$265,561 thousand) (excluding related expenses) by the Tender Offer and the fair value of shares of ¥153,620 million (\$1,633,386 thousand), held by SoftBank BB Corp. The total is ¥178,596 million (\$1,898,947 thousand).

## (5) Purchase price allocation of acquisition cost

The purchase price allocation of the acquisition cost is not determined yet.

## 21 Segment information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

## (1) Overview of reportable segments

The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Company as a pure holding company assigns core operating companies to primary businesses. The core operating companies develop comprehensive business strategies for the products and services and perform business activities.

Accordingly, the Company's segments are separated based on the products and services provided by the core operating companies, and four segments, "Mobile Communications," "Broadband Infrastructure," "Fixed-line Telecommunications," and "Internet Culture" are treated as reportable segments.

"Mobile Communications" business provides mobile communication services and sale of mobile phones accompanying the services. "Broadband Infrastructure" business provides high-speed Internet connection service, IP telephony service, and contents. "Fixed-line Telecommunications" business provides fixed-line telecommunication services. "Internet Culture" business provides Internet-based advertising operations, e-commerce site operations such as *YAFUOKU!* and *Yahoo! Shopping*, and membership services.



Notes to Consolidated  
Financial Statements**(2) Methods of measurement for the amounts of sales, profit, and other items for each reportable segment**

The accounting policies of each reportable segment are consistent with those disclosed in Note 2.

Segment profit is based on operating income. The same or similar general business conditions are applied to sales to external customers and intersegment sales or transfers. Assets are not allocated to the reportable segments.

**(3) Information about sales, profit, and other items is as follows**

For the year ended March 31, 2012	Reportable segments					Other	Total	Reconciliations	Consolidated
	Mobile Communications	Broadband Infrastructure	Fixed-line Telecommunications	Internet Culture	Subtotal				
Sales									
Sales to external customers	¥2,138,651	¥155,389	¥292,675	¥290,005	¥2,876,720	¥325,716	¥3,202,436	¥ -	¥3,202,436
Intersegment sales or transfers	6,248	16,516	74,971	3,630	101,365	35,283	136,648	(136,648)	-
Total	2,144,899	171,905	367,646	293,635	2,978,085	360,999	3,339,084	(136,648)	3,202,436
Segment profit	¥ 429,237	¥ 34,328	¥ 57,950	¥156,822	¥ 678,337	¥ 8,800	¥ 687,137	¥ (11,854)	¥ 675,283
Others:									
Depreciation and amortization	¥ 203,456	¥ 14,395	¥ 39,801	¥ 10,288	¥ 267,940	¥ 6,277	¥ 274,217	¥ 1,609	¥ 275,826
Amortization of goodwill	51,428	1,560	7,283	1,903	62,174	433	62,607	-	62,607
Goodwill at March 31, 2012	724,273	1,560	27,920	19,319	773,072	7,171	780,243	-	780,243

Notes to Consolidated  
Financial Statements

Millions of yen

For the year ended March 31, 2013	Reportable segments					Other	Total	Reconciliations	Consolidated
	Mobile Communications	Broadband Infrastructure	Fixed-line Telecommunications	Internet Culture	Subtotal				
Sales									
Sales to external customers	¥2,270,671	¥136,599	¥298,140	¥332,516	¥3,037,926	¥340,439	¥3,378,365	¥ -	¥3,378,365
Intersegment sales or transfers	6,809	26,827	89,100	3,128	125,864	43,189	169,053	(169,053)	-
Total	2,277,480	163,426	387,240	335,644	3,163,790	383,628	3,547,418	(169,053)	3,378,365
Segment profit	¥ 467,829	¥ 34,734	¥ 67,003	¥178,112	¥ 747,678	¥ 9,982	¥ 757,660	¥ (12,660)	¥ 745,000
Others:									
Depreciation and amortization	¥ 263,841	¥ 14,741	¥ 39,967	¥ 12,739	¥ 331,288	¥ 7,508	¥ 338,796	¥ 1,900	¥ 340,696
Amortization of goodwill	51,428	1,560	7,283	2,628	62,899	1,215	64,114	-	64,114
Goodwill at March 31, 2013	672,845	-	20,637	35,207	728,689	5,718	734,407	-	734,407

