

SOFTBANK CORP.
CONSOLIDATED FINANCIAL REPORT
For the fiscal year ended March 31, 2007

Tokyo, May 8, 2007

FINANCIAL HIGHLIGHTS

1. Results of Operations

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

	Net sales		Operating income		Ordinary income		Net income	
	Amount	%	Amount	%	Amount	%	Amount	%
FY 2007 April 2006 through March 2007	¥2,544,219	129.5	¥271,065	335.1	¥153,423	458.1	¥28,815	(49.9)
FY 2006 April 2005 through March 2006	¥1,108,665	32.5	¥62,299	-	¥27,492	-	¥57,550	-

	Net income per share—basic (yen)	Net income per share—diluted (yen)	Return on Equity (%)	Ordinary income / Total assets (%)	Operating income / Net sales (%)
FY 2007 April 2006 through March 2007	¥27.31	¥26.62	11.0	5.0	10.7
FY 2006 April 2005 through March 2006	¥54.36	¥50.71	27.4	1.6	5.6

Note: Equity in earnings under the equity method, net:

Fiscal Year ended March 31, 2007:

¥2,130million

Fiscal Year ended March 31, 2006:

¥9,521million

2. Financial Condition

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

	Total assets	Net assets	Equity ratio (%)	Shareholders' equity per share (yen)
FY 2007 March 31, 2007	¥4,310,852	¥716,237	6.6	¥268.02
FY 2006 March 31, 2006	¥1,808,398	¥347,263	13.4	¥229.88

Note: Shareholders' equity (consolidated)

As of March 31, 2007:

¥282,949 million

As of March 31, 2006:

¥242,767 million

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
FY 2007 April 2006 through March 2007	¥311,201	¥(2,097,937)	¥1,718,384	¥377,520
FY 2006 April 2005 through March 2006	¥57,806	¥27,852	¥30,078	¥446,694

4. Dividends

(Recorded date)	Dividends per share			Total Amount of dividends (Annual)	Payout ratio (Consolidated)	Dividends on equity (Consolidated)
	Interim period ended September 30	Fiscal year ended March 31	Total			
	(yen)	(yen)	(yen)	(millions of yen)	%	%
FY 2006	-	2.50	2.50	2,637	4.6	1.3
FY 2007	-	2.50	2.50	2,639	9.2	1.0
FY 2008 (Forecasted)	To be determined	To be determined	To be determined		To be determined	

5. Earnings forecast for the fiscal year ending in March 2008 (April 1, 2007 – March 31, 2008)

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

	Net sales	Operating Income	Ordinary income	Net income
Six-month period ending September 30, 2007	¥ -	¥ -	¥ -	¥ -
Fiscal year ending March 31, 2008	¥ -	¥ -	¥ -	¥ -

Due to the introduction of unprecedented new sales and pricing methods in our main telecommunications business, especially in the mobile communications business, forecasting the consolidated business results for the fiscal year ending March 2008 is difficult. A forecast of the consolidated business results will therefore be announced as soon as a logical estimate can be made.

6. Significant Changes in Scope of Consolidation

Significant Consolidated subsidiaries:

Newly added:

1 (SOFTBANK MOBILE Corp.)

Excluded:

2 (SOFTBANK BB Corp., SOFTBANK TELECOM Corp.)

Note: Refer to "2. The SOFTBANK Group," on the following page 20, for further information.

7. Accounting Policies

Changes in accounting principles, procedures, disclosure methods, etc., used in the presentation of the consolidated financial statements

(1) Changes due to revisions in accounting standards: Yes

(2) Changes other than those in (1): None

Note: Refer to "4. Consolidated Financial Statements, Changes in accounting policies" on the following page 35.

8. Number of shares issued (Common stock)

Number of shares issued at the fiscal year end: FY2007 1,055,862,978 shares FY2006 1,055,231,478 shares
(including treasury stock)

Number of treasury stock at the fiscal year end: FY2007 158,611 shares FY2006 149,391 shares

Note: For basic data for computation of the per share data, please refer to the following page 56.

[For Reference]

FINANCIAL HIGHLIGHTS (Non-Consolidated)

1. Non-Consolidated Results of Operations

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

	Net sales		Operating loss		Ordinary income (loss)		Net income (loss)	
	Amount	%	Amount	%	Amount	%	Amount	%
FY 2007 April 2006 through March 2007	¥-	-	¥(8,481)	-	¥(30,766)	-	¥(3,305)	-
FY 2006 April 2005 through March 2006	¥-	-	¥(7,841)	-	¥12,713	-	¥10,681	-

	Net income(loss) per share—basic (yen)	Net income per share—diluted (yen)
FY 2007 April 2006 through March 2007	¥(3.13)	¥-
FY 2006 April 2005 through March 2006	¥10.13	¥10.06

2. Non-Consolidated Financial Condition

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

	Total assets	Net Assets	Equity ratio (%)	Shareholders' equity per share (yen)
FY 2007 March 31, 2007	¥1,347,019	¥372,810	27.4	¥350.15
FY 2006 March 31, 2006	¥1,175,847	¥374,432	31.6	¥351.89

Note: Shareholders' equity (non-consolidated)

As of March 31, 2007: ¥369,660 million
As of March 31, 2006: ¥371,282 million

1. Results of Operations

(1) Analysis of Results of Operations

1. Overview of Fiscal Year Results

With the April 2006 acquisition of Vodafone K.K. (currently SOFTBANK MOBILE Corp., hereafter “SOFTBANK MOBILE”), the SOFTBANK Group (hereafter “the Group”) achieved fully-fledged entry into the mobile communications market. To achieve its targets of increasing subscriber numbers and expanding market share, the Group focused its efforts on four key initiatives; 3G network enhancement, 3G handset lineup enrichment, content enhancement, and enhancement of sales structure. Moreover, the Group introduced policies enabling it to respond to the mobile number portability system, started in October 2006. These policies included introducing installment sales methods and upgrading price plans.

As a result, the Group achieved a net increase in subscribers (new subscribers minus cancellations) of 698,600 in FY 2007. Also, the acquisition of Vodafone K.K. made a large contribution to increase Group earnings. In the fiscal year 2007, the Group recorded the highest totals for net sales, operating income and ordinary income since it was established. Net sales increased to ¥2,544,219 million, operating income to ¥271,065 million, ordinary income to ¥153,423 million and net income to ¥ 28,815 million.

<Net sales>

Net sales increased by ¥1,435,553 million, or 129% on a year-on-year basis, to ¥2,544,219 million. In regard to the April 2006 acquisition of Vodafone K.K., the company is included in the scope of consolidation from the end of April 2006, and its financial results were consolidated from May 2006. As a result, sales in the Mobile Communications segment, which was newly established in fiscal 2007, amounted to ¥1,442,040 million. In the Internet Culture segment, sales increased by ¥38,092 million, or 24%, to ¥194,212 million, due to strong advertising revenues and to favorable tenant fees and system usage fees at *Yahoo! Auctions* and *Yahoo! Shopping*. In addition, the Broadband Infrastructure and the Fixed-line Telecommunications segments also recorded stable performances.

<Operating income>

Operating income was ¥271,065 million, an increase of ¥208,766 million, or 335% from the previous fiscal year. The Mobile Communications segment, which was newly established in fiscal 2007, recorded operating income of ¥155,743 million. The Broadband Infrastructure segment recorded operating income of ¥26,809 million, an improvement of ¥6,137 million, or 30%. In the Internet Culture segment, operating income rose ¥22,353 million, or 30%, to ¥96,544 million. Following a reduction in costs accompanying a change in the marketing strategy for the *Otoku Line* service of SOFTBANK TELECOM Corp. (hereafter “SOFTBANK TELECOM”), the Fixed-line Telecommunications segment recorded an operating loss of ¥2,965 million, compared to an operating loss of ¥25,158 million in the previous fiscal year.

<Ordinary income>

Ordinary income was ¥153,423 million, an improvement of ¥125,931 million, or 485% from the previous fiscal

year. While operating income grew strongly, interest expense rose ¥52,516 million, to ¥79,521 million, and financing related expenses totaled ¥28,715 million, primarily due to the bridge loan accompanying the acquisition of Vodafone K.K. and its refinancing.

<Net income>

Net income was ¥28,815 million, a reduction of ¥28,735 million, or 50% from the previous fiscal year. Special income was ¥96,282 million, while special loss was ¥41,132 million. Major items for special income included the gain on sale of all the shares held in SBI Holdings, Inc. (hereafter “SBI Holdings”), and the sale of a portion of the shares held in cyber communications inc., amounting to ¥84,106 million. The special loss was due primarily to a loss on bond redemption of ¥10,429 million following the repurchase and redemption of Euro-denominated Straight Corporate Bonds due 2011 and to a trust debt assumption regarding straight bonds issued by SOFTBANK MOBILE. Other principal items included a special loss of ¥7,695 million for loss on disposal of fixed assets, ¥5,351 million for valuation loss on investment securities, and ¥4,254 million for loss on sale of investment securities. Current income taxes were ¥48,726 million, deferred income taxes were ¥93,676 million, and minority interest was ¥37,355 million.

2. Analysis of Fiscal Year Results by Business Segment

<Mobile Communications>

Net sales in fiscal 2007 were ¥1,442,040 million, and operating income was ¥155,743 million. This segment, which was newly established in fiscal 2007, is principally comprised of the results of SOFTBANK MOBILE consolidated in May 2006.

(Quarterly trends of the Segment) (Millions of yen)

	FY2006				FY2007			
	2006/Q1	2006/Q2	2006/Q3	2006/Q4	2007/Q1	2007/Q2	2007/Q3	2007/Q4
Sales	Newly established in FY 2007				232,467	351,991	430,328	427,252
Operating income	Newly established in FY 2007				27,293	29,341	56,906	42,202

[Number of Subscribers]

As of the end of March 2007, SOFTBANK MOBILE had a market share of 16.4% with a total of 15,908,500 subscribers, an increase of 698,600 subscribers from the end of the previous fiscal year. The net increase (new subscribers minus cancellations) was more than 100,000 in each of January, February, and March, for a total gain of 412,000 in the fourth quarter. The number of 3G subscribers reached 48.2% of the total number of subscribers, increasing by 4,622,500 subscribers from the end of the previous fiscal year, to 7,660,100 subscribers. As of the end of April 2007, 3G subscribers accounted for more than 50% of the total number of subscribers.

[Churn Rate and Upgrade Rate]

The churn rate in the fiscal 2007 was 1.50%, a decline of 0.09 percentage points from 1.59% in the previous fiscal

year. Due to the introduction of mobile number portability and other factors, there was a temporary increase in the churn rate, but nonetheless the churn rate was down year on year. The upgrade rate increased to 2.61% in the fiscal 2007, an increase of 0.15 percentage points from the previous year, due to an increase in upgrades following the enhancement of the 3G handset lineup.

[Average Acquisition Cost per User and ARPU]

SOFTBANK MOBILE introduced a new sales method for handsets in September 2006. Under the previous method, customers received discounts on handsets based on the amount of their contracts, and rates were set at a level that provided for recovery of sales incentives. Under this framework, the burden placed on customers who kept a single handset for a long period of time was greater than that on customers who cancelled or upgraded in a short period of time. Under the new framework, customers who purchase a handset at the New Super Bonus sales price will bear a portion of the previous sales incentive as a part of the handset price and payments are made in installments (lump-sum payment is also possible). On the other hand, the application of the New Super Bonus special discount, in which a fixed amount is deducted from the monthly basic charge and call charge, reduces the actual burden borne by the customer.

Due to the introduction of this sales method, average acquisition cost per user, which was between ¥40,000-¥50,000 per handset through the second quarter, has declined substantially from the third quarter, to ¥20,000-¥30,000 per handset.

For customers who purchased handsets at the New Super Bonus price and subscribed to the New Super Bonus discount, from January 16, 2007, to April 15, 2007, SOFTBANK MOBILE offered a special service with up to two months free of basic monthly charges and flat rate packet charges (“Unlimited Packet Use Discount”). In the fourth quarter, ARPU*¹ was ¥5,210, a decline of ¥350 from the third quarter due to this free-of-charge period, New Super Bonus discounts, and seasonal factors, such as fewer business days. On the other hand, the data ARPU was ¥1,380 an increase of ¥50 from the third quarter, due primarily to an increase in the number of 3G subscribers.

SOFTBANK MOBILE is aware that the introduction of installment sales and special discounts, while reducing customer acquisition and retention costs, will also reduce ARPU. However, SOFTBANK MOBILE believes that these practices will also result in longer handset usage periods and reduced churn rates. Furthermore, to increase the percentage of 3G subscribers, we will work to provide appealing content and services, in order to increase data ARPU.

SOFTBANK MOBILE is working to implement four key initiatives: 3G Network Enhancement, 3G Handset Lineup Enrichment, Content Enhancement, and Enhancement of Sales Structure.

*1. ARPU: Average Revue Per User

[3G Network Enhancement]

At the end of March 2007, the number of 3G base stations was 29,404, an increase of approximately 8,200 during the fiscal year. Our current target for the number of installed 3G base stations is 46,000, and this target is expected to be reached in the first half of the fiscal year ending March 2008.

[3G Handset Lineup Enrichment]

In fiscal 2007, we launched 35 new handsets available in 159 colors (of which, 3G handsets accounted for 32 models available in 152 colors). This was a major expansion in comparison with the previous year, when we launched 19 new models available in 49 colors (of which, 3G handsets accounted for 11 models available in 30 colors).

[Content Enhancement]

In October 2006, we commenced the provision of the new *Yahoo! Keitai* mobile internet portal site which links to *Yahoo! JAPAN* with just a press of the *Y!* button, and in February 2007 we launched *Yahoo! Kids* portal site, which provides content that can be enjoyed by elementary school students. While continuing to strengthen our relationship with Yahoo Japan Corporation, we will enhance our mobile content offerings through alliances with content providers.

[Enhancement of Sales Structure]

To further strengthen our sales structure, we expanded our development of SoftBank shops. As a result, at the end of the fiscal year we had a total of 2,075 SoftBank shops nationwide, an increase of 217 from the end of the previous fiscal year.

From October 2006, through introduction of new price plans, flat-rate services, and discount services the pricing structure was enhanced. Further, in January 2007 a simple plan, the "White Plan", was introduced. The monthly basic charge is ¥980 (including tax), domestic voice calls between SoftBank users are free between 1:00am and 9:00pm, and other calls are charged at a flat rate of ¥21 per 30 seconds (including tax). Moreover, for heavy users, in March the White Plan exclusive discount service under the name "Double White!" was introduced. With an additional monthly basic charge of ¥980 (including tax), it offers domestic calls at half price, ¥10.5 per 30 seconds (including tax). At the end of fiscal 2007, the number of White Plan applications had surpassed 3 million, becoming a driving force behind higher subscriber numbers.

