OFFERING MEMORANDUM | STRICTLY CONFIDENTIAL

SoftBank

SoftBank Corp.

$2,485,000,000 4½% Senior Notes due 2020

€625,000,000 4⅝% Senior Notes due 2020

SoftBank Corp. is offering $2,485,000,000 aggregate principal amount of its 4½% Senior Notes due 2020 (the "Dollar Notes") and €625,000,000 aggregate principal amount of its 4⅝% Senior Notes due 2020 (the "Euro Notes" and together with the Dollar Notes, the "Notes"). The maturity date of the Notes is April 15, 2020. We will pay interest on the Notes semi-annually on April 15 and October 15 of each year, commencing October 15, 2013.

The Notes will be general senior unsecured obligations of SoftBank Corp. They will rank equally in right of payment with all of SoftBank Corp.'s existing and future unsecured senior debt and will be senior in right of payment to any of its future subordinated indebtedness. The Notes will be guaranteed (the "Note Guarantees") by certain of our subsidiaries (the "Note Guarantors"). Each Note Guarantee by a Note Guarantor will rank equally with all existing and future senior indebtedness of the Note Guarantor. The Notes and Note Guarantees will be effectively subordinated to our existing and future secured indebtedness and structurally subordinated to the indebtedness of our subsidiaries that are not providing a Note Guarantee. For a more detailed description of the Notes and the Note Guarantees, see "Description of the Notes".

At any time we may redeem all or part of the Notes by paying a "make-whole" premium as set forth in this offering memorandum. We may also redeem the Notes upon certain changes in tax laws. In the case of a change of control triggering event, we may be required to make an offer to purchase the Notes.

Approval in-principle has been received for the listing of the Notes on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or information contained in this offering memorandum. Admission of the Notes to the official list of the SGX-ST and quotation of the Notes on the SGX-ST are not to be taken as an indication of the merits of the offering, us, our subsidiaries or associated companies (if any) or the Notes. Currently, there is no public market for the Notes.

The Notes and the Note Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any other jurisdiction. The Notes are being offered and sold only to (1) qualified institutional buyers ("QIBs") (as defined in Rule 144A under the U.S. Securities Act) and (2) non-U.S. persons outside the United States in compliance with Regulation S under the U.S. Securities Act. See "Notice to Investors" for additional information about eligible offerees and transfer restrictions.

Investing in the Notes involves a high degree of risk. See "Risk Factors" beginning on page 22.

Dollar Notes Issue Price: 100% plus accrued interest from the issue date.

Euro Notes Issue Price: 100% plus accrued interest from the issue date.

We expect that the Notes will be made ready for delivery, in book-entry form on or about April 23, 2013, against payment in immediately available funds.

Sole Global Coordinator

Deutsche Bank

Joint Bookrunners for the Dollar Notes

Deutsche Bank | **BofA Merrill Lynch**

Crédit Agricole CIB | **Mizuho Securities** | **Morgan Stanley** | **Nomura**

Joint Bookrunners for the Euro Notes

Deutsche Bank | **Crédit Agricole CIB** | **Mizuho Securities** | **Nomura**

The date of this offering memorandum is April 18, 2013.

IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

Neither we nor any of Deutsche Bank Securities Inc., Deutsche Bank AG, London Branch, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Crédit Agricole Corporate and Investment Bank, Mizuho Securities USA, Inc., Mizuho International plc, Morgan Stanley & Co. LLC, Nomura International plc, and Nomura Securities International, Inc. (the "Initial Purchasers") have authorized any other person to provide you with information different or inconsistent from what is included in this offering memorandum. If anyone provides you with different or inconsistent information, you should not rely on it.

The information in this offering memorandum is current only as of the date on the cover, and our business or financial condition and other information in this offering memorandum may change after that date. You should not consider any information in this offering memorandum to be legal, business, accounting or tax advice. You should consult your own attorney, business advisor, accountant and tax advisor for legal, business, accounting and tax advice regarding an investment in the Notes. In making an investment decision, you must rely on your own examination of our business and the terms of this offering and the Notes, including the merits and risks involved.

If you purchase the Notes, you will be deemed to have made certain acknowledgements, representations and warranties as detailed under "Notice to Investors". You may be required to bear the financial risk of an investment in the Notes for an indefinite period. Neither we nor the Initial Purchasers are making an offer to sell the Notes in any jurisdiction where the offer and sale of the Notes is prohibited. We do not make any representation to you that the Notes are a legal investment for you. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose.

Each prospective purchaser of the Notes must comply with all applicable laws and rules and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the Initial Purchasers shall have any responsibility therefor.

We have prepared this offering memorandum solely for use in connection with the offer of the Notes to qualified institutional buyers under Rule 144A under the U.S. Securities Act and outside the United States to persons other than U.S. persons in accordance with Regulation S under the U.S. Securities Act. You agree that you will hold the information contained in this offering memorandum and the transactions contemplated hereby in confidence. You may not distribute this offering memorandum to any person, other than a person retained to advise you in connection with the purchase of the Notes.

None of the Initial Purchasers represent or warrant that the information herein is accurate or complete. By receiving this document you acknowledge that (i) you have not relied on the Initial Purchasers, any U.S. selling agent or any of their affiliates in connection with your investigation of the accuracy of the information in this document or your investment decision and (ii) no person has been authorized to give any information or make any representation concerning us or the Notes offered hereby other than as contained herein and, if given or made, such other information or representation should be not be relied upon as having been authorized by us, any Initial Purchaser or any U.S. selling agent or any of their affiliates.

We reserve the right to withdraw this offering of the Notes at any time. We and the Initial Purchasers may reject any offer to purchase the Notes in whole or in part, sell less than the entire principal amount of the Notes offered hereby or allocate to any purchaser less than all of the Notes for which it has subscribed.

IN CONNECTION WITH THIS OFFERING DEUTSCHE BANK AG, LONDON BRANCH (THE ''STABILIZING MANAGER'') (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF A STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

The Notes have not been, and will not be, registered under the U.S. Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred except to (i) QIBs in reliance on an exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A under the U.S. Securities Act or (ii) persons other than U.S. persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act. **You are hereby notified that sellers of the Notes may be relying on an exemption from the registration provisions of Section 5 of the U.S. Securities Act provided by Rule 144A under the U.S. Securities Act.**

In connection with the Notes being offered in the United States to QIBs in reliance on an exemption from registration provided by Rule 144A, this offering memorandum is being furnished in the United States on a confidential basis solely for the purpose of enabling prospective investors to consider the purchase of the Notes. Its use for any other purpose in the United States is not authorized.

The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "FIEA"), and are subject to the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended) (the "Special Taxation Measures Act"). The Notes may not be offered or sold in Japan, to any person resident in Japan, or to others for reoffering or resale directly or indirectly in Japan, or to a person resident in Japan, for Japanese securities law purposes (including any corporation or other entity organized under the laws of Japan) except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan.

In addition, the Notes are not, as part of the initial distribution by the Initial Purchasers at any time, to be directly or indirectly offered or sold to, or for the benefit of, any person other than a gross recipient, except as specifically permitted under the Special Taxation Measures Act. A "gross recipient" for this purpose is (i) a beneficial owner that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the issuer of the Notes as described in Article 6, Paragraph 4 of the Special Taxation Measures Act, (ii) a Japanese financial institution or financial instruments business operator as designated in Article 3-2-2, Paragraph 29 of the Cabinet Order (Cabinet Order No. 43 of 1957, as amended) relating to the Special Taxation Measures Act that will hold Notes for its own proprietary account or (iii) an individual resident of Japan or a Japanese corporation whose receipt of interest on the Notes will be made through a payment handling agent in Japan as defined in Article 2-2, Paragraph 2 of the Cabinet Order. **By subscribing for the Notes, an investor will be deemed to have represented that it is a gross recipient.**

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE, CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO CERTAIN EUROPEAN INVESTORS

United Kingdom. This offering memorandum is directed solely at persons who (i) are outside the United Kingdom, (ii) are investment professionals, as such term is defined in Article 19(5) of the Financial Promotion Order, (iii) are persons falling within Article 49(2)(a) to (d) of the Financial Promotion Order, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this offering memorandum or any of its contents.

Italy. None of this offering memorandum or any other documents or materials relating to the Notes have been or will be submitted to the clearance procedure of the *Commissione Nazionale per le Società e la Borsa* ("CONSOB"). Therefore, the Notes may only be offered or sold in the Republic of Italy ("Italy") pursuant to an exemption under article 101-bis, paragraph 3-bis, of the Legislative Decree No. 58 of 24 February 1998, as amended (the "Financial Services Act") and article 35-bis, paragraph 3, of CONSOB Regulation No. 11971 of 14 May 1999, as amended. Accordingly, the Notes are not addressed to, and neither the offering memorandum nor any other documents, materials or information relating, directly or indirectly, to the Notes can be distributed or otherwise made available (either directly or indirectly) to any person in Italy other than to qualified investors (*investitori qualificati*) pursuant to article 34-ter, paragraph 1, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, acting on their own account.

Switzerland. The Notes offered hereby are being offered in Switzerland on the basis of a private placement only. This offering memorandum does not constitute a prospectus within the meaning of Art. 652A of the Swiss Federal Code of Obligations.

The Netherlands. The Notes (including rights representing an interest in each global note that represents the Notes) may not be offered or sold to individuals or legal entities in The Netherlands unless a prospectus relating to the offer is available to the public which is approved by the Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*) or by a supervisory authority of another member state of the European Union (the "EU"). Article 5:3 Financial Supervision Act (the "FSA") and article 53 paragraph 2 and 3 Exemption Regulation FSA provide for several exceptions to the obligation to make a prospectus available such as an offer to qualified investors within the meaning of article 5:3 FSA.

Austria. This offering memorandum has not been or will not be approved and/or published pursuant to the Austrian Capital Markets Act (*Kapitalmarktgesetz*) as amended. Neither this offering memorandum nor any other document connected therewith constitutes a prospectus according to the Austrian Capital Markets Act and neither this offering memorandum nor any other document connected therewith may be distributed, passed on or disclosed to any other person in Austria. No steps may be taken that would constitute a public offering of the Notes in Austria and the offering of the Notes may not be advertised in Austria. Any offer of the Notes in Austria will only be made in compliance with the provisions of the Austrian Capital Markets Act and all other laws and regulations in Austria applicable to the offer and sale of the Notes in Austria.

Germany. The Notes may be offered and sold in Germany only in compliance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) as amended, the Commission Regulation (EC) No. 809/2004 of April 29, 2004, as amended, or any other laws applicable in Germany governing the issue, offering and sale of securities. The offering memorandum has not been approved under the German Securities Prospectus Act or the Directive 2003/71/EC and accordingly the Notes may not be offered publicly in Germany.

France. This offering memorandum has not been prepared in the context of a public offering in France within the meaning of Article L. 411-1 of the *Code monétaire et financier* and Title I of Book II of the *Règlement Général de l'autorité des marchés financiers* (the "AMF") and therefore has not been submitted for clearance to the AMF. Consequently, the Notes may not be, directly or indirectly, offered or sold to the public in France, and offers and sales of the Notes will only be made in France to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*) and/or to qualified investors (*investisseurs qualifiés*) and/or to a closed circle of investors (*cercle restreint d'investisseurs*) acting for their own accounts, as defined in and in accordance with Articles L.411-1, L.411-2, D.411-1, D.411-4, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*. Neither this offering memorandum nor any other offering or marketing materials relating to the Notes may be made available or distributed in any way that would constitute, directly or indirectly, an offer to the public in France.

Prospective investors should note that:

- this offering memorandum has not been and will not be submitted for clearance to the AMF;
- in compliance with articles L.411-2, D.411-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*, any investors subscribing for the Notes should be acting for their own account; and
- the direct and indirect distribution or sale to the public of the Notes acquired by them may only be made in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

Spain. This offering has not been registered with the *Comisiòn Nacional del Mercado de Valores* and therefore the Notes may not be offered, sold or distributed in Spain by any means, except in circumstances which do not qualify as a public offer of securities in Spain in accordance with article 30 bis of the Securities Market Act ("*Ley 24/1988, de 28 de julio del Mercado de Valores*") as amended and restated, or pursuant to an exemption from registration in accordance with article 41 of the Royal Decree 1310/2005 ("*Real Decreto 1310/2005, de 4 de noviembre por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisi´on a negociaci´on de valores en mercados secundarios oficiales, de ofertas p´ublicas de venta o suscripci´on y del folleto exigible a tales efectos*").

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements. In some cases these forward-looking statements can be identified by the use of terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "forecast", "guidance", "may", "plan", "potential", "predict", "projected", "should", or "will" or, in each case, the negative of such terms, or other variations or comparable terminology. Forward-looking statements appear in a number of places throughout this offering memorandum and include, but are not limited to, statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industries in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this offering memorandum. In addition, even if our results of operations, financial condition and liquidity, and the development of the industries in which we operate are consistent with the forward-looking statements contained in this offering memorandum, such results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- We face intense competition, including from competitors with greater resources than we possess and such competition may intensify.
- Security breaches and illegal or inappropriate use of our services could adversely affect our reputation and expose us to claims from customers and penalties from authorities.
- Any adverse conditions in the economy could adversely affect us.
- Fluctuations in currency exchange rates may have a negative impact on our results of operations presented in Japanese yen.
- A downgrade of our credit ratings could have a negative effect on us.
- The acquisition of other companies, businesses or technologies could result in operating difficulties, dilution or other harmful consequences.
- We may have to recognize charges on our statements of income due to the impairment of goodwill or other intangible assets or investments in equity method affiliates.
- We are dependent on the telecommunications lines and facilities of other companies in certain circumstances and could be materially and adversely affected if our access was restricted or terminated or if related utilization or connection fees were increased.
- We depend on the satisfactory performance of our network systems and sufficient bandwidth to operate our telecommunications services.
- Fast-paced innovations in technology and business models, as well as alternatives, may make our services, technology or business models obsolete.

- There can be no assurance that the expected benefits of the Sprint Acquisition (as defined below) will be realized.

We urge you to read the sections of this offering memorandum entitled “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” for a more complete discussion of the factors that could affect our future performance and the industries in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this offering memorandum may not occur.

We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements above and contained elsewhere in this offering memorandum.

AVAILABLE INFORMATION

For so long as any of the Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are neither subject to Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Trustee (as defined herein) for delivery to such holder, beneficial owner, prospective purchaser or Trustee, in each case upon the request of such holder, beneficial owner, prospective purchaser or Trustee, the information required to be provided by Rule 144A(d)(4) under the U.S. Securities Act.

Additionally, for so long as any of the Notes remain outstanding, the latest annual report (containing both consolidated and non-consolidated audited financial statements of SoftBank Corp.), a copy of the latest consolidated semi-annual unaudited financial statements, a copy of the latest quarterly information, a copy of the indenture and a copy of the status of SoftBank Corp. will be available at the specified offices of the paying agents.

ENFORCEMENT OF CIVIL LIABILITIES

We are a limited-liability company (*kabushiki kaisha*) established under the laws of Japan. The majority of our directors and most of our management reside in Japan, and a substantial portion of our assets and the assets of such persons are located in Japan. As a result, it may not be possible for investors to effect service of process within the United States upon us or such persons, or to enforce against us or such persons judgments obtained in U.S. courts in actions such as those predicated upon the civil liability provisions of U.S. federal or state securities laws. We have been advised by our Japanese counsel, Mori Hamada & Matsumoto, that there is doubt as to the enforceability in Japan, in original actions or in actions for enforcement of judgments of U.S. courts brought before Japanese courts, of liabilities predicated solely upon U.S. federal or state securities laws.

CERTAIN DEFINITIONS

In this offering memorandum, unless the context otherwise requires, references to the “Company” refer to SoftBank Corp., and references to “we”, “our”, “us”, “SoftBank” and the “SoftBank Group” refer to the Company, its consolidated subsidiaries and equity method non-consolidated subsidiaries and affiliates, as the context requires. References to “Sprint” are to Sprint Nextel Corporation and its consolidated subsidiaries, as the context requires.

Unless otherwise noted, the mobile communications market of Japan comprises SoftBank Mobile, eAccess, NTT DoCoMo and KDDI and excludes PHS operator Willcom.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

We have obtained information or other statements presented in this offering memorandum regarding market share and industry data relating to our business from industry publications and from surveys or studies conducted by third-party sources that we believe to be reliable providers of industry data, including the Japanese Ministry of Internal Affairs and Communications (the “MIC”). Although we believe that this information is reliable, neither we nor the Initial Purchasers can guarantee the accuracy or completeness of the information and neither we nor the Initial Purchasers has independently verified it. In addition, in many cases we have made statements in this offering memorandum regarding our industries and our position in these industries based on our experience and our own investigation of market conditions. We cannot assure you that any of these assumptions are accurate or correctly reflect our position in these industries, and none of our internal surveys or information has been verified by any independent sources.

The consolidated financial statements, selected financial information and other financial data included in this offering memorandum are presented in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"). Japanese GAAP differs in certain respects from accounting principles generally accepted in other countries. Certain significant differences between Japanese GAAP, U.S. GAAP and International Financial Reporting Standards ("IFRS") are disclosed herein under "Summary of Certain Significant Differences Between Japanese GAAP, U.S. GAAP and IFRS". From the first quarter of the fiscal year ending March 31, 2014, we will report our consolidated financial statements in accordance with IFRS. We expect that our financial condition and results of operations as reported under IFRS will have certain material differences from our financial condition and results of operations as reported under Japanese GAAP. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Certain Anticipated Effects of Voluntary Adoption of IFRS" and "Risk Factors—Risks Relating to Our Business—Our switch from the Japanese GAAP accounting standard to IFRS may lead to material differences in the preparation and presentation of our future financial results and make comparisons to prior years' results more difficult."

Our annual consolidated financial statements are audited by our independent auditors. Our audited consolidated financial statements, including the notes thereto, as of and for the fiscal years ended March 31, 2010, 2011 and 2012 and our unaudited interim consolidated financial statements as of and for the nine months ended December 31, 2011 and 2012, as well as selected unaudited information as of and for the 12 months ended December 31, 2012, are contained elsewhere in this offering memorandum. Statement of operations and statement of cash flows information for the 12 months ended December 31, 2012 are derived from our unaudited interim consolidated financial statements for the nine months ended December 31, 2011 and 2012 and our audited consolidated financial statements for the fiscal year ended March 31, 2012.

Except as otherwise indicated, all financial information with respect to us presented in this offering memorandum is presented on a consolidated basis.

In preparing the consolidated financial statements included elsewhere in this offering memorandum, certain reclassifications and rearrangements have been made to our consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. Where information is presented in trillions, billions, millions or other stated amounts, amounts of less than the stated amount have been rounded. As a result, certain numerical figures shown in tables in this offering memorandum may not be exact arithmetic aggregations of the figures that precede them. All percentages have been rounded to the nearest one tenth of one percent or one hundredth of one percent, as the case may be.

The conventions presented in this "Presentation of Financial and Other Information" do not apply to Sprint's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 included elsewhere in this offering memorandum. Sprint is not a guarantor of the Notes and this offering is not contingent on the consummation of the Sprint Acquisition (as defined herein).

The consolidated financial statements of Sprint and Clearwire Corporation included in Sprint's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 were prepared under U.S. GAAP, which differs in certain significant respects from Japanese GAAP. See "Summary of Certain Significant Differences Between Japanese GAAP, U.S. GAAP and IFRS". Accordingly, the financial statements of Sprint and Clearwire Corporation are not directly comparable to our consolidated financial statements included elsewhere in this offering memorandum. In addition, from the first quarter of the fiscal year ending March 31, 2014, we will report our consolidated financial statements in accordance with IFRS, and thus after the Sprint Acquisition we will consolidate Sprint's financial results prepared under IFRS. Such financial results of Sprint prepared under IFRS may differ materially in their impact on us as compared to Sprint's financial results prepared under U.S. GAAP.

We did not prepare, nor did we have any role in the preparation of, Sprint's Annual Report on Form 10-K, which was prepared by Sprint management for the purpose of complying with Sprint's reporting requirements under U.S. securities laws. No information filed or furnished with, or incorporated by reference in, Sprint's Annual Report on Form 10-K is part of this offering memorandum.

Except as otherwise indicated, references to fiscal years are to the fiscal year beginning on April 1 of the year indicated. For example, the fiscal year ended March 31, 2013 may be referred to herein as fiscal year 2012.

TRADEMARKS

SoftBank owns or has rights to use the trademarks, service marks and trade names that SoftBank uses in conjunction with the operation of its business. One of the more important trademarks that SoftBank owns that appears in this offering memorandum is "SoftBank", which is registered in Japan and registered and/or pending registration in other jurisdictions, as appropriate to the needs of the relevant business. Each trademark, trade name or service mark of any other company appearing in this offering memorandum is the property of its respective owner.

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

In this offering memorandum:

- "¥" or "yen" means Japanese yen;
- "€" or "euros" means the single currency of the participating member states in the third stage of European economic and monetary union of the Treaty Establishing the European Community, as amended from time to time; and
- "$", "U.S. dollars" or "dollars" means the lawful currency of the United States.

Solely for your convenience, this offering memorandum contains translations of certain yen amounts into dollar amounts. Unless otherwise indicated, yen amounts other than for market capitalization have been translated into dollars at the rate of ¥86.58 = $1.00 and from euros at the rate of ¥114.71 = €1, and yen amounts for market capitalization have been translated into dollars at the rate of ¥94.05 = $1.00, the approximate rates of exchange based on the average of buying and selling rates of telegraphic transfers from The Bank of Tokyo-Mitsubishi UFJ, Ltd. as of 10:00 a.m. (Tokyo time), prevailing as of December 28, 2012 and March 31, 2013, respectively. However, these translations should not be construed as representations that the yen amounts have been, could have been or could be converted into dollars at those or any other rates.

The following table sets forth, for each period indicated, certain information concerning the exchange rates of Japanese yen for dollars, expressed in yen per $1.00, based on the average of buying and selling rates of telegraphic transfers from The Bank of Tokyo-Mitsubishi UFJ, Ltd. as of 10:00 a.m. (Tokyo time) on each business day during the periods indicated. The rates below may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this offering memorandum. Our inclusion of these exchange rates is not meant to suggest that yen amounts actually represent such dollar amounts or that such amounts could have been converted into dollars at any particular rate, if at all.

	¥ per $1.00			
Fiscal year ended March 31,	**High**	**Low**	**Average**	**Period end**
2009	¥110.29	¥ 87.45	¥100.71	¥ 98.23
2010	100.77	86.30	92.89	93.04
2011	94.40	79.34	85.74	83.15
2012	85.44	75.98	79.08	82.19
2013	96.45	77.60	82.91	94.05
Calendar Year 2012				
April	¥ 83.20	¥ 80.55	¥ 81.55	¥ 81.19
May	80.40	78.92	79.75	78.92
June	80.43	78.15	79.30	79.31
July	79.97	78.05	79.02	78.17
August	79.59	78.05	78.68	78.60
September	78.88	77.60	78.17	77.60
October	80.26	77.95	78.98	79.66
November	82.63	79.51	80.89	82.12
December	86.58	81.92	83.64	86.58
Calendar Year 2013				
January	¥ 91.14	¥ 87.15	¥ 89.24	¥ 91.14
February	94.26	91.75	93.23	92.51
March	96.45	92.67	94.83	94.05
April (through April 17)	99.67	92.91	96.99	97.99

Source: The Mitsubishi UFJ Research and Consulting Co., Ltd.

SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information and financial statements contained elsewhere in this offering memorandum. Certain capitalized terms used but not defined in this summary are used herein as defined elsewhere in this offering memorandum. Prospective investors should carefully consider the information set forth under the caption "Risk Factors", and all other information in this offering memorandum, prior to making an investment in the Notes.

Overview

We are Japan's second largest mobile communications company in terms of subscribers with over 41.9 million subscribers as of March 31, 2013, including 32.5 million subscribers from SoftBank Mobile Corp. ("SoftBank Mobile"), 4.3 million subscribers from eAccess Ltd. ("eAccess") and 5.1 million PHS subscribers from Willcom Inc. ("Willcom"). Our Mobile Communications segment generates the majority of our revenues and has seen consistent year-over-year increases in mobile subscribers and market share since we entered the mobile communications business by acquiring Vodafone Japan in April 2006. We were the first company to offer the *iPhone* in Japan, which transformed the Japanese smartphone market, and we continue to promote smartphone-based strategies ahead of our competitors. We also engage in a variety of businesses that are complementary with our mobile communications business, including broadband infrastructure, fixed-line telecommunications and internet culture businesses. On October 15, 2012, we entered into an agreement to acquire an approximately 70% interest in Sprint (the "Sprint Acquisition Agreement"), the third largest wireless operator in the United States in terms of subscribers. The Sprint Acquisition, which we expect to close on July 1, 2013, will position the SoftBank Group as one of the largest mobile communications companies in the world in terms of revenue. See "The Sprint Acquisition".

Our net sales for the fiscal years ended March 31, 2010, 2011 and 2012 were ¥2.8 trillion ($31.9 billion), ¥3.0 trillion ($34.7 billion) and ¥3.2 trillion ($37.0 billion), respectively, and our net sales for the 12 months ended December 31, 2012 were ¥3.3 trillion ($38.3 billion). EBITDA for the fiscal years ended March 31, 2010, 2011 and 2012 was ¥788 billion ($9.1 billion), ¥931 billion ($10.8 billion) and ¥1,014 billion ($11.7 billion), respectively, and EBITDA for the 12 months ended December 31, 2012 was ¥1,128 billion ($13.0 billion).

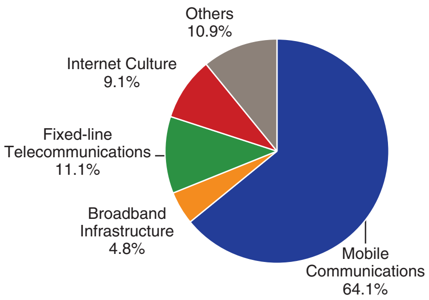
We are listed on the Tokyo Stock Exchange and, as of March 31, 2013, we had a market capitalization of ¥5.2 trillion, or $55.0 billion.

Our business segments are:

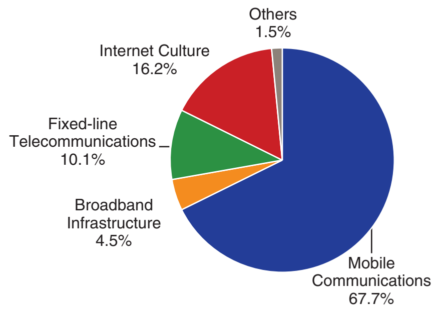
- *Mobile Communications*. Provision of mobile communications services and sales of handsets, including smartphones;
- *Broadband Infrastructure*. Provision of ADSL high-speed broadband internet connection services, ISP services, IP telecommunications services, wireless LAN services and other operations;
- *Fixed-line Telecommunications*. Provision of fixed-line telephone services and data transmission and cloud computing services, network services and other related services;
- *Internet Culture*. Provision through our consolidated subsidiary Yahoo Japan Corporation ("Yahoo Japan") of internet-based advertising, management and operation of internet-based auction and other businesses, including those under the *Yahoo!* brand, such as *Yahoo! Auction* and *Yahoo! Shopping*, as well as provision of membership and other related services; and
- *Other*. Various businesses including the distribution of information technology-related products and services, businesses related to the Fukuoka SoftBank HAWKS, a Japanese professional baseball team and other various internet-related businesses.

Our Mobile Communications segment generated 59.6%, 62.4% and 64.2% of our net sales and 63.4%, 65.9% and 66.8% of EBITDA for the fiscal years ended March 31, 2010, 2011 and 2012, respectively. The percentage of net sales and EBITDA for the 12-month period ended December 31, 2012 attributable to each of our business segments is detailed below:

LTM net sales breakdown



LTM EBITDA breakdown



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(1) Does not include eliminations from intra-group sales.

As of March 31, 2012, we had 133 consolidated subsidiaries, three equity method non-consolidated subsidiaries and 71 equity method affiliates.

- As of March 31, 2012, we held a 42.2% stake in Yahoo Japan. Yahoo Japan is a consolidated subsidiary with a market capitalization of ¥2.5 trillion ($26.8 billion) as of March 31, 2013.
- GungHo—an online game company with a focus on mobile and PC games, with hit games such as *Puzzle & Dragons*, one of Japan’s top mobile games—is our consolidated subsidiary from April 1, 2013. It was treated as our equity method affiliate through the end of the fiscal year ended March 31, 2013. GungHo Online Entertainment, Inc. (“GungHo”) is listed on JASDAQ and, as of March 31, 2013, had a market capitalization of ¥456 billion ($4.8 billion).
- We also held 31.9% of the voting rights of Alibaba Group Holding Limited (“Alibaba”), the largest e-commerce company by transaction volume in China and our equity method affiliate, as of December 31, 2011. Alibaba repurchased 523 million, or approximately 20%, of its shares from Yahoo! Inc. at $13.5414 per share on September 18, 2012.
- Renren Inc. (“Renren”), China’s largest real-name social network services (SNS) site with approximately 178 million active user accounts as of December 2012, is another of our equity method affiliates and is listed on the New York Stock Exchange (“NYSE”) with a market capitalization of $1.1 billion (¥102 billion) as of March 31, 2013.

Strengths

Second Largest Mobile Communications Company in Japan—One of the Largest and Most Attractive Mobile Communications Markets in the World

We are Japan’s second largest mobile communications company in terms of mobile subscribers with over 41.9 million subscribers as of March 31, 2013, including mobile subscribers from SoftBank Mobile and eAccess, as well as PHS subscribers from Willcom. The table below depicts the total number of mobile communications subscribers and the corresponding market share attributable to the SoftBank Group as of March 31, 2013:

	As of March 31, 2013	
	Number of subscribers (millions)	**Market share (%)[1]**
SoftBank Mobile[2]	32.5	23.0
eAccess[3]	4.3	3.1
Willcom[4]	5.1	3.6
Total	41.9	29.7

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(1) Percentage of market share represents percentage of market share attributable to each of SoftBank Mobile, eAccess and Willcom compared to total market subscribers from NTT DoCoMo, KDDI, SoftBank Mobile, eAccess and Willcom.

(2) We define total subscribers for our Mobile Communications segment as total subscribers for SoftBank Mobile.

(3) We own 99.59% of the economic interest and 33.29% of the voting interests of eAccess which was treated as an equity-method affiliate as of January 1, 2013 under Japanese GAAP but will be reported as our consolidated subsidiary under IFRS. We will report our financial results under IFRS from the first quarter of the fiscal year ending March 31, 2014. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Certain Anticipated Effects of Voluntary Adoption of IFRS".

(4) We own 100% of the shares of Willcom as part of its ¥41 billion ($474 million) court-administered corporate reorganization plan. Willcom remains under court administration and we do not consolidate it as a subsidiary or consider it an equity method affiliate. We provide financial support to Willcom while it is completing its corporate reorganization plan. See "—Certain Contingent Liabilities—Ongoing Financial Support for Willcom". The figure indicates the number of subscribers to PHS services offered by Willcom. See "Business—Strengths—Proven Record of Turning Around Acquired Businesses" below.

Japan is one of the most technologically advanced mobile communications markets in the world and is the third-largest globally, with revenue estimated to be worth approximately $83 billion as of December 31, 2012, according to IDC Worldwide Black Book Query Tool, Version 4, 2012. We are one of only three major players in the Japanese telecommunications market and have also benefitted and continue to benefit from favorable dynamics in the Japanese market, which promotes the growth and adoption of new technologies. For instance, Japan was one of the first countries to launch 3G and LTE mobile telecommunications networks, in 2001 and 2010, respectively.

We have benefitted from certain unique aspects of the Japanese mobile communications market—more than 99% of mobile telecommunication service subscribers in Japan are postpaid subscribers, with relatively low levels of churn and high average monthly revenue per user ("ARPU"). The increasing use of higher-value, advanced services demanded by postpaid customers causes us to remain innovative. There are also ample opportunities for growth, as Japan has one of the lowest mobile penetration rates among advanced industrial economies. As of March 31, 2012, smartphone penetration stands at 23% of the mobile handset market, but is rapidly increasing, and smartphones are expected to represent over 70% of total handsets sold in the fiscal year ended March 31, 2013. See "Market and Industry—Japanese Mobile Market". Our position as one of the three major network operators in Japan and the second largest in terms of SoftBank Group subscribers, along with our strong track record of using advanced and innovative service offerings to increase our market share and compete against our principal competitors, puts us in a unique position to take advantage of Japan's attractive telecommunications market.

Market-leading Growth Despite Strong Competitors

We are the fastest-growing mobile communications business operator in Japan in terms of total net subscriber additions since April 2006, demonstrating our success in competing with large, established incumbents. Our share of net subscriber additions was 48.0%, 40.8% and 45.0% in the fiscal years ended March 31, 2011, 2012 and 2013. Although our main competitors were well established when we acquired our mobile communications business from Vodafone Japan in April 2006, we have outgrown our competitors in terms of net subscriber additions for 67 out of the last 71 months, since we first achieved the most net subscriber additions among our competitors in May 2007. We believe that our substantial growth is due to powerful marketing and branding strategies, innovative products and network enhancement. Because we have significant experience investing in and operating internet companies, we were able to anticipate the mobile internet revolution and were the first company to offer the *iPhone* in Japan in 2008, which transformed the Japanese smartphone market. We continue to promote smartphone-based strategies ahead of our competitors.

We were the sole distributor of the *iPhone* in Japan from 2008 until October 2011 when KDDI CORPORATION ("KDDI") began sales of the *iPhone 4S*. Despite KDDI's entrance into the *iPhone* market, we have been able to maintain strong subscriber growth by executing marketing and network enhancement initiatives that further improved our service offerings, reduced churn rates and helped us maintain net subscriber addition momentum. This has included various sales promotions and campaigns for *iPhone,* in addition to efforts to enhance network performance and connectivity after we were allocated our new 900 MHz frequency band. We also successfully introduced the *iPad* and associated wireless broadband subscription offerings to the Japanese market. Additionally, we have introduced innovative pricing plans, including free in-network calls between SoftBank mobile subscribers. In this way, we have continuously differentiated ourselves from our competitors.

Additionally, our management's ability to foresee the arrival of the mobile internet era enabled us to recognize and capitalize on the need to off-load network traffic via Wi-Fi and positioned us to be the first mobile operator to broadly deploy Wi-Fi spots for mobile users in Japan. We have over 450,000 Wi-Fi spots as of March 2013, which is far more than any of our competitors. Our growing data ARPU, which has offset voice ARPU pressure and stabilized our total ARPU over the last five years, and our expanding subscriber base, attest to our ability to recognize new trends.

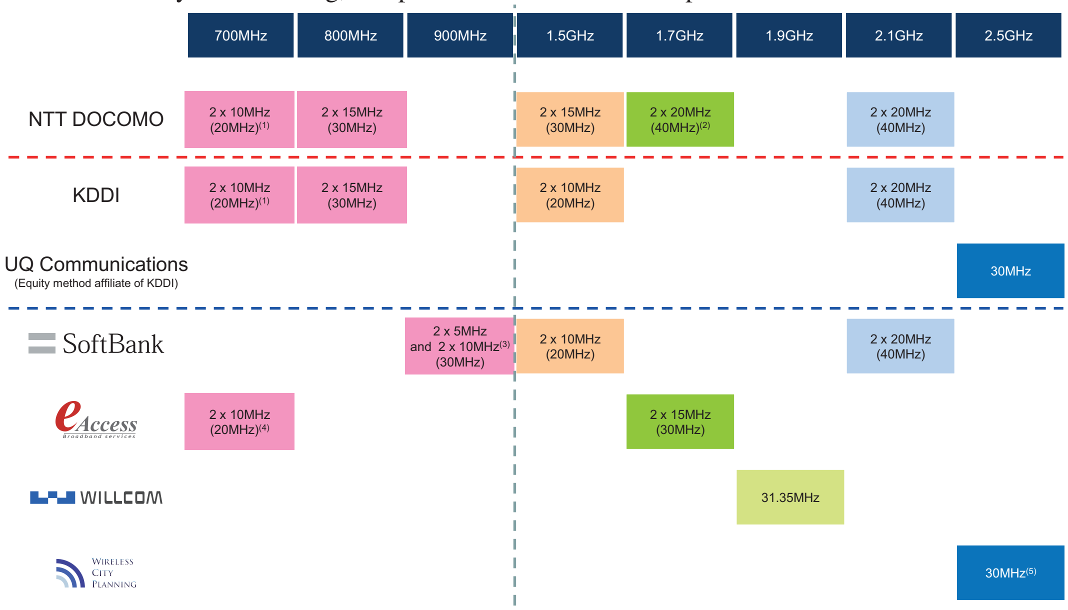
High-quality and Reliable Network

We believe that the quality of our mobile network is a key factor in acquiring and retaining mobile subscribers and have focused on maintaining and improving the quality and speed of our mobile communications network, especially our LTE network, and increasing network capacity to respond to the rapid rise in traffic attributable to increased penetration of smartphones and resultant increased data usage. We own and operate our own network, including base stations. Under the "SoftBank Network Enhancement Initiative", announced in March 2010, we have increased our number of base stations to approximately 199,000 as of February 2013, nearly ten times as many as we had when we acquired Vodafone Japan in April 2006. We have also increased access points for the *SoftBank Wi-Fi Spot* wireless LAN service to over 450,000 locations as of March 2013, far more than any of our competitors, which reduces the impact of traffic increases on our mobile communications network. Over the last five fiscal years, we have spent ¥1.7 trillion ($19.8 billion) in capital expenditures, primarily to expand and improve our network.

In March 2012, we were allocated 2x15 MHz in the 900 MHz band frequency, part of the so-called "platinum band", from the Japanese government. The "platinum band", consisting of radio frequency spectrum from 700 MHz to 900 MHz, is optimally suited for mobile communications services, with better propagation and penetration characteristics than some higher frequency spectrum, allowing the signal to cover wider areas and penetrate buildings and other obstacles. SoftBank Mobile started communications services using the 900 MHz band on July 25, 2012, with the aim of enhancing the coverage and quality of our wireless network. By carefully utilizing our spectrum allocations, we have been able to minimize significant service incidents to only one incident since June 2011 as compared to multiple such incidents at each of our competitors over the same period.

Since February 2012, we have been using the AXGP (TD-LTE compatible) network built by Wireless City Planning, Inc. ("Wireless City Planning") pursuant to an MVNO agreement to offer *SoftBank 4G*, with download speeds of up to 110 Mbps in Tokyo and other densely populated areas. In September 2012, we launched a high-speed data communication service, *SoftBank 4G LTE*, using FDD-LTE. We also have access to eAccess' 1.7 GHz band for purposes of the *iPhone 5* through a business alliance agreement, and we will work with eAccess to use its 700 MHz band, which benefits from the same optimal characteristics as the 900 MHz band, from December 2015, to further strengthen our high-speed mobile broadband network. We anticipate that enhanced network capabilities will help to accelerate the migration of subscribers to our services, and strengthen our competitive position relative to our major competitors.

SoftBank Mobile, eAccess, Willcom and Wireless City Planning have been allocated frequency spectrum bands as summarized by the following, compared to those of their competitors:



Note: Created by the Company based on published data current as of December 26, 2012
(1) Service to commence from January 2015 or after
(2) Available only in Tokyo, Nagoya, Osaka
(3) Service to commence from July 2014
(4) Service to commence from December 2015 or after
(5) 10MHz: Operation under restriction until the end of 2014 (indoor use only)

See “Business—Our Business Segments—Mobile Communications Segment—Our Mobile Communications Network” and “Business—Our Business Segments—Mobile Communications Segment—Our Spectrum Allocations” below for information on our network and the spectrum allocations to which we have access, including an overview of our spectrum sharing agreements with our affiliates.

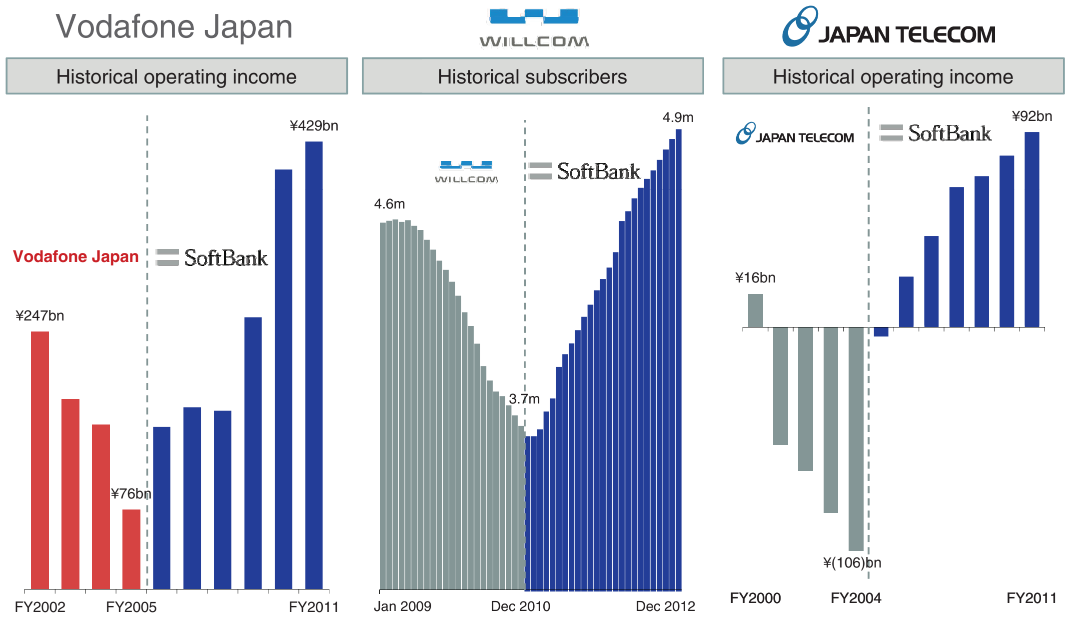
Proven Record of Turning Around Acquired Businesses

We have a proven track record of making significant acquisitions of struggling businesses and quickly returning them to growth and profitability. These group businesses have historically contributed to our cash generation and to the overall strength of the SoftBank Group. Prominent examples include our ¥143 billion ($1.7 billion) acquisition of Japan Telecom in July 2004 and our ¥1.75 trillion ($20.2 billion) acquisition of Vodafone Japan in April 2006. In December 2010, we acquired 100% of the shares of Willcom as part of its ¥41 billion ($474 million) court-administered corporate reorganization plan.

We entered the mobile communications market through our acquisition of Vodafone K.K. (“Vodafone Japan”) in April 2006. When we acquired Vodafone Japan (now SoftBank Mobile), it was experiencing business difficulties. Its mobile operating income had decreased significantly each consecutive year for the three fiscal years preceding the acquisition. Total mobile subscribers as of the end of March 2006 amounted to 15.2 million, which represented a market share of 16.6%, down from its March 2003 peak market share of 18.4%. We incurred significant debt in order to acquire Vodafone Japan, and, after the acquisition, we invested considerable capital to revitalize Vodafone Japan’s operations. We focused on sales and marketing, brand building, product expansion and network enhancement. Our strategy included launching a campaign to turn the “SoftBank” brand into a household name. At the same time, we reduced unnecessary costs that Vodafone Japan incurred, resulting in increased operating income, from the first fiscal year following the acquisition. Today, our Mobile Communications segment has approximately six times the operating income of Vodafone Japan at the time of the acquisition, growth which has been driven by consistent year-on-year increase in mobile subscribers and market share since April 2006 in addition to effective cost management. Total mobile subscribers attributable to our Mobile Communications segment, which we count as the total number of subscribers at SoftBank Mobile, totaled 32.5 million as of March 31, 2013, implying a market share (excluding PHS) of 23.9% of subscribers and representing a 7.3 percentage point increase in our market share from the date of the Vodafone Japan acquisition.

In December 2010, we purchased 100% of the outstanding shares of Willcom, a telecommunications company offering PHS handsets and services on a 1.9 GHz band after it entered corporate reorganization proceedings earlier the same year. Similar to our takeover of Vodafone Japan, we created a turn-around plan for Willcom, this time focusing on reinforcement of its sales force, expansion of handset lineup and introduction of new payment plans. Total subscribers attributable to Willcom as of March 31, 2013 amount to 5.1 million, representing a 37.8% increase from the 3.7 million subscribers Willcom had at the time of the acquisition.

Our track record of successfully acquiring, integrating and optimizing businesses is not limited to the mobile communications industry. We had similar success after our acquisition of Japan Telecom (now SoftBank Telecom Corp. (“SoftBank Telecom”)), a fixed-line telecommunications company, through our implementation of cost-effective and enterprise-focused management. Today, SoftBank Telecom is among the few fixed-line telecommunications companies in Japan that has experienced consistent growth.

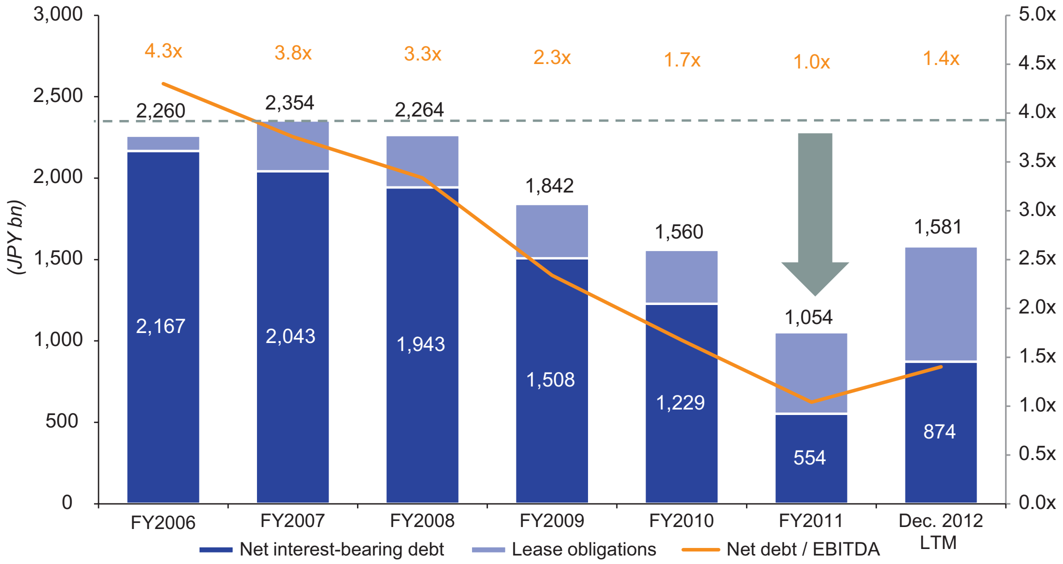


(1) Historical operating income of both Japan Telecom and SoftBank's fixed-line telecommunications business includes operating income attributable to our original broadband infrastructure business.

Strong Cash Flow Generation and Proven Record of Deleveraging

Our net interest-bearing debt, including lease obligations, to EBITDA ratio following the Vodafone Japan acquisition was 4.3x as of March 31, 2007. Through our successful efforts to turn around the business, coupled with our cost and capital expenditure-related discipline used to maximize efficiency, we were able to generate strong cash flows and to decrease our net interest-bearing debt, including lease obligations, to EBITDA ratio to 1.4x as of December 31, 2012. In doing so, we lowered our net interest-bearing debt, including lease obligations, by ¥0.7 trillion ($7.8 billion), from ¥2.3 trillion ($26.1 billion) as of March 31, 2007, the fiscal year in which the Vodafone Japan acquisition closed, to ¥1.6 trillion ($18.3 billion) as of December 31, 2012. Our EBITDA improved from ¥525 billion ($6.1 billion) for the fiscal year ended March 31, 2007 to ¥1,014 billion ($11.7 billion) for the fiscal year ended March 31, 2012. The improvement in our credit profile is reflected by the improvements in our corporate credit rating over time, reaching an investment grade rating in November 2011. As of the date of this offering memorandum, our current long-term bond ratings from Standard & Poor's Ratings Japan K.K. ("S&P"), Moody's Japan K.K ("Moody's") and Japan Credit Rating Agency ("JCR") are BBB, Baa3 and A, respectively, up from BB-, Ba3 and BBB following the Vodafone Japan acquisition. This reflects our long-term strategy of focusing on disciplined management, resulting in improved capital structure.

The following shows the change in our net interest-bearing debt, including lease obligations, since the acquisition of Vodafone Japan in 2006:



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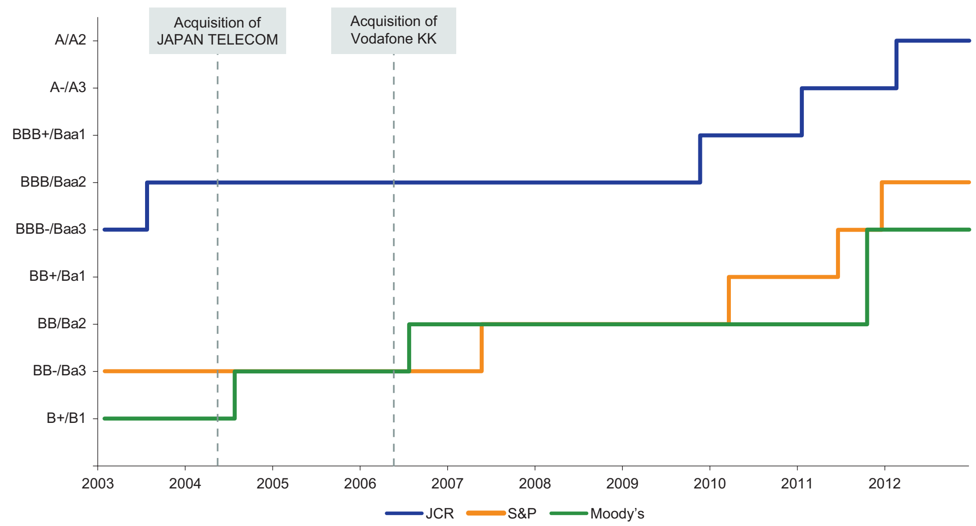
(1) The increase in leverage as of December 2012 (1.4x) is due to our ¥250 billion partial drawdown on the Bridge Loan for the purpose of investing $3.1 billion in Sprint, and a ¥85 billion lease increase due to the acquisition of Fukuoka Yafuoku! Dome, the home stadium for our Japanese professional baseball team.

The following table shows our corporate credit ratings over time.



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(1) These ratings are not recommendations to buy, sell or hold any of our securities, and are subject to revision or withdrawal at any time by the assigning rating agencies. These ratings are not indicative of future ratings or the rating to be assigned to the Notes. The rating assigned to the Notes should be evaluated independently of any other rating we may have received or may receive. Ratings are solely the responsibility of the assigning rating agencies. We did not participate in the preparation of these ratings, and we do not and cannot affirm the accuracy or suitability of any rating for any purpose.

(2) Following the announcement of the Sprint Acquisition, we are currently under review for possible downgrades pending the Sprint Acquisition by all three ratings agencies shown above. S&P issued a statement on March 29, 2013 stating that it intends to lower our credit rating to BB+ should the Sprint Acquisition close.

Market-Leading Internet Businesses

We have significant stakes in a variety of leading internet companies such as Yahoo Japan, the dominant search and portal site in Japan with an average of 51.0 billion monthly page views and 27.2 million active users in the three months ended December 31, 2012, Alibaba, the largest e-commerce company by transaction volume in China and Renren, China's largest real-name social network services (SNS) site with approximately 178 million active user accounts as of December 2012. GungHo, an online game company with a focus on mobile and PC games, recently became our consolidated subsidiary. GungHo's hit game *Puzzle & Dragons* is one of Japan's top mobile games.

Our internet-related businesses allow us to participate in and gather information on emerging market trends and, combined with our telecommunications operations, provide a strong platform for us to exploit synergies among all our business segments. By creating a conducive and synergistic environment for content vendors, we believe we can avoid becoming a commoditized service, the so-called "dumb pipe". We believe the combination of our mobile network assets and internet-related businesses create a platform that will enable us to continue to effectively compete with our principal competitors.

Experienced Management Team with an Exceptional History of Success

Our management team, in particular our founder, largest shareholder, chairman and CEO, Mr. Masayoshi Son, has significant experience in leading technology and telecommunications companies. This team has an established track record of transformation and growth-generation, as illustrated by the evolution of our group from a software distribution company to Japan's second largest mobile communications company.

Further, our management team focuses on innovative ideas and staying ahead of market trends. This has led to our successes in bringing smartphones to the Japanese market, setting trends in pricing plans and product offerings and identifying and leveraging synergies between our various business and investments. Our experienced team has demonstrated its ability to grow our business and continue to increase subscriber bases and revenues. We believe that the 30-year history of innovation in technology and internet services of our management team and, particularly, Mr. Son, is a true asset for SoftBank as we continue to execute our strategies.

Strategy

As a dynamic and growing mobile communications company, we seek to expand our business, maintain continued growth and profitability, and become the leader of mobile communications in Japan as well as one of the world's largest mobile communications companies. Specifically, we aim to pursue our goals through the following key strategies:

Maintain Innovation Leadership in Japan's Mobile Communications Market

In the fiscal year ended March 31, 2012, the SoftBank Group achieved the highest level of net sales, operating income and net income in our corporate history. These impressive results are primarily driven by strong performance of our Mobile Communications segment, where we have recorded a consistent year-on-year increase in market share since 2006. This progress is due to our innovative actions in anticipating the arrival of the mobile internet era at an early stage and promoting smartphone-based strategies ahead of our competitors. Our strategy of innovation also led us to offer simple and new pricing plans, and we have introduced to the market such plans as our in-network free calls and discount family options. We also work with handset manufacturers to ensure that our mobile handsets are at the cutting edge of design, particularly our range of specialized handsets and those offered for children featuring unique safety measures such as limited calling options, security buzzers and tracking systems built into the handsets.

Although Japan's mobile network speeds are among the fastest in the world, the relative number of active smartphone users still lags behind countries such as the United States, China, the United Kingdom and South Korea. We see this as a continuing opportunity for further sales of smartphones. We will also continue to improve our lineup of other handsets, accessories and mobile communications devices.

Further Enhance Speed and Reliability of Our Strong Network

We believe that the quality of our mobile network is a key factor in acquiring and retaining mobile subscribers. We intend to further enhance the depth and quality of our existing network and to expand our coverage in voice and data transmission through our "SoftBank Network Enhancement Initiative". Currently we are executing a plan to build over 40,000 base stations for our 900 MHz "platinum band" spectrum, for which we aim to achieve better penetration and faster speed in densely populated areas and wider area coverage in suburban areas. Our services in this band will utilize high-speed HSPA+ and FDD-LTE technologies. Combined with our services in the 1.5 GHz band, using DC-HSDPA, our services in the 2.1 GHz band, using HSPA and FDD-LTE, our services in the 2.5 GHz band, using TD-LTE-compatible AXGP, and our services in the 1.7 GHz band, using FDD-LTE, the completed 900 MHz "platinum band" build-out will make our mobile networks an even greater competitive strength. See "Business—Our Business Segments—Mobile Communications Segment—Our Mobile Communications Network".