Thousands of U.S. dollars

For the year ended March 31, 2013	Reportable segments					Other	Total	Reconciliations	Consolidated
	Mobile Communications	Broadband Infrastructure	Fixed-line Telecommunications	Internet Culture	Subtotal				
Sales									
Sales to external customers	\$24,143,232	\$1,452,408	\$3,170,016	\$3,535,524	\$32,301,180	\$3,619,766	\$35,920,946	\$ -	\$35,920,946
Intersegment sales or transfers	72,398	285,242	947,368	33,259	1,338,267	459,213	1,797,480	(1,797,480)	-
Total	24,215,630	1,737,650	4,117,384	3,568,783	33,639,447	4,078,979	37,718,426	(1,797,480)	35,920,946
Segment profit	\$ 4,974,258	\$ 369,315	\$ 712,419	\$1,893,801	\$ 7,949,793	\$ 106,135	\$ 8,055,928	\$ (134,610)	\$ 7,921,318
Others:									
Depreciation and amortization	\$ 2,805,327	\$ 156,736	\$ 424,955	\$ 135,449	\$ 3,522,467	\$ 79,830	\$ 3,602,297	\$ 20,202	\$ 3,622,499
Amortization of goodwill	546,815	16,587	77,438	27,943	668,783	12,918	681,701	-	681,701
Goodwill at March 31, 2013	7,154,120	-	219,426	374,343	7,747,889	60,798	7,808,687	-	7,808,687

## Independent Auditor's Report

SoftBank Corp. and its Consolidated Subsidiaries



To the Board of Directors of SoftBank Corp.:

We have audited the accompanying consolidated balance sheet of SoftBank Corp. and its consolidated subsidiaries as of March 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SoftBank Corp. and its consolidated subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Emphasis of Matter

As discussed in Note 3 to the consolidated financial statements, on October 15, 2012, the Company and Sprint Nextel Corporation in the U.S. entered into a series of definitive agreements under which the Company will acquire Sprint Nextel Corporation. Our opinion is not qualified in respect of this matter.

As discussed in Note 20 (2) to the consolidated financial statements, on April 1, 2013, the Company changed the scope of consolidation and GungHo Online Entertainment, Inc. became a consolidated subsidiary of the Company. Our opinion is not qualified in respect of this matter.

### Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu LLC*

June 21, 2013

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## The SoftBank Group's History

### 1980s — Establishment

(Distribution and publishing of bundled software for PCs).

#### 1981.09

SoftBank Corp. Japan (Yombancho, Chiyoda-ku, Tokyo) established. Commenced operations as a distributor of packaged software.



#### 1982.05

Entered publishing business, launching *Oh! PC* and *Oh! MZ*, monthly magazines introducing PCs and software by manufacturer.



### 1990s — Strategic investment in Internet-related companies in the U.S.

#### 1990.07

Changed trade name to SoftBank Corp.

#### 1994.03

Established SoftBank Holdings Inc. in the U.S. to gather information on U.S. Internet-related companies with a view to strategic investment.

#### 1994.07

Registered with Japan Securities Dealers Association.



#### 1994.12

Acquired events division from Ziff Communications Company of the U.S. through SoftBank Holdings Inc.

#### 1995.04

Invested in Technology Events Division of The Interface Group in the U.S., which was operating COMDEX, the world's largest PC fair.

### Identification of Yahoo! Inc. in the U.S. as a potential investment and rapid growth of Yahoo Japan

#### 1996.01

Established Yahoo Japan through joint investment with Yahoo! Inc. in the U.S.



#### 1996.02

Acquired Ziff-Davis Publishing Company, U.S. publisher of *PC WEEK* magazine, provider of leading-edge information on the PC industry, through SoftBank Holdings Inc.



#### 1996.04

Acquired additional shares of Yahoo! Inc. through SoftBank Holdings Inc. and became its primary shareholder.\*<sup>1</sup>

#### 1996.06

Formed a partnership with The News Corporation Limited, an Australian company, in JSkyB (currently SKY PerfectTV!), a digital satellite broadcasting business.\*<sup>2</sup>

#### 1997.11

Yahoo Japan registered with Jasdac Securities Exchange (currently Tokyo Securities Exchange JASDAQ Standard).\*<sup>3</sup>

#### 1998.01

SoftBank Corp. listed on the First Section of Tokyo Stock Exchange.

#### 1998.06

Established E\*TRADE Japan KK with joint investment from E\*TRADE Group, Inc. in the U.S. (currently E\*TRADE Financial Corporation).\*<sup>4</sup>

#### 1999.10

Converted to a pure holding company.