<Broadband Infrastructure>

Net sales decreased by ¥4,224 million, or 2% from the previous fiscal year, to ¥264,227 million. Operating income was ¥26,809 million, an increase of ¥6,137 million or 30%, year on year.

(Quarterly trends of the Segment) (Millions of yen)

	FY2006				FY2007			
	2006/Q1	2006/Q2	2006/Q3	2006/Q4	2007/Q1	2007/Q2	2007/Q3	2007/Q4
Sales	61,205	64,439	71,543	71,262	63,322	65,728	67,266	67,910
Operating income (loss)	(4,494)	3,483	9,361	12,321	5,479	6,189	7,747	7,393

[ADSL]

The number of *Yahoo! BB ADSL* lines installed continued to increase steadily, reaching a total of 5.16 million at the

end of March 2007, an increase of 120,000 from the end of the previous fiscal year.

For subscriber acquisition, SOFTBANK BB Corp.'s (hereafter "SOFTBANK BB") efforts remain centered on mass electronics retailers. In the future, SOFTBANK BB will strive to take advantage of synergies, such as cross-selling *Yahoo! BB ADSL* services to SOFTBANK MOBILE's users, and to increase profitability through greater efficiency.

[FTTH]

Concerning FTTH connection service, SOFTBANK BB is maintaining a state of readiness that will enable it to start full-fledged operations as soon as a fair competitive environment is established. Until that point is reached, however, our basic policy is to develop operations in line with anticipated revenues. The profitability of the FTTH business is improving. We will continue to implement R&D in technologies to succeed ADSL, such as trial services aimed at the commercialization of FTTR^{*2} and R&D in high-speed PLC^{*3}.

*2. Fiber To The Remote terminal: From NTT central offices to equipment located near the user's premises, transmission is handled over fiberoptic technology, like that used with FTTH. From the nearby transmission equipment, which is installed on such structures as telephone poles, to the user, transmission is handled over metal wire technology, like that used with ADSL.

*3. Power Line Communications: Technology for using power lines in housing and commercial buildings for communications transmission.

[Impact of Sale of Modem Rental Business]

Modem rental income is declining because BB TECHNOLOGY Corp. (currently SOFTBANK BB) sold its modem rental business in December 2005. In comparison with the previous fiscal year, modem rental revenues declined, but, under the terms of a service agreement with BB Modem Rental Yugen Kaisha (hereafter "BB Modem Rental") servicing fees, incentives, and royalties are being received. In the fiscal 2007, net sales declined from the previous fiscal year due to a decrease in incentives payments from BB Modem Rental. However the ADSL business continues to record strong results, and the Broadband Infrastructure segment recorded higher profits overall.

<Fixed-line Telecommunications>

Net sales increased by ¥19,896 million, or 6%, to ¥374,129 million. Operating loss was ¥2,965 million, compared to an operating loss of ¥25,158 million in the previous fiscal year.

	(Quarterly trends of the Segment)				(Millions of yen)			
	FY2006				FY2007			
	2006Q1	2006Q2	2006Q3	2006Q4	2007Q1	2007Q2	2007Q3	2007Q4
Sales	88,604	83,300	90,256	92,071	88,673	93,276	93,712	98,466
Operating income (loss)	(14,089)	(12,209)	(1,787)	2,928	1,212	(916)	(2,603)	(656)

SOFTBANK TELECOM positioned the *Otoku Line* direct connection voice service as its core voice service and continued to focus on marketing the service directly to corporate customers. The number of lines installed reached 1.22 million as of the end of fiscal 2007, an increase of 380 thousand from the end of the previous fiscal year.

In the second half of the previous fiscal year, agency management and other responsibilities related to this business were transferred to JAPAN TELECOM INVOICE Co., Ltd. As a result, the profitability of the *Otoku Line* business has been improving.

The future will see greater specialization in operations for corporate clients, centered upon the *Otoku Line* and data services for corporate customers, and mobile solutions utilizing SOFTBANK MOBILE services. In conjunction with these efforts, SOFTBANK TELECOM will seek to increase management efficiency and reduce costs by pursuing synergies for its three telecommunication companies in the Group.

<Internet Culture>

Compared to the previous fiscal year, in fiscal 2007 net sales increased by ¥38,092 million, or 24%, to ¥194,212 million, and operating income increased by ¥22,353 million, or 30%, to ¥96,544 million.

	FY2006				FY2007			
	2006/Q1	2006/Q2	2006/Q3	2006/Q4	2007/Q1	2007/Q2	2007/Q3	2007/Q4
Sales	34,635	36,896	42,214	42,374	44,642	46,676	50,049	52,842
Operating income	16,469	17,167	19,256	21,297	21,630	22,712	25,011	27,189

Yahoo Japan Corporation recorded improved sales in Internet advertising due to the provision of advertising products that meet the needs of advertisers, such as mega-banners and targeted advertisements that utilize advanced Flash techniques. In addition, sponsor sites contributed to its strong sales performance. In non-advertising business services, efforts were made to increase the number of stores registered in *Yahoo! Auctions* and *Yahoo! Shopping*. As a result, the number of stores registered at the end of fiscal 2007 increased to 27,044. In consumer services the number of first-time bidders on *Yahoo! Auctions* increased substantially. This increase was the result of a campaign started during the third quarter of fiscal 2007 that enabled anyone with a Yahoo! Japan customer ID to place bids. Moreover, revenues from system commission fees recorded strong gains, primarily due to an increase in commission charges for the *Yahoo! Auctions* bidding system.

<e-Commerce>

Compared to the previous fiscal year, in fiscal 2007 net sales decreased by ¥11,704 million, or 4%, to ¥271,570 million, while operating income rose ¥1,820 million, or 37%, to ¥6,680 million.

From fiscal 2007 on, SOFTBANK BB applied “Practical solution on accounting for revenue recognition of software” (Financial Accounting Standards Implementation Guideline No.17 issued on March 30, 2006). As a result, SOFTBANK BB is required to present certain transactions as net sales from this fiscal year, net sales of certain software transactions were recorded at ¥1,244 million, which would have been the amount of gross profit if the previous accounting standard had been applied. Due to the netting with the amounts for goods purchased, net sales and cost of goods sold each decreased by ¥34,160 million.

(Quarterly trends of the Segment) (Millions of yen)

	FY2006				FY2007			
	2006/Q1	2006/Q2	2006/Q3	2006/Q4	2007/Q1	2007/Q2	2007/Q3	2007/Q3
Sales	60,469	67,688	71,456	83,661	59,142	65,037	65,369	82,021
Operating income	726	817	1,473	1,843	1,461	1,399	2,010	1,809

In SOFTBANK BB's distribution business, the sales structure for corporate customers was reinforced, and as a result, shipments of hardware, such as PC servers and peripherals, increased. Growth in sales of software to home appliance mass retailers was primarily driven by security related products. In addition, wholesale business to e-commerce companies was also strong.

A shift of strategy in the distribution business towards the e-commerce and service businesses was implemented from fiscal 2007. As one facet of that initiative, BB Softservice Corp. was established in April 2006, through the corporate separation of SOFTBANK BB's consumer SaaS^{*4} department and made a full-scale operational start, and its performance has been strong. SOFTBANK MOBILE's handsets have also been offered to corporate customers. In the future, by leveraging synergies among the Group companies, services offered to corporate customers will be strengthened and extended further.

*4. Software as a Service: A service that consists out of renting application software etc. to customers through the Internet.

<Others>

The results of this segment include the performance of Broadcast media business (mainly Club iT Corporation), Technology Services business (mainly SOFTBANK TECHNOLOGY CORP.), Media & Marketing business (mainly SOFTBANK Creative Corp.), and Other businesses (mainly TV Bank Corp. and Fukuoka SoftBank Hawks related businesses).

3. Forecasts for the Next Fiscal Year

In the Group's core telecommunications business, especially the mobile communications business, the Group has introduced the installment sales method for mobile handsets and has introduced a range of price plans and discount services etc. to meet diverse customer needs. These include sales and pricing methods that have no precedent in the industry and it is difficult to estimate customer trends for them. At this point, we cannot make sound estimates, and it is difficult to make performance forecasts.

To proactively provide enhanced information disclosure to shareholders and investors, consolidated performance forecasts will be announced at the point when rational estimates are possible.

(2) Financial Position

1. Assets, Liabilities, and Net Assets

(Influence of the Vodafone K.K. acquisition on the balance sheet)

In SOFTBANK CORP's (hereafter "the Company") consolidated balance sheet at the end of the fiscal year, the new consolidation of Vodafone K.K. (currently SOFTBANK MOBILE Corp.) from the end of April 2006 had the effect of increasing current assets by ¥677,817 million, non-current assets by ¥2,000,516 million (including goodwill of ¥981,410 million), current liabilities by ¥480,452 million, and long-term liabilities by ¥1,562,942 million. The issuance of BB Mobile Corp. (hereafter "BB Mobile") preferred stock allocated to Vodafone International Holdings B.V. raised minority interests by ¥300,000 million.

Furthermore, in accordance with "practical guidance regarding consolidating procedures on consolidated financial statements (Accounting System Committee report No.7, revised on March 29, 2007), Goodwill was retroactively reduced by ¥100,539 million along with the situation where SOFTBANK MOBILE revaluated the collectibility of deferred tax assets and reversed all of the valuation allowance on loss carryforward in this fiscal year.

Long-term liabilities include ¥1,355,091 million financed through whole business securitization and ¥84,596 million financed through subordinated loan from Vodafone Overseas Finance Ltd. (*). The Group plans to repay the liabilities as scheduled by striving to improve profitability in the future.

* Name of lender changed from Vodafone International Holdings B.V., as of December 1, 2006.

<Assets>

Current assets increased by ¥502,303 million from the end of the previous fiscal year, to ¥1,247,433 million. Principally as a result of the new consolidation of SOFTBANK MOBILE, the Group recorded increases of ¥395,051 million in notes and accounts receivable-trade, ¥94,887 million in short-term deferred tax assets, and ¥26,300 million in inventories, such as mobile phone handsets. In addition, other current assets increased by ¥71,000 million due to increases in receivables and prepaid expenses. On the other hand, cash and deposits declined by ¥68,640 million.

In the fiscal year 2007, notes and accounts receivable increased as a result of higher receivables from customers, due to full-fledged sales of handsets under the installment sales method from the third quarter of fiscal 2007 on, and higher receivables from sales agents due to a larger number of handsets sold.

Property and equipment, net increased by ¥611,246 million, to ¥1,029,852 million. Primarily as a result of the new consolidation of SOFTBANK MOBILE, the Group recorded increases of ¥499,814 million in telecommunications equipment, such as base stations and switching equipment, and ¥32,140 million in buildings and structures, such as network centers. In addition, construction-in-progress increased by ¥43,901 million.

Intangible assets increased by ¥1,177,424 million, to ¥1,279,710 million. Primarily as a result of the new consolidation of SOFTBANK MOBILE, goodwill increased by ¥987,348 million and software increased by ¥166,943 million.

Investments and other assets increased by ¥208,294 million, to ¥749,677 million. Primarily as a result of the

new consolidation of SOFTBANK MOBILE, long-term deferred tax assets increased ¥132,744 million and other assets including long-term prepaid expenses rose ¥52,636 million.

<Liabilities>

Current liabilities increased by ¥556,000 million, to ¥1,142,903 million. Principally due to the new consolidation of SOFTBANK MOBILE, accounts payable-other and accrued expenses rose ¥301,438 million, and accounts payable-trade rose ¥134,734 million. In addition, cash receipts as collateral rose ¥50,000 million. The Group does not utilize notes payable to settle accounts.

Long-term liabilities increased by ¥1,577,480 million, to ¥2,451,712 million. Due primarily to the financing used in the acquisition of Vodafone K.K., long-term debt rose ¥1,519,812 million. In addition, as a part of the new capital equipment used by SOFTBANK MOBILE is leased, lease obligations of ¥74,964 million were recorded. Accompanying the new consolidation of SOFTBANK MOBILE, an allowance for point mileage of ¥43,787 million was also recorded.

<Net Assets>

Net assets increased by ¥368,973 million, to ¥716,237 million. Accumulated deficit decreased by ¥26,289 million due to the recording of net income. In addition, minority interest in consolidated subsidiaries rose ¥328,760 million, primarily due to the issuance of BB Mobile preferred stock allocated to Vodafone International Holdings B.V.

2. Cash Flow

During the fiscal 2007, net cash provided by operating and financing activities was ¥311,201 million and ¥1,718,384 million, respectively, while net cash used in investing activities was ¥2,097,937 million. As a result, cash and cash equivalents at the end of the fiscal year amounted to ¥377,520 million, a decrease of ¥69,173 million from the end of the previous fiscal year.

<Cash Flows from Operating Activities>

Net cash provided by operating activities was ¥311,201 million. Income before income taxes and minority interest amounted to ¥208,573 million. Non-cash items included depreciation and amortization, excluding amortization of goodwill totaling ¥189,092 million and amortization of goodwill amounting to ¥53,595 million. Adjustments included the subtraction of gain on sales of marketable and investment securities, net, of ¥79,885 million, which is included in income before income taxes and minority interest and the addition of interest expense of ¥79,521 million. In addition, increase in receivables was ¥225,489 million and increase in payables was ¥91,184 million. Interest paid was ¥62,081 million, and income taxes paid, for Yahoo Japan Corporation and others, was ¥45,964 million.

<Cash Flows from Investing Activities>

Net cash used in investing activities was ¥2,097,937 million. This principally reflected the payment of ¥1,844,849 million for acquisition of interests in subsidiaries newly consolidated related to the acquisition of

Vodafone K.K. The purchase of property and equipment and intangibles totaled ¥297,764 million as a result of capital investment mainly in the telecommunications business. In addition, purchase of marketable and investment securities was ¥114,022 million, while proceeds from sales of marketable and investment securities, due primarily to the sale of all of the shares held in SBI Holdings and the sale of a portion of the shares held in cyber communications inc. was ¥168,354 million.

<Cash Flows from Financing Activities>

Net cash provided by financing activities was ¥1,718,384 million. Proceeds from long-term debt were ¥1,586,970 million, principally on account of funds raised for the acquisition of Vodafone K.K. Due primarily to the issuance of BB Mobile preferred stock that was allocated to Vodafone International Holdings B.V., proceeds from issuance of shares to minority shareholders were ¥300,378 million. In addition, proceeds from issuance of bonds were ¥72,558 million, redemption of bonds was ¥205,334 million, repayment of long-term debt was ¥98,151 million, and proceeds from lease financing of equipment newly acquired were ¥65,818 million.