Enter the U.S. Mobile Market

We have a track record of success in competing in mature markets with large incumbents and continue to look for new opportunities suited to our strengths, both in terms of product markets and geographic markets. We have entered into the Sprint Acquisition Agreement in order to capture growth by applying our successful management model and proven business best practices in the United States. See "The Sprint Acquisition". Like the Japanese mobile communications market, the U.S. mobile communications market is a highly concentrated, primarily postpaid market with two dominant service providers, significant smartphone penetration and relatively high data delivery speeds. As a result of these similarities, we are confident that we can successfully grow the Sprint business by deploying the innovations we introduced to Japan and by sharing and implementing the best practices identified by both companies. In addition, the combined subscriber base of 96 million subscribers in the United States and Japan, based on numbers from SoftBank Mobile, eAccess, Willcom and Sprint as of December 31, 2012, will provide us with significant costs savings through both economies of scale for the purchase and use of handset and network equipment, as well as increased leverage when negotiating with suppliers and the ability to obtain unique and differentiating features for our products.

Exploit Synergies Among Our Businesses

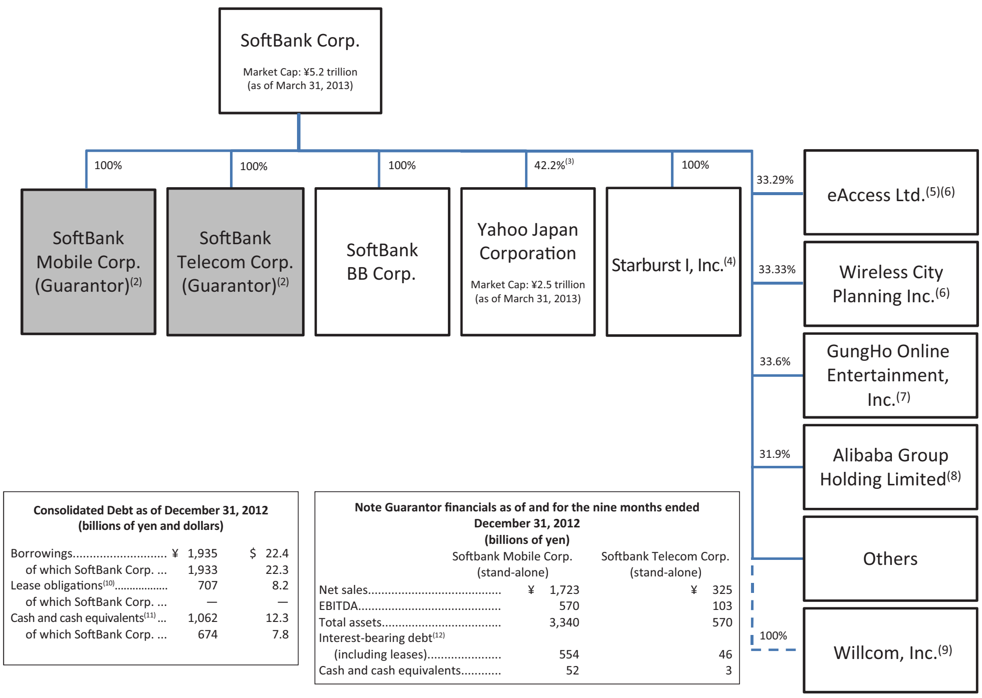
We are a leader in the other industries in which we conduct our businesses, such as broadband and fixed-line telecommunications, and our non-mobile business segments are profitable and generate positive EBITDA. We also invest in certain internet and other companies in which we see significant potential for growth, synergies with our existing businesses or profitability. Our portfolio currently includes significant stakes in a variety of leading internet companies such as Yahoo Japan, Alibaba, Renren and GungHo. We will consider further investments in other companies as opportunities arise.

We seek to exploit the various synergies between our existing businesses and investments to, for instance, further grow our data ARPU by offering special features and services from innovative content providers and working with them to develop a stream of content and services centered on our networks and mobile handsets. In the case of the Sprint Acquisition, we hope to recognize significant synergies based on economies of scale and our experience in mobile communications and optimizing operations.

Organizational Structure

The SoftBank Group comprises a pure holding company, SoftBank Corp., and, as of March 31, 2012, our 133 consolidated subsidiaries, three equity method non-consolidated subsidiaries and 71 equity method affiliates. SoftBank Mobile Corp. is our core operating company and the main operating company in our Mobile Communications segment. SoftBank BB Corp. ("SoftBank BB") operates our Broadband Infrastructure segment, and SoftBank Telecom is the core operating company within our Fixed-line Telecommunications segment. Yahoo Japan is the main operating company for our Internet Culture segment. Although our interest in Yahoo Japan is less than 50%, we include it in our consolidated group because we effectively control its operations.

Simplified Group Structure(1)



Consolidated Debt as of December 31, 2012
(billions of yen and dollars)

Borrowings	¥ 1,935	$ 22.4
of which SoftBank Corp.	1,933	22.3
Lease obligations(10)	707	8.2
of which SoftBank Corp.	—	—
Cash and cash equivalents(11)	1,062	12.3
of which SoftBank Corp.	674	7.8

Note Guarantor financials as of and for the nine months ended December 31, 2012
(billions of yen)

	Softbank Mobile Corp. (stand-alone)	Softbank Telecom Corp. (stand-alone)
Net sales	¥ 1,723	¥ 325
EBITDA	570	103
Total assets	3,340	570
Interest-bearing debt(12) (including leases)	554	46
Cash and cash equivalents	52	3

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(1) Unless otherwise specified, percentages show SoftBank Corp.'s ownership percentage as of March 31, 2013 of selected group companies on a consolidated basis, whether held directly or indirectly through one or more entities.

(2) SoftBank Mobile and SoftBank Telecom will provide upstream senior guarantees to the Notes offered hereby. SoftBank Mobile is the core operating entity for our Mobile Communications segment and SoftBank Telecom is the core operating entity for our Fixed-line Telecommunications segment. Cash is easily transferable between SoftBank Corp., SoftBank Mobile, SoftBank Telecom and SoftBank BB, which is the main operating entity for our Broadband Infrastructure segment.

(3) Ownership percentage as of March 31, 2012.

(4) Starburst I, Inc. is a new U.S. holding company that we formed in order to effect the Sprint Acquisition, which we expect to close on July 1, 2013. See "The Sprint Acquisition".

(5) As of March 31, 2013, we own 33.29% of the voting interests of eAccess and 99.59% of the economic interest.

(6) Consolidated for financial reports using IFRS, under which we will report starting from the first quarter of the fiscal year ending March 31, 2014.

(7) Ownership percentage as of December 31, 2012.

(8) Ownership percentage as of December 31, 2011.

(9) In December 2010, we acquired 100% of the shares of Willcom as part of its ¥41 billion ($474 million) court-administered corporate reorganization plan under the Corporate Reorganization Act of Japan. Willcom remains under court administration and we do not consolidate it as a subsidiary or consider it an equity method affiliate.

(10) See "Description of Other Indebtedness—Leases".

(11) See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources".

(12) Substantially all of the interest-bearing indebtedness of the group is at the SoftBank Corp. level. The above financial information was prepared using Japanese GAAP. Certain securitizations of accounts receivable and preference shares, among other things, are not treated as debt under Japanese GAAP but will be under IFRS. We will report our financial results under IFRS from the first quarter of the fiscal year ending March 31, 2014. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Certain Anticipated Effects of Voluntary Adoption of IFRS".

Sprint Acquisition

On October 15, 2012, SoftBank Corp. and Sprint entered into a merger agreement and other definitive agreements under which SoftBank Corp. will invest approximately $20.1 billion in Sprint (such investment, the "Sprint Acquisition", and such merger agreement as amended on November 29, 2012 and April 12, 2013, the "Sprint Acquisition Agreement"). This investment will consist of approximately $12.1 billion to be paid to Sprint shareholders and $8.0 billion of new capital, of which $3.1 billion has been paid as of March 31, 2013. As a result of the transaction, SoftBank Corp. will indirectly own approximately 70% of the fully diluted shares of Sprint. The transaction, which has been approved by the boards of directors of both SoftBank Corp. and Sprint, is subject to approval at a meeting of the Sprint shareholders, customary antitrust, Federal Communications Commission and other regulatory approvals and the satisfaction or waiver of other closing conditions.

The Sprint Acquisition represents a unique opportunity for Sprint and us to combine complementary assets and compete with other telecommunications carriers in both Japan and the United States. Both SoftBank and Sprint are in the process of transitioning to LTE networks that will be among the fastest in SoftBank's and Sprint's respective markets. By sharing strategies and technological expertise, both Sprint and SoftBank will be able to improve the efficiency and effectiveness of Sprint's and SoftBank's respective network build-outs. Our expertise in smartphone-related business development and mobile network infrastructure, in addition to our track record of success in competing in mature markets with large incumbents, and our successful management model and proven business best practices, will help to enhance Sprint's competitiveness in the United States. The Sprint Acquisition also provides Sprint with $8.0 billion of new capital, $3.1 billion of which Sprint received through our purchase of a newly issued convertible bond in October 2012, and the remainder of which we will invest in Sprint at the closing of the acquisition. This will provide Sprint with capital for its mobile network, strategic investments, and balance sheet as part of its continued efforts to fortify its operating base towards future growth.

The Sprint Acquisition will position SoftBank as one of the largest mobile communications companies in the world in terms of revenues. As of December 31, 2012, our combined operations would have had over 96 million subscribers in the United States and Japan, based on numbers at SoftBank Mobile, eAccess, Willcom and Sprint. The enormous expansion of our customer base, in addition to the international presence and our experience in mobile network enhancement, will help us to reduce procurement costs for network equipment and handsets, give us greater ability to work with our vendors to create new products, including customized smartphones and content offerings, and allow us to challenge our larger competitors while continuing to play a leading role in defining the mobile internet era.

DISH Network Corporation's Competing Proposal to Sprint

On April 15, 2013, Sprint received a letter from DISH Network Corporation ("DISH") proposing the general terms of a merger between DISH and Sprint (the "DISH Proposal") as an alternative to SoftBank's planned acquisition of Sprint. In this letter, DISH stated that it was offering Sprint shareholders a total consideration of $25.5 billion, consisting of $17.3 billion in cash and an estimated $8.2 billion in DISH stock based on DISH's closing price on April 12, 2013. According to DISH's estimates, Sprint shareholders would receive $7.00 per share under the DISH Proposal, consisting of $4.76 per share in cash and 0.05953 DISH shares per Sprint share. DISH stated that it would fund the $17.3 billion cash portion of the proposed transaction using $8.2 billion of balance sheet cash and additional debt financing.

SoftBank believes that the agreed terms of our transaction with Sprint offer Sprint shareholders superior short- and long-term benefits as compared to DISH's highly conditional preliminary proposal. The Sprint Acquisition is in the advanced stages of receiving the necessary approvals and we expect to consummate the transaction on July 1, 2013 with the terms already agreed.

Recent Developments

Recent Changes to Indebtedness

Issuance of the New Domestic Bonds

On March 12, 2013, we issued the 41st domestic unsecured straight bond (the "41st bond"); and on March 1, 2013, we issued the 42nd domestic unsecured straight bond (the "42nd bond") (together the "New Domestic Bonds"). Through these issuances, we raised ¥300 billion ($3.5 billion) from the 41st bond at 1.47% per annum and ¥70 billion ($809 million) from the 42nd bond at 1.467% per annum. The ¥365 billion ($4.2 billion) in net proceeds from the issuance of the New Domestic Bonds will be used to partially pay a portion of the consideration for the Sprint Acquisition. Following such issuances, we reduced the undrawn commitments under the Bridge Loan by the amount of the net proceeds of the New Domestic Bonds to ¥1.035 trillion ($11.9 billion). See "Description of Other Indebtedness—Bonds—¥940 Billion ($10.9 Billion) in Domestic Yen-Denominated Unsecured Straight Bonds" and "Description of Other Indebtedness—Loans—¥250 Billion ($2.9 Billion) Drawdown on the ¥1.65 trillion ($19.1 Billion) Bridge Loan for Sprint Acquisition". See "The Sprint Acquisition—Effects of the Acquisition—Permanent Financing".

Other Recent Changes to Indebtedness

On December 22, 2003, we issued 1.5% per annum convertible bonds due March 31, 2013 for ¥50 billion ($578 million). As of December 31, 2012, ¥33 billion ($381 million) remained outstanding, and in the three months ended March 31, 2013, ¥74 million ($855 thousand) of the convertible bonds were redeemed and the remainder were converted into a total of 15 million shares. We currently have no convertible bonds outstanding.

We further reduced our debt on March 27, 2013 when we made a scheduled payment of ¥150 billion ($1.7 billion) on the Syndicated Loan. See "Description of Other Indebtedness—Loans—¥400 Billion ($4.6 Billion) Outstanding as of March 31, 2013 on the Syndicated Loan". On March 29, 2013, we also made ordinary-course repayments of a total of ¥15 billion ($173 million) on a ¥50 billion ($578 million) bank loan.

Acquisition of eAccess Ltd.

eAccess, as of December 31, 2012, provided service to 4.3 million mobile subscribers under the *EMOBILE* brand through its wireless network built on W-CDMA and LTE technology in the 1.7GHz band and also provided ADSL wholesale services to ISP partners that have a subscriber base of 1.3 million. In October 2012, we entered into an agreement to acquire eAccess and, on December 26, 2012, eAccess was delisted from the Tokyo Stock Exchange. On January 1, 2013, we completed a share exchange, valued at ¥219.4 billion ($2.5 billion), whereby we acquired 100% of the outstanding shares of eAccess in exchange for shares of SoftBank Corp. However, we subsequently decided to transfer a part of our interest in eAccess to third-party investors in order for eAccess to preserve a certain degree of independence, which we believe will facilitate the continued expansion of its business. Accordingly, on January 17, 2013, we sold a 66.71% stake in class B shares of eAccess to 11 third-party purchasers. As of March 31, 2013, we own 33.29% of the voting interests of eAccess and 99.59% of the economic interest.

Through the transactions with eAccess, we are expecting to quickly expand our and eAccess' mobile communications service coverage by sharing each other's networks, including eAccess' 1.7 GHz band for purposes of the *iPhone 5*, *iPad* and *iPad mini*. We will also maximize the effectiveness of our branding strategy by engaging in multi-branding. eAccess will continue operations under the *EMOBILE* brand name, which we will use to target specific customer bases which do not normally purchase SoftBank-brand handsets and services.

As part of the acquisition, a change of control offer was made to the holders of certain outstanding eAccess notes due 2018. Less than 1% of the outstanding aggregate principal amount of the notes were tendered.

For the nine months ended and as of December 31, 2012, eAccess had net sales of ¥163 billion ($1.9 billion), EBITDA of ¥47 billion ($0.5 billion), net loss of ¥1 billion ($17 million) and debt of ¥220 billion ($2.5 billion). Under Japanese GAAP, which we used to report our financial results through March 31, 2013, eAccess was treated as our equity method affiliate, and the transactions described above are not expected to have a material impact on our consolidated results for the fiscal year ended March 31, 2013. From the first quarter of the fiscal year ending March 31, 2014, we will report our financial results under IFRS, which uses a broader test for effective control of entities than Japanese GAAP. Under IFRS, eAccess will be reported as our consolidated subsidiary. This change may have a material impact on our financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Certain Anticipated Effects of Voluntary Adoption of IFRS".

Tender Offer for Shares of GungHo Online Entertainment, Inc.

On March 25, 2013, the board of directors of SoftBank Mobile approved a resolution to acquire a 6.37% interest in GungHo, an online game company with a focus on mobile and PC games, through a tender offer (the "Tender Offer") for a total of ¥25 billion ($288.5 million). The initial purchase period commenced on April 1, 2013 and will continue through April 26, 2013. The purpose for the Tender Offer is to strengthen the relationship between SoftBank Mobile and GungHo as part of the SoftBank Group's management strategy to become a global content provider. GungHo's board of directors resolved by a unanimous vote of all attending directors to approve the Tender Offer.

As part of undertaking the Tender Offer, SoftBank Mobile entered into an agreement with Asian Groove Goudou Gaisha ("Asian Groove") to acquire 73,400 of its shares in GungHo. SoftBank Mobile will purchase only some or none of any shares tendered in excess of the scheduled amount and is not obliged to purchase all 73,400 shares from Asian Groove.

In addition, Mr. Masayoshi Son, SoftBank chairman and CEO, entered into a memorandum of understanding ("MOU"), effective as of April 1, 2013, with Heartis Inc. ("Heartis"), Mr. Taizo Son's asset management company. Mr. Taizo Son is the brother of Mr. Masayoshi Son. Heartis is GungHo's second largest shareholder, with an 18.5% interest, after SoftBank BB Corp. ("SoftBank BB"), which has a 33.63% interest. Under the MOU, in exchange for Mr. Masayoshi Son's agreement to procure that Son Holdings Inc. ("Son Holdings"), an asset management company for Mr. Masayoshi Son, will not exercise its security interest over GungHo shares pledged by Heartis to Son Holdings, Heartis will exercise its voting rights in accordance with Mr. Masayoshi Son's instructions at GungHo's shareholder meetings. This will cause SoftBank, which owns all voting rights held by SoftBank BB and SoftBank Mobile, and Mr. Masayoshi Son to gain a combined 58.5% interest in GungHo following the completion of the Tender Offer. GungHo is considered a consolidated subsidiary of SoftBank and will be recorded as such from the first quarter of the fiscal year ending March 31, 2014. As a result of GungHo being our consolidated subsidiary, we will reassess the fair value of existing shares held. The gain on our consolidated income statement for the first quarter of the fiscal year ending March 31, 2014 is expected to be approximately ¥150 billion ($1.7 billion).

Permanent Financing

We are currently in the process of obtaining a new permanent senior financing facility in connection with the Sprint Acquisition (the "Permanent Financing"). See "The Sprint Acquisition—Effects of the Acquisition—Permanent Financing".

Voluntary Adoption of International Financial Reporting Standards ("IFRS")

We announced on January 31, 2013 that we would apply IFRS to our consolidated financial statements in lieu of Japanese GAAP, which we used to present our consolidated financial statements through the fiscal year ended March 31, 2013. We will begin disclosing our consolidated financial statements according to IFRS from the first quarter of the fiscal year ending March 31, 2014 (with a transition date of April 1, 2012). See "Management's Discussion and Analysis of Financial Condition and Results of Operation—Certain Anticipated Effects of Voluntary Adoption of IFRS" and "Summary of Certain Significant Differences between Japanese GAAP, U.S. GAAP and IFRS".

Mobile Communications Segment Update for the Three Months Ended March 31, 2013

As of March 31, 2013, our Mobile Communications segment subscriber base grew by 3.7% to 32.5 million from 31.3 million as of December 31, 2012. The net additions to our subscriber base of 1.2 million represented 44.1% of total industry net additions, which maintained our position as the fastest growing mobile operator in Japan.

The Offering

The summary below describes the principal terms of the Notes. The terms and conditions described below are subject to important limitations and exceptions. The "Description of the Notes" section of this offering memorandum contains a more detailed description of the terms and conditions of the Notes, including the definitions of certain terms used in this summary.

Issuer	SoftBank Corp.
Guarantors	SoftBank Mobile Corp. and SoftBank Telecom Corp.
Notes Offered	\$2,485,000,000 aggregate principal amount of 4½% Dollar Notes and €625,000,000 aggregate principal amount of 4⅝% Euro Notes.
Maturity Date	April 15, 2020.
Interest Payment Dates	We will pay interest on the Notes on each April 15 and October 15, commencing October 15, 2013.
Denominations	Each Dollar Note will have a minimum denomination of \$200,000 and integral multiples of \$1,000 in excess thereof and each Euro Note will have a minimum denomination of €100,000 and integral multiples of €1,000 in excess thereof.
Ranking of the Notes	The Notes will be general unsecured obligations of the Company, *pari passu* in right of payment with all existing and future unsecured senior indebtedness of the Company (other than as mandatorily preferred by law), senior in right of payment to any future subordinated indebtedness of the Company, and will be unconditionally guaranteed by the Note Guarantors. The Notes and the Note Guarantees will be effectively subordinated to all borrowings under the Bridge Loan (as defined below), which are secured by all of the shares of capital stock of Starburst I, Inc. owned by the Company and substantially all of the assets of Starburst I, Inc. and Starburst II, Inc. The Notes and Note Guarantees will be effectively subordinated to our existing and future secured indebtedness and structurally subordinated to the indebtedness of our subsidiaries that are not providing a Note Guarantee. See "Risk Factors—Risks Relating to the Notes—The Notes and the Note Guarantees are unsecured obligations and will be effectively subordinated to our existing and future secured indebtedness and to the existing and future secured indebtedness of any of our subsidiaries that may guarantee the Notes."
Ranking of the Note Guarantees	Each Note Guarantee will be a general unsecured obligation of the Note Guarantor, *pari passu* in right of payment with all existing and future unsecured senior indebtedness of that Note Guarantor (other than as mandatorily preferred by law) and senior in right of payment to any future subordinated indebtedness of that Note Guarantor. Each of the Note Guarantors will, jointly and severally, guarantee on a senior basis the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under the Notes. The Notes and Note Guarantees will be effectively subordinated to our existing and future secured indebtedness and structurally subordinated to the indebtedness of our subsidiaries that are not providing a Note Guarantee. See "Risk Factors—Risks Relating to the Notes—The Notes and the Note Guarantees are unsecured obligations and will be effectively subordinated to our existing and future secured indebtedness and to the existing and future secured indebtedness of any of our subsidiaries that may guarantee the Notes."
Optional Redemption	At any time we will be entitled at our option to redeem all or a portion of the Dollar Notes and/or the Euro Notes at a redemption price equal to 100% of the principal amount of the Notes plus a "make-whole" premium described in this offering memorandum and accrued and unpaid interest to the redemption date.

Tax Redemption	In the event of certain developments affecting taxation (with respect to either the Euro Notes or the Dollar Notes), we may redeem all, but not less than all, of either the Dollar Notes or the Euro Notes, as the case may be, at 100% of the principal amount thereof, plus accrued and unpaid interest to the date of redemption.
Repurchase of Notes upon a Change of Control Triggering Event	Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the repurchase date. See "Description of the Notes—Repurchase at the Option of Holders upon a Change of Control Triggering Event".
Covenants	We will issue the Notes under an indenture (the "Indenture") that will limit, among other things, the Company's and each Note Guarantor's ability to: • layer debt; • create or incur certain liens; • pay dividends or make distributions, in excess of a specified aggregate amount, in respect of net proceeds from asset sales; and • consolidate or merge with other entities. In addition, the Indenture will limit, among other things, the ability of certain of our non-guarantor subsidiaries to incur or guarantee certain additional indebtedness. Each of the covenants is subject to a number of important exceptions and qualifications. See "Description of the Notes—Certain Covenants".
No Prior Market	The Notes will be new securities for which there is currently no market. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.
Listing	Approval in-principle has been received for the listing of the Notes on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or information contained in this offering memorandum. Admission of the Notes to the official list of the SGX-ST and quotation of the Notes on the SGX-ST are not to be taken as an indication of the merits of the offering, us, our subsidiaries or associated companies (if any) or the Notes. Currently, there is no public market for the Notes. The Notes will be traded on the SGX-ST in a minimum board lot size of (in the case of the Dollar Notes) $200,000 or (in the case of the Euro Notes) €200,000 for so long as the Notes remain listed on the SGX-ST.
Governing Law	The laws of the State of New York.
Transfer Restrictions	The Notes and the Note Guarantees have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any other jurisdiction and are subject to restrictions on transferability and resale. See "Notice to Investors". We have not agreed to, or otherwise undertaken to, register the Notes and the Note Guarantees (including by way of an exchange offer).

Use of Proceeds	We expect to receive a total of approximately $3.3 billion in net proceeds from this offering, comprising approximately $2.4 billion from the Dollar Notes and €0.62 billion from the Euro Notes, after deducting underwriting discounts and commissions and other offering expenses payable by us. We intend to use the net proceeds from the sale of the Notes (1) to comprise a portion of the consideration for the Sprint Acquisition, (2) to refinance certain of our indebtedness or (3) for general corporate purposes. This offering is not contingent on the consummation of the Sprint Acquisition.
Risk Factors	You should refer to the section entitled "Risk Factors" for an explanation of certain risks involved in investing in the Notes. You should also refer to the section entitled "Risk Factors" of Sprint's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 included elsewhere in this offering memorandum for an explanation of risks associated with Sprint.
Trustee	Deutsche Trustee Company Limited
Principal Paying Agent	Deutsche Bank AG, London Branch
Dollar Notes Paying Agent, Transfer Agent and Registrar . . .	Deutsche Bank Trust Company Americas
Euro Notes Paying Agent, Transfer Agent and Registrar . . .	Deutsche Bank Luxembourg S.A.
Security Codes	Dollar Notes sold under Regulation S: CUSIP No.: J75963 AU2 ISIN: USJ75963AU23 Common Code: 092072533 Dollar Notes sold under Rule 144A: CUSIP No.: 83404D AA7 ISIN: US83404DAA72 Common Code: 092072312 Euro Notes sold under Regulation S: ISIN: XS0918548644 Common Code: 091854864 Euro Notes sold under Rule 144A: ISIN: XS0918549378 Common Code: 091854937

Summary Financial and Operating Information

The following tables show selected information of the SoftBank Group as of and for the fiscal years ended March 31, 2010, 2011 and 2012, and the nine months ended December 31, 2011 and 2012, as well as unaudited information as of and for the 12 months ended December 31, 2012. Through the fiscal year ended March 31, 2013, we prepared our accounts in accordance with Japanese GAAP, which differs in certain significant respects from U.S. GAAP and IFRS. Differences between Japanese GAAP, U.S. GAAP and IFRS are summarized in the section titled "Summary of Certain Significant Differences Between Japanese GAAP, U.S. GAAP and IFRS". The selected consolidated financial information as of and for the fiscal years ended March 31, 2010, 2011 and 2012 are derived from our audited consolidated financial statements included elsewhere in this offering memorandum. The selected consolidated financial information as of and for the nine months ended December 31, 2011 and 2012 are derived from our unaudited interim consolidated financial statements included elsewhere in this offering memorandum. The statement of operations and statement of cash flows information for the 12 months ended December 31, 2012 is derived from our unaudited interim consolidated financial statements for the nine months ended December 31, 2011 and 2012 and our audited consolidated financial statements for the fiscal year ended March 31, 2012 included elsewhere in this offering memorandum. We calculated financial data for the 12 months ended December 31, 2012 by adding the relevant value for the nine months ended December 31, 2012 to the relevant value for the fiscal year ended March 31, 2012, and subtracting from the resulting summation the relevant value for the nine months ended December 31, 2011. The unaudited interim consolidated financial information as of the end of and for nine-month periods is not necessarily indicative of the results to be expected for the full year. The information below is not necessarily indicative of the results of future operations and should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated audited and unaudited financial statements and related notes included in this offering memorandum.

	As of and for the fiscal year ended March 31,			As of and for the nine months ended December 31,		As of and for the twelve months ended December 31,	
	2010	2011	2012	2011	2012	2012	2012
	(billions of yen and millions of dollars with the exception of percentage and ratio figures)						
Statement of Operations Data:							
Net sales[1]	¥2,763	¥3,005	¥3,202	¥2,398	¥2,510	¥3,314	$38,277
Cost of sales	1,327	1,374	1,486	1,101	1,163	1,548	17,882
Gross profit	1,437	1,631	1,717	1,297	1,347	1,766	20,395
Selling, general and administrative expenses	971	1,002	1,041	765	746	1,023	11,818
Operating income[2]	466	629	675	533	600	743	8,578
Other income (expenses)	(177)	(149)	(43)	(14)	(74)	(103)	(1,189)
Income before income taxes and minority interests	289	481	632	518	526	640	7,388
Income taxes	145	233	255	222	236	270	3,114
Net income before minority interests	145	248	378	297	289	370	4,275
Minority interests in net income	48	58	64	47	54	71	821
Net income	¥ 97	¥ 190	¥ 314	¥ 250	¥ 235	¥ 299	$ 3,454
Balance Sheet Data:							
Total assets	4,463	4,656	4,900	4,499	5,512	5,512	63,658
of which cash and cash equivalent	688	847	1,015	760	1,062	1,062	12,266
Total liabilities	3,499	3,776	3,464	3,178	3,838	3,838	44,311
interest-bearing debt[3]	2,195	2,076	1,568	1,519	1,935	1,935	22,355
lease obligations	334	331	500	415	707	707	8,171
Total equity	964	880	1,436	1,321	1,673	1,673	19,328
Total liabilities and equity	4,463	4,656	4,900	4,499	5,512	5,512	63,658
Cash Flow Data:							
Net cash provided by operating activities	668	826	740	507	595	828	9,565
Net cash used in investing activities	(277)	(264)	(376)	(271)	(746)	(851)	(9,830)
Net cash provided by (used in) financing activities	(160)	(398)	(197)	(322)	191	317	3,658

	As of and for the fiscal year ended March 31,			As of and for the nine months ended December 31,		As of and for the twelve months ended December 31,	
	2010	2011	2012	2011	2012	2012	2012
	(billions of yen and millions of dollars with the exception of percentage and ratio figures)						
Other Financial Data (unaudited):							
Net interest-bearing debt (excluding lease obligations)[4]	1,508	1,229	554	759	874	874	10,089
Net interest-bearing debt (including lease obligations)[4]	1,842	1,560	1,054	1,174	1,581	1,581	18,260
EBITDA[5]	788	931	1,014	776	891	1,128	13,030
EBITDA margin	28.5%	31.0%	31.7%	32.4%	35.5%	34.0%	34.0%
Net interest-bearing debt (excluding leases)/ EBITDA	1.9x	1.3x	0.5x	n/a	n/a	0.8x	0.8x
Net interest-bearing debt (including leases)/ EBITDA	2.3x	1.7x	1.0x	n/a	n/a	1.4x	1.4x
Capex (acceptance basis)[6]	223	421	516	336	535	715	8,263
Capex (cash flow basis)[6]	224	209	455	358	433	530	6,123

(1) The following shows our net sales by segment:

	For the fiscal year ended March 31,			For the nine months ended December 31,		For the twelve months ended December 31,	
Net Sales by Segment	2010	2011	2012	2011	2012	2012	2012
	(billions of yen and millions of dollars)						
Mobile Communications	¥1,701	¥1,945	¥2,145	¥1,619	¥1,698	¥2,224	$25,683
Broadband Infrastructure	202	190	172	130	123	165	1,905
Fixed-line Telecommunications	349	357	368	270	288	385	4,451
Internet Culture	271	284	294	216	239	317	3,663
Other	332	344	361	265	282	378	4,368
Elimination[a]	(91)	(114)	(137)	(102)	(120)	(155)	(1,792)
Total net sales	2,763	3,005	3,202	2,398	2,510	3,314	38,277

(a) "Elimination" represents intra-group sales that are not included for purposes of calculating our total net sales.

(2) The following shows our operating income by segment:

	For the fiscal year ended March 31,			For the nine months ended December 31,		For the twelve months ended December 31,	
Operating Income by Segment	2010	2011	2012	2011	2012	2012	2012
	(billions of yen and millions of dollars)						
Mobile Communications	¥261	¥402	¥429	¥346	¥390	¥473	$5,460
Broadband Infrastructure	48	43	34	28	29	35	405
Fixed-line Telecommunications	23	38	58	43	52	67	777
Internet Culture	137	150	157	115	129	171	1,974
Other	6	7	9	9	9	9	100
Elimination[a]	(9)	(12)	(12)	(9)	(9)	(12)	(138)
Total operating income	466	629	675	533	600	743	8,578

(a) "Elimination" represents intra-group sales that are not included for purposes of calculating our total operating income.

(3) Interest-bearing debt consists of short-term borrowings, current portion of corporate bonds, corporate bonds, current portion of long-term borrowings and long-term borrowings excluding the ¥27 billion portion of the WBS Class B2 Funding Notes issued by J-WBS Funding K.K. that were acquired by SoftBank Corp. in connection with the acquisition of Vodafone Japan.

(4) Net interest-bearing debt is interest-bearing debt minus cash and cash equivalents.

(5) EBITDA is defined as operating income before depreciation, amortization and loss on disposal of fixed assets. We have included information concerning EBITDA because certain investors use it as a measure of our ability to service our debt. EBITDA is not required under Japanese GAAP, U.S. GAAP or IFRS, and should not be considered by investors as an alternative to operating income or net income as an indicator of our performance, nor as an alternative to cash flows from operating activities, investing activities or financing activities as a measure of liquidity. EBITDA disclosed here is not comparable to EBITDA disclosed by other companies because EBITDA is not uniformly defined. Set forth below is a reconciliation of EBITDA to Japanese GAAP operating income for our consolidated operations.

EBITDA	For the fiscal year ended March 31, 2010	2011	2012	For the nine months ended December 31, 2011	2012	For the twelve months ended December 31, 2012	2012
	(billions of yen and millions of dollars)						
Operating income	¥466	¥629	¥ 675	¥533	¥600	¥ 743	$ 8,578
Depreciation and amortization (excl. amortization of goodwill)	244	225	276	196	243	322	3,721
Amortization of goodwill	61	63	63	47	48	63	731
Loss on disposal of fixed assets	17	14	—	—	—	—	—
EBITDA (unaudited)	788	931	1,014	776	891	1,128	13,030

Our EBITDA by segment, which we define in the same way as EBITDA for our consolidated operations, is detailed below with a reconciliation to segment operating income for the 12 months ended December 31, 2012.

EBITDA by Segment	For the fiscal year ended March 31, 2010	2011	2012	For the nine months ended December 31, 2011	2012	For the twelve months ended December 31, 2012	2012
	(billions of yen and millions of dollars)						
Mobile Communications	¥504	¥620	¥ 684	¥529	¥616	¥ 770	$ 8,899
Broadband Infrastructure	65	61	50	40	41	51	589
Fixed-line Telecommunications	67	86	105	77	87	115	1,327
Internet Culture	148	162	169	124	140	185	2,135
Other	11	13	16	14	16	17	195
Elimination	(8)	(11)	(10)	(8)	(8)	(10)	(115)
EBITDA (unaudited)	788	931	1,014	776	891	1,128	13,030

	For the twelve months ended December 31, 2012							
	Mobile Communications	Broadband Infra-structure	Fixed-line Tele-communications	Internet Culture	Other	Elimination	Total	Total
	(billions of yen and millions of dollars)							
Operating income	¥473	¥35	¥ 67	¥171	¥ 9	¥(12)	¥ 743	$ 8,578
Depreciation and amortization (excl. goodwill)	246	14	40	12	7	2	322	3,721
Amortization of goodwill	51	2	7	2	1	—	63	731
EBITDA (unaudited)	770	51	115	185	17	(10)	1,128	13,030

(6) Capex (cash flow basis) refers to the purchase of property and equipment and intangibles as reported in our cash flow statement. Capex (acceptance basis) differs from capex (cash flow basis) in that capital expenditures recorded on an acceptance basis are recognized on an inspection and acceptance basis to accurately reflect when we capitalize the purchase of property and equipment and intangibles. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Cash and Capital Requirements—Capital Expenditures".

The following shows capital expenditures on an acceptance basis by segment:

Capex by Segment	For the fiscal year ended March 31, 2010	2011	2012	For the nine months ended December 31, 2011	2012	For the twelve months ended December 31, 2012	2012
	(billions of yen and millions of dollars)						
Mobile Communications	¥185	¥352	¥423	¥276	¥381	¥528	$6,095
Broadband Infrastructure	9	17	27	14	14	26	303
Fixed-line Telecommunications	18	36	40	25	27	42	482
Internet Culture	6	11	16	12	14	19	216
Other	5	5	11	9	99	101	1,167
Total Capex	223	421	516	336	535	715	8,263

Additional Metrics

The following table shows certain additional metrics based upon the calculations set forth under "Capitalization" reflecting, among other things, the issuance of the New Domestic Bonds, the issuance of the Notes offered hereby and the effect of the currently anticipated minimum drawdown under the Permanent Financing.

Adjusted Leverage Ratio and Interest Expenses

	As of and for the twelve months ended December 31,	
	2012	2012
	(billions of yen and millions of dollars except for ratios)	
EBITDA	¥1,128	$13,030
Adjusted total debt, including leases(1)	4,004	46,245
Adjusted cash and cash equivalents(1)	1,047	12,092
Adjusted net debt, including leases(1)	2,957	34,154
Adjusted interest expenses(2)	65	747
Adjusted total debt (including leases)(1) / EBITDA	3.5x	
Adjusted net debt (including leases)(1) / EBITDA	2.6x	
EBITDA / adjusted interest expenses(2)	17.4x	

(1) Per the "as further adjusted" column of the capitalization table. See "Capitalization".

(2) Based on interest-bearing indebtedness and lease obligations outstanding as of December 31, 2012 and adjusted for the impact of the issuance of the New Domestic Bonds and the Notes offered hereby and assuming the fully drawn Bridge Loan, excluding debt at Sprint.

Operating Data

The following shows selected operational data for the fiscal years ended March 31, 2010, 2011 and 2012. Additionally, because we disclose only quarterly and annual operating data for many of the items below, we have included operational data for the three months ended June 30, September 30 and December 31, 2012 in lieu of nine month information. Subscribers reflect total group subscribers, including those attributable to eAccess and Willcom. Subscribers therefore differ from those used to calculate ARPU for our Mobile Communications segment, which we define as subscribers at SoftBank Mobile.

	As of and for the fiscal year ended March 31,			As of for the three months ended		
	2010	2011	2012	June 30, 2012	September 30, 2012	December 31, 2012
Operational Data: Mobile Communications						
Subscribers (millions)						
SoftBank Mobile	21.9	25.4	28.9	29.7	30.5	31.3
eAccess	2.4	3.1	4.0	4.1	4.3	4.3
Willcom	4.1	3.8	4.6	4.7	4.8	4.9
Total subscribers	28.3	32.3	37.5	38.5	39.5	40.6
Market share (%)(1)						
SoftBank Mobile	18.8	20.6	21.8	22.1	22.3	22.6
eAccess	2.0	2.5	3.0	3.1	3.1	3.1
Willcom	3.5	3.0	3.4	3.5	3.5	3.6
Total market share	24.4	26.2	28.3	28.6	29.0	29.3
Data ARPU (¥/month)(2)	2,020	2,310	2,510	2,540	2,580	2,610
Voice ARPU (¥/month)(2)	2,050	1,890	1,650	1,480	1,490	1,450
Total ARPU (¥/month)(2)	4,070	4,210	4,150	4,020	4,070	4,050
Monthly average churn rate (%)	1.37	0.98	1.12	1.03	1.06	1.12
Handset units shipped (millions)	8.8	10.0	11.7	2.4	2.6	3.5
Average cost per new subscription(3) (¥/subscriber)	40,500	36,900	30,300	26,500	23,000	24,900
Average cost per handset sale to existing subscribers(4) (¥/subscriber)	27,100	26,700	27,100	27,000	26,400	30,300

	As of and for the fiscal year ended March 31,			For the three months ended		
	2010	2011	2012	June 30, 2012	September 30, 2012	December 31, 2012
Broadband Infrastructure						
Yahoo! BB ADSL subscribers (thousands)	3,769	3,150	2,600	2,467	2,364	2,271
Yahoo! BB hikari with FLET'S subscribers (thousands)	237	932	1,608	1,771	1,863	1,951
Yahoo! BB ADSL ARPU(2)(5) (¥/month)	4,020	3,830	3,510	3,450	3,390	3,330
Yahoo! BB hikari with FLET'S ARPU(2)(5) (¥/month)	1,350	1,620	1,680	1,670	1,710	1,720
Fixed-line Telecommunications						
Otoku-line (fixed-line voice service) subscribers(5) (thousands)	1,669	1,671	1,685	1,684	1,692	1,688
Otoku-line ARPU(2)(5) (¥/month)	6,830	6,930	6,790	6,530	6,390	6,510

(1) Percentage of market share represents percentage of market share attributable to each of SoftBank Mobile, eAccess and Willcom compared to total market subscribers from NTT DoCoMo, KDDI, SoftBank Mobile, eAccess and Willcom.

(2) Rounded to the nearest ten yen.

(3) The average cost per new subscription is the average commission paid to dealers per new subscription. We sell handsets to dealers who then further sell the handsets to customers. The customers would typically get an installment plan and pay us monthly for the handset over the length of the contract period. In addition, we provide a monthly discount to users for the handsets depending upon the type of product or phone purchased. This discount is deducted from ARPU.

(4) The average cost per handset sale to existing subscribers is the average commission paid to dealers per handset sale to existing subscribers.

(5) The figures for the fiscal years ended March 31, 2010, 2011 and 2012 show fourth quarter figures only.

RISK FACTORS

An investment in our Notes involves significant risk and uncertainty. You should consider carefully the risk factors described below as well as other information contained in this offering memorandum, including our financial statements and the related notes, as well as the risk factors described in Sprint's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, included elsewhere in this offering memorandum, before making any investment decision. The risks and uncertainties discussed below, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, could materially affect our business, financial condition and results of operations, affect our ability to make payments on the Notes or cause the market price of the Notes to decline. This could result in you losing all or part of your investment.

Risks Relating to Our Business

We face intense competition, including from competitors with greater resources than we possess, and such competition may intensify.

Our primary business domain is the information industry, particularly the Japanese mobile communications industry, where we compete for consumer spending with other communications companies such as NTT DoCoMo, Inc. ("NTT DoCoMo") and KDDI. We have substantial competitors in the markets in which we operate, and, in certain instances, we may face competitors that have larger operations than we do, or otherwise have a competitive advantage over us in terms of, for example, capital, services and products, price competitiveness, customer base, sales capability, or brand or public recognition. In the future, our competitors may become even more competitive than they are today, and we may face competition from new entrants into the markets in which we operate.

If our competitors were to sell services or products that harness their competitive advantages to a greater extent than they currently do, we may be placed at a disadvantage in sales competition or may be unable to provide services and products or acquire or retain customers as anticipated. Moreover, even if we introduce highly competitive services, products or sales methods ahead of our competitors, our competitive advantages may lessen if our competitors deploy equivalent or better services, products or sales methods. For instance, we were the first to bring the *iPhone* to Japan in July 2008. However, our competitor KDDI began to offer the *iPhone* in October 2011, and we face increased competition because of this. Although we have been able to sustain growth despite KDDI offering the *iPhone* as well, there can be no assurance that this trend will continue or that we will be able to sustain our growth if other competitors, such as NTT DoCoMo, were to offer the *iPhone* in the future.

Any of the above consequences could have a material adverse effect on our business, financial condition and results of operations.

Security breaches and illegal or inappropriate use of our services could adversely affect our reputation and expose us to claims from customers and penalties from authorities.

We collect, handle and maintain customer information, including personal information, and other confidential information in the course of our business operations. In some cases we also rely upon third-party subcontractors to handle customer information. Information handled by ourselves or our subcontractors may include a customer's name and email address, as well as date of birth, address, contact information, bank account information, credit card information and other information. We are subject to various regulations regarding the storage and protection of customer information, and we are required to exercise care in protecting the confidentiality of personal information, as well as take steps to ensure the security of our services. See "Regulation—Certain Other Laws, Regulations and Guidelines—Protection of Personal Information". However, we have experienced leaks of personal information in the past, including a material leak of personal information in 2004 in connection with our internet services. Our fiscal year results of operations during such period were adversely affected due to our apology to our customers, which, reflecting Japanese business customs, included the issuance of gift certificates.

Any similar material leak of personal information, due to hacking or other unauthorized access of one of our databases or due to the willful misconduct or inadvertent mistake of one of our own employees or subcontractors or otherwise, could result in claims or lawsuits against us, and we could be held legally responsible for any damages sustained by the affected persons. Such events could also result in reputational damage even if we are not held legally responsible. Further, we could incur additional expenses associated with changing our security systems, either voluntarily or in response to administrative guidance or other regulatory initiatives from the government, or in connection with public relations campaigns designed to prevent or mitigate damage to our corporate image or reputation. Any related reputational damage could lead to a decline in new subscribers or users or an increase in subscriber or user cancellations for any of our services. Any of the above consequences could have a material adverse effect on our business, financial condition and results of operations.

If our mobile telecommunication, internet or other services were used illegally or to commit crimes, such as bank-transfer phishing scams, our credibility or corporate image could be damaged. Despite our efforts to monitor and restrict illegal and inappropriate use by our subscribers and users, we may suffer from reputational damage and become subject to lawsuits, governmental regulation or restrictions, or consumer backlash, any of which could have a material adverse effect on our business, financial condition and results of operations.

Any adverse conditions in the economy could adversely affect us.

Demand for the services and products that we provide, including but not limited to telecommunications services and internet advertising, depends on the performance of the Japanese and global economies, which involves factors beyond our control. Additionally, we procure the funds we require for developing new and existing businesses by borrowing from financial institutions, by issuing corporate bonds and from other sources. Therefore, disruptions in the economy that result in a deterioration of economic conditions in Japan or globally could adversely affect us. Specifically, events, such as the subprime market turmoil in the United States, the collapse of Lehman Brothers Holdings, Inc., the European Economic Zone sovereign debt crisis, rising interest rates in general and other recessionary pressures, can severely affect demand and consumer spending and disrupt global credit markets. Such events could have a material adverse effect on our business, financial condition and results of operations.

Fluctuations in currency exchange rates may have a negative impact on our results of operations presented in Japanese yen.

We invest in overseas companies directly at the holding company level or through our subsidiaries outside of Japan, as well as through other means. Additionally, following our acquisition of approximately 70% of Sprint, we expect that a material potion of our operations will be conducted in currencies other than Japanese yen—most significantly, U.S. dollars—and as we increase our revenues overseas, the relative percentage of our non-yen business may increase. Our business is therefore sensitive to fluctuations in foreign currency exchange rates, especially yen-U.S. dollar exchange rates, and a foreign exchange loss may be recognized if we sell our equity interests when the yen is stronger than at the time of investment. Likewise, the presentation of our results of operations may be affected by the translation of foreign currencies into yen for the purpose of our consolidated financial statements. Large unexpected fluctuations in currency exchange rates may occur from time to time. For example, the Japanese yen has been experiencing large fluctuations compared to the U.S. dollar and other currencies in the past several months due to a variety of reasons.

We may not be successful in managing our exposure to currency exchange risks and this may have a material adverse effect on our business, financial condition and results of operations.

A downgrade of our credit ratings could have a negative effect on us.

Our long-term bond rating by Standard & Poor's Ratings Japan K.K. ("S&P") is BBB, by Moody's Japan K.K. ("Moody's") is Baa3 and by Japan Credit Rating Agency ("JCR") is A. Following the announcement of the Sprint Acquisition, the rating agencies have placed our rating under review for a possible downgrade. S&P has stated that they will downgrade our rating to BB+ should the Sprint Acquisition be completed and Moody's has stated that they may downgrade our rating one or two notches should the Sprint Acquisition be completed. There can be no assurance that our current ratings will be maintained. A downgrade of our credit ratings may cause us to lose our ability to access bank lending or the capital markets, renew bank credit facilities and access other sources of financing. Downgrades could also increase our costs of borrowing and affect our ability to make payments on outstanding debt instruments and to comply with other existing obligations. Such events could have a material adverse effect on our business, financial condition and results of operations.

The acquisition of other companies, businesses or technologies could result in operating difficulties, dilution or other harmful consequences.

In order to set up new businesses or for the expansion of our existing businesses, we have made and may pursue further acquisitions and investments, including through corporate acquisitions, the establishment of joint ventures and subsidiaries, as well as investments in operating or holding companies (including companies that we effectively control through various contracts) and funds, and we may also in certain instances provide subsequent financial assistance in the form of loans, securities or otherwise to such investees. We also may acquire other assets which we believe are strategic, any of which could be material to our business, financial condition and results of operations. However, future acquisitions and investments could divert management's time and focus from operating our existing businesses, and although we conduct due diligence investigations of those companies, businesses or technologies which we seek to acquire, we may fail to uncover all material issues before an acquisition and may experience unexpected losses arising from such issues after an acquisition. Additionally, integrating an acquired company, business or technology into our organization is an inherently uncertain process and may result in unexpected operating and financial difficulties, expenses and liabilities. Accordingly, the benefits of an acquisition or investment may take considerable time to materialize or fail to materialize at all, and we cannot be certain that any particular acquisition or investment will produce the benefits we may anticipate.

Future acquisitions could also result in the use of significant cash balances or the incurrence of debt, contingent liabilities or amortization expenses, write-offs of goodwill or other increased cash and non-cash expenses. We may also book losses in valuation or other charges in the event of a decline in the value of equity interests and other assets acquired through investment activities.

Any of the above factors could have a material adverse effect on our business, financial condition and results of operations or prevent us from achieving improvements in our financial condition and operating margins that could have otherwise been achieved by us without any particular investment.

We may have to recognize charges on our statements of income due to the impairment of goodwill or other intangible assets or investments in equity method affiliates.

We carry significant amounts of goodwill and other intangible assets on our balance sheet as a result of our corporate acquisitions and investments. Such intangible assets are recognized at the time of acquisition and amortized over a period of years. Under Japanese GAAP, we are also required to examine such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In addition, we recognize impairment with regard to our interest held in an equity method affiliate when its underlying financial condition has significantly deteriorated. The financial condition of an affiliate will be deemed significantly deteriorated if the net value per share is significantly less than at the time of its purchase. Additionally, we will begin to report our financial information in accordance with IFRS from the first quarter of the fiscal year ending March 31, 2014. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Certain Anticipated Effects of Voluntary Adoption of IFRS". Under IFRS, goodwill is not amortized but is tested for impairment whenever there is any indication for potential impairment and at least annually, while intangible assets with finite useful lives are amortized over their estimated useful lives and are tested for impairment whenever there is any indication for potential impairment. The recognition of impairment charges for any of the foregoing reasons may adversely affect our business, financial condition and results of operations.

We are dependent on the telecommunications lines and facilities of other companies in certain circumstances and could be materially and adversely affected if our access was restricted or terminated or if related utilization or connection fees were increased.

We make use of certain telecommunications lines and facilities owned by other operators when providing our telecommunications services. For instance, certain of our group companies in Japan are party to interconnection agreements with NTT group companies. See "Business—Important Relationships—Relationship with NTT". The potential failure of such third-party operators to comply with relevant interconnection agreements or to properly maintain networks or interconnection facilities may create interruptions or quality problems for our telecommunication services. In addition, if relevant agreements with such operators are not extended or are extended on less favorable conditions, for example if utilization or connection rates were to be increased, we could experience a material adverse effect on our business, financial condition and results of operations.

We depend on the satisfactory performance of our network systems and sufficient bandwidth to operate our telecommunications services.

The quality of our telecommunications services depends on, among other things, our network systems and the bandwidth that the government allocates to us. Constraints on network capacity may cause unanticipated system disruptions and slower response times, adversely affecting data transmission. We must accurately predict our future capacity needs based on present and historical amounts of network traffic. If we underestimate the amount of capacity our business requires, or if we are unable to upgrade our network systems quickly enough to accommodate future traffic levels, avoid obsolescence or successfully integrate newly developed or acquired technology with our existing systems, we could experience service problems, adverse consequences to our reputation, a reduction in subscriber base, difficulties in acquiring new subscribers, or the need to make additional unanticipated capital expenditures.

We are also heavily dependent on the availability of bandwidth in order to provide our mobile communications services. As traffic on our mobile communications network continues to increase due to the spread of smartphones, we will need to secure additional bandwidth as well as enhance effective use of our frequency band by introducing LTE technology. We use frequency bands that are allocated to us by the Ministry of Internal Affairs and Communications of Japan ("MIC"), and, while MIC rarely exercises such authority, it does have the power to reallocate spectrum as it deems necessary to secure an appropriate and reasonable utilization of frequency spectrum, taking into consideration the effect that such actions may have on existing carriers. See "Regulations—Radio Act of Japan—Allocation of Radio Frequency Spectrum". If we are unable to secure the required bandwidth in the future, service quality may decline, which could make it difficult to acquire or retain subscribers. Additionally, the Japanese government has considered the implementation of a spectrum auction system in the past, and if an auction system were officially implemented, securing bandwidth could entail considerable expense and could enable new competitors to enter the market. Our frequency band could also receive interference from other radio waves, which could also adversely affect reception for our mobile services.

Coverage for our mobile communications services also depends on our ability to maintain and expand the number of our base stations and antennae that compose our network. If we are unable to expand this network due to, for example, the inability to acquire or lease required land, or if we are unable to obtain regulatory approvals required to operate or build base stations and antennae, our network coverage may suffer as a result.

Any of the above affects to our telecommunications services could have a material adverse effect on our business, financial condition and results of operations.

Fast-paced innovations in technology and business models, as well as alternatives, may make our services, technology or business models obsolete.

Our future success depends, in part, on our ability to anticipate and adapt in a timely manner to the fast-paced changes in technology and business models that characterize the industries in which we operate. We expect that new services, technologies and business models will emerge on a continuous basis and that existing services, technologies and business models will also further develop. We make significant capital expenditures in connection with the deployment of new or improved technologies. However, if we fail to adapt to the rapidly changing technological development characterized by the introduction and proliferation of new or improved high-speed wireless data technology, fail to upgrade or adapt our existing mobile and fixed-line telecommunications networks or other businesses in a timely and satisfactory manner, or fail to introduce new services based upon such technological innovations, our services may become less attractive to new customers and we may also lose existing customers to competitors, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, there can be no assurance that the new technologies we anticipate will be developed according to any planned schedules, that they will perform according to expectations, that common standards and specifications will be achieved or that they will achieve commercial acceptance. Any failure of new technologies to meet our expectations, or the failure of any technology to achieve commercial acceptance, could place us behind our competitors in terms of technological development. Any such factors may adversely affect our business, results of operations and financial condition.

Our operations may be significantly affected by natural disasters such as earthquakes or other events.

We construct and maintain telecommunications networks and information systems necessary for the provision of various services, including telecommunications and internet services. Some regions in which we conduct business operations are susceptible to natural disasters such as earthquakes, typhoons, tsunamis and floods. Such natural disasters or other unexpected disruptions such as fires, power outages or shortages, terrorist attacks, human error, computer viruses or system malfunctions could affect the normal operation of telecommunications networks and information systems and hinder our provision of services to consumers, and any resulting decline in the quality of service on a widespread basis or for an extended period of time could make it difficult to retain or attract customers. Further, remedying such disruptions could require significant unanticipated capital expenditures. For example, Japan is an earthquake-prone country and has historically experienced numerous large earthquakes that have resulted in extensive infrastructural damage and destruction, such as in Hyogo Prefecture in 1995, in Miyagi Prefecture in 2003 and in Niigata Prefecture in 2004 and 2007. Most recently, in the aftermath of the Great East Japan Earthquake, which struck Japan on March 11, 2011, we, as well as other major mobile communications companies, experienced a temporary but widespread decline in the quality of our mobile services due to the sudden influx of text messages and phone calls. We also experienced store closings, widespread damage to our facilities and other effects due to the structural damage caused by the earthquake.