\*<sup>1</sup> As of April 30, 2013 the Company holds 0.002% of Yahoo! Inc.'s voting rights.

\*<sup>2</sup> In 1998, Japan SKY Broadcasting Co., Ltd. merged with Japan Digital Broadcast Service Co., Ltd. (currently SKY Perfect JSAT Corporation).

\*<sup>3</sup> Yahoo Japan was listed on the First Section of the Tokyo Stock Exchange in October 2003 and on the JASDAQ market (currently the Tokyo Stock Exchange JASDAQ Standard) in February 2007. With the integration of the cash equity markets of the Tokyo Stock Exchange and Osaka Securities Exchange in July 2013, the Company's share market listing will be integrated into the first section of the Tokyo Stock Exchange.

\*<sup>4</sup> E\*TRADE Japan KK merged with SOFTBANK INVESTMENT CORPORATION (currently SBI Holdings Inc.) in June 2003.

## The SoftBank Group's History

## 2000s —

### Entry into the fixed-line telecommunications business

**2001.09**

Commercial launch of *Yahoo! BB* comprehensive broadband service.



**2002.04**

Launched commercial IP telephony service *BB Phone*.



**2004.07**

Acquired shares of JAPAN TELECOM CO., LTD. (currently SoftBank Telecom), converted company to subsidiary, and entered fixed-line telecommunications business.



**2004.12**

Commercial launch of *OTOKU Line* direct connection fixed-line voice service.

**2005.01**

Acquired shares of Fukuoka Daiei Hawks (currently Fukuoka SoftBank HAWKS) and converted company to subsidiary.

**2005.08**

Basic agreement reached with Alibaba.com Corporation (currently Alibaba Group Holding Limited), and Yahoo! Inc. to establish a strategic partnership in China.

## 2010s —

### Entry into the mobile communications business

**2006.04**

Acquired shares of Vodafone K.K. (currently SoftBank Mobile) through public tender offer, converted company to subsidiary, thereby entering the mobile communications business.



**2006.09**

Launched installment sales of handsets (*Super Bonus*).\*

**2007.01**

Announced *White Plan*, a new price plan for mobile communications services.



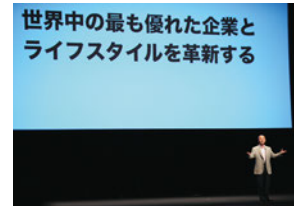
**2008.07**

Released iPhone 3G.



**2010.06**

Unveiled "SoftBank's Next 30-Year Vision."



**2012.07**

Launched services using the 900 MHz "platinum band."

**2013.01**

Made eAccess a Group company.



**2013.07**

Acquired U.S. company Sprint Nextel Corporation.



\* For new price plans such as *White Plan*, the *New Super Bonus* is currently available.

## Corporate Data

As of March 31, 2013

<b>Corporate name</b>	SoftBank Corp.
<b>Founded</b>	September 3, 1981
<b>Corporate headquarters</b>	1-9-1 Higashi-shimbashi, Minato-ku, Tokyo 105-7303
<b>Telephone number</b>	+81-3-6889-2000
<b>Representative</b>	Masayoshi Son, Chairman & CEO
<b>Common stock</b>	¥238.7 billion
<b>Consolidated subsidiaries</b>	150 (of which, 91 are overseas)
<b>Equity method companies</b>	83 (of which, 59 are overseas)
<b>Number of employees</b>	187 (consolidated basis: 24,598)
<b>Main business</b>	Pure holding company
<b>Independent auditor</b>	Deloitte Touche Tohmatsu