<Trends in Cash Flow Related Indicators>

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

	FY 2005	FY 2006	FY 2007
Equity ratio	10.4%	13.4%	6.6%
Equity ratio (Market cap.)	91.1%	201.3%	74.2%
Debt repayment period	—	15.6 years	7.6 years
Interest coverage ratio	—	2.1	3.9

Notes:

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

Equity ratio: Shareholders' equity divided by total assets

Equity ratio (Market cap.): Market capitalization divided by total assets

Debt repayment period: Interest-bearing debt divided by net operating cash inflows

Interest coverage ratio: Net operating cash inflows divided by interest expenses

2. Market capitalization is calculated by multiplying the closing stock price by the number of shares outstanding, net of treasury stock, at the end of the fiscal year.

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

4. Net operating cash inflows and interest expenses are the corresponding figures shown on the consolidated statements of cash flows.

5. Negative figures are indicated by “—”.

<Reference>

A summary of cash flow related indicators excluding the Mobile Communications Segment is presented below.

	FY 2007
Debt repayment period	9.9 years
Interest coverage ratio	3.1

(3) Basic Policies for Profit Distribution, and Dividends for fiscal 2007 and 2008

The Company strives to increase returns to shareholders by augmenting enterprise value. Our basic policy is to return our profits to all our stakeholder groups in a fair way.

The company's policy regarding dividends is to set dividend payments while taking into consideration the need to maintain the proper balance between bolstering the operating base and preserving a stable dividend from a medium-to long-term perspective. The proposed dividend for fiscal 2007 is the same as last fiscal year at ¥2.5 per share. The dividend from the current fiscal year onwards is undecided at this time.

(4) Risk Factors

The following is a list of some significant risk factors that have the potential to affect the operating results, financial position, stock price, and other aspects of the Group's operations. Furthermore, factors other than those listed below could have a significant effect on the Group's business. The following business risks are those apparent to the Company at present and are not intended to be all-inclusive.

1. Risks Related to Economic Conditions and Market Trends

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

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

<Mobile Communications>

In conjunction with the introduction of mobile number portability carriers improved their products, and services and competition among carriers intensified. In addition, new market entrants are expected to change the market environment. As a result, if new customer acquisition and retention do not proceed as planned, ARPU declines, or customer acquisition and retention costs etc. increase, profits could be substantially affected.

Moreover, it is possible that the new price plans and discount services, and flat-rate services introduced by

SOFTBANK MOBILE starting in 2006 could lead to declines in ARPU, with an adverse effect on profitability. In addition, if the growth in the number of customers exceeds the Group's plans, capital investment for the purpose of bolstering communications networks could increase, with a temporary adverse affect on cash flow and profitability.

<Broadband Infrastructure>

If the market penetration of broadband services offered by other companies, such as FTTH access service, exceeds the Group's projections and the churn rate of the ADSL access service increases, or if Japan's broadband market penetration approaches saturation, the growth in this business could be severely restricted. Also, if market trends lead to higher customer acquisition costs or lower ARPU, profitability could be adversely affected.

<Fixed Line Telecommunications>

Accompanying the spread of mobile phones, IP phones, and other services, the scale of the fixed-line consumer market has been shrinking each year. On the other hand, in the corporate market competition is intensifying. As a result, the profitability of the fixed-line services offered by SOFTBANK TELECOM could be adversely affected.

<e-Commerce>

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

<Internet Culture Business>

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

2. Risks Related to Technological Innovation

In the telecommunications and IT industries in which the Group is developing business, technologies and standards are changing rapidly on an industry-wide scale, including the fields of telecommunications networks and telecommunications systems technologies. The Group must respond flexibly to these changes.

However, if the Group is unable to respond appropriately for any reason, it is possible that the services offered by the Group in the telecommunications and IT industries could become obsolete or lose competitiveness, accompanied by a loss of the Group's competitive advantage in these industries. Furthermore, even if the Group is able to respond to such changes, it is possible that the cost of improving existing equipment or the cost of new equipment introductions will increase. These trends and the Group's response to them could affect the Group's results.

3. Risks Related to Reliance on the Management Resources of Other Companies

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

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

4. Risks Related to Foreign Exchange, Financial, and Stock Markets

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

As of March 31, 2007, consolidated interest-bearing debt totaled ¥2,394,403 million, and interest expense in fiscal 2007 was ¥79,521 million.

The Group has a substantial amount of interest-bearing debt and holds large amounts of assets and liabilities denominated in foreign currencies. The Group considers interest rate and foreign exchange rate risks to be significant risks. The Group strives to minimize the risks it faces, utilizing long-term fixed rates and other means to minimize interest rate risks and currency hedges on major assets and liabilities denominated in foreign currencies. However, depending on market trends, it might not be possible to completely avoid these risks.

Stocks of Internet-related companies in Japan, the United States, and other countries constitute the majority of the Group’s investments. Investing activities are a source of cash flows for the Group. Fluctuations in the stock prices of these companies could be extreme, and a decline in the value of these assets could have a significant effect on the Group’s ability to raise funds for its operations.

As of March 31, 2007, the unrealized gain on other marketable securities, net of tax totaled ¥122,619 million. In addition, the Group’s equity in publicly traded consolidated subsidiaries and affiliates accounted for under the equity-method amounted to ¥1,065,858 million at market value. The consolidated book value of these securities was ¥96,385 million and the unrealized gain (the difference between the market value of the portion held by the Group and the consolidated book value) was ¥969,473 million.

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

Alliances

In the event of an acquisition or business alliance, the Group works to understand risks by conducting due diligence regarding such matters as the financial position of the other company. However, there is a risk that unanticipated obligations will arise after an acquisition. Furthermore, due to changes in the business environment or competitive conditions, it is also possible that the implementation of initial operating plans will be hindered. Moreover, there is also a risk that the Group will not be able to realize the synergies with the other company that had been initially anticipated due to such factors as a loss of customers or important employees, and therefore will not adequately recover investments that have already been made. As a result, the Group might not be able to develop its operations as expected.

6. Risks Related to Rules and Regulations

<Rules and regulations related to telecommunications operations>

A number of laws and regulations—including the Telecommunications Business Law and the Radio Law—apply to the Group's telecommunications operations. In the event of changes in these laws and regulations or the implementation of new laws and regulations in the future, the Group might not be able to develop its business as expected. Furthermore, the Ministry of Internal Affairs and Communications has set up the Mobile Business Research Group and various study groups to consider mobile communications business models, such as so-called SIM lock^{*1}, the appropriateness of sales incentives, and the development of MVNO^{*2}. Policies based on these reports could have an adverse influence on the development of the Group's communications operations in the future.

*1. Limitation of the use of mobile handsets through IC chip cards (SIM cards) that contain information such as other operator's mobile phone numbers.

*2. Mobile Virtual Network Operator: An operator that leases a mobile communications network from another company and provides communication services.

<Rules and regulations related to intellectual property>

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

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

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

<Rules and regulations related to the protection of personal information>

In regard to the management of personal information, the Group has implemented measures to prevent leaks of personal information by significantly strengthening its customer information management system, establishing handling methods for personal information that it acquires and retains, and restricting access to databases that contain personal information, etc. In particular, telecommunications carriers of the Group are handling personal information appropriately in accordance with the “Guidelines on the Protection of Personal Data in Telecommunications Business” (MIC Notice No. 695 of August 31, 2004). Nonetheless, despite the aforementioned policies being implemented by the Group, it is possible that the Group will not be able to completely prevent leaks of personal information. As a result, trust in the Group could decline and the Group’s operations could be adversely affected.

7. Risks Related to Compliance

The Group’s operations extend across a wide span of fields, and the Group must observe a range of laws and regulations, including not only the Telecommunications Business Law and the Radio Law in the Group’s telecommunications operations but also the Private Information Protection Law, the Act for the Prevention of Illegal Mobile Phone Use, the Financial Products Transaction Law, the Antimonopoly Law, and the Act Against Unjustifiable Premiums and Misleading Representations. The Group continues to take steps to further enhance its compliance system, such as the formulation of the SOFTBANK Group Code of Conduct for Officers and Employees. However, despite these measures, it is possible that compliance related risks cannot be completely avoided, and in the event that laws or regulations are infringed, the Group’s results could be adversely affected.

8. Risks Related to Impairment of Fixed Assets

As a result of such factors as a decline in asset profitability, it is possible that the Group will not be able to recover its investment in fixed assets, leading to the recognition of an impairment loss as stipulated in the “Accounting Standards for Impairment of Fixed Assets”. In that event, the Group’s results and financial position could be affected.

9. Risks Related to System Failure

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

10. Risks Related to Debt Covenants

The Group’s interest-bearing debt includes debt covenants, and the Group is in compliance with those covenants. The major debt covenants are described in section 4. Consolidated Financial Statements, Notes to Consolidated

Financial Statements, (Consolidated Balance Sheet) 12. Debt Covenants.

The ¥1,366 billion loan raised through SOFTBANK MOBILE's whole business securitization, as described in Notes to Consolidated Financial Statements, (Consolidated Balance Sheet) 12. Debt Covenants(5), entails certain financial and operating performance standards. In accordance with the loan agreement, if SOFTBANK MOBILE fails to meet these standards, limits will be placed on capital expenditures and prior approval from the lenders will be necessary for new service development, and there could be an influence on the Group's operational development. Furthermore, in the event that Softbank Mobile cannot meet these standards on a cumulative basis, the lenders can appoint a majority of the board of directors and might exercise their collateral rights for assets provided as collateral, including shares of SOFTBANK MOBILE.

Moreover, in the event that the Group fails to meet debt covenants other than those outlined above, the related interest-bearing debt may become due immediately and the Group's cash flows might be adversely affected. In addition, accompanying a change in interest-bearing debt covenants, profitability could be adversely affected.

11. Risks Related to Unforeseen Situations Concerning Management

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

2. The SOFTBANK Group

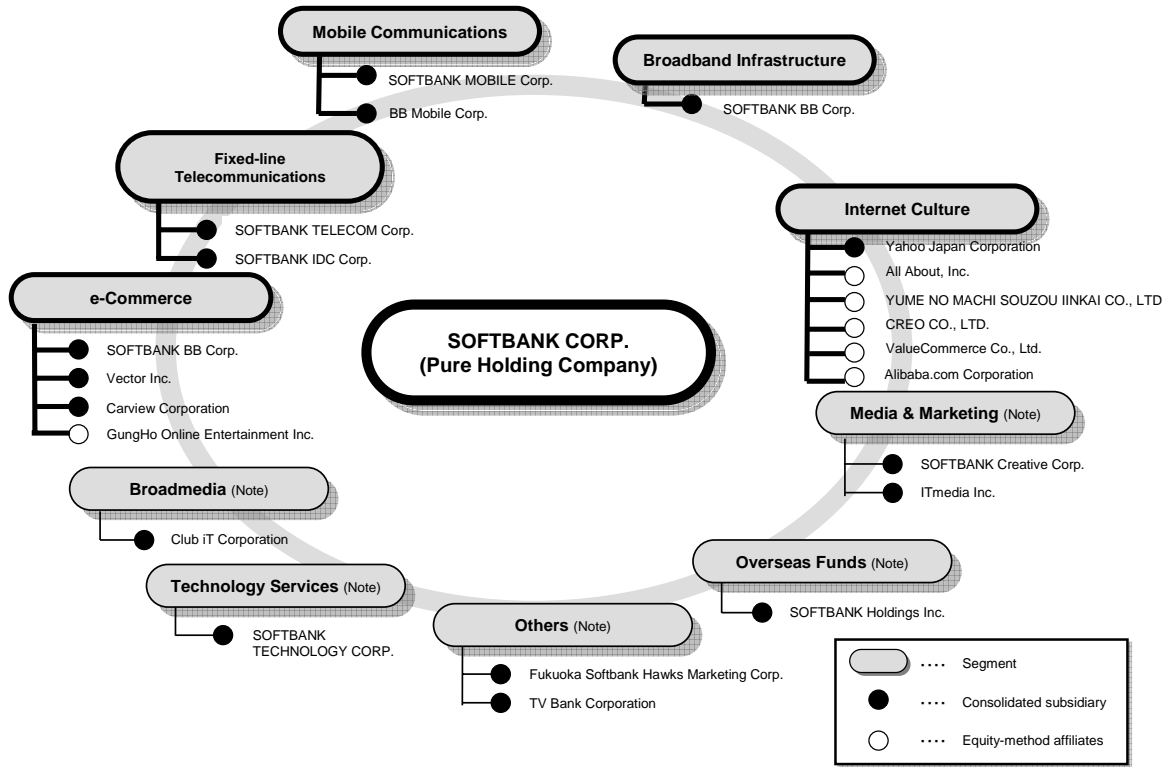
As of March 31, 2007, the SOFTBANK Group is comprised of the following ten business segments. The number of consolidated subsidiaries and equity-method affiliates in each business segment is as follows.

Business segments	Consolidated subsidiaries	Equity-method non-consolidated subsidiaries and affiliates	Principal products and operational content of each business
1. Mobile Communications	(Note 1) 5	1	Mobile communication services, and sale of cellular phones accompanying its services
2. Broadband Infrastructure	(Note 2) 6	2	ADSL and fiber-optic high-speed Internet connection service, IP telephony service, provision of content and other operations
3. Fixed-line Telecommunications	(Note 2) 5	-	Fixed-line telecommunications such as voice transmission service, data transmission service, private leased circuit and data center service
4. Internet Culture	(Note 2) 17	16	Internet-based advertising operations, broadband portal business, and Internet-based auction business
5. e-Commerce	(Note 2) 7	3	Distribution of PC software and such hardware as PCs and peripherals, enterprise solutions, and diversified e-commerce businesses, including business transaction platform (B2B) and consumer-related e-commerce (B2C)
6 Others:			
Broadmedia	9	1	Broadband service such as broadcasting and communications; support for procurement of content
Technology Services	1	-	System solution business and business solution business
Media & Marketing	3	-	Book and magazine publication in such areas as PCs, the Internet, entertainment, etc., and development of web content specializing in IT
Overseas Funds	42	35	U.S.- and Asia-focused global venture capital business principally focused on Internet-related companies
Others	23	8	Leisure and service business, holding company functions for overseas operations, and back-office services in Japan
Total	118	66	

Notes

1. Mobile Communications segment was established from this fiscal year due to the consolidation of SOFTBANK MOBILE Corp. and its consolidated subsidiaries.
2. SOFTBANK BB Corp., SOFTBANK TELECOM Corp. and Yahoo Japan Corporation are included in the consolidated subsidiaries of the Broadband Infrastructure, Fixed-line Telecommunications and Internet Culture segments, respectively, while SOFTBANK BB Corp., SOFTBANK TELECOM Corp. and Yahoo Japan Corporation operate multiple businesses and their operating results are allocated to multiple business segments.
3. Due to the consolidation of SOFTBANK MOBILE Corp. and its subsidiaries from this fiscal year, certain subsidiaries were not consolidated as the individual and aggregate amounts were not considered material in relation to the consolidated total assets, net sales, net income and retained earnings (accumulated deficit) of the SOFTBANK consolidated financial statements.

