

SOFTBANK CORP.
CONSOLIDATED FINANCIAL REPORT
For the nine-month period ended December 31, 2004

Tokyo, February 9, 2005

FINANCIAL HIGHLIGHTS

1. Results of Operations

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

	Net sales		Operating loss		Ordinary loss		Net loss	
	Amount	%	Amount	%	Amount	%	Amount	%
Nine-month period ended December 31, 2004	¥561,793	55.1	¥(14,326)	-	¥(33,942)	-	¥(32,605)	-
Nine-month period ended December 31, 2003	¥362,154	-	¥(46,009)	-	¥(62,275)	-	¥(93,683)	-
FY2004 April 2003 through March 2004	¥517,393	-	¥(54,893)	-	¥(71,901)	-	¥(107,094)	-

	Net loss per share— primary (yen)	Net loss per share— diluted (yen)
Nine-month period ended December 31, 2004	¥(92.79)	-
Nine-month period ended December 31, 2003	¥(278.18)	-
FY2004 April 2003 through March 2004	¥(314.72)	-

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

2. Financial Condition

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

	Total assets	Shareholders' equity	Equity ratio (%)	Shareholders' equity per share (yen)
December 31, 2004	¥2,090,043	¥204,685	9.8	¥582.39
December 31, 2003	¥1,194,036	¥265,650	22.2	¥755.97
FY2004 March 31, 2004	¥1,421,206	¥238,080	16.8	¥677.40

3. Cash Flows

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

	Operating activities	Investing activities	Financing activities	Cash and cash equivalents at the end of the period
Nine-month period ended December 31, 2004	¥(30,709)	¥(177,564)	¥153,724	¥381,948
Nine-month period ended December 31, 2003	¥(72,447)	¥61,785	¥172,237	¥308,374
FY2004 April 2003 through March 2004	¥(83,829)	¥81,878	¥306,390	¥437,132

4. Scope of Consolidation at December 31, 2004

Consolidated subsidiaries:	198
Equity-method non-consolidated subsidiaries:	7
Equity-method affiliates:	103

5. Changes in Scope of Consolidation

Consolidated subsidiaries:	
Newly added:	35
Excluded:	14

Equity-method non-consolidated subsidiaries and affiliates:	
Newly added:	14
Excluded:	7

Management Policies

The core management philosophy of the SOFTBANK Group (hereafter “the Group”) is “Endeavoring to benefit society and the economy by fostering the sharing of wisdom and knowledge gained through the IT revolution.” By conducting business activities in a creative manner, the Group focuses its energy on both contributing to the development of society and increasing its corporate value. The rising use of broadband connections along with rapid advances in data communications technology is steadily bringing the world closer to the advent of the ubiquitous information age. SOFTBANK CORP. (hereafter “the Company”) is concentrating on developing Japan’s broadband market with the aim of becoming a lifestyle company that can provide broadband for every aspect of people’s lives.

The Group concentrated its resources on Broadband-related businesses from an early stage of this market’s development, launching in September 2001 the *Yahoo! BB* comprehensive broadband service. The cumulative number of lines installed in the Group’s *Yahoo! BB* service exceeded 4.65 million at the end of December 2004, enabling the Group to retain its leading position in the ADSL service market among Japan’s communications carriers and ISPs. The Group also continues to hold an overwhelming lead in the IP telephony market, where the cumulative lines installed for its *BB Phone* IP telephony service rose to 4.39 million at the end of December 2004 (based on Company data).

The Group, having played a pioneering role in offering ADSL services in Japan and consistently serving as a leader in driving market growth, is now entering a new stage of establishing itself as a comprehensive communications company. In October 2004, the Group launched *Yahoo! BB hikari*, a new comprehensive broadband service that uses optical fiber to achieve a maximum access line speed of 1 Gbps. In December 2004, a direct-collection-type (see note) fixed-line telephone service called *Otoku Line* was started that is offered by JAPAN TELECOM CO., LTD. In addition, preparations are under way for the start of a cellular phone business. In December 2004, a license application for 800MHz frequency band wireless stations was submitted in this regard.

In January 2005, the Company acquired the Fukuoka Daiei Hawks, a Japanese professional baseball team, and signed a contract with Hawks Town Co. concerning a business transfer related to the Fukuoka Dome. The objectives are to expand communication infrastructure services as well as to enhance broadband content, raise public awareness of the Company, and reap benefits in terms of advertising and publicity. With this team, which was renamed the Fukuoka SoftBank HAWKS, the Group will pursue numerous synergies in the broadband business and e-commerce.

The medium- and long-term strategies are to conduct a comprehensive communications business offering a variety of communication methods and to generate added value in a manner that captures synergies among Internet-based Group companies. The objectives are to further expand the customer base of the broadband infrastructure business and the fixed-line telecommunications business and to generate stable earnings and maximize cash flows. Along with the ADSL business, the new *Otoku Line* service is positioned as a key

strategy for increasing the customer base. The Company plans to conduct high-profile sales activities for this service. Regarding numerical goals, the Company has established the goal of raising cumulative lines installed for *Yahoo! BB* and *Otoku Line* to 6.5 million by September 2005. The Group is taking a series of actions to implement its strategy of expanding business activities. Following the July 2004 acquisition of JAPAN TELECOM CO., LTD., the Company in October announced its decision to acquire Cable & Wireless IDC Inc. The Group aims to achieve further growth in its customer base by using these acquisitions to generate synergies quickly and offering a variety of communication services, including ADSL, optical fiber, fixed-line telephone, and IP telephony. Internet-based Group companies, including Yahoo Japan Corporation, operator of Japan's number-one portal site, and E*TRADE SECURITIES CO., LTD., which was listed on the JASDAQ market in November 2004, are working hard on creating a variety of content offered on this communications infrastructure and on expanding their operations. With the addition of the Fukuoka SoftBank HAWKS, which represents both a powerful form of content and communication medium, the Group plans to raise its overall profitability by creating even more added value.

Important management issues include rapidly achieving profitability in the broadband infrastructure business and fixed-line telecommunications business, strengthening the information security management framework, and building a more powerful corporate brand. In the ADSL business of the Broadband Infrastructure segment, the operating loss has been declining steadily each quarter, demonstrating the steady progress being made toward achieving profitability at the operating level. In the fixed-line telecommunications business, there was a loss in the third quarter because of start-up costs for the new *Otoku Line* service. The Company will continue to work hard to acquire customers. By simultaneously offering several communication services, the Company plans to raise the efficiency of customer acquisition, capital expenditures and other activities across the entire Group, thereby conducting operations in a manner that places even more importance on improving earnings, including at *Otoku Line* and other new businesses. To upgrade the information security management framework, SOFTBANK BB Corp. already implemented customer information protection initiatives covering 649 items. In July 2004, a Group Information Security Department was established to strengthen the information management framework within the Group. The Group will continue to take steps to protect all of its information resources, maintaining the highest level of security management systems. To strengthen the corporate brand as the rapid diversification and expansion of business activities continues, a Branding Strategy Department was established in September 2004. The department is working on building a unified brand image for the Group and raising the value of the SOFTBANK brand. Along with the birth of the Fukuoka SoftBank HAWKS, the Group in December 2004 announced a new corporate identity logo. The new symbol is inspired by the flag of the fleet that was led by Ryoma Sakamoto, a famous samurai who played a key role in the modernization of Japan in the 1800s. The logo symbolizes the IT revolution that the Group is driving forward, and the Group will further strengthen its brand as a comprehensive communications company.

Note: A direct connection to the homes of users by using dry copper (copper circuits) owned and leased by NTT and placing the Company's own switching facilities at NTT central offices.

Results of Operations and Financial Position

1. Consolidated Results of Operations

<Overview of First Three Quarters of Fiscal 2005>

(comparison with the first three quarters of fiscal 2004)

In the first three quarters of fiscal 2005, **net sales** increased ¥199,639 million, or 55%, to ¥561,793 million. The largest component of this growth was a contribution of ¥82,075 million to net sales due to the addition of JAPAN TELECOM CO., LTD. as a consolidated subsidiary. Other major contributors were steady growth in Broadband Infrastructure segment sales and higher net sales in the Internet Culture and e-Finance segments.

The **operating loss** decreased ¥31,683 million to ¥14,326 million compared with the same period of the previous fiscal year. The operating loss in the Broadband Infrastructure segment is declining along with growth in the number of paying customers. Aggregate operating income for all segments other than the Broadband Infrastructure segment and Fixed-line Telecommunications segment continued to grow, increasing ¥25,486 million, or 118%, to ¥47,123 million, backed by higher operating income in the Internet Culture, e-Finance and e-Commerce segments.