### Official SoftBank social media accounts (Japanese only)



Facebook  
Official SoftBank page



Twitter  
@SoftBankCorp

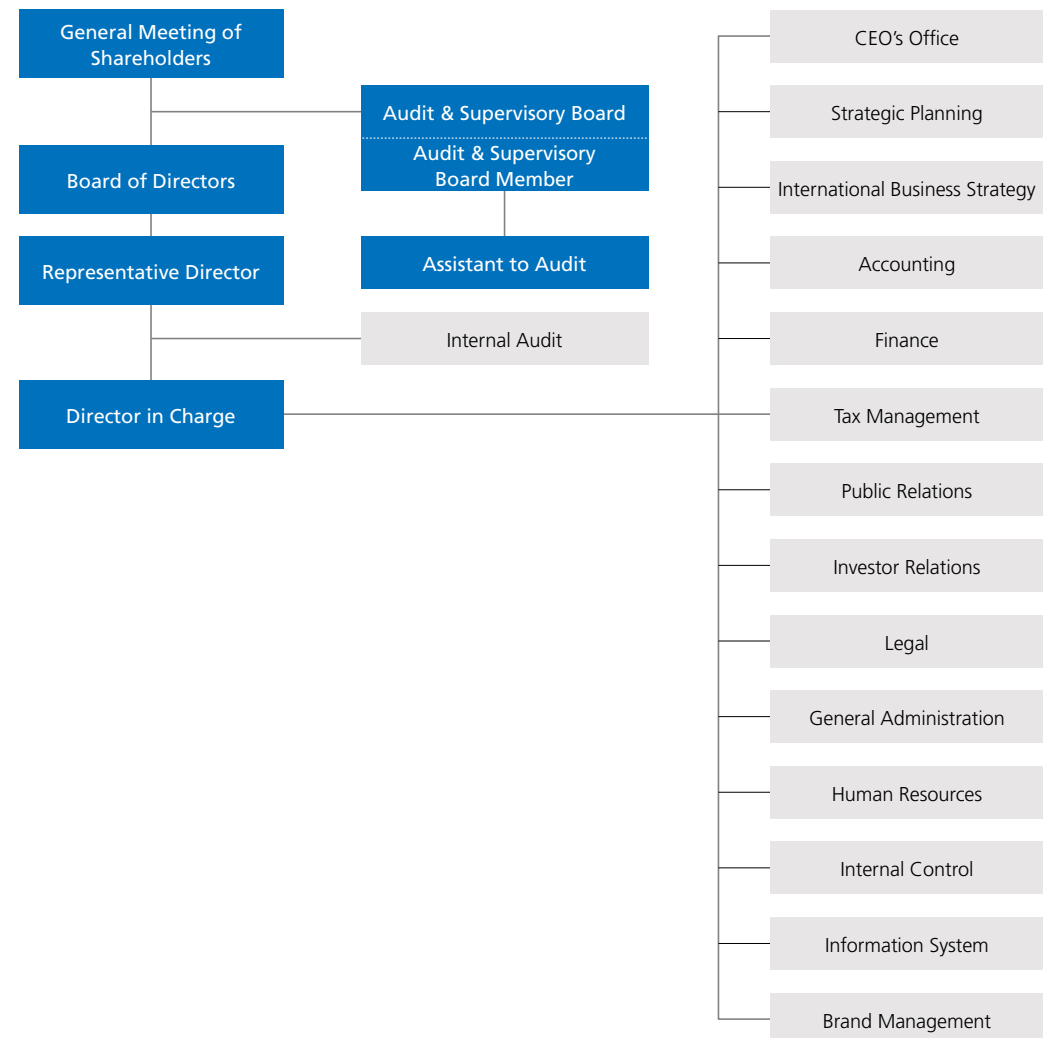


Ustream  
Relay channel

Other official accounts

## Organizational Structure

As of April 1, 2013



## Stock Information

As of March 31, 2013

**Shareholder registrar** Mitsubishi UFJ Trust and Banking Corporation

**Stock exchange registration** Tokyo Stock Exchange, First Section

**Stock code** 9984

### Number of shares

**Shares authorized** 3,600,000,000 shares

**Shares issued** 1,200,660,365 shares  
(including 9,160,493 of treasury stock)

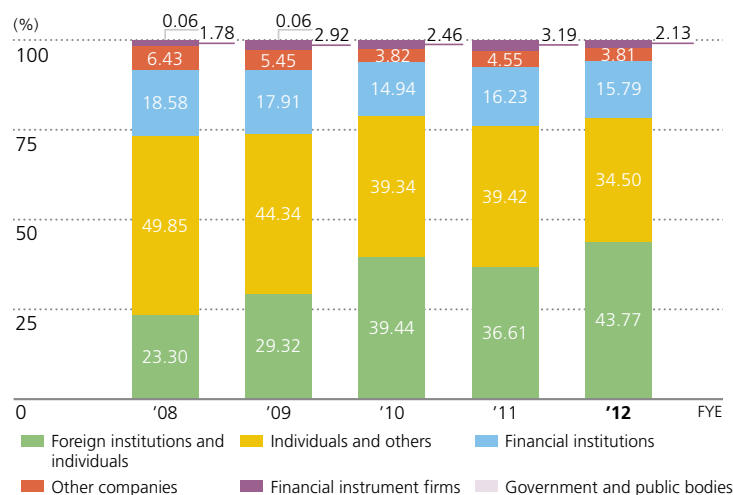
**Number of shareholders** 244,577

### Principal Shareholders

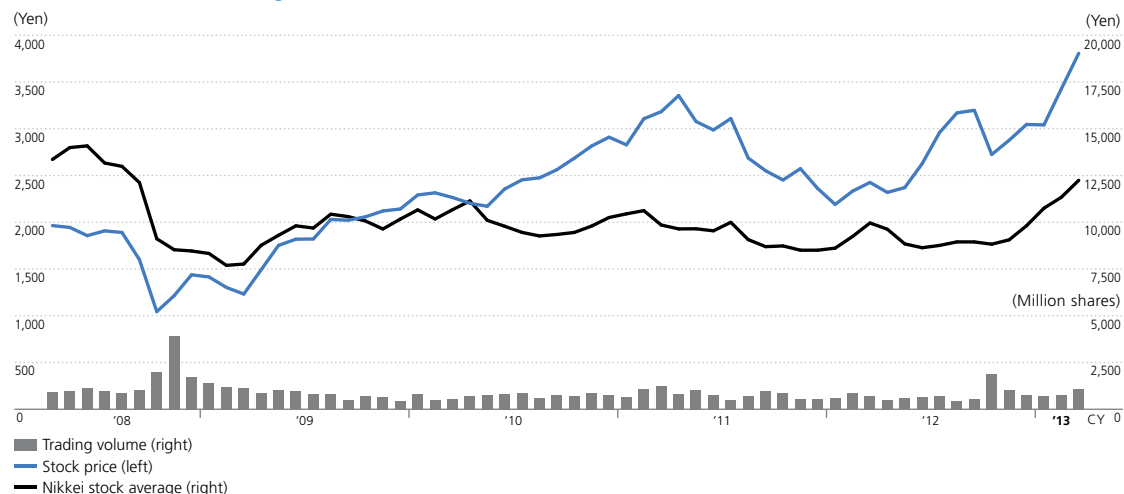
Name	Number of Shares Held (Thousands)	Percentage of Total Shares Issued (%)
Masayoshi Son	240,204	20.01
Japan Trustee Services Bank, Ltd. (Trust Account)	102,420	8.53
JP Morgan Chase Bank 380055	91,902	7.65
The Master Trust Bank of Japan, Ltd. (Trust Account)	54,367	4.53
State Street Bank and Trust Company	48,821	4.07
SSBT OD05 OMNIBUS ACCOUNT-TREATY CLIENTS	21,125	1.76
Trust & Custody Services Bank, Ltd. (Trust Account)	20,360	1.70
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	16,897	1.41
State Street Bank and Trust Company 505225	11,750	0.98
MELLON BANK N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION	9,558	0.80