The diagram of major subsidiaries and affiliates in the business segments are as follows;



Note: 1. BB TECHNOLOGY Corp. and SOFTBANK BB Corp. resolved a merger on March 31, 2007. The merger was executed by absorption; BB TECHNOLOGY Corp. is the surviving company and changed its corporate name to SOFTBANK BB Corp. after the merger.
 2. Broadmedia, Technology Services, Media & Marketing, Overseas Funds, and other segments are included in “Others” segment.

SOFTBANK subsidiaries listed on domestic stock exchanges as of March 31, 2007:

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

Note: ITmedia Inc. listed its shares on the Mothers on April 19, 2007.

3. Management Policies

(1) Fundamental Management Policies

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

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

(2) Target Management Indices

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

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

(3) Medium-and-Long-Term Strategies

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

(4) Important Management Issues for the Company

1. Mobile communications initiatives

In the mobile communications business, since the acquisition of Vodafone K.K. (currently SOFTBANK MOBILE) in April 2006, the Group has worked to implement four key initiatives -3G network enhancement, 3G handset lineup enrichment, content enhancement, and enhancement of sales structure. In the future, the Group will continue to work on the implementation of these initiatives.

2. Broadband infrastructure initiatives

The Group’s *Yahoo! BB ADSL* service has a customer base exceeding 5 million lines, and the service has received broad support from customers in such areas as cost and speed. In the future, the Group will continue working to acquire new customers for this service and will continue its R&D activities targeting the commercialization of new technologies that will succeed ADSL, such as FTTR access trial services and high-speed PLC services etc.

On the other hand, a fair competitive environment has not been established in the FTTH access service market in Japan, not only in costs but also in such areas as procedural requirements. In this setting, the Group is maintaining a system that will enable it to start full-fledged operations once a fair competitive environment is established. For the near future, our basic policy is to develop operations in line with anticipated revenues.

3. Fixed-line telecommunications initiatives

In fixed-line telecommunications operations, the scale of the consumer market continues to shrink due to the penetration of mobile phones and IP phone services, but demand remains firm in the corporate market. In such an environment, SOFTBANK TELECOM continues to directly market fixed-line services to corporations, with an emphasis on the *Otoku Line* direct connection voice service.

In addition, SOFTBANK TELECOM has been developing and providing mobile solutions for corporate customers utilizing the services of SOFTBANK MOBILE, and will work aggressively to provide data services to corporate customers. With continuous cost reduction through the effective use of the Group's management resources, SOFTBANK TELECOM will work to enhance its profitability.

4. Pursue synergies among Group companies

SOFTBANK MOBILE, which joined the Group from the fiscal year ending March 2007, will work to bolster its relationships with Yahoo Japan Corporation. At the same time, the Group will work to differentiate itself from competitors by utilizing the content and services of Group companies.

Moreover, the Group's three communications companies -SOFTBANK MOBILE, SOFTBANK BB and SOFTBANK TELECOM- will conduct business in unison by pursuing various synergies, such as cost reductions through network integration and enlargement of the customer base and retail channels.

5. Initiatives to become a comprehensive digital information company

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

6. Establishing and enhancing internal control systems

Under the Financial Products Transaction Law, from the fiscal year commencing April 2008, companies will be required to report on internal control systems for financial reporting. Accordingly, we are moving forward with the establishment of a system for evaluating the effectiveness of internal control and for responding to auditors. The Group continues its efforts to strengthen its systems, and established an Internal Control Office on April 1, 2007.

Moreover, the Group will also continue working to bolster its governance and compliance systems.

4. Consolidated financial Statements

Consolidated Balance Sheets

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

	March 31, 2006		March 31, 2007		Increase (Decrease)
	Amount	%	Amount	%	
ASSETS					
Current assets:					
Cash and deposits	¥446,306		¥377,666		¥(68,640)
Notes and accounts receivable - trade	188,921		583,972		395,051
Marketable securities	4,372		8,588		4,215
Inventories	50,597		76,898		26,300
Deferred tax assets	14,107		108,994		94,887
Other current assets	48,250		119,250		71,000
Less:					
Allowance for doubtful accounts	(7,424)		(27,936)		(20,512)
Total current assets	745,130	41.2	1,247,433	28.9	502,303
Non-current assets:					
Property and equipment, net					
Buildings and structures	57,304		89,444		32,140
Telecommunications equipment	194,970		694,785		499,814
Telecommunications service lines	91,724		92,235		510
Land	19,404		27,747		8,343
Construction-in-progress	27,875		71,777		43,901
Others	27,325		53,861		26,536
Total tangible assets	418,605	23.1	1,029,852	23.9	611,246
Intangible assets, net:					
Goodwill	45,578		1,032,927		987,348
Software	33,671		200,615		166,943
Other intangibles	23,036		46,168		23,131
Total intangible assets	102,286	5.7	1,279,710	29.7	1,177,424
Investments and other assets:					
Investment securities and investments in partnerships	464,650		487,421		22,770
Deferred tax assets	25,039		157,783		132,744
Other assets	61,241		113,877		52,636
Less:					
Allowance for doubtful accounts	(9,548)		(9,405)		143
Total investments and other assets	541,382	29.9	749,677	17.4	208,294
Deferred charges	993	0.1	4,178	0.1	3,184
Total assets	¥1,808,398	100.0	¥4,310,852	100.0	¥2,502,454

Consolidated Balance Sheets

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

	March 31, 2006		March 31, 2007		Increase (Decrease)
	Amount	%	Amount	%	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Accounts payable - trade	¥60,432		¥195,167		¥134,734
Short-term borrowings	218,300		193,656		(24,644)
Commercial paper	10,400		5,000		(5,400)
Current portion of corporate bonds	11,094		43,964		32,870
Accounts payable – other and accrued expenses	114,112		415,561		301,438
Income taxes payable	29,137		33,070		3,932
Current-portion of lease obligations	-		18,049		18,049
Cash receipts as collateral	100,000		150,000		50,000
Other current liabilities	43,414		88,433		45,019
Total current liabilities	586,902	32.4	1,142,903	26.5	556,000
Long-term liabilities:					
Corporate bonds	456,128		422,599		(33,528)
Long-term debt	209,370		1,729,183		1,519,812
Deferred revenue	41,840		26,392		(15,447)
Deferred tax liabilities	48,642		50,136		1,494
Accrued retirement benefits	17,279		16,701		(578)
Allowance for point mileage	-		43,787		43,787
Lease obligations	-		74,964		74,964
Other liabilities	100,970		87,947		(13,023)
Total long-term liabilities	874,232	48.4	2,451,712	56.9	1,577,480
Total liabilities	1,461,135	80.8	3,594,615	83.4	2,133,480
Net Assets:					
Common stock	162,916	9.0	163,309	3.8	393
Pre-stock issuance paid-in capital	5	0.0	1	0.0	(3)
Additional paid-in capital	187,303	10.3	187,669	4.3	366
Accumulated deficit	(218,561)	(12.1)	(192,271)	(4.5)	26,289
Less: Treasury stock	(169)	(0.0)	(193)	(0.0)	(23)
Total shareholders' equity	131,494	7.2	158,515	3.6	27,021
Net unrealized gain on other securities	129,051	7.1	122,619	2.8	(6,432)
Deferred losses on hedges	(36,840)	(2.0)	(26,995)	(0.6)	9,845
Foreign currency translation adjustments	19,062	1.1	28,810	0.7	9,747
Total valuation and translation adjustments	111,273	6.2	124,434	2.9	13,160
Stock acquisition rights	3,150	0.2	3,180	0.1	30
Minority interest in consolidated subsidiaries	101,346	5.6	430,106	10.0	328,760
Total net assets	347,263	19.2	716,237	16.6	368,973
Total liabilities and net assets	¥1,808,398	100.0	¥4,310,852	100.0	¥2,502,454

Consolidated Statements of Income

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

	FY 2006 April 2005 through March 2006		FY 2007 April 2006 through March 2007		Increase (Decrease)
	Amount	%	Amount	%	
Net sales	¥1,108,665	100.0	¥2,544,219	100.0	¥1,435,553
Cost of sales	723,812	65.3	1,409,520	55.4	685,708
Gross Profit	384,853	34.7	1,134,698	44.6	749,845
Selling, general and administrative expenses	322,553	29.1	863,633	33.9	541,079
Operating income	62,299	5.6	271,065	10.7	208,766
Interest income	2,136		3,394		1,257
Equity in earnings under the equity method	9,521		2,130		(7,390)
Income from investments in partnerships, net	777		1,726		948
Other non-operating income	3,321		6,280		2,958
Non-operating income	15,756	1.4	13,531	0.5	(2,225)
Interest expense	27,005		79,521		52,516
Foreign exchange loss	6,320		834		(5,485)
Financing related expenses	-		28,715		28,715
Other non-operating expenses	17,237		22,101		4,863
Non-operating expenses	50,564	4.5	131,173	5.2	80,609
Ordinary income	27,492	2.5	153,423	6.0	125,931
Gain on sale of investment securities	172,306		84,106		(88,199)
Other special income	26,218		12,175		(14,042)
Special income	198,524	17.9	96,282	3.8	(102,241)
Loss on sale of investment securities	522		4,254		3,732
Valuation loss on investment securities	8,717		5,351		(3,366)
Loss on redemption of bonds	-		10,429		10,429
Loss on disposal of fixed assets	8,542		7,695		(847)
Loss on contract revision relating to sales operation change	25,495		-		(25,495)
Impairment loss in fixed-line telecommunication business	18,052		-		(18,052)
Restructuring charge relating to BBTV business	14,749		-		(14,749)
Penalty for unfulfilled contract commitment	3,565		-		(3,565)
Refinance arrangement fee	3,153		-		(3,153)
Other special losses	13,732		13,402		(330)
Special loss	96,532	8.7	41,132	1.6	(55,399)
Income before income taxes and minority interest	129,484	11.7	208,573	8.2	79,089
Income taxes:					
Current	40,753	3.7	48,726	1.9	7,972
Deferred	1,837	0.2	93,676	3.7	91,838
Minority interest	29,342	2.6	37,355	1.5	8,013
Net income	¥57,550	5.2	¥28,815	1.1	¥(28,735)

Consolidated Statements of Changes in Net Assets

From April 1, 2005 to March 31, 2006:

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

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

From April 1, 2006 to March 31, 2007:

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

	Shareholders' equity						Valuation and translation adjustments				Stock acquisition right	Minority interests	Total net assets
	Common stock	Pre-stock issuance paid-in capital	Additional paid-in capital	Accumulated deficit	Treasury stock	Total	Net unrealized gains (losses) on other securities	Deferred losses on hedges	Foreign currency translation adjustments	Total			
Balance at March 31, 2006	¥162,916	¥5	¥187,303	¥(218,561)	¥(169)	¥131,494	¥129,051	¥(36,840)	¥19,062	¥111,273	¥3,150	¥101,346	¥347,263
Changes of items during the year													
Issuance of new shares	393	(5)	393	-	-	780	-	-	-	-	-	-	780
Cash receipt before stock issuance	-	1	-	-	-	1	-	-	-	-	-	-	1
Dividend from surplus	-	-	-	(2,637)	-	(2,637)	-	-	-	-	-	-	(2,637)
Bonuses to directors	-	-	-	(90)	-	(90)	-	-	-	-	-	-	(90)
Net adjustment to additional paid-in capital and accumulated deficit due to change in scope of consolidation	-	-	(26)	202	-	176	-	-	-	-	-	-	176
Net income	-	-	-	28,815	-	28,815	-	-	-	-	-	-	28,815
Acquisition of treasury stock	-	-	-	-	(23)	(23)	-	-	-	-	-	-	(23)
Items other than changes in shareholders' equity	-	-	-	-	-	-	(6,432)	9,845	9,747	13,160	30	328,760	341,951
Total changes in this year	393	(3)	366	26,289	(23)	27,021	(6,432)	9,845	9,747	13,160	30	328,760	368,973
Balance at March 31, 2007	¥163,309	¥1	¥187,669	¥(192,271)	¥(193)	¥158,515	¥122,619	¥(26,995)	¥28,810	¥124,434	¥3,180	¥430,106	¥716,237

Consolidated Statements of Cash Flows

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

	FY 2006 April 2005 through March 2006	FY 2007 April 2006 through March 2007
I. Cash flows from operating activities:		
Income before income taxes and minority interest	¥129,484	¥208,573
Adjustments to reconcile income before income taxes and minority interest to net cash provided by operating activities:		
Depreciation and amortization (excludes amortization of goodwill)	79,744	189,092
Amortization of goodwill	6,945	53,595
Equity in earnings under the equity method, net	(9,521)	(2,130)
Dilution gain from changes in equity interest, net	(21,806)	(2,484)
Valuation loss on investment securities	8,717	5,351
Gain on sale of marketable and investment securities, net	(171,864)	(79,885)
Foreign exchange loss, net	5,497	1,136
Interest and dividend income	(2,402)	(3,713)
Interest expense	27,005	79,521
Changes in operating assets, liabilities and others		
Increase in receivables – trade	(23,333)	(225,489)
Increase in payables - trade	4,331	91,184
Increase in deferred revenue	40,000	-
Other, net	32,563	98,977
Sub-total	105,361	413,729
Interest and dividends received	3,301	5,519
Interest paid	(22,332)	(62,081)
Income taxes paid	(31,588)	(45,964)
Refund of income taxes	3,064	-
Net cash provided by operating activities	57,806	311,201

- Continued -

Consolidated Statements of Cash Flows (Continued)

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

	FY 2006 April 2005 through March 2006	FY 2007 April 2006 through March 2007
II. Cash flows from investing activities:		
Purchase of property and equipment and intangibles	¥(189,490)	¥(297,764)
Purchase of marketable and investment securities	(88,479)	(114,022)
Proceeds from sale of marketable and investment securities	178,022	168,354
Acquisition of interests in subsidiaries newly consolidated, net of cash acquired	(4,525)	(1,844,849)
Sale of interests in subsidiaries previously consolidated, net	39,826	(89)
Proceeds from sales of interests in consolidated subsidiaries	29,232	10
Increase in loan receivables	(17,425)	(16,519)
Collection of loans	16,583	15,749
Proceeds from sale of modem rental business	45,000	-
Other, net	19,107	(8,805)
Net cash provided by (used in) investing activities	¥27,852	¥(2,097,937)
III. Cash flows from financing activities:		
Increase (decrease) in short-term borrowings, net	32,043	(8,848)
Decrease in commercial paper	(5,100)	(5,400)
Proceeds from long-term debt	125,550	1,586,970
Repayment of long-term debt	(158,211)	(98,151)
Proceeds from issuance of bonds	91,849	72,558
Redemption of bonds	(53,547)	(205,334)
Proceeds from issuance of shares	1,038	786
Proceeds from issuance of shares to minority shareholders	1,619	300,378
Cash dividends paid	(2,456)	(2,640)
Cash dividends paid to minority shareholders	(2,442)	(3,143)
Proceeds from lease financing of equipment newly acquired	-	65,818
Increase in cash receipts as collateral, net	-	50,000
Other, net	(264)	(34,607)
Net cash provided by financing activities	30,078	1,718,384
IV. Effect of exchange rate changes on cash and cash equivalents	10,905	3,073
V. Net increase (decrease) in cash and cash equivalents	126,642	(65,277)
VI. Decrease in cash and cash equivalents due to exclusion of previously consolidated entities	(142)	(3,896)
VII. Cash and cash equivalents at the beginning of the year	320,194	446,694
VIII. Cash and cash equivalents at the end of the year	¥446,694	¥377,520