The **ordinary loss** decreased ¥28,332 million to ¥33,942 million. Net equity in losses under the equity method increased ¥1,111 million to ¥2,892 million mainly due to the exclusion from the equity method of Aozora Bank, Ltd., which was sold in September 2003. There was an exchange loss of ¥920 million due to the yen's depreciation versus the euro during the third quarter compared with a gain of ¥5,075 million in the previous fiscal year. An increase in interest-bearing debt caused net interest expense to increase ¥8,178 million to ¥16,496 million. As a result, there was an increase of ¥3,350 million in net non-operating expenses to ¥19,616 million.

The **net loss** decreased ¥61,077 million to ¥32,605 million. Special income includes a ¥52,650 million gain on the sale of investment securities, including the sale of shares held in BB Call Corp., E*TRADE SECURITIES CO., LTD., and other companies. In addition, there was a ¥10,944 million dilution gain from changes in equity interest accompanied by the issuance of new shares in E*TRADE SECURITIES CO., LTD. and other companies. The result was special income of ¥67,119 million. Special loss totaled ¥29,164 million and includes a ¥2,985 million loss on the sale of investment securities, including the sale of shares and warrants held in eAccess Ltd., a bond covenant amendment fee of ¥4,071 million, and a valuation loss on investment securities of ¥5,189 million. As a result, there was a net special income of ¥37,955 million compared with a net special loss of ¥13,572 million in the previous fiscal year.

<Overview of the Third Quarter of Fiscal 2005>

(comparison with the second quarter of fiscal 2005)

In the third quarter of fiscal 2005, **net sales** totaled ¥258,087 million, ¥101,692 million higher than in the second quarter, mainly because of the addition of JAPAN TELECOM CO., LTD. as a consolidated subsidiary.

The **operating loss** increased ¥4,565 million to ¥7,536 million compared with the second quarter. Although the operating loss in the Broadband Infrastructure segment declined, the total operating loss rose because of start-up costs associated with the *Otoku Line* service that JAPAN TELECOM CO., LTD. started during the third quarter.

The **ordinary loss** decreased ¥6,205 million to ¥8,034 million. There was an exchange gain of ¥4,605 million because the yen appreciated versus the U.S. dollar compared with the end of the second quarter, following an exchange loss of ¥3,830 million in the second quarter. Net equity in income under the equity method was ¥1,682 million compared with net equity in loss under the equity method of ¥2,280 million in the second quarter. As a result, there was a decrease of ¥10,770 million in net non-operating expenses to ¥498 million.

The **net loss** was ¥26,560 million, compared with net income of ¥11,830 million in the second quarter. Special income includes a ¥6,335 million gain on the sale of investment securities, including the sale of shares held in SOFTBANK TECHNOLOGY CORP., Nexyz. Corporation, and other companies. In addition, there was a ¥10,375 million dilution gain from changes in equity interest accompanied by the issuance of new shares in E*TRADE SECURITIES CO., LTD. and other companies. Special loss totaled ¥18,272 million and includes a ¥2,854 million loss on the sale of investment securities, including the sale of shares and warrants held in eAccess Ltd., and a bond covenant amendment fee of ¥4,071 million. As a result, there was a net special loss of ¥1,607 million compared with net special income of ¥32,164 million in the second quarter.

<Results by Business Segment for the First Three Quarters>

(comparison with the first three quarters of fiscal 2004)

Broadband Infrastructure—Segment sales increased ¥60,473 million, or 69%, to ¥148,445 million. The number of paying customers in the *Yahoo! BB ADSL* service continued to grow steadily. There was also an increase in the share of customers using value-added services such as higher-speed services and wireless LAN. The result was strong sales at SOFTBANK BB Corp. and Yahoo Japan Corporation. The operating loss decreased ¥20,494 million to ¥47,152 million. The improvement in the operating margin was due to growth in the number of customers and average revenue per user (ARPU), as well as to a decline in the cost of acquiring customers in the ADSL business and slower growth in fixed expenses compared to business expansion. In services for corporate users, sales continued to grow at IP Revolution, Inc., which offers an optical fiber Internet connection service. Results in this segment include special income of ¥38,706 million from the gain on the sale of investment securities resulting from the sale of shares held in BB Call Corp. in August 2004.

Fixed-line Telecommunications—Segment sales totaled ¥82,075 million and there was an operating loss of ¥14,297 million. The operating results of JAPAN TELECOM CO., LTD., which was consolidated from the end of September 2004, are classified as this newly established business segment beginning with the third quarter. There was an operating loss because of start-up costs for *Otoku Line*, a new service that was introduced in December 2004.

e-Commerce—Segment sales increased ¥2,039 million, or 1%, to ¥182,999 million and operating income rose ¥1,669 million, or 70%, to ¥4,072 million. SOFTBANK BB Corp. continued to post healthy sales in its IT product distribution business, particularly license sales to high-volume customers. This was the result of a marketing strategy focused on highly profitable products and of measures to reinforce the sales organization. SOFTBANK BB Corp. is also working on the development of new services. One example is *BB Security*, a security service for *Yahoo! BB* members that is offered in conjunction with the Broadband Infrastructure segment. Another is a software distribution service called *BB Soft*.

e-Finance—Segment revenue increased ¥27,750 million, or 98%, to ¥56,064 million. Operating income was up ¥9,190 million, or 257%, to ¥12,772 million. The revenue growth was mainly attributable to the acquisition of a controlling stake in WORLD NICHIEI Securities Co., Ltd. (see note) along with higher brokerage commission revenue and financial income from interest and dividends at E*TRADE SECURITIES CO., LTD. due to continuing strength in Japan's stock markets. Also contributing to earnings was a strong performance by the asset management business, where a total of 12 portfolio companies, including E*TRADE SECURITIES CO., LTD., conducted a public offer. There was special income of ¥2,909 million from a gain on the June 2004 sale of investment securities from the partial sale of shares held in E*TRADE SECURITIES CO., LTD., and a ¥9,974 million dilution gain from changes in equity interest accompanied by the issuance of new shares in E*TRADE SECURITIES CO., LTD. in November 2004.

Note: WORLD NICHIEI Securities Co., Ltd. and SOFTBANK FRONTIER SECURITIES CO., LTD. merged in February 2004 to form WORLD NICHIEI FRONTIER Securities Co., Ltd.

Media & Marketing—Segment sales decreased ¥1,368 million, or 13%, to ¥9,426 million. The operating loss decreased ¥44 million to ¥797 million. This performance is mainly a reflection of declining sales of magazines and books at SOFTBANK Publishing Inc., which continues to be impacted by the contraction of the market for IT publications. Although the performance of the content business for paper media remains weak, sales are rising steadily at SOFTBANK ITmedia Inc., which operates a comprehensive IT information site. This company will continue to concentrate on using the Internet to develop new markets.

Broadmedia—Segment sales increased ¥1,651 million, or 17%, to ¥11,442 million. This was mainly the result of higher sales at Broadmedia Studios Corporation, to which was transferred the operations of MOVIE TELEVISION INC. (see note), a company undergoing procedures under the Civil Rehabilitation Law, a Japanese Chapter 11 procedure. The operating loss decreased ¥1,019 million to ¥1,357 million. Since BB Cable Corporation was transferred to SOFTBANK BB Corp. on September 30, 2004, the burden of investments associated with the *BBTV* business was shifted to the Broadband Infrastructure segment beginning with the third quarter. However, this segment continued to post a loss because of expenses associated with *BBTV* investments during the first half.

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

Internet Culture—Segment sales increased ¥25,708 million, or 57%, to ¥70,784 million and operating income was up ¥11,898 million, or 51%, to ¥35,046 million. Yahoo Japan Corporation posted record-high advertising revenue as this company continued to work on capturing advertising orders, mainly from national clients (see note), against a backdrop of rising interest in Internet advertising. The auction business also posted strong sales, mainly a reflection of year-end demand and sales promotion activities. In addition to steady growth in existing businesses, the segment is preparing to launch full-scale businesses involving payment processing services. Yahoo Japan Corporation made an announcement concerning the company's entry in an Internet banking business conducted jointly with Aozora Bank, Ltd. and in the credit card business through an alliance with Nippon Shinpan Co., Ltd.

Note: Advertisers with a high degree of exposure in other mass media.

Technology Services—Segment sales increased ¥2,712 million, or 17%, to ¥18,661 million. The primary reason was an increase in sales relating to the back-office service of e-commerce sites, network system development, operation and maintenance services, security equipment, and IP communication-related devices and other products of SOFTBANK TECHNOLOGY CORP. Due to the higher sales and steady growth in high-margin services and solution businesses, operating income increased ¥458 million, or 150%, to ¥765 million.