Additionally, the head offices and business offices of various companies within the SoftBank Group are concentrated within the Tokyo metropolitan area. The possibility therefore exists that a major earthquake or other catastrophic natural disaster or attack in the Tokyo metropolitan area could significantly affect our operations or impede the continuity of our business. Any of the foregoing may have a material adverse effect on our business, financial condition and results of operations.

To the extent that it is reasonably available, we carry insurance for losses including fire, theft, flood and explosion, but not for earthquake, with policy specifications and insured limits that we believe are adequate and appropriate for our business.

Demographic trends may make it difficult for us to sustain our growth.

The Japanese population, which comprises the current market for the majority of our products and services, is both aging and declining. As a result, the number of net new subscribers we acquire each month may decline in the future and we may not obtain the number of subscribers we expect. Furthermore, as a result of competition for acquisition of subscribers, we may incur higher costs than expected, such as distributor commissions and other expenses. We cannot be certain whether measures that we take will enable us to acquire new or maintain existing subscribers at our past rates.

We face risks associated with operation and investment in multiple markets, and if we are unable to manage these risks effectively, they could impair our ability to expand our business.

We conduct business and invest in multiple markets including China and the United States as well as other regions and countries and may continue expanding our operations outside of Japan in the future. See "The Sprint Acquisition". However, operating and investing in multiple markets exposes us to a number of risks, including:

- difficulties and costs relating to compliance with the different commercial and legal requirements of the markets in which we operate and the potential that such requirements could change to our disadvantage;
- difficulties in staffing and managing international operations;
- government regulations or restrictions on foreign investment, particularly any preventing us from repatriating internationally derived revenue, or foreign tax structures that make repatriation prohibitively expensive, which could affect our ability to effectively reinvest or utilize such revenues in our business; and
- other country risks, including changes in the economic, political or regulatory environment.

Our failure to successfully manage or address any of the above-listed risks could have a material adverse effect on our business, financial condition and results of operations.

The loss of key senior management personnel, Mr. Masayoshi Son in particular, could negatively affect our business.

Our performance is substantially dependent on our senior management and other key personnel. These individuals have acquired specialized knowledge and skills with respect to the companies that form the SoftBank Group and our businesses. This familiarity, in addition to the managerial and financial experience of these individuals as well as their decision-making abilities, makes them especially critical to our success. If one or more members of our key personnel were unable or unwilling to continue in their present positions, our business and operations could be disrupted and our growth potential could be impaired.

In particular, we depend in large part on the knowledge, expertise and services of Mr. Masayoshi Son, our chairman and CEO, especially for managing our mobile communications business, identifying new business opportunities and creating new business models. Mr. Son's reputation and personal contacts in the industries in which we operate give us access to many opportunities which would not otherwise be available to us. There can be no assurance that the departure of Mr. Son would not have a material adverse effect on our business, financial condition or results of operations.

We are subject to laws, government regulations and licensing regimes that restrict and may impose new restrictions on our business.

We are subject to various laws and regulations pertaining to general corporate business activities, as well as laws, regulations and licensing regimes governing certain of our business operations, such as the Telecommunications Business Act (as defined below) and Radio Act (as defined below), which govern our telecommunications business in Japan, and the regimes that govern the spectrum allocated to us by the Japanese government, which allow us to conduct our mobile communications operations. See "Regulation". Additionally, we have been subject to administrative guidance in the past and may be subject to administrative sanctions or further guidance by government agencies in the future that may hinder our business development or create financial burdens that could negatively affect our business, financial condition and results of operations.

Many of the licenses and permits that we require to provide telecommunications services are subject to various conditions and there is no assurance that we will be able to satisfy such conditions. Additionally, we are also dependent on radio frequency spectrum allocated to us by the MIC. There can be no assurance that the MIC will grant our application with respect to an allocation of frequency spectrum or that the MIC will not reallocate frequency spectrum in a manner that could be detrimental to us. See "Business—Our Business Segments—Mobile Communications Segment—Our Spectrum Allocations ".

In providing services in different countries, we are subject to various laws and regulations that govern such jurisdictions as well as various licensing regimes under such laws. The enforcement of existing regulations may greatly restrict our ability to conduct and expand our business. Additionally, revisions to or changes in the interpretation or enforcement of applicable laws and regulations and the introduction of new laws and regulations could prevent us from developing new businesses as anticipated or conducting our current businesses. In our main operating region, Japan, the revision or establishment of new government policies, rules or regulations regarding any of the following in the telecommunications sector in Japan could have a significant impact on our business development and results of operations:

- the status of business management and operations of NTT;
- designated telecommunications facilities systems, such as rules on open access to fiber-optic facilities;
- dominant carriers for mobile network operators;
- the scope of universal service and the universal service fund system;
- access to the networks and other infrastructure of NTT East and NTT West;
- countermeasures for network traffic to secure communications in the event of a major natural disaster or other emergency;
- access charge calculation formulas for mobile communications services;
- the mobile communications business model, including SIM locks, promoting new entry by mobile virtual network operators and coping with sharp increases in network traffic;
- radio utilization fee structures;
- frequency band allocation systems, such as an auction system;
- entry of new operators into newly allocated frequency bands;
- the effect of radio waves on health;
- personal information and customer information;
- the presentation of advertising for telecommunications services;
- spam;
- unlawful and harmful information on the internet and access to such information;
- the use of the internet, including advertising and consumer protection and privacy; and
- the improper use of mobile handsets.

If new laws and regulations are introduced in a form we do not expect, or if existing laws and regulations are amended or subject to changes in interpretation or application, the products and services that we are able to offer to our customers could be limited. We may not be able to accurately predict, prevent, or effectively react to new laws and regulations, or new amendments to or interpretations and applications of existing laws and regulations, which could have a material adverse effect on our business, financial condition and results of operations.

We may suffer from unauthorized use of our intellectual property by third parties and incur costs associated with protecting our intellectual property.

We regard our proprietary products, brands, domain names, trade names, copyrights, trademarks, trade secrets and similar intellectual property as critical to our business. However, policing the unauthorized use of our intellectual property is difficult and expensive. Although we have taken steps to prevent the misappropriation of our intellectual property, such protective measures may not be adequate to prevent the unauthorized use of our intellectual property. Any misappropriation of intellectual property that is used in our business, whether licensed to us or owned by us, could have a material adverse effect on our business, financial condition and results of operations. Further, the laws and enforcement procedures in some countries do not protect intellectual property rights to the same extent as the laws and enforcement procedures of Japan or the United States. Legal protection of our rights may be ineffective in such countries, and we may be unable to protect our intellectual property rights in such countries. In the future, we may need to resort to court proceedings to enforce our intellectual property rights, which might result in substantial costs and diversion of management attention and resources away from the operation and growth of our business.

We may be subject to intellectual property claims.

Our success depends, in part, on our ability to conduct our business without infringing the intellectual property rights of third parties and to effectively manage any disputes that may arise. However, particularly as there are many companies that develop and provide online technologies and broadband products, the features and content of which continue to overlap, there is an increasing possibility that we may be subject to litigation involving claims of patent, copyright or trademark infringement, or other violations of intellectual property rights of third parties. In particular, the patent field covering online and related technology is rapidly evolving and surrounded by a great deal of uncertainty, and our technologies, processes or business models and methods may infringe the intellectual property rights of third parties either now existing or to be issued in the future. Existing or future infringement claims against us, whether valid or not, may be time consuming, distracting to management and expensive to defend.

Intellectual property litigation or claims could force us to:

- cease operating or using products or services that incorporate the intellectual property subject to such claims;
- modify the products or services to avoid infringing upon the intellectual property rights of third parties;
- obtain a license from the holder of the infringed intellectual property, which may not be available on commercially favorable terms, or at all; or
- change our business practices, any of which could result in additional costs.

Additionally, in the event that there is a determination that we have infringed the proprietary rights of any third party, we could incur substantial liability. Any of the above may have a material adverse effect on our business, financial condition and results of operations.

From time to time, we may become involved in legal proceedings, which could adversely affect our business.

From time to time, we may become subject to legal proceedings, claims, litigation and government investigations or inquiries, which could be expensive, lengthy, disruptive to normal business operations or affect our corporate image. In addition, the outcome of any legal proceedings, claims, litigation, investigations or inquiries may be difficult to predict and could have a material adverse effect on our business, financial condition and results of operations.

Our Internet Culture segment is dependent on the Yahoo! brand.

Yahoo Japan licenses the use of the *Yahoo!* brand from the U.S. company Yahoo! Inc. The licensing agreement with Yahoo! Inc. is critical to our Internet Culture business segment and is used in certain service names such as *Yahoo! JAPAN* and *Yahoo! BB*. We have benefited from the strong brand recognition and existing user base of Yahoo Japan's portal site, *Yahoo! JAPAN*, which is the most frequently visited portal website in Japan. *Yahoo! JAPAN*'s brand name, popular internet website and existing user base have contributed significantly to the expansion of our *Yahoo! BB* subscriber base. As of March 31, 2012, we owned an approximate 42.2% interest in Yahoo Japan, and it is our consolidated subsidiary. Our chairman and CEO, Mr. Masayoshi Son, is chairman of the board of Yahoo Japan. If our current relationship with Yahoo Japan were to deteriorate due to the dilution or divestment of our interest in Yahoo Japan or for other reasons, or if we were unable to use the *Yahoo!* brand due to a drastic change in our relationship with Yahoo! Inc. or for other reasons, we may not be able to continue using the *Yahoo!* brand, which could significantly damage the brand recognition related to Yahoo Japan's portal site or otherwise have a material adverse effect on our business, financial condition and results of operations.

We purchase and lease various equipment, products and services, from suppliers and our inability to procure such equipment, products and services or defects therein could adversely affect our business.

We procure telecommunications equipment, network devices, mobile devices and various other hardware, software, support and services from various vendors. We rely upon certain key vendors such as Apple Japan and Sharp to supply the network equipment, mobile handsets, software, content and services that we require in our business.

Although we generally expect vendors to supply products and services in a timely manner, in accordance with the specifications contained in the applicable agreements with such vendors, and to cure any defects should they arise, we may be unable to switch suppliers or equipment in a timely manner should problems occur. We do not have direct operational or financial control over these key vendors, and there can be no assurance that such vendors will continue to provide equipment and services at attractive prices or that we will be able to obtain such equipment and services in the future from those or other providers, on the scale and within the timeframes that we require, if at all.

Supply interruptions, delivery delays, order volume shortfalls, defects and the cessation of maintenance and inspection services, as well as any other similar problem could impede our provision of services, making it difficult to acquire and retain customers, or causing us to incur additional costs. Suppliers may also cease providing the maintenance and inspection services required for telecommunications equipment to maintain performance.

Any of the above could have a material adverse effect on our business, financial condition and results of operations.

We rely on subcontractors and dealers for certain of our operations.

We consign sales activities, acquisition and retention of customers mainly for telecommunications services, and the execution of other related operations in whole or part to subcontractors. We also use subcontractors for network construction and maintenance service. Our business development could therefore be impacted if for some reason these subcontractors are unable to execute their duties in line with our expectations.

We also have a network of dealers responsible for the sale of our services and products. Damage to the credibility or image of these dealers could also have a negative impact on our credibility or corporate image. This could hinder business development and the acquisition and retention of customers, which could impact our operating results. Furthermore, if these dealers should fail to comply with laws and regulations, we could receive a warning or administrative guidance from the regulatory authorities, or be investigated or sanctioned for non-fulfillment of our supervisory responsibility, and our credibility or corporate image could deteriorate as a result, making it difficult to acquire and retain customers. This could have a material adverse effect on our business, financial condition and results of operations.

Our financial condition and results of operations may fluctuate due to factors related to changes in our investments in our consolidated subsidiaries and equity method affiliates.

Our consolidated financial results change from one reporting period to the next as companies that have not previously been consolidated are consolidated or as previously consolidated SoftBank Group companies are no longer consolidated due to the purchase and sale of interests in such companies or otherwise. We expect that our acquisition and consolidation of Sprint will also have a significant effect on our consolidated financial results. As a result, period-to-period comparisons of our results of operations are not necessarily meaningful or indicative of future performance in this regard.

Our business is capital intensive and we may not have sufficient liquidity to fund our capital expenditure programs or our ongoing operations in the future.

Our cash requirements for capital expenditures are relatively high with capital expenditures reaching ¥516 billion ($6.0 billion) and ¥535 billion ($6.2 billion) for the fiscal year ended March 31, 2012 and the nine months ended December 31, 2012, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Cash and Capital Requirements—Capital Expenditures". We cannot assure you that we will have sufficient liquidity to fund our capital expenditures programs or our ongoing operations in the future. Our Mobile Communications segment in particular requires intensive capital expenditures for the purchase of property, equipment and intangibles, which we acquire through sale and lease-back arrangements. For instance, we incurred substantial capital expenditures in our Mobile Communications segment for the construction of multiple 900 MHz base stations. There continue to be expenditures related to these base stations. In addition, if network usage develops faster than we anticipate, we may require greater capital expenditures than are currently anticipated. If we lack liquidity sufficient to continue to fund our major capital expenditure programs, we may not be able to raise additional financing, on favorable terms, or at all, or to otherwise generate sufficient cash flows to meet our capital requirements, which may have a material adverse effect on our business, financial condition and results of operations.

Our business may be adversely affected by actual or perceived health risks associated with mobile communication devices and the location of base stations and antennas.

Mobile communication devices have been alleged to have adverse health effects, due to radio frequency emissions. Similarly, the location of base stations and antennas has become a health-related concern as the radio frequency emissions from these structures are continuous. The actual or perceived risk of using mobile communications devices could adversely affect us through a reduction in subscribers, network usage per subscriber or financing available to the mobile communications industry. These adverse effects are similarly possible based on the perception of the locations of our base stations and antennas (i.e., whether surrounding locations are highly populated or not) and the impact our base stations and antennas have on those locations. We cannot provide assurance that there is no relationship between radio frequency emissions and health risks.

Our switch from Japanese GAAP to IFRS may lead to material differences in the preparation and presentation of our future financial results and make comparisons to prior years' results more difficult.

We have decided to switch our accounting standards from Japanese GAAP to IFRS and will issue financial reports under IFRS from the first quarter of the fiscal year ending March 31, 2014. IFRS differs from Japanese GAAP as well as U.S. GAAP in certain material respects. See "Summary of Certain Significant Differences Between Japanese GAAP, U.S. GAAP and IFRS." Among other effects, we expect the change in accounting standards from Japanese GAAP to IFRS to result in the reclassification of handset sales commission payments, balance sheet recognition of securitizations of accounts receivable and preferred securities as debt, suspension of our amortization of goodwill, and consolidation of eAccess and Wireless City Planning, which we treated as equity affiliates under Japanese GAAP. These adjustments are expected to have a significant impact on reported net sales and certain items on our balance sheet. As we are still in a transition period of changing our accounting standards before our first financial statements under IFRS are released, and our estimates regarding the impact of IFRS are subject to change. For further information, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Certain Anticipate Effects of Voluntary Adoption of IFRS".

While we have described a number of material differences between Japanese GAAP, U.S. GAAP and IFRS in this offering memorandum, we have not identified all of the differences that would affect the manner in which transactions or events are presented in our financial statements or the notes thereto. We have also not quantified the impact of such change in accounting standards on the financial ratios or covenants governing other debt. In particular, holders of the Notes may be materially adversely affected if our financial ratios were to change due to a change in our accounting standards, and there is also a possibility that you may not be able to meaningfully compare our financial statements under IFRS with our historical financial statements under Japanese GAAP. We have not prepared a reconciliation of our historical financial information to IFRS and we cannot assure you that such a reconciliation would not reveal material differences. Potential investors may be materially adversely impacted by such change in accounting standards and should consult their own professional advisors for an understanding of the differences between IFRS and Japanese GAAP and how these differences might affect the financial information in this offering memorandum.

Risks Relating to the Sprint Acquisition

There can be no assurance that the expected benefits of the Sprint Acquisition will be realized.

On October 15, 2012, SoftBank Corp. and certain other of our subsidiaries incorporated in the United States for the purpose of effecting the acquisition entered into an agreement with Sprint, whereby SoftBank Corp. will, upon completion of a merger between one such subsidiary and Sprint, indirectly own approximately 70% of a public holding company, New Sprint, which in turn will hold Sprint as its sole asset. See "The Sprint Acquisition". We entered into the Sprint Acquisition Agreement with the expectation that the Sprint Acquisition would result in various benefits. These expected benefits include the enhancement of Sprint's competitiveness in the United States and opportunities for future growth, cash flow from Sprint, and the establishment of our international operating base as one of the largest mobile communications companies in the world in terms of revenues. The success of the Sprint Acquisition will depend, in part, on our ability to realize such anticipated benefits. However, the anticipated benefits of the Sprint Acquisition may not be realized fully, or at all, or may take longer to realize than expected, or may be diminished or impeded by unanticipated costs, expenses or liabilities that could arise in connection with the Sprint Acquisition. Failure to achieve anticipated benefits could result in increased costs and decreases in the amount of expected revenues, profitability and cash flows.

Our financial results may be adversely affected by the completion, non-completion or delay of the Sprint Acquisition.

There can be no assurance that the Sprint Acquisition and related transactions will be completed within the anticipated time period or completed at all. One or more closing conditions to the transaction may not be satisfied or waived on a timely basis or otherwise, including that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the transaction or that the required approval by Sprint's stockholders may not be obtained. Although we anticipate that the Sprint Acquisition will be completed, if it is not, we may in certain conditions be subject to various fees and penalties and our ability to take advantage of the U.S. mobile market to grow our operations may be significantly impeded or may not be possible.

Additionally, even if the Sprint Acquisition is completed, a material adverse change to Sprint or us, or any delay in or uncertainty surrounding the completion of the transaction, could negatively affect Sprint's or our respective businesses, which could limit our ability to realize the expected benefits of the Sprint Acquisition. Uncertainty about the effect of the Sprint Acquisition on Sprint's or our employees and customers may have a material adverse effect on Sprint's or our respective businesses, financial condition and results of operations, including by increasing subscriber churn, lowering employee morale, increasing employee attrition, negatively affecting existing relationships with third parties, or otherwise significantly burdening Sprint's or our management and internal resources. Further, a failed or significantly delayed Sprint Acquisition may result in negative publicity and a negative impression of us.

Any of the foregoing could adversely affect our business, results of operations and financial condition.

Pending or potential litigation against Sprint or us could result in an injunction delaying or preventing the completion of the Sprint Acquisition or the payment of damages in the event the Sprint Acquisition is completed.

In connection with the Sprint Acquisition, purported stockholders of Sprint have filed several stockholder class action complaints against Sprint, its directors and us alleging, among other things, that the Sprint board of directors conducted an unfair sales process resulting in an unfair consideration to the Sprint stockholders in the Sprint Acquisition. The complaints assert that members of Sprint's board of directors breached their fiduciary duties in agreeing to the transaction and in agreeing to the issuance of a convertible bond whereby, upon conversion, we will indirectly hold approximately 16.4% of Sprint common stock. Certain of the complaints name SoftBank Corp. and certain of our U.S. subsidiaries that are signatories to the Sprint Acquisition Agreement as defendants. Some complaints further allege that SoftBank Corp. and certain of our U.S. subsidiaries aided and abetted the Sprint directors' alleged breaches of fiduciary duty. The lawsuits seek to enjoin the Sprint Acquisition and seek unspecified monetary damages. These actions could delay or prevent the completion of the Sprint Acquisition and could result in substantial costs to Sprint and us, including costs associated with the indemnification of directors. Further, the ongoing defense or settlement of any lawsuit or claim that remains unresolved following completion of the Sprint Acquisition may adversely affect Sprint's business, financial condition or results of operations. See "Business—Legal Proceedings".

Sprint is also subject to lawsuits asserting claims related to Sprint's acquisition of Clearwire Corporation ("Clearwire") and various other matters. SoftBank Corp. is also named as a defendant in at least one lawsuit related to Sprint's acquisition of Clearwire. For more information, please see Sprint's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 included elsewhere in this offering memorandum.

If we are unable to finance the Sprint Acquisition, the transaction may not be completed. In the event of a financing failure and the termination of the Sprint Acquisition Agreement, under certain circumstances we may be obligated to pay Sprint a $600 million reverse termination fee.

We intend to fund the cash required in connection with the Sprint Acquisition largely with debt financing. In order to raise necessary funds for the transaction, on December 18, 2012, we entered into a Bridge Loan agreement for a total commitment amount of ¥1.65 trillion ($19.1 billion) with a group of banks. In connection with the Sprint Acquisition, we intend to enter into a new permanent senior financing facility (the "Permanent Financing"), which we would then use to refinance the Bridge Loan and for the closing of the Sprint Acquisition.

Our ability to draw funds under the Bridge Loan or the Permanent Financing is or would likely be subject to various conditions, including among others, the satisfaction or waiver of the conditions to the Sprint Acquisition and the execution of satisfactory documentation and other customary closing conditions. To the extent one or more of the lenders is unwilling or unable to fund its portion of the commitments, the other lenders would not be obligated to assume the unfunded commitments and we could be required to seek alternative financing or fund such portion of the commitments ourselves. However, financing alternatives may not be available on acceptable terms, in a timely manner or at all.

If we are unable to obtain the funding under the Bridge Loan or the Permanent Financing, the completion of the Sprint Acquisition may be jeopardized, and in certain circumstances where the Sprint Acquisition is not completed we may be obligated to pay Sprint a $600 million reverse termination fee. We are only able to draw down on the Bridge Loan until November 2013. If the Sprint Acquisition is delayed and we cannot procure financing, we may also have to pay the reverse termination fee. See "Recent Developments—Updates on Permanent Financing". Sprint will have the right to terminate the Sprint Acquisition Agreement and we will be required to pay Sprint a $600 million reverse termination fee if the Sprint Acquisition is not consummated within 11 business days following Sprint's notice to us that all conditions to closing have been satisfied. We will also be required to pay the reverse termination fee if the Sprint Acquisition Agreement is terminated by Sprint due to a breach by us and, at the time of such termination, all of the closing conditions are satisfied (other than delivery of the parties' closing certificates) and there was an uncured financing failure.

Upon termination of the Sprint Acquisition Agreement under certain circumstances, our right to receive damages may be limited to the termination fee or certain expenses, which may not reflect the actual damages we will incur if the Sprint Acquisition is not completed.

Under the terms of the Sprint Acquisition Agreement, in certain circumstances Sprint may be required to pay to us a termination fee of $600 million or to pay certain of our expenses up to a maximum of $75 million in connection with the termination thereof. If the Sprint Acquisition Agreement is terminated under any circumstance that entitles us to receive the termination fee, the right to receive such termination fee is our only remedy and we cannot otherwise seek damages from Sprint for the failure of the Sprint Acquisition to be completed or for any other matter, regardless of the actual amount of our damages. Furthermore, in circumstances where we are not able to receive the termination fee, our remedies will be limited to the payment of certain fees up to a maximum of $75 million, and although termination of the Sprint Acquisition Agreement under certain circumstances may entitle us to convert our bond, which is convertible into approximately 16.4% of the common stock of Sprint, we cannot guarantee that we will be able to receive the necessary regulatory approvals for such conversion, that we will be able to engage an underwriter or financial institution to purchase the bond at a favorable price or at all, or that any conversion or sale of the bond will provide us with assets sufficient to compensate us for our damages. As a result of the above limitations on our remedies, we may not be entirely compensated for damages we may sustain.

We will be required to repay or seek an amendment or waiver with respect to outstanding indebtedness in order to use the funds of the Bridge Loan to fund the Sprint Acquisition.

On July 22, 2011 and October 22, 2011, we procured a syndicated loan from several Japanese and international financial institutions in the principal amount of ¥550 billion ($6.4 billion) (the "Syndicated Loan"). The Syndicated Loan Agreement contains various covenants, including financial ratios, and a restriction on the net debt we can incur.

Use of funds from the Bridge Loan in order to finance the Sprint Acquisition could result in a breach of such financial covenants. Therefore, we intend to refinance the Syndicated Loan with the Permanent Financing. We cannot assure you that we will be able to complete definitive documentation for the Permanent Financing, or that such documentation will not contain conditions or covenants that will not materially and adversely restrict our business activities. We cannot assure you that the lenders under the Syndicated Loan Agreement will agree to amend, modify or waive the relevant terms of the Syndicated Loan Agreement or that we will be able to refinance the underlying loan on favorable or equivalent terms, or at all. Additionally, we cannot assure you that any amendments, modifications or waivers to the Syndicated Loan Agreement or any refinancing of the underlying loan will not materially and adversely affect our ability to finance our future operations or capital needs or to engage in other business activities, or otherwise not adversely affect our business, financial condition and results of operations. Further, if we draw down on the Bridge Loan in connection with the Sprint Acquisition, and are subsequently unable to refinance the Bridge Loan with the Permanent Financing or otherwise, we cannot assure you that we will have sufficient liquidity to repay the Bridge Loan when it matures in December 2013, which could result in a default under the Bridge Loan and could further result in a cross-default under other of our indebtedness including the Notes. See "Description of Other Indebtedness—Loans—¥250 Billion ($2.9 Billion) Drawdown on the ¥1.65 trillion ($19.1 Billion) Bridge Loan for Sprint Acquisition".

In addition, we have other borrowings from other financial institutions which contain similar financial and operating covenants. If we breach these covenants, we will likewise be required to immediately repay such borrowings or seek an amendment, modification or waiver of the applicable provisions of such loan agreements. Failure to obtain such amendment, modification or waiver could also materially and adversely affect our business, financial condition and results of operations. See "Description of Other Indebtedness".

Our financial results may be significantly affected by U.S. governmental measures to protect national security and classified projects.

Due to the substantial foreign ownership of New Sprint following the completion of the Sprint Acquisition, each of the Federal Communications Commission (the "FCC"), the Defense Security Service (the "DSS") and the Committee on Foreign Investment in the United States ("CFIUS") may take measures to protect national security and classified projects. Certain measures and conditions may be imposed by these or other U.S. governmental organizations on New Sprint, which may materially and adversely affect New Sprint's and our business, financial condition and results of operations, due to increasing the costs of compliance with security measures and limiting New Sprint's control over certain U.S. facilities, contracts, personnel, and operations.

If the FCC's foreign ownership policies change, there could be significant impacts on New Sprint following the Sprint Acquisition.

The United States Communications Act requires that no wireless licensee have more than 25% indirect foreign ownership if the FCC determines that the public interest would be served by applying such a restriction. Under the FCC's current rules, an indirect foreign investment is entitled to a public interest presumption if total non-World Trade Organization ownership of the licensee, remains below 25%. Together with Sprint, we have requested that the FCC apply this presumption to the Sprint Acquisition. The FCC's foreign ownership rules implement U.S. treaty obligations, but there is no guarantee that the FCC will continue to maintain its current rules, or that it will not modify aspects of the rules, including the levels and types of permissible foreign ownership. Further, the FCC is considering whether it should modify aspects of its foreign ownership rules. In general, the FCC has proposed rule changes that would streamline its procedures and reduce regulatory burdens for granting approvals to exceed the statutory 25% limit on indirect foreign ownership. Although no rule changes have been proposed that would reduce the permissible level of foreign ownership in New Sprint, if the FCC were to take action in this way, we could be required to divest part or all of our Sprint interest, potentially on terms that would be unfavorable to us.

Our financial results may be significantly affected by risks relating to Sprint and its operations.

After the completion of the Sprint Acquisition, we will own a majority interest in a company, New Sprint, which will be a holding company, and its only business and operations will be those of Sprint. Therefore those risks that relate to Sprint will also relate to New Sprint and the ability of New Sprint to contribute to our financial results. Sprint is in the business of selling communication services to subscribers and faces business risks associated with the telecommunications industry as well as risks unique to Sprint. Risks associated with Sprint and its operations include, but are not limited to, the following:

- If Sprint is not able to retain and attract subscribers, or if it continues to lose market share, its financial performance will be impaired.
- Sprint may experience increased competition if additional spectrum is made available for commercial wireless services and as new technologies are developed and launched by its competitors.
- Competition in pricing and service and product offerings may adversely impact subscriber retention and Sprint's ability to attract new subscribers.
- We expect that Sprint will incur expenses to attract new subscribers, improve subscriber retention and reduce churn, but there can be no assurance that its efforts will result in new subscribers or a lower rate of subscriber churn.
- Rapid changes in technology may lead to the development of wireless communications technologies, products or alternative services that are superior to Sprint's technologies, products, or services or that consumers prefer over those of Sprint.
- Certain of Sprint's operations as well as future plans may depend on elements out of the control of Sprint, such as the performance of third parties, the availability and reliability of certain technologies, general economic conditions, the absence of intellectual property-related litigation and increased or changed government regulation, and the availability of capital markets and financing.
- If Sprint is unable to improve its results of operations, it faces the possibility of additional charges for impairments of long-lived assets.
- The rollout of the major multi-year network modernization project called "Network Vision" is centrally important to Sprint's future competitiveness and to our anticipated operational synergies with Sprint, but it has experienced delays in implementation, and significant delays or failures in the deployment or commercial success of the planned network upgrade would have a serious negative effect on Sprint and on us.

- Sprint's future operating results will be impacted by Sprint's share of the net loss of Clearwire, in which it holds a significant equity interest. However, Sprint does not control Clearwire's board, nor does it manage the operations of Clearwire or control management.
- Although as part of Network Vision Sprint has launched Sprint's own LTE network in limited markets, Sprint currently relies on Clearwire to operate its WiMAX network. However, Clearwire has indicated that due to its current funding constraints, it may not be able to maintain or make improvements necessary to add capacity to its network.

Each of the above risks could result in a material adverse effect on the business, financial condition and results of operations of Sprint.

Additionally, on December 17, 2012, Sprint entered into a merger agreement with Clearwire to acquire all of the remaining equity interests in Clearwire. This transaction is key to mitigating certain risks discussed above relating to Sprint's lack of control over Clearwire's operations. However, the Sprint acquisition of the remaining shares of Clearwire is subject to regulatory and shareholder approvals, and shareholder litigation has been initiated seeking to enjoin the transaction and to require a larger payment by Sprint to the minority stockholders. Additionally, after announcement of the signing of the merger agreement between Sprint and Clearwire, DISH Network Corporation submitted a competing proposal to Clearwire. Clearwire is currently evaluating the DISH Network Corporation proposal, and there can be no assurance that Clearwire will not change its recommendation to shareholders of the current Sprint transaction.

Sprint's credit rating could be downgraded after the completion of the Clearwire merger. Downgrades in Sprint's credit rating could increase its costs of borrowing and affect its ability to make payments on outstanding debt instruments and to comply with other existing obligations, and could have a material adverse effect on Sprint's, and therefore our, business, financial condition and results of operations.

For more discussion of Sprint, Clearwire, the risks affecting their respective businesses and other risks relating to the Sprint Acquisition and the merger between Sprint and Clearwire, you should refer to the annual reports of Sprint and Clearwire filed with the SEC on Form 10-K for the year ended December 31, 2012 and quarterly reports filed on Form 10-Q for the quarters ended March 31, 2012, June 30, 2012, and September 30, 2012. Sprint's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 is included elsewhere in this offering memorandum.

Risks Relating to the Notes

There are no prior markets for the Notes and, if markets develop, they may not be liquid.

Although approval in-principle has been received for the listing of the Notes on the SGX-ST, there can be no assurance that any liquid markets for the Notes will ever develop or be maintained. The Initial Purchasers have advised us that they currently intend to make a market in the Notes following the offering. However, the Initial Purchasers have no obligation to make a market in the Notes and they may stop at any time. Furthermore, there can be no assurance as to the liquidity of any markets that may develop for the Notes or the prices at which you will be able to sell your Notes, if at all. Future trading prices of the Notes will depend on many factors, including:

- prevailing interest rates;
- our financial condition and results of operations;
- the then-current ratings assigned to the Notes;
- the market for similar securities; and
- general economic conditions.

Any trading markets that develop would be affected by many factors independent of and in addition to the foregoing, including the time remaining to the maturity of the Notes; the outstanding amount of the Notes; and the level, direction and volatility of market interest rates generally.

In addition, in the event that our obligations in connection with maintaining the listing of the Notes on the SGX-ST become unduly burdensome, we may be entitled to, and may decide to, delist the Notes from the SGX-ST and seek an alternate listing for the Notes on another securities exchange.

The Notes and the Note Guarantees are unsecured obligations and will be effectively subordinated to our existing and future secured indebtedness and to the existing and future secured indebtedness of any of our subsidiaries that guarantees the Notes.

The Notes and the Note Guarantees are unsecured obligations ranking effectively junior in right of payment to all existing and future secured debt held by us and each of our subsidiaries that guarantees the Notes, to the extent of the value of the collateral securing such debt. As of December 31, 2012, our secured debt mostly comprises the amount drawn down on the Bridge Loan in the amount of ¥250 billion, and will include any additional amounts that may be drawn in the future on the Bridge Loan, all of which are or will be secured by all of the shares of capital stock of Starburst I owned by the Company and substantially all of the assets of Starburst I and Starburst II. In the event that the Permanent Financing is secured, the Notes and the Note Guarantees will also be effectively subordinated to the Permanent Financing, to the extent of such security. See "Description of Other Indebtedness".

In the event of any bankruptcy, liquidation, reorganization, dissolution, winding-up or other insolvency proceedings of us or any of our subsidiaries that may guarantee the notes, the rights of the holders of the Notes to participate in our assets or the assets of such subsidiary will rank behind the claims of secured creditors, including trade creditors, and behind holders of preferred securities, if any.

Repayment of the Notes may be compromised if:

- we enter into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- we default in payment of our secured indebtedness or other unsecured indebtedness; or
- any of our indebtedness is accelerated.

If any of these events occurs then our assets may be insufficient to pay amounts due on the Notes.

The Notes and the Note Guarantees will be structurally subordinated to any existing or future indebtedness, preferred stock and other liabilities of our non-guarantor subsidiaries and the Note Guarantors' subsidiaries, respectively.

As of December 31, 2012, the aggregate amount of outstanding debt of our non-guarantor subsidiaries was ¥110 billion. The holders of the Notes will not have any direct right to claim against any of our non-guarantor subsidiaries, and may only participate in the assets of such subsidiary through the distribution of the remaining assets to us as a common equity interest holder of such subsidiary or the limited repayment to us as a creditor of such subsidiary (if we have claim against such subsidiary) under bankruptcy or other insolvency procedures. As a result, the Notes and the Note Guarantees are structurally subordinated to the preferred securities, outstanding debt and other liabilities, including trade payables of our non-guarantor subsidiaries and the Note Guarantors' subsidiaries, respectively, and the amount of such liabilities and preferred securities may be significant. In addition, the Indenture does not prohibit SoftBank Corp. or any of its subsidiaries that guarantees the Notes from acquiring new indebtedness or new subsidiaries that have existing indebtedness. See "Description of the Notes—Certain Covenants—Permitted Priority Debt".

The Indenture contains limited restrictive covenants and does not restrict the Company and the Note Guarantors' ability to dispose of assets, incur unsecured indebtedness, pay dividends (except in certain limited circumstances) or issue or repurchase securities.

The Indenture contains limited restrictive covenants and does not restrict the Company and the Note Guarantors' ability to sell or otherwise dispose of all or substantially all of our assets, to pay dividends on our shares of common stock (except in certain limited circumstances involving asset sales), to incur unsecured indebtedness, to issue new securities or to repurchase our outstanding securities. In addition, the negative pledge provided by the Company and the Note Guarantors does not apply to certain types of indebtedness and is subject to certain exceptions, including any security provided for the Bridge Loan or any refinancing thereof. These or other actions by us could adversely affect our ability to pay amounts due on the Notes. In addition, the Indenture does not contain any covenants or other provisions that afford more than limited protection to holders of the Notes in the event of a change in control.

Sprint is not, and certain subsidiaries that we may acquire or establish in the future may not be, required to guarantee the Notes, and its, or their, assets may not be available to make payments on the Notes and your claims in respect of the Notes.

Sprint is expected to become our majority-owned subsidiary following the offering of the Notes. See "The Sprint Acquisition". However, Sprint will not guarantee the Notes. In addition, we may, under the terms of the Indenture and subject to certain requirements, designate certain subsidiaries that we may acquire or establish in the future to be excluded from providing guarantees of the Notes. See "Description of the Notes". In the event that Sprint, or such other subsidiary that we may designate, becomes insolvent, liquidates, reorganizes, dissolves or otherwise winds up, debt holders, and trade creditors of Sprint, or such other designated subsidiary, will be entitled to payment on their claims from the assets of Sprint, or such other designated subsidiary, before any of those assets are made available to us. Consequently, your claims in respect of the Notes will be structurally subordinated to all of the liabilities, including trade payables, of Sprint and any other subsidiary that we may designate in accordance with the terms of the Indenture. In addition, the Indenture does not limit the activities of Sprint, such as its ability to provide liens or incur additional indebtedness (including secured indebtedness), and does not contain any limitation on the amount of liabilities, such as trade payables, that Sprint may incur. Similarly, the activities of any other subsidiary that we may designate in accordance with the terms of the Indenture will not be limited by the terms of the Indenture.

The ratings of the Notes may change after the issuance of the Notes and those changes may have an adverse effect on the market prices and liquidity of the Notes.

Credit ratings that the Notes may receive will not address all material risks relating to an investment in the Notes, but reflect only the view of each rating agency at the time the rating is issued. There is no assurance that any such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. A downgrade or potential downgrade in these ratings or the assignment of new ratings that are lower than existing ratings could reduce the number of potential investors of the Notes and adversely affect the prices and liquidity of the Notes. A security rating is not a recommendation to buy, sell or hold the Notes.

We may not have sufficient funds to repurchase the Notes upon a Change of Control Triggering Event and certain strategic transactions may not constitute a Change of Control Triggering Event.

The occurrence of a Change of Control Triggering Event (as defined in "Description of the Notes—Repurchase at the Option of Holders upon a Change of Control Triggering Event") will require us to offer to repurchase the Notes at a purchase price equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest on the Notes up to but excluding the date of repurchase. It is possible that we will not have sufficient funds upon a Change of Control Triggering Event to make the required repurchase of the Notes and any failure to do so could result in cross defaults under our other debt agreements. In addition, some of our debt agreements or other similar agreements to which we may become a party may contain restrictions on our ability to purchase the Notes, regardless of the occurrence of a Change of Control Triggering Event.

We frequently evaluate and may in the future enter into strategic transactions. Any such transaction could happen at any time, could be material to our business and could take any number of forms, including, for example, an acquisition, merger or sale of assets. In the future, we could enter into certain other transactions that, although material, would not result in a Change of Control Triggering Event and, therefore, would not require us to make an offer to repurchase the Notes. Such transactions could significantly increase the amount of our indebtedness outstanding at such time or otherwise affect our capital structure or credit ratings.

Our operations may be restricted by the terms of the Indenture, which could limit our ability to plan for or to react to market conditions or meet our capital needs.

The Indenture will include certain restrictive covenants that will restrict, among other things, our ability to create liens and effect a consolidation or merger. In addition, the Indenture will restrict, among other things, the ability of certain of our non-guarantor subsidiaries to incur or guarantee certain additional indebtedness.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

If we are unable to comply with the restrictions and covenants in our debt agreements, there could be a default under the terms of these agreements or the Indenture, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the restrictions and covenants in our current or future debt and other agreements (including, upon completion of the Sprint Acquisition, any such restrictions and covenants in the current and future debt and other agreement of Sprint or its subsidiaries), or the Indenture, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Indenture, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of debt or result in a default under our other debt agreements. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

We will be substantially leveraged after the Sprint Acquisition and have debt service obligations that could adversely affect our business and prevent us from fulfilling our obligations under the Notes.

Our interest-bearing debt, excluding lease obligations, was approximately ¥1.6 trillion ($18.1 billion) and ¥1.9 trillion ($22.4 billion) as of March 31, 2012 and December 31, 2012, respectively. Additionally, in March 2013, we issued two series of domestic unsecured straight bonds for a total amount of ¥370 billion ($4.3 billion). After the issuance of the Notes and drawdown on the Permanent Financing, we will be substantially leveraged following the Sprint Acquisition and will have substantial debt service obligations. This leverage exposes us to risk in the event of a downturn in our business, in the mobile communications industry or in the economy generally, and may impair our business operations and our ability to compete effectively, particularly with respect to competitors that are less leveraged. Additionally, despite our current level of indebtedness, we may still be able to incur substantially more debt in the future, which will make it even more difficult for us to service our debt, including these Notes, and further impair our ability to operate our business, that may limit our ability to finance future operations and capital needs to pursue business opportunities and activities.

Our corporate structure may impact your ability to receive payment on the notes.

The Company is a pure holding company and substantially all of its operating income and cash flow are derived from its subsidiaries. As a result, the Company will rely on its subsidiaries' operating income and cash flow to make payments due under the Notes.

Our principal shareholder, Mr. Masayoshi Son, maintains significant influence over us, and his interests may conflict with Noteholders' interests.

Mr. Masayoshi Son, our chairman and CEO, is our single largest shareholder and owns 20.79% of SoftBank Corp.'s issued share capital as of September 30, 2012. As a result, Mr. Son has significant influence as to the composition of our board of directors and, in general, may determine the outcome of corporate decisions and other matters submitted to our shareholders for approval. Interests of Mr. Son, in certain circumstances, may conflict with Noteholders' interests. For example, Mr. Son could vote to declare dividends or cause us to incur indebtedness, in each case as permitted under the Notes, causing capital outflows or increasing debt service obligations, which could hinder our ability to meet our obligations under the Notes.

U.S. investors may have difficulty in serving process or enforcing a judgment against us or our directors, executive officers or corporate auditors.

We are a limited-liability, joint stock corporation incorporated under the laws of Japan. Most of our directors, executive officers and corporate auditors reside in Japan. All or substantially all of our assets and the assets of these persons are located in Japan and elsewhere outside the United States. It may not be possible, therefore, for U.S. investors to effect service of process within the United States upon us or these persons or to enforce against us or these persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States. There is also doubt as to the enforceability in Japan, in original actions or in actions for enforcement of judgment of U.S. courts, of liabilities predicated solely upon the federal securities laws of the United States.

Japanese insolvency laws may be different from, and not as favorable to you as, insolvency laws in other jurisdictions.

We are incorporated in Japan and, consequently, will be subject to Japanese laws and procedures affecting debtors and creditors, such as bankruptcy, corporate reorganization, civil rehabilitation or special liquidation proceedings. Under the Bankruptcy Act of Japan (Act No. 75 of 2004, as amended), a petition for the commencement of bankruptcy proceedings may be filed with a court by us or any of our directors or creditors if we are generally and continuously unable to pay our debts as they become due because of a lack of ability to pay or if our liabilities exceed our assets. Under the Corporate Reorganization Act of Japan (Act No. 154 of 2002, as amended), a petition for the commencement of corporate reorganization proceedings may be filed with a court by us or certain qualified shareholders or creditors if it is likely that any of the grounds for bankruptcy as described above will arise. In addition, we may file a petition for the commencement of corporate reorganization proceedings if it is likely that the payment of a debt which becomes due would cause serious impediments to our continued business operations. Under the Civil Rehabilitation Act of Japan (Act No. 225 of 1999, as amended), a petition for the commencement of civil rehabilitation proceedings may be filed with a court by us or any of our creditors if it is likely that we face any of the grounds for bankruptcy as described above. A petition for civil rehabilitation may be also filed by us if we are unable to make any payments as they become due without causing any material obstruction to the continuation of our business. Under the Companies Act of Japan (Act No. 86 of 2005, as amended), a petition for the commencement of special liquidation proceedings may be filed with a court by any of our creditors, liquidators, statutory auditors or shareholders if, after liquidation proceedings have commenced, circumstances exist which would seriously impede the carrying out of our liquidation or if there exists any possibility or doubt that our liabilities exceed our assets. The court will be required to order the commencement of bankruptcy proceedings at its initiative if, after a special liquidation has been commenced, the court determines that there exists a fact which constitutes a cause of commencement of the bankruptcy proceedings while: (i) there is no prospect of entering into a settlement agreement; (ii) there is no prospect of performing a settlement agreement; or (iii) the special liquidation conflicts with the general interest of the creditors.

In any of the insolvency proceedings mentioned above, our liabilities under the Notes would, in general, be paid to holders of the Notes and creditors ranking equally with such holders in right of payment on a pro rata basis, only after all of our debts that are entitled to a preferred status (*yuusen ken*) under the insolvency laws (such as employment remuneration claims, expenses of insolvency proceedings and taxes) have been paid. Also, the rights of the holders of the Notes will be subordinate to those of secured creditors (*tanpo-kensha*) who will be entitled to exercise their rights over our assets outside of the insolvency proceedings, although the exercise of such rights by the secured creditors may be suspended upon a special order of the court in civil rehabilitation proceedings. Moreover, in corporate reorganization proceedings, secured creditors will be required to participate in such proceedings, and their rights could be impaired or modified in accordance with a reorganization plan. However, it is likely that claims of general creditors, including holders of the Notes, would be subordinated under the plan to secured claims to the extent of the net value of the security interest at the commencement of the proceedings.

Under Japanese insolvency laws, no party (including, without limitation, any director of a company) is expressly obligated to file for the commencement of insolvency proceedings in any particular circumstance (except that liquidators are required to file for the commencement of special liquidation proceedings in certain circumstances). However, our directors are subject to general fiduciary duties under the Companies Act of Japan, which may in certain circumstances require them to take appropriate steps, including filing for the commencement of insolvency proceedings when a cause for insolvency arises. If our directors do not take appropriate action in such circumstances, they could be subject to civil and criminal liabilities.

If, based on a petition for the commencement of bankruptcy proceedings, a court orders the commencement of such bankruptcy proceedings, a trustee in bankruptcy (*hasan kanzainin*) will be appointed to administer our operations, realize all assets belonging to the bankruptcy estate and make distributions to creditors. If, based on a petition for the commencement of corporate reorganization proceedings, a court orders the commencement of such reorganization proceedings, a reorganization administrator (*kousei kanzainin*) will be appointed to take over our operations, assess all assets and liabilities, propose a reorganization plan and, if the plan is approved by our creditors and confirmed by the court, transfer management responsibilities to the new management under the plan. If, based on a petition for the commencement of civil rehabilitation proceedings, a court orders the commencement of such rehabilitation proceedings, our directors will remain in position (subject to supervision by a court appointed rehabilitation supervisor (*kantoku i-in*)), to propose a rehabilitation plan and, if approved by our creditors and confirmed by the court, execute the plan. If, based on a petition for the commencement of special liquidation proceedings, a court orders the commencement of such special liquidation proceedings, a liquidator (*seisan-nin*) will, under court supervision, liquidate all remaining assets and liabilities and make distributions to creditors under a settlement agreement approved by our creditors and confirmed by the court.

The offering of the Notes and payments made to the holders of the Notes may be avoided in insolvency proceedings (except for special liquidation proceedings) by the bankruptcy trustee, reorganization administrator or rehabilitation supervisor pursuant to their "right of avoidance" (*hi-nin ken*) as a fraudulent conveyance or voidable preference.

The acts that are subject to this right of avoidance include:

- any act by the debtor taken with the knowledge that such act will prejudice creditors and the beneficiary of such act was aware, at the time of the act, of the fact that such act will prejudice creditors (except the creation of a security interest or the extinguishment of obligations as to the already existing obligations);

- any act that (except the creation of a security interest or the extinguishment of obligations as to the already existing obligations):
  - prejudices creditors;
  - occurs after the debtor has suspended payments or after the filing of a petition; and
  - the beneficiary of such act was aware, at the time of the act, that the debtor has suspended payments or the filing of a petition has been made, and of the fact that such act will prejudice creditors;
- any voluntary act that:
  - relates to the creation of a security interest or the extinguishment of obligations as to the already existing obligations;
  - occurs after the debtor has become unable to pay debts in general and the creditor was aware, at the time of the act, of such debtor's inability or suspension of payments by the debtor;
  - occurs after the filing of a petition and the creditor was aware, at the time of the act, of such filing; or
  - occurs within 30 days prior to the debtor becoming unable to pay debts in general and the creditor was aware, at the time of the act, of the fact that such act will prejudice other creditors; and
- any gratuitous act (or act deemed to be gratuitous) by the debtor after, or within six months prior to, either the suspension of payments by the debtor or the filing of a petition.

For example, the offering of or payment on the Notes may be avoided if: (i) we are deemed to have been aware at the time of the offering that it would be to the detriment of our creditors and you are deemed to have had notice of such fact at that time; or (ii) the payment takes place after we have become unable to pay our debts in general, or a petition for insolvency proceedings has been filed, and you are deemed to have been aware of such fact at that time.

USE OF PROCEEDS

We expect to receive a total of approximately $3.3 billion in net proceeds from this offering, comprising approximately $2.4 billion from the Dollar Notes and €0.62 billion from the Euro Notes, after deducting underwriting discounts and commissions and other offering expenses payable by us. We intend to use the net proceeds from the sale of the Notes (1) to comprise a portion of the consideration for the Sprint Acquisition, (2) to refinance certain of our indebtedness or (3) for general corporate purposes. This offering is not contingent on the consummation of the Sprint Acquisition.

CAPITALIZATION

The following table shows our consolidated cash and cash equivalents and capitalization as of December 31, 2012: (1) on a historical basis as stated in our unaudited interim consolidated balance sheet as of that date, (2) on an adjusted basis after reflecting the following as though such events had occurred as of December 31, 2012:

- the issuance of the New Domestic Bonds in March 2013, which increased our long-term debt by ¥370 billion ($4.3 billion) and, after deducting underwriting discounts and commissions and other offering expenses payable by us, increased our cash and cash equivalents by ¥365 billion ($4.2 billion);
- the effect of ordinary-course loan repayments totaling ¥165 billion ($1.9 billion) from January 1, 2013 through March 31, 2013, which decreased our short-term debt and cash by the same amount;
- the conversion into common stock or redemption of the convertible bonds issued by us in the amount of ¥33 billion ($381 million) that were outstanding as of December 31, 2012, of which ¥74 million ($855 thousand) were redeemed and the remainder of which were converted into a total of 15 million shares on March 31, 2013, which decreased our short-term debt by ¥33 billion ($383 million), increased our common stock by ¥17 billion ($196 million) and our additional paid-in capital by ¥17 billion ($196 million) and decreased our cash and cash equivalents by ¥74 million ($855 thousand); and
- the effect of the share exchange with eAccess on January 1, 2013 and the subsequent sale of the 66.71% stake in class B shares of eAccess to third-party purchasers on January 17, 2013, which increased our additional paid-in capital by ¥219 billion ($2.5 billion);

and (3) on a further adjusted basis after reflecting the following as though such events had occurred as of December 31, 2012:

- the issuance of the Notes offered hereby, which will increase our long-term debt by ¥287 billion ($3.3 billion) and, after deducting underwriting discounts and commissions and other offering expenses payable by us, increase our cash and cash equivalents by ¥283 billion ($3.3 billion);
- the effect of the Permanent Financing in the minimum amount we intend to borrow, which will increase our long-term debt and cash and cash equivalents by ¥1.7 trillion ($19.3 billion). See "The Sprint Acquisition—Effects of the Acquisition—Permanent Financing". The Permanent Financing will require:
  - the repayment of the ¥250 billion ($2.9 billion) draw down under the Bridge Loan, which will decrease our short-term debt and cash and cash equivalents by the same amount;
  - the refinancing of the ¥400 billion ($4.6 billion) outstanding on the Syndicate Loan, which will decrease our long-term debt and cash and cash equivalents by the same amount;
  - the refinancing of the ¥120 billion ($1.4 billion) Term Loan, which will decrease our long-term debt and cash and cash equivalents by the same amount;
  - replenishing the ¥150 billion ($1.7 billion) of cash that we used to make a scheduled repayment on the Syndicated Loan on March 27, 2013, the effect of which is included in the increase in cash and cash equivalents caused by the effect of the Permanent Financing above; and
  - the payment of the $17.0 billion outstanding on the contemplated $20.1 billion purchase price for the Sprint Acquisition, which will decrease our cash and cash equivalents by ¥1.4 trillion ($17.0 billion based on an average foreign exchange hedge rate of ¥82.2 per dollar).

You should read the following table in conjunction with the information in this offering memorandum under "Use of Proceeds", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes included elsewhere in this offering memorandum. The following table does not reflect any other changes to our capitalization that will result from the Sprint Acquisition, including the consolidation of debt attributable to Sprint. See "The Sprint Acquisition" and Sprint's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, included elsewhere in this offering memorandum. Furthermore, the following table does not reflect any changes to our capitalization that will result from our conversion from Japanese GAAP to IFRS, other than as explicitly stated with respect to minority interests. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Certain Anticipated Effects of Voluntary Adoption of IFRS" and "Summary of Certain Significant Differences between Japanese GAAP and U.S. GAAP and IFRS".

	As of December 31, 2012					
	Actual	Adjustment Items	As adjusted	Further adjustment items	As further adjusted	
	(billions of yen and millions of dollars)					
Cash and cash equivalents[(1)]	¥1,062	¥ 200	¥1,262	¥ (215)	¥1,047	$12,092
Short-term borrowings:						
Short-term loans (excluding Bridge Loan)	459	(165)	294		294	3,392
Drawdown on the Bridge Loan	250		250	(250)	—	—
Current portion of corporate bonds	155		155		155	1,790
Current portion of convertible bonds[(2)]	33	(33)	—		—	—
Current portion of lease obligations	186		186		186	2,152
Total short-term debt	¥1,083		¥ 885		¥ 635	$ 7,334
Long-term borrowings:						
Long-term loans	624		624	(520)	104	1,198
Corporate bonds	415	370	785		785	9,066
Notes offered hereby[(3)]	—		—	287	287	3,313
Permanent Financing[(4)]	—		—	1,672	1,672	19,316
Lease obligations	521		521		521	6,019
Total long-term debt	¥1,560		¥1,930		¥3,369	$38,912
Total debt (including lease obligations)[(5)]	¥2,643		¥2,815		¥4,004	$46,245
Shareholders' equity:						
Common stock[(6)]	222	17	239		239	2,758
Additional paid-in capital	194	236	430		430	4,963
Retained earnings[(7)]	700		700		700	8,082
Treasury stock	(23)		(23)		(23)	(264)
Total shareholder's equity	¥1,093		¥1,345		¥1,345	$15,538
Accumulated other comprehensive income	44		44		44	509
Stock acquisition rights	1		1		1	11
Minority interests[(8)]	536		536		536	6,186
Total equity	¥1,673		¥1,926		¥1,926	$22,244
Total capitalization[(9)]	¥4,316		¥4,741		¥5,930	$68,490

(1) Includes cash on hand, demand deposits at banks and highly liquid investments with initial maturity of three months or less and a low risk of fluctuation in value. As of December 31, 2012, ¥266 billion of cash and cash equivalents was attributable to Yahoo Japan on a consolidated basis. Other group companies do not have ready access to the cash and cash equivalents of Yahoo Japan. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Liquidity".

(2) As of the date of this offering memorandum, all convertible bonds have been redeemed or converted.

(3) Represents the gross proceeds of the Dollar Notes and Euro Notes converted at a rate of ¥86.58 = $1.00 and ¥114.71 = €1.00, respectively, the rate prevailing as of December 28, 2012. Due to the effects of currency exchange rate fluctuations, the actual gross proceeds amount received may be different from the amount shown. Applying the foreign exchange rates prevailing as of April 17, 2013 of ¥97.99 = $1.00 and ¥129.17 = €1.00, the gross proceeds of the Notes offered hereby are expected to be ¥324 billion.