Condensed Quarterly Financial Information

Condensed Statements of Operations

(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	Fourth quarter
	April 1, 2005 to June 30, 2005	July 1, 2005 to September 30, 2005	October 1, 2005 to December 31, 2005	January 1, 2006 to March 31, 2006	April 1, 2006 to June 30, 2006	July 1, 2006 to September 30, 2006	October 1, 2006 to December 31, 2006	January 1, 2007 to March 31, 2007
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
Net sales	¥258,637	¥264,149	¥287,471	¥298,406	¥494,231	¥625,941	¥702,195	¥721,850
Cost of sales	175,674	178,575	184,551	185,010	273,895	341,443	390,157	404,024
Gross profit	82,962	85,573	102,920	113,395	220,336	284,498	312,037	317,826
Selling, general and administrative expenses	86,153	77,983	79,407	79,009	165,978	226,303	227,304	244,045
Operating income (loss)	(3,190)	7,590	23,512	34,386	54,357	58,194	84,733	73,780
Non-operating income (Note)	3,122	4,442	2,784	6,227	12,096	4,540	1,829	4,259
Non-operating expenses (Note)	12,950	12,499	15,068	10,867	40,459	26,039	37,637	36,231
Ordinary income (loss)	(13,017)	(466)	11,228	29,747	25,994	36,696	48,924	41,808
Special income	22,914	35,916	98,934	40,758	4,672	66,795	15,788	9,024
Special loss	9,136	10,309	50,475	26,610	1,365	13,895	6,688	19,182
Income before income taxes and minority interest	760	25,141	59,687	43,895	29,302	89,596	58,024	31,650
Income taxes - Current	8,230	11,623	9,695	11,204	10,146	70,826	12,552	(44,798)
Income taxes - Deferred	(2,779)	(187)	20,171	(15,366)	9,224	(3,182)	27,211	60,423
Minority interest	6,463	6,734	7,817	8,326	8,514	8,930	10,765	9,145
Net income (loss)	¥(11,153)	¥6,971	¥22,002	¥39,730	¥1,418	¥13,021	¥7,494	¥6,881

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

Condensed Statements 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	Fourth quarter
	April 1, 2005 to June 30, 2005	July 1, 2005 to September 30, 2005	October 1, 2005 to December 31, 2005	January 1, 2006 to March 31, 2006	April 1, 2006 to June 30, 2006	July 1, 2006 to September 30, 2006	October 1, 2006 to December 31, 2006	January 1, 2007 to March 31, 2007
	Amount	Amount	Amount	Amount	Amount	Amount	Amount	Amount
I Net cash provided by (used in) operating activities	¥(18,213)	¥232	¥61,949	¥13,837	¥64,675	¥122,464	¥71,193	¥52,868
II Net cash provided by (used in) investing activities	(28,703)	(45,593)	86,627	15,521	(1,965,832)	8,847	(71,675)	(69,276)
III Net cash provided by (used in) financing activities	12,925	(11,081)	(46,728)	74,963	1,743,429	(144,656)	124,058	(4,446)
IV Effect of exchange rate changes on cash and cash equivalents	1,150	639	3,866	5,248	134	703	(2,716)	4,951
V Net increase (decrease) in cash and cash equivalents	(32,840)	(55,802)	105,714	109,571	(157,593)	(12,641)	120,859	(15,902)
VI Decrease in cash and cash equivalents due to exclusion of previously consolidated entities	(142)	-	-	-	(3,886)	-	(9)	-
VII Cash and cash equivalents at the beginning of the year	320,194	287,211	231,408	337,122	446,694	285,214	272,572	393,423
VIII Cash and cash equivalents at the end of the year	¥287,211	¥231,408	¥337,122	¥446,694	¥285,214	¥272,572	¥393,423	¥377,520
Note: Depreciation and amortization included in net cash provided by operating activities	¥22,543	¥23,195	¥21,031	¥19,919	¥48,989	¥62,424	¥66,271	¥65,001

Basis of Presentation of Consolidated Financial Statements

1. Changes in scope of consolidation

As of March 31, 2007, SOFTBANK CORP. (hereafter the "Company") consolidated 118 subsidiaries. Sixty three subsidiaries were not consolidated as the individual and aggregate amounts were not considered material in relation to the consolidated total assets, net sales, net income and retained earnings (accumulated deficit) of the SOFTBANK consolidated financial statements.

Changes in scope of consolidation were as follows:

<Increase>

17 companies

Significant changes:

SOFTBANK MOBILE Corp.

Newly acquired

<Decrease>

52 companies

Significant changes

SOFTBANK TELECOM Corp.

Merged with SOFTBANK TELECOM SALES Corp.
(currently SOFTBANK TELECOM Corp.)

SOFTBANK BB Corp.

Merged with BB TECHNOLOGY Corp.
(currently SOFTBANK BB Corp.)

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

2. Changes in scope of equity method

As of March 31, 2007, the Company held 66 affiliates, all of which were accounted for under the equity method. Sixty three non-consolidated subsidiaries and 26 affiliates were not accounted for under the equity method, as the individual and aggregate amounts were not considered material in relation to the net income (loss) and retained earnings (accumulated deficit) of the SOFTBANK consolidated financial statements.

Changes in application of equity method were as follows:

<Increase>

17 companies

<Decrease>

38 companies

Significant changes:

SBI Holdings, Inc.

Sale of shares

cyber communications inc.

Sale of shares

3. Fiscal year end

Fiscal year ends of consolidated subsidiaries for both domestic and overseas entities are as follows:

<Fiscal year end>	<Domestic>	<Overseas>
March end (same as the consolidated balance sheet date)	55	33
June end	2	-
July end	-	1
December end	3	18
January end	1	3
February end	2	-

4. Summary of significant accounting policies

[1] Evaluation standards and methods for major assets

(1) Marketable securities and investment securities

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

Other securities:

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

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

(2) Derivative instruments: Stated at fair value

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

[2] Depreciation and amortization

(1) Property and equipment

Buildings and structures: Computed primarily using the straight line method

Telecommunications equipment: Computed using the straight line method

Telecommunications service lines: Computed using the straight line method

Others: Computed primarily using the straight line method

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

[3] Accounting principles for major allowances and accruals

(1) <Allowance for doubtful accounts>

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

(2) <Accrued retirement benefits>

SOFTBANK MOBILE Corp., SOFTBANK TELECOM Corp., and certain other subsidiaries have defined benefit pension plans for their employees. These companies account for the obligation for retirement benefits based on the projected benefit obligations as of March 31, 2007.

(3) <Allowance for point mileage >

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

[4] Translation of foreign currency transactions and accounts

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

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

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

② <Derivative instruments for hedging and hedged items>

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

Hedged items: Equity security

③ <Hedging policy>

The purpose of the collar transaction is to hedge the variability of cash flows associated with the future market price of the underlying equity security, which is used for the settlement of loans at maturity.

(2) Interest rate swap

① <Hedge accounting>

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

② <Derivative instruments for hedging and hedged items>

Derivative instruments for hedging: Interest rate swap contracts

Hedged items: Interest expense on borrowings

③ <Hedging policy>

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

(3) Forward-exchange contract

① <Hedge accounting>

Long-term debt denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuation are translated at the contracted rate, if the forward contracts qualify for hedge accounting.

② <Derivative instruments for hedging and hedged items>

Derivative instruments for hedging: Forward-exchange contract

Hedged items: Foreign currency-denominated bond

③ <Hedging policy>

In accordance with the Company’s policy, the Company use derivatives to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

[7] Accounting method for consumption taxes

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

5. Accounting for business combinations

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

6. Amortization of goodwill

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

The goodwill resulted from acquisition of Vodafone K.K. (currently SOFTBANK MOBILE Corp.) is amortized over 20-year-period.

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

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

8. Accounting standard for statement of changes in net assets

The Company applied “Accounting Standards for statement of changes in net assets” (Financial Accounting Standards No. 6 issued on December 27, 2005) and “Guidance on Accounting Standard for statement of changes in net assets” (Financial Accounting Standards Implementation Guideline No. 9 issued on December 27, 2005) from the fiscal year ended March 31, 2007.

Consolidated statements of changes in net assets is disclosed for the fiscal year ended March 31, 2007 under the new standard. Furthermore, the consolidated statements of changes in net assets for the fiscal year ended March 31, 2006 is presented under the new standard.

Changes in accounting policies

1. Presentation of net assets in balance sheet

The Company applied “Accounting Standards for presentation of net assets” (Financial Accounting Standards No. 5 issued on December 9, 2005), and “Application Guideline for Accounting Standards for presentation of net assets” (Financial Accounting Standards Implementation Guideline No. 8 issued on December 9, 2005) for the fiscal year ended on March 31, 2007.

The shareholders’ equity based on the previous presentation of shareholders’ equity in balance sheet is ¥282,949 million. Furthermore, the Company presented its net assets in balance sheet using the new presentation for March 31, 2006.

2. Accounting standard for share-based payment

The Company applied “Share-based Payment” (Financial Accounting Standards No. 8 issued on December 27, 2005) and “Guidance on Accounting Standard for share-based Payment” (Financial Accounting Standards Implementation Guideline No. 11 issued on December 27, 2005) from the fiscal year ended March 31, 2007.

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

3. Practical solution on accounting for revenue recognition of software

The Company applied “Practical solution on accounting for revenue recognition of software” (Financial Accounting Standards No. 17 issued on March 30, 2006) from the fiscal year ended March 31, 2007.

As a result, the Company is required to present certain transactions as net sales from this fiscal year, and net sales of certain software transactions were recorded at ¥1,244 million, which would have been the amount of gross profit if the previous accounting standard had been applied. Due to the netting with the amounts for cost of good sold, net sales and cost of goods sold decreased by ¥34,160 million.

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

The Company applied “Accounting Standard for Business Combinations” (Accounting Standards issued on October 31, 2003 by the Business Accounting Council in Japan), “Accounting Standard for Business Divestitures and the related Implementation Guidance” (Financial Accounting Standards No. 7 issued on December 27, 2005), “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (Financial Accounting Standards Implementation Guidance No. 10 issued on December 27, 2005) from the fiscal year ended on March 31, 2007.

(Consolidated Balance Sheets)

Goodwill related to business rights previously included in “Other intangibles” of intangible assets, net and goodwill related to consolidation goodwill are presented as “Goodwill” as of March 31, 2007. The same presentation has been adopted for its accounts as of March 31, 2006.

(Consolidated Statements of Cash Flows)

Amortization of goodwill related to business rights previously accounted in “Depreciation and amortization” and amortization of goodwill related to consolidation goodwill previously accounted in “Others, net” of cash flows from operating activities are presented as “Amortization of goodwill” for the fiscal year ended March 31, 2007. The same presentation has been adopted for its accounts for the fiscal year ended March 31, 2006.

5. Practical solution on investors' accounting for limited-liability partnerships and limited-liability companies

The Company applied “Practical solution on investors accounting for limited-liability partnerships and limited-liability companies” (Financial Accounting Standards No. 20 issued on September 8, 2005) from the fiscal year ended March 31, 2007. As a result, the effect of the application of these standards and guideline was not considered material in relation to the income before income taxes and minority interest.

Notes

(Consolidated Balance Sheets)

1. Accumulated depreciation of property and equipment

	As of March 31, 2006	As of March 31, 2007
	603,313 million yen	719,297 million yen

2. Investments in non-consolidated subsidiaries and affiliates

	As of March 31, 2006	As of March 31, 2007
Investment securities and investments in partnerships	194,816 million yen	105,536 million yen

3. Contingent liability

Based on debt assumption agreements with financial institutions, SOFTBANK MOBILE Corp. has transferred its debt repayment obligation for straight bonds previously issued to financial institutions. The bonds and payments to financial institutions incurred from transferring its debt repayment obligation for the bonds are eliminated in the Company's consolidated balance sheets.

However, under the terms of the indenture, SOFTBANK MOBILE Corp. will continue to be responsible for payments on the bonds until maturity or redemption of the bonds.

Subject Bonds	Aggregate amount
First Series Unsecured Bond	25,000 million yen
Third Series Unsecured Bond	25,000 million yen
Fifth Series Unsecured Bond	25,000 million yen
Seventh Series Unsecured Bond	25,000 million yen
Total	100,000 million yen

4. Assets pledged as collateral

(1) For future lease liabilities

	As of March 31, 2006	As of March 31, 2007
<u>Assets pledged as collateral:</u>		
Notes and accounts receivable – trade	10,653 million yen	10,877 million yen

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

	As of March 31, 2006	As of March 31, 2007
Future lease liabilities (Capital lease recorded as operating lease)	23,846 million yen	13,026 million yen

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

Assets pledged as collateral and secured liabilities by consolidated subsidiaries are as follows:

	March 31, 2006	March 31, 2007
<u>Assets pledged as collateral:</u>		
Cash and deposits	336 million yen	70,897 million yen
Notes and accounts receivable – trade	1,061	303,486
Buildings and structures	867	13,986
Telecommunications equipment	1,513	362,644
Telecommunications service lines	-	226
Land	5,001	15,566
Property and equipment- others	0	0
Investment securities	201,293	196,552
Investment and other assets – other assets	-	115
Total	210,074 million yen	963,475 million yen
<u>Secured liabilities:</u>		
Accounts payable - trade	975 million yen	1,246 million yen
Short-term borrowings	8,209	5,373
Accounts payable – other and accrued expenses	25	123
Long-term debt	119,805	1,474,523
Other long-term liabilities	113	-
Total	129,128 million yen	1,481,265 million yen

SOFTBANK MOBILE Corp. shares owned by BB Mobile Corp. and BB Mobile Corp. shares owned by Mobiletech Corporation are pledged as collateral for long-term debt (totaling to ¥1,355,091 million) resulted from the refinancing the loan accompanying the acquisition of SOFTBANK MOBILE Corp., in addition to the assets pledged as collateral above.