2. Financial Position

<Balance Sheet>

The consolidation of JAPAN TELECOM CO., LTD., which was consolidated from the end of September, 2004, significantly increased consolidated assets compared with the end of the previous fiscal year. The following balance sheet analysis includes comparisons with the end of the second quarter, when this company became a consolidated subsidiary, as well as comparisons with the end of the previous fiscal year, which are greatly affected by the consolidation of JAPAN TELECOM CO., LTD.

<Balance Sheet Analysis> (comparison with the end of fiscal 2004)

Current assets increased ¥189,429 million to ¥1,077,370 million. This increase was mainly due to a ¥58,674 million increase in trade notes and accounts receivable (including ¥54,004 million from JAPAN TELECOM CO., LTD.) and a ¥101,116 million increase in cash segregated as deposits related to securities business and receivables related to margin transactions at E*TRADE SECURITIES CO., LTD. and other security companies. There was a ¥25,292 million increase in cash and deposits.

Property and equipment increased ¥306,251 million to ¥421,431 million. Telecommunications equipment and service lines increased ¥199,424 million (including ¥204,321 million from JAPAN TELECOM CO., LTD.), buildings and structures increased ¥46,261 million (including ¥45,028 million from JAPAN TELECOM CO., LTD.), and other property and equipment, including land, construction in progress, and fixtures, increased ¥60,565 million (including ¥46,099 million from JAPAN TELECOM CO., LTD.).

Intangible assets increased ¥66,870 million to ¥83,898 million. The main reason was an additional goodwill of ¥38,836 million associated with the acquisition of JAPAN TELECOM CO., LTD. and its subsidiaries, causing goodwill to increase ¥39,588 million compared with the end of the previous fiscal year.

Investments and other assets increased ¥106,178 million to ¥505,180 million. This was mainly due to a ¥68,619 million increase in investment securities, which was caused by growth in the market values of shares held in Yahoo! Inc. and certain other companies.

Total liabilities increased ¥647,129 million to ¥1,737,467 million. The sum of short-term borrowings and long-term debts increased ¥168,361 million (including ¥106,000 million from JAPAN TELECOM CO., LTD.), there was a ¥69,876 million increase in bonds, and there was a ¥73,366 million increase in payables related to margin transactions and guarantee deposits received from customers related to securities business at E*TRADE SECURITIES CO., LTD. and other security companies. There was an increase of ¥90,000 million in cash receipt as collateral under security deposit agreements. In other long-term liabilities, there was a ¥65,462 million increase in derivative liabilities associated with derivative transactions utilizing Yahoo! Inc. stock as the market value of these shares climbed.

Shareholders' equity decreased ¥33,395 million to ¥204,685 million. Net unrealized gain on other securities increased ¥44,713 million compared with the end of the previous fiscal year because of the increase in the market value of Yahoo! Inc. stock and other items, while there was an increase of ¥41,695 million in net unrealized loss on derivative instruments resulting from changes in the market value of derivative transactions in relation to stock in Yahoo! Inc. In addition, accumulated deficits increased ¥35,380 million compared with the end of the previous fiscal year because of the net loss and other factors.

<Balance Sheet Analysis> (comparison with the end of the second quarter)

Property and equipment increased ¥30,289 million to ¥1,010,510 million. This was due to increases of ¥7,168 million in telecommunications equipment and ¥14,657 million in construction in progress in other property and equipment mainly in conjunction with the *Otoku Line* service offered by JAPAN TELECOM CO., LTD.

Total liabilities increased ¥38,501 million to ¥1,737,467 million. There was a ¥94,228 million increase in bonds because of a ¥60,000 million issue of unsecured bonds by JAPAN TELECOM CO., LTD. and a ¥32,400 million issue of euroyen subordinated bonds by a subsidiary of the Company. As the proceeds of these bond issues were used to repay loans, there were decreases of ¥39,767 million in short-term borrowings and ¥42,535 million in long-term debts.

<Cash Flows Analysis>

Cash flows were a negative ¥55,157 million during the first three quarters of the fiscal year as cash was used in operating and investing activities while cash was provided by financing activities. The main reason was a payment of ¥158,837 million for the acquisition of JAPAN TELECOM CO., LTD. As a result, cash and cash equivalents decreased ¥55,184 million to ¥381,948 million compared with the end of the previous fiscal year.

Net cash used in operating activities was ¥30,709 million. Income before income taxes and minority interest was ¥4,012 million and depreciation and amortization was ¥41,654 million, while there was a deduction of ¥49,670 million for gain on sale of marketable and investment securities, net, including stock of BB Call Corp. In addition, interest payments of ¥11,198 million and income tax payments of ¥31,382 million at Yahoo Japan Corporation and other companies contributed to the negative cash flows.

Net cash used in investing activities was ¥177,564 million. There were payments of ¥159,337 million for the acquisition of JAPAN TELECOM CO., LTD. and other subsidiaries and ¥52,731 million for purchase of property and equipment and intangibles, mainly telecommunications equipment at SOFTBANK BB Corp., while there were proceeds of ¥38,912 million from the sale of stock of BB Call Corp. and other subsidiaries and proceeds of ¥39,001 million from the sale of marketable and investment securities, including stock and warrants held in eAccess Ltd. There were payments of ¥14,838 million for other investing activities, the result of the payment of a deposit associated with the purchase of the Fukuoka Daiei Hawks and a transfer to an escrow account of the amount due for the acquisition of Cable & Wireless IDC Inc.

Net cash provided by financing activities was ¥153,724 million. This was mainly due to proceeds of ¥112,184 million from the issuance of bonds, including convertible bonds by SOFTBANK INVESTMENT CORPORATION and unsecured bonds by JAPAN TELECOM CO., LTD., and proceeds of ¥90,000 million from cash receipt as collateral under security deposit agreements. In addition, there were proceeds of ¥28,757 million from the issuance of stock to minority shareholders by E*TRADE SECURITIES CO., LTD and other companies, and ¥33,908 million was used for the redemption of preferred stock held by Vodafone K.K., a former shareholder of JAPAN TELECOM CO., LTD.