(4) Portion attributable to the minimum size of the Permanent Financing, which is equivalent to (i) $17.0 billion (¥1.4 trillion based on an average foreign exchange hedge rate of ¥82.2 per dollar) aggregate amount of contemplated consideration for the Sprint Acquisition that remains outstanding, the ¥250 billion ($2.9 billion) drawdown on the Bridge Loan, ¥400 billion ($4.6 billion) Syndicated Loans repayment, ¥120 billion ($1.4 billion) Term Loan repayment, and ¥150 billion ($1.7 billion) to replenish cash on our balance sheet, (ii) less the ¥365 billion ($4.2 billion) net proceeds of the New Domestic Bonds and (iii) less the ¥283 billion ($3.3 billion) net proceeds of the Notes offered hereby. See "The Sprint Acquisition—Effects of the Acquisition—Permanent Financing".

(5) Debt is recorded at face value.

(6) All of the issued shares are fully paid and non-assessable. We record equity value at book value.

(7) Does not include the effect of SoftBank Mobile's April 1, 2013 tender offer for GungHo, which will result in a gain of approximately ¥150 billion ($1.7 billion) due to re-measurement of the fair market value of the existing shares held. Does not include the effect of underwriting discounts and commissions and other offering expenses from the issuance of the New Domestic Bonds or the Notes.

(8) Includes ¥200 billion ($2.3 billion) of preferred securities that will be reported as debt following our switch to IFRS. See "Summary of Certain Significant Differences between Japanese GAAP, U.S. GAAP and IFRS" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Certain Anticipated Effects of Voluntary Adoption of IFRS".

(9) Represents total equity plus total debt.

Except as provided herein and as a result of retained earnings from operations, there has been no material change to our capitalization since December 31, 2012.

SUMMARY FINANCIAL AND OPERATING INFORMATION

The following tables show selected information of the SoftBank Group as of and for the fiscal years ended March 31, 2010, 2011 and 2012, and the nine months ended December 31, 2011 and 2012, as well as unaudited information as of and for the 12 months ended December 31, 2012. Through the fiscal year ended March 31, 2013, we prepared our accounts in accordance with Japanese GAAP, which differs in certain significant respects from U.S. GAAP and IFRS. Differences between Japanese GAAP, U.S. GAAP and IFRS are summarized in the section titled "Summary of Certain Significant Differences Between Japanese GAAP, U.S. GAAP and IFRS". The selected consolidated financial information as of and for the fiscal years ended March 31, 2010, 2011 and 2012 are derived from our audited consolidated financial statements included elsewhere in this offering memorandum. The selected consolidated financial information as of and for the nine months ended December 31, 2011 and 2012 are derived from our unaudited interim consolidated financial statements included elsewhere in this offering memorandum. The statement of operations and statement of cash flows information for the 12 months ended December 31, 2012 is derived from our unaudited interim consolidated financial statements for the nine months ended December 31, 2011 and 2012 and our audited consolidated financial statements for the fiscal year ended March 31, 2012 included elsewhere in this offering memorandum. We calculated financial data for the 12 months ended December 31, 2012 by adding the relevant value for the nine months ended December 31, 2012 to the relevant value for the fiscal year ended March 31, 2012, and subtracting from the resulting summation the relevant value for the nine months ended December 31, 2011. The unaudited interim consolidated financial information as of the end of and for nine-month periods is not necessarily indicative of the results to be expected for the full year. The information below is not necessarily indicative of the results of future operations and should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated audited and unaudited financial statements and related notes included in this offering memorandum.

	As of and for the fiscal year ended March 31,			As of and for the nine months ended December 31,		As of and for the twelve months ended December 31,	
	2010	2011	2012	2011	2012	2012	2012
	(billions of yen and millions of dollars with the exception of percentage and ratio figures)						
Statement of Operations Data:							
Net sales[1]	¥2,763	¥3,005	¥3,202	¥2,398	¥2,510	¥3,314	$38,277
Cost of sales	1,327	1,374	1,486	1,101	1,163	1,548	17,882
Gross profit	1,437	1,631	1,717	1,297	1,347	1,766	20,395
Selling, general and administrative expenses	971	1,002	1,041	765	746	1,023	11,818
Operating income[2]	466	629	675	533	600	743	8,578
Other income (expenses)	(177)	(149)	(43)	(14)	(74)	(103)	(1,189)
Income before income taxes and minority interests	289	481	632	518	526	640	7,388
Income taxes	145	233	255	222	236	270	3,114
Net income before minority interests	145	248	378	297	289	370	4,275
Minority interests in net income	48	58	64	47	54	71	821
Net income	¥ 97	¥ 190	¥ 314	¥ 250	¥ 235	¥ 299	$ 3,454
Balance Sheet Data:							
Total assets	4,463	4,656	4,900	4,499	5,512	5,512	63,658
of which cash and cash equivalent	688	847	1,015	760	1,062	1,062	12,266
Total liabilities	3,499	3,776	3,464	3,178	3,838	3,838	44,311
interest-bearing debt[3]	2,195	2,076	1,568	1,519	1,935	1,935	22,355
lease obligations	334	331	500	415	707	707	8,171
Total equity	964	880	1,436	1,321	1,673	1,673	19,328
Total liabilities and equity	4,463	4,656	4,900	4,499	5,512	5,512	63,658

	As of and for the fiscal year ended March 31,			As of and for the nine months ended December 31,		As of and for the twelve months ended December 31,	
	2010	2011	2012	2011	2012	2012	2012
	(billions of yen and millions of dollars with the exception of percentage and ratio figures)						
Cash Flow Data:							
Net cash provided by operating activities	668	826	740	507	595	828	9,565
Net cash used in investing activities	(277)	(264)	(376)	(271)	(746)	(851)	(9,830)
Net cash provided by (used in) financing activities	(160)	(398)	(197)	(322)	191	317	3,658
Other Financial Data (unaudited):							
Net interest-bearing debt (excluding lease obligations)(4)	1,508	1,229	554	759	874	874	10,089
Net interest-bearing debt (including lease obligations)(4)	1,842	1,560	1,054	1,174	1,581	1,581	18,260
EBITDA(5)	788	931	1,014	776	891	1,128	13,030
EBITDA margin	28.5%	31.0%	31.7%	32.4%	35.5%	34.0%	34.0%
Net interest-bearing debt (excluding leases)/ EBITDA	1.9x	1.3x	0.5x	n/a	n/a	0.8x	0.8x
Net interest-bearing debt (including leases)/ EBITDA	2.3x	1.7x	1.0x	n/a	n/a	1.4x	1.4x
Capex (acceptance basis)(6)	223	421	516	336	535	715	8,263
Capex (cash flow basis)(6)	224	209	455	358	433	530	6,123

(1) The following shows our net sales by segment:

Net Sales by Segment	For the fiscal year ended March 31,			For the nine months ended December 31,		For the twelve months ended December 31,	
	2010	2011	2012	2011	2012	2012	2012
	(billions of yen and millions of dollars)						
Mobile Communications	¥1,701	¥1,945	¥2,145	¥1,619	¥1,698	¥2,224	$25,683
Broadband Infrastructure	202	190	172	130	123	165	1,905
Fixed-line Telecommunications	349	357	368	270	288	385	4,451
Internet Culture	271	284	294	216	239	317	3,663
Other	332	344	361	265	282	378	4,368
Elimination(a)	(91)	(114)	(137)	(102)	(120)	(155)	(1,792)
Total net sales	2,763	3,005	3,202	2,398	2,510	3,314	38,277

(a) "Elimination" represents intra-group sales that are not included for purposes of calculating our total net sales.

(2) The following shows our operating income by segment:

Operating Income by Segment	For the fiscal year ended March 31,			For the nine months ended December 31,		For the twelve months ended December 31,	
	2010	2011	2012	2011	2012	2012	2012
	(billions of yen and millions of dollars)						
Mobile Communications	¥261	¥402	¥429	¥346	¥390	¥473	$5,460
Broadband Infrastructure	48	43	34	28	29	35	405
Fixed-line Telecommunications	23	38	58	43	52	67	777
Internet Culture	137	150	157	115	129	171	1,974
Other	6	7	9	9	9	9	100
Elimination(a)	(9)	(12)	(12)	(9)	(9)	(12)	(138)
Total operating income	466	629	675	533	600	743	8,578

(a) "Elimination" represents intra-group sales that are not included for purposes of calculating our total operating income.

(3) Interest-bearing debt consists of short-term borrowings, current portion of corporate bonds, corporate bonds, current portion of long-term borrowings and long-term borrowings excluding the ¥27 billion portion of the WBS Class B2 Funding Notes issued by J-WBS Funding K.K. that were acquired by SoftBank Corp. in connection with the acquisition of Vodafone Japan.

(4) Net interest-bearing debt is interest-bearing debt minus cash and cash equivalents.

(5) EBITDA is defined as operating income before depreciation, amortization and loss on disposal of fixed assets. We have included information concerning EBITDA because certain investors use it as a measure of our ability to service our debt. EBITDA is not required under Japanese GAAP, U.S. GAAP or IFRS, and should not be considered by investors as an alternative to operating income or net income as an indicator of our performance, nor as an alternative to cash flows from operating activities, investing activities or financing activities as a measure of liquidity. EBITDA disclosed here is not comparable to EBITDA disclosed by other companies because EBITDA is not uniformly defined. Set forth below is a reconciliation of EBITDA to Japanese GAAP operating income for our consolidated operations.

	For the fiscal year ended March 31,			For the nine months ended December 31,		For the twelve months ended December 31,	
EBITDA	**2010**	**2011**	**2012**	**2011**	**2012**	**2012**	**2012**
	(billions of yen and millions of dollars)						
Operating income	¥466	¥629	¥ 675	¥533	¥600	¥ 743	$ 8,578
Depreciation and amortization (excl. amortization of goodwill)	244	225	276	196	243	322	3,721
Amortization of goodwill	61	63	63	47	48	63	731
Loss on disposal of fixed assets	17	14	—	—	—	—	—
EBITDA (unaudited)	788	931	1,014	776	891	1,128	13,030

Our EBITDA by segment, which we define in the same way as EBITDA for our consolidated operations, is detailed below with a reconciliation to segment operating income for the 12 months ended December 31, 2012.

	For the fiscal year ended March 31,			For the nine months ended December 31,		For the twelve months ended December 31,	
EBITDA by Segment	**2010**	**2011**	**2012**	**2011**	**2012**	**2012**	**2012**
	(billions of yen and millions of dollars)						
Mobile Communications	¥504	¥620	¥ 684	¥529	¥616	¥ 770	$ 8,899
Broadband Infrastructure	65	61	50	40	41	51	589
Fixed-line Telecommunications	67	86	105	77	87	115	1,327
Internet Culture	148	162	169	124	140	185	2,135
Other	11	13	16	14	16	17	195
Elimination	(8)	(11)	(10)	(8)	(8)	(10)	(115)
EBITDA (unaudited)	788	931	1,014	776	891	1,128	13,030

	For the twelve months ended December 31, 2012							
	Mobile Communications	**Broadband Infra-structure**	**Fixed-line Tele-communications**	**Internet Culture**	**Other**	**Elimination**	**Total**	**Total**
	(billions of yen and millions of dollars)							
Operating income	¥473	¥35	¥ 67	¥171	¥ 9	¥(12)	¥ 743	$ 8,578
Depreciation and amortization (excl. goodwill)	246	14	40	12	7	2	322	3,721
Amortization of goodwill	51	2	7	2	1	—	63	731
EBITDA (unaudited)	770	51	115	185	17	(10)	1,128	13,030

(6) Capex (cash flow basis) refers to the purchase of property and equipment and intangibles as reported in our cash flow statement. Capex (acceptance basis) differs from capex (cash flow basis) in that capital expenditures recorded on an acceptance basis are recognized on an inspection and acceptance basis to accurately reflect when we capitalize the purchase of property and equipment and intangibles. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Cash and Capital Requirements—Capital Expenditures".

The following shows capital expenditures on an acceptance basis by segment:

	For the fiscal year ended March 31,			For the nine months ended December 31,		For the twelve months ended December 31,	
Capex by Segment	**2010**	**2011**	**2012**	**2011**	**2012**	**2012**	**2012**
	(billions of yen and millions of dollars)						
Mobile Communications	¥185	¥352	¥423	¥276	¥381	¥528	$6,095
Broadband Infrastructure	9	17	27	14	14	26	303
Fixed-line Telecommunications	18	36	40	25	27	42	482
Internet Culture	6	11	16	12	14	19	216
Other	5	5	11	9	99	101	1,167
Total Capex	223	421	516	336	535	715	8,263

Additional Metrics

The following table shows certain additional metrics based upon the calculations set forth under "Capitalization" reflecting, among other things, the issuance of the New Domestic Bonds, the issuance of the Notes offered hereby and the effect of the currently anticipated minimum drawdown under the Permanent Financing.

Adjusted Leverage Ratio and Interest Expenses

	As of and for the twelve months ended December 31,	
	2012	2012
	(billions of yen and millions of dollars except for ratios)	
EBITDA	¥1,128	$13,030
Adjusted total debt, including leases[1]	4,004	46,245
Adjusted cash and cash equivalents[1]	1,047	12,092
Adjusted net debt, including leases[1]	2,957	34,154
Adjusted interest expenses[2]	65	747
Adjusted total debt (including leases)[1] / EBITDA	3.5x	
Adjusted net debt (including leases)[1] / EBITDA	2.6x	
EBITDA / adjusted interest expenses[2]	17.4x	

(1) Per the "as further adjusted" column of the capitalization table. See "Capitalization".

(2) Based on interest-bearing indebtedness and lease obligations outstanding as of December 31, 2012 and adjusted for the impact of the issuance of the New Domestic Bonds and the Notes offered hereby and assuming the fully drawn Bridge Loan, excluding debt at Sprint.

Operating Data

The following shows selected operational data for the fiscal years ended March 31, 2010, 2011 and 2012. Additionally, because we disclose only quarterly and annual operating data for many of the items below, we have included operational data for the three months ended June 30, September 30 and December 31, 2012 in lieu of nine month information. Subscribers reflect total group subscribers, including those attributable to eAccess and Willcom. Subscribers therefore differ from those used to calculate ARPU for our Mobile Communications segment, which we define as subscribers at SoftBank Mobile.

	As of and for the fiscal year ended March 31,			As of for the three months ended		
	2010	2011	2012	June 30, 2012	September 30, 2012	December 31, 2012
Operational Data: Mobile Communications						
Subscribers (millions)						
SoftBank Mobile	21.9	25.4	28.9	29.7	30.5	31.3
eAccess	2.4	3.1	4.0	4.1	4.3	4.3
Willcom	4.1	3.8	4.6	4.7	4.8	4.9
Total subscribers	28.3	32.3	37.5	38.5	39.5	40.6
Market share (%)[1]						
SoftBank Mobile	18.8	20.6	21.8	22.1	22.3	22.6
eAccess	2.0	2.5	3.0	3.1	3.1	3.1
Willcom	3.5	3.0	3.4	3.5	3.5	3.6
Total market share	24.4	26.2	28.3	28.6	29.0	29.3
Data ARPU (¥/month)[2]	2,020	2,310	2,510	2,540	2,580	2,610
Voice ARPU (¥/month)[2]	2,050	1,890	1,650	1,480	1,490	1,450
Total ARPU (¥/month)[2]	4,070	4,210	4,150	4,020	4,070	4,050
Monthly average churn rate (%)	1.37	0.98	1.12	1.03	1.06	1.12
Handset units shipped (millions)	8.8	10.0	11.7	2.4	2.6	3.5
Average cost per new subscription[3] (¥/subscriber)	40,500	36,900	30,300	26,500	23,000	24,900
Average cost per handset sale to existing subscribers[4] (¥/subscriber)	27,100	26,700	27,100	27,000	26,400	30,300

	As of and for the fiscal year ended March 31,			For the three months ended		
	2010	2011	2012	June 30, 2012	September 30, 2012	December 31, 2012
Broadband Infrastructure						
Yahoo! BB ADSL subscribers (thousands)	3,769	3,150	2,600	2,467	2,364	2,271
Yahoo! BB hikari with FLET'S subscribers (thousands)	237	932	1,608	1,771	1,863	1,951
Yahoo! BB ADSL ARPU(2)(5) (¥/month)	4,020	3,830	3,510	3,450	3,390	3,330
Yahoo! BB hikari with FLET'S ARPU(2)(5) (¥/month)	1,350	1,620	1,680	1,670	1,710	1,720
Fixed-line Telecommunications						
Otoku-line (fixed-line voice service) subscribers(5) (thousands)	1,669	1,671	1,685	1,684	1,692	1,688
Otoku-line ARPU(2)(5) (¥/month)	6,830	6,930	6,790	6,530	6,390	6,510

(1) Percentage of market share represents percentage of market share attributable to each of SoftBank Mobile, eAccess and Willcom compared to total market subscribers from NTT DoCoMo, KDDI, SoftBank Mobile, eAccess and Willcom.

(2) Rounded to the nearest ten yen.

(3) The average cost per new subscription is the average commission paid to dealers per new subscription. We sell handsets to dealers who then further sell the handsets to customers. The customers would typically get an installment plan and pay us monthly for the handset over the length of the contract period. In addition, we provide a monthly discount to users for the handsets depending upon the type of product or phone purchased. This discount is deducted from ARPU.

(4) The average cost per handset sale to existing subscribers is the average commission paid to dealers per handset sale to existing subscribers.

(5) The figures for the fiscal years ended March 31, 2010, 2011 and 2012 show fourth quarter figures only.

THE SPRINT ACQUISITION

On October 15, 2012, SoftBank Corp. and Sprint entered into a merger agreement and other definitive agreements under which SoftBank Corp. will invest approximately $20.1 billion in Sprint (such investment, the "Sprint Acquisition", and such merger agreement as amended on November 29, 2012 and April 12, 2013, the "Sprint Acquisition Agreement"). This investment will consist of approximately $12.1 billion to be paid to Sprint shareholders and $8.0 billion of new capital, of which $3.1 billion has been paid as of March 31, 2013. As a result of the transaction, SoftBank Corp. will indirectly own approximately 70% of the fully diluted shares of Sprint. The transaction, which has been approved by the boards of directors of both SoftBank Corp. and Sprint, is subject to approval at a meeting of the Sprint shareholders, customary antitrust, Federal Communications Commission and other regulatory approvals and the satisfaction or waiver of other closing conditions. We expect the Sprint Acquisition to close on July 1, 2013.

As a result of the transaction, SoftBank Corp. will indirectly own approximately 70% of the fully diluted shares of Sprint. See also "Risk Factors—Risks Relating to the Sprint Acquisition".

Purposes of Acquisition

The Sprint Acquisition represents a unique opportunity for Sprint and us to combine complementary assets and compete with other telecommunications carriers in both Japan and the United States. Both SoftBank and Sprint are in the process of transitioning to LTE networks that will be among the fastest in SoftBank's and Sprint's respective markets. By sharing strategies and technological expertise, both Sprint and SoftBank will be able to improve the efficiency and effectiveness of Sprint's and SoftBank's respective network build-outs. Our expertise in smartphone-related business development and mobile network infrastructure, in addition to our track record of success in competing in mature markets with large incumbents, and our successful management model and proven business best practices, will help to enhance Sprint's competitiveness in the United States. The Sprint Acquisition also provides Sprint with $8.0 billion of new capital, $3.1 billion of which Sprint received through our purchase of a newly issued convertible bond in October 2012, and the remainder of which we will invest in Sprint at the closing of the acquisition. This will provide Sprint with capital for its mobile network, strategic investments, and balance sheet as part of its continued efforts to fortify its operating base towards future growth.

The Sprint Acquisition will position SoftBank as one of the largest mobile communications companies in the world in terms of revenues. As of December 31, 2012, our combined operations would have had over 96 million subscribers in the United States and Japan, based on numbers at SoftBank Mobile, eAccess, Willcom and Sprint. The enormous expansion of our customer base, in addition to the international presence and our experience in mobile network enhancement, will help us to reduce procurement costs for network equipment and handsets, give us greater ability to work with our vendors to create new products, including customized smartphones and content offerings, and allow us to challenge our larger competitors while continuing to play a leading role in defining the mobile internet era.

For information on Sprint's results of operations and financial condition, and other considerations related to Sprint, please see Sprint's Annual Report filed on Form 10-K for the fiscal year ended December 31, 2012, included elsewhere in this offering memorandum.

The consolidated financial statements of Sprint and Clearwire included in Sprint's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 were prepared under U.S. GAAP, which differs in certain significant respects from Japanese GAAP. Accordingly, the financial statements of Sprint and Clearwire are not directly comparable to our consolidated financial statements included elsewhere in this offering memorandum.

Structure of the Acquisition

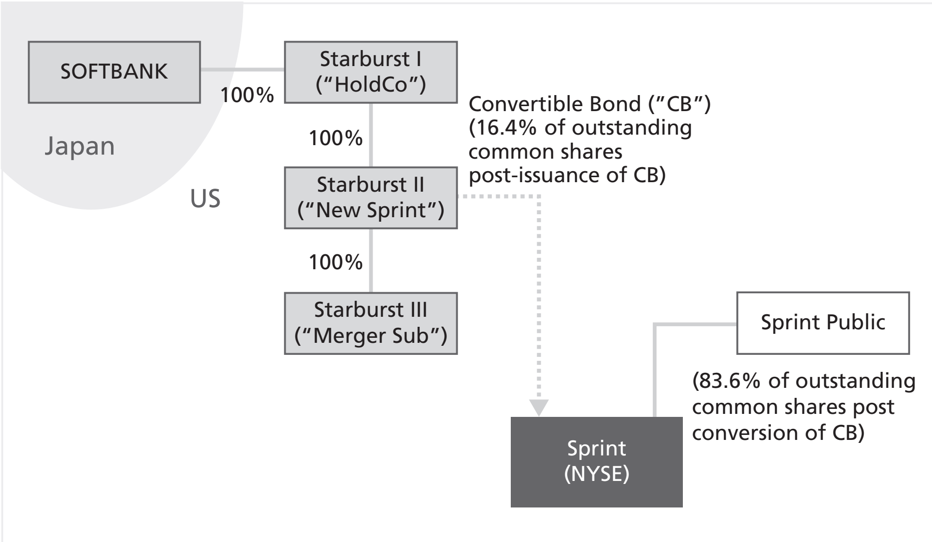
Establishment of Subsidiaries

We have formed a new U.S. holding company, Starburst I, Inc. ("HoldCo"), and two further subsidiaries, Starburst II, Inc. ("New Sprint"), which is a directly wholly owned subsidiary of HoldCo, and Starburst III, Inc. ("Merger Sub"), which is owned directly by New Sprint and indirectly by HoldCo, in order to effect the Sprint Acquisition.

Current Interest in Sprint

Via New Sprint, we have invested $3.1 billion, out of the $8.0 billion intended to be invested, in Sprint in the form of a newly issued convertible bond on October 22, 2012. The bond has a 1.0% coupon rate with a seven-year maturity and, if the Sprint Acquisition Agreement is terminated prior to completion of the Merger (as defined below), then the bond will be, subject to regulatory approval, convertible, or if the Merger is completed, will be converted, at $5.25 per share into 16.4% of outstanding Sprint common shares on a post-issuance basis (subject to customary adjustments).

The following depicts the structure of our current interest in Sprint:



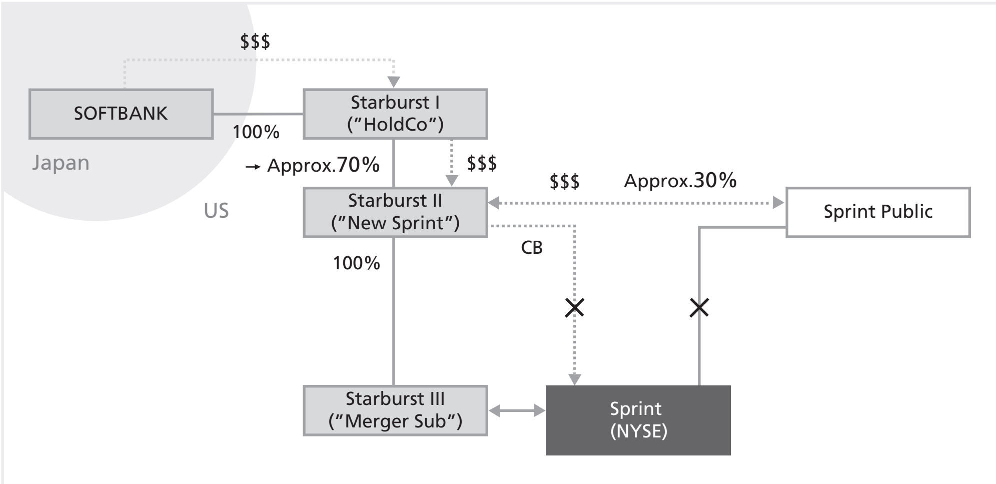
Interest in Sprint upon Completion of the Sprint Acquisition

We anticipate that the Sprint Acquisition will be completed through a merger between Merger Sub and Sprint (the "Merger"). At or prior to closing, which will follow receipt of both Sprint shareholder and regulatory approvals and the satisfaction or waiver of other closing conditions to the Merger, we will capitalize New Sprint with an additional approximately $17.0 billion through HoldCo, of which approximately $12.1 billion will be distributed to Sprint shareholders as merger consideration, with the remainder to remain in New Sprint as additional capital. Including the $3.1 billion investment in Sprint that we have already made through the purchase of a newly issued convertible bond in October 2012, our effective total investment in New Sprint is expected to amount to approximately $20.1 billion, of which approximately $8.0 billion represents our effective capital investments in New Sprint.

At closing, Merger Sub will then merge with and into Sprint as a result of which:

- Sprint will become a wholly owned subsidiary of New Sprint.
- In aggregate, Sprint shareholders will receive, in exchange for their Sprint shares approximately 30% of the fully diluted equity of New Sprint and approximately $12.1 billion cash.
- New Sprint's convertible bond will be converted into shares of Sprint, with the value of such shares representing (together with our additional investment) approximately 70% of the fully diluted equity of New Sprint that HoldCo will hold after consummation of the Merger.
- New Sprint will issue a five-year warrant for approximately 55 million shares of New Sprint with an exercise price of $5.25 per share to HoldCo.
- New Sprint is expected to succeed Sprint's NYSE listing as a publicly traded company in the United States.

The following depicts the structure of the Sprint Acquisition:



Sprint's current CEO, Mr. Dan Hesse, will be the initial chief executive officer of New Sprint. During the 24 months immediately following the merger, the New Sprint board of directors will consist of ten members, determined as follows:

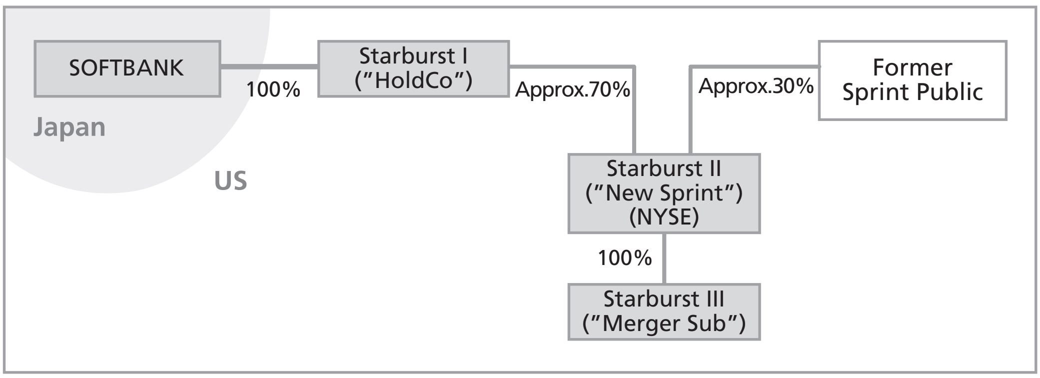
- one director who will also be the chief executive officer of New Sprint;
- three individuals designated by SoftBank who qualify as "independent directors" as such term is defined in the NYSE listing rules;
- three additional individuals proposed by Sprint and reasonably acceptable to SoftBank from the members of Sprint's board of directors immediately prior to the closing of the Sprint Acquisition, who are expected to be independent directors; and
- three additional individuals nominated by SoftBank or its controlled affiliate and elected by the stockholders of New Sprint, and who may or may not qualify as independent directors.

During the 12 months immediately following the period described above, the New Sprint board of directors will consist of ten members:

- one director who will also be the chief executive officer of New Sprint;
- six individuals who qualify as "independent directors" as such term is defined in the NYSE listing rules; and
- three additional individuals nominated by SoftBank or its controlled affiliate and elected by the stockholders of New Sprint, and who may or may not qualify as independent directors.

As of the date of this offering memorandum, at the effective time of the Sprint Acquisition, the following individuals are expected to serve on the New Sprint board of directors: Mr. Ronald Fisher, a director of SoftBank Corp.; Mr. Dan Hesse, CEO of Sprint; and Mr. Masayoshi Son, founder, chairman and CEO of SoftBank Corp.

The following depicts the structure of our interest in Sprint after the Sprint Acquisition:



Note that in the event of a financing failure and the termination of the Sprint Acquisition Agreement, under certain circumstances we may be obligated to pay Sprint a $600 million reverse termination fee. See "Risk Factors—If we are unable to fund the Sprint Acquisition, the transaction may not be completed. In the event of a financing failure and the termination of the Sprint Acquisition Agreement, under certain circumstances we may be obligated to pay Sprint a $600 million reverse termination fee."

Effects of the Acquisition

Effects on SoftBank Debt and Expenses

Increased Debt and Expenses Attributable to Financing the Sprint Acquisition

In order to raise necessary funds for the Sprint Acquisition, on December 18, 2012, we entered into a Bridge Loan agreement for a total commitment amount of ¥1.65 trillion ($19.1 billion, or $20.1 billion at the ¥82.2 = $1.00 average rate of exchange at which we hedged $17.0 billion of the consideration for the Sprint Acquisition), with Mizuho Corporate Bank, Ltd., Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Deutsche Bank AG, Tokyo Branch.

On December 21, 2012, we drew down on the Bridge Loan in the amount of ¥250 billion ($2.9 billion) in connection with our initial investment in Sprint in the form of the newly issued convertible bond, which reduced the total availability on the Bridge Loan to ¥1.4 trillion ($16.1 billion).

In March 2013, we issued the New Domestic Bonds, the net proceeds of which were ¥365 billion ($4.2 billion). We intend to use the net proceeds of the New Domestic Bonds to pay a portion of the purchase price for the Sprint Acquisition (the "Sprint Acquisition Purchase Price"). Following such issuance, we reduced the undrawn commitments under the Bridge Loan by the amount of the net proceeds of the New Domestic Bonds to ¥1.035 trillion ($11.9 billion). See "Recent Developments—Recent Changes to Indebtedness—Issuance of the New Domestic Bonds".

Similarly, we may apply the proceeds from the issuance of the Notes towards the Sprint Acquisition Purchase Price.

Due to the financing activities for the Sprint Acquisition described above, we expect that we will experience a significant increase in long-term debt and interest expense. See "Capitalization", "Management's Discussion and Analysis of Financial Condition and Results of Operations—Other Factors Affecting Our Consolidated Results of Operations—Other Income (Expenses)—Interest Expense" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Cash and Capital Requirements—Cash Requirements—Debt Repayments and Certain Other Contractual Commitments".

Effects on Existing Loans

As of March 31, 2013, we have ¥400 billion ($4.6 billion) outstanding on the Syndicated Loan, which we procured to refinance debt incurred in connection with the Vodafone Japan acquisition. The Syndicated Loan contains covenants that restrict the incurrence of additional debt on a net debt basis, which could be breached by the use of funds under the Bridge Loan. Accordingly, we intend to refinance the Syndicated Loan and a separate ¥120 billion ($1.4 billion) Term Loan with the Permanent Financing (see below). We expect to be able to amend or obtain waivers for other smaller loans with similar provisions. See "Capitalization", "Description of Other Indebtedness—Loans—¥400 Billion ($4.6 Billion) Outstanding as of March 31, 2013 on the Syndicated Loan", and "Risk Factors—Risks Relating to the Sprint Acquisition—We will be required to repay or seek an amendment or waiver with respect to outstanding indebtedness in order to draw down further on the Bridge Loan to fund the Sprint Acquisition" for more information.

Permanent Financing

Before the closing of the Sprint Acquisition, we intend to enter into a new permanent senior financing facility (the "Permanent Financing") and are currently negotiating with banks with which we have an established relationship. We expect to close the Permanent Financing prior to the Sprint Acquisition. We intend to apply the proceeds of the Permanent Financing towards (1) the majority of the consideration for the Sprint Acquisition, including refinancing the Bridge Loan, and (2) to refinance certain of our other indebtedness.

We expect that the amount of the Permanent Financing will be at least ¥1.67 trillion ($19.3 billion), which is the minimum amount necessary to provide the remaining contemplated consideration for the Sprint Acquisition and refinance certain of our indebtedness, after applying the net proceeds of the New Domestic Bonds and the Notes offered hereby. The following table summarizes the expected sources and uses of funding in connection with the Permanent Financing. Actual amounts may vary from estimated amounts depending on several factors, including exchange rates and estimated fees and expenses.

Source of funds	(billions of yen)	Use of funds	
Permanent Financing	¥1,672	Remaining consideration for the Sprint Acquisition(1)	¥1,400
Net proceeds from the New Domestic Bonds(2)	365	Refinancing the drawdown on the Bridge Loan(3)	250
Net proceeds of the Notes offered hereby(4)	283	Refinancing the Syndicated Loan	400
		Refinancing the Term Loan	120
		Replenishment of cash(5)	150
Total sources	¥2,320	**Total uses**	¥2,320

(1) The contemplated consideration for the Sprint Acquisition was fully hedged at an average rate of ¥82.2 per dollar.

(2) To be used solely for the Sprint Acquisition.

(3) We used ¥250 billion in cash, which we converted into $3.1 billion at an exchange rate of ¥80.65 = $1.00, to purchase the convertible bonds issued by Sprint on October 22, 2012, as the first portion of the $20.1 billion contemplated consideration for the Sprint Acquisition. On December 21, 2012, we drew down ¥250 billion on the Bridge Loan to replenish the cash used for that purpose.

(4) Represents the net proceeds of the Dollar Notes and Euro Notes converted at a rate of ¥86.58 = $1.00 and ¥114.71 = €1.00, respectively, the rate prevailing as of December 28, 2012. Due to the effects of currency exchange rate fluctuations, the actual net proceeds amount received may be different from the amount shown. Applying the foreign exchange rates prevailing as of April 17, 2013 of ¥97.99 = $1.00 and ¥129.17 = €1.00, the net proceeds of the Notes offered hereby are expected to be ¥319 billion.

(5) To replenish the ¥150 billion of cash that we used to make a scheduled repayment on the Syndicated Loan on March 27, 2013.

Increases Attributable to the Consolidation of Sprint

Upon consolidation of Sprint, any outstanding debt of Sprint will be recorded in our consolidated financial statements and will have a direct effect on our financial position. For more information on Sprint's results of operations and financial condition, and other considerations related to Sprint, please see Sprint's Annual Report filed on Form 10-K for the fiscal year ended December 31, 2012, included elsewhere in this offering memorandum.

Effects on Sprint Debt

Certain of Sprint's outstanding senior notes were issued pursuant to an indenture specifying Sprint obligations in the event of a change in control. Specifically, a change of control at Sprint followed by a downgrade in Sprint's credit ratings would require Sprint to offer to repurchase its senior notes at 101% of the principal amount of such notes, plus accrued and unpaid interest. However, on November 20, 2012, Sprint, the subsidiary guarantors and the trustee entered into a supplemental indenture that had the effect of excepting transactions involving SoftBank from the relevant definition of a Sprint "change of control". Therefore, our merger with Sprint will not trigger a Sprint obligation to repurchase its senior notes.

SoftBank will not become a guarantor of any of Sprint's existing debt obligations as a result of the Merger.

Required Approvals

Shareholder Approval

The consummation of the Merger is subject to approval by the shareholders of Sprint. New Sprint has submitted a draft registration statement, including a proxy statement-prospectus that Sprint will mail to its shareholders, to the Securities Exchange Commission ("SEC"), but as of the date of this offering memorandum such proxy statement-prospectus has not been declared effective by the SEC.

Regulatory Approvals

Consummation of the Merger is also conditioned on various governmental entities having provided approvals or completed reviews. Currently we expect to receive all required approvals around mid-2013, although the receipt of approvals and their timing cannot be assured or predicted at this time. Certain of such approvals are listed below:

- Expiration or termination of the waiting period applicable to the closing of the Merger under the Hart-Scott-Rodino Act (the "HSR Act"). The Antitrust Division and the Fair Trade Commission granted early termination of the waiting period under the HSR Act on December 6, 2012.
- Consent of the Federal Communications Commission (the "FCC").
- Consents from state and foreign communications regulatory authorities.
- Written confirmation from the Committee on Foreign Investment in the United States ("CFIUS") that it has completed its review or investigation and determined that there are no unresolved national security concerns with respect to the Merger.
- Approval by the Defense Security Service ("DSS") of either (i) a plan to operate the business of New Sprint and its subsidiaries pursuant to a Foreign Ownership, Control or Influence ("FOCI") mitigation agreement or (ii) a commitment from the parties to implement such an agreement following the Merger.
- Execution of a National Security Agreement between SoftBank, Sprint and Team Telecom (an inter-agency group comprised of staff from the Department of Justice, Department of Homeland Security and the FBI).
- Approval of the New Sprint common stock to be issued in the Merger for listing (subject to notice of issuance) on the NYSE.

Shareholder Litigation

In connection with the Sprint Acquisition, purported shareholders of Sprint have filed several shareholder class action complaints against Sprint, Sprint's directors, SoftBank and certain of our subsidiaries alleging, among other things, that the Sprint board of directors conducted an unfair sales process resulting in an unfair consideration to the Sprint shareholders in the Merger. These complaints have been filed in both federal and state courts and assert that members of Sprint's board of directors breached their fiduciary duty, including by agreeing to the Merger and agreeing to the issuance of the convertible bond to us. The lawsuits seek to enjoin the Merger and seek unspecified monetary damages. These lawsuits remain unresolved at this time.

DISH Network Corporation's Competing Proposal to Sprint

On April 15, 2013, Sprint received a letter from DISH Network Corporation ("DISH") proposing the general terms of a merger between DISH and Sprint (the "DISH Proposal") as an alternative to SoftBank's planned acquisition of Sprint. In this letter, DISH stated that it was offering Sprint shareholders a total consideration of $25.5 billion, consisting of $17.3 billion in cash and an estimated $8.2 billion in DISH stock based on DISH's closing price on April 12, 2013. According to DISH's estimates, Sprint shareholders would receive $7.00 per share under the DISH Proposal, consisting of $4.76 per share in cash and 0.05953 DISH shares per Sprint share. DISH stated that it would fund the $17.3 billion cash portion of the proposed transaction using $8.2 billion of balance sheet cash and additional debt financing.

SoftBank believes that the agreed terms of our transaction with Sprint offer Sprint shareholders superior short- and long-term benefits as compared to DISH's highly conditional preliminary proposal. The Sprint Acquisition is in the advanced stages of receiving the necessary approvals and we expect to consummate the transaction on July 1, 2013 with the terms already agreed.

Sprint-Related Information

See Sprint's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 included elsewhere in this offering memorandum for information on risks associated with Sprint and its operations, historical financial information and other information regarding Sprint.

RECENT DEVELOPMENTS

Recent Changes to Indebtedness

Issuance of the New Domestic Bonds

On March 12, 2013, we issued the 41st domestic unsecured straight bond (the "41st bond"); and on March 1, 2013, we issued the 42nd domestic unsecured straight bond (the "42nd bond") (together the "New Domestic Bonds"). Through these issuances, we raised ¥300 billion ($3.5 billion) from the 41st bond at 1.47% per annum and ¥70 billion ($809 million) from the 42nd bond at 1.467% per annum. The ¥365 billion ($4.2 billion) in net proceeds from the issuance of the New Domestic Bonds will be used to partially pay a portion of the consideration for the Sprint Acquisition. Following such issuances, we reduced the undrawn commitments under the Bridge Loan by the amount of the net proceeds of the New Domestic Bonds to ¥1.035 trillion ($11.9 billion). See "Description of Other Indebtedness—Bonds—¥940 Billion ($10.9 Billion) in Domestic Yen-Denominated Unsecured Straight Bonds" and "Description of Other Indebtedness—Loans—¥250 Billion ($2.9 Billion) Drawdown on the ¥1.65 trillion ($19.1 Billion) Bridge Loan for Sprint Acquisition". See "The Sprint Acquisition—Effects of the Acquisition—Permanent Financing".

Other Recent Changes to Indebtedness

On December 22, 2003, we issued 1.5% per annum convertible bonds due March 31, 2013 for ¥50 billion ($578 million). As of December 31, 2012, ¥33 billion ($381 million) remained outstanding, and in the three months ended March 31, 2013, ¥74 million ($855 thousand) of the convertible bonds were redeemed and the remainder were converted into a total of 15 million shares. We currently have no convertible bonds outstanding.

We further reduced our debt on March 27, 2013 when we made a scheduled payment of ¥150 billion ($1.7 billion) on the Syndicated Loan. See "Description of Other Indebtedness—Loans—¥400 Billion ($4.6 Billion) Outstanding as of March 31, 2013 on the Syndicated Loan". On March 29, 2013, we also made ordinary-course repayments of a total of ¥15 billion ($173 million) on a ¥50 billion ($578 million) bank loan.

Acquisition of eAccess Ltd.

eAccess, as of December 31, 2012, provided service to 4.3 million mobile subscribers under the *EMOBILE* brand through its wireless network built on W-CDMA and LTE technology in the 1.7GHz band and also provided ADSL wholesale services to ISP partners that have a subscriber base of 1.3 million. In October 2012, we entered into an agreement to acquire eAccess and, on December 26, 2012, eAccess was delisted from the Tokyo Stock Exchange. On January 1, 2013, we completed a share exchange, valued at ¥219.4 billion ($2.5 billion), whereby we acquired 100% of the outstanding shares of eAccess in exchange for shares of SoftBank Corp. However, we subsequently decided to transfer a part of our interest in eAccess to third-party investors in order for eAccess to preserve a certain degree of independence, which we believe will facilitate the continued expansion of its business. Accordingly, on January 17, 2013, we sold a 66.71% stake in class B shares of eAccess to 11 third-party purchasers. As of March 31, 2013, we own 33.29% of the voting interests of eAccess and 99.59% of the economic interest.

Through the transactions with eAccess, we are expecting to quickly expand our and eAccess' mobile communications service coverage by sharing each other's networks, including eAccess' 1.7 GHz band for purposes of the *iPhone 5*, *iPad* and *iPad mini*. We will also maximize the effectiveness of our branding strategy by engaging in multi-branding. eAccess will continue operations under the *EMOBILE* brand name, which we will use to target specific customer bases which do not normally purchase SoftBank-brand handsets and services.

As part of the acquisition, a change of control offer was made to the bondholders of certain outstanding eAccess notes due 2018. Less than 1% of the outstanding aggregate principal amount of the notes were tendered.

For the nine months ended and as of December 31, 2012, eAccess had net sales of ¥163 billion ($1.9 billion), EBITDA of ¥47 billion ($0.5 billion), net loss of ¥1 billion ($17 million) and debt of ¥220 billion ($2.5 billion). Under Japanese GAAP, which we used to report our financial results through March 31, 2013, eAccess was treated as our equity method affiliate, and the transactions described above are not expected to have a material impact on our consolidated results for the fiscal year ended March 31, 2013. From the first quarter of the fiscal year ending March 31, 2014, we will report our financial results under IFRS, which uses a broader test for effective control of entities than Japanese GAAP. Under IFRS, eAccess will be reported as our consolidated subsidiary. This change may have a material impact on our financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Certain Anticipated Effects of Voluntary Adoption of IFRS".

Tender Offer for Shares of GungHo Online Entertainment, Inc.

On March 25, 2013, the board of directors of SoftBank Mobile approved a resolution to acquire a 6.37% interest in GungHo, an online game company with a focus on mobile and PC games, through a tender offer (the "Tender Offer") for a total of ¥25 billion ($288.5 million). The initial purchase period commenced on April 1, 2013 and will continue through April 26, 2013. The purpose for the Tender Offer is to strengthen the relationship between SoftBank Mobile and GungHo as part of the SoftBank Group's management strategy to become a global content provider. GungHo's board of directors resolved by a unanimous vote of all attending directors to approve the Tender Offer.

As part of undertaking the Tender Offer, SoftBank Mobile entered into an agreement with Asian Groove Goudou Gaisha ("Asian Groove") to acquire 73,400 of its shares in GungHo. SoftBank Mobile will purchase only some or none of any shares tendered in excess of the scheduled amount and is not obliged to purchase all 73,400 shares from Asian Groove.

In addition, Mr. Masayoshi Son, SoftBank chairman and CEO, entered into a memorandum of understanding ("MOU"), effective as of April 1, 2013, with Heartis Inc. ("Heartis"), Mr. Taizo Son's asset management company. Mr. Taizo Son is the brother of Mr. Masayoshi Son. Heartis is GungHo's second largest shareholder, with an 18.5% interest, after SoftBank BB, which has a 33.63% interest. Under the MOU, in exchange for Mr. Masayoshi Son's agreement to procure that Son Holdings Inc. ("Son Holdings"), an asset management company for Mr. Masayoshi Son, will not exercise its security interest over GungHo shares pledged by Heartis to Son Holdings, Heartis will exercise its voting rights in accordance with Mr. Masayoshi Son's instructions at GungHo's shareholder meetings. This will cause SoftBank, which owns all voting rights held by SoftBank BB and SoftBank Mobile, and Mr. Masayoshi Son to gain a combined 58.5% interest in GungHo following the completion of the Tender Offer. GungHo is considered a consolidated subsidiary of SoftBank and will be recorded as such from the first quarter of the fiscal year ending March 31, 2014. As a result of GungHo being our consolidated subsidiary, we will reassess the fair value of existing shares held. The gain on our consolidated income statement for the first quarter of the fiscal year ending March 31, 2014 is expected to be approximately ¥150 billion ($1.7 billion).

Permanent Financing

We are currently in the process of obtaining a new permanent senior financing facility in connection with the Sprint Acquisition. See "The Sprint Acquisition—Effects of the Acquisition—Permanent Financing".

Voluntary Adoption of International Financial Reporting Standards ("IFRS")

We announced on January 31, 2013 that we would apply IFRS to our consolidated financial statements in lieu of Japanese GAAP, which we used to present our consolidated financial statements through the fiscal year ended March 31, 2013. We will begin disclosing our consolidated financial statements according to IFRS from the first quarter of the fiscal year ending March 31, 2014 (with a transition date of April 1, 2012). See "Management's Discussion and Analysis of Financial Condition and Results of Operation—Certain Anticipated Effects of Voluntary Adoption of IFRS" and "Summary of Certain Significant Differences between Japanese GAAP, U.S. GAAP and IFRS".

Mobile Communications Segment Update for the Three Months Ended March 31, 2013

As of March 31, 2013, our Mobile Communications segment subscriber base grew by 3.7% to 32.5 million from 31.3 million as of December 31, 2012. The net additions to our subscriber base of 1.2 million represented 44.1% of total industry net additions which maintained our position as the fastest growing mobile operator in Japan.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial data presented for the fiscal years ended March 31, 2010, 2011 and 2012 and for the nine months ended December 31, 2011 and 2012 are derived from our audited and unaudited consolidated financial statements which, together with their notes, are included elsewhere in this offering memorandum. Prospective investors should read the following discussion of our financial condition and results of operations together with such financial statements and notes to such statements included elsewhere in this offering memorandum. The presentation in this section contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of factors, including, but not limited to, those set forth under "Risk Factors" and elsewhere in this offering memorandum. Unless the context otherwise requires, references to the "Company" refer to SoftBank Corp., and references to "we", "our", "us", "SoftBank" and the "SoftBank Group" refer to the Company, its consolidated subsidiaries and equity method non-consolidated subsidiaries and affiliates, as the context requires.

Unless otherwise indicated, yen amounts translated into dollars have been translated at the rate of ¥86.58 = $1.00, the approximate rate of exchange based on the average of buying and selling rates of telegraphic transfers from The Bank of Tokyo-Mitsubishi UFJ, Ltd, as of 10:00 am (Tokyo time), prevailing as of December 28, 2012.

Overview

We are Japan's second largest mobile communications company in terms of subscribers with over 41.9 million subscribers as of March 31, 2013, including 32.5 million subscribers from SoftBank Mobile, 4.3 million subscribers from eAccess and 5.1 million PHS subscribers from Willcom. We were the first company to offer the *iPhone* in Japan, which transformed the Japanese smartphone market, and we continue to promote smartphone-based strategies ahead of our competitors. On October 15, 2012, we entered into an agreement to acquire an approximately 70% interest in Sprint (the "Sprint Acquisition Agreement"), the third largest wireless operator in the United States in terms of subscribers. We expect the Sprint Acquisition to close on July 1, 2013. This acquisition will position the SoftBank Group as one of the largest mobile communications companies in the world in terms of revenue. See "The Sprint Acquisition".

Our business segments are:

- *Mobile Communications*. Provision of mobile communications services, and sales of handsets, including smartphones;
- *Broadband Infrastructure*. Provision of ADSL high-speed broadband internet connection services, ISP services, IP telecommunications services, wireless LAN services and other operations;
- *Fixed-line Telecommunications*. Provision of fixed-line telephone services and voice transmission and cloud computing services, network services and other related services;
- *Internet Culture*. Provision through our consolidated subsidiary Yahoo Japan of internet-based advertising, management and operation of internet-based auction and other businesses, including those under the *Yahoo!* brand, such as *Yahoo! Auction* and *Yahoo! Shopping*, as well as provision of membership and other related services; and
- *Other*. Various businesses including the distribution of information technology-related products and services, businesses related to the Fukuoka SoftBank Hawks Japanese professional baseball team and other various internet-related businesses.

We also invest in promising companies, mainly working in the internet field, and continually seek new services and content to provide to our customers.

The following table shows the percentage of our total net sales and EBITDA for the nine months ended December 31, 2012 attributable to each of our segments:

	For the nine months ended December 31, 2012						
	Mobile Communi-cations	**Broadband Infra-structure**	**Fixed-line Tele-communi-cations**	**Internet Culture**	**Other**	**Elimination[(2)]**	**Total**
Net sales	67.7%	4.9%	11.5%	9.5%	11.2%	(4.8%)	100.0%
EBITDA[(1)]	69.1%	4.6%	9.8%	15.7%	1.7%	(0.9%)	100.0%

(1) EBITDA is defined as operating income before depreciation, amortization and loss on disposal of fixed assets. For a reconciliation of EBITDA to operating income, see "Summary Financial and Operating Information".

(2) Percentages in the "Elimination" column represent elimination of intersegment transactions and expenses of our corporate division.

Presentation of Financial Information

For purposes of our consolidated financial statements for the fiscal year ended March 31, 2012, we had 133 consolidated subsidiaries, three equity method non-consolidated subsidiaries and 71 equity method affiliates. For our Mobile Communications segment, our main operating entity is SoftBank Mobile; for our Fixed-line Telecommunications segment, our main operating entity is SoftBank Telecom; for our Broadband Infrastructure segment, our main operating entity is SoftBank BB; and for our Internet Culture segment, our main operating entity is Yahoo Japan. Although we hold a 42.2% interest in Yahoo Japan, three out of five directors of Yahoo Japan are also directors of either SoftBank Corp., including our chairman and CEO, Mr. Masayoshi Son, or one of SoftBank Corp.'s wholly owned subsidiaries. We therefore conclude that we effectively control Yahoo Japan, and we consolidate it under the effective control approach in line with our consolidation policy. See "—Critical Accounting Policies—Consolidation Policy".

eAccess and Wireless City Planning, with which we share networks and spectrum, were accounted for as equity method affiliates under Japanese GAAP through the fiscal year ended March 31, 2013. Pursuant to IFRS, which we decided to adopt from the fiscal year ending March 31, 2014, we will report eAccess and Wireless City Planning as our consolidated subsidiaries. See "Business—Our Business Segments—Mobile Communications Segment—Our Mobile Communications Network" and "Business—Our Business Segments—Mobile Communications Segment—Our Spectrum Allocations". Starting from the first quarter of the fiscal year ending March 31, 2014, GungHo, an online game company with a focus on mobile and PC games, is being treated as our consolidated subsidiary under both Japanese GAAP and IFRS as discussed under "Recent Developments—Tender Offer for Shares of GungHo Online Entertainment, Inc." Current equity method affiliates include Alibaba, the largest e-commerce company by transaction volume in China and our equity method affiliate, for which we held 31.9% of the voting rights as of December 31, 2011. Renren, China's largest real-name social network services (SNS) site with approximately 178 million active user accounts as of December 2012, is another of our equity method affiliates. See "—Important Group Companies".

In December 2010, we acquired 100% of the shares of Willcom as part of its ¥41 billion ($474 million) court-administered corporate reorganization plan under the Corporate Reorganization Act of Japan. Willcom remains under court administration and we do not consolidate it as a subsidiary or consider it an equity method affiliate. See "Business—Important Relationships—Relationship with Willcom".

We prepared our financial statements in conformity with Japanese GAAP through the fiscal year ended March 31, 2013. However, from the first quarter of the fiscal year ending March 31, 2014, we will report our consolidated financial statements in accordance with IFRS (with a transition date of April 1, 2012). This change will affect our consolidated group, accounting policies, financial conditions, results of operations and other financial information. See "Recent Developments". Additionally, Japanese GAAP differs from U.S. GAAP and IFRS. For a discussion of certain significant differences between Japanese GAAP, U.S. GAAP and IFRS, see "Summary of Certain Significant Differences Between Japanese GAAP, U.S. GAAP and IFRS".

Factors Affecting Results of Business Segments

Mobile Communications Segment

Substantially all of our Mobile Communications segment net sales and operating income are derived from the operations of SoftBank Mobile, which is the main operating company in this segment. The following shows net sales and operating income for the segment for the fiscal years ended March 31, 2010, 2011 and 2012, as well as for the nine months ended December 31, 2011 and 2012:

	For the fiscal year ended March 31,			For the nine months ended December 31,	
	2010	2011	2012	2011	2012
	(billions of yen)				
Net sales	¥1,701	¥1,945	¥2,145	¥1,619	¥1,698
Operating income	261	402	429	346	390

Factors Affecting Net Sales

The vast majority of our net sales in the Mobile Communications segment are generated from the provision of mobile communications services and the sale of handsets and accessories. An immaterial portion of segment revenues is attributable to sources not representative of monthly average usage such as initial activation charges and certain domestic in-roaming charges received in connection with overseas visitors, as well as cancellation fees.