5. Securities loaned

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

	As of March 31, 2006	As of March 31, 2007
Investment securities	364 million yen	193 million yen

6. Cash receipts as collateral

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

	As of March 31, 2006	As of March 31, 2007
Cash receipts as collateral	100,000 million yen	150,000 million yen

According to the security deposit agreements, the Company paid a fixed rate amount as stock bailment fees and other fees totaling ¥2,859 million, and ¥3,539 million for the fiscal year ended March 31, 2006 and March 31, 2007, respectively, and recorded the fees as other non-operating expenses in the consolidated statements of income.

7. Deferred revenue

On December 8, 2005, BB TECHNOLOGY Corp. (currently SOFTBANK BB Corp.) sold its modem rental business and recognized gains. Since the gain on the sale of the modem rental business is considered to be realized as the service is rendered, the gain was deferred and will be amortized over five years, which is the estimated economic useful life of modem equipment, which was the revenue source of the modem rental operations. For the fiscal year ended March 31, 2007, revenue earned and attributed to recognition of deferred revenue were ¥4,311 million.

Based on the service agreement with BB Modem Rental Yugen Kaisha, BB TECHNOLOGY Corp. received royalties relating to future revenue from the modem rental business and this advanced payment for future royalties was included in deferred revenue. The deferred revenue will be reserved in conjunction with the recognition of revenue in future periods in proportion to the actual business performance of the ADSL business, such as the number of paying customers. For the fiscal year ended March 31, 2007, royalty fees totaling ¥9,721 million were recorded as revenue. The amounts of deferred revenue from the sale of the modem rental business recorded in the Company's consolidated balance sheets are as follows:

	As of March 31, 2006	As of March 31, 2007
Other current liabilities (deferred revenue)	14,096 million yen	15,025 million yen
Deferred revenue	41,840 million yen	26,392 million yen

In accordance with the service agreement, SOFTBANK BB Corp must refund a part of the above deferred revenue, which is attributable to the service agreement, if certain financial results are not met.

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

	As of March 31, 2006	As of March 31, 2007
	16,097 million yen	7,708 million yen

9. Balance of accounts receivable sold

	As of March 31, 2006	As of March 31, 2007
	8,477 million yen	- million yen

10. Notes receivable maturing at period-end

Notes receivable are settled on the date of clearance. Since the end of the fiscal year, March 31, 2007, was a non-business day, the following balance of notes receivable maturing on that date was not settled and was included in the closing balances of "Notes and accounts receivable-trade."

	As of March 31, 2006	As of March 31, 2007
Notes and accounts receivable-trade	- million yen	173 million yen

11. Pre-stock issuance paid in capital

Pre-stock issuance paid-in capital represents amounts paid at the exercise of warrants, but the shares were not issued. At the issuance of 1,200 new shares in April 2007, pre-stock issuance paid-in capital was converted into common stock of ¥0 million and additional paid-in capital of ¥0 million.

12. Debt Covenants

The Group's interest-bearing debt includes debt covenants, with which the Group is in compliance. The major debt covenants are as follows. If the Group conflict with the following covenants, creditors may require repayment of all debt.

(In the events where the covenants set several conditions, the strictest condition is presented below.)

- (1) The amount of net assets shown in the Company's balance sheet at the end of fiscal year and interim period must not fall below 75% of the value of net assets shown in the balance sheet at the end of the same period in the previous fiscal year.
- (2) The amount of the Company's net assets at the end of each quarter must not fall below the larger of [1] or [2] below.
 - [1] 75% of the amount of the Company's net assets at the end of the most recent fiscal year.
 - [2] 60% of the amount of the Company's net assets at March 31, 2005.
- (3) The period-end balance sheets of SOFTBANK BB Corp. and SOFTBANK TELECOM Corp. must not show excessive debt. The consolidated balance sheets of BB Mobile Corp. for fiscal year end and interim period end must not show excessive debt.
- (4) Other than the exceptions listed below, as a general rule, members of the following restricted group of companies (hereafter, the "restricted group"), will not take on debt obligations* from any company not included in the restricted group or issue any preferred stock after October 12, 2006, the issuance date of these Euro-denominated Senior Notes due 2013.

(Restricted group)

- (a) SOFTBANK CORP.
- (b) SOFTBANK BB Corp.
- (c) SOFTBANK TELECOM Corp.
- (d) SOFTBANK MOBILE Corp.
- (e) Mobiletech Corporation
- (f) BB Mobile Corp.
- (g) TELECOM EXPRESS Co., Ltd.
- (h) Japan System Solution Co., Ltd.
- (i) SBBM Corporation

(Exceptions)

The major exceptions are as follows:

- i. SOFTBANK CORP. is permitted to borrow up to ¥200 billion through its commitment line, etc.
- ii. Borrowing related to the acquisition of SOFTBANK MOBILE Corp. (including refinancing) is permitted up to a principal amount of ¥1,450 billion.
- iii. Among the restricted group, those involved in the mobile communications business segment (d, f, g, h) are permitted to incur capital expenditure related debt obligations* up to a principal amount of ¥400 billion.
- iv. SOFTBANK TELECOM Corp. is permitted to borrow up to a principal amount of ¥175 billion.
- v. The refinancing of the outstanding debt of the restricted group as of October 12, 2006, the issuance date of the note, is permitted up to the same level of principal amount.
- vi. In the event that [1] a company in the restricted group incurs lease obligations or [2] a subsidiary of SOFTBANK CORP. other than the members of the restricted group incur lease obligations, SOFTBANK CORP. is permitted to provide guarantees to leasing companies up to a principal amount of ¥400 billion for the total of [1] and [2].
- vii. SOFTBANK CORP. is permitted to make security lending transactions using the stock of Yahoo Japan Corporation up to, as a general rule, ¥200 billion.
- viii. Other than (i) to (vii) above, debt-incurring activities* which are pari passu with those notes are permitted up to ¥150 billion.

*(Note) Debt-incurring activities include new borrowings, leasing, etc.

- (5) SOFTBANK MOBILE Corp. received a loan (hereafter the “SBM loan”) from Mizuho Trust & Banking Co., Ltd. (hereafter the “lender”), which, as the Tokutei Kingai Trust Trustee, was entrusted with the proceeds by WBS Funding*1. Under the terms of the SBM loan agreement, SOFTBANK MOBILE Corp. is allowed a certain degree of flexibility in its business operations, as a general rule. However, in the event that the loan agreement's financial performance targets (reduction in cumulative debt, adjusted EBITDA*2, leverage ratio*3) or operational performance targets (number of subscribers) are not met, depending on the importance and the timing of issue, the influence of the lender on the operations of SOFTBANK MOBILE Corp. might be increased. It is possible that limits will be placed on capital investment, that prior approval will be required for development of new services, that a majority of the board directors will be appointed, and that rights to assets pledged as collateral, including shares of SOFTBANK MOBILE Corp., will be exercised. As of March 31, 2007, there is no infringement of the debt covenants.

Note: *1.WBS Funding

WBS Funding: a special purpose company for the purpose of allocating the total amount raised from domestic and foreign financial institutions--¥1,441.9 billion--under the WBS scheme through the Tokutei Kingai Trust Trustee for the SBM loan to SOFTBANK MOBILE Corp.. SOFTBANK MOBILE Corp. borrowed from Tokutei Kingai Trust Trustee an amount of ¥1,366 billion, representing the total amount of ¥1,441.9 billion raised by WBS Funding less such items as interest hedge costs and interest reserve.

*2. Adjusted EBITDA

Adjusted EBITDA: EBITDA is adjusted by lease payments, which are included in operating expenses, in the same manner as adjustments of depreciation and amortization in the calculation of EBITDA.

*3.Leverage ratio

Leverage ratio = Debt / Adjusted EBITDA. The balance of debt does not include capital financing, subordinated loans from the SOFTBANK Group or Vodafone Oversea Financial Limited or existing bonds.

- (6) The amount of net assets shown in SOFTBANK TELECOM Corp.'s balance sheets for the end of each interim period and the end of each fiscal year must not fall below the larger of [1] or [2] below.

[1] 75% of the net assets shown in the consolidated balance sheets of SOFTBANK TELECOM Corp. at the end of the most recent fiscal year.

[2] 60% of the amount of net assets shown in the consolidated balance sheets for SOFTBANK TELECOM Corp. as of March 31, 2005.

(Consolidated Statements of Operations)

1. Selling, general and administrative expenses

	Fiscal year ended March 31, 2006	Fiscal year ended March 31, 2007
Sales commission	9,211 million yen	260,478 million yen
Sales promotion expense	59,671	145,382
Payroll and bonuses	69,505	94,723
Allowance for doubtful accounts	4,319	16,614

2. Financing related expenses

It is the financing related expense in order to raise funds for the acquisition of Vodafone K.K. (currently SOFTBANK MOBILE Corp.) and the debt refinancing.

3. Loss on redemption of bonds

The loss on redemption of bonds is presented as follows:

(1) The loss, ¥7,386 million, is incurred from the settlement of repurchase and redemption of SOFTBANK CORP. Euro 9.375% Senior Notes due 2011.

(2) The loss, ¥3,042 million, is incurred from the advanced redemption of bonds previously issued by SOFTBANK MOBILE Corp based on the debt assumption agreement with financial institutions.

4. Loss on disposal of fixed assets for the fiscal year ended March 31, 2007

Telecommunications equipment	1,487 million yen
Construction-in-progress	2,483
Property and equipment (Others)	1,807
Software	1,916
Total	7,695 million yen

(Statements of changes in net assets)

1. Class and number of outstanding shares:

	March 31, 2006	Increase	Decrease	March 31, 2007
Number of common stocks	1,055,231,478	631,500	-	1,055,862,978

Note: Increase resulted from the exercise of stock acquisition rights.

2. Class and number of treasury stocks:

	March 31, 2006	Increase	Decrease	March 31, 2007
Number of common stocks	149,391	9,220	-	158,611

Note: Increase resulted from the acquisition of the fractional shares.

3. Stock acquisition rights:

Type	Detail of stock acquisition rights	Class of shares	Number of shares for stock acquisition rights				Millions of yen
			March 31, 2006	Increase	Decrease	March 31, 2007	March 31, 2007
SOFTBANK, Corp.	Stock acquisition rights issued in 2004	Common stocks	24,000,000	-	-	24,000,000	3,150
Consolidated Subsidiaries	-			-			30
Total				-			3,180

4. Dividends:

(1) Dividend paid

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

(2) Dividends which recorded date is in the fiscal year 2007 and effective date for payment is in the next fiscal year 2008.

Resolution	Class of shares	Amount of dividend (Millions of yen)	Dividend per share	Record date	Effective date
Ordinary general meeting of shareholders, June 22, 2007	Common stocks	2,639	¥2.50	March 31, 2007	June 25, 2007

(Consolidated Statements of Cash Flows)

1. Consolidated statements of cash flows

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

	As of March 31, 2006		As of March 31, 2007	
Cash and deposits	446,306	million yen	377,666	million yen
Marketable securities	4,372		8,588	
Time deposits with original maturity over three months	(1,400)		(1,989)	
Stocks and bonds with original maturity over three months	(2,584)		(6,744)	
Cash and cash equivalents	446,694	million yen	377,520	million yen

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

		(as of April 30, 2006)	
Current assets	(Note 1)	324,183	million yen
Non-current assets		952,442	
Goodwill		1,028,552	
Current liabilities	(Note 1)	(453,849)	
Long-term liabilities		(144,665)	
Acquisition cost	(Note 2, 3)	1,706,666	million yen
Loans made by the Company	(Note 4)	163,000	
Cash and cash equivalents of newly consolidated companies		(25,419)	
Payments for the acquisition		1,844,246	million yen

Note:

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

3. Scope of Purchase of property and equipment and intangibles in the consolidated statement of cash flows

“Purchase of property and equipment and intangibles” are comprised of cash outflow from purchasing property, equipment and intangible assets (excluding goodwill) and long-term prepaid expenses.

4. Presentation of Capital lease (transfer title) in the consolidated statement of cash flows

After SOFTBANK MOBILE Corp. purchases telecommunication equipment from vendors, SOFTBANK MOBILE Corp sells the equipment to a lease company. The lease company leases equipment to SOFTBANK MOBILE Corp. This procedure is attributed to nature of its equipments. The leased asset and lease obligation are recorded on the consolidated balance sheet. The cash outflows from the purchase of the equipment from vendors are included in “Purchase of property and equipment and intangibles” and the cash inflows from the sale of the equipment to a lease company is included in “Proceeds from lease financing of equipment newly acquired.”

5. Repayment of the borrowing based on Bridge Facility contracted by BB Mobile Corp.

The repayment of the borrowings based on the bridge facility contracted by BB Mobile Corp. (totaled to ¥1,173,830 million) for its acquisition of SOFTBANK MOBILE Corp. was completed by refinancing in November 2006. The increase in borrowings and the decrease in repayment are offset each other in “Increase (decrease) in short-term borrowings, net.” The new borrowings (totaled to ¥1,366,000 million) from refinancing are included in “Proceeds from long-term debts.”