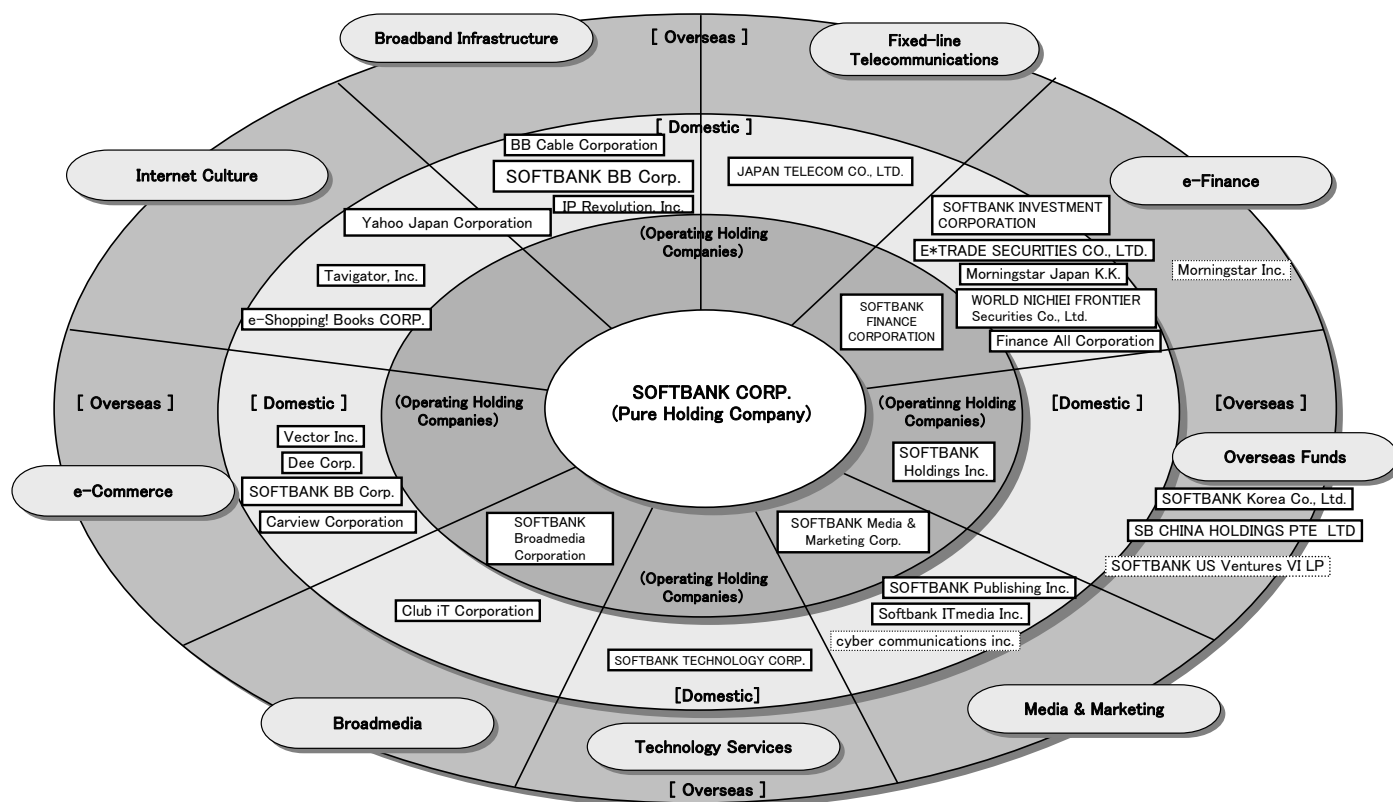
The SOFTBANK Group

As of December 31, 2004, the SOFTBANK Group comprised 308 companies with operation in nine segments as follows.

Business segment	Consolidated subsidiaries	Equity-method non-consolidated subsidiaries and affiliates	Principal products and operational content of each business
1. Broadband Infrastructure	(Notes 1 and 3) 17	7	ADSL and fiber-optic high-speed Internet connection service; IP telephony service; provision of content and other operations
2. Fixed-line Telecommunications	(Note 2) 12	2	Fixed-line telecommunications such as voice transmission service, data transmission service and private leased circuit
3. e-Commerce	(Note 1) 18	8	Distribution of PC software and such hardware as PCs and peripherals; enterprise solutions; diversified e-commerce businesses, including business transaction platform (B2B) and consumer-related e-commerce (B2C)
4. e-Finance	47	7	All-inclusive financial operations, including on-line security business; management of domestic venture capital funds; incubation of portfolio companies
5. Media & Marketing	10	8	Book and magazine publication in such areas as PCs, the Internet, entertainment, etc.; development of web content specialized in IT
6. Broadmedia	(Note 3) 11	2	Promoting the spread of broadband service such as broadcasting and communications; support for procurement of contents
7. Internet Culture	(Note 1) 20	7	Internet-based advertising operations; broadband portal business; Internet-based auction business
8. Technology Services	7	3	System solution business; business solution business
9. Overseas Funds	37	62	U.S.- and Asia-focused global venture capital business with a main focus on Internet-related companies
10. Others	19	4	Holding company functions for overseas operations; back-office services in Japan
Total	198	110	

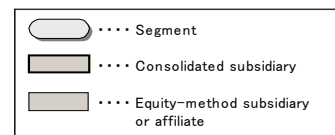
Notes:

- SOFTBANK BB Corp. and Yahoo Japan Corporation are included in consolidated subsidiaries of Broadband infrastructure segment and Internet Culture segment, respectively, while both SOFTBANK BB Corp. and Yahoo Japan Corporation operate multiple businesses, and their operating results are allocated to multiple segments.
- “Fixed-line telecommunications” business segment is newly established as the Company newly consolidated JAPAN TELECOM CO., LTD. and its nine subsidiaries at September 30, 2004 as the deemed acquisition date.
- BB Cable Corporation (“BB Cable”) is included in the Broadband Infrastructure segment from the third quarter of the fiscal year because BB Cable was acquired by SOFTBANK BB Corp. at September 30, 2004.



Note:

e-Shopping! Books CORP. altered its corporate name to Seven and Y Corp. as of January 5, 2005.



CONSOLIDATED BALANCE SHEETS

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

	December 31, 2004		March 31, 2004		Increase (Decrease)	December 31, 2003	
	Amount	%	Amount	%		Amount	%
ASSETS							
Current assets:							
Cash and deposits	¥352,316		¥327,023		¥25,292	¥309,720	
Notes and accounts receivable - trade	146,656		87,982		58,674	70,097	
Marketable securities	48,086		113,659		(65,572)	1,661	
Inventories	47,598		25,064		22,534	32,743	
Deferred tax assets	4,571		5,255		(683)	4,899	
Cash segregated as deposits related to securities business	148,663		95,532		53,130	75,899	
Receivables related to margin transactions	229,029		181,043		47,986	117,712	
Other current assets	107,716		64,105		43,610	71,312	
Less: Allowance for doubtful accounts	(7,269)		(11,726)		4,457	(9,011)	
Total current assets	1,077,370	51.5	887,940	62.5	189,429	675,035	56.5
Non-current assets:							
Property and equipment, net							
Buildings and structures	50,253		3,992		46,261	3,570	
Telecommunications equipment	192,672		91,542		101,129	84,722	
Telecommunications service lines	98,983		688		98,294	689	
Others	79,521		18,955		60,565	14,537	
Total tangible assets	421,431	20.2	115,179	8.1	306,251	103,520	8.7
Intangible assets, net:							
Goodwill	39,588		-		39,588	-	
Other intangibles	44,310		17,028		27,282	15,031	
Total intangible assets	83,898	4.0	17,028	1.2	66,870	15,031	1.2
Investments and other assets:							
Investment securities	331,526		262,906		68,619	262,631	
Investments in partnerships	87,730		86,654		1,075	90,497	
Deferred tax assets	40,528		29,303		11,225	28,555	
Other assets	56,746		24,461		32,284	23,675	
Less: Allowance for doubtful accounts	(11,351)		(4,324)		(7,026)	(5,660)	
Total investments and other assets	505,180	24.2	399,001	28.1	106,178	399,699	33.5
Deferred charges	2,162	0.1	2,056	0.1	106	749	0.1
Total assets	¥2,090,043	100.0	¥1,421,206	100.0	¥668,836	¥1,194,036	100.0

CONSOLIDATED BALANCE SHEETS

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

	December 31, 2004		March 31, 2004		Increase (Decrease)	December 31, 2004	
	Amount	%	Amount	%		Amount	%
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current liabilities:							
Notes and accounts payable - trade	¥46,981		¥47,613		¥(632)	¥41,660	
Short-term borrowings	149,613		88,841		60,772	127,585	
Commercial paper	15,000		11,000		4,000	16,000	
Current portion of corporate bonds	48,145		36,154		11,991	44,584	
Accounts payable – other and accrued expenses	165,397		66,420		98,977	55,696	
Income taxes payable	16,986		18,858		(1,872)	9,144	
Deferred tax liabilities	1,755		233		1,521	311	
Payables related to margin transactions	185,147		160,382		24,765	99,416	
Guarantee deposits received from customers related to securities business	132,713		84,111		48,601	73,020	
Cash receipt as collateral	100,000		10,000		90,000	-	
Other current liabilities	86,451		32,125		54,325	34,369	
Total current liabilities	948,194	45.4	555,742	39.1	392,451	501,787	42.0
Long-term liabilities:							
Corporate bonds	366,944		297,067		69,876	245,560	
Long-term debt	250,067		142,477		107,589	18,932	
Deferred tax liabilities	58,540		58,212		328	67,352	
Accrued retirement benefits	15,389		34		15,355	106	
Consolidation adjustment	-		1,721		(1,721)	2,713	
Other liabilities	96,031		33,711		62,319	19,392	
Total long-term liabilities	786,972	37.6	533,224	37.5	253,748	354,059	29.7
Reserves under special laws:							
Reserve for securities trading liabilities	2,159		1,267		892	1,043	
Reserve for commodities trading liabilities	140		103		37	92	
Total reserves under special laws	2,300	0.1	1,371	0.1	929	1,135	0.1
Total liabilities	1,737,467	83.1	1,090,337	76.7	647,129	856,982	71.8
Minority interest in consolidated subsidiaries	147,890	7.1	92,787	6.5	55,102	71,403	6.0
Shareholders' equity:							
Common stock	162,390	7.8	162,303	11.4	87	162,303	13.6
Additional paid-in capital	186,777	8.9	186,690	13.1	87	186,690	15.6
Accumulated deficit	(246,006)	(11.8)	(210,625)	(14.8)	(35,380)	(197,416)	(16.5)
Net unrealized gain on other securities	149,912	7.2	105,198	7.4	44,713	107,623	9.0
Net unrealized loss on derivative instruments	(51,158)	(2.4)	(9,462)	(0.6)	(41,695)	-	-
Translation adjustments	2,867	0.1	4,044	0.3	(1,176)	6,510	0.5
Less: Treasury stock	(97)	(0.0)	(66)	(0.0)	(30)	(60)	(0.0)
Total shareholders' equity	204,685	9.8	238,080	16.8	(33,395)	265,650	22.2
Total liabilities and shareholders' equity	¥2,090,043	100.0	¥1,421,206	100.0	¥668,836	¥1,194,036	100.0