Mobile Communications Service Revenues

Our net sales are principally affected by the number of subscribers we have and ARPU we generate from our subscriber base. Our ARPU has remained largely stable since the fiscal year ended March 31, 2010, due to growth in data ARPU driven by our smartphone-based strategy offsetting downward pressure on voice ARPU. The number of subscribers we have has continually grown over the same period, resulting in increased revenue.

Subscribers

Subscriber growth depends on a number of factors, including the overall growth of the market and the level of competition for obtaining new subscribers and retaining existing subscribers. Our ability to obtain new subscribers and retain existing subscribers is affected by factors such as the availability of new services, the range and quality of our products and services, our network capacity and pricing.

The following shows factors affecting total subscribers attributable to our Mobile Communications segment for the fiscal years ended March 31, 2010, 2011 and 2012, as well as for the three months ended June 30, September 30 and December 31, 2012:

	As of and for the fiscal year ended March 31,			As of and for the three months ended		
	2010	**2011**	**2012**	**June 30, 2012**	**Sep. 30, 2012**	**Dec. 31, 2012**
Subscribers as of end of period (millions)	21.9	25.4	28.9	29.7	30.5	31.3
Postpaid (millions)	21.2	24.6	28.1	28.8	29.6	30.5
Prepaid (millions)	0.6	0.9	0.9	0.9	0.8	0.8
Net subscriber additions (millions)	1.2	3.5	3.5	0.8	0.8	0.9
Monthly average churn rate (%)	1.37	0.98	1.12	1.03	1.06	1.12

(1) We define subscribers and churn rate for our Mobile Communications segment as the same attributable to SoftBank Mobile, which does not include subscribers from eAccess or PHS subscribers from Willcom.

Growth in the Japanese mobile communications market ultimately affects our net sales. According to MIC the market continues to grow by subscribers and achieved a CAGR of 5.6% between the 2007 and 2012 calendar years. However, the market growth rate by subscribers has slowed in recent years. According to BMI, the market is expected to grow by CAGR of 2.5% by subscribers between the 2013 and 2017 calendar years. See "Market and Industry—Japanese Mobile Market".

SoftBank has been the fastest-growing Japanese carrier since our acquisition of Vodafone Japan, achieving a CAGR as of December 2012 of 12.2% since December 2007 and 13.3% since December 2010. Our rapid capture of mobile communications market share is a result of our early focus on smartphones, including being the first Japanese carrier to offer the *iPhone*, along with our high-speed data services and strong sales and marketing initiatives. As of December 31, 2012, we had approximately 31.3 million mobile communications subscribers, compared to approximately 15.2 million Vodafone Japan subscribers as of March 31, 2006, the end of the fiscal year prior to our acquisition of Vodafone Japan in April 2006. In line with the Japanese market, substantially all of our customers are postpaid. This provides a stable subscriber base, resulting in a low churn rate.

Churn rate is a measure that tracks customer retention by showing the percentage of subscribers who terminate their service ("churn") relative to the total subscriber base for a given period. We calculate churn rate by dividing the total number of subscribers who churned in the relevant period by the average number of subscribers for the same period. The average number of subscribers for a given month is the average of the number of subscribers at the beginning of the month and the number of subscribers at the end of the month. To calculate churn rate for multi-month periods, we divide the total number of subscribers who churned in the relevant months by the sum of the average number of subscribers for each month in the period. Subscriber numbers are calculated based on the cumulative number of subscribers at SoftBank Mobile.

In order to keep our churn rate low, we have increased our efforts to improve subscriber retention by measures such as implementing certain discount plans, flat-rate price plans for data services and increasing customer satisfaction by enhancing overall customer care and network service levels. It is important to address all aspects of our customers' satisfaction in order to keep our churn rate low. Our churn rate for the fiscal year ended March 31, 2012 was 1.12% compared to 1.50% for the fiscal year ended March 31, 2007, the end of the fiscal year in which we acquired Vodafone Japan. We have been successful in decreasing our churn rate since our acquisition of Vodafone Japan in 2006. The churn rate for the fiscal year ended March 31, 2010 was relatively high due to the termination of 2G services at the end of that fiscal year.

ARPU

ARPU for our Mobile Communications segment comprises both data and voice ARPU, which are calculated by dividing the data- or voice-related revenue, as applicable, for the period by the average number of subscribers for the period. The average number of subscribers for a given monthly period is the average of the number of subscribers at the beginning of the period and the numbers of subscribers at the end of each month in the period, which is calculated based on the cumulative number of subscribers at SoftBank Mobile.

Both data and voice revenues include basic monthly charges. Data revenue reflects packet communication charges, which are revenues derived from the transmission of data services for which we currently charge fixed fees based on the volume of data sent and received by a subscriber. Voice revenues include a combination of set monthly fees for voice communications services and additional fees depending on the minutes of connection time, as well as interconnection fees received when, for instance, subscribers of other carriers contact our subscribers. Another factor that affects ARPU is our monthly discount program that provides customers, who purchase devices subject to certain conditions, with discounts, which are reflected on each customer's monthly bill for up to 24 months. The calculation of ARPU excludes revenues that are not representative of monthly average usage such as initial activation charges, certain domestic in-roaming charges by overseas visitors and cancellation fees.

We believe that our ARPU figures are a good measure of our ability to monetize our subscriber base and provide useful information to analyze the trend of monthly average usage of our subscribers over time and the impacts of changes in our billing arrangements.

The table below shows the breakdown of ARPU attributable to our Mobile Communications segment for the fiscal years ended March 31, 2010, 2011 and 2012 as well as for three months ended June 30, September 30 and December 31, 2012.

	For the fiscal year ended March 31,			For the three months ended		
	2010	2011	2012	June 30, 2012	Sep. 30, 2012	Dec. 31, 2012
	(yen per month)					
Data ARPU	2,020	2,310	2,510	2,540	2,580	2,610
Voice ARPU	2,050	1,890	1,650	1,480	1,490	1,450
Total ARPU	4,070	4,210	4,150	4,020	4,070	4,050

(1) We define ARPU for our Mobile Communications segment as ARPU attributable to SoftBank Mobile, which does not include ARPU from eAccess and Willcom.
(2) We round ARPU values to the nearest ten yen.

Because of our focus on a smartphone-based strategy, and in line with industry trends, our data ARPU has registered strong growth, which has offset declines in voice ARPU. As a result, our total ARPU has been relatively stable over the last five fiscal years, in contrast to our competitors, which have experienced an overall decline in ARPU over the same period.

Data ARPU. Data ARPU has been increasing over the last five fiscal years due to the continuing increase in the number of data-intensive smartphone subscribers. Data ARPU for our Mobile Communications segment reflects an increasing source of revenue for our overall business, as data ARPU from subscribers with smartphones is generally higher than that generated by non-smartphone subscribers due to the increased usage of data services.

Voice ARPU. Voice ARPU decreased in the fiscal year ended March 31, 2012 to ¥1,650 from ¥1,890 in the previous year. For the three months ended December 31, 2012, voice ARPU was ¥1,450. The primary reason for the decrease in voice ARPU in these periods was an increase in devices that do not have voice communication functionality (such as the *iPad*, mobile data communications devices and digital photo frames with telecommunications functionality) and a decrease in revenues from incoming calls, which was largely the result of a reduction in interconnection fees between operators, and we expect this trend to continue.

We believe that the mobile communications market will continue to exhibit declining voice ARPU but that we can stabilize and grow total ARPU by continuing to build sources of data services revenues by acquiring increased data-intensive smartphone and tablet subscribers through the expansion of our handset lineup and by improving and expanding our high-speed data network.

Sales of Mobile Handsets and Accessories

In addition to mobile communications service revenues, we derive a significant amount of revenues from the sales of handsets and accessories. The following shows the number of handsets shipped during the fiscal years ended March 31, 2010, 2011 and 2012 as well as for the nine months ended December 31, 2011 and 2012.

	For the fiscal year ended March 31,			For the nine months ended Dec. 31,	
	2010	2011	2012	2011	2012
	(millions)				
Number of handsets shipped	8.8	10.0	11.7	8.7	8.5

We recognize sales of mobile handsets and accessories when merchandise is shipped to dealers. Revenues from the sale of mobile handsets and accessories is therefore dependent upon the number of units shipped, which is affected by anticipated demand in accordance with, for instance, the release of new handsets, particularly the *iPhone*, as well as our marketing and pricing campaigns. The size of our existing subscriber base also affects the number of shipments for handset model upgrades. Additionally, the mix of handset unit pricing also affects revenues from the sale of mobile handsets and accessories. We collaborate with handset vendors to develop handsets compatible with our mobile services and sell them to our subscribers mostly through dealers. For the above period, we had a consistent year-on-year increase in our handsets shipped, supported by strong sales and marketing initiatives for new subscriptions and by growth in subscriber demand for upgrades.

In connection with the sale of new handsets to existing or new subscribers, we pay a commission to handset dealers. In the financial statements included elsewhere in this offering memorandum, we have treated such commissions as an expense pursuant to Japanese GAAP. However, with our adoption of IFRS, we are treating such commissions as a deduction from the sales of handsets. See "—Certain Anticipated Effects of Voluntary Adoption of IFRS".

Other Segment Revenue

Other segment revenues are those that are not representative of monthly average usage such as initial activation charges, certain domestic in-roaming charges by overseas visitors and cancellation fees.

Components of Operating Expenses

Sales commission and promotion expenses, cost of sales of mobile handsets and accessories and depreciation and amortization represent the most significant portion of operating expenses for the Mobile Communications segment.

Sales Commission and Promotion Expenses

The table below shows the number of new subscriptions and handset sales to existing subscribers, as well as the respective average cost per new subscription and handset sales to existing subscribers.

	For the fiscal year ended March 31,			For the three months ended		
	2010	2011	2012	June 30, 2012	Sep. 30, 2012	Dec. 31, 2012
Number of new subscriptions (millions)	4.8	6.3	7.2	1.7	1.7	1.9
Average cost per new subscription (yen)	40,500	36,900	30,300	26,500	23,000	24,900
Number of handset sales to existing subscribers (millions)	4.4	4.0	5.1	0.9	1.3	1.9
Average cost per handset sale to existing subscribers (yen)	27,100	26,700	27,100	27,000	26,400	30,300

Sales commission and promotion expenses primarily comprise subscriber acquisition costs, which are commission payments we make to dealers per new subscription and handset sale. Other sales commission and promotion expenses include payments to dealers such as processing fees of plan changes and handset repairs. In line with industry practice, dealers receive an agreed commission amount per handset regardless of the price at which the handset is actually sold to the subscriber. In the financial statements included elsewhere in this offering memorandum, we have treated such commissions as an expense pursuant to Japanese GAAP. However, under IFRS we will treat such commissions as a deduction from the sales of handsets. We will prepare our financial reports using IFRS from the first quarter of the fiscal year ending March 31, 2014. See "—Certain Anticipated Effects of Voluntary Adoption of IFRS".

The average cost per new subscription has been declining primarily due to changes in the sales mix as the portion of devices with lower cost of acquisition, such as digital photo frames with telecommunications functionality, has increased.

Cost of Sales of Mobile Handsets and Accessories

The cost of sales of mobile handsets and accessories arises mainly from our procurement of handsets for sale to our new or existing subscribers, which is principally dependent on the number of handsets sold and the purchase price per handset. The average purchase price per handset depends on the mix of high to low end handsets that we procure and the prices that we can negotiate with our handset vendors. Handsets which apply the latest technology and features are typically more expensive, especially if procured in small quantities. However, as handset manufacturers incorporate such new technology and features in more of their handsets and mobile communications operators purchase them in greater volumes, even sophisticated handsets can quickly become less expensive.

Depreciation and Amortization

We expense the acquisition cost of fixed assets such as telecommunications equipment, network facilities and software over its estimated useful life as depreciation and amortization. In order to enhance our market competitiveness, we have significantly increased the number of our base stations and implemented certain other measures, which have resulted in an increase in depreciation and amortization expenses over the period shown. In connection with the upgrade of our networks to rollout the 900 MHz band, we conducted a replacement of certain of our existing facilities. Retirement of fixed assets resulted in increased depreciation and amortization costs, primarily recognized in the fiscal year ended March 31, 2013, as the useful lives of these assets were accelerated to zero.

Other Operating Expenses

Other Mobile Communications segment operating expenses include the following:

Fees for Utilization of Telecommunications Lines and Facilities. We incur interconnection fees for connecting to other telecommunications operators' networks, transmission charges for utilizing leased lines and, to a lesser extent, international roaming charges. Interconnection fees represent access fees paid to other operators mainly for connections between mobile, fixed and mobile-to-fixed systems. For example, when our subscribers place phone calls to subscribers of other carriers, we pay an interconnection fee to those other carriers. The amount of interconnection fees that we incur is dependent on the amount of traffic throughput between each of these systems generated by our subscribers. These costs are variable in nature, and interconnection cost per minute of call time has been decreasing over the last few years.

Facilities Maintenance Costs. These costs primarily comprise the maintenance cost of our facilities, rent and electricity costs for base stations and operating costs for network centers.

Broadband Infrastructure Segment

Source of Net Sales

Substantially all our net sales in the Broadband Infrastructure segment are from subscriber fees related to our *Yahoo! BB* services, which include our *Yahoo! BB ADSL* service and *Yahoo! BB hikari with FLET'S*, a broadband connection service that combines the internet connection service *Yahoo! BB* as an ISP add-on with the *FLET'S Hikari* fiber-optic connection provided by NTT East and NTT West. Since we introduced our *Yahoo! BB hikari with FLET'S* service in 2009, it is becoming a more significant portion of segment net sales as most customers make the move from ADSL to FTTH services in line with market trends. However, the ARPU for FTTH services is lower than that for ADSL services, as *Yahoo! BB hikari with FLET'S* is an ISP add-on service provided over NTT's FTTH network. In order to capture further earnings, we offer other optional services such as IP telephony services and Wi-Fi services.

The following table shows net sales and operating income, as well as other operating data attributable to our Broadband Infrastructure segment.

	For the fiscal year ended March 31,			For the nine months ended December 31,	
	2010	2011	2012	2011	2012
	(billions of yen)				
Net sales	¥202	¥190	¥172	¥130	¥123
Operating income	48	43	34	28	29

	As of and for the fiscal year ended March 31,			As of and for the three months ended		
	2010	2011	2012	June 30, 2012	Sep. 30, 2012	Dec. 31, 2012
Yahoo! BB ADSL subscribers (thousands)	3,769	3,150	2,600	2,467	2,364	2,271
Yahoo! BB hikari with FLET'S subscribers (thousands)(1)	237	932	1,608	1,771	1,863	1,951
Total Yahoo! BB subscribers (thousands)	4,006	4,082	4,209	4,238	4,227	4,222
Yahoo! BB ADSL ARPU (yen/month)(2)	4,020	3,830	3,510	3,450	3,390	3,330
Yahoo! BB hikari with FLET'S ARPU (yen/month)(1)(2)	1,350	1,620	1,680	1,670	1,710	1,720

(1) Although *FLET'S Hikari* fiber-optic connection provided by NTT East and NTT West is an FTTH connection, *Yahoo! BB hikari with FLET'S* is an ISP add-on service that we provide. ARPU attributable to this service is therefore not in line with normal FTTH trends.

(2) We report ARPU on a quarterly basis and not on an annual basis. The figures for the fiscal years ended March 31, 2010, 2011 and 2012 show fourth quarter figures only.

Components of Operating Expenses

Components of operating expenses in the Broadband Infrastructure segment primarily include subscriber acquisition costs, maintenance costs related to our backbone network and the cost related to the lease of certain network infrastructure and office space from NTT.

Fixed-line Telecommunications Segment

Source of Net Sales

Telecommunications Services

We derive net sales of our Fixed-line Telecommunications segment primarily from our voice transmission services, which are used by individual and corporate subscribers.

The following tables show net sales and operating income, as well as other operating data attributable to our Fixed-line Telecommunications segment.

	For the fiscal year ended March 31,			For the nine months ended December 31,	
	2010	2011	2012	2011	2012
	(billions of yen)				
Net sales	¥349	¥357	¥368	¥270	¥288
Operating income	23	38	58	43	52

	As of and for the fiscal year ended March 31,			As of and for the three months ended		
	2010	2011	2012	June 30, 2012	Sep. 30, 2012	Dec. 31, 2012
Otoku-line subscribers (thousands)	1,669	1,671	1,685	1,684	1,692	1,688
Otoku-line ARPU (yen/month)(1)	6,830	6,930	6,790	6,530	6,390	6,510

(1) We report ARPU on a quarterly basis and not on an annual basis. The figures for the fiscal years ended March 31, 2010, 2011 and 2012 show fourth quarter figures only.

SoftBank Telecom provides our *Otoku Line*, a direct-connection fixed-line voice service, or "landline" service. Our *Otoku Line* contributes the largest portion of our telecommunication services revenues.

We also derive significant revenues from certain other voice services, data transmission and dedicated-line services. Japan's fixed-line telecommunications market has continued to contract from its peak of 63 million lines in 1998. However, there is a stable demand for fixed-line phone services from medium- and large-scale corporate customers. We have managed to limit to a certain extent the general downward trend on ARPU for fixed-line services in the market by focusing on corporate subscribers and by providing value-added services, such as multifunctional call forwarding.

Supplementary Services

In addition to telecommunications services, we offer cloud computing and network services, and conduct other similar businesses. These comprise a small portion of segment revenue.

Components of Operating Expenses

Main components of operating expenses in the Fixed-line Telecommunication segment include interconnection fees for utilization of other telecommunications companies, depreciation and amortization of fixed assets, and maintenance costs related to our networks, including collocation fees incurred at NTT central offices.

Internet Culture Segment

The table below shows net sales and operating income for our Internet Culture segment.

	For the fiscal year ended March 31,			For the nine months ended December 31,	
	2010	2011	2012	2011	2012
	(billions of yen)				
Net sales	¥271	¥284	¥294	¥216	¥239
Operating income	137	150	157	115	129

Source of Net Sales

Our consolidated subsidiary Yahoo Japan comprises the vast majority of segment net sales and operating income. Internet advertising makes up the majority of Yahoo Japan's sales. Other sales are attributable to Yahoo Japan's information listing, e-commerce and game services, among others. Contract periods for internet advertising are relatively short, and demand among advertisers tends to be seasonal. These factors produce underlying short-term fluctuations in Yahoo Japan's advertising revenue.

Yahoo Japan is currently the dominant search and portal site in Japan with a monthly average of 51.0 billion page views and 27.2 million active users in the three months ended December 31, 2012. The growth of the overall internet market and the growth of the Japanese internet advertising industry, as well as Yahoo Japan's success in attracting customers to its web pages, as measured by the number of unique users who view Yahoo Japan's web pages each month, has had a direct impact on Yahoo Japan's advertising sales. The current strategy of Yahoo Japan is to shift the core focus of its business from PCs to smartphones by working closely with SoftBank Mobile and other SoftBank Group companies with strengths related to smartphone services in order to attract customers who frequently use smartphone services.

Yahoo Japan is a publicly listed company, and as of March 31, 2013 has a market capitalization of ¥2.5 trillion ($26.8 billion).

Components of Operating Expenses

Cost of sales for the businesses in the Internet Culture segment is limited because such businesses are focused on providing information, advertising and other services over the internet and are generally not required to pay substantial fees to third parties for content, supplies or services in providing those services. The largest selling, general and administrative expense of the businesses in the Internet Culture segment is personnel expenses. Yahoo Japan's personnel expenses have been growing in recent fiscal periods, reflecting the growth in the number of employees in the Internet Culture segment along with the growth of this business. For the nine months ended December 31, 2012, Yahoo Japan's personnel expenses were ¥28 billion ($323 million), which represented 11.3% of Yahoo Japan's revenue.

Other Segment

We engage in several other businesses, such as the distribution of IT-related products and services, businesses related to the Fukuoka SoftBank Hawks Japanese professional baseball team and various internet-related businesses.

Important Group Companies

eAccess is treated as an equity-method affiliate for our financial reports prepared under Japanese GAAP, but under IFRS it will be reported as our consolidated subsidiary. Under IFRS, Wireless City Planning will also be reported as our consolidated subsidiary, and it will be reported under our Mobile Communications segment. We will report our financial results under IFRS from the first quarter of the fiscal year ending March 31, 2014.

eAccess is a wireless internet provider, which, as of December 31, 2012, provided service to 4.3 million mobile subscribers under the *EMOBILE* brand through its wireless network built on W-CDMA and LTE technology in the 1.7GHz band. It also provided ADSL wholesale services to ISP partners that have a subscriber base of 1.3 million. SoftBank Mobile and eAccess are partnering to combine management resources and share network infrastructure in order to efficiently build capacity for mobile broadband services. As of March 31, 2013, we owned 33.29% of eAccess' voting interests, making us eAccess' largest shareholder, and maintain 99.59% of its economic interest.

Wireless City Planning is a mobile communications network operator that owns a network in the 2.5 GHz band using TD-LTE compatible AXGP technology. We own 33.3% of the voting rights of Wireless City Planning and currently using their network through an MVNO arrangement, to provide our *SoftBank 4G* data service since early 2012. Wireless City Planning was originally spun off from Willcom.

GungHo is an online game company with a focus on mobile and PC games. Its popular games include the mobile game *Puzzle & Dragons*, which has over ten million players worldwide and is one of Japan's top mobile games. As of April 1, 2013, we held 52.1% of the voting rights of GungHo. GungHo became our consolidated subsidiary as of April 1, 2013. See "Recent Developments—Tender Offer for Shares of GungHo Online Entertainment, Inc".

Our important affiliates include the following:

Alibaba Group Holding Limited is the largest e-commerce company by transaction volume in China, comprising 25 separate business units. The largest company in the Alibaba group by revenue is Taobao, the world's biggest consumer-to-consumer commerce website, which had over 500 million registered users as of June 2012. The Alibaba group also includes, among others, Alibaba.com, one of the largest business-to-business shopping websites in China, and Tmall.com, a business-to-consumer shopping website. As of December 31, 2011, we held 31.9% of the voting rights of Alibaba.

Renren operates the largest real-name social networking website in China, with approximately 178 million active user accounts as of December 2012. The Renren platform enables users to connect and communicate with each other, share information and user-generated content, play online games, listen to music, do online shopping and use other features and services. Renren is accessible from many types of internet-enabled devices, including PCs and mobile phones, so that users can access the platform anytime they are connected to the internet. As of March 31, 2012, we held 34.1% of the voting rights of Renren.

Willcom

Willcom is a telecommunications company offering PHS handsets and services on a 1.9 GHz band with 4.9 million subscribers and a 3.6% market share in the overall mobile communications market as of December 2012. It has been allocated significant blocks of spectrum bandwidth, on which it currently operates its nationwide PHS network. In December 2010, we acquired 100% of the shares of Willcom as part of its ¥41 billion ($474 million) court-administered corporate reorganization plan under the Corporate Reorganization Act. Willcom remains under court administration and we do not consolidate it as a subsidiary or consider it an equity method affiliate. We provide financial support to Willcom while it is completing its corporate reorganization plan. See "—Certain Contingent Liabilities—Ongoing Financial Support for Willcom".

Other Factors Affecting Our Consolidated Results of Operations

Revisions to Organization and Investment Portfolio

SoftBank Corp. is a holding company and implements liquidations, withdrawals, integrations and restructuring of subsidiaries where there are no prospects for profitability. Affiliated companies and portfolio investments are also constantly reviewed, leading to the restructuring of operations, additional investments or sales of interests. These actions often result in changes in the way we account for our interests in subsidiary and affiliated companies and could also result in capital gains or losses which could significantly affect our results of operations for the relevant fiscal period. The inclusion and exclusion of significant or multiple subsidiaries can result in fluctuations of our results of operations and sometimes make inter-period comparisons of performance complex.

Other Income (Expenses)

Interest Expense

We incur interest expenses mainly due to payments on the loan and bond obligations of SoftBank Corp. mostly associated with the financing and refinancing of our past significant acquisitions. We also incur interest expenses in connection with the lease obligations of mainly SoftBank Mobile. Our interest expense for the fiscal year ended March 31, 2012 was ¥62 billion ($718 million). We expect a significant increase in interest expenses due to financing in connection with the Sprint Acquisition. See "Summary Financial and Operating Information—Additional Metrics". Because we are currently in the process of negotiating the Permanent Financing, we cannot determine with certainty by how much our interest expenses will increase.

Equity in earnings (losses) of affiliated companies

Equity in earnings (losses) of affiliated companies comprises income or losses generated from strategic investments in unconsolidated affiliate companies, over which we have significant influence with regard to operations and financial policies.

Gains on Sale of Investment Securities

Most of our marketable and investment securities are classified as available-for-sale securities, and we generally do not hold trading securities. Sales of securities in our investment portfolio can have a significant impact on our results of operations. For instance, we recorded a large gain on sales of marketable and investment securities in the fiscal year ended March 31, 2012 due mainly to the sale of a portion of our interests in Yahoo! Inc.

Valuation Loss on Investment Securities

We incur valuation loss on investment securities in cases where declines in the market value or effective value of securities are significant, except in cases where a recovery in value is expected. Accounting for such impairment loss can affect results of operations. See "—Critical Accounting Policies—Marketable and Investment Securities".

Other, Net

Other, net comprises income and expenses not included above that are generally of a non-recurring nature, such as refinancing related expenses associated with our acquisition of Vodafone Japan, dilution gains from changes in equity interest, losses on liquidation of subsidiaries and affiliated companies and losses associated with the Great East Japan Earthquake.

Income Tax

We, as well as our domestic subsidiaries, are subject to Japanese national and local income taxes. The significant tax-related items that result in our deferred tax assets and liabilities include depreciation and amortization, loss carryforwards and the fair market value of assets and liabilities of our acquired consolidated subsidiaries, resulting in deferred tax assets, as well as deferred taxable gain on sales of shares of our subsidiaries to other of our wholly owned subsidiaries and unrealized gains on derivatives under hedge accounting, resulting in deferred tax liabilities. Our income tax is mostly on the income of SoftBank Mobile and Yahoo Japan.

On December 2, 2011, new tax reform laws enacted in Japan changed the normal effective statutory tax rate from 40.7% to 38.0% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015 and to 35.6% thereafter. Our effective income tax rate, which is total income tax divided by income before income taxes and minority interests, for the year ended March 31, 2012 was 40.3%, compared to the 40.7% normal effective statutory tax rate. For the nine months ended December 31, 2012, our effective income tax rate was 45.0% compared to the 38.0% normal effective statutory tax rate. For a reconciliation between the normal effective tax rate and our actual effective tax rate for the years ended March 31, 2010, 2011, and 2012, see note 8 to our audited consolidated financial statements included elsewhere in this offering memorandum.

Minority Interests in Net Income

A significant portion of our minority interests in net income is related to our interest in Yahoo Japan. Our interest in Yahoo Japan has not changed significantly in the fiscal years ended March 31, 2010, 2011 and 2012.

Results of Operations

The following table shows selected statement of operations data for the fiscal years ended March 31, 2010, 2011 and 2012, and for the nine months ended December 31, 2011 and 2012.

	For the fiscal year ended March 31,			For the nine months ended December 31,	
	2010	2011	2012	2011	2012
				(unaudited)	
	(billions of yen)				
Net sales	¥2,763	¥3,005	¥3,202	¥2,398	¥2,510
Cost of sales	1,327	1,374	1,486	1,101	1,163
Gross profit	1,437	1,631	1,717	1,297	1,347
Selling, general and administrative expenses	971	1,002	1,041	765	746
Operating income	466	629	675	533	600
Other income:					
Interest and dividend income	1	4	4	4	3
Interest expense	(111)	(104)	(62)	(53)	(26)
Equity in earnings (losses) of affiliated companies	(4)	3	(3)	(4)	(23)
Gain on sale of investment securities, net	5	6	88	84	4
Valuation loss on investment securities	(5)	(9)	(14)	(9)	(11)
Other, net	(63)	(48)	(57)	(35)	(21)
Other income (expenses), net	(177)	(149)	(43)	(14)	(74)
Income before income taxes and minority interests	289	481	632	518	526
Income taxes:					
Current	(118)	(174)	(197)	(146)	(215)
Corrections	—	(27)	—	—	—
Deferred	(27)	(32)	(58)	(75)	(22)
Total income taxes	(145)	(233)	(255)	(222)	(236)
Net income before minority interests	145	248	378	297	289
Minority interests in net income	(48)	(58)	(64)	(47)	(54)
Net income	¥ 97	¥ 190	¥ 314	¥ 250	¥ 235

Comparison of the Nine Months Ended December 31, 2012 with the Nine Months Ended December 31, 2011

Net sales. Net sales increased by ¥112 billion ($1.3 billion), or 4.7%, from ¥2.4 trillion ($27.7 billion) for the nine months ended December 31, 2011 to ¥2.5 trillion ($29.0 billion) for the nine months ended December 31, 2012. This was mainly due to increased revenue in the Mobile Communications segment, which totaled ¥1.7 trillion ($19.6 billion) for the nine months ended December 31, 2012 compared to ¥1.6 trillion ($18.7 billion) for the nine months ended December 31, 2011. This increase was primarily due to steady growth in the number of mobile telecommunications subscribers by 2.37 million net subscriber additions, or 8.3%, from 28.9 million subscribers as of March 31, 2012 to 31.3 million subscribers as of December 31, 2012. While the net sales of our Broadband Infrastructure segment declined by 5.3%, net sales grew in our Mobile Communications, Fixed-Line Telecommunications and Internet Culture business segments by 4.9%, 6.6% and 10.9%, respectively. See "—Results of Operations by Business Segment—Comparison of the Nine Months Ended December 31, 2012 with the Nine Months Ended December 31, 2011".

Cost of sales. Cost of sales increased by ¥62 billion ($721 million), or 5.7%, from ¥1.1 trillion ($12.7 billion) for the nine months ended December 31, 2011 to ¥1.2 trillion ($13.4 billion) for the nine months ended December 31, 2012, which represents 46.3% of net sales. This was primarily due to an increase in depreciation and amortization in the Mobile Communications segment, mainly due to the installation of additional base stations as part of our strategy of improving our network and rolling out our 900 MHz network.

Selling, general and administrative expenses. Selling, general and administrative expenses decreased by ¥18 billion ($210 million), or 2.4%, from ¥765 billion ($8.8 billion) for the nine months ended December 31, 2011 to ¥746 billion ($8.6 billion) for the nine months ended December 31, 2012, which represents 29.7% of net sales. This was mainly due to a decrease in the total amount of sales commissions paid to dealers for new subscribers and upgrades in the Mobile Communications segment, resulting from an increase in the proportion of sales of lower-priced handsets compared to the nine months ended December 31, 2011, while *iPhone* sales remained stable.

Operating income. As a result of the foregoing, operating income increased by ¥67 billion ($778 million), or 12.6%, from ¥533 billion ($6.2 billion) for the nine months ended December 31, 2011 to ¥600 billion ($6.9 billion) for the nine months ended December 31, 2012. Operating margins for the nine months ended December 31, 2012 was 23.9% as compared to 22.2% for the nine months ended December 31, 2011.

Other income (expense). Other expense, net increased by ¥60 billion ($692 million), from ¥14 billion ($167 million) for the nine months ended December 31, 2011 to ¥74 billion ($860 million) for the nine months ended December 31, 2012. This was primarily due to the following:

- Gain on sale of investment securities was ¥4 billion ($43 million) for the nine months ended December 31, 2012, in contrast to ¥84 billion ($966 million) for the corresponding period in the previous year which was mainly related to the sale of shares of Yahoo! Inc.
- Equity in losses of affiliated companies amounted to ¥23 billion ($266 million) for the nine months ended December 31, 2012 due mainly to a write down of goodwill that arose relating to InMobi Pte. Ltd. The account for the corresponding period in the previous year amounted to ¥4 billion ($42 million).
- Valuation loss on investment securities amounted to ¥11 billion ($121 million) for the nine months ended December 31, 2012, mainly associated with a drop in the stock price of Zynga Inc., in which we hold shares. The account for the corresponding period in the previous year amounted to ¥9 billion ($108 million) which represented the impairment loss of Betfair Group plc.
- Interest expense amounted to ¥26 billion ($305 million) for the nine months ended December 31, 2012. This compares to ¥53 billion ($615 million) for the corresponding period in the previous year. The decrease mainly resulted from the refinancing of the loan for the Vodafone Japan acquisition at a lower interest rate.
- Other, net decreased by ¥14 billion ($156 million), or 40.4%, from a net expense of ¥34 billion ($387 million) for the nine months ended December 31, 2011 to a net expense of ¥20 billion ($231 million) for the nine months ended December 31, 2012. Net expense in the amount of ¥34 billion ($387 million) for the nine months ended December 31, 2011 mainly represented ¥25 billion ($288 million) of refinancing expense and ¥22 billion ($253 million) of premium expense on advanced repayment of the long-term debt associated with the acquisition of Vodafone Japan, which was partly offset by ¥18 billion ($212 million) dilution gain from changes in equity interest. The net expenses of ¥20 billion ($231 million) for the nine months ended December 31, 2012 mainly represented ¥19 billion ($220 million) of financing related expenses in connection with the Sprint Acquisition.

Income before income taxes and minority interests. As a result of the foregoing, income before income taxes and minority interests increased by ¥7 billion ($85 million) or 1.4% from ¥518 billion ($6.0 billion) for the nine months ended December 31, 2011 to ¥526 billion ($6.1 billion) for the nine months ended December 31, 2012.

Income taxes. Total income taxes increased by ¥15 billion ($172 million), or 6.7%, from ¥222 billion ($2.6 billion) for the nine months ended December 31, 2011 to ¥236 billion ($2.7 billion) for the nine months ended December 31, 2012 mainly due to an increase in income.

Minority interests in net income. Minority interests in net income increased by ¥7 billion ($85 million), or 15.6%, from ¥47 billion ($539 million) for the nine months ended December 31, 2011 to ¥54 billion (624 million) for the nine months ended December 31, 2012, due mainly to an increase in net income at Yahoo Japan.

Net income. As a result of the foregoing, net income decreased by ¥15 billion ($170 million), or 5.9%, from ¥250 billion ($2.9 billion) for the nine months ended December 31, 2011 to ¥235 billion ($2.7 billion) for the nine months ended December 31, 2012.

Comparison of the Fiscal Year Ended March 31, 2012 with the Fiscal Year Ended March 31, 2011

Net sales. Net sales increased by ¥198 billion ($2.3 billion), or 6.6%, from ¥3 trillion ($34.7 billion) for the fiscal year ended March 31, 2011 to ¥3.2 trillion ($37.0 billion) for the fiscal year ended March 31, 2012 mainly due to an increase in telecommunications service revenue attributable to our Mobile Communications segment resulting from steady and continued growth in mobile telecommunications subscribers, in addition to increased sales of mobile handsets, particularly of the *iPhone 4S*, which was launched in October 2011. While net sales of our Broadband Infrastructure segment declined by 9.5%, net sales grew in our Mobile Communications, Fixed-Line Telecommunications and Internet Culture business segments by 10.3%, 3.1% and 3.5%, respectively.

Cost of sales. Cost of sales increased by ¥112 billion ($1.3 billion), or 8.2%, from ¥1.4 trillion ($15.9 billion) for the fiscal year ended March 31, 2011 to ¥1.5 trillion ($17.2 billion) for the fiscal year ended March 31, 2012, which represents 46.4% of net sales. This was mainly due to an increase in the cost of sales for mobile handsets in our Mobile Communications segment as the number of shipped handsets to dealers increased in line with the launch of the *iPhone 4S*, as well as due to an increase in depreciation and amortization expenses related to the installation of additional base stations.

Selling, general and administrative expenses. Selling, general and administrative expenses for the fiscal years ended March 31, 2011 and 2012 remained roughly the same. This was mainly due to an increase in the total amount of sales commissions paid to dealers for increased sales volume by our Mobile Communications segment following the launch of the *iPhone 4S*.

Operating income. As a result of the foregoing, our operating income increased by ¥46 billion ($533 million), or 7.3%, from ¥629 billion ($7.3 billion) for the fiscal year ended March 31, 2011 to ¥675 billion ($7.8 billion) for the fiscal year ended March 31, 2012. The primary reasons was an increase in operating income for our Mobile Communications segment. Operating margins for the fiscal year ended March 31, 2012 were 21.1% as compared to 20.9% for the fiscal year ended March 31, 2011.

Other income (expense). Other expense, net decreased by ¥106 billion ($1.2 billion), or 71.0%, from ¥149 billion ($1.7 billion) for the fiscal year ended March 31, 2011 to ¥43 billion ($497 million) for the fiscal year ended March 31, 2012. This was primarily due to the following:

- Interest expense amounted to ¥62 billion ($718 million) for the fiscal year ended March 31, 2012. This is compared to ¥104 billion ($1.2 billion) for the fiscal year ended March 31, 2011, mainly resulting from the refinancing of the loan for the Vodafone Japan acquisition at a lower interest rate in October 2011.

- Gain on sale of investment securities totaled ¥88 billion ($1.0 billion) for the fiscal year ended March 31, 2012 due mainly to the sale of our shares of Yahoo Inc. By contrast, gain on sale of investment securities was ¥6 billion ($68 million) for the fiscal year ended March 31, 2011.

- Loss on disaster amounted to ¥14 billion ($167 million) for the fiscal year ended March 31, 2011 in connection with damages and restoration due to, and forgiveness on receivables from customers affected by, the Great East Japan Earthquake that occurred in March 2011. Such expense was not recorded in the fiscal year ended March 31, 2012.

- Refinancing related expense in the amount of ¥47 billion ($541 million) for the fiscal year ended March 31, 2012 comprising primarily ¥24 billion ($277 million) attributable to costs associated with (1) funds procured for the refinancing of the loan for the Vodafone Japan acquisition, (2) cancellation expense of interest-rate swap in order to hedge interest rate risks and (3) SoftBank Mobile's refinancing of the loan entered into in connection with the Vodafone Japan acquisition, in addition to ¥22 billion ($253 million) comprising a related premium expense on advanced repayment of long-term debt associated with the refinancing of the Vodafone Japan acquisition loan in the fiscal year ended March 31, 2012.

- Loss on liquidation of subsidiaries and affiliated companies amounted to ¥19 billion ($220 million) for the fiscal year ended March 31, 2012, due to the recognition of foreign currency translation adjustments as loss related to the liquidation of our subsidiary Charlton Acquisition LLP, while a similar expense was not recorded for the fiscal year ended March 31, 2011.

Income before income taxes and minority interests. As a result of the foregoing, income before income taxes and minority interests increased by ¥152 billion ($1.8 billion), or 31.6%, from ¥481 billion ($5.6 billion) for the fiscal year ended March 31, 2011 to ¥632 billion ($7.3 billion) for the fiscal year ended March 31, 2012.

Income taxes. Total income taxes increased by ¥22 billion ($251 million), or 9.3%, from ¥233 billion ($2.7 billion) to ¥255 billion ($2.9 billion) due to an increase in income. An additional income taxes correction of ¥26 billion ($305 million) related to Yahoo Japan was included and paid for the fiscal year ended March 31, 2011. Yahoo Japan is currently challenging this additional tax through litigation in the Tokyo District Court.

Minority interests in net income. Minority interests in net income increased by ¥6 billion ($67 million), or 10.1%, from ¥58 billion ($669 million) for the fiscal year ended March 31, 2011 to ¥64 billion ($737 million) for the fiscal year ended March 31, 2012, due mainly to the increase of net income of Yahoo Japan.

Net income. As a result of the above, net income increased by ¥124 billion ($1.4 billion), or 65.4%, from ¥190 billion ($2.2 billion) for the fiscal year ended March 31, 2011 to ¥314 billion ($3.6 billion) for the fiscal year ended March 31, 2012.

Comparison of the Fiscal Year Ended March 31, 2011 with the Fiscal Year Ended March 31, 2010

Net sales. Net sales increased by ¥241 billion ($2.8 billion), or 8.7%, from ¥2.8 trillion ($31.9 billion) for the fiscal year ended March 31, 2010 to ¥3.0 trillion ($34.7 billion) for the fiscal year ended March 31, 2011. This was mainly due to an increase in mobile telecommunications subscribers, combined with a rise in ARPU and the number of mobile handsets shipped to dealers in our Mobile Communications segment. While net sales of the Broadband Infrastructure segment declined by 6.0%, net sales grew in our Mobile Communications, Fixed-line Telecommunications and Internet Culture segments by 14.3%, 2.3% and 4.8%, respectively.

Cost of sales. Cost of sales increased by ¥47 billion ($543 million), or 3.5%, from ¥1.3 trillion ($15.3 billion) for the fiscal year ended March 31, 2010 to ¥1.4 trillion ($15.9 billion) for the fiscal year ended March 31, 2011 which represents 45.7% of net sales. This was mainly due to higher cost of goods resulting from the increase in the number of mobile handsets shipped, which was partially off-set by a decrease in depreciation and amortization expenses attributable to our Mobile Communications segment relating to the termination of the 2G mobile phone service in March 2010.

Selling, general and administrative expenses. Selling, general and administrative expenses increased by ¥31 billion ($357 million), or 3.2%, from ¥971 billion ($11.2 billion) for the fiscal year ended March 31, 2010 to ¥1.0 trillion ($11.6 billion) for the fiscal year ended March 31, 2011, which represents 33.3% of net sales. This was mainly because of increased sales commissions paid to dealers associated with the increase in the number of mobile handsets sold in our Mobile Communications segment.

Operating income. As a result of the foregoing, operating income increased by ¥163 billion ($1.9 billion), or 35.1%, from ¥466 billion ($5.4 billion) for the fiscal year ended March 31, 2010 to ¥629 billion ($7.3 billion) for the fiscal year ended March 31, 2011.

Other income (expense). Other expense, net decreased by ¥28 billion ($324 million), or 15.9%, from ¥177 billion ($2.0 billion) for the fiscal year ended March 31, 2010 to ¥149 billion ($1.7 billion) for the fiscal year ended March 31, 2011. This was primarily due to the following:

- Interest expense amounted to ¥104 billion ($1.2 billion) for the fiscal year ended March 31, 2011 compared to ¥111 billion ($1.3 billion) for the fiscal year ended March 31, 2010. The decrease was mostly attributed to reduction of interest-bearing debt.
- Other net expense of ¥63 billion ($723 million) for the fiscal year ended March 31, 2010 primarily comprised ¥49 billion ($563 million) loss on disposition of fixed assets, whereas other net expense of ¥48 billion ($559 million) for the fiscal year ended March 31, 2011 primarily represented a ¥14 billion ($167 million) loss on disaster in connection with the Great East Japan earthquake, ¥10 billion ($110 million) valuation loss on stock options and ¥7 billion ($82 million) loss on adjustment for changes of accounting standard for asset retirement obligations.

Income before income taxes and minority interests. As a result of the foregoing, income before income taxes and minority interests increased by ¥191 billion ($2.2 billion), or 66.2%, from ¥289 billion ($3.3 billion) for the fiscal year ended March 31, 2010 to ¥481 billion ($5.6 billion) for the fiscal year ended March 31, 2011.

Income taxes. Total income taxes increased ¥88 billion ($1.0 billion), or 61.1%, from ¥145 billion ($1.7 billion) for the fiscal year ended March 31, 2010 to ¥233 billion ($2.7 billion) for the fiscal year ended March 31, 2011 due to an increase in income. Additional income taxes of ¥26 billion ($305 million) were included in income taxes associated with a correction assessed against and paid by Yahoo Japan for the fiscal year ended March 31, 2011.

Minority interests in net income. Minority interests in net income increased by ¥10 billion ($115 million), or 20.8%, from ¥48 billion ($554 million) for the fiscal year ended March 31, 2010 to ¥58 billion ($669 million) for the fiscal year ended March 31, 2011. This was mainly the portion of net income recorded at Yahoo Japan attributable to shareholders other than us.

Net income. As a result of the foregoing, net income increased by ¥93 billion ($1.1 billion), or 96.2%, from ¥97 billion ($1.1 billion) for the fiscal year ended March 31, 2010 to ¥190 billion ($2.2 billion) for the fiscal year ended March 31, 2011.

Results of Operations by Business Segment

The following table present net sales (both including and excluding inter-segment sales), and operating income for each business segment for the fiscal years ended March 31, 2010, 2011 and 2012 and for the nine months ended December 31, 2011 and 2012. The comparisons following the table discuss comparisons of net sales, including inter-segment sales, operating expenses and operating income for each period.

	For the fiscal year ended March 31,			For the nine months ended December 31,	
	2010	2011	2012	2011	2012
				(unaudited)	
	(billions of yen)				
Mobile Communications					
Sales					
Sales to external customers	¥1,692	¥1,936	¥2,139	¥1,614	¥1,693
Intersegment sales or transfers	9	8	6	6	5
Total	1,701	1,945	2,145	1,619	1,698
Operating income	¥ 261	¥ 402	¥ 429	¥ 346	¥ 390
Broadband Infrastructure					
Sales					
Sales to external customers	¥ 198	¥ 183	¥ 155	¥ 118	¥ 104
Intersegment sales or transfers	4	7	17	11	19
Total	202	190	172	130	123
Operating income	¥ 48	¥ 43	¥ 34	¥ 28	¥ 29
Fixed-line Telecommunications					
Sales					
Sales to external customers	¥ 304	¥ 297	¥ 293	¥ 215	¥ 224
Intersegment sales or transfers	45	59	75	55	64
Total	349	357	368	270	288
Operating income	¥ 23	¥ 38	¥ 58	¥ 43	¥ 52
Internet Culture					
Sales					
Sales to external customers	¥ 266	¥ 279	¥ 290	¥ 213	¥ 237
Intersegment sales or transfers	5	4	4	3	2
Total	271	284	294	216	239
Operating income	¥ 137	¥ 150	¥ 157	¥ 115	¥ 129
Subtotal					
Sales					
Sales to external customers	¥2,461	¥2,695	¥2,877	¥2,160	¥2,257
Intersegment sales or transfers	62	79	101	75	91
Total	2,523	2,775	2,978	2,235	2,348
Operating income	¥ 469	¥ 634	¥ 678	¥ 533	¥ 600
Other[(1)]					
Sales					
Sales to external customers	¥ 303	¥ 309	¥ 326	¥ 238	¥ 252
Intersegment sales or transfers	29	34	35	26	29
Total	332	344	361	265	282
Operating income	¥ 6	¥ 7	¥ 9	¥ 9	¥ 9

	For the fiscal year ended March 31,			For the nine months ended December 31,	
	2010	2011	2012	2011	2012
				(unaudited)	
	(billions of yen)				
Total					
Sales					
Sales to external customers	¥2,763	¥3,005	¥3,202	¥2,398	¥2,510
Intersegment sales or transfers	91	114	137	102	120
Total	2,855	3,118	3,339	2,500	2,630
Operating income	¥ 475	¥ 641	¥ 687	¥ 542	¥ 610
Reconciliations					
Sales					
Intersegment sales or transfers	¥ (91)	¥ (114)	¥ (137)	¥ (102)	¥ (120)
Total	(91)	(114)	(137)	(102)	(120)
Operating income	¥ 9	¥ (12)	¥ (12)	¥ (9)	¥ (9)
Consolidated					
Sales					
Sales to external customers	¥2,763	¥3,005	¥3,202	¥2,398	¥2,510
Total	2,763	3,005	3,202	2,398	2,510
Operating income	¥ 466	¥ 629	¥ 675	¥ 533	¥ 600

(1) "Other" includes distribution of software and peripheral equipment for personal computers, services related to Fukuoka SoftBank Hawks, a Japanese professional baseball team we own, and other services.

Comparison of the Nine Months Ended December 31, 2012 with the Nine Months Ended December 31, 2011

Mobile Communications. Segment net sales increased by ¥79 billion ($909 million), or 4.9%, from ¥1.6 trillion ($18.7 billion) for the nine months ended December 31, 2011 to ¥1.7 trillion ($19.6 billion) for the nine months ended December 31, 2012, due to a steady increase in telecommunications service revenue resulting from growth in the number of mobile telecommunications subscribers, with net subscriber additions totaling 2.4 million subscribers resulting in the cumulative number of subscribers growing to 31.3 million as of December 31, 2012, an 8.2% increase from 28.9 million as of March 31, 2012. Meanwhile, shipments of mobile handsets declined by 0.2 million units, or 2.1%, from 8.7 million units for the nine months ended December 31, 2011 to 8.5 million units for the nine months ended December 2012. This slight decline was due to a decrease in conventional mobile handset units sold to dealers, while *iPhone* units sold increased through the success of various *iPhone* sales promotions.

ARPU, which is calculated on a quarterly basis, declined for all three quarters comprising the nine months ended December 31, 2012 compared to the corresponding periods for the nine months ended December 31, 2011.

The decline in voice ARPU was mainly due to an increase in the number of devices that do not have voice communication functionality (such as the *iPad* and mobile data communications devices) coupled with a decrease in revenues from incoming calls. Data ARPU, however, amounted to ¥2,610, ¥2,580 and ¥2,540 for the three months ended December 31, 2012, September 30, 2012 and June 30, 2012, respectively, compared to ¥2,530, ¥2,520 and ¥2,440 for the corresponding periods in the previous year. The consistent increase in data ARPU has been mainly the result of the continuing increase in the number of high-data ARPU smartphone subscribers, which more than offset an increase in subscribers to low-data usage products such as *Mimamori phones* and digital photo frames.

The churn rate was 1.12%, 1.06% and 1.03% for the three months ended December 31, 2012, September 30, 2012 and June 30, 2012, respectively, compared to 1.11%, 1.09% and 1.08% for the three months ended December 31, 2011, September 30, 2011 and June 30, 2011, respectively.

Operating expenses increased during the period, principally due to higher depreciation and amortization recorded in connection with the installation of additional base stations. This was partially off-set by a decline in sales commissions in line with an increased proportion of subscribers purchasing units having a lower acquisition cost per subscriber.

As a result, operating income increased by ¥43 billion ($502 million), or 12.5%, from ¥346 billion ($4.0 billion) for the nine-month period ended December 31, 2011 to ¥390 billion ($4.5 billion) for the nine-month period ended December 31, 2012.

Broadband Infrastructure. Segment net sales decreased by ¥7 billion ($80 million), or 5.3%, from ¥130 billion ($1.5 billion) for the nine-month period ended December 31, 2011 to ¥123 billion ($1.4 billion) for the nine-month period ended December 31, 2012, due mainly to an increase in the proportion of subscribers for *Yahoo! BB hikari with FLET'S*, which has a lower ARPU than our *Yahoo! BB ADSL* service. This was despite an increase in the cumulative numbers of subscribers of *Yahoo! BB* (the total number of *Yahoo! BB hikari with FLET'S* and *Yahoo! BB ADSL* subscribers).

Operating income increased by ¥733 million ($8 million), or 2.6%, from ¥28 billion ($327 million) for the nine-month period ended December 31, 2011 to ¥29 billion ($335 million) for the nine-month period ended December 31, 2012 due mainly to a decrease in sales commissions.

Fixed-line Telecommunications. Segment net sales increased by ¥18 billion ($205 million), or 6.6%, from ¥270 billion ($3.1 billion) for the nine months ended December 31, 2011 to ¥288 billion ($3.3 billion) for the nine months ended December 31, 2012 due to sales related to projects for the installation of telecommunications signal transfer stations and due to an increase in the provision of telecommunications lines to SoftBank Group companies such as SoftBank Mobile.

Operating income increased by ¥9 billion ($108 million), or 21.7%, from ¥43 billion ($495 million) for the nine-month period ended December 31, 2011 to ¥52 billion ($602 million) for the nine-month period ended December 31, 2012. This was due to increased net sales, combined with a decrease in lease payments for *Otoku Line* equipment and a decrease in interconnection fees paid to other operators by SoftBank Telecom, following a reduction in interconnection fees between operators.

Internet Culture. Segment net sales increased by ¥23 billion ($271 million), or 10.9%, from ¥216 billion ($2.5 billion) for the nine-month period ended December 31, 2011 to ¥239 billion ($2.8 billion) for the nine-month period ended December 31, 2012. Overall revenue growth was driven by text-based advertisements, which are charged on a per-click basis, at Yahoo Japan. We call this kind of advertising "promotion advertising". There was also an increase in revenue from graphical, flash and video advertising that appear next to content on the internet, including *Yahoo! JAPAN*'s top page, which we refer to as "display advertising". Revenues from information listing services, such as recruiting and real estate information, also increased substantially. Growth in services such as game-related services and data center-related also contributed to higher overall sales.

Operating income increased by ¥14 billion ($163 million), or 12.3%, from ¥115 billion ($1.3 billion) for the nine-month period ended December 31, 2011 to ¥129 billion ($1.5 billion) for the nine-month period ended December 31, 2012. This was primarily the result of an increase in net sales, as well as efforts to reduce costs such as business outsourcing expenses and advertising expenses.

Other. Segment net sales increased by ¥17 billion ($198 million), or 6.5%, from ¥265 billion ($3.1 billion) for the nine-month period ended December 31, 2011 to ¥282 billion ($3.3 billion) for the nine-month period ended December 31, 2012. Operating income decreased by ¥132 million ($1.5 million), or 1.4%, from ¥9 billion ($110 million) to ¥9 billion ($108 million).

Comparison of the Fiscal Year Ended March 31, 2012 with the Fiscal Year Ended March 31, 2011

Mobile Communications. Segment net sales increased by ¥200 billion ($2.3 billion), or 10.3%, from ¥1.9 trillion ($22.5 billion) for the fiscal year ended March 31, 2011 to ¥2.1 trillion ($24.8 billion) for the fiscal year ended March 31, 2012 due to an increased in telecommunications service revenue resulting from a steady growth in the number of mobile telecommunications subscribers, with net subscriber additions totaling 3.5 million to bring cumulative subscribers to 28.9 million as of March 31, 2012. Another factor was an increase in shipments of mobile handsets, with the number of handsets shipped increasing by 1.7 million handsets from 10.0 million handsets for the fiscal year ended March 31, 2011 to 11.7 million handsets for the fiscal year ended March 31, 2012. This was mainly due to expanded sales of smartphones, including increased shipments of *iPhone 4S*, which was launched during the fiscal year ended March 31, 2012.

ARPU was ¥4,150 for the fiscal year ended March 31, 2012, a ¥60 decrease compared to that of the same period during the previous fiscal year. Out of this, voice ARPU declined ¥250 year on year to ¥1,650 and data ARPU rose ¥200 year-on-year to ¥2,510. The decline in voice ARPU was mainly due to an increase in shipment of devices that do not have voice communication functionality (such as the *iPad* and mobile data communications devices) coupled with a decrease in revenues from incoming calls. The increase in data ARPU was mainly the result of the continuing increase in the number of high-data ARPU smartphone subscribers.

The churn rate was 1.12%, which was 0.14% higher compared to the previous fiscal year. This was primarily due to an increase in contract terminations for our digital photo frame products and prepaid mobile phones.

The segment's operating expenses increased, largely due to an increase in cost of sales for mobile handsets and commissions in line with a rise in the number of mobile handsets shipped and sold. The segment also saw higher depreciation and amortization, mainly relating to the installation of additional base stations.