Segment Information

1. Business segment information

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

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

	Mobile Communications	Broadband Infrastructure	Fixed-line Telecommunications	Internet Culture	e-Commerce	Others	Total	Elimination or Corporate	Consolidated
Net sales									
(1) Customers		¥267,272	¥347,447	¥155,550	¥272,739	¥65,654	¥1,108,665	¥-	¥1,108,665
(2) Inter-segment		1,179	6,785	569	10,535	17,419	36,489	(36,489)	-
Total	Newly	268,451	354,233	156,120	283,275	83,073	1,145,154	(36,489)	1,108,665
Operating expenses	Established	247,779	379,392	81,929	278,414	87,833	1,075,350	(28,984)	1,046,366
Operating income (loss)	in this	¥20,672	¥(25,158)	¥74,190	¥4,860	¥(4,759)	¥69,804	¥(7,504)	¥62,299
Identifiable assets	Fiscal	247,592	517,974	439,178	72,136	291,172	1,568,054	240,344	1,808,398
Depreciation and amortization	Period	28,485	46,282	7,461	1,121	4,211	87,561	958	88,519
Capital expenditures		26,256	62,254	16,338	2,169	3,416	110,436	913	111,349

(2) For the fiscal year ended March 31, 2007

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

	Mobile Communications	Broadband Infrastructure	Fixed-line Telecommunications	Internet Culture	e-Commerce	Others	Total	Elimination or Corporate	Consolidated
Net sales									
(1) Customers	¥1,430,821	¥258,824	¥332,136	¥191,509	¥256,923	¥74,003	¥2,544,219	¥-	¥2,544,219
(2) Inter-segment	11,218	5,402	41,993	2,702	14,647	16,781	92,746	(92,746)	-
Total	1,442,040	264,227	374,129	194,212	271,570	90,785	2,636,966	(92,746)	2,544,219
Operating expenses	1,286,296	237,418	377,095	97,667	264,889	95,515	2,358,883	(85,729)	2,273,153
Operating income (loss)	¥155,743	¥26,809	¥(2,965)	¥96,544	¥6,680	¥(4,730)	¥278,082	¥(7,017)	¥271,065
Identifiable assets	2,691,192	200,288	522,256	442,219	79,514	290,811	4,226,283	84,569	4,310,852
Depreciation and amortization	156,166	27,311	44,933	9,662	1,083	3,083	242,241	446	242,687
Capital expenditures	2,000,212	20,050	42,524	16,370	2,857	3,288	2,085,306	581	2,085,887

Notes:

- 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.
- Please refer to the chart of “The SOFTBANK Group” for the main businesses segments.
- The Mobile Communications segment was established for the fiscal year ended March 31, 2007 due to the consolidation of SOFTBANK MOBILE Corp. Net sales and operating expenses of SOFTBANK MOBILE Corp. and its consolidated subsidiaries are consolidated from May 2006.
- Unallocated operating expenses for the fiscal year ended March 31, 2006 and 2007 in the column “Elimination or Corporate,” mainly represents expenses of the corporate division of the Company, totaling ¥7,841 million, and ¥8,481 million, respectively.
- Corporate assets at March 31, 2006 and 2007 in the column “Elimination or corporate” were ¥275,510 million and ¥120,675 million, respectively. Corporate assets represent mainly surplus operating funds (cash and marketable securities), long-term investment securities of the Company and assets held by the corporate division of the Company.
- “Depreciation and amortization” includes depreciated amount of long-term prepaid expenses
- “Capital expenditures” include increase in “Property and equipment, net,” “Intangible assets, net,” and long-term prepaid expense on the consolidated balance sheet, and increase in “goodwill” and each asset in the acquisition of newly consolidated subsidiary.

2. Geographic segment information

(1) FY 2006 (as of and for the year ended March 31, 2006)

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

	Japan	North America	Others	Total	Elimination or corporate	Consolidated
Net sales						
(1)Customers	¥1,100,446	¥1,351	¥6,867	¥1,108,665	¥-	¥1,108,665
(2)Inter-segment	3,325	686	412	4,425	(4,425)	-
Total	1,103,772	2,038	7,279	1,113,090	(4,425)	1,108,665
Operating expenses	1,028,151	2,934	12,208	1,043,294	3,071	1,046,366
Operating income (loss)	¥75,621	¥(896)	¥(4,929)	¥69,796	¥(7,496)	¥62,299
Identifiable assets	¥1,179,017	¥261,177	¥110,864	¥1,551,058	¥257,339	¥1,808,398

(2) FY 2007 (as of and for the year ended March 31, 2007)

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

	Japan	North America	Others	Total	Elimination or corporate	Consolidated
Net sales						
(1)Customers	¥2,532,359	¥1,861	¥9,997	¥2,544,219	¥-	¥2,544,219
(2)Inter-segment	2,979	-	266	3,245	(3,245)	-
Total	2,535,339	1,861	10,264	2,547,465	(3,245)	2,544,219
Operating expenses	2,254,378	2,793	11,065	2,268,236	4,916	2,273,153
Operating income (loss)	¥280,960	¥(931)	¥(801)	¥279,228	¥(8,162)	¥271,065
Identifiable assets	¥3,757,765	¥282,558	¥153,692	¥4,194,016	¥116,836	¥4,310,852

Notes:

1. Net sales by geographic region are recognized based on geographic location of the operation.

Significant countries in each region are shown below:

North America : United States of America and Canada

Others : Europe, Korea, China, Hong Kong and Singapore

2. Unallocated operating expenses for the fiscal years ended March 31, 2006 and 2007 in the column "Elimination or corporate," which mainly represent expenses of the corporate division of the Company, were ¥7,841 million and ¥8,481 million, respectively.

3. Corporate assets at March 31, 2006 and 2007 in the column "Elimination or corporate" were ¥275,510 million and ¥120,675 million, respectively. Corporate assets represent mainly surplus operating funds (cash and marketable securities), long-term investment securities of the Company and assets held by the corporate division of the Company.

3. Overseas sales

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

Leases

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

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

	As of March 31, 2006	As of March 31, 2007
Telecommunications equipment and telecommunications service lines		
Equivalent to acquisition costs	197,727	185,251
Less:		
Amount equivalent to accumulated depreciation	(64,550)	(60,294)
Amount equivalent to accumulated impairment loss	(21,703)	(21,703)
Net book value	111,473 million yen	103,252 million yen
 Buildings and structures		
Equivalent to acquisition costs	46,999	48,237
Less:		
Amount equivalent to accumulated depreciation	(2,674)	(6,127)
Amount equivalent to accumulated impairment loss	-	-
Net book value	44,324 million yen	42,109 million yen
 Property and equipment - others		
Equivalent to acquisition costs	13,604	20,187
Less:		
Amount equivalent to accumulated depreciation	(5,700)	(6,168)
Amount equivalent to accumulated impairment loss	(1,657)	(1,388)
Net book value	6,245 million yen	12,630 million yen
 Intangible assets		
Equivalent to acquisition costs	2,624	10,124
Less:		
Amount equivalent to accumulated amortization	(1,238)	(2,254)
Amount equivalent to accumulated impairment loss	(287)	(234)
Net book value	1,097 million yen	7,635 million yen
 Total		
Equivalent to acquisition costs	260,955	263,800
Less:		
Amount equivalent to accumulated depreciation	(74,164)	(74,846)
Amount equivalent to accumulated impairment loss	(23,648)	(23,326)
Net book value	163,141 million yen	165,628 million yen

Long-term prepaid expenses relating to a lease contract, in which the contract term and payment term are different, for the fiscal years ended March 31, 2006 and 2007 were ¥1,989 million and ¥7,848 million, respectively and are included in "other assets" of investments and other assets in the consolidated balance sheets.

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

	As of March 31, 2006	As of March 31, 2007
Due within one year	34,560	33,088
Due after one year	158,800	165,966
Total	193,361 million yen	199,055 million yen
Balance of allowance for impairment loss on leased assets	23,427 million yen	18,170 million yen

(3) Lease payments, amounts equivalent to depreciation and interest expense for each fiscal year are as follows.

	FY 2006 ended March 31, 2006	FY 2007 ended March 31, 2007
Lease payments	56,517 million yen	52,875 million yen
Reversal of allowance for impairment loss on leased assets	300	5,256
Amount equivalent to depreciation expense	44,595	41,529
Amount equivalent to interest expense	15,808	14,086
Impairment loss	23,727	-

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

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

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

(as a lessor)

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

	As of March 31, 2006	As of March 31, 2007
Property and equipment - others		
Acquisition costs	164	-
Less: accumulated depreciation	(137)	-
Net book value	26 million yen	- million yen

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

	As of March 31, 2006	As of March 31, 2007
Due within one year	29	-
Due after one year	-	-
Total	29 million yen	- million yen

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

	FY 2006 April 2005 through March 2006	FY 2007 April 2006 through March 2007
Lease income	46 million yen	29 million yen
Depreciation expense	41	29
Amount equivalent to interest income	3	0

(4) Calculation method of amount equivalent to interest income

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

2. Non-cancelable operating lease transactions

(as a lessee)

The future lease payments for non-cancelable operating leases

	As of March 31, 2006	As of March 31, 2007
Due within one year	9,904	9,898
Due after one year	11,041	4,386
Total	20,946 million yen	14,284 million yen

(as a lessor)

The future lease receivables for non-cancelable operating leases

	As of March 31, 2006	As of March 31, 2007
Due within one year	1,305	1,258
Due after one year	1,921	1,700
Total	3,227 million yen	2,958 million yen

RELATED PARTY TRANSACTIONS WITH THE COMPANY

1. Parent Company and Major Corporate Shareholders

N/A

2. Directors and Major Individual Shareholders

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

Category	Name	Address	Amount of capital	Nature of business or occupation	Proportionate interest	Relationship		Nature of transaction	Amount of transaction	Account	Balance at March 31, 2007
						Concurrent directors	Business relationship				
Director and shareholder	Masayoshi Son	-	-	Son Assets Management, Inc. President	31%	-	-	Cash paid on behalf of Son Assets Management Inc	228	Other current asset	24
								Facility use fee	61		
								Deposits received	-	Deposits received	142

Note: Consumption taxes are included in the amount of the year end balance, but not in the amount of the transaction.

The terms of transactions and the policies

“Facility use fee” and “Deposits received” are determined based on the percentage of facility used as with the case of affiliates.

3. Subsidiaries

N/A

4. Affiliates

N/A

Tax effect accounting

FY 2006 (For the year ended March 31, 2006)		FY 2007 (For the year ended March 31, 2007)	
1. Significant components of deferred tax assets and liabilities	(Million yen)	1. Significant components of deferred tax assets and liabilities	(Million yen)
Deferred tax assets		Deferred tax assets	
Loss carry-forwards	¥181,802	Loss carry-forwards	¥219,224
Valuation loss on investment securities	63,777	Revaluation of acquired consolidated subsidiary at the respective fair market value	96,971
Depreciation / Amortization	52,759	Depreciation / Amortization	71,044
Unrealized loss on derivative instruments	19,665	Investment securities	69,460
Allowances for doubtful accounts	17,686	Allowances for doubtful accounts	24,238
Accrued expenses	17,531	Deferred revenue	18,970
Exchange gain on affiliates' stock	11,429	Allowances for point mileage	18,567
Deferred revenue	8,656	Deferred losses on hedges	14,363
Valuation loss on inventories	3,855	Others	73,245
Enterprise tax payable	2,897	Gross deferred tax assets	606,084
Unrealized gain	897	Less: valuation allowance	(317,231)
Others	4,825	Total deferred tax assets	288,852
<hr/>			
Gross deferred tax assets	385,784	Deferred tax liabilities	
Less: valuation allowance	(318,184)	Unrealized gains on other securities	(65,809)
<hr/>		Others	(6,400)
Total deferred tax assets	67,599	Total deferred tax liabilities	(72,210)
		Net deferred tax assets	¥216,641
Deferred tax liabilities			
Unrealized gains on other securities	(70,264)		
Valuation gain on investment securities	(6,371)		
Foreign currency exchange gains on long-term receivables	(227)		
Others	(232)		
<hr/>			
Total deferred tax liabilities	(77,095)		
<hr/>			
Net deferred tax liabilities	¥(9,495)		
2. Reconciliation between the statutory income tax rate		2. Reconciliation between the statutory income tax rate	
And effective income tax rate:		and effective income tax rate:	
Statutory tax rate	40.69 %	Statutory tax rate	40.69 %
(Reconciliation)		(Reconciliation)	
Dilution gain (loss) from changes in equity interest	(3.71) %	Consolidation adjustments resulting from gain on sale of investments in affiliates under equity method	13.21 %
Differences related to investments in affiliates	(4.35)	Amortization of goodwill	10.38
Tax rate differential	(2.17)	Consolidation adjustments resulting from gain and loss on sale of investments in consolidated subsidiaries	7.85
Tax deduction for IT industry and others development	(1.27)	Tax rate differential	(2.31)
Change in valuation allowance	4.21	Change in valuation allowance	(2.48)
Others	(0.50)	Others	0.93
<hr/>		Income tax rate per statements of income	68.27 %
Income tax rate per statements of income	32.89 %		

Investment in Debt and Equity Securities

FY 2006 (as of March 31, 2006)

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

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

	FY 2006 (as of March 31, 2006)		
	Investment Cost	Carrying Amount	Differences
Carrying Amount > Investment Cost			
Equity securities	¥18,532	¥220,845	¥202,313
Sub-total	18,532	220,845	202,313
Carrying Amount ≤ Investment Cost			
(1)Equity securities	16,277	13,473	(2,804)
(2)Others	59	59	-
Sub-total	16,337	13,533	(2,804)
Total	¥34,869	¥234,379	¥199,509

(2) Available-for-sale and other securities sold during the fiscal year ended March 31, 2006

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

	Sales Price	Gain on sales	Loss on sales
(1)Equity securities	¥33,103	¥27,951	¥173
(2)Debt securities	7,044	839	-
(3)Others	61,152	13,229	2
Total	¥101,300	¥42,020	¥175

(3) The carrying amounts of the unlisted investment securities

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

	Carrying Amounts
Available-for-sale and other securities	
Unlisted equity securities, excluding over-the-counter stocks	¥26,759
Investments in limited partnerships	6,494
Money Management Fund	2,959
Preferred fund certificate	2,000
Designated Money Trust	1,000
Mid-term government bond funds	191
Unlisted foreign debt securities	94
Others	329
Total	¥39,827

(4) Redemption schedule for “held-to-maturity debt securities” and “available-for-sale and other securities” with maturity date subsequent to the consolidated balance sheet date

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

	April 1, 2006 to March 31, 2007	April 1, 2007 to March 31, 2011	April 1, 2011 to March 31, 2016	April 1, 2016 and thereafter
Debt securities				
Corporate bonds	-	94	-	-

FY 2007 (as of March 31, 2007)

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

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

	FY 2007 (as of March 31, 2007)		
	Investment Cost	Carrying Amount	Differences
Carrying Amount > Investment Cost			
(1)Equity securities	¥39,163	¥230,903	¥191,740
(2)Others	1,100	1,100	0
Sub-total	40,263	232,003	191,740
Carrying Amount ≤ Investment Cost			
Equity securities	905	886	(18)
Sub-total	905	886	(18)
Total	¥41,168	¥232,890	¥191,721

(2) Available-for-sale and other securities sold during the fiscal year ended March 31, 2007

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

	Sales Price	Gain on sales	Loss on sales
(1)Equity securities	¥10,812	¥7,704	¥3,943
(2)Debt securities	22	4	-
(3)Others	7,111	155	311
Total	¥17,946	¥7,865	¥4,254

(3) The carrying amounts of the unlisted investment securities

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

	Carrying Amounts
(1)Held-to-maturity debt securities	
Unlisted debt securities	¥170
(2)Available-for-sale and other securities	
Unlisted equity securities, excluding over-the-counter stocks	¥141,790
Money Management Fund	6,053
Investments in limited partnerships	5,802
Preferred fund certificate	2,000
Designated Money Trust	1,000
Mid-term government bond funds	171
Unlisted foreign debt securities	148
Others	446
Total	¥157,583

(4) The redemption schedule for “held-to-maturity debt securities” and “available-for-sale and other securities” with maturity date subsequent to the consolidated balance sheet date

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

	April 1, 2007 to March 31, 2008	April 1, 2008 to March 31, 2012	April 1, 2012 to March 31, 2017	April 1, 2017 and thereafter
Debt securities				
Corporate bonds	248	70	-	-

DERIVATIVE TRANSACTIONS

1. Currency Related

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

	Nature of transaction	March 31, 2006				March 31, 2007			
		Contract amounts		Fair value	Unrealized gain	Contract amounts		Fair value	Unrealized gain (loss)
			Over 1 year				Over 1 year		
Off-market transactions	Option transactions to- • Purchase U.S dollar call option and Japanese yen put option	¥-	-	¥-	¥-	¥5,900	-	¥(41)	¥(41)
	Forward exchange contracts to- • Purchase U.S. dollars and sell Japanese yen	29,132	-	29,128	(3)	70,890	-	70,866	(23)
	• Purchase Euro and sell Japanese yen	-	-	-	-	9,045	-	9,130	85
	Total				¥(3)				¥20

Notes: 1. Fair value is based on information provided by financial institutions at the end of each fiscal year.