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Nine-month period ended December 31, 2004		Nine-month period ended December 31, 2003		Increase (Decrease)	FY2004 (April 2003 through March 2004)	
	Amount	%	Amount	%		Amount	%
Net sales	¥561,793	100.0	¥362,154	100.0	¥199,639	¥517,393	100.0
Cost of sales	362,967	64.6	273,886	75.6	89,081	384,024	74.2
Gross Profit	198,826	35.4	88,268	24.4	110,558	133,369	25.8
Selling, general and administrative expenses	213,152	37.9	134,277	37.1	78,874	188,263	36.4
Operating loss	(14,326)	(2.5)	(46,009)	(12.7)	31,683	(54,893)	(10.6)
Interest income	1,812		504		1,307	799	
Foreign exchange gain	-		5,075		(5,075)	6,508	
Income from investments in partnerships	3,868		755		3,113	1,165	
Other non-operating income	3,129		1,939		1,190	4,000	
Non-operating income	8,811	1.6	8,274	2.3	536	12,473	2.4
Interest expense	16,496		8,317		8,178	12,052	
Foreign exchange loss	920		-		920	-	
Equity in loss under the equity method	2,892		1,780		1,111	2,276	
Valuation loss on inventories	-		10,052		(10,052)	10,052	
Other non-operating expenses	8,117		4,388		3,728	5,100	
Non-operating expenses	28,427	5.1	24,540	6.8	3,887	29,481	5.7
Ordinary loss	(33,942)	(6.0)	(62,275)	(17.2)	28,332	(71,901)	(13.9)
Gain on sale of investment securities	52,650		20,540		32,109	37,601	
Dilution gain from changes in equity interest	10,944		1,272		9,672	1,650	
Other special income	3,524		1,195		2,329	3,534	
Special income	67,119	11.9	23,009	6.4	44,110	42,786	8.3
Loss on sale of investment securities	2,985		10,512		(7,527)	10,585	
Valuation loss on investment securities	5,189		4,237		951	5,085	
Valuation loss on investment in affiliates	1,287		7,592		(6,304)	9,188	
Provision for doubtful accounts	2,363		732		1,631	1,029	
Bond covenant amendment fee	4,071		-		4,071	-	
Provision for office relocation expenses	1,892		-		1,892	-	
Settlement losses on dispute resolution	1,099		-		1,099	-	
Additions to reserves under special laws	801		507		293	742	
Other special losses	9,474		12,999		(3,525)	20,996	
Special loss	29,164	5.2	36,582	10.1	(7,417)	47,629	9.2
Income (loss) before income taxes and minority interest	4,012	0.7	(75,847)	(20.9)	79,860	(76,744)	(14.8)
Income taxes:							
Current	22,269	3.9	13,806	3.8	8,462	24,530	4.8
Deferred	(15,941)	(2.8)	(4,481)	(1.2)	(11,459)	(9,336)	(1.8)
Minority interest	30,290	5.4	8,511	2.4	21,779	15,156	2.9
Net loss	¥(32,605)	(5.8)	¥(93,683)	(25.9)	¥61,077	¥(107,094)	(20.7)

Note: SOFTBANK CORP. had presented the results of investments in partnerships on a gross basis in "Income from investments in partnerships" and "Expenses from investments in partnerships" in the consolidated statements of operations. Effective from April 1, 2004, SOFTBANK CORP. has presented the combined, net results of investments in partnerships in the account of "Income from investments in partnerships" or "Expenses from investments in partnerships" in the consolidated statements of operations. The results for the nine-month period ended December 31, 2003 and the fiscal year ended March 31, 2004 have been reclassified to the net basis.

CONSOLIDATED STATEMENTS OF ADDITIONAL PAID-IN CAPITAL AND RETAINED EARNINGS

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

	Nine-month period ended December 31, 2004	Nine-month period ended December 31, 2003	FY2004 April 2003 through March 2004
ADDITIONAL PAID-IN CAPITAL			
Additional paid-in capital at the beginning of the period	¥186,690	¥162,231	¥162,231
Increase due to issuance of shares	87	24,425	24,425
Increase in paid-in capital due to sale of treasury stock	-	32	32
Additional paid-in capital at the end of the period	¥186,777	¥186,690	¥186,690

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

	Nine-month period ended December 31, 2004	Nine-month period ended December 31, 2003	FY2004 April 2003 through March 2004
ACCUMULATED DEFICIT			
Accumulated deficit at the beginning of the period	¥(210,625)	¥(101,031)	¥(101,031)
Net loss	(32,605)	(93,683)	(107,094)
Cash dividends	(2,459)	(2,342)	(2,342)
Bonuses to directors	(176)	(73)	(73)
Net adjustments to retained earnings due to change in scope of the consolidation	(145)	(286)	(287)
Increase due to merger	14	-	202
Decrease due to merger	(7)	-	-
Accumulated deficit at the end of the period	¥(246,006)	¥(197,416)	¥(210,625)

Note: Under Japanese GAAP, the cumulative effect arising from any changes in the scope of consolidation is treated as an adjustment to retained earnings in the consolidated statements of additional paid-in capital and retained earnings.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Nine-month period ended December 31, 2004	Nine-month period ended December 31, 2003	FY2004 April 2003 through March 2004
I Cash flows from operating activities:			
Income (loss) before income taxes and minority interest	¥4,012	¥(75,847)	¥(76,744)
Adjustments to reconcile income (loss) before income taxes and minority interest to net cash used in operating activities:			
Depreciation and amortization	41,654	23,868	32,864
Equity in loss under the equity method, net	2,892	1,780	2,276
Dilution (gain) loss from changes in equity interest, net	(10,861)	36	(657)
Valuation loss on investment securities	6,477	11,830	14,274
Gain on sale of marketable and investment securities, net	(49,670)	(10,023)	(27,032)
Foreign exchange loss (gain), net	2,518	(4,098)	(5,366)
Interest and dividend income	(2,126)	(754)	(1,323)
Interest expense	16,496	8,317	12,052
Increase in receivables – trade	(761)	(6,992)	(25,023)
Decrease in payables - trade	(11,509)	(15,496)	(9,531)
Increase in other receivables	(27,990)	(53,384)	(75,485)
Increase in other payables	61,766	46,194	73,831
Others, net	(24,466)	22,077	24,672
Sub-total	8,432	(52,492)	(61,194)
Interest and dividends received	2,218	870	978
Interest paid	(11,198)	(8,497)	(11,206)
Income taxes paid	(31,382)	(16,095)	(16,174)
Refund of income taxes	1,221	3,767	3,767
Net cash used in operating activities	(30,709)	(72,447)	(83,829)

- Continued -

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

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

	Nine-month period ended December 31, 2004	Nine-month period ended December 31, 2003	FY2004 April 2003 through March 2004
II Cash flows from investing activities:			
Purchase of property and equipment and intangibles	¥(52,731)	¥(54,520)	¥(61,472)
Purchase of marketable and investment securities	(21,790)	(25,623)	(38,945)
Proceeds from sale of marketable and investment securities	39,001	142,414	151,136
Acquisition of interests in subsidiaries newly consolidated, net	(159,337)	321	1,693
Sale of interests in subsidiaries previously consolidated, net	38,912	(1,158)	(1,167)
Proceeds from sale of interests in consolidated subsidiaries	7,552	2,393	29,212
Increase in loan receivables	(9,916)	(16,108)	(23,028)
Collection of loans	5,955	11,167	22,577
Others, net	(25,210)	2,899	1,871
Net cash (used in) provided by investing activities	(177,564)	61,785	81,878
III Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	22,668	(67,442)	(76,851)
Proceeds from issuance of commercial paper	71,000	59,500	77,500
Redemption of commercial paper	(67,000)	(47,500)	(70,500)
Proceeds from long-term debt	166,400	66,312	204,828
Repayment of long-term debt	(191,151)	(5,138)	(50,993)
Proceeds from issuance of bonds	112,184	162,761	216,636
Redemption of bonds	(36,124)	(48,470)	(56,870)
Proceeds from issuance of shares	174	48,861	48,631
Proceeds from issuance of shares to minority shareholders	28,757	2,520	3,704
Redemption of preferred shares held by minority shareholder	(33,908)	-	-
Cash dividends paid	(2,452)	(2,312)	(2,317)
Cash dividends paid to minority shareholders	(2,057)	(97)	(112)
Increase in cash receipt as collateral	90,000	-	10,000
Others, net	(4,765)	3,243	2,735
Net cash provided by financing activities	153,724	172,237	306,390
IV Effect of exchange rate changes	(608)	620	(13,459)
V Net (decrease) increase in cash and cash equivalents	(55,157)	162,196	290,980
VI Increase in cash and cash equivalents due to newly consolidated companies	12	-	-
VII Decrease in cash and cash equivalents due to exclusion of previously consolidated entities	(45)	(1,348)	(1,373)
VIII Increase in cash and cash equivalents due to merger	6	-	-
IX Cash and cash equivalents at the beginning of the period	437,132	147,526	147,526
X Cash and cash equivalents at the end of the period	¥381,948	¥308,374	¥437,132