<b>Top 10 shareholders</b>	<b>617,409</b>	<b>51.44</b>

(Note) All numbers of shares held by Japan Trustee Services Bank, The Master Trust Bank of Japan, and Trust & Custody Services Bank are numbers of shares held as part of trust operations.

### Distribution of Ownership Among Shareholders



### Stock Price and Trading Volume



(Note) Stock prices are average prices for each month, and trading volumes are average volumes for each month.

## Glossary

This glossary offers definitions for technical terms used in this report. The glossary terms are divided into a business-related section and a financial-related section, and are listed alphabetically.

### Business-related Terms

#### ARPU (Average Revenue Per User)

Average Revenue Per User per month (rounded to the nearest ¥10).

##### Mobile Communications

ARPU = (voice-related revenue + data-related revenue) / number of active subscribers = voice ARPU + data ARPU.

Voice ARPU = voice-related revenue (such as voice call charges, revenues from incoming calls, basic monthly charges) / number of active subscribers.

Data ARPU = data-related revenue (such as packet communication charges) / number of active subscribers.

Number of active subscribers: the total of the monthly numbers of active subscribers for the relevant period ((subscribers at the beginning of the month + subscribers at the end of the month) / 2). Calculated based on the cumulative number of subscribers at SoftBank Mobile.