2. Derivative transactions to which the Company applied hedge accounting are excluded.

2. Interest Related

There are no applicable items.

Note: Derivative transactions to which the Company applied hedge accounting are excluded.

3. Securities Related

There are no applicable items.

Note: Derivative transactions to which the Company applied hedge accounting are excluded.

PENSION AND SEVERANCE PLANS

1. Pension Plans

Employees of the Company and most of its domestic consolidated subsidiaries participate in defined contribution pension plans and the contributory defined benefit welfare pension plans.

2. Projected Benefit Obligation

	March 31, 2006		March 31, 2007	
Projected benefit obligation (PBO)	17,279	million yen	16,701	million yen
Plan assets at fair value	-		-	
Unfunded PBO	17,279		16,701	
Unrecognized actuarial losses	-		-	
Net liability for retirement benefits	17,279		16,701	
Prepaid pension costs	-		-	
Accrued retirement benefits	17,279	million yen	16,701	million yen

3. Pension and Severance Costs

	March 31, 2006		March 31, 2007	
a)Service costs (Note 1)	2,600	million yen	1,568	million yen
b)Interest costs	330		368	
c)Expected return on plan assets	-		-	
d)Recognized actuarial losses	(645)		29	
e)Amortization of prior service obligations (Note 2)	-		(2,838)	
f)Contributions	592		2,127	
h)Net pension and severance costs	2,878	million yen	1,254	million yen

Notes:

1. Service costs include ¥998 million for FY2006 and ¥1,024 million for FY2007 of contributions to multi-employer contributory defined benefit welfare pension plans.

2. This resulted from the revision of the pension plans of SOFTBANK TELECOM Corp. and SOFTBANK MOBILE Corp.

Stock Option

The stock option outstanding as of March 31, 2007 is as follows:

(1) Stock option

	Stock Subscription Rights (2001)	The First Series of Stock Acquisition Rights (2003)
	The Company	The Company
Resolved date at the general meeting of shareholders	June 21, 2001	June 24, 2003
Persons To whom stock acquisition rights allotted	Directors of the Company: 8	Employees of the Company: 80 Directors of Subsidiaries: 16 Employees of Subsidiaries: 1,746
Class and number of shares	1,650,000 shares of common stock of the Company	4,200,000 shares of common stock of the Company
Grant date	September 29, 2001	December 9, 2003
Conditions to earn vested stock acquisition rights	<p>Continuously rendering the service from the grant date (September 29, 2001) to the vesting date in stages from June 30, 2002 to June 30, 2004:</p> <p>A. to June 30, 2002: 30% of allotment shares B. to June 30, 2003: 30% of allotment shares C. to June 30, 2004: 40% of allotment shares</p>	<p>Continuously rendering the service from the grant date (December 9, 2003) to the vesting date in stages from June 30, 2004 to November 28, 2007 and:</p> <p>1. In case individuals who are allotted the Stock Acquisition Rights (the "holders of the Stock Acquisition Rights") are the directors, executive officers or those who are scheduled to be employed as executive officers of the Company or the subsidiaries of the Company at the issue date;</p> <p>A. to June 30, 2004: 0% of allotment shares B. to November 28, 2004: 25% of allotment shares C. to November 28, 2005: 25% of allotment shares D. to November 28, 2006: 25% of allotment shares E. to November 28, 2007: 25% of allotment shares</p> <p>2. In case the holders of the Stock Acquisition Rights are the employees or those who are scheduled to be employed of the Company or the subsidiaries of the Company at the issue date;</p> <p>A. to June 30, 2004: 0% of allotment shares B. to November 28, 2005: 50% of allotment shares C. to November 28, 2006: 25% of allotment shares D. to November 28, 2007: 25% of allotment shares</p>
Period of service	<p>A. 30% of allotment shares: From September 29, 2001 to June 30, 2002 B. 30% of allotment shares: From September 29, 2001 to June 30, 2003 C. 40% of allotment shares: From September 29, 2001 to June 30, 2004</p>	<p>1. In case the holders of the Stock Acquisition Rights are the directors, executive officers or those who are scheduled to be employed as executive officers of the Company or the subsidiaries of the Company at the issue date;</p> <p>A. 0% of allotment shares: From December 9, 2003 to June 30, 2004 B. 25% of allotment shares: From December 9, 2003 to November 28, 2004 C. 25% of allotment shares: From December 9, 2003 to November 28, 2005 D. 25% of allotment shares: From December 9, 2003 to November 28, 2006 E. 25% of allotment shares: From December 9, 2003 to November 28, 2007</p> <p>2. In case the holders of the Stock Acquisition Rights are the employees or those who are scheduled to be employed of the Company or the subsidiaries of the Company at the issue date;</p> <p>A. 0% of allotment shares: From December 9, 2003 to June 30, 2004 B. 50% of allotment shares: From December 9, 2003 to November 28, 2005 C. 25% of allotment shares: From December 9, 2003 to November 28, 2006 D. 25% of allotment shares: From December 9, 2003 to November 28, 2007</p>
Exercisable period of Stock Acquisition Rights	<p>From July 1, 2002, to June 30, 2007 To be in the qualified position in the Company or its subsidiaries is required to exercise the rights</p>	<p>From July 1, 2004, to June 30, 2009 To be in the qualified position in the Company or its subsidiaries is required to exercise the rights</p>

	The Third Series of Stock Acquisition Rights (2004)	The Third Series of Stock Acquisition Rights (2005)
	The Company	The Company
Resolved date at the general meeting of shareholders	June 24, 2004	June 22, 2005
Persons To whom stock acquisition rights allotted	Executive officers of Subsidiaries: 12	Employees of the Company: 16 Directors of Subsidiaries: 1 Executive officers of Subsidiaries: 3 Employees of Subsidiaries: 152
Class and number of shares to be issued upon exercise of Stock Acquisition Rights	822,000 shares of common stock of the Company	923,300 shares of common stock of the Company
Grant date	October 8, 2004	February 10, 2006
Conditions to earn vested stock acquisition rights	Continuously rendering the service from the grant date (October 8, 2004) to the vesting date in stages from June 30, 2005 to September 30, 2008: A. to June 30, 2005: 0% of allotment shares B. to September 30, 2005: 25% of allotment shares C. to September 30, 2006: 25% of allotment shares D. to September 30, 2007: 25% of allotment shares E. to September 30, 2008: 25% of allotment shares	Continuously rendering the service from the grant date (February 10, 2006) to the vesting date in stages from June 30, 2006 to June 30, 2009 A. to June 30, 2006: 0% of allotment shares B. to June 30, 2007: 50% of allotment shares C. to June 30, 2008: 25% of allotment shares D. to June 30, 2009: 25% of allotment shares
Period of service	A. 0% of allotment shares: From October 8, 2004 to June 30, 2005 B. 25% of allotment shares: From October 8, 2004 to September 30, 2005 C. 25% of allotment shares: From October 8, 2004 to September 30, 2006 D. 25% of allotment shares: From October 8, 2004 to September 30, 2007 E. 25% of allotment shares: From October 8, 2004 to September 30, 2008	A. 0% of allotment shares: From February 10, 2006 to June 30, 2006 B. 50% of allotment shares: From February 10, 2006 to June 30, 2007 C. 25% of allotment shares: From February 10, 2006 to June 30, 2008 D. 25% of allotment shares: From February 10, 2006 to June 30, 2009
Exercisable period of Stock Acquisition Rights	From July 1, 2005, to June 30, 2010 To be in the qualified position in the Company or its subsidiaries is required to exercise the rights	From July 1, 2006, to June 30, 2011 To be in the qualified position in the Company or its subsidiaries is required to exercise the rights

(2) The stock option activity is as follows:

1. Number of shares

	Stock Subscription Rights (2001)	The First Series of Stock Acquisition Rights (2003)	The Third Series of Stock Acquisition Rights (2004)	The Third Series of Stock Acquisition Rights (2005)
	The Company	The Company	The Company	The Company
<u>Non-vested</u>				
Shares at the beginning of the year	-	1,509,000	315,000	923,300
Shares granted during the year	-	-	-	-
Shares forfeited and expired during the year	-	28,050	36,000	28,400
Shares vested during the year	-	742,725	93,000	-
Shares at the end of the year	-	738,225	186,000	894,900
<u>Vested</u>				
Shares at the beginning of the year	876,000	1,509,000	105,000	-
Shares vested during the year	-	742,725	93,000	-
Shares exercised during the year	330,000	241,500	60,000	-
Shares forfeited or expired during the year	-	37,050	12,000	-
Exercisable shares at the end of the year	546,000	1,973,175	126,000	-

2. Prices per share

	Stock Subscription Rights (2001)	The First Series of Stock Acquisition Rights (2003)	The Third Series of Stock Acquisition Rights (2004)	The Third Series of Stock Acquisition Rights (2005)
Exercise price (yen)	¥996	¥1,440	¥1,827	¥4,172
Average market price at the exercise date (yen)	2,746	2,744	2,430	-
Fair value price at the grant date (yen)	-	-	-	-

BUSINESS COMBINATIONS

Merger of consolidated subsidiaries

1. Merger of SOFTBANK TELECOM SALES Corp. and SOFTBANK TELECOM Corp.

On December 15, 2006, SOFTBANK TELECOM SALES Corp. and SOFTBANK TELECOM Corp., the Company's wholly-owned subsidiaries, resolved the merger, which was approved at the extraordinary shareholders' meeting of both companies held on January 31, 2007. The merger became effective from February 1, 2007.

1. Outline of the merger

(1) Companies involved in merger

SOFTBANK TELECOM SALES Corp. and SOFTBANK TELECOM Corp.

(2) Main business of merger companies

SOFTBANK TELECOM SALES Corp.

Fixed-line telecommunication and investment businesses

SOFTBANK TELECOM Corp.

Fixed-line telecommunication business

(3) Method of the merger

SOFTBANK TELECOM SALES Corp., as the surviving company, acquired SOFTBANK TELECOM Corp., which subsequently was dissolved.

(4) Company name after the merger

SOFTBANK TELECOM Corp.

(SOFTBANK TELECOM SALES Corp. changed its company name to SOFTBANK TELECOM Corp. after the merger.)

(5) Purpose and method of the merger

The purpose of this merger is to accelerate business development of SOFTBANK TELECOM Corp. within the SOFTBANK Group and strengthen its financial structure by merging with SOFTBANK TELECOM SALES Corp. based on the SOFTBANK Group's management policy which is to strengthen the operational base.

2. Summary of accounting procedures

The merger is accounted for using accounting standards for business combinations, applying to transactions under common control, based upon "Accounting Standard for Business Combinations" (Accounting Standards issued on October 31, 2003 by the Business Accounting Council in Japan) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Financial Accounting Standards Implementation Guidance No. 10 issued on December 27, 2005).

2. Merger of BB TECHNOLOGY Corp. and SOFTBANK BB Corp.

On February 26, 2007, BB TECHNOLOGY Corp. and SOFTBANK BB Corp., the Company's wholly-owned subsidiaries, resolved the merger, which was approved at the extraordinary shareholders' meeting of both companies held on February 28, 2007. The merger became effective from March 31, 2007.

1. Outline of the merger

(1) Companies involved in merger

BB TECHNOLOGY Corp. and SOFTBANK BB Corp.

(2) Main business of merger companies

BB TECHNOLOGY Corp.

ADSL business

SOFTBANK BB Corp.

Content services, FTTH, and distribution businesses, etc.

(3) Method of the merger

BB TECHNOLOGY Corp., as the surviving company, acquired SOFTBANK BB Corp., which subsequently was dissolved.

(4) Company name after the merger

SOFTBANK BB Corp.

(BB TECHNOLOGY Corp. changed its company name to SOFTBANK BB Corp. after the merger.)

(5) Purpose and method of the merger

The purpose of this merger is to facilitate the reconstruction of the Broadband infrastructure business for pursuing further synergies among the three telecommunication businesses, Mobile Communications, Broadband Infrastructure, and Fixed-line Telecommunications, within the Group after newly establishing Mobile Communications business segment this fiscal year.

2. Summary of accounting procedures

The merger is accounted for using accounting standards for business combinations, applying to transactions under common control, based upon "Accounting Standard for Business Combinations" (Accounting Standards issued on October 31, 2003 by the Business Accounting Council in Japan) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Financial Accounting Standards Implementation Guidance No. 10 issued on December 27, 2005).

PER SHARE DATA

	FY 2006	FY 2007
Shareholders' equity per share (yen)	¥229.88	¥268.02
Net income per share - primary (yen)	54.36	27.31
Net income per share - diluted (yen)	50.71	26.62

The Company conducted the three-for-one share split of the Company's common stock on January 5, 2006.

Per share data for the FY2006 were calculated supposing the share split as conducted at the beginning of the fiscal year.

Basic data for computation of the per share data

1. Net income (in millions of yen)	57,550	28,815
2. Net income allocated to common stock outstanding (in millions of yen)	57,325	28,815
3. Amounts not allocated to shareholders (in millions of yen)	224	-
4. Weighted average number of common stock outstanding during each fiscal year (unit: shares)	1,054,478,501	1,055,264,814
5. Adjustment for net income used to calculate net income per share - diluted (in millions of yen)	370	1,520
6. Increase of common stock used to calculate net income per share - diluted (unit: shares)	83,390,701	84,391,085
7. Residual securities which does not dilute net income per share:	Stock acquisition rights Agreement on June 22, 2005	Stock acquisition rights Agreement on June 22, 2005

Significant Subsequent Event

Issuance of Straight-Bond

The Company issued the following straight-bond on April 26, 2007.

- | | |
|---------------------------------------|---------------------------------------|
| 1. Issuance name | Twenty fourth Unsecured Straight-Bond |
| 2. Proposed aggregate amount of issue | 20 billion yen |
| 3. Face value of issue | 100yen per face value of 100yen |
| 4. Interest rate | 2.72% per year |
| 5. Maturity date | April, 26, 2010 |
| 6. Use of proceeds | Refinance of interest bearing debts |