Operating income increased by ¥27 billion ($310 million), or 6.7%, from ¥402 billion ($4.6 billion) for the fiscal year ended March 31, 2011 to ¥429 billion ($5.0 billion) for the fiscal year ended March 31, 2012.

Broadband Infrastructure. Segment net sales decreased by ¥18 billion ($210 million), or 9.5%, from ¥190 billion ($2.2 billion) for the fiscal year ended March 31, 2011 to ¥172 billion ($2.0 billion) for the fiscal year ended March 31, 2012 due mainly to an increase in the proportion of subscribers for *Yahoo! BB hikari with FLET'S*, which has a lower ARPU than our *Yahoo! BB ADSL* service. This was despite an increase in the cumulative numbers of broadband lines (the total number of contracts for *Yahoo! BB hikari with FLET'S* and *Yahoo! BB ADSL* installed lines).

Operating income decreased by ¥9 billion ($102 million), or 20.5%, from ¥43 billion ($498 million) to ¥34 billion ($396 million), mainly due to a decrease in net sales and an increase in sales commissions due to an increase in new subscriber acquisitions for *Yahoo! BB hikari with FLET'S*.

Fixed-line Telecommunications. Segment net sales increased by ¥11 billion ($128 million), or 3.1%, from ¥357 billion ($4.1 billion) for the fiscal year ended March 31, 2011 to ¥368 billion ($4.2 billion) for the fiscal year ended March 31, 2012. Inter-segment sales increased due to network provision to the SoftBank Group's telecommunications companies such as SoftBank Mobile, and contributed to the segment's overall revenue growth. On the other hand, net sales to third parties decreased, primarily as a result of the continued decrease in revenue from relay connection voice services while revenues from solutions services for corporate customers such as network monitoring, and data center services increased.

Operating income increased by ¥20 billion ($230 million), or 52.5%, from ¥38 billion ($439 million) for the fiscal year ended March 31, 2011 to ¥58 billion ($669 million) for the fiscal year ended March 31, 2012, due to an increase in net sales, combined with a decrease in operating expenses at SoftBank Telecom. This decrease in expenses was mainly the result of lower telecommunications equipment fees, a reduction in access charges between operators, an increase in the proportion of *Otoku Line* service equipment for which the lease expenses had already been paid, and a decrease in marketing sales commissions in new *Otoku Line* acquisitions.

Internet Culture. Segment net sales increased by ¥10 billion ($116 million), or 3.5%, from ¥284 billion ($3.3 billion) for the fiscal year ended March 31, 2011 to ¥294 billion ($3.4 billion) for the fiscal year ended March 31, 2012. This was mainly due to revenue growth at Yahoo Japan in listing and display advertising, game-related services, information listing services, and *Yahoo! Shopping*. In line with Yahoo Japan's "Smartphone First" strategy, *Yahoo! Shopping* transaction volume via smartphones expanded substantially.

Operating income increased by ¥7 billion ($75 million), or 4.3%, from ¥150 billion ($1.7 billion) for the fiscal year ended March 31, 2011 to ¥157 billion ($1.8 billion) for the fiscal year ended March 31, 2012, due mainly to a decrease in communications expenses due to connection efficiency improvements in the operating system for data centers, although sales promotion expenses increased.

Other. Net sales increased by ¥17 billion ($201 million), or 5.1%, from ¥344 billion ($4.0 billion) for the fiscal year ended March 31, 2011 to ¥361 billion ($4.2 billion) for the fiscal year ended March 31, 2012. Operating income increased by ¥2 billion ($20 million), or 24.1%, from ¥7 billion ($82 million) for the fiscal year ended March 31, 2011 to ¥9 billion ($102 million) for the fiscal year ended March 31, 2012.

Comparison of the Fiscal Year Ended March 31, 2011 with the Fiscal Year Ended March 31, 2010

Mobile Communications. Segment net sales increased by ¥243 billion ($2.8 billion), or 14.3%, from ¥1.7 trillion ($19.7 billion) for the fiscal year ended March 31, 2010 to ¥1.9 trillion ($22.5 billion) for the fiscal year ended March 31, 2011, due to revenue growth driven by continued increase in mobile phone subscribers, with net subscriber additions for the fiscal year ended March 31, 2011 totaling 3.5 million, bringing the cumulative number of subscribers to 25.4 million as of March 31, 2011. Additionally, the number of mobile handsets shipped to dealers in the fiscal year ended March 31, 2011 was 10.0 million, an increase of 1.2 million compared to the previous year. This was combined with an increase of ¥140 in ARPU to ¥4,210 for the fiscal year ended March 31, 2011. This increase primarily reflected an increase in data ARPU, which was ¥2,310 for the fiscal year ended March 31, 2011, ¥290 more than that of the previous fiscal year, mainly as the result of an increase in the number of data-intensive *iPhone* subscribers. This increase in data ARPU outweighed a decrease in voice ARPU of ¥160 compared to the previous fiscal year, which was primarily due to an increase in the shipment of devices without voice communication functionality.

The churn rate for the fiscal year ended March 31, 2011 was 0.98%, which was 0.49% lower than that of the previous year. This was primarily because the churn rate was no longer inflated by the termination of the 2G service that impacted the previous fiscal year and there was a decline in the churn rate of customers who had completed their installment handset payments.

Operating income increased by ¥142 billion ($1.6 billion), or 54.2%, from ¥261 billion ($3.0 billion) for the fiscal year ended March 31, 2010 to ¥402 billion ($4.6 billion) for the fiscal year ended March 31, 2011.

Broadband Infrastructure. Segment sales decreased by ¥12 billion ($139 million), or 6.0%, from ¥202 billion ($2.3 billion) for the fiscal year ended March 31, 2010 to ¥190 billion ($2.2 billion) for the fiscal year ended March 31, 2011, due to a continued decrease in the number of charged lines for our ADSL service.

In addition to the decrease in net sales, increased sales-related expenses due to customer acquisition for *Yahoo! BB hikari with FLET'S* resulted in operating income decreasing by ¥5 billion ($61 million), or 10.8%, from ¥48 billion ($559 million) for the fiscal year ended March 31, 2010 to ¥43 billion ($498 million) for the fiscal year ended March 31, 2011.

Fixed-line Telecommunications. Segment net sales increased by ¥8 billion ($91 million), or 2.3%, from ¥349 billion ($4.0 billion) for the fiscal year ended March 31, 2010 to ¥357 billion ($4.1 billion) for the fiscal year ended March 31, 2011, due to increased inter-segment sales due to network provision to our telecommunications companies such as SoftBank Mobile, as well as continued segment revenue growth. This outweighed a decrease in net sales to third parties, which primarily resulted from the weakening sales from voice services, despite an increase in revenue from our *Otoku Line*.

Operating income increased by ¥15 billion ($173 million), or 64.8%, from ¥23 billion ($266 million) for the fiscal year ended March 31, 2010 to ¥38 billion ($439 million) for the fiscal year ended March 31, 2011, due to increased sales combined with a decrease in lease expenses on equipment for our *Otoku Line* service.

Internet Culture. Segment net sales increased by ¥13 billion ($149 million), or 4.8%, from ¥271 billion ($3.1 billion) to ¥284 billion ($3.3 billion) due mainly to revenue growth at Yahoo Japan on an increase in listing and display advertising.

Operating expenses decreased in connection with improved operational efficiency resulting from direct ownership of data centers.

Accordingly, operating income increased by ¥14 billion ($158 million), or 10.0%, from ¥137 billion ($1.6 billion) for the fiscal year ended March 31, 2010 to ¥150 billion ($1.7 billion) for the fiscal year ended March 31, 2011.

Others. Net sales increased by ¥12 billion ($136 million), or 3.6%, from ¥332 billion ($3.8 billion) for the fiscal year ended March 31, 2010 to ¥344 billion ($4.0 billion) for the fiscal year ended March 31, 2011.

Cash and Capital Requirements

Cash Requirements

Our cash and capital requirements are related to funding our operating cash requirements, our debt repayment and certain other contractual commitments including lease obligations, capital expenditures and dividend payments.

Operating Cash Requirements

Sales commissions and promotion expenses, cost of sales of mobile handsets and accessories and fees for utilization of telecommunications lines and facilities are the largest contributors to our operating cash requirements.

Debt Repayments and Certain Other Contractual Commitments

Interest-Bearing Indebtedness and Certain Leases

The following table summarizes our interest-bearing indebtedness and certain lease obligations that will affect our liquidity position for the next few years, as of December 31, 2012. The following table does not include interest payments.

	Interest-bearing indebtedness and certain lease obligations outstanding[1]						
	As of December 31, 2012	**January 1, 2013 to December 31, 2013**	**January 1, 2014 to December 31, 2014**	**January 1, 2015 to December 31, 2015**	**January 1, 2016 to December 31, 2016**	**January 1, 2017 to December 31, 2017**	**As of January 1, 2018 and after**
				(billions of yen)			
Borrowings	¥1,332	¥ 709	¥ 337	¥ 264	¥ 23	¥ —	¥ —
Corporate bonds	570	155	95	55	145	110	10
Convertible bonds	33	33	—	—	—	—	—
Lease obligations[2]	707	186	163	211	106	41	—
Total	¥2,642	¥1,083	¥ 595	¥ 530	¥ 274	¥ 151	¥ 10

(1) This table shows payment information as of December 31, 2012. Future payments may differ from what is shown above. For instance, we have short-term loans that we renew annually and our payment schedules under those loans may change year to year. As a result, the amounts set forth above will undergo significant revisions. See "Capitalization" for information as adjusted after December 31, 2012.

(2) Lease obligations do not include operating leases and finance leases accounted for as operating leases.

Interest-bearing indebtedness and certain lease obligations consist of:

- Borrowings totaling ¥1.3 trillion ($15.4 billion) consisting of ¥250 billion ($2.9 billion) drawn down on the Bridge Loan, ¥550 billion ($6.4 billion) in total obligations due under the Syndicated Loan, ¥100 billion ($1.2 billion) drawn down on the Commitment Line, ¥93 billion ($1.1 billion) in securities lending and ¥339 billion ($3.9 billion) in other loans.
- Corporate bonds totaling ¥570 billion ($6.6 billion) and convertible bonds totaling ¥33 billion ($383 million) for a total of ¥603 billion ($7.0 billion).
- Finance leases totaling ¥707 billion ($8.2 billion), which we use in sale and lease-back agreements in order to finance our network equipment purchases.

Certain items not included in interest-bearing indebtedness and certain lease obligations are:

- ¥200 billion ($2.3 billion) in preferred securities reclassified as debt pursuant to IFRS;
- ¥220 billion ($2.5 billion) of debt from the consolidation of eAccess, which we acquired in January 2013, pursuant to IFRS; and
- ¥82 billion ($952 million) in operating leases and financing leases accounted for as operating leases, which we record as off balance sheet items.

See "Capitalization" for subsequent events that have affected our interest-bearing indebtedness and certain lease obligations since December 31, 2012, which include:

- the issuance of the New Domestic Bonds in March 2013, which increased our long-term debt by ¥370 billion ($4.3 billion) and, after deducting underwriting discounts and commissions and other offering expenses payable by us, increased our cash and cash equivalents by ¥365 billion ($4.2 billion);
- the effect of ordinary-course loan repayments totaling ¥165 billion ($1.9 billion) over the period from January 1, 2013 through March 31, 2013, which decreased our short-term debt and cash by the same amount; and
- the conversion into common stock or redemption of the convertible bonds issued by us in the amount of ¥33 billion ($381 million) that were outstanding as of December 31, 2012.

See "Description of Other Indebtedness" for more information on each item.

Finance Lease Obligations.

Our major subsidiaries lease certain telecommunications equipment and service lines, buildings and structures, other property, equipment and software. Once the assembly, installation and inspection of the newly acquired equipment are completed, we sell the equipment, excluding the installed software, to leasing companies and lease the equipment back from them under sale and lease-back arrangements. At the same time, we enter into loan contracts with the lessors to pay for the value of the software installed in the equipment. We include the cash inflows from the sale of the equipment to leasing companies and the proceeds from the loan arranged for the software portion as proceeds from the sale and lease-back of equipment newly acquired under cash flows from financing activities in our consolidated financial statements. See "Description of Other Indebtedness—Leases—¥707 Billion ($8.2 Billion) Outstanding on Finance Leases" for further information.

Interest Expense

We incur interest expenses mainly due to payments on the loan and bond obligations of SoftBank Corp. mostly associated with the financing and refinancing of our past significant acquisitions. We also incur interest expenses in connection with the lease obligations of SoftBank Mobile, SoftBank BB and SoftBank Telecom. We expect a significant increase in interest expense due to financing in connection with the Sprint Acquisition. See "The Sprint Acquisition" and "Summary Financial and Operating Information—Additional Metrics".

Capital Expenditures

We incur significant amounts of capital expenditures to expand and maintain our network. The following details our capital expenditures by business segment for the fiscal years ended March 31, 2010, 2011 and 2012 and the nine months ended December 31, 2011 and 2012.

	For the fiscal year ended March 31,			For the nine months ended December 31,	
	2010	2011	2012	2011	2012
	(billions of yen)				
Capital expenditures (acceptance)[(1)]					
Mobile Communications	¥ 185	¥ 352	¥ 423	¥ 276	¥ 381
Broadband Infrastructure	9	17	27	14	14
Fixed-line Telecommunications	18	36	40	25	27
Internet Culture	6	11	16	12	14
Other	5	5	11	9	99
Total	¥ 223	¥ 421	¥ 516	¥ 336	¥ 535
Capital expenditures (cash)[(2)]	¥ 224	¥ 209	¥ 455	¥ 358	¥ 433

(1) We recognize capital expenditures on an acceptance basis following our inspection and acceptance of new assets.

(2) We define capital expenditures on a cash basis as purchases of property and equipment and intangibles as reflected in our cash flows from investing activities.

The table above shows our capital expenditures by business segment. Capital expenditures to acquire or upgrade our physical assets, such as equipment, are recognized on an inspection and acceptance basis. This differs from capital expenditure measured on a cash basis, which we define as purchases of property and equipment and intangibles as reflected in our cash flows from investing activities. All our capital expenditures occur in Japan. A majority of our capital expenditures are attributable to our Mobile Communications segment while other business segments make up smaller portions.

Historically, we have seen an increase in our consolidated capital expenditures through the expansion of our base stations and other network enhancement initiatives. For instance, our consolidated capital expenditures in the fiscal year ended March 31, 2011 and 2012 amounted to ¥421 billion ($4.9 billion) and ¥516 billion ($6.0 billion), respectively. Our capital expenditure in the nine months ended December 31, 2012 was ¥535 billion ($6.2 billion) compared to ¥336 billion ($3.9 billion) in the nine months ended December 31, 2011. The increase between these periods was mainly due to the construction of multiple 900 MHz base stations. We expect that our capital expenditures for the fiscal year ended March 31, 2013 will be broadly in line with our previously announced estimate of ¥788 billion ($9.1 billion). We anticipate that the bulk of the investments in our 900 MHz network will take place in the fiscal year ending March 31, 2014 and that we will substantially complete the 900 MHz network-related construction by March 2015.

The estimated capital expenditures set forth above are forward-looking statements based upon the assumptions and beliefs of our management as of the time of the announcements, and are subject to the qualifications described under "Disclosure Regarding Forward-Looking Statements".

Dividend Payments.

Since our acquisition of Vodafone Japan in April 2006, we were successful in decreasing net interest-bearing debt and substantially raising our credit ranking. As a result, we decided to shift our focus from debt reduction towards investing in order to sustain growth and to return profits to shareholders. Consequently, we increased our dividend to ¥40.00 per share with respect to the fiscal year ended March 31, 2012 from ¥5.00 per share with respect to the two previous fiscal years. For the fiscal year ended March 31, 2013, we expect to maintain a total dividend of ¥40.00 per share, of which ¥20.00 per share was paid as an interim dividend and another ¥20.00 per share is expected as a year-end dividend. Our total dividend payments with respect to the ¥20.00 per share interim period dividend were ¥22 billion ($255 million).

Liquidity and Capital Resources

Liquidity

We anticipate that our liquidity will be sufficient to meet our obligations following the Sprint Acquisition; and as of December 31, 2012, we held the following amounts of cash and cash equivalents through our consolidated entities.

	As of December 31,	
	2012	2012
	(billions of yen and billions of dollars)	
SoftBank Corp.	¥ 674	$ 7.8
Yahoo Japan Corporation	266	3.1
Other	122	1.4
Total	¥1,062	$ 12.3

The operating cash flows of SoftBank Corp., including cash generated from its Mobile Communications, Broadband Infrastructure, Fixed-line Telecommunications, and Internet Culture operations, are used for those businesses, and cash is easily transferable between SoftBank Corp., SoftBank Mobile, SoftBank BB and SoftBank Telecom. As of December 31, 2012, our consolidated cash and cash equivalents equaled ¥1.1 trillion ($12.3 billion), mostly held at SoftBank Corp.

See "Capitalization" for subsequent events that have affected the cash position at SoftBank Corp. since December 31, 2012, which include:

- the issuance of the New Domestic Bonds by SoftBank Corp. in March 2013, which increased our long-term debt by ¥370 billion ($4.3 billion) and, after deducting underwriting discounts and commissions and other offering expenses payable by us, increased our cash and cash equivalents by ¥365 billion ($4.2 billion); and
- the effect of ordinary-course loan repayments by SoftBank Corp. totaling ¥165 billion ($1.9 billion) over the period from January 1, 2013 through March 31, 2013, which decreased our short-term debt and cash by the same amount.

We use diversified financing methods for raising funds through bank loans, as well as the issuance of bonds (in the local and international capital markets), taking market conditions and current/non-current debt ratios into consideration. Some of our other financing methods include:

- We utilize proceeds from sales of investment securities and investments in affiliated companies as required.
- We finance a portion of our network equipment through sale and lease-back transactions. We account for such financing as lease obligations on our consolidated balance sheet.
- We securitize certain accounts receivable on a non-recourse basis. See "—Other Debt-like Items".

Although we consolidate Yahoo Japan's financial results with our own, we are a partner with Yahoo Inc. in the Yahoo Japan joint venture and Yahoo Japan is a public company. As a result, we are limited in our ability to move cash and capital resources in and out of Yahoo Japan. Additionally, eAccess, which we will report as a subsidiary for purposes of our financial statements starting from first quarter of the fiscal year ending March 31, 2014, is party to a significant term loan agreement that restricts its ability to make dividend payments unless certain performance triggers are met. See "Description of Other Indebtedness—Items Effected as Debt under IFRS—¥220 billion ($2.5 billion) of Debt Attributable to eAccess from Consolidation".

Bank Loan Facilities

Commitment Line. On August 28, 2012, we renewed a credit facility pursuant to a commitment line agreement from several Japanese and international financial institutions for borrowings up to ¥184 billion ($2.1 billion). As of December 31, 2012, we have drawn down ¥100 billion ($1.2 billion), which we used for general corporate purposes. We have not pledged any collateral for this loan, and the remainder of the loan remains available for drawing. Historically, we have renewed this annual commitment line year-over-year. See "Description of Other Indebtedness".

Bridge Loan. On December 18, 2012, we entered into the Bridge Loan under which several Japanese financial institutions agreed to provide us with a total commitment of ¥1.65 trillion ($19.1 billion) for the Sprint Acquisition. As of March 31, 2013, the total available undrawn commitment under the Bridge Loan is ¥1.035 trillion ($11.9 billion) after adjusting for a draw of ¥250 billion ($2.9 billion) and a cancellation of ¥365 billion ($4.2 billion) of undrawn commitment thereunder. We hedged $17.0 billion of the consideration for the Sprint Acquisition at an average exchange rate of ¥82.20 = $1.00. "Description of Other Indebtedness—Loans—¥250 billion ($2.9 billion) Drawdown on the ¥1.65 trillion ($19.1 billion) Bridge Loan for Sprint Acquisition".

Yahoo Japan

On January 28, 2011, SoftBank Corp. acquired preferred shares of BB Mobile Corp. ("BB Mobile") from Yahoo Japan in the amount of ¥120 billion ($1.4 billion), with a deferred payment clause. On March 29, 2013, SoftBank Corp. paid ¥120 billion ($1.4 billion) to Yahoo Japan in satisfaction of the deferred payment for the purchase of the shares. Both BB Mobile and Yahoo Japan are our consolidated subsidiaries and this represents an intra-group cash transfer which does not impact our consolidated cash position. Other group companies do not have ready access to the cash and cash equivalents of Yahoo Japan.

Cash Flows

The following table shows our consolidated cash flow data for the fiscal years ended March 31, 2010, 2011 and 2012 and for the nine months ended December 31, 2011 and 2012.

	For the fiscal years ended March 31,			For the nine months ended December 31,	
	2010	2011	2012	2011	2012
				(unaudited)	(unaudited)
			(billions of yen)		
Cash and cash equivalents at the beginning of the period	¥ 458	¥ 688	¥ 847	¥ 847	¥1,015
Net cash provided by operating activities	668	826	740	507	595
Net cash used in investing activities	(277)	(264)	(376)	(271)	(746)
Net cash provided by (used in) financing activities	(160)	(398)	(197)	(322)	191
Effect of exchange rate changes	(1)	(4)	0	(1)	5
Net (decrease) increase in cash and cash equivalents	231	159	168	(87)	45
Increase in cash and cash equivalents due to newly consolidated companies	0	2	0	0	4
Decrease in cash and cash equivalents due to exclusion of previously consolidated entities	(1)	(0)	(1)	(1)	(2)
Decrease in cash and cash equivalents resulting from corporate separation	—	(2)	—	—	—
Cash and cash equivalents at the end of the period	¥ 688	¥ 847	¥1,015	¥ 760	¥1,062

The following discussion of our cash flows refers to line items which are not presented in the table above but are presented in our complete consolidated statements of cash flows. For a complete presentation of our audited consolidated statements of cash flows for the fiscal years ended March 31, 2010, 2011 and 2012, see pages F-10 to F-11, and for a complete presentation of our unaudited interim consolidated statements of cash flows for the nine months ended December 31, 2011 and 2012, see pages F-67 to F-68.

Nine months ended December 31, 2012 compared to nine months ended December 31, 2011

Our cash flow from operating activities for the nine months ended December 31, 2012 was ¥595 billion ($6.9 billion) compared to ¥507 billion ($5.9 billion) for the previous period, representing an increase of

¥88 billion ($1.0 billion). This increase partly resulted from an increase of ¥7 billion ($86 million) in income before income tax and minority interest from ¥518 billion ($6.0 billion) to ¥526 billion ($6.1 billion). In addition, the key adjustments for the period included:

- Income tax paid of ¥216 billion ($2.5 billion) compared to ¥191 billion ($2.2 billion) for the previous period due to a higher taxable income;
- Higher addback of depreciation and amortization including goodwill of ¥290 billion ($3.4 billion) compared to ¥243 billion ($2.8 billion) due to our increased investment; and
- An addback of ¥23 billion ($266 million) in equity in losses of affiliate companies due primarily to a write-down of goodwill that arose relating to InMobi Pte. Ltd.
- A cash inflow from a ¥45 billion decrease in trade receivables mainly as a result of continued sales of installment sales receivables at SoftBank Mobile.

Our cash outflow from investing activities for the nine months ended December 31, 2012 was ¥746 billion ($8.6 billion) compared to ¥271 billion ($3.1 billion) for the previous period, representing an increase of ¥475 billion ($5.5 billion). This was due to higher capital expenditure mainly in the Mobile Communications segment resulting in outlays of ¥433 billion ($5.0 billion) for purchase of property and equipment and intangibles compared to ¥358 billion ($4.1 billion) during the previous period. In addition, we purchased marketable and investment securities of ¥314 billion ($3.6 billion), an increase of ¥287 billion ($3.3 billion) from ¥27 billion ($309 million) for the previous period mainly due to the acquisition of a convertible bond issued by Sprint, and Yahoo Japan's acquisition of 42.6% of the shares of ASKUL Corporation for ¥33 billion ($381 million).

Our cash inflow from financing activities for the nine months ended December 31, 2012 was ¥191 billion ($2.2 billion) compared to a cash outflow of ¥322 billion ($3.7 billion) for the previous period. We recorded cash inflows of ¥350 billion ($4.1 billion) from an increase in short-term borrowing that included ¥250 billion ($2.9 billion) on the Bridge Loan, ¥153 billion ($1.8 billion) from the proceeds of long-term debt, ¥109 billion ($1.3 billion) from the proceeds of the issuance of bonds, and ¥259 billion ($3.0 billion) from the proceeds of sale and lease-backs of equipment newly acquired. This was partly offset by ¥134 billion ($1.5 billion) of repayment of long-term debt, ¥95 billion ($1.1 billion) of redemption of bonds, ¥65 billion ($753 million) of cash dividends and ¥17 billion ($191 million) of cash dividends paid to minority shareholders, ¥140 billion ($1.6 billion) of lease obligation repayment, and ¥200 billion ($2.3 billion) of repurchase of minority interests in long-term debt related to the payment of the remaining amount due primarily under the preferred shares issued to Vodafone Group at the time of the acquisition of Vodafone Japan in 2006.

Fiscal year ended March 31, 2012 compared to fiscal year ended March 31, 2011

Our cash flow from operating activities for the fiscal year ended March 31, 2012 was ¥740 billion ($8.6 billion) compared to ¥826 billion ($9.6 billion) for the previous fiscal year, representing a decline of ¥86 billion ($989 million). This decline happened despite an increase of ¥152 billion ($1.8 billion) in income before income tax and minority interests from ¥481 billion ($5.6 billion) to ¥632 billion ($7.3 billion). The key adjustments for the period included:

- Income tax paid of ¥196 billion ($2.3 billion) compared to ¥186 billion ($2.2 billion) for the previous period due to a higher taxable income;
- Higher addback of depreciation and amortization including goodwill of ¥338 billion ($4.0 billion) compared to ¥288 billion ($3.3 billion) due to our increased investment;
- Deduction of a gain on sale of marketable and investment securities of ¥88 billion ($1.0 billion) comprised primarily of a gain on sale of Yahoo, Inc. shares, the proceeds of which were recorded as proceeds from the sale of marketable and investment securities in our cash flows from investment activities; and
- A cash outflow resulting from a ¥5 billion ($58 million) increase in trade receivables compared to a cash inflow resulting from a ¥167 billion ($1.9 billion) decrease in trade receivables in the previous year, during which we significantly increased our volume of trade receivable securitizations on a non-recourse basis.

Our cash outflow from investing activities for the fiscal year ended March 31, 2012 was ¥376 billion ($4.3 billion) compared to ¥264 billion ($3.1 billion) for the previous fiscal year, representing an increase of ¥111 billion ($1.3 billion). This was due to higher capital expenditure mainly in the Mobile Communications segment resulting in outlays of ¥455 billion ($5.3 billion) for purchase of property and equipment and intangibles compared to ¥209 billion ($2.4 billion) during the previous year. This was partly offset by ¥88 billion ($1.0 billion) of proceeds from the sale of marketable and investment securities primarily related to the sale of Yahoo, Inc. shares and ¥30 billion ($351 million) of proceeds from advanced redemption of debt security related to SoftBank Mobile's refinancing of the Vodafone Japan acquisition.

Our cash outflow from financing activities for the fiscal year ended March 31, 2012 was ¥197 billion ($2.3 billion) compared to ¥398 billion ($4.6 billion) for the previous fiscal year, representing a decrease of ¥201 billion ($2.3 billion). Outlays were recorded in the amounts of ¥920 billion ($10.7 billion) for repayments of long-term debt, ¥166 billion ($1.9 billion) for the repayment of lease obligations, ¥163 billion ($1,888 million) for redemption of bonds, ¥124 billion ($1.4 billion) for decrease in short-term borrowings, net, and ¥25 billion ($289 million) for decrease in commercial paper, net. In addition, an outflow of ¥23 billion ($262 million) was recorded for purchase of treasury stock and a payment of ¥20 billion ($235 million) was recorded for cash dividends paid to minority shareholders. On the other hand, proceeds from long-term debt raised ¥601 billion ($6.9 billion), and ¥339 billion ($3.9 billion) was recorded as proceeds from sale and lease-back of equipment newly acquired. In addition, proceeds from issuance of preferred securities by a subsidiary generated ¥200 billion ($2.3 billion) and proceeds from issuance of corporate bonds provided ¥179 billion ($2.1 billion).

Fiscal year ended March 31, 2011 compared to fiscal year ended March 31, 2010

Our cash flow from operating activities for the fiscal year ended March 31, 2011 was ¥826 billion ($9.5 billion) compared to ¥668 billion ($7.7 billion) for the previous fiscal year, representing an increase of ¥158 billion ($1.8 billion). This increase partly resulted from an increase of ¥191 billion ($2.2 billion) in income before income tax and minority interests from ¥289 billion ($3.3 billion) to ¥481 billion ($5.6 billion). In addition, key adjustments for the period included:

- Income tax paid of ¥186 billion ($2.2 billion) compared to ¥39 billion ($453 million) for the previous period due to a higher taxable income and ¥26 billion ($305 million) of income tax correction paid by Yahoo Japan with respect to the previously utilized net operating loss carried forward that it had succeeded to in connection with the merger with SoftBank IDC Solutions Corp., which was disputed by the tax authorities;
- Lower addback of depreciation and amortization including goodwill of ¥288 billion ($3.3 billion) compared to ¥305 billion ($3.5 billion) in the previous fiscal year; and
- A cash inflow resulting from a ¥167 billion ($1.9 billion) decrease in trade receivables due to a significant increase in our volume of trade receivable securitizations on a non-recourse basis. A cash inflow resulting from a decrease in trade receivables was ¥60 billion ($689 million) in the previous year.

Our cash outflow from investing activities for the fiscal year ended March 31, 2011 was ¥264 billion ($3.1 billion) compared to ¥277 billion ($3.2 billion) for the previous fiscal year, representing a decrease of ¥13 billion ($147 million). This was due to slightly lower capital expenditure of ¥209 billion ($2.4 billion) for purchase of property and equipment and intangibles compared to ¥224 billion ($2.6 billion) during the previous year. In addition, the purchase of marketable and investment securities resulted in ¥79 billion ($918 million) in cash outlays compared to ¥57 billion ($655 million) in the previous year.

Our cash outflow from financing activities for the fiscal year ended March 31, 2011 was ¥398 billion ($4.6 billion) compared to ¥160 billion ($1.8 billion) for the previous fiscal year, representing an increase of 238 billion ($2.8 billion). Outlays were recorded in the amounts of ¥459 billion ($5.3 billion) for repayments of long-term debt, ¥214 billion ($2.5 billion) for the repurchase of minority interests and long-term debt, ¥155 billion ($1.8 billion) for the repayment of lease obligations, ¥106 billion ($1.2 billion) for the redemption of corporate bonds, and ¥75 billion ($866 million) as payment for additional entrustment for debt assumption that was required due to a reduction in assets that had been held in trust since 2006 for the repayment of straight bonds issued by SoftBank Mobile. The outlay for repurchase of minority interests and long-term debt represented the acquisition of preferred shares issued to Vodafone Group at the time of the acquisition of Vodafone Japan in 2006. On the other hand, proceeds from long-term debt raised ¥253 billion ($2.9 billion) and proceeds from issuance of bonds generated ¥234 billion ($2.7 billion), in addition to ¥118 billion ($1.4 billion) recorded as proceeds from the sale and lease-back of equipment newly acquired.

Market Risk

We are exposed to market risk, including changes in prices of marketable securities, foreign exchange rates and credit rates. Any of these risks could harm our operating results and financial condition. From time to time, we enter into hedging transactions to mitigate our exposure to these risks. We do not hedge all risks. The scope of the hedging instrument we select depends on factors including the type of risk, market conditions and hedging cost.

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (a) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings; (b) held-to-maturity debt securities, for which there is the positive intent and ability to hold to maturity are reported at amortized cost; and (c) available-for-sale securities which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Most of our marketable and investment securities are classified as available-for-sale securities. We are exposed to market risk from fluctuations in the prices of equity and debt securities classified as trading securities and available-for-sale securities.

Available-for-Sale Securities. Marketable and investment securities are exposed to stock market fluctuation risk and foreign currency exchange risk. For those risks, the SoftBank Group is continuously monitoring investees' financial condition, stock market fluctuation and foreign currency exchange risk. The value of our available-for-sale securities as of March 31, 2012 was ¥164 billion ($1.9 billion).

Foreign Exchange Risk

We are exposed to market risks from changes in foreign exchange rates mainly through the effects of exchange rate changes on our planned $17.0 billion investment in New Sprint as part of the Sprint Acquisition.

Hedge Accounting Applied

As of December 31, 2012, we had foreign currency forward contracts for ¥1.4 trillion ($16.3 billion), with a fair value of ¥59 billion ($686 million) in connection with the Sprint Acquisition. We apply hedge accounting to these items. The average exchange rate for such hedging is ¥82.2 = $1.00.

Hedge Accounting Not-Applied

As of March 31, 2012, we had foreign currency forward contracts buying U.S. dollars for ¥53 billion ($613 million) to which hedge accounting is not applied.

Interest Rate Risk

We do not use any material interest rate hedging.

Credit Risk

Credit risk refers to the potential loss in the value of a transaction because of a counterparty's failure to perform its contractual commitment. We avoid concentration of our transactions with a small number of counterparties and frequently review the credit standing of our counterparties. There are principally two types of transactions in which we are exposed to credit risk:

- *Transactions with Financial Institutions*. The counterparties to our derivative transactions are major Japanese financial institutions. We currently have no contingency plan or other measures if the credit standing of any of these counterparties deteriorates.

- *Transactions with Suppliers and Resellers*. We rely on a large number of suppliers and resellers to distribute products in our businesses. We perform ongoing credit evaluations of the financial conditions of our suppliers and resellers. We typically do not require collateral or other security to support trade receivables.

Retirement and Pension Plans

We and our consolidated subsidiaries participate in defined contribution pension plans and welfare pension plans. Certain consolidated subsidiaries located in Japan have defined benefit pension plans. The liability for employees' retirement benefits as of March 31, 2012 and as of December 31, 2012 were all around ¥15 billion ($173 million). See note 7 to our audited consolidated financial statements included elsewhere in this offering memorandum for further information.

Deferred Taxes

We, including our domestic subsidiaries, are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2010, 2011 and 2012. As of December 31, 2012, we had deferred tax assets of ¥139 billion ($1.6 billion) and deferred tax liabilities of ¥39 billion ($453 million).

At March 31, 2012, SoftBank Group has tax loss carryforwards of approximately ¥44 billion ($503 million), which are available. Consolidated taxation is only applied for BB Mobile and its wholly owned subsidiaries, including SoftBank Mobile Corp. The taxes for SoftBank Corp. and our other subsidiaries are prepared on an unconsolidated basis.

Other Debt-like Items

We had ¥314 billion ($3,628 million) in securitizations receivables off balance sheet and on a non-recourse basis as of December 31, 2012. See "Description of Other Indebtedness"

Additionally, we will report ¥200 billion ($2.3 billion) of preferred securities previously recognized as minority interests on our consolidated balance sheets through the fiscal year ended March 31, 2013 as debt in accordance with IFRS. See "—Certain Anticipated Effects of Voluntary Adoption of IFRS" and "Description of Other Indebtedness".

Certain Contingent Liabilities

Ongoing Financial Support for Willcom

In December 2010, we acquired 100% of the shares of Willcom as part of its ¥41 billion ($474 million) court-administered corporate reorganization plan under the Corporate Reorganization Act of Japan. Under a sponsor agreement entered into during the fiscal year ended March 31, 2011, we are obligated to provide Willcom with the financial support necessary for its business operations and the execution of its corporate reorganization plan, until such time as it completes the payments of its reorganization claims and reorganization secured claims under the reorganization plan. As of December 31, 2012, such outstanding payments amounted to ¥27 billion ($316 million). However, the amount of financial support we will be required to provide to Willcom as it executes its reorganization plan is uncertain. We do not consolidate it as a subsidiary or consider it an equity method affiliate. See "Business—Important Relationships—Relationship with Willcom".

Certain Anticipated Effects of Voluntary Adoption of IFRS

We announced on January 31, 2013 that we would apply IFRS to our consolidated financial statements in lieu of Japanese GAAP, which we used through the fiscal year ended March 31, 2013 to present our consolidated financial statements. We will issue our consolidated financial statements according to IFRS from the first quarter of the fiscal year beginning April 1, 2013 (with a transition date of April 1, 2012).

We expect that the decision to adopt IFRS will improve international comparability of our financial information disclosed to the capital markets.

We expect that the switch to IFRS will result in material changes to our financial condition and results of operations as compared to our historical financial information issued under Japanese GAAP, including as a result of the following differences in financial reporting standards:

- *Treatment of handset sales commissions*. Under Japanese GAAP, we treated commissions paid to handset dealers as a sales expense. However, under IFRS we treat these commissions as a deduction from sales of handsets.
- *Recording of certain accounts receivable securitizations on our balance sheet*. Under IFRS, we record on our balance sheet amounts related to securitizations of installment sales receivables. As of December 31, 2012, this treatment would have increased total assets by ¥314 billion ($3.6 billion), while also increasing net interest-bearing debt by ¥306 billion ($3.5 billion), net of related securitization cost. The IFRS treatment would also have resulted in decreased reported cash from operating activities and a corresponding increase in reported cash from financing activities. Note that the above estimate of IFRS financial calculations as of December 31, 2012 is provisional and provided solely for the purpose of promoting understanding of our IFRS-based financial results. The actual figures may be different from the figures presented above.
- *Suspension of periodic amortization of goodwill*. While goodwill is not amortized under IFRS, it is under Japanese GAAP. We will elect to apply the exemption provision prescribed in IFRS 1 in order to retain the outstanding amount of goodwill under Japanese GAAP (i.e., the outstanding balance as of the transition date). As a result of the transition to IFRS, amortization of goodwill will be suspended and goodwill will be tested annually for any impairment.

- *Consolidation of Certain Equity Method Affiliates*. Under Japanese GAAP, we treat eAccess and Wireless City Planning as our equity method affiliates. However, IFRS uses a broader test for effective control of entities than Japanese GAAP. As a result, under IFRS these two companies will be treated as consolidated subsidiaries and, compared to the presentation under Japanese GAAP, the consolidated balance sheet will show increases for the interest-bearing debt and other liabilities attributable to these two companies. See "Description of Other Indebtedness—Items Effected as Debt under IFRS".
- *Accounting for the ¥200 Billion Preferred Securities Issued by SFJ Capital Limited as Interest-bearing Debt*. SFJ Capital Limited is our consolidated subsidiary used to raise funds through the issuance of preferred equity securities with restricted voting rights. In the past, we recorded the preferred securities issued by SFJ Capital Limited and guaranteed by us as a minority interests in accordance with Japanese GAAP. However, under IFRS, this will be recorded under liabilities. Our balance sheet will show an increase in interest-bearing debt and a decrease in non-controlling interest as compared to our balance sheets under Japanese GAAP. As of December 31, 2012, the increase in interest-bearing debt would have been ¥197 billion ($2.3 billion), and the decrease in non-controlling interests would have been ¥200 billion ($2.3 billion). Note that the above estimate of IFRS financial calculations as of December 31, 2012 is provisional and provided solely for the purpose of promoting understanding of our IFRS-based financial results. The actual figures may be different from the figures presented above.

We expect the various effects of the above differences in accounting treatment to offset each other to some degree. Nonetheless, we anticipate that our consolidated financial statements prepared under IFRS will generally reflect lower net sales than would be the case under Japanese GAAP, due to the IFRS treatment of handset sales commissions, and slightly higher operating income and net income, due primarily to the suspension of amortization of goodwill under IFRS. In addition, we expect that our consolidated financial statements prepared under IFRS will generally reflect both higher total assets and total liabilities than would be the case under Japanese GAAP, due to recording the SFJ Capital Limited preferred securities as liabilities, our recognition of accounts receivable securitizations and our consolidation of eAccess and Wireless City Planning. However, we anticipate that liabilities will see a relatively larger increase, mainly due to the IFRS treatment of the preferred securities issued by SFJ Capital Limited. While we anticipate relatively small differences in cash and cash equivalents in our consolidated financial statements prepared under IFRS, we expect there will be a greater difference in our cash flows, due to the differing treatment of our securitizations of accounts receivable, among other factors.

For further information, please see "Summary of Certain Significant Differences Between Japanese GAAP, U.S. GAAP and IFRS".

Critical Accounting Policies

Through the fiscal year ended March 31, 2012, we prepare our financial statements in conformity with Japanese GAAP. The preparation of financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. Some of our accounting policies require higher degrees of judgment than others in their application. We consider the policies discussed below to be critical to an understanding of our historical financial statements, including those included in this offering memorandum, as their application places the most significant demands on our management's judgment. We will issue our financial reports starting from the first quarter of the fiscal year ending March 31, 2014 using IFRS, which may affect our accounting policies. For further discussion of significant differences between Japanese GAAP, U.S. GAAP and IFRS, see "Summary of Certain Significant Differences Between Japanese GAAP, U.S. GAAP and IFRS".

Impairment of Long-Lived Assets

We review our long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amounts of an asset or asset group may not be recoverable. Factors that can trigger an impairment review include the following trends or conditions related to the business that utilizes a particular asset:

- Loss of operating income or cash flow for two consecutive years;

- Changes in the manner of usage of an asset that would have a significant impact on recoverability of the carrying amount;
- Negative industry or market trends; or
- A significant decline in the market value of an asset.

When we determine that the carrying amount of specific assets or asset groups may not be recoverable based on the existence or occurrence of one or more of the above or other factors, we estimate the future cash inflows and outflows expected to be generated by the assets over their expected useful lives. We also estimate the sum of expected undiscounted future net cash flows based upon historical trends adjusted to reflect our best estimate of future market and operating conditions. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Marketable and Investment Securities

Marketable and investment securities are classified into trading securities, held-to-maturity debt securities, and available-for-sale securities, depending on management's intent. Trading securities are held for the purpose of earning capital gains in the near term and are reported at fair value, and the related unrealized gains and losses are included in earnings. Held-to-maturity debt securities are securities where there is the positive intent and ability to hold such securities to maturity and are reported at amortized cost. Available-for-sale securities are securities not classified as either of the aforementioned securities, and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. As of the date of this offering memorandum, we did not possess any trading securities.

However, we recognize impairment losses on our income statement from the decline in value of available-for-sale securities that are deemed to be significant. Future changes in value may be required if triggering events occur, such as worsening market conditions, downward revisions to business plans and cash flows of the investments, or downgrades in credit ratings, that suggest the deterioration in value of an investment. Determining the amount and timing of these impairment losses is a matter of significant judgment.

Allowance for Doubtful Accounts

Significant management judgment is required to estimate our allowance for doubtful accounts in any accounting period. We determine our allowance for doubtful accounts based on the actual bad debt ratio, and specific allowance for doubtful accounts deemed to be uncollectible is calculated considering its collectability by evaluating counterparty creditworthiness in the context of current economic trends and historical experience. Depending upon the overall economic climate and the financial condition of our counterparties, the amount and timing of our bad debt expense and cash collection could change significantly.

Property and Equipment and Intangible Assets

Property and equipment are stated at cost less accumulated depreciation. Buildings and structures are depreciated primarily using the straight-line method over the estimated useful lives of the assets. Telecommunications equipment and telecommunications service lines are depreciated using the straight-line method over the estimated useful lives of the assets. Other property and equipment are depreciated primarily using the straight-line method over the estimated useful lives of the assets. Intangible assets are amortized using the straight-line method over the estimated useful lives of the assets. The useful life of property and equipment and intangible assets is determined based on the expected period of usage under present conditions. Future changes may shorten the expected useful life of our property and equipment and intangible assets, especially certain technologies used in our telecommunications-related businesses. Such a decrease in the expected useful life of our assets would require amortization over a shorter period of usage for the asset or group of assets.

Consolidation Policy

Our consolidated financial statements include the accounts of our subsidiaries that are controlled by us. Under the effective control approach, generally majority-owned companies are to be consolidated, and companies in which share ownership equals 50 percent or less may be required to be consolidated in cases where such companies are effectively controlled by us. For example, we are under certain circumstances deemed to have effective control over a non-majority-owned company of which a majority of directors are designated by us. An investment of less than 20 percent of voting rights of an investee may be required to be accounted for using the equity method in cases where the investor has the ability to exercise significant influence over the investee. Determining whether we have effective control or significant influence can be matters of significant judgment which could materially affect our financial condition and results of operations.

Income Taxes

We record deferred tax assets and liabilities based on enacted tax rates for the estimated future tax effects of carry-forwards and temporary differences between the tax basis of asset or liability and the amount reported in the balance sheet. In determining the amounts of the deferred tax assets or liabilities, we have to estimate the tax rates expected to be in effect during the carry-forward periods or when the temporary differences reverse. We recognize a valuation allowance against certain deferred tax assets when it is determined that it is more likely than not some or all of future tax benefits will not be realized. In determining the valuation allowance, we estimate expected future taxable income and the timing for claiming and realizing tax deductions and assess available tax planning strategies. If we determine that future taxable income is lower than expected or that the tax planning strategies cannot be implemented as anticipated, the valuation allowance may need to be additionally recorded in the future in the period when such determination is made.

Revenue Recognition

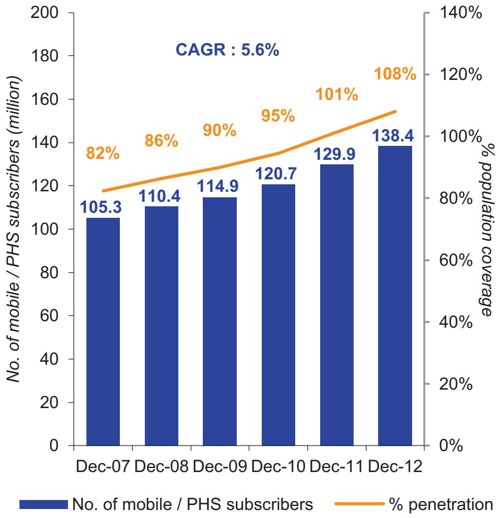
In the Mobile Communications segment, net sales are mainly generated from the provision of mobile communications services and the sale of handsets and accessories. The mobile communications services consist of voice and data services and are recognized as revenue when services are provided to customers, based upon basic flat-rate monthly charges plus usage of traffic in accordance with price plans subject to discounts. Sales of mobile handsets and accessories are recognized when merchandise is shipped to dealers. Dealers sell the mobile handsets to the customers mainly by installment payments over a period of 24 months. SoftBank Mobile purchases the installment sales receivables from the dealers and collects the installment sales receivables during the 24 months. Activation fees from new customers are recognized as revenue when services are activated.

Japanese Mobile Market

Japan's mobile telecommunication services market is the world's third largest by revenue and was estimated to be worth approximately $83 billion as of December 31, 2012, according to IDC Worldwide Black Book Query Tool, Version 4, 2012. Total subscribers reached approximately 138.4 million at the end of 2012, according to the Ministry of Internal Affairs and Communications ("MIC"), implying a population penetration rate of 108.0%. The market experienced 5.6% compounded annual growth in subscribers between 2007 and 2012. The historical growth has been driven by increased adoption of mobile handsets, continued migration of fixed-line users to wireless solutions and growing demand for data transfer services related to the growing market for mobile dongles, or USB network adapters, which allow users to access the internet with a mobile broadband connection, as well as tablet computers.

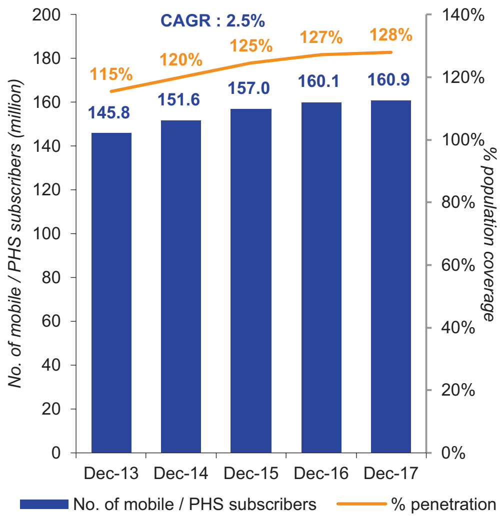
Japan is one of the most technologically advanced mobile communications markets in the world and the increasing use of higher-value, advanced services demanded by postpaid customers promotes growth and the adoption of new technologies. Japan was one of the first countries to launch a 3G mobile telecommunication network, based on Wideband Code Division Multiple Access ("W-CDMA") technology. Japan chose not to auction its 3G spectrum, but instead allocates such spectrum to applicants on the basis of technical requirements and domestic operational experience. In October 2001, NTT DoCoMo began offering 3G services. Following this, KDDI (then DDI Corp.) began its 3G service in April 2002, and SoftBank Mobile (then J-Phone Co., Ltd.) began its 3G service in December 2002. To enhance the 3G mobile technologies, mobile operators introduced high-speed packet access ("HSPA") technologies such as high-speed downlink packet access ("HSDPA"), high-speed uplink packet access ("HSUPA"), HSPA+ and dual-cell HSDPA ("DC-HSDPA"). More recently, advanced network technologies such as WiMAX and Long Term Evolution ("LTE") have been introduced, offering even faster data speeds. In addition, the demand of Japanese customers for new and advanced products and services (such as sophisticated mobile handsets and advanced mobile data services) have historically driven innovation and high usage patterns.

Evolution of mobile/PHS subscribers and penetration (% population) (December 2007-2012)



Source: MIC

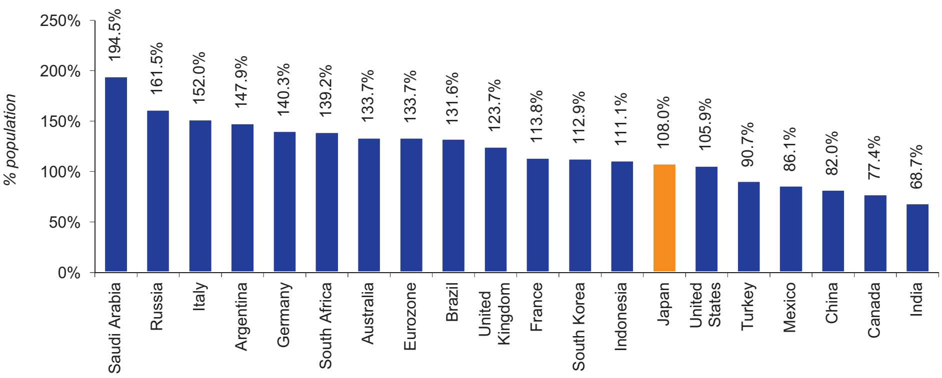
Forecast of mobile/PHS subscribers and penetration (% population) (December 2013-2017)



Source: BMI forecasts, operators, TCA

As mobile penetration reaches levels currently experienced in other developed countries and as the Japanese population starts to age and slightly decline, subscriber numbers are expected to grow at a slower rate than in recent years. Nevertheless, the number of subscribers is expected to continue to grow because the Japanese market has shown an appetite for adopting high-value new technologies, which enables operators to maintain volume growth through technological advancements where the consistent introduction of new products and services helps further boost customer demand. High-speed LTE data services are also gaining traction with customers.

Mobile penetration (% population) among the G20 countries (Dec 2012)

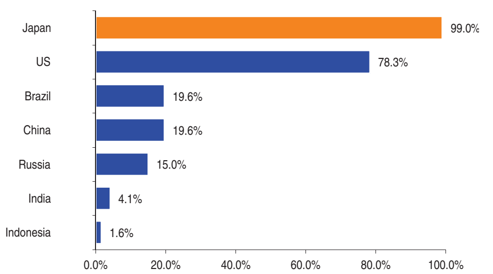


Source: MIC and Business Monitor International ("BMI").

(1) Penetration level information for Japan sourced from MIC. Penetration level information for other countries sourced from BMI.

The Japanese mobile market is primarily postpaid in nature, which reflects the high level of development and uptake of advanced services (source: BMI Japan Telecommunications Report Q2 2013). According to the Telecommunications Carriers Association ("TCA"), at the end of 2012, postpaid customers represented more than 99% of total subscribers. As a result, the Japanese market benefits from a low churn rate and high ARPU.

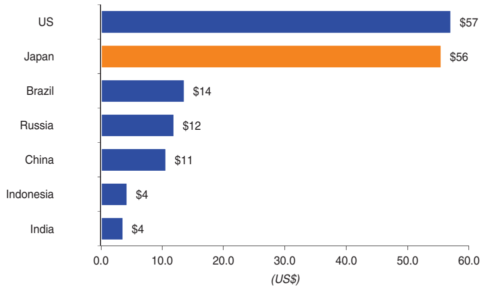
Dominated by postpaid subscribers



Source: ©Wireless Intelligence 2013

(1) Seven largest countries by number of subscribers.

Higher ARPU

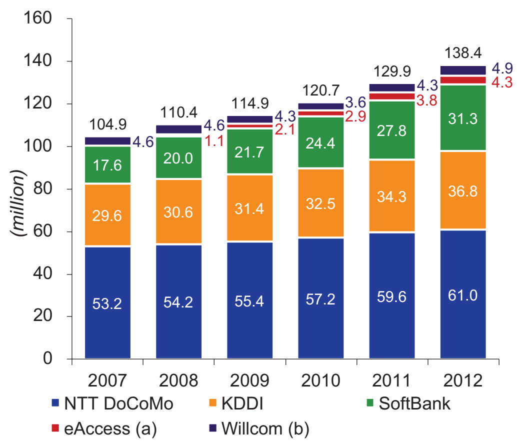


Source: ©Wireless Intelligence 2013

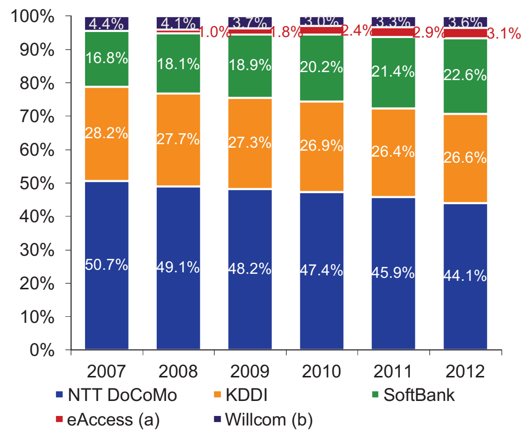
(1) Seven largest countries by number of subscribers.

The market is primarily served by three dominant mobile network operators—NTT DoCoMo, us (including Willcom and eAccess) and KDDI—with market shares of 44.1%, 29.3% and 26.6%, respectively, as of December 2012. These three companies have their own frequency allocations and the infrastructure necessary to operate an independent mobile network.

Evolution of subscriber base by mobile network operator (calendar year 2007-2012)



Evolution of market share by mobile network operator (calendar year 2007-2012)



Source: TCA and material published by eAccess

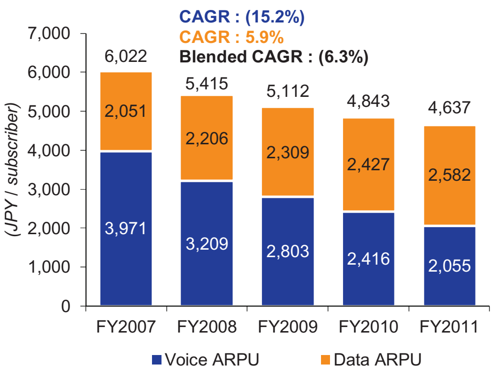
(1) We acquired an interest in eAccess in January 2013.