Revenues from incoming calls: access charges received from other operators for voice calls from their customers on their network to SoftBank Mobile phones as a charge for the services provided in the SoftBank Mobile service area.

##### Broadband Infrastructure

Yahoo! BB hikari with FLET'S ARPU = revenue for the relevant period / number of subscribers.

Revenue = provider charge + Hikari BB unit rental charge + BB Phone voice call charge + optional service charges, and others.  
(Excluding usage charges for FLET'S Hikari and FLET'S Hikari LIGHT)

Number of subscribers: the total of the monthly numbers of subscribers for the relevant period ((cumulative number of subscribers at the beginning of the month + cumulative number of subscribers at the end of the month) / 2).

Yahoo! BB ADSL ARPU = revenue for the relevant period / number of installed lines.

Revenue = basic monthly charge + provider charge + modem rental charge + BB Phone voice call charge + optional service charges, and others.

Number of installed lines: the total of the monthly numbers of installed lines for the relevant period ((cumulative number of installed lines at the beginning of the month + cumulative number of installed lines at the end of the month) / 2).

##### Fixed-line Telecommunications

OTOKU Line ARPU = revenue for the relevant period / number of lines.

Number of lines: the total of the monthly numbers of lines for the relevant period ((cumulative number of lines at the beginning of the month + cumulative number of lines at the end of the month) / 2).

#### Average acquisition cost per subscriber

##### Mobile Communications

The average commission paid to sales agents per new subscription. The number of new subscriptions include prepaid mobile phones and communication modules.

#### Average upgrade cost per subscriber

##### Mobile Communications

The average commission paid to sales agents per upgrade. The number of upgrades includes communication modules.

#### AXGP (Advanced eXtended Global Platform)

##### Mobile Communications

A next-generation high-speed wireless communication standard that is an advanced version of the XGP communication standard developed by WILLCOM. Wireless City Planning took over this business from WILLCOM, and is building a network using AXGP. The standard offers high-speed communications with downlink speeds up to 110 Mbps. SoftBank Mobile received the loan of this network as a mobile virtual network operator (MVNO) and uses it to provide services under the name *SoftBank 4G*.

#### Churn rate

##### Mobile Communications

Churn rate (rounded to the second decimal place) = churn / number of active subscribers.

Churn: the total number of subscribers that churned in the relevant period.

Number of active subscribers: the total of the monthly numbers of active subscribers for the relevant period ((subscribers at the beginning of the month + subscribers at the end of the month) / 2). Calculated based on the cumulative number of subscribers at SoftBank Mobile.

##### Broadband Infrastructure

Yahoo! BB ADSL churn rate (rounded to the second decimal place) = churn / number of installed lines.

Churn: the total number of subscribers that churned in the relevant period. Includes subscribers who switch services to Yahoo! BB hikari with FLET'S.

Number of installed lines: the total of the monthly numbers of installed lines for the relevant period ((cumulative number of installed lines at the beginning of the month + cumulative number of installed lines at the end of the month) / 2).

#### Cumulative number of subscribers

##### Mobile Communications

The total number of subscribers at SoftBank Mobile, including subscribers of prepaid mobile phones, communication modules, and devices that do not have voice communication functionality.

#### Cumulative number of Yahoo! BB subscribers

##### Broadband Infrastructure

The total of the cumulative number of Yahoo! BB ADSL subscribers and the cumulative number of Yahoo! BB hikari with FLET'S subscribers.

#### Direct connection voice service

##### Fixed-line Telecommunications

A fixed-line telephone service that does not pass through the NTT Group's switching facilities. SoftBank Telecom provides a direct connection voice service called *OTOKU Line*.

#### Handsets shipped

##### Mobile Communications

Handsets shipped (sold) to sales agents.

#### HSPA (High Speed Packet Access)

##### Mobile Communications

A high-speed wireless communication standard that is an accelerated version of the third-generation mobile phone system, W-CDMA. HSDPA is a version of HSPA with an accelerated downlink (base station to handset) communication speed. HSPA+ and DC-HSDPA are further accelerated developments of HSPA.

#### ICT (Information and Communication Technology)

Information and communication technology is a general term for technology used in hardware, software, systems, and data communication relating to the communication of information using computers.