CONDENSED QUARTERLY FINANCIAL INFORMATION

Condensed Statement of Income

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

	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter
	April 1, 2003 to June 30, 2003	July 1, 2003 to September 30, 2003	October 1, 2003 to December 31, 2003	January 1, 2004 to March 31, 2004	April 1, 2004 to June 30, 2004	July 1, 2004 to September 30, 2004	October 1, 2004 to December 31, 2004
	Amount	Amount	Amount	Amount	Amount	Amount	Amount
Net sales	¥103,881	¥121,572	¥136,699	¥155,239	¥147,311	¥156,395	¥258,087
Cost of sales	83,824	92,526	97,535	110,137	92,770	99,707	170,489
Gross profit	20,057	29,046	39,164	45,101	54,540	56,687	87,597
Selling, general and administrative expenses	44,255	44,205	45,816	53,986	58,359	59,658	95,134
Operating loss	(24,197)	(15,159)	(6,652)	(8,884)	(3,819)	(2,970)	(7,536)
Non-operating income (Note)	2,573	4,064	2,924	4,199	3,068	1,846	10,465
Non-operating expenses (Note)	9,009	11,917	4,901	4,941	10,918	13,114	10,963
Ordinary loss	(30,633)	(23,011)	(8,630)	(9,626)	(11,669)	(14,239)	(8,034)
Special income	12,362	7,815	2,830	19,776	9,763	40,690	16,665
Special loss	6,667	25,020	4,894	11,047	2,365	8,526	18,272
(Loss) income before income taxes and minority interest	(24,938)	(40,215)	(10,693)	(896)	(4,271)	17,925	(9,641)
Income taxes - Current	9,360	3,668	777	10,723	8,927	3,817	9,524
Income taxes - Deferred	(721)	(4,009)	248	(4,854)	(3,949)	(4,542)	(7,449)
Minority interest	1,156	2,729	4,624	6,645	8,626	6,819	14,843
Net (loss) income	¥(34,734)	¥(42,603)	¥(16,344)	¥(13,410)	¥(17,876)	¥11,830	¥(26,560)

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

Condensed Statement of Cash Flows

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

	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter
	April 1, 2003 to June 30, 2003	July 1, 2003 to September 30, 2003	October 1, 2003 to December 31, 2003	January 1, 2004 to March 31, 2004	April 1, 2004 to June 30, 2004	July 1, 2004 to September 30, 2004	October 1, 2004 to December 31, 2004
	Amount	Amount	Amount	Amount	Amount	Amount	Amount
I Net cash (used in) provided by operating activities	¥(37,821)	¥(15,856)	¥(18,769)	¥(11,381)	¥(11,937)	¥6,644	¥(25,416)
II Net cash (used in) provided by investing activities	(7,899)	72,959	(3,273)	20,092	(23,301)	(136,910)	¥(17,352)
III Net cash provided by (used in) financing activities	22,791	(10,785)	160,231	134,152	98,752	20,469	34,503
IV Effect of exchange rate changes	213	(44)	451	(14,080)	3,778	2,977	(7,364)
V Net (decrease) increase in cash and cash equivalents	(22,716)	46,273	138,640	128,783	67,291	(106,819)	(15,630)
VI Increase in cash and cash equivalents due to newly consolidated companies	-	-	-	-	10	1	-
VII Decrease in cash and cash equivalents due to exclusion of previously consolidated entities	(149)	(1,198)	(0)	(25)	(45)	-	-
VIII Increase in cash and cash equivalents due to merger	-	-	-	-	6	-	-
IX Cash and cash equivalents at the beginning of the period	147,526	124,660	169,734	308,374	437,132	504,395	397,578
X Cash and cash equivalents at the end of the period	¥124,660	¥169,734	¥308,374	¥437,132	¥504,395	¥397,578	381,948
Note: Depreciation and amortization included in net cash (used in) provided by operating activities	¥7,587	¥8,129	¥8,151	¥8,996	¥9,850	¥8,956	¥22,847

Basis of Presentation of Consolidated Financial Statements

1. Changes in scope of consolidation

As of December 31, 2004, SOFTBANK CORP. (the "Company") consolidated 198 subsidiaries. 18 subsidiaries were not consolidated due to their immateriality in terms of the consolidated total assets, net sales, net loss and accumulated deficit of the SOFTBANK consolidated financial statements.

Main changes in the scope of the consolidation were as follows:

<Increase>

JAPAN TELECOM CO.,LTD.	Newly acquired
ACE SECURITIES CO.,LTD.	Newly acquired
E*TRADE KOREA CO.,LTD.	Change from an affiliate due to acquisition of additional shares
Other 32 companies	

<Decrease>

SOFTBANK TECHNOLOGY HOLDINGS CORP.	Merger
BB Call Corp.	Sale of all shares
Other 12 companies	

2. Changes in scope of equity method

As of December 31, 2004, the Company held seven non-consolidated subsidiaries and 103 affiliates, all of which were accounted for under the equity method.

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

<Increase>

All About, Inc.	Newly acquired
Other 13 companies	

<Decrease>

E*TRADE KOREA CO., LTD.	Change to a consolidated subsidiary due to acquisition of additional shares
Other six companies	

3. Summary of significant accounting policies

[1] Evaluation standards and methods for major assets

(1) Marketable securities and investment securities

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

Other securities:

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

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

(2) Derivative instruments: Stated at fair value

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

[2] Depreciation and amortization

(1) Property and equipment

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

<Additional information for change of estimated useful life>

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

As a result, depreciation expense included in cost of sales decreased by ¥2,193 million, operating loss and ordinary loss decreased by the same amount, and income before income taxes and minority interest increased by the same amount for the nine-month period ended December 31, 2004 as compared with the amount which would have been recognized if the previous estimated useful life had been applied consistently.

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

[3] Accounting principles for major allowances and accruals

(1) Allowance for doubtful accounts:

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

(2) Accrued retirement benefits:

JAPAN TELECOM CO., LTD. ("JAPAN TELECOM"), which became a newly consolidated subsidiary of the Company at the interim period ended September 30, 2004, and certain of its subsidiaries have defined benefit pension plans for their employees. JAPAN TELECOM and certain of its subsidiaries accounted for the liability for retirement benefits based on the projected benefit obligations and estimated plan assets at the end of December 2004.

(3) Allowance for office relocation expenses:

Allowance for office relocation expenses is calculated based on the reasonably estimated amounts of disposal losses on fixed assets, expenditures for lease restoration, and other expenses for office relocation of the Company and some domestic consolidated subsidiaries planned in February 2005. Allowance for office relocation expenses is included in "Other current liabilities" in the Company's consolidated balance sheet.

[4] Translation of foreign currency transactions and accounts

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

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

[5] Capital lease

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

[6] Accounting for significant hedge transactions

(1) Collar transaction

① Hedge accounting

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

② Derivative instruments for hedging and hedged items

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

Hedged items: Equity security

③ Hedging policy

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

(2) Interest rate swap and interest rate cap

① Hedge accounting

A certain domestic consolidated subsidiary defers recognition of gains or losses resulting from fluctuations in fair value of derivative instruments until the maturity of the hedged transactions.

② Derivative instruments for hedging and hedged items

Derivative instruments for hedging: Interest rate swap and interest rate cap contracts

Hedged items: Interest expense on borrowings

③ Hedging policy

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

[7] Accounting method for consumption taxes

Consumption taxes are accounted for using net-of-tax method.