(2) In December 2010, we acquired a 100% interest in Willcom under its ¥41 billion ($474 million) reorganization plan, for which we will provide financial support to the extent necessary in connection with its reorganization plan debt. We do not consolidate Willcom into our financial statements.

We have been an outperformer in the market in terms of subscriber growth in recent years, partially attributable to our attractive price plans as well as our branding and marketing strategies. We first introduced the *iPhone* to Japan in 2008 and were the only mobile communications operator to offer the *iPhone* until October 2011, when KDDI commenced the marketing of *iPhone* products. KDDI's marketing of the *iPhone* did not have a significant negative impact on our subscriber growth, and we had 3.54 million net subscriber additions for the fiscal year ended March 31, 2012, compared to 3.53 million net subscriber additions for the previous fiscal year. In December 2010, we acquired 100% of the shares of Willcom as part of its ¥41 billion ($474 million) court-administered corporate reorganization plan under the Corporate Reorganization Act of Japan. Willcom is a telecommunications company offering PHS handsets and services on a 1.9 GHz band with 4.9 million subscribers and a 3.6% market share in the overall mobile communications market, including PHS, as of December 2012. Since January 2013, eAccess, with 4.3 million subscribers and a 3.1% market share in the overall mobile communications market as of December 2012, has also been one of our affiliates and we will report it as a consolidated subsidiary under IFRS. With the addition of eAccess and Willcom subscribers, we have positioned ourselves as the second largest mobile operator in Japan by subscribers.

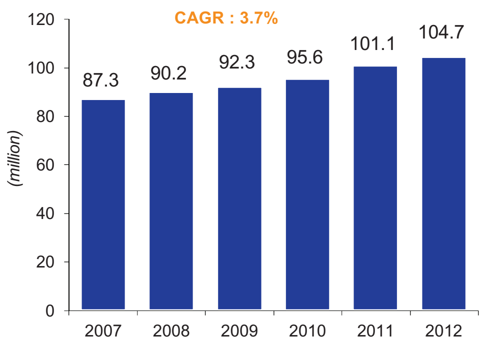
The Japanese mobile communications market has seen ARPU decline in recent years, a trend that has been observed in other developed markets. The ARPU decline is primarily due to diminishing revenue contribution from voice services, which is only partly offset by the growth in data revenues. Voice services have been commoditized through price competition as well as the rising threat of IP telecommunications services as customers are able to switch voice and SMS usage to Over-The-Top (OTT) services and IP alternatives such as Skype, Line, Google Talk and WhatsApp. ARPU declines have also been offset by the uptake of smartphones and other advanced devices that drive increased consumption of mobile data. Increased adoption of tablet computers and greater use of online, video and multimedia services and content are driving data ARPU, but the effects are partly mitigated by customers choosing flat-rate data plans.

Voice / Data ARPU evolution



Source: MIC

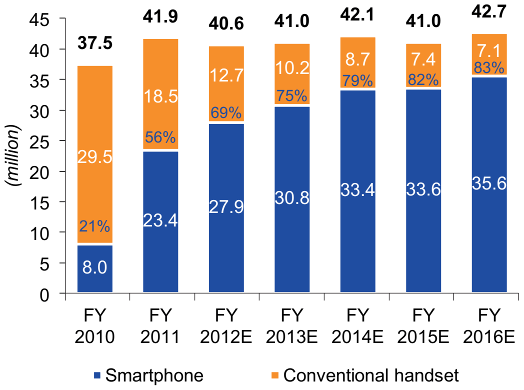
Evolution of Mobile Internet Users in Japan



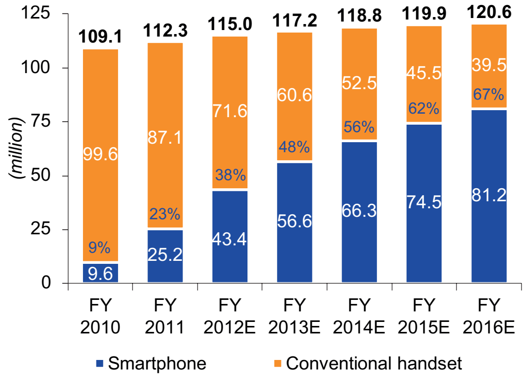
Source: TCA

Operators have been focusing heavily on smartphones and data plans in recent years. NTT DoCoMo, KDDI, and SoftBank have all lined up a range of mobile devices, comprising smartphones and tablet computers, to attract customers. In line with the trend in other developed markets, smartphone handset sales in Japan have experienced strong growth in recent years. In terms of shipment units, smartphones accounted for more than 50% of total shipment units in the fiscal year ended March 31, 2012, with the remainder of shipments being conventional handsets. Cumulative smartphone subscribers have increased to 25.2 million as of March 31, 2012, from 9.6 million as of March 31, 2011 and accounted for approximately 23% of total Japanese mobile subscribers. We expect this trend to continue.

Number of mobile phone shipments and % share of smartphone



Number of mobile phone subscribers and % share of smartphone

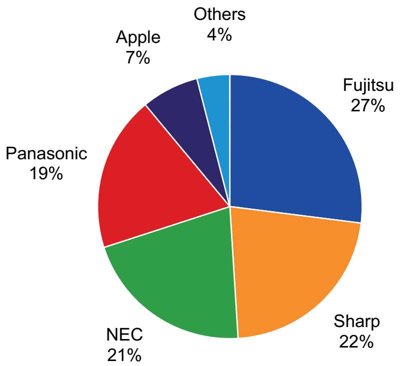


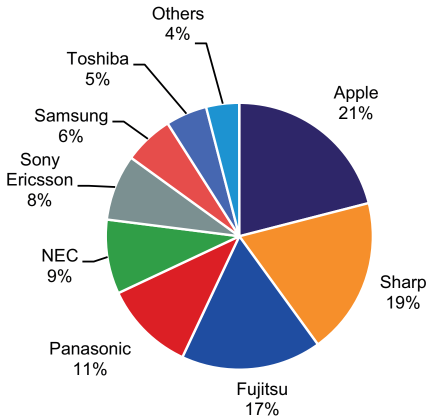
Source: MM Research Institute

The Japanese smartphone market has traditionally been served by domestic manufacturers, including Sharp, Fujitsu and Panasonic, all of which produce handsets that use the Android operating system. We first marketed iPhone in Japan in July 2008 and have gained significant market share in smartphone sales since their introduction.

Trends in unit shares of smartphone manufacturers in Japan (calendar year 2009 compared to calendar year 2011)

2009 **2011**





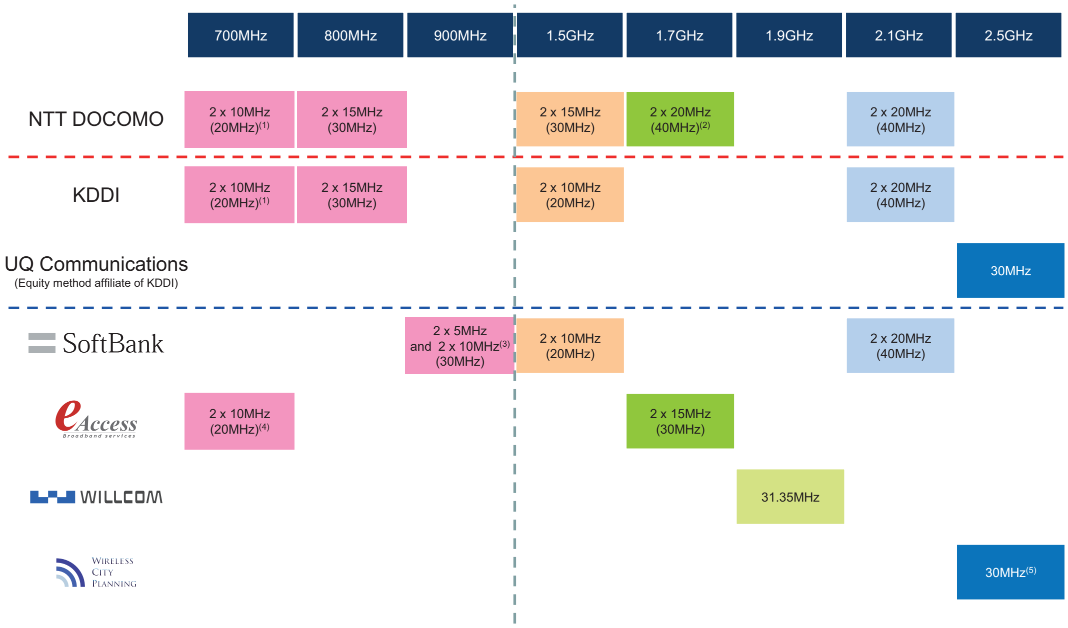
Source: MIC

Accompanying the increase in smartphone penetration has been the ability of mobile network operators to adopt the advanced network technologies that enable faster, more efficient and higher bandwidth data transfer. As a result, mobile operators are both increasing the deployment of their 3G network (by increasing the number of base stations) and heavily investing into their recently introduced high-speed networks using LTE technology to expand service area coverage quickly. Advanced technologies enable customers to utilize a wide array of data services with high throughput speeds. For instance those technologies include multimedia services, such as high-resolution photos and videos taken and shared via mobile handsets, on demand videos, short-format movie content and real-time multimedia gameplay, as well as enhanced emergency and location-based services.

Currently, the vast majority of Japanese mobile subscribers have handsets or other mobile products with 3G capabilities, with adoption of LTE technology growing. As of December 2012, 89.8% of Japanese mobile subscribers had handsets with 3G or LTE capabilities. The growth momentum in 3G is showing signs of saturation as it slowed significantly following the launch of LTE services by KDDI and SoftBank in September 2012. LTE coverage is currently expanding. KDDI launched a 2.1GHz LTE network nationwide in September 2012, followed by 800MHz and 1.5GHz services in November 2012. SoftBank launched 2.5GHz AXGP (TD-LTE compatible) in February 2012 and 2.1GHz FDD-LTE in September 2012. As of March 2013, we provide LTE coverage with over 20,000 base stations, and we intend to substantially increase our base stations to 40,000 by 2016. As of June 2012, approximately 9,800 of NTT DoCoMo's base stations provided LTE coverage to 32% of the population and NTT DoCoMo expected to increase the amount of its base stations to 21,000, providing coverage to 70% of the population by March 2013.

In contrast to the United States and certain European countries, rights to use spectrum in Japan historically have not been awarded via an auction system. Instead, the MIC allocates bandwidth after considering applications from interested parties. In this process, the MIC considers a range of factors, including which proposed use for the spectrum best serves public needs and whether the parties have the necessary means to accomplish their proposals. See "—Radio Act of Japan—Allocation of Radio Frequency Spectrum".

In March 2012, we received MIC approval on our 900 MHz band specific base station plan and were allocated 900 MHz spectrum, which we market as "Platinum Band", to enable more efficient and wider coverage compared to SoftBank bands. In June 2012, MIC approved allocation of 700 MHz to three telecom operators (NTT DoCoMo, KDDI and eAccess).



Note: Created by the Company based on published data current as of December 26, 2012
(1) Service to commence from January 2015 or after
(2) Available only in Tokyo, Nagoya, Osaka
(3) Service to commence from July 2014
(4) Service to commence from December 2015 or after
(5) 10MHz: Operation under restriction until the end of 2014 (indoor use only)

Japanese Broadband Market

Japan's broadband market is both established and rapidly growing, with approximately 53.6 million subscribers and 42.1% year-on-year growth as of December 31, 2012. Since the commercial roll-out of ADSL in 1999, various other technologies have been introduced and growth in the market is now driven by FTTH (fiber-to-the home), Broadband Wireless Access ("BWA") and LTE connections.

	Number of Broadband Subscribers					
	As of March 31,					As of December 31,
	2008	2009	2010	2011	2012	2012
	thousands					
FTTH	12,155	15,021	17,802	20,218	22,303	23,547
DSL	12,711	11,184	9,735	8,201	6,705	5,740
CATV	3,872	4,110	5,314	5,674	5,909	6,008
FWA	13	13	12	10	10	9
BWA	—	7	153	811	2,304	4,659
LTE	—	—	—	26	2,297	13,628
Total Broadband	**28,750**	**30,335**	**33,016**	**34,940**	**39,529**	**53,591**

Source: MIC

LTE subscribers grew strongly with 11.3 million net additions in the nine months ended December 31, 2012, making LTE the fastest-growing service in the market for broadband internet services. The number of FTTH subscribers grew by 7.5% year-on-year, while DSL subscribers declined 18.7%. In a broadband market like Japan, operators can take advantage of the higher ARPUs (typically 20-30% more) offered by FTTH over DSL.

FTTH Services

FTTH utilizes fiber-optic technology, in which an optical fiber runs from the local operator's central office to the subscriber's premises. With available speeds currently up to 1 Gbps, FTTH enables faster downloading of content as well as two-way high-bandwidth applications, such as video conferencing.

Unlike ADSL, FTTH has symmetrical upstream and downstream speeds. However, significant investment in equipment and engineering are required to lay the optical fiber to provide FTTH services. As a result, costs to subscribers for FTTH services are generally greater than for ADSL services. As of December 31, 2012, FTTH accounted for approximately 43.9% of total broadband subscribers in Japan, according to the MIC.

We currently offer FTTH services through our *Yahoo! BB hikari with FLET'S* service. See "Business—Our Business Segments—Our Other Segments—Broadband Infrastructure Segment".

DSL Services

DSL technology enables existing copper telephone lines to act as access paths for high-speed data communications without the need to install new wires or connections. In Japan, DSL services are primarily based on ADSL technology. The asymmetric design of ADSL circuits optimizes bandwidth use by maximizing the downstream speed for downloading information from the internet but limiting the upstream speed for uploading information, reflecting the typical asymmetry of internet usage patterns of most users.

In addition to voice communications, the copper telephone line carries data from an ADSL modem at the subscriber's premises to digital subscriber line access multiplexers ("DSLAMs") and routers in a switching station maintained by a telecommunications carrier. At the switching station, a splitter separates voice and data signals and routes them to the proper lines for voice and data traffic. These data signals are connected to the internet through an internet exchange.

Most ADSL service providers do not own the local telephone lines they use, and pay fees to the local telephone operators to lease local-loop copper cables, co-location space for DSLAMs, routers and other equipment in the central office facilities. As of December 31, 2012, DSL accounted for approximately 10.7% of total broadband subscribers in Japan, according to the MIC.

We currently offer ADSL services through our *Yahoo! BB ADSL* service. Please see "Business—Our Business Segments—Our Other Segments—Broadband Infrastructure Segment".

Cable Internet Services

Cable internet services are offered by cable television ("CATV") operators utilizing existing cable used for the transmission of CATV services. In Japan, CATV and copper telephone line accounted for approximately 11.2% share of total broadband subscribers as of December 31, 2012, according to the MIC.

Broadband Wireless Access

Broadband Wireless Access ("BWA") is a service providing access to bandwidths greater than 1MHz by wireless means. Such network services support data rates greater than about 1.5 Mbps and can feature data rates similar to ADSL rates. Wireless networks can also be symmetrical offering the same data rate in both downstream and upstream directions. In Japan, BWA accounted for approximately 8.7% share of total broadband subscribers as of December 31, 2012, according to the MIC.

Long Term Evolution

LTE is a service for wireless communication of high-speed data for mobile phones and data terminals. It is based on Global System for Mobile Communications ("GSM") and HSPA network technologies and increases the capacity and speed of these networks through an improved radio interface. LTE is able to manage fast-moving mobile devices and supports multi-cast and broadcast streams as well as carrier bandwidths from 1.4 MHz to 20 MHz. As of December 31, 2012, LTE accounted for approximately 25.4% of totaled broadband subscribers in Japan, according to the MIC.

Japanese Fixed-line Market

Japan's fixed-line telecommunications subscribers total 56.1 million and 56.9 million as of December 2012 and March 2012 respectively, a 1.0% decrease from the previous fiscal year ended March 2011. NTT is the largest provider of fixed-line services, with 29.2 million subscribers at the end of December 2012, a decline of 9.0% over the twelve prior months. By contrast, customers using 0ABJ-IP telephones have increased since 2008.

	Number of Fixed-line Telephones in Japan					
	As of March 31,					As of December 31,
	(thousands)					
	2008	2009	2010	2011	2012	2012
NTT East & West subscriber telephones	45,545	41,644	37,930	34,524	31,345	29,206
IP-based fixed-line telephones	4,660	4,691	4,478	4,184	3,861	3,634
0ABJ-IP telephones	7,756	11,158	14,534	17,901	20,958	23,261
CATV telephones	1,030	986	931	860	747	693
Total Fixed-line Telephones	**58,991**	**58,479**	**57,873**	**57,469**	**56,911**	**56,101**

Source: MIC

While SoftBank experienced growth over the prior year, the number of fixed-line subscribers continued to decline in Japan. The decline in the fixed-line subscriber base is attributed to the growth of mobile handsets and other wireless solutions.

Japanese Internet Services (Internet Advertising and E-commerce market)

One of our Internet Culture segment's most important sources of sales is internet advertising. The internet advertising market in Japan emerged almost simultaneously with the establishment of Yahoo Japan in 1996. According to a recent report by Dentsu Inc., the internet advertising market in Japan expanded 7.7% in calendar year 2012 to ¥868 billion ($10 billion), accounting for 14.7% of the total ¥5,891 billion ($68 billion) advertising market. The internet advertising market is comprised of ¥663 billion ($7.7 billion) internet advertising placements and ¥205 billion ($2.4 billion) advertising production in calendar year 2012.

A survey by the Ministry of Economy, Trade and Industry of Japan estimated that domestic business-to-consumer e-commerce transactions accounted for 2.8%, or ¥8.5 trillion ($98.2 billion), of the total consumption by Japanese households in calendar year 2011, a 7.9% increase from ¥7.8 trillion ($90.1 billion) in calendar year in 2010. In view of the continued expansion in the internet advertising market and the likelihood of increasing internet usage by consumers, including those using internet-enabled mobile devices. We estimate significant growth potential in the e-commerce market.

BUSINESS

Overview

We are Japan's second largest mobile communications company in terms of subscribers with over 41.9 million subscribers as of March 31, 2013, including 32.5 million subscribers from SoftBank Mobile, 4.3 million subscribers from eAccess and 5.1 million PHS subscribers from Willcom. Our Mobile Communications segment generates the majority of our revenues and has seen consistent year-over-year increases in mobile subscribers and market share since we entered the mobile communications business by acquiring Vodafone Japan in April 2006. We were the first company to offer the *iPhone* in Japan, which transformed the Japanese smartphone market, and we continue to promote smartphone-based strategies ahead of our competitors. We also engage in a variety of businesses that are complementary with our mobile communications business, including broadband infrastructure, fixed-line telecommunications and internet culture businesses. On October 15, 2012, we entered into an agreement to acquire an approximately 70% interest in Sprint (the "Sprint Acquisition Agreement"), the third largest wireless operator in the United States in terms of subscribers. The Sprint Acquisition, which we expect to close on July 1, 2013, will position the SoftBank Group as one of the largest mobile communications companies in the world in terms of revenue. See "The Sprint Acquisition".

Our net sales for the fiscal years ended March 31, 2010, 2011 and 2012 were ¥2.8 trillion ($31.9 billion), ¥3.0 trillion ($34.7 billion) and ¥3.2 trillion ($37.0 billion), respectively, and our net sales for the 12 months ended December 31, 2012 were ¥3.3 trillion ($38.3 billion). EBITDA for the fiscal years ended March 31, 2010, 2011 and 2012 was ¥788 billion ($9.1 billion), ¥931 billion ($10.8 billion) and ¥1,014 billion ($11.7 billion), respectively, and EBITDA for the 12 months ended December 31, 2012 was ¥1,128 billion ($13.0 billion).

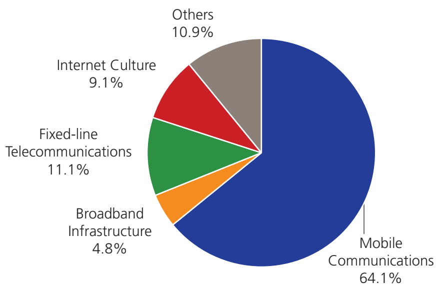
We are listed on the Tokyo Stock Exchange and, as of March 31, 2013, we had a market capitalization of ¥5.2 trillion, or $55.0 billion.

Our business segments are:

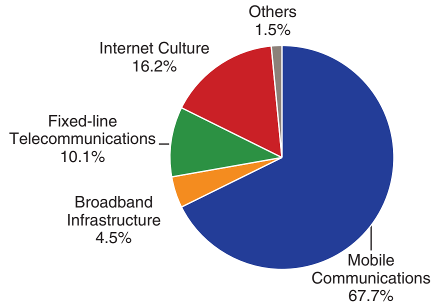
- *Mobile Communications*. Provision of mobile communications services and sales of handsets, including smartphones;
- *Broadband Infrastructure*. Provision of ADSL high-speed broadband internet connection services, ISP services, IP telecommunications services, wireless LAN services and other operations;
- *Fixed-line Telecommunications*. Provision of fixed-line telephone services and data transmission and cloud computing services, network services and other related services;
- *Internet Culture*. Provision through our consolidated subsidiary Yahoo Japan of internet-based advertising, management and operation of internet-based auction and other businesses, including those under the *Yahoo!* brand, such as *Yahoo! Auction* and *Yahoo! Shopping*, as well as provision of membership and other related services; and
- *Other*. Various businesses including the distribution of information technology-related products and services, businesses related to the Fukuoka SoftBank HAWKS, a Japanese professional baseball team, and other various internet-related businesses.

Our Mobile Communications segment generated 59.6%, 62.4% and 64.2% of our net sales and 63.4%, 65.9% and 66.8% of EBITDA for the fiscal years ended March 31, 2010, 2011 and 2012, respectively. The percentage of net sales and EBITDA for the 12-month period ended December 31, 2012 attributable to each of our business segments is detailed below:

LTM net Sales breakdown



LTM EBITDA breakdown



(1) Does not include eliminations from intra-group sales.

As of March 31, 2012, we had 133 consolidated subsidiaries, three equity method non-consolidated subsidiaries and 71 equity method affiliates.

- As of March 31, 2012, we held a 42.2% stake in Yahoo Japan. Yahoo Japan is a consolidated subsidiary with a market capitalization of ¥2.5 trillion ($26.8 billion) as of March 31, 2013.
- GungHo—an online game company with a focus on mobile and PC games, with hit games such as *Puzzle & Dragons*, one of Japan's top mobile games—is our consolidated subsidiary from April 1, 2013. It was treated as our equity method affiliate through the end of the fiscal year ended March 31, 2013. GungHo Online Entertainment, Inc. ("GungHo") is listed on JASDAQ and, as of March 31, 2013, had a market capitalization of ¥456 billion ($4.8 billion).
- We also held 31.9% of the voting rights of Alibaba Group Holding Limited ("Alibaba"), the largest e-commerce company by transaction volume in China and our equity method affiliate, as of December 31, 2011. Alibaba repurchased 523 million, or approximately 20%, of its shares from Yahoo! Inc. at $13.5414 per share on September 18, 2012.
- Renren Inc. ("Renren"), China's largest real-name social network services (SNS) site with approximately 178 million active user accounts as of December 2012, is another of our equity method affiliates and is listed on the New York Stock Exchange ("NYSE") with a market capitalization of $1.1 billion (¥102 billion) as of March 31, 2013.

Strengths

Second Largest Mobile Communications Company in Japan—One of the Largest and Most Attractive Mobile Communications Markets in the World

We are Japan's second largest mobile communications company in terms of mobile subscribers with over 41.9 million subscribers as of March 31, 2013, including mobile subscribers from SoftBank Mobile and eAccess as well as PHS subscribers from Willcom. The table below depicts the total number of mobile communications subscribers and the corresponding market share attributable to the SoftBank Group as of March 31, 2013:

	As of March 31, 2013	
	Number of subscribers (millions)	Market share (%)(1)
SoftBank Mobile(2)	32.5	23.0
eAccess(3)	4.3	3.1
Willcom(4)	5.1	3.6
Total	41.9	29.7

(1) Percentage of market share represents percentage of market share attributable to each of SoftBank Mobile, eAccess and Willcom compared to total market subscribers from NTT DoCoMo, KDDI, SoftBank Mobile, eAccess and Willcom.

(2) We define total subscribers for our Mobile Communications segment as total subscribers for SoftBank Mobile.

(3) We own 99.59% of the economic interest and 33.29% of the voting interests of eAccess which was treated as an equity-method affiliate as of January 1, 2013 under Japanese GAAP but will be reported as our consolidated subsidiary under IFRS. We will report our financial results under IFRS from the first quarter of the fiscal year ending March 31, 2014. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Certain Anticipated Effects of Voluntary Adoption of IFRS".

(4) We own 100% of the shares of Willcom as part of its ¥41 billion ($474 million) court-administered corporate reorganization plan. Willcom remains under court administration and we do not consolidate it as a subsidiary or consider it an equity method affiliate. We provide financial support to Willcom while it is completing its corporate reorganization plan. See "—Certain Contingent Liabilities—Ongoing Financial Support for Willcom". The figure indicates the number of subscribers to PHS services offered by Willcom. See "Business—Strengths—Proven Record of Turning Around Acquired Businesses" below.

Japan is one of the most technologically advanced mobile communications markets in the world and is the third largest globally, with revenue estimated to be worth approximately $83 billion as of December 31, 2012, according to IDC Worldwide Black Book Query Tool, Version 4, 2012. We are one of only three major players in the Japanese telecommunications market and have also benefitted and continue to benefit from favorable dynamics in the Japanese market, which promotes the growth and adoption of new technologies. For instance, Japan was one of the first countries to launch 3G and LTE mobile telecommunications networks, in 2001 and 2010, respectively.

We have benefitted from certain unique aspects of the Japanese mobile communications market—more than 99% of mobile telecommunication service subscribers in Japan are postpaid subscribers, with relatively low levels of churn and high average monthly revenue per user ("ARPU"). The increasing use of higher-value, advanced services demanded by postpaid customers causes us to remain innovative. There are also ample opportunities for growth, as Japan has one of the lowest mobile penetration rates among advanced industrial economies. As of March 31, 2012, smartphone penetration stands at 23% of the mobile handset market, but is rapidly increasing, and smartphones are expected to represent over 70% of total handsets sold in the fiscal year ended March 31, 2013. See "Market and Industry—Japanese Mobile Market". Our position as one of the three major network operators in Japan and the second largest in terms of SoftBank Group subscribers, along with our strong track record of using advanced and innovative service offerings to increase our market share and compete against our principal competitors, puts us in a unique position to take advantage of Japan's attractive telecommunications market.

Market-leading Growth Despite Strong Competitors

We are the fastest-growing mobile communications business operator in Japan in terms of total net subscriber additions since April 2006, demonstrating our success in competing with large, established incumbents. Our share of net subscriber additions was 48.0%, 40.8% and 45.0% in the fiscal years ended March 31, 2011, 2012 and 2013. Although our main competitors were well established when we acquired our mobile communications business from Vodafone Japan in April 2006, we have outgrown our competitors in terms of net subscriber additions for 67 out of the last 71 months, since we first achieved the most net subscriber additions among our competitors in May 2007. We believe that our substantial growth is due to powerful marketing and branding strategies, innovative products and network enhancement. Because we have significant experience investing in and operating internet companies, we were able to anticipate the mobile internet revolution, and were the first company to offer the *iPhone* in Japan in 2008, which transformed the Japanese smartphone market. We continue to promote smartphone-based strategies ahead of our competitors.

We were the sole distributor of the *iPhone* in Japan from 2008 until October 2011 when KDDI Corporation ("KDDI") began sales of the *iPhone 4S*. Despite KDDI's entrance into the *iPhone* market, we have been able to maintain strong subscriber growth by executing marketing and network enhancement initiatives that further improved our service offerings, reduced churn rates and helped us maintain net subscriber addition momentum. This has included various sales promotions and campaigns for *iPhone,* in addition to efforts to enhance network performance and connectivity after we were allocated our new 900 MHz frequency band. We also successfully introduced the *iPad* and associated wireless broadband subscription offerings to the Japanese market. Additionally, we have introduced innovative pricing plans, including free in-network calls between SoftBank mobile subscribers. In this way, we have continuously differentiated ourselves from our competitors.

Additionally, our management's ability to foresee the arrival of the mobile internet era enabled us to recognize and capitalize on the need to off-load network traffic via Wi-Fi and positioned us to be the first mobile operator to broadly deploy Wi-Fi spots for mobile users in Japan. We have over 450,000 Wi-Fi spots as of March 2013, which is far more than any of our competitors. Our growing data ARPU, which has offset voice ARPU pressure and stabilized our total ARPU over the last five years, and our expanding subscriber base attest to our ability to recognize new trends.

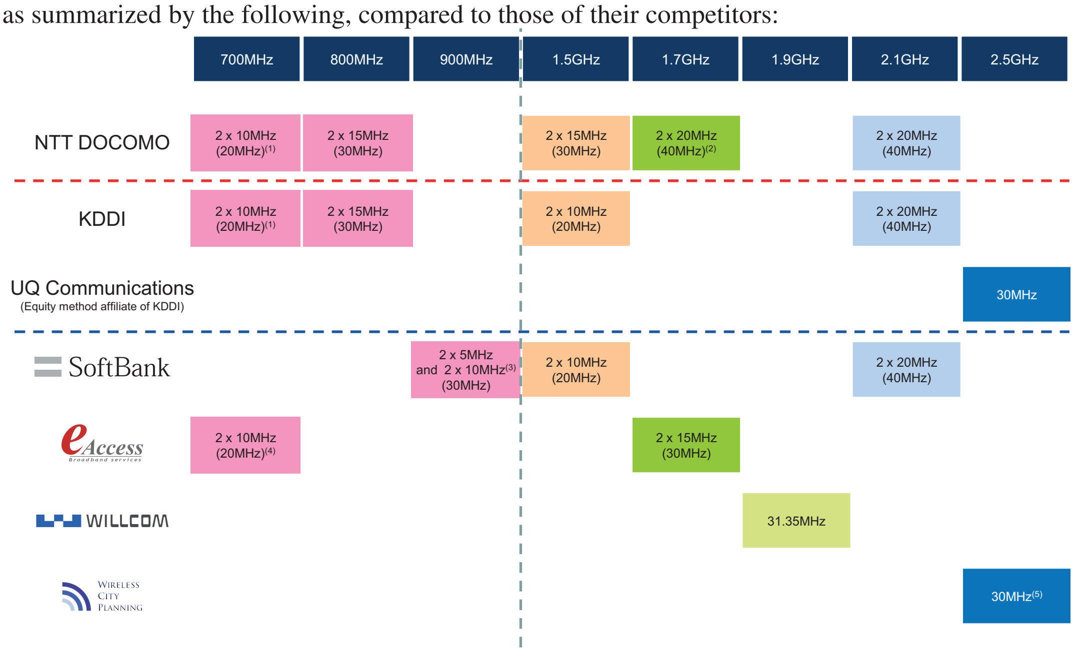
High-quality and Reliable Network

We believe that the quality of our mobile network is a key factor in acquiring and retaining mobile subscribers and have focused on maintaining and improving the quality and speed of our mobile communications network, especially our LTE network, and increasing network capacity to respond to the rapid rise in traffic attributable to increased penetration of smartphones and resultant increased data usage. We own and operate our own network, including base stations. Under the "SoftBank Network Enhancement Initiative", announced in March 2010, we have increased our number of base stations to approximately 199,000 as of February 2013, nearly ten times as many as we had when we acquired Vodafone Japan in April 2006. We have also increased access points for the *SoftBank Wi-Fi Spot* wireless LAN service to over 450,000 locations as of March 2013, far more than any of our competitors, which reduces the impact of traffic increases on our mobile communications network. Over the last five fiscal years, we have spent ¥1.7 trillion ($19.8 billion) in capital expenditures, primarily to expand and improve our network.

In March 2012, we were allocated 2 x 15 MHz in the 900 MHz band frequency, part of the so-called "platinum band", from the Japanese government. The "platinum band", consisting of radio frequency spectrum from 700 MHz to 900 MHz, is optimally suited for mobile communications services, with better propagation and penetration characteristics than some higher frequency spectrum, allowing the signal to cover wider areas and penetrate buildings and other obstacles. SoftBank Mobile started communications services using the 900 MHz band on July 25, 2012, with the aim of enhancing the coverage and quality of our wireless network. By carefully utilizing our spectrum allocations, we have been able to minimize significant service incidents to only one incident since June 2011 as compared to multiple such incidents at each of our competitors over the same period.

Since February 2012, we have been using the AXGP (TD-LTE compatible) network built by Wireless City Planning pursuant to an MVNO agreement to offer *SoftBank 4G*, with download speeds of up to 110 Mbps in Tokyo and other densely populated areas. In September 2012 we launched a high-speed data communication service, *SoftBank 4G LTE*, using FDD-LTE. We also have access to eAccess' 1.7 GHz band for purposes of the *iPhone 5* through a business alliance agreement, and we will work with eAccess to use its 700 MHz band, which benefits from the same optimal characteristics as the 900 MHz band, from December 2015, to further strengthen our high-speed mobile broadband network. We anticipate that enhanced network capabilities will help to accelerate the migration of subscribers to our services and strengthen our competitive position relative to our major competitors.

SoftBank Mobile, eAccess, Willcom and Wireless City Planning have been allocated frequency spectrum bands as summarized by the following, compared to those of their competitors:



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(4) Service to commence from December 2015 or after
(5) 10MHz: Operation under restriction until the end of 2014 (indoor use only)

See "—Our Business Segments—Mobile Communications Segment—Our Mobile Communications Network" and "—Our Business Segments—Mobile Communications Segment—Our Spectrum Allocations" below for information on our network and the spectrum to which we have access, including an overview of our spectrum sharing agreements with our affiliates.

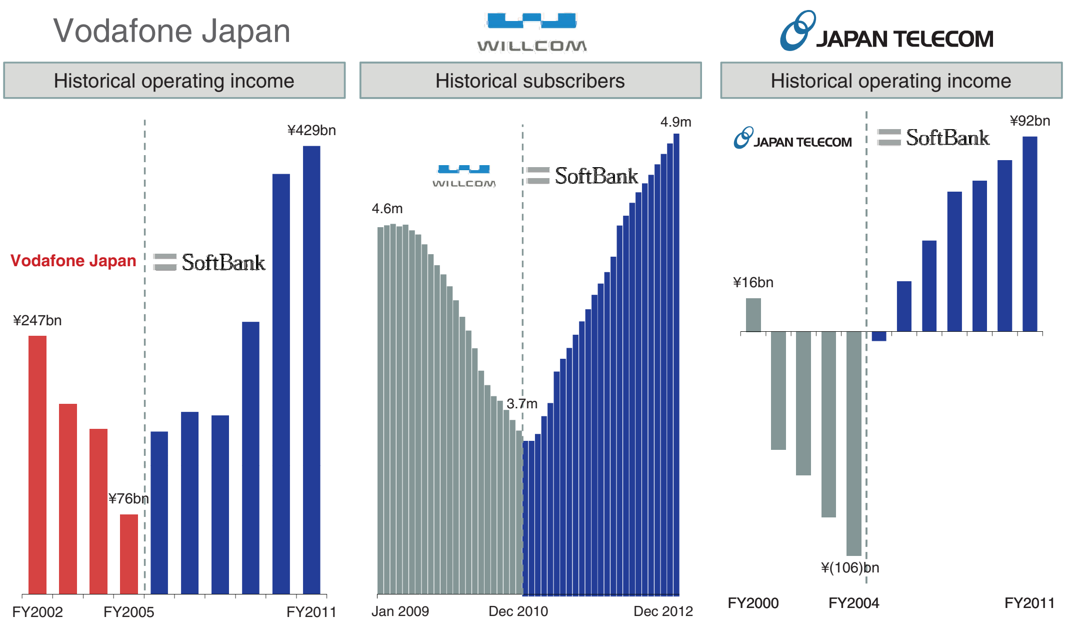
Proven Record of Turning Around Acquired Businesses

We have a proven track record of making significant acquisitions of struggling businesses and quickly returning them to growth and profitability. These group businesses have historically contributed to our cash generation and to the overall strength of the SoftBank Group. Prominent examples include our ¥143 billion ($1.7 billion) acquisition of Japan Telecom in July 2004 and our ¥1.75 trillion ($20.2 billion) acquisition of Vodafone Japan in April 2006. In December 2010, we acquired 100% of the shares of Willcom as part of its ¥41 billion ($474 million) court-administered corporate reorganization plan.

We entered the mobile communications market through our acquisition of Vodafone Japan in April 2006. When we acquired Vodafone Japan (now SoftBank Mobile), it was experiencing business difficulties. Its mobile operating income had decreased significantly each consecutive year for the three fiscal years preceding the acquisition. Total mobile subscribers as of the end of March 2006 amounted to 15.2 million, which represented a market share of 16.6%, down from its March 2003 peak market share of 18.4%. We incurred significant debt in order to acquire Vodafone Japan, and after the acquisition we invested considerable capital to revitalize Vodafone Japan's operations. We focused on sales and marketing, brand building, product expansion and network enhancement. Our strategy included launching a campaign to turn the "SoftBank" brand into a household name. At the same time, we reduced unnecessary costs that Vodafone Japan incurred, resulting in increased operating income from the first fiscal year following the acquisition. Today, our Mobile Communications segment has approximately six times the operating income of Vodafone Japan at the time of the acquisition, growth which has been driven by consistent year-on-year increase in mobile subscribers and market share since April 2006 in addition to effective cost management. Total mobile subscribers attributable to our Mobile Communications segment, which we count as the total number of subscribers at SoftBank Mobile, totaled 32.5 million as of March 31, 2013, implying a market share (excluding PHS) of 23.9% of subscribers and representing a 7.3 percentage point increase in our market share from the date of the Vodafone Japan acquisition.

In December 2010, we purchased 100% of the outstanding shares of Willcom, a telecommunications company offering PHS handsets and services on a 1.9 GHz band after it entered corporate reorganization proceedings earlier the same year. Similar to our takeover of Vodafone Japan, we created a turn-around plan for Willcom, this time focusing on reinforcement of its sales force, expansion of handset lineup and introduction of new payment plans. Total subscribers attributable to Willcom as of March 31, 2013 amount to 5.1 million, representing a 37.8% increase from the 3.7 million subscribers Willcom had at the time of the acquisition.

Our track record of successfully acquiring, integrating and optimizing businesses is not limited to the mobile communications industry. We had similar success after our acquisition of Japan Telecom (now SoftBank Telecom), a fixed-line telecommunications company, through our implementation of cost-effective and enterprise-focused management. Today, SoftBank Telecom is among the few fixed-line telecommunications companies in Japan that has experienced consistent growth.

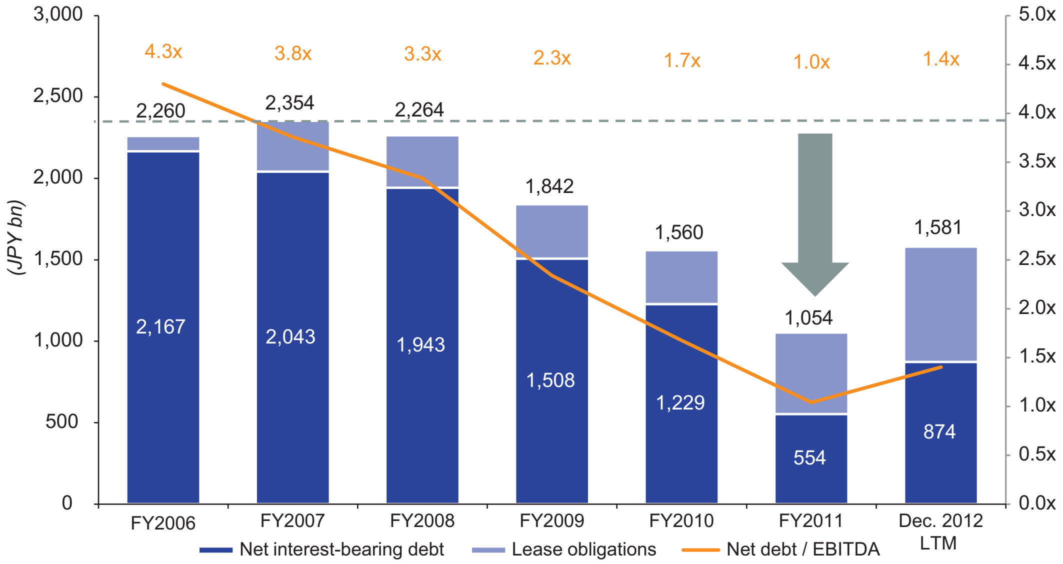


(1) Historical operating income of both Japan Telecom and SoftBank's fixed-line telecommunications business includes operating income attributable to our original broadband infrastructure business.

Strong Cash Flow Generation and Proven Record of Deleveraging

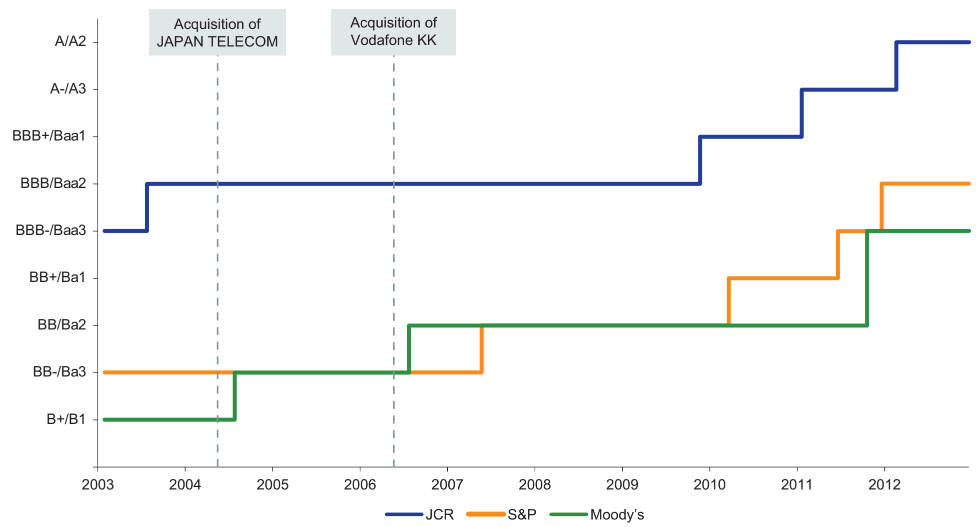
Our net interest-bearing debt including lease obligations to EBITDA ratio following the Vodafone Japan acquisition was 4.3x as of March 31, 2007. Through our successful efforts to turn around the business, coupled with our cost and capital expenditure-related discipline used to maximize efficiency, we were able to generate strong cash flows and to decrease our net interest-bearing debt including lease obligations to EBITDA ratio to 1.4x as of December 31, 2012. In doing so, we lowered our net interest-bearing debt including lease obligations by ¥0.7 trillion ($7.8 billion), from ¥2.3 trillion ($26.1 billion) as of March 31, 2007, the fiscal year in which the Vodafone Japan acquisition closed, to ¥1.6 trillion ($18.3 billion) as of December 31, 2012. Our EBITDA improved from ¥525 billion ($6.1 billion) for the fiscal year ended March 31, 2007 to ¥1,014 billion ($11.7 billion) for the fiscal year ended March 31, 2012. The improvement in our credit profile is reflected by the improvements in our corporate credit rating over time, reaching an investment grade rating in November 2011. As of the date of this offering memorandum, our current long-term bond ratings from S&P, Moody's and JCR are BBB, Baa3 and A respectively, up from BB-, Ba3 and BBB following the Vodafone Japan acquisition. This reflects our long-term strategy of focusing on disciplined management, resulting in improved capital structure.

The following shows the change in our net interest-bearing debt, including lease obligations, since the acquisition of Vodafone Japan in 2006:



(1) The increase in leverage as of December 2012 (1.4x) is due to our ¥250 billion partial drawdown on the Bridge Loan for the purpose of investing $3.1 billion in Sprint and a ¥85 billion lease increase due to the acquisition of Fukuoka Yafuoku! Dome, the home stadium for our Japanese professional baseball team.

The following table shows our corporate credit ratings over time.



(1) These ratings are not recommendations to buy, sell or hold any of our securities, and are subject to revision or withdrawal at any time by the assigning rating agencies. These ratings are not indicative of future ratings or the rating to be assigned to the Notes. The rating assigned to the Notes should be evaluated independently of any other rating we may have received or may receive. Ratings are solely the responsibility of the assigning rating agencies. We did not participate in the preparation of these ratings, and we do not and cannot affirm the accuracy or suitability of any rating for any purpose.

(2) Following the announcement of the Sprint Acquisition, we are currently under review for possible downgrades pending the Sprint Acquisition by all three ratings agencies shown above. S&P issued a statement on March 29, 2013 stating that it intends to lower our credit rating to BB+ should the Sprint Acquisition close.

Market-Leading Internet Businesses

We have significant stakes in a variety of leading internet companies such as Yahoo Japan, the dominant search and portal site in Japan with an average of 51.0 billion monthly page views and 27.2 million active users in the three months ended December 31, 2012, Alibaba, the largest e-commerce company by transaction volume in China and Renren, China's largest real-name social network services (SNS) site with approximately 178 million active user accounts as of December 2012. GungHo, an online game company with a focus on mobile and PC games, recently became our consolidated subsidiary. GungHo's hit game *Puzzle & Dragons* is one of Japan's top mobile games.

Our internet-related businesses allow us to participate in and gather information on emerging market trends and, combined with our telecommunications operations, provide a strong platform for us to exploit synergies among all our business segments. By creating a conclusive and synergistic environment for content vendors, we believe we can avoid becoming a commoditized service, the so-called "dumb pipe". We believe the combination of our mobile network assets and internet related businesses create a platform that will enable us to continue to effectively compete with our principal competitors.

Experienced Management Team with an Exceptional History of Success

Our management team, in particular our founder, largest shareholder, chairman and CEO, Mr. Masayoshi Son, has significant experience in leading technology and telecommunications companies. This team has an established track record of transformation and growth-generation, as illustrated by the evolution of our group from a software distribution company to Japan's second largest mobile communications company.

Further, our management team focuses on innovative ideas and staying ahead of market trends. This has led to our successes in bringing smartphones to the Japanese market, setting trends in pricing plans and product offerings and identifying and leveraging synergies between our various business and investments. Our experienced team has demonstrated its ability to grow our business and continue to increase subscriber bases and revenues. We believe that the 30-year history of innovation in technology and internet services of our management team and, particularly, Mr. Son, is a true asset for SoftBank as we continue to execute our strategies.

Strategy

As a dynamic and growing mobile communications company, we seek to expand our business, maintain continued growth and profitability, and become the leader of mobile communications in Japan as well as one of the world's largest mobile communications companies. Specifically, we aim to pursue our goals through the following key strategies:

Maintain Innovation Leadership in Japan's Mobile Communications Market

In the fiscal year ended March 31, 2012, the SoftBank Group achieved the highest level of net sales, operating income and net income in our corporate history. These impressive results are primarily driven by strong performance of our Mobile Communications segment, where we have recorded a consistent year-on-year increase in market share since 2006. This progress is due to our innovative actions in anticipating the arrival of the mobile internet era at an early stage and promoting smartphone-based strategies ahead of our competitors. Our strategy of innovation also led us to offer simple and new pricing plans, and we have introduced to the market such plans as our in-network free calls and discount family options. We also work with handset manufacturers to ensure that our mobile handsets are at the cutting edge of design, particularly our range of specialized handsets and those offered for children featuring unique safety measures such as limited calling options, security buzzers and tracking systems built into the handsets.

Although Japan's mobile network speeds are among the fastest in the world, the relative number of active smartphone users still lags behind countries such as the United States, China, the United Kingdom and South Korea. We see this as a continuing opportunity for further sales of smartphones. We will also continue to improve our lineup of other handsets, accessories and mobile communications devices.

Further Enhance Speed and Reliability of Our Strong Network

We believe that the quality of our mobile network is a key factor in acquiring and retaining mobile subscribers. We intend to further enhance the depth and quality of our existing network and to expand our coverage in voice and data transmission through our "SoftBank Network Enhancement Initiative". Currently we are executing a plan to build over 40,000 base stations for our 900 MHz "platinum band" spectrum, for which we aim to achieve better penetration and faster speed in densely populated areas and wider area coverage in suburban areas. Our services in this band will utilize high-speed HSPA+ and FDD-LTE technologies. Combined with our services in the 1.5 GHz band, using DC-HSDPA, our services in the 2.1 GHz band, using HSPA and FDD-LTE, our services in the 2.5 GHz band, using TD-LTE-compatible AXGP, and our services in the 1.7 GHz band, using FDD-LTE, the completed 900 MHz "platinum band" build-out will make our mobile networks an even greater competitive strength. See "—Our Business Segments—Mobile Communications Segment—Our Mobile Communications Network".

Enter the U.S. Mobile Market

We have a track record of success in competing in mature markets with large incumbents and continue to look for new opportunities suited to our strengths, both in terms of product markets and geographic markets. We have entered into the Sprint Acquisition Agreement in order to capture growth by applying our successful management model and proven business best practices in the United States. See "The Sprint Acquisition". Like the Japanese mobile communications market, the U.S. mobile communications market is a highly concentrated, primarily postpaid market with two dominant service providers, significant smartphone penetration and relatively high data delivery speeds. As a result of these similarities, we are confident that we can successfully grow the Sprint business by deploying the innovations we introduced to Japan and by sharing and implementing the best practices identified by both companies. In addition, the combined subscriber base of 96 million subscribers in the United States and Japan, based on numbers from SoftBank Mobile, eAccess, Willcom and Sprint as of December 31, 2012, will provide us with significant costs savings through both economies of scale for the purchase and use of handset and network equipment, as well as increased leverage when negotiating with suppliers and the ability to obtain unique and differentiating features for our products.

Exploit Synergies Among Our Businesses

We are a leader in the other industries in which we conduct our businesses, such as broadband and fixed-line telecommunications, and our non-mobile business segments are profitable and generate positive EBITDA. We also invest in certain internet and other companies in which we see significant potential for growth, synergies with our existing businesses or profitability. Our portfolio currently includes significant stakes in a variety of leading internet companies such as Yahoo Japan, owner of the dominant search site in Japan, Alibaba, the largest e-commerce company by transaction volume in China, Renren, China's largest real-name social network services (SNS) site with approximately 178 million active user accounts as of December 2012 and GungHo, an online game company with a focus on mobile and PC games that produces *Puzzle & Dragons*, one of Japan's top mobile games. We will consider further investments in other companies as opportunities arise.

We seek to exploit the various synergies between our existing businesses and investments to, for instance, further grow our data ARPU by offering special features and services from innovative content providers and working with them to develop a stream of content and services centered on our networks and mobile handsets. In the case of the Sprint Acquisition, we hope to recognize significant synergies based on economies of scale and our experience in mobile communications and optimizing operations.

History

We incorporated in Tokyo under the laws of Japan as a distributor of software for personal computers on September 3, 1981. Since our incorporation, we have grown steadily to include an increasingly broad array of communications, technology and internet-related businesses. In 1996, we formed Yahoo Japan Corporation through a joint venture with Yahoo! Inc., marking our entrance into the internet business. In 2001, we began our *Yahoo! BB ADSL* service, our first step in providing communications services in Japan. In 2004 we acquired Japan Telecom (now SoftBank Telecom), a fixed-line telecommunications operator, and in 2006, we entered the mobile communications business when we acquired Vodafone Japan (currently SoftBank Mobile), a mobile communications operator. We believe these events have proven significant in making the SoftBank Group a leading mobile communications company in Japan. We continued to grow in this regard by introducing the *iPhone* to Japan in 2008 and by entering into a series of definitive agreements in October 2012 to acquire a majority stake in Sprint, the third largest wireless operator in the U.S. by subscribers.

Organizational Structure

The SoftBank Group comprises a pure holding company, SoftBank Corp., and, as of March 31, 2012, our 133 consolidated subsidiaries, three equity method non-consolidated subsidiaries and 71 equity method affiliates. Subsequent changes to our organizational structure since March 31, 2012, include that we will report eAccess, Wireless City Planning and GungHo as consolidated subsidiaries, from the first quarter of the fiscal year ending March 31, 2014. The Group possesses both advanced infrastructure and diverse services and content, and invests in promising companies working in the internet and telecommunications field.

As of March 31, 2013:

SoftBank Mobile is our core operating company and the main operating company in our Mobile Communications segment. SoftBank BB operates our Broadband Infrastructure segment. SoftBank Telecom is the core operating company within our Fixed-line Telecommunications segment and Yahoo Japan is the main operating company for our Internet Culture segment. Although our interest in Yahoo Japan is less than 50%, we include it in our consolidated group because we effectively control its operations.

eAccess. eAccess will be reported as our consolidated subsidiary under IFRS. It is treated as an equity-method affiliate under Japanese GAAP. eAccess, as of December 31, 2012, provided service to 4.3 million mobile subscribers under the *EMOBILE* brand through its wireless network built on W-CDMA and LTE technology in the 1.7GHz band. It also provides ADSL wholesale services to ISP partners that have a subscriber base of 1.3 million as of December 31, 2012. As of March 31, 2013, we held 33.29% of eAccess' voting interests (making us the largest shareholder) and 99.59% of its economic interest. We remain eAccess' largest shareholder, but no longer hold a majority of its voting shares.

Wireless City Planning. Wireless City Planning will be reported as our consolidated subsidiary under IFRS. It is treated as an equity-method affiliate under Japanese GAAP. Wireless City Planning is a mobile communications network operator that owns a network in the 2.5 GHz band using TD-LTE compatible AXGP technology. As of December 31, 2012, we held 33.3% of the voting rights of Wireless City Planning. We have used their network through an MVNO agreement, to provide our *SoftBank 4G* data service, with download speeds of up to 110 Mbps in Tokyo and other densely populated areas since early 2012. Wireless City Planning was originally spun off from Willcom. See "—Our Business Segments—Mobile Communications Segment—Our Mobile Communications Network" below.

Willcom. Willcom is a telecommunications company offering PHS handsets and services on the 1.9 GHz band with 4.9 million subscribers and a 3.6% market share in the overall mobile communications market as of March 31, 2013. It has been allocated significant blocks of spectrum bandwidth, on which it currently operates its nationwide PHS network. In December 2010, we acquired 100% of the shares of Willcom as part of its ¥41 billion court-administered corporate reorganization plan under the Corporate Reorganization Act of Japan. We provide financial support to Willcom while it is completing its corporate reorganization plan. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Certain Contingent Liabilities—Ongoing Financial Support for Willcom". Willcom remains under court administration and we do not consolidate it as a subsidiary or consider it an equity method affiliate.

GungHo. GungHo—an online game company with a focus on mobile and PC games, with hit games such as *Puzzle & Dragons*, one of Japan's top mobile games—was treated as our equity method affiliate through the end of the fiscal year ended March 31, 2013. GungHo is listed on JASDAQ and, as of March 31, 2013, had a market capitalization of ¥456 billion ($4.8 billion).