## Glossary

### LTE (Long Term Evolution)

#### Mobile Communications

A next-generation high-speed wireless communication standard that achieves high-speed communication comparable to optic-fiber. There are two LTE systems: FDD (Frequency Division Duplex) and TDD (Time Division Duplex). The FDD system assigns uplink and downlink communications to a pair of different frequency bandwidths, and is referred to as FDD-LTE. The TDD system uses the same frequency bandwidth for both uplink and downlink, switching the communication time between uplink and downlink, and is referred to as TD-LTE.

### Net subscriber additions

#### Mobile Communications

The number of new subscribers minus the number of cancellations. Includes the number of prepaid mobile phones and communication module service subscribers.

### PHS (Personal Handyphone System)

A wireless communication standard that uses the 1.9 GHz band. The standard is noted for high-quality sound, low-level electromagnetic radiation, and low-power consumption.

### Sales commission

#### Mobile Communications

Sales commission paid to sales agents per new subscription and handset upgrade.

### Units sold

#### Mobile Communications

The total number of new subscriptions and handset upgrades.

### Upgrade rate

#### Mobile Communications

**Upgrade rate (rounded to the second decimal place) = number of upgrades / number of active subscribers.**

Number of upgrades: the total number of upgrades in the relevant period.

Number of active subscribers: the total of the monthly numbers of active subscribers for the relevant period ((subscribers at the beginning of the month + subscribers at the end of the month) / 2). Calculated based on the cumulative number of subscribers at SoftBank Mobile.

### Yahoo! BB ADSL

#### Broadband Infrastructure

A combination of ADSL connection service and ISP (Internet Service Provider) service offered by SoftBank BB.

Cumulative number of *Yahoo! BB ADSL* installed lines: the number of lines for which connection construction for ADSL line at central office of NTT East or NTT West is complete (including suspended plans).

Cumulative number of *Yahoo! BB ADSL* charged lines: the cumulative number of installed lines excluding customers whose basic monthly charge is free under campaigns or other promotional initiatives.

### Yahoo! BB hikari with FLET'S

#### Broadband Infrastructure

An ISP service offered by SoftBank BB as a package with NTT East and NTT West *FLET'S Hikari Series* fiber-optic connection.

## Finance-related Terms

### Debt / equity ratio

**Debt / equity ratio = interest-bearing debt / total shareholders' equity.**

### EBITDA

**Until fiscal 2003: EBITDA = operating income (loss) + interest income and dividends + depreciation and amortization.**

**From fiscal 2004: EBITDA = operating income (loss) + depreciation and amortization (including amortization of goodwill).**

### EBITDA margin

**EBITDA margin = EBITDA / net sales.**

### Free cash flow

**Free cash flow = cash flows from operating activities + cash flows from investing activities.**

### Interest coverage ratio

**Interest coverage ratio = EBITDA / interest expense.**

### Net debt / equity ratio

**Net debt / equity ratio = net interest-bearing debt / total shareholders' equity.**

### Net interest-bearing debt

**Net interest-bearing debt = interest-bearing debt – cash position.**

Interest-bearing debt: short-term borrowings + commercial paper + current portion of long-term debt + long-term debt. Lease obligations are excluded.  
For fiscal 2009 and fiscal 2010, this excludes the corporate bonds (WBS Class B2 Funding Notes, issued by J-WBS Funding K.K.) with a face value of ¥27.0 billion acquired by the Company during fiscal 2009 that were issued under the whole business securitization scheme associated with the acquisition of Vodafone K.K.

Cash position = cash and cash equivalents + marketable securities recorded as current assets (for fiscal 2010 this excludes Yahoo! Inc. shares that were held by a subsidiary of the Company in the U.S.) + time deposits with original maturity over three months.

### Return on assets (ROA)

**ROA = net income (loss) / average total assets during the fiscal year.**

### Return on equity (ROE)

**ROE = net income (loss) / average total shareholders' equity during the fiscal year.**

### SBM loan

The loan procured in November 2006 under a whole business securitization scheme as part of the loan for procurement of the acquisition finance for Vodafone K.K. (currently SoftBank Mobile). Refinancing of the SBM loan was completed in October 2011.

### WBS Class B2 Funding Notes

Corporate bonds issued by J-WBS Funding K.K. in November 2006 to provide part of the funding for the SBM loan. SoftBank acquired the notes at a face value of ¥27.0 billion in fiscal 2009. The notes were redeemed before maturity in October 2011.

### Whole business securitization (WBS)

A fund procurement method where borrowed funds are backed by the cash flow generated by a business.

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