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

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

Additional Information

1. Acquisition of Fukuoka Softbank Hawks Corp.

On January 28, 2005, the Company acquired 14,432,000 shares (ownership: approximately 98%) of the Fukuoka Daiei Hawks for ¥4.9 billion (including interest-bearing debt assumed), and it has become a consolidated subsidiary of the Company, accordingly. The Fukuoka Daiei Hawks altered its corporate name to Fukuoka Softbank Hawks Corp.

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

On January 28, 2005, FSBHM, a wholly-owned consolidated subsidiary of the Company, entered into an agreement with HT on the transfer of the operations related to Fukuoka Dome, a baseball stadium, (hereinafter referred to as “the Dome business”) from HT for ¥15 billion and completed the transfer of the Dome business on the same date.

3. Lease agreement of Fukuoka Dome

In accordance with the above-mentioned agreement on the transfer of the Dome business, FSBHM entered into a lease agreement of Fukuoka Dome and commenced the lease on the same date.

Outline of the agreement

- (1) Lease payments: ¥4.8 billion per annum
- (2) Period of the lease: 30 years

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

Notes

1. Accumulated depreciation of property and equipment

	December 31, 2004	March 31, 2004	December 31, 2003
	576,282 million yen	49,426 million yen	38,608 million yen

2. Receivables and payables related to margin transactions

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

	December 31, 2004	March 31, 2004	December 31, 2003
Receivables -			
Loans receivable from customers for margin transactions	216,049 million yen	168,484 million yen	113,093 million yen
Cash deposits (collateral) for securities borrowed from securities companies	12,980	12,558	4,619
Payables -			
Loans payable to securities companies for margin transactions	144,199 million yen	126,721 million yen	77,603 million yen
Proceeds from securities sold for margin transactions	40,948	33,661	21,812

3. Assets pledged as collateral

(1) For future lease liabilities

	December 31, 2004	March 31, 2004	December 31, 2003
<u>Assets pledged as collateral:</u>			
Notes and accounts receivable - trade	10,621 million yen	8,727 million yen	7,407 million yen
Other current assets (accounts receivable – other)	12	36	48
<u>Secured liabilities:</u>			
Notes and accounts payable - trade	6 million yen	57 million yen	117 million yen

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

	December 31, 2004	March 31, 2004	December 31, 2003
Future lease liabilities (including the above “Notes and accounts payable-trade”)	34,289 million yen	33,558 million yen	42,881 million yen

3. Assets pledged as collateral (continued)

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

	December 31, 2004	March 31, 2004	December 31, 2003
<u>Assets pledged as collateral:</u>			
Cash and deposits	3,264 million yen	902 million yen	181 million yen
Notes and accounts receivable - trade	1,118	1,124	1,129
Marketable securities	-	-	329
Inventories	-	544	3,182
Buildings and structures	6,391	405	410
Telecommunications equipment	15,545	5,486	6,201
Telecommunications service lines	14,224	-	-
Property and equipment- others	732	1,102	1,102
Investment securities	211,989	138,064	185,490
<u>Secured liabilities:</u>			
Notes and accounts payable - trade	478 million yen	592 million yen	268 million yen
Short-term borrowings	22,401	13,081	53,852
Accounts payable – other and accrued expenses	20	-	93
Other current liabilities	-	346	374
Long-term debt	216,998	118,483	5,328
Other long-term liabilities	373	-	280

Note:

Following assets, which are included in the above, are pledged as factory foundation collateral.

Buildings and structures	6,237 million yen	-	-
Telecommunications equipment	12,061	-	-
Telecommunications service lines	14,224	-	-
Property and equipment- others	580	-	-

Following liabilities, which are included in the above, are guaranteed by factory foundation collateral.

Accounts payable – other and accrued expenses	5 million yen	-	-
Long-term debt (see note below)	106,000	-	-

Note: The long-term debt of ¥106,000million at JAPAN TELECOM CO., LTD., a wholly owned subsidiary of the Company, is secured by investment securities in JAPAN TELECOM CO., LTD. held by the Company and three consolidated subsidiaries of JAPAN TELECOM CO., LTD.

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

	December 31, 2004	March 31, 2004	December 31, 2003
<u>Assets pledged as collateral:</u>			
Investments in partnerships	-	1,842 million yen	1,993 million yen
<u>Secured liabilities:</u>			
Long-term debt owed by a third party	-	2,349 million yen	2,358 million yen

4. Cash receipt as collateral

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

	December 31, 2004	March 31, 2004	December 31, 2003
Cash receipt as collateral	100,000 million yen	10,000 million yen	- million yen

5. Reserves required under special laws

Reserve for securities trading liabilities:	Securities Exchange Law, No. 51
Reserve for commodity trading liabilities:	Commodity Exchange Act, No. 136-22

6. Net unrealized gains/losses on derivative instruments

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

The consolidated subsidiary in the United States of America has entered into a variable share prepaid forward contract (the "collar transaction") utilizing its shares of an equity security. The purpose of this collar transaction is to hedge the variability of cash flows associated with the future market price of the underlying security, which is used for the settlement of the loans.

According to SFAS 133, unrealized gains and losses, net of tax, on the effective portion of the cash flow hedge as defined are reported as a separate component of "Shareholders' equity", until gains and losses on the hedged item are recognized in earnings.

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

	December 31, 2004	March 31, 2004	December 31, 2003
	785 million yen	204 million yen	109 million yen

8. Balance of accounts receivable sold

	December 31, 2004	March 31, 2004	December 31, 2003
	6,697 million yen	6,581 million yen	6,713 million yen

9. Valuation loss on investment in subsidiaries and affiliates

"Valuation loss on investment in affiliates" recognized as a special loss in the consolidated statements of income are as follows:

	December 31, 2004	December 31, 2003	March 31, 2004
Valuation loss on investment in consolidated subsidiaries	- million yen	5,668 million yen	7,275 million yen
Valuation loss on investment in affiliates accounted for under equity method	1,287 million yen	1,923 million yen	1,913 million yen

10. Consolidated statements of cash flows

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

	December 31, 2004	December 31, 2003	March 31, 2004
Cash and deposits	352,316 million yen	309,720 million yen	327,023 million yen
Marketable securities	48,086	1,661	113,659
Time deposits with original maturity over three months	(4,387)	(1,723)	(2,331)
Deposits received from customers in the commodities business	(923)	(104)	(75)
Transfer to escrow accounts	(12,338)	-	-
Stocks and bonds with original maturity over three months	(804)	(1,180)	(1,143)
Cash and cash equivalents	381,948 million yen	308,374 million yen	437,132 million yen

Significant Subsequent Events

Unsecured straight bonds issue

The Company issued straight bonds on January 31, 2005 in accordance with an approval at the Board of Directors' meeting held on January 11, 2005, as follows.

1. SOFTBANK CORP. 18th Series unsecured straight bonds

- (1) Issued amount: ¥20 billion
- (2) Offered amount: ¥20 billion
- (3) Interest rate: 1.23% per annum
- (4) Redemption date: January 29, 2008
- (5) Redemption: Full redemption of issued amount at maturity, January 29, 2008
- (6) Use of proceeds: Proceeds from the bond will be used to reduce borrowings.

2. SOFTBANK CORP. 19th Series unsecured straight bonds

- (1) Issued amount: ¥20 billion
- (2) Offered amount: ¥20 billion
- (3) Interest rate: 1.97% per annum
- (4) Redemption date: January 29, 2010
- (5) Redemption: Full redemption of issued amount at maturity, January 29, 2010
- (6) Use of proceeds: Proceeds from the bond will be used to reduce borrowings.

Segment Information

Business segment information

(1) For the nine-month period ended December 31, 2004

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

	Broadband Infrastructure	Fixed-line Telecommunications	e-Commerce	e-Finance	Media & Marketing	Broadmedia	Internet Culture	Technology Services	Overseas Funds	Others	Total	Elimination or corporate	Consolidated
Net sales													
(1) Customers	¥148,241	¥81,600	¥175,756	¥51,830	¥8,380	¥7,156	¥70,371	¥11,638	¥1,696	¥5,121	¥561,793	¥-	¥561,793
(2) Inter-segment	203	474	7,242	4,234	1,046	4,285	413	7,023	-	1,487	26,411	(26,411)	-
Total	148,445	82,075	182,999	56,064	9,426	11,442	70,784	18,661	1,696	6,608	588,205	(26,411)	561,793
Operating expenses	195,597	96,372	178,926	43,292	10,224	12,799	35,737	17,896	533	9,790	601,171	(25,051)	576,120
Operating income (loss)	¥(47,152)	¥(14,297)	¥4,072	¥12,772	¥(797)	¥(1,357)	¥35,046	¥765	¥1,163	¥(3,181)	¥(12,966)	¥(1,359)	¥(14,326)

(2) For the nine-month period ended December 31, 2003

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

	Broadband Infrastructure	Fixed-line Telecommunications	e-Commerce	e-Finance	Media & Marketing	Broadmedia	Internet Culture	Technology Services	Overseas Funds	Others	Total	Elimination or corporate	Consolidated
Net sales													
(1) Customers	¥87,862	¥-	¥172,569	¥25,670	¥9,869	¥6,792	¥44,719	¥9,869	¥1,863	¥2,936	¥362,154	¥-	¥362,154
(2) Inter-segment	109	-	8,389	2,643	925	2,998	356	6,079	-	1,175	22,678	(22,678)	-
Total	87,971	-	180,959	28,314	10,795	9,791	45,075	15,948	1,863	4,111	384,832	(22,678)	362,154
Operating expenses	155,618	-	178,557	24,732	11,637	12,168	21,928	15,642	820	7,047	428,151	(19,987)	408,163
Operating income (loss)	¥(67,646)	¥-	¥2,402	¥3,581	¥(842)	¥(2,376)	¥23,147	¥306	¥1,043	¥(2,935)	¥(43,319)	¥(2,690)	¥(46,009)

Business segment information (continued)

(3) FY2004 (for the year ended March 31, 2004)

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

	Broadband Infrastructure	Fixed-line Telecommunications	e-Commerce	e-Finance	Media & Marketing	Broadmedia	Internet Culture	Technology Services	Overseas Funds	Others	Total	Elimination or corporate	Consolidated
Net sales													
(1) Customers	¥128,711	¥-	¥243,902	¥37,949	¥13,186	¥8,770	¥63,613	¥14,435	¥2,443	¥4,382	¥517,393	¥-	¥517,393
(2) Inter-segment	195	-	10,985	3,477	1,221	4,122	441	8,167	-	1,489	30,102	(30,102)	-
Total	128,906	-	254,888	41,427	14,407	12,892	64,054	22,603	2,443	5,871	547,496	(30,102)	517,393
Operating expenses	216,504	-	251,241	35,515	15,500	16,198	31,472	21,867	1,067	9,837	599,205	(26,918)	572,287
Operating income (loss)	¥(87,597)	¥-	¥3,647	¥5,911	¥(1,092)	¥(3,305)	¥32,582	¥736	¥1,375	¥(3,965)	¥(51,709)	¥(3,184)	¥(54,893)

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

2. Please refer to the chart of "The SOFTBANK Group" for main businesses by segments.

3. Unallocated operating expenses for the periods ended December 31, 2004, December 31, 2003, and March 31, 2004 in the column "Elimination or corporate", which mainly represent expenses of the corporate division of the Company, were ¥3,402 million, ¥2,996 million and ¥3,482 million, respectively.

4. "Fixed-line Telecommunications" business segment is newly established as the Company newly consolidated JAPAN TELECOM CO., LTD. and its subsidiaries at September 30, 2004, the deemed acquisition date. Net sales and operating expenses of JAPAN TELECOM CO., LTD. and its subsidiaries are included in the Company's results from the third quarter of the fiscal year 2005.

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

Leases

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

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

	December 31, 2004	March 31, 2004	December 31, 2003
Telecommunications equipment and telecommunications service lines			
Equivalent to acquisition costs	115,987	49,114	58,879
Less:			
amount equivalent to accumulated depreciation	(29,865)	(17,250)	(19,397)
Net book value	86,122 million yen	31,863 million yen	39,482 million yen
Property and equipment - others			
Equivalent to acquisition costs	16,617	11,175	15,231
Less:			
amount equivalent to accumulated depreciation	(9,382)	(5,328)	(8,094)
Net book value	7,234 million yen	5,847 million yen	7,136 million yen
Intangible assets			
Equivalent to acquisition costs	2,975	928	1,977
Less:			
amount equivalent to accumulated amortization	(887)	(187)	(595)
Net book value	2,087 million yen	741 million yen	1,382 million yen
Total			
Equivalent to acquisition costs	135,579	61,218	76,089
Less:			
amount equivalent to accumulated depreciation	(40,135)	(22,766)	(28,087)
Net book value	95,444 million yen	38,452 million yen	48,001 million yen

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

	December 31, 2004	March 31, 2004	December 31, 2003
Due within one year	27,405	15,154	17,109
Due after one year	72,838	27,901	32,441
Total	100,244 million yen	43,056 million yen	49,550 million yen

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

	Nine-month period ended December 31, 2004	FY2004 April 2003 through March 2004	Nine-month period ended December 31, 2004
Lease payments	15,776 million yen	15,836 million yen	11,734 million yen
Amount equivalent to depreciation expense	14,297	13,747	10,751
Amount equivalent to interest expense	2,254	2,408	1,812

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

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

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

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

(as a lessor)

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

	December 31, 2004	March 31, 2004	December 31, 2003
Property and equipment - others			
Acquisition costs	3,215	617	-
Less: accumulated depreciation	<u>(2,755)</u>	<u>(284)</u>	<u>-</u>
Net book value	460 million yen	332 million yen	- million yen
Intangible assets			
Acquisition costs	317	168	-
Less: accumulated amortization	<u>(65)</u>	<u>(38)</u>	<u>-</u>
Net book value	251 million yen	129 million yen	- million yen
Total			
Acquisition costs	3,533	785	-
Less: accumulated depreciation	<u>(2,821)</u>	<u>(323)</u>	<u>-</u>
Net book value	711 million yen	461 million yen	- million yen

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

	December 31, 2004	March 31, 2004	December 31, 2003
Due within one year	397	176	-
Due after one year	<u>342</u>	<u>307</u>	<u>-</u>
Total	739 million yen	483 million yen	- million yen

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

	Nine-month period ended December 31, 2004	FY2004 April 2003 through March 2004	Nine-month period ended December 31, 2004
Lease income	405 million yen	156 million yen	108 million yen
Depreciation expense	309	134	93
Amount equivalent to interest income	31	23	15

(4) Calculation method of amount equivalent to interest income

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

2. Non-cancelable operating lease transactions

(as a lessee)

The future lease payments for non-cancelable operating lease

	December 31, 2004	March 31, 2004	December 31, 2003
Due within one year	588	599	377
Due after one year	<u>520</u>	<u>285</u>	<u>226</u>
Total	1,108 million yen	884 million yen	603 million yen

(as a lessor)

The future lease receivables for non-cancelable operating lease

	December 31, 2004	March 31, 2004	December 31, 2003
Due within one year	871	-	-
Due after one year	<u>1,565</u>	<u>-</u>	<u>-</u>
Total	2,437 million yen	- million yen	- million yen

Investment in Debt and Equity Securities

1. Trading securities

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

	December 31, 2004		March 31, 2004		December 31, 2003	
	Carrying amounts (at fair value)		Carrying amounts (at fair value)		Carrying amounts (at fair value)	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
1. Equity securities	¥341	¥56	¥21	¥4	¥715	¥177
2. Debt securities	2,154	-	1,285	-	2,172	-
3. Others	100	-	-	-	117	3
Total	¥2,597	¥56	¥1,307	¥4	¥3,006	¥180

2. Non-trading securities

(1) Available-for-sale and other securities at fair value

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

	December 31, 2004			March 31, 2004			December 31, 2003		
	Investment costs	Carrying amounts	Differences	Investment costs	Carrying amounts	Differences	Investment costs	Carrying amounts	Differences
1. Equity securities	¥45,059	¥281,674	¥236,614	¥38,573	¥206,606	¥168,032	¥38,320	¥208,143	¥169,823
2. Debt securities:									
Government bonds	5,180	5,187	7	5,381	5,365	(16)	100	100	0
3. Others	627	615	(12)	378	413	34	382	328	(53)
Total	¥50,868	¥287,477	¥236,609	¥44,333	¥212,384	¥168,050	¥38,802	¥208,572	¥169,770

(2) The carrying amounts of the unlisted investment securities

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

	December 31, 2004 Carrying amounts	March 31, 2004 Carrying amounts	December 31, 2003 Carrying amounts
Available-for-sale and other securities			
Unlisted equity securities (w/o OTC stocks)	¥19,654	¥19,237	¥20,529
Unlisted domestic debt securities	34	0	71
Unlisted foreign debt securities	1,123	1,081	1,086
Money Management Fund	2,681	3,272	2,978
Mid-term government bond funds	191	261	261
Preferred fund certificate	2,000	2,000	2,000
Designated money trust	-	5,000	-
Investment trust without market quotations	46,600	106,427	-
Others	10	0	0
Total	¥72,296	¥137,279	¥26,927