Alibaba Group Holding Limited. Alibaba Group Holding Limited is the largest e-commerce company by transaction volume in China, comprising 25 separate business units. The largest company in the Alibaba group by revenue is Taobao, the world's biggest consumer-to-consumer commerce website, which had over 500 million registered users as of June 2012. The Alibaba group also includes, among others, Alibaba.com, one of the largest business-to-business shopping websites in China, and Tmall.com, a business-to-consumer shopping website. As of December 31, 2011, we held 31.9% of the voting rights of Alibaba.

Our other major equity method affiliates include internet companies such as our equity method affiliate, Renren, China's largest real-name social network services (SNS) site with approximately 178 million active user accounts as of December 2012 and listed on the NYSE with a market capitalization of $1.1 billion (¥102 billion).

See "—Organizational Structure" for a chart depicting our material group companies.

Our Business Segments

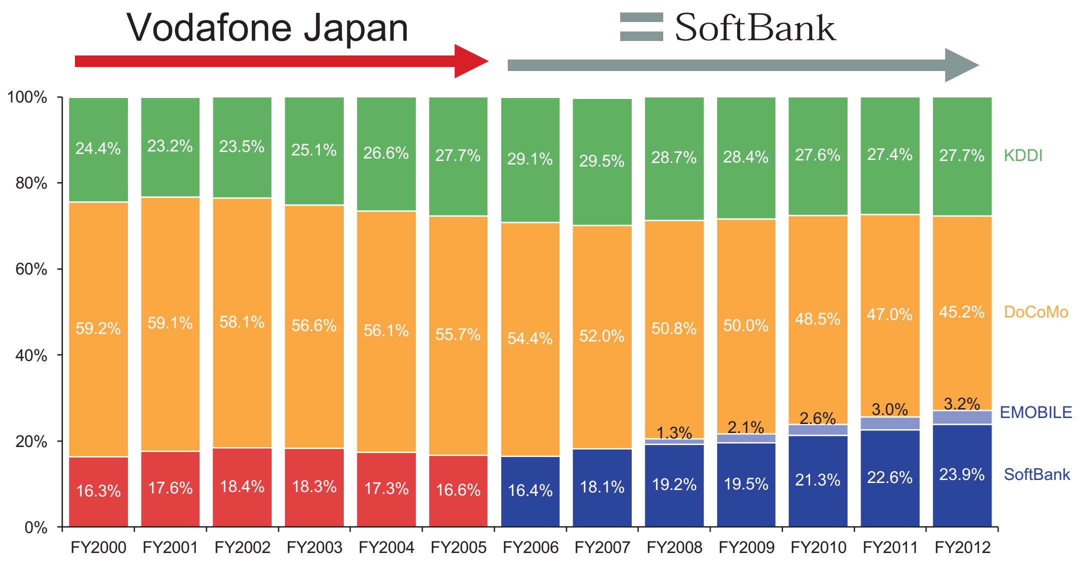
Mobile Communications Segment

Overview

We offer a range of mobile voice and data services on a variety of devices over our nationwide mobile communications network. Total mobile subscribers attributable to our Mobile Communications segment, which we count as the total number of subscribers at SoftBank Mobile, were approximately 31.3 million subscribers, representing a subscriber market share of 23.5% (excluding PHS) as of December 31, 2012.

We entered the mobile communications business in April 2006 when we acquired Vodafone Japan (presently SoftBank Mobile). By recognizing the imminent arrival of the mobile internet era and executing smartphone-based strategy and network enhancement initiatives, we have become the fastest growing and the second largest providers of mobile communications services by subscribers in Japan. One important milestone in this process was being the first carrier to offer the *iPhone* in Japan in 2008. In an effort to continue our strong record of growth in mobile communications, we are pursuing our key strategic initiatives aimed at expanding our customer base and increasing telecommunications service revenue. See "— Strategy" above. Our cumulative subscribers for this segment have grown each quarter since the first quarter of the fiscal year ended March 31, 2007.

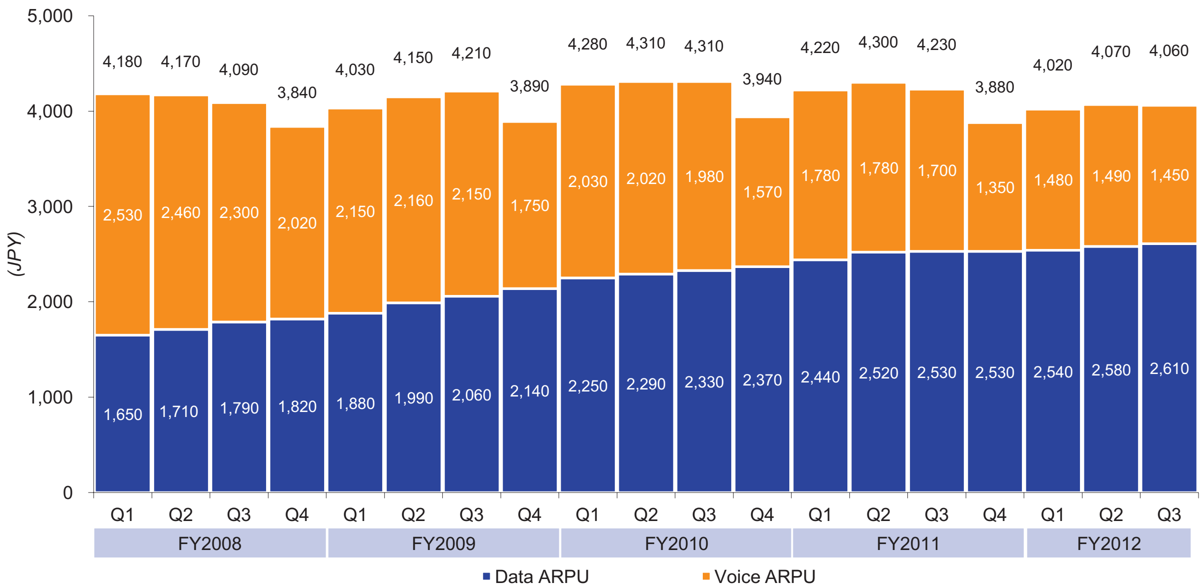
The chart below details market share growth by subscribers for our Mobile Communications segment over time, including the period preceding the Vodafone Japan acquisition.



(1) Segment market share is based on subscriber numbers at SoftBank Mobile and excludes PHS.

For the fiscal years ended March 31, 2010, 2011 and 2012, the segment generated revenue of ¥1,701 billion ($19.7 billion), ¥1,945 billion ($22.5 billion) and ¥2,145 billion ($24.8 billion) and for the 12 months ended December 31, 2012, the segment generated revenue of ¥2,224 billion (25.7 billion). For the fiscal years ended March 31, 2010, 2011 and 2012, the segment generated EBITDA in the amount of ¥504 billion ($5.8 billion), ¥620 billion ($7.2 billion) and ¥684 billion ($7.9 billion), respectively, and for the 12 months ended December 31, 2012, the segment generated EBITDA of ¥770 billion ($8.9 billion).

Through our Mobile Communications segment, we offer a range of 3G and LTE mobile services on a variety of devices over our nationwide mobile communications network. Although we have seen a general decline in voice ARPU — mirroring the general trend in the industry — due to an increase in sales of devices without voice features and a decrease in revenues from incoming calls, this has been partly offset by offering a variety of data services to subscribers, and we have been able to increase data ARPU continuously over the last five fiscal years. For the fiscal years ended March 31, 2010, 2011 and 2012, the Mobile Communications segment generated ARPU in the amount of ¥4,070, ¥4,210 and ¥4,150, respectively, of which data ARPU represented ¥2,020, ¥2,310 and ¥2,510, respectively. The chart below details our voice and data ARPU on a quarterly basis over the last five fiscal years.



Our Mobile Communications Network

As of February 2013, we had approximately 199,000 base stations, more than nine times the 20,000 base stations we had when we entered the mobile communications business by acquiring Vodafone Japan in April 2006. We have also increased the capacity of our existing network in an effort to respond to the significant increase in data usage and are currently focused on further expanding the service area of our mobile communications network, specifically our FDD-LTE network.

In early 2013, through a series of transactions, eAccess became our affiliate and entered into a business alliance agreement with us whereby we gain access to their 1.7 GHz FDD-LTE network and they gain access to our 2.1 GHz HSPA and FDD-LTE networks. See "—Important Relationships—Relationship with eAccess". This agreement gives eAccess expanded coverage for their voice and data services while accelerating the expansion of SoftBank's overall FDD-LTE capacity. See "Recent Developments—Acquisition of eAccess Ltd.".

We also lease capacity as an MVNO from our affiliate, Wireless City Planning, allowing us the use of their 2.5 GHz AXGP (TD-LTE compatible) network. This network was used to launch our high-speed *SoftBank 4G* service, with download speeds of up to 110 Mbps in Tokyo and other densely populated areas, in February 2012. See "—Important Relationships—Relationship with Wireless City Planning".

Finally, our *SoftBank Wi-Fi Spot* wireless LAN service allows SoftBank handsets to connect to the internet at high speeds without using our cellular networks when they are at a "hotspot", further easing network traffic. As of March 2013, we had over 450,000 such Wi-Fi spots, many located in areas of high network usage such as train stations and restaurants. We anticipate continued increases in network data usage in line with the proliferation of smartphones and are committed to not only addressing network traffic but also to further improving the speed and capacity of our mobile networks.

Our network is particularly strong in heavily-populated areas. As of May 2012, our *SoftBank 4G* high-speed service offers rates of up to 110 Mbps. Currently we are executing a plan to build over 40,000 base stations for our 900 MHz "platinum band" spectrum, for which we aim to achieve better penetration and faster speed in densely populated areas and wider area coverage in suburban areas. Our services in this band will utilize high-speed HSPA+ and FDD-LTE technologies. Combined with our services in the 1.5 GHz band, using DC-HSDPA, our services in the 2.1 GHz band, using HSPA and FDD-LTE, our services in the 2.5 GHz band, using TD-LTE-compatible AXGP, and our services in the 1.7 GHz band, using FDD-LTE, the completed 900 MHz "platinum band" build-out will make our mobile networks an even greater competitive strength. At the conclusion of this build-out, the enhanced 3G and LTE networks we plan to operate in that frequency will cover 99.9% of the Japanese population. It will offer high connectivity rates and download speeds in urban environments, as the 900 MHz band has a certain ability to reach around building and other obstacles. While we pursue this phase of rapid network expansion and enhancement, we are also constantly looking for ways to improve efficiency and reduce costs beyond necessary capital expenditures. For example, in our new alliance with eAccess we will be conducting a study for the effective use of base station sites for our shared networks, and will either share, build or transfer base station sites where appropriate, allowing SoftBank and eAccess to quickly expand service coverage.

Network Division

The SoftBank Group network division, which is composed of network experts and professionals from each of our segments, has overall responsibility for developing and implementing strategies for integrating the operations of each of our backbone networks in an effort to achieve lower operating costs while maximizing network performance. Our network division is also responsible for evaluating and implementing the latest technologies to ensure that we are taking advantage of the advancements.

Our Spectrum Allocations

SoftBank Mobile has been allocated spectrum in the 900 MHz, 1.5 GHz and 2.1 GHz bands for operation of our mobile communications networks. Additionally, we have access to the networks of certain of our group companies, including eAccess' network operating in the 1.7 GHz band and Wireless City Planning's network operating in the 2.5 GHz band. Although we do not use the 1.9 GHz band for our Mobile Communications segment operations, Willcom has been allocated spectrum in this band.

As of December 31, 2012, we have been allocated the following bands of spectrum:

- *900 MHz band.* We have been allocated 2 x 15 MHz in the 900 MHz band. We currently use 2 x 5 MHz of this "Platinum Band" spectrum for our HSPA+ network. We plan to commence FDD-LTE services using the remaining 2 x 10 MHz in mid-2014.

- *1.5 GHz band*. We have been allocated 2 x 10 MHz in the 1.5 GHz band. We use this spectrum for our DC-HSDPA network.
- *2.1 GHz band*. We have been allocated 2 x 20 MHz in the 2.1 GHz band. We use this spectrum for our HSPA network and our FDD-LTE network. We also plan to provide eAccess, our consolidated subsidiary under IFRS, with access to our networks operating in these frequencies in exchange for our access to certain of its spectrum in the 1.7 GHz band.

Additionally, eAccess, Wireless City Planning and Willcom have other spectrum allocations as summarized below:

- *eAccess*. eAccess has been allocated 2 x 15 MHz in the 1.7 GHz band and 2 x 10 MHz in the 700 MHz band. The 700 MHz band spectrum is expected to become available in December 2015. We have access to the eAccess FDD-LTE network operating in the 1.7 GHz band. See "—Important Relationships—Relationship with eAccess".
- *Wireless City Planning*. Wireless City Planning has been allocated 20 MHz in the 2.5 GHz band. Wireless City Planning also has rights to an additional 10 MHz in the 2.5 GHz band that is restricted to indoor use only until the end of 2014. Through an MVNO agreement, we have access to the Wireless City Planning AXGP (TD-LTE compatible) network operating in the 2.5 GHz band. See "—Important Relationships—Relationship with Wireless City Planning".
- *Willcom*. Willcom has been allocated 31.35 MHz in the 1.9 GHz band. This spectrum is used for Willcom's PHS network. See "—Important Relationships—Relationship with Willcom".

Unlike in the United States and certain European countries, radio spectrum in Japan historically has not been allocated via an auction system. Instead, the MIC allocates bandwidth after considering applications from interested parties. In this process the MIC considers a range of factors, including which proposed use for the spectrum best serves public needs and whether the parties have the necessary means to accomplish their proposals. Because the MIC can revoke allocations under certain circumstances, we are obligated to develop our spectrum in accordance with the proposals we made when applying for use of the spectrum. See "Regulation—Radio Act of Japan—Allocation of Radio Frequency Spectrum".

Our Products and Services

The primary business within our Mobile Communications segment is the provision of mobile voice and data services, with sales of handsets. Revenues from voice and data services for SoftBank Mobile, the primary operating subsidiary in our Mobile Communications segment, accounted for the vast majority of net sales for the segment.

Our mobile communications services are offered on our 3G and LTE networks. Currently our 3G network, featuring our *3G High Speed* service using the HSDPA standard, covers over 99.9% of the population of Japan, using the population coverage ratio as specified by the MIC, and our enhanced 3G network, represented by our *ULTRA SPEED* service combining DC-HSDPA and HSPA+ standards, covers approximately 80% of the population, centering around large cities. Our *SoftBank 4G* service, based on the AXGP (TD-LTE compatible) and *SoftBank 4G LTE* service, based on FDD-LTE standards, are available in major cities in Japan, and we are working rapidly to expand this coverage.

We currently offer mobile communications services on a contract, or postpaid, basis and as a prepaid service. Our typical postpaid subscriber contracts are for periods of 24 months. As of March 31, 2013, approximately 97.5% of our customers were subscribers to our postpaid service.

- *Contract (postpaid)*. Currently, our mobile communications contract subscribers pay: (i) an upfront activation fee of ¥3,150 (after tax); (ii) a fixed monthly plan charge based upon the plan chosen, which may include some free minutes; (iii) voice and data charges which vary according to call duration, amount of data transmitted and the particular plan chosen; and (iv) additional service fees for other value-added services, such as voicemail, call-forwarding and call-waiting.
- *Prepaid*. We also offer a prepaid pricing option whereby customers can purchase or charge credit online, at convenience stores and at our retail stores. Prepaid amounts can be credited against voice calls, international call services, messaging, data communications, video calls and other data services.

We offer subscribers mobile data services on most of our handsets as well as mobile voice services. These include plans for light, ordinary and heavy data and voice service usage. We currently charge based on the volume of data sent and received by a subscriber, or a flat rate, or a combination thereof, depending on the price plan.

The following chart shows our basic pricing plans for mobile phones and for the *iPhone 5*:

Plan	Monthly Fee	Voice	Data	Messaging
White Plan	¥980	Domestic calls between SoftBank subscribers: free from 1a.m. to 9p.m., ¥21 per 30 seconds at other times Domestic calls to non-network handsets: ¥21 per 30 seconds	Internet: ¥0.21 per packet (128 bytes) Internet service fee, *S! Basic Pack* (¥315 per month) is required *Unlimited Packet Discount* plans are available: flat-rate plan (¥4,410) or two-tier plan based on usage	SMS between SoftBank subscribers: free SMS receiving from non-network handsets: free SMS sending to non-network handsets: ¥3.15 per message MMS messaging: *S! Basic Pack* (¥315 per month) is required. MMS messaging is also free between SoftBank subscribers, ¥0.21 per packet (128 bytes) between non-network handsets
White Plan (i) (for iPhone 5)	¥980	Domestic calls between SoftBank subscribers: free from 1a.m. to 9p.m., ¥21 per 30 seconds at other times Domestic calls to non-network handsets: ¥21 per 30 seconds	Included in unlimited packet plans. Internet service fee, *S! Basic Pack(i)* (¥315 per month) and packet flat-rate plans are required: Flat-rate plan, *Unlimited Data Plan for 4G LTE* (¥5,460)(1) or two-tier plan based on usage	SMS between SoftBank subscribers: free SMS receiving from non-network handsets: free SMS sending to non-network handsets: ¥3.15 per message MMS messaging: Included in unlimited packet plans *S! Basic Pack(i)* (¥315 per month) and packet flat-rate plans are required.

(1) Applied under 4G LTE Flat-rate Program.

Discounts and Special Plans

Additionally, we offer various discount plans, including discounts for families, long-term subscriber discounts and high-volume users. These discount plans include the following:

- *Unlimited Packet Discount plans*: These plans allow subscribers to use unlimited messaging and data at a monthly flat-rate or a two-tier fee that is capped at a certain fixed fee when the subscriber exceeds a certain amount of usage in a given month. Under the 4G/LTE plans, if a subscriber's monthly data volume exceeds 7GB, maximum communication speed will be limited to 128kbps or an additional fee will be required to keep the high speed of 4G/LTE data service for the month. This does not apply to *Unlimited Data Plan for 4G LTE*, for *iPhone 5*.
  - *Unlimited Packet Discount Flat*, *Unlimited Packet Discount*, *Unlimited Packet Discount S* for *SoftBank 3G* users.
  - *Unlimited Packet Discount Flat for SMARTPHONE*, *Unlimited Packet Discount S for SMARTPHONE* for *SoftBank 3G* smartphone users.
  - *Unlimited Data Plan for 4G LTE* (flat-rate), *Unlimited Packet Discount for 4G LTE* (two-tier), for *SoftBank 4G LTE, iPhone 5* users
  - *Unlimited Data Plan for 4G* (flat-rate), *Unlimited Packet Discount for 4G* (two-tier), for *SoftBank 4G* smartphone users.
- *White Plan Family Discount 24*. This plan allows a subscriber to identify up to 10 other SoftBank subscriber lines to be included in the plan at a discount and provides free calls to "family" members.

- *Priority Discount*. This plan provides discounts to customers with physical and mental disabilities.
- *Charity White*. For customers who choose to make a ¥10 donation along with their monthly fees, SoftBank will add another ¥10 for a total of ¥20 donated to groups and organizations assisting with relief and recovery efforts in areas affected by the Great East Japan Earthquake.

Handsets

We offer a wide selection of handsets, as well as accessories, to our subscribers, which we source from a number of well-known suppliers, including Apple Japan, Inc., Sharp Corporation, Fujitsu Limited, Kyocera Corporation and Panasonic Corporation and which we sell through direct and indirect channels. We are continuously striving to improve the quality and breadth of our handset offerings to take advantage of new developments and new mobile handset features. The *iPhone* is our best-selling handset.

The majority of the subscribers in the Japanese mobile market are postpaid subscribers. We therefore subsidize the price of our handsets as a market strategy and in line with our competitors' practices, in order to increase our mobile subscriber base and reduce churn. The amount of the subsidy depends on the applied price plan and our current marketing strategy. Although the handset subsidies increase subscriber acquisition costs, they are standard in the Japanese mobile market, and we believe that they are effective for subscriber acquisition and retention and necessary in order to remain competitive.

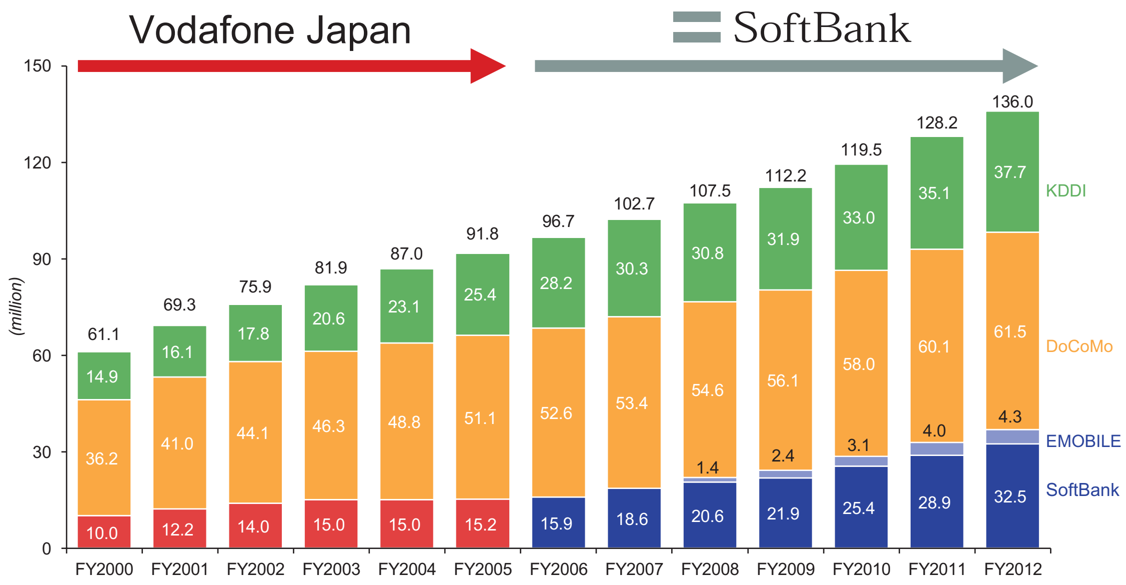
- *iPhone* and *iPad*. SoftBank was the first carrier to introduce the *iPhone* to Japan in 2008. The subsequent *iPhone* models, along with the *iPad*, have continued to comprise our core products and are drivers of our growth.
- *Mimamori phone*. The *Mimamori* series of phones have limited functions to ensure the safety of child users. The phones have an emergency cord that can be pulled, setting off an alarm on the phone and automatically sending an email with the phone's location to pre-selected telephone numbers. Additionally, the phone is designed such that calls can only be made to and received from certain pre-set numbers. The user can also send location information to specified numbers with the touch of a button.
- *Other handsets*. We also carry a variety of other handsets including those incorporating the *Yahoo! Button*, a function that will connect users directly to *Yahoo! Keitai*, a mobile phone based *Yahoo! JAPAN* search service, and "One Segment" terrestrial digital TV broadcasts.

Mobile Data Communications and Modules

SoftBank offers a range of mobile data communications products that can be used to connect computers and other mobile devices to our wireless data networks. These include our line of portable *SoftBank Mobile WiFi Routers*, the highly compact *SoftBank Connect USB* devices and *SoftBank Connect* cards. Additionally, we offer certain products with built-in communication modules, including digital photo frames and car navigation devices with telecommunications functionality.

Subscribers

As of December 31, 2012, total mobile subscribers attributable to our Mobile Communications segment, which we count as the total number of subscribers at SoftBank Mobile and which excludes subscribers attributable to eAccess and Willcom, totaled 31.3 million, implying a market share of 23.5%. This is up from 28.9 million subscribers as of March 31, 2012 and 15.2 million when we acquired Vodafone Japan in 2006**.** The following chart shows the growth in the number of our subscribers over the past 12 fiscal years.



Source: TCA and material published by eAccess.

(1) Excludes PHS.

Sales and Marketing

Our current marketing strategy is focused on the strength of our SoftBank brand and our innovative products. We have found that marketing communications, such as television commercials, website banners, or media and promotions, in addition to the base line power of a company, which we believe includes the quality of our sales personnel and brand recognition, are the biggest contributors to subscriber additions.

Branding

We have historically marketed our products and services under the "SoftBank" brand, and we believe that we enjoy strong brand recognition nationwide. We have seen a variety of benefits from the various branding and marketing market innovations that we have implemented since our acquisition of Vodafone Japan in 2006.

For example, soon after our acquisition of Vodafone Japan, we started an award-winning series of humorous commercials featuring the fictional Shirato family, which includes a talking white dog, with cameo appearances by various Japanese and American celebrities, including Tommy Lee Jones. We have also had appearances by Brad Pitt and Cameron Diaz. These commercials have been effective in enhancing our domestic brand recognition and they have even become well known in other countries. Research has revealed that these commercials have been extremely effective, particularly in changing our image at the period just after the acquisition of Vodafone Japan. For the past six calendar years, we have received top rankings for our commercials as measured by the CM Databank.

Sales Campaigns

We have conducted sales campaigns that have often been mimicked by our competitors, such as a three-year student discount for all students, including pre-school aged students, which took advantage of the high demand for additional lines and upgrades from a few months before until a few months after the beginning of the Japanese school year. We were also the first company in Japan to offer a family discount, called *White Plan Family Discount 24*, which introduced the Shirato family and which offered free calls between SoftBank Mobile "families".

We were the only distributor of the *iPhone* in Japan until October 2011 and effectively created the smartphone market in Japan from 2008 to 2011. Despite losing exclusivity with respect to the *iPhone*, we have maintained our position as the number-one seller of the *iPhone*s by units sold in Japan, in part because of various campaigns held in connection with the *iPhone*, including special discounts for "family" subscribers who use smartphones.

Sales Force

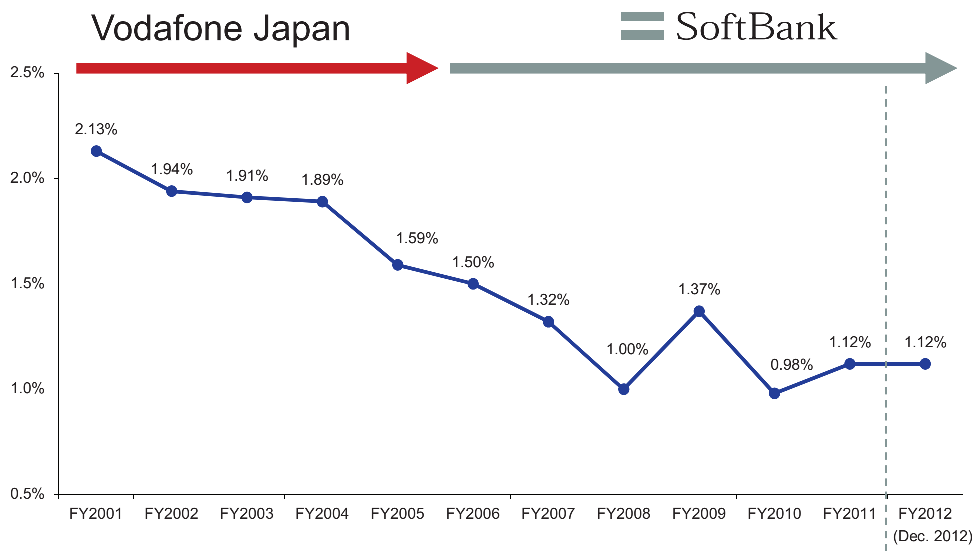
We market our mobile communications services to our subscribers through our extensive sales network throughout Japan. As we work to attract and retain subscribers, we believe that the skills of our front-line salespeople differentiate us from other carriers, whose sales networks are larger than our own in terms of headcount. We aspire to continually improve the quality of all of our salespeople from the top down. Through a step-up management structure, we ensure that our sales force is well trained and well supervised by managers with actual field sales experience. We also make use of technology such as the *iPad*, which our entire sales force uses, in order to quickly inform our sales network of new information and to monitor and confirm sales numbers throughout the day. In this way, we are able to make quick adjustments to our sales plans in order to meet our goals.

Our sales force also engages in proactive sales techniques ahead of our competitors, by conducting in-store raffles and demonstrations, as well as by using sales materials personally displayed by our sales force, such as handbills, signs and posters. We believe that our excellent sales network is a large part of the reason why we have had the most net subscriber additions among our peers for the past five calendar years.

Customer Service

We believe that maintaining high levels of customer satisfaction, increasing customer loyalty and strengthening our customer relationships will help us gain subscribers, minimize churn and increase ARPU. Therefore, we realize that customer service, including the service that we provide, both when signing up a customer and when addressing the needs of existing customers is important to retaining subscribers and maintaining the reputation and recognition of our brand name. We provide extensive customer service at the point of sale through our nationwide network of shops and dealers, who we train in customer support and who are further supported by our shop support centers. Post-sale support is handled through our toll-free support lines, which include general support services as well as technical support dedicated to the *iPhone*, email center and Twitter support. Customers also participate in surveys after receiving assistance from our support staff which enables us to monitor performance and motivate our personnel to continue to provide excellent service. Our customer service efforts are also supported by fully integrated information systems. For example, customers can use their mobile telephones or personal computers to access our website, where they can change their services, pricing plans and email addresses 24 hours a day.

The following presents our monthly average churn rates from the period before our acquisition of Vodafone Japan through the fiscal year ended March 31, 2012 and, additionally, for the nine-months period ended December 31, 2012. The spike in the fiscal year ended March 31, 2010 was due to the termination of 2G service throughout Japan.



Consumer Marketing Channels

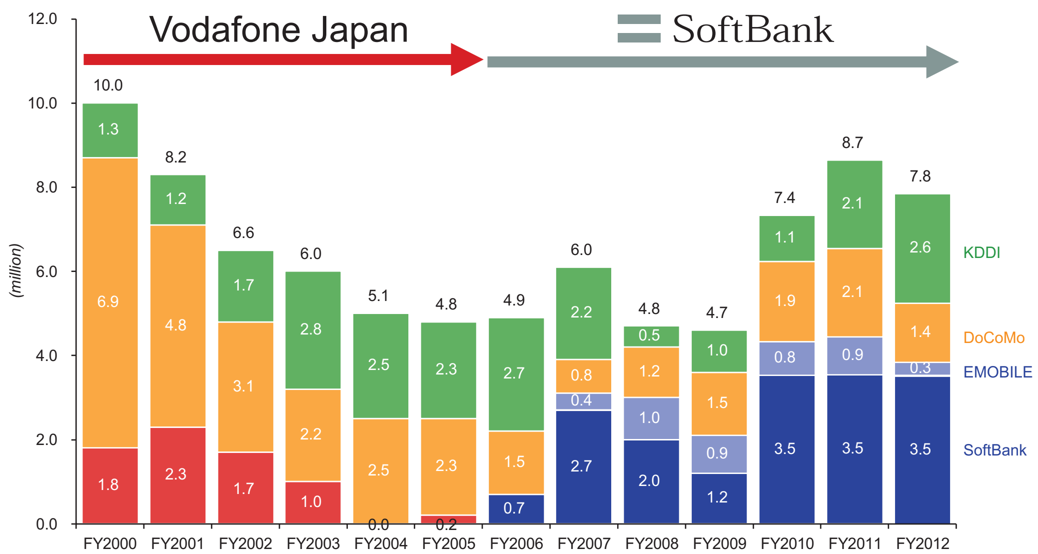
We have established an extensive nationwide distribution and after-sales service and support network comprised primarily of independent agents, which, as of February 28, 2013, included agents in over 2,716 retail shops that exclusively offer our products and services. Additionally, we market through an extensive network of mass electronics retailers and mobile retail shops, as well as mobile specialty shops, which sell multiple brands of mobile phones. The SoftBank Group has longstanding relationships with mass electronics retailers and we believe that we can leverage these relationships to promote our mobile communications services.

We believe that our Mobile Communications segment benefits from the strong positive perception of the SoftBank brand, which we use in marketing our products. After acquiring Vodafone Japan in 2006, we increased our presence at mass electronics retailers and mobile retail shops, which are a key battleground for new subscriber additions as all major operators compete side-by-side in the same area. After acquiring Vodafone Japan, we worked to obtain prime store locations within these large retailers, moving our counters near key entrances, as opposed to the inner parts of the store where Vodafone Japan counters were historically located. We also increased our overall number of counters and display tables in order to ensure that potential subscribers would notice our brand.

We also use the SoftBank Mobile website to market our products and services. The website contains detailed information on our products and services, such as product specifications, pricing plan details and service area coverage. Our website also is increasingly focused on customer self-service in order to provide subscribers with greater convenience. Subscribers can access services related to their accounts through the SoftBank Mobile website in order to see, for example, their service plan, monthly statements and customer support information.

In addition, SoftBank Telecom Corp. uses its existing customer relationships related to fixed-line and other corporate solutions to cross sell mobile, cloud and other solutions to corporate customers. These sales are included in our Mobile Communications segment.

The following shows the number of mobile communications industry-wide net subscriber additions and those attributable to our Mobile Communications segment since we acquired Vodafone Japan in 2006:



(1) Excludes PHS subscribers.

Our Other Segments

Broadband Infrastructure Segment

The Broadband Infrastructure business segment consists of our *Yahoo! BB ADSL* broadband internet access service, *Yahoo! BB hikari with FLET'S* ISP services offered as a package with NTT East's and NTT West's *FLET'S Hikari Series* fiber-optic connection, IP telecommunications services and wireless LAN services. SoftBank BB is the operator of our *Yahoo! BB ADSL* service and manages the maintenance and expansion of the broadband network. It also provides the broadband ISP for the *Yahoo! BB hikari with FLET'S* service.

As of December 31, 2012, the cumulative number of *Yahoo! BB* subscribers was 4.2 million, split into 2.3 million *Yahoo! BB ADSL* service subscribers and 1.9 million *Yahoo! BB hikari with FLET'S* subscribers. In line with the market trend of ADSL-to-FTTH migration, we are experiencing a growth in our *Yahoo! BB hikari with FLET'S* subscriber base and a decline in our *Yahoo! BB ADSL* service subscribers.

For the fiscal years ended March 31, 2010, 2011 and 2012, the segment generated net sales of ¥202 billion ($2.3 billion), ¥190 billion ($2.2 billion) and ¥172 billion ($2.0 billion), respectively, and for the 12 months ended December 31, 2012, the segment generated net sales of ¥165 billion ($1.9 billion). For the fiscal years ended March 31, 2010, 2011 and 2012, the segment generated EBITDA of ¥65 billion ($753 million), ¥61 billion ($705 million) and ¥50 billion ($581 million), respectively, and for the 12 months ended December 31, 2012, the segment generated EBITDA of ¥51 billion ($589 million).

Fixed-line Telecommunications Segment

As a fixed-line telecommunications company, SoftBank Telecom differentiates itself through network reliability and information and communications technology solutions, building on its trusted reputation and strong track record in the fixed-line telecommunications market and price competitiveness. SoftBank Telecom provides our *Otoku Line*, a direct-connection fixed-line voice service, or “landline” service, as well as data transmission services that support work style innovations and promote cross-selling with our other mobile communication services. We also provide our corporate customers with cloud computing services, collectively called *White Cloud*, in a convenient and comprehensive service package which bundles cloud services, telecommunications connection services and mobile handsets.

As of December 31, 2012, we had a cumulative *Otoku Line* subscriber base of 1.7 million.

For the fiscal years ended March 31, 2010, 2011 and 2012, the segment generated net sales of ¥349 billion ($4.0 billion), ¥357 billion ($4.1 billion) and ¥368 billion ($4.2 billion), respectively, and for the 12 months ended December 31, 2012, the segment generated net sales of ¥385 billion ($4.5 billion). For the fiscal years ended March 31, 2010, 2011 and 2012, the segment generated EBITDA of ¥67 billion ($0.8 billion), ¥86 billion ($1.0 billion) and ¥105 billion ($1.2 billion), respectively, and for the 12 months ended December 31, 2012, the segment generated EBITDA of ¥115 billion ($1.3 billion).

Internet Culture Segment

Yahoo Japan, our primary subsidiary operating in the Internet Culture segment, was established in 1996 as a joint venture between Yahoo! Inc. and SoftBank Corp. and is the dominant search and portal site in Japan. Monthly page views, based on IP address, for its portal site for the three months ended December 31, 2012 reached over 51 billion making it the most visited internet portal site in Japan during such period. Yahoo Japan offers internet users a wide range of services, including search, information listing, community, e-commerce and games, all of which are accessible from the *Yahoo! JAPAN* internet portal site. We leverage the brand name of *Yahoo! Japan* in our other businesses as well.

In 2012, Yahoo Japan changed its management team and began a shift to increase its focus from PCs to smartphones. This strategy is called “Smartphone First” and gives top priority to upgrading and expanding smartphone services. Yahoo Japan will seek to develop a steady stream of services that help solve issues faced by smartphone users and will work closely with SoftBank Mobile and other SoftBank Group companies that provide smartphone services.

As of March 31, 2012, the SoftBank Group held 42.2% of the voting shares of Yahoo Japan which is listed on the Tokyo Stock Exchange with a market value of ¥2.5 trillion ($26.8 billion).

For the fiscal years ended March 31, 2010, 2011 and 2012, the Internet Culture segment generated net sales of ¥271 billion ($3.1 billion), ¥284 billion ($3.3 billion) and ¥294 billion ($3.4 billion), respectively, and for the 12 months ended December 31, 2012, the segment generated net sales of ¥317 billion ($3.7 billion). For the fiscal years ended March 31, 2010, 2011 and 2012, the segment generated EBITDA of ¥148 billion ($1.7 billion), ¥162 billion ($1.9 billion) and ¥169 billion ($2.0 billion), respectively, and for the 12 months ended December 31, 2012, the segment generated EBITDA of ¥185 billion ($2.1 billion).

Other Segment

We are also involved in other businesses including IT and telecommunications ventures; entertainment, including our Fukuoka SoftBank Hawks-related businesses; and various other ventures in the internet sector and related areas.

For the fiscal years ended March 31, 2010, 2011 and 2012, the segment generated revenue of ¥332 billion ($3.8 billion), ¥344 billion ($4.0 billion) and ¥361 billion ($4.2 billion), respectively, and for the 12 months ended December 31, 2012, the segment generated revenue of ¥378 billion ($4.4 billion). For the fiscal years ended March 31, 2010, 2011 and 2012, the segment generated EBITDA of ¥11 billion ($0.1 billion), ¥13 billion ($0.1 billion) and ¥16 billion ($0.2 billion), respectively, and for the 12 months ended December 31, 2012, the segment generated EBITDA of ¥17 billion ($0.2 billion). Our Other segment made up 10.9% of our consolidated net sales and less than 2% of our consolidated EBITDA for the 12 months ended December 31, 2012.

Important Relationships

Relationship with Vendors

As the first carrier to market the *iPhone* in Japan, we have a well-established relationship with Apple Inc. We believe that our relationship with Apple Inc., as with other major vendors, is healthy.

Relationship with NTT

Maintaining our relationship with NTT is important to us. NTT, which is currently one-third owned by the Japanese government, owns a significant portion of the telecommunications infrastructure in Japan as an incumbent telecommunications operator. As telecommunications providers, certain SoftBank Group companies in Japan are party to interconnection agreements with NTT. Furthermore, certain SoftBank Group companies have formed alliances with NTT East and NTT West whereby NTT provides fixed-line broadband services to users while SoftBank Group companies provide mobile broadband or other package services to the same users.

Relationship with Yahoo! Inc.

In 1996, we entered into a joint venture agreement with Yahoo! Inc. (as amended by the Amendment Agreement dated September 17, 1997, the "Yahoo Joint Venture Agreement") in order to create a Japanese version of Yahoo! Inc.'s online navigational services and to sell online advertisement space, amongst other purposes. The Yahoo Joint Venture Agreement has a perpetual term under which either party may terminate for material breach. However, Yahoo! Inc. may also terminate the agreement if Yahoo Japan sustains net losses for four consecutive fiscal quarters and the parties cannot agree on a future business plan for the joint venture. Additionally, neither Yahoo! Inc. nor SoftBank may directly or indirectly sell, assign, transfer, dispose, pledge, or encumber any shares of Yahoo Japan common stock, or purchase shares on the open market, without the prior consent of the other.

Yahoo Japan has a license to the *Yahoo!* brand in Japan from Yahoo! Inc. This licensing agreement dated April 1, 1996 and as amended on September 17, 1997, (the "Yahoo! Licensing Agreement") is critical to our Internet Culture business segment and is used in certain service names such as *Yahoo! JAPAN*. If Yahoo Japan is unable to use the *Yahoo!* brand for any reason, our broadband internet service and other services with *Yahoo!* branding could be significantly damaged. Our chairman and CEO, Mr. Masayoshi Son, is also the chairman of Yahoo Japan and, as of March 31, 2012, as a group, we owned 42.2% of the shares of the Yahoo Japan.

Relationship with eAccess

As of March 31, 2013, we own 33.29% of eAccess' voting interests and maintain 99.59% of the economic interest in the company. eAccess has been allocated 2 x 15 MHz in the 1.7 GHz band and 2 x 10 MHz in the 700 MHz band, and we have access to its FDD-LTE network operating in the 1.7 GHz band. eAccess' 700 MHz expected to become available from December 2015. eAccess will be reported as our consolidated subsidiary under IFRS from the first quarter of the fiscal year ending March 31, 2014.

Relationship with Wireless City Planning

As of March 31, 2013, we own 33.3% of the voting rights of Wireless City Planning. Through an MVNO agreement, we have access to Wireless City Planning's AXGP (TD-LTE compatible) network in the 2.5 GHz band, which we currently use to offer our *SoftBank 4G* mobile communications services. Wireless City Planning will be reported as our consolidated subsidiary under IFRS.

Relationship with Willcom

Willcom is a telecommunications company offering PHS handsets and services on the 1.9 GHz band with 4.9 million subscribers and a 3.6% market share of the overall mobile communications market as of December 2012. It has been allocated significant blocks of spectrum bandwidth, on which it currently operates its nationwide PHS network. In December 2010, we acquired 100% of the shares of Willcom as part of its ¥41 billion ($474 million) court-administered corporate reorganization plan under the Corporate Reorganization Act of Japan. Under a sponsor agreement entered into during the fiscal year ended March 31, 2011, we are obligated to provide Willcom with the financial support necessary for its business operations and the execution of its corporate reorganization plan, until such time as it completes the payments of its reorganization claims and reorganization secured claims under the reorganization plan. As of December 31, 2012, such outstanding payments amounted to ¥27 billion ($316 million). Willcom remains under court administration and we do not consolidate it as a subsidiary or consider it an equity method affiliate.

Intellectual Property

SoftBank Corp. is the holder of the registered trademark "SoftBank" and the related corporate logo. SoftBank Corp. permits certain SoftBank Group companies to use its registered trademark.

Certain of the SoftBank Group companies have registered, and have patents pending with respect to, trademarks, registered designs, patents and utility models. In addition, certain of the SoftBank Group companies license the right to use certain intellectual property from third parties, including Yahoo Japan's licensing agreement with Yahoo! Inc.

Insurance

To the extent that it is reasonably available, we maintain insurance policies, which have policy specifications and insured limits that are adequate and appropriate for our business. Like many other companies in Japan, risks covered by our insurance policies include fire, theft, flood and explosion.

We also maintain a range of insurance policies for our directors that is appropriate for our business.

Properties and Leases

We generally lease all of our offices including our head office in Tokyo. Generally, our subsidiaries also lease their properties, although each subsidiary may at its own determination purchase office space and other properties.

We leased the Fukuoka Yafuoku! Dome ("Yafuoku! Dome") from Hawks Town Co. from January 28, 2005 until recently when we entered into a trust beneficiary purchase agreement on March 27, 2012, a common arrangement in Japan, pursuant to which we hold a beneficial interest in the trust comprised of the property. Under the agreement, we will purchase the beneficial interest by July 2015. As a result, we reclassified the original lease contract into a finance lease and recorded the buildings and structures at an acquisition cost of ¥38 billion ($442 million) and land at an acquisition cost of ¥49 billion ($571 million) in our consolidated financial statements.

The Yafuoku! Dome is a multi-purpose facility, opened in 1993. It accommodates about 38,000 people and is used to hold baseball games, music concerts and various other events. We initially leased the Yafuoku! Dome to provide a home field for the Fukuoka SoftBank Hawks, a Japanese professional baseball team that we own. The Fukuoka SoftBank Hawks have greatly increased SoftBank Group's visibility, especially when the team won the 2011 Japan Series championship. We eventually decided to acquire a greater interest in Yafuoku! Dome to allow us to expeditiously operate and refurbish the facility and to reduce the cost burden associated with leasing it.

Our major subsidiaries lease certain telecommunications equipment and service lines, buildings and structures, other property, equipment and software. Once the assembly, installation and inspection of newly acquired equipment are complete, we sell the equipment, excluding the installed software, to leasing companies and lease the equipment back from them under sale and lease-back arrangements. At the same time, we enter into loan contracts with the lessors to pay for the value of the software installed in the equipment. We include the cash inflows from the sale of the equipment to leasing companies and the proceeds from the loan arranged for the software portion as proceeds from the sale and lease-back of equipment newly acquired under cash flows from financing activities in our consolidated financial statements.

Employees

As of March 31, 2012, we had 22,710 full-time employees.

The following table shows the aggregate number of our full-time employees. During the fiscal year ended March 31, 2012, we had an average of 3,522 part-time employees.

	As of March, 31		
	2010	2011	2012
Mobile Communications	6,417	6,729	6,955
Broadband Infrastructure	2,432	1,972	1,872
Fixed-line Telecommunications	4,520	4,626	4,995
Internet Culture	5,081	4,765	5,125
e-Commerce(1)	1,817	—	—
Other	1,470	3,556	3,588
Group-wide	148	151	175
Total	21,885	21,799	22,710

(1) This segment was eliminated as of the end of the fiscal year ended March 31, 2010 and became part of our Other segment.

Group-wide, we enjoy good relations with our employees. Employees at SoftBank Telecom are unionized. The most recent agreements made with this union are agreements relating to overtime, vacation, post-retirement employment and are effective from April 1, 2013. None of our other SoftBank Group companies maintain unions. We have not experienced labor-related work stoppages.

We believe the level of remuneration, fringe benefits, working conditions and other allowances, which include pension payments to employees upon retirement, provided to our employees is generally competitive with those offered in Japan by other companies in similar industries.

Legal Proceedings

In connection with the Sprint Acquisition, purported stockholders of Sprint have filed several stockholder class action complaints against Sprint, its directors and us alleging, among other things, that the Sprint board of directors conducted an unfair sales process resulting in an unfair consideration to the Sprint stockholders. The complaints assert that members of Sprint's board of directors breached their fiduciary duties in agreeing to the Sprint Acquisition between Merger Sub (Starburst III) and Sprint and in agreeing to the issuance of a bond whereby we will indirectly hold approximately 16.4% of Sprint common stock upon the conversion thereof and that the disclosure made in Sprint's preliminary proxy statement is inadequate. The complaints name SoftBank Corp. and certain of our U.S. subsidiaries that are signatories to the Sprint Acquisition Agreement as defendants. Some complaints further allege that SoftBank Corp. and certain of our U.S. subsidiaries aided and abetted the Sprint directors' alleged breaches of fiduciary duty. The lawsuits seek to enjoin the Sprint Acquisition between Merger Sub and Sprint and seek unspecified monetary damages. For more on the legal proceedings arising from the Sprint Acquisition, please see Sprint's Annual Report on Form 10-K for the fiscal year ended December 31, 2012, included elsewhere in this offering memorandum.

REGULATION

General

The business activities of the SoftBank Group are subject to various governmental regulations in Japan and the other jurisdictions in which we operate, including regulations relating to business and investment approvals, consumer protection, intellectual property, taxation, foreign exchange controls and environmental requirements. Applicable regulations are frequently introduced, abolished or amended, and in any event are subject to interpretation by governmental and judicial authorities.

In particular, our mobile communications business, broadband infrastructure business and fixed-line telecommunications business are subject to general regulations applicable to the telecommunications industry in Japan, of which the following are the most significant:

- the Telecommunications Business Act of Japan (Act No. 86 of 1984, as amended) (the "TBA");
- the Radio Act of Japan (Act No. 131 of 1950, as amended) (the "Radio Act"); and
- the Wire Telecommunications Act of Japan (Act No. 96 of 1953, as amended) (collectively together with the TBA and the Radio Act, the "Telecommunications Regulations").

The Telecommunications Regulations are administered primarily by the Ministry of Internal Affairs and Communications of Japan (the "Ministry") through regulatory actions of the responsible government minister (the "MIC Minister" and together with the Ministry, the "MIC"). Additionally, the Japan Fair Trade Commission has jurisdiction over telecommunications carriers by virtue of its powers under the Act Concerning Prohibition of Monopoly and Maintenance of Fair Trade (Act No. 54 of 1947, as amended) to prohibit anti-competitive practices.

As is typical for regulatory authorities in Japan, the MIC has announced various guidelines in connection with the implementation of applicable laws for the primary purpose of clarifying the meaning of such laws as well as ordinances made under them. Such guidelines are informal in nature and do not have the status of legislation passed by the National Diet of Japan, the primary legislative body in Japan (the "Diet"). Accordingly they are not legally binding on telecommunications carriers. Nevertheless, such guidelines serve as a statement of the regulatory interpretation of applicable laws and, accordingly, telecommunications carriers are, in practice, required to comply with them.

Telecommunications Business Act of Japan

General

The TBA applies to entities that conduct telecommunications activities such as mobile communications services, fixed-line telecommunications services, DSL access services, internet and FTTH access services. Pursuant to the TBA, companies that conduct such activities are subject to registration and notification requirements, interconnection requirements, as well as various other regulations.

The following summarizes certain material requirements under the TBA.

MIC Notification or Registration of Telecommunications Business Operations

The TBA generally classifies a telecommunications carrier as either a "registration carrier" or a "notification carrier". A carrier that installs cable facilities across more than one administrative region, such as terminal facilities installed in multiple municipalities, or relay facilities installed in multiple prefectures, is required to register with the MIC prior to providing telecommunications services and is considered a registration carrier. A carrier that does not install terminal and/or relay facilities in multiple administrative regions is only required to notify the MIC prior to providing telecommunications services and is considered a notification carrier.

Registration carriers, such as SoftBank Mobile, SoftBank Telecom, SoftBank BB, Willcom, eAccess and Wireless City Planning, must file a detailed application for registration with the MIC. Such application must include information on the facilities and equipment, and the target service areas. The MIC will generally approve the applicant's registration if the MIC finds that commencement of the applicant's business is not likely to impede fair competition within the telecommunications market or is otherwise appropriate for the sound development of the telecommunications industry of Japan.

Once registration is granted, the MIC has the authority to rescind a registration in certain cases, including, among others, where the registered carrier has breached the TBA or any order or disposition issued under the TBA, and the MIC considers such breach damaging to the public interest. If a telecommunications carrier violates certain provisions under the TBA, such as by providing telecommunications services without registration or by failing to comply with orders issued by the MIC, the MIC may impose penalties on such carrier.

Category I-designated Telecommunications Facilities and Category II-designated Telecommunications Facilities

Based on the number of relay facilities installed in service areas and certain other criteria, the MIC may designate facilities as (i) Category I-designated telecommunications facilities (local fixed-line systems) and/or (ii) Category II-designated telecommunications facilities (mobile communication systems). Operators of Category I and Category II-designated telecommunications facilities are subject to additional stringent regulations, which are primarily designed to prevent anticompetitive practices. Among other matters, the SoftBank Group is subject to regulation of interconnection fees as applicable to operators of Category II-designated telecommunications facilities.

As of the date of this offering memorandum, Nippon Telegraph and Telephone East Corporation ("NTT East") and Nippon Telegraph and Telephone West Corporation ("NTT West"), two fixed-line telecommunications carriers belonging to the NTT group, are the only operators in Japan that operate Category I-designated telecommunications facilities, while NTT DoCoMo, KDDI, Okinawa Cellular Telephone Company (a subsidiary of KDDI) and SoftBank Mobile are the only operators in Japan that operate Category II-designated telecommunications facilities.

Interconnection

General

Subject to certain exceptions, the TBA requires telecommunications carriers to allow other telecommunications carriers to interconnect with their telecommunications facilities. In general, the carriers enter into a mutual written agreement setting forth the terms of such interconnection, including interconnection fees. If operators of Category I-designated telecommunications facilities or Category II-designated telecommunications facilities are included in the parties of the agreement, such agreement must contain the terms of interconnection, including interconnection fees, which, depending on the type of operator, have been notified to or approved by the MIC.

Upon an application by a carrier or both carriers, the MIC has the power, directly or through its dispute settlement commission, to require negotiation, mediation and arbitration of disputes between telecommunications carriers, to order telecommunications carriers to modify proposed interconnection fees and to grant awards with respect to the terms of interconnection (including interconnection fees).

Interconnection Fees for Operators of Category II-designated telecommunications facilities

Interconnection fees to interconnect with Category II-designated telecommunications facilities, such as those operated by SoftBank Mobile, are determined according to a calculation prescribed by the MIC. In particular, in March 2010, the MIC announced the "Guidelines Relating to Operation of the Category II-Designated Telecommunications Facility System," which apply to operators of Category II-designated telecommunications facilities and which generally prescribe that interconnection fees shall be calculated by dividing the sum of the maintenance costs with respect to the facilities and enterprise capital costs by the aggregate hours of communication or the volume of traffic.

Operators of Category II-designated telecommunications facilities determine their interconnection fees based upon such calculation. Further, they are required to notify the MIC of the tariff, including interconnection fees and other interconnection terms . Such notification is required prior to the implementation of the tariff or any amendment thereof, and the operator cannot enter into or amend an interconnection agreement in a manner that is inconsistent with the tariff previously notified to the MIC. Such tariffs, including interconnection fees, must be publicly disclosed (for example on the website of the operator of the Category II-designated telecommunications facilities). The table below describes the interconnection fees for voice communication disclosed by NTT DoCoMo, KDDI and SoftBank Mobile as of March 2013.

	Interconnection Fees for Voice Communication[(1)]	
	within zone[(2)]	**outside zone**[(3)]
NTT DoCoMo	¥0.067/second	
KDDI	¥0.082/second	¥0.104/second
SoftBank Mobile	¥0.082/second	¥0.095/second

Source: Company information

(1) "Voice communication" refers to inbound calls to mobiles through fixed line or from other mobiles. The precise scope of services provided by each carrier at these rates under the category of voice communication is not disclosed in detail and may differ from carrier to carrier.

(2) Where point of interface and caller-receiver are in the same service area.

(3) In cases other than (2) above.

The MIC may order a carrier to modify such interconnection fees in certain cases, such as where the interconnection fees exceed an amount corresponding to maintenance costs for the facilities plus enterprise capital costs, as deemed appropriate under efficient management.

Interconnection Fees for Operators of Category I-designated telecommunications facilities

Operators of Category I-designated telecommunications facilities (NTT East and NTT West) must obtain the approval of the MIC with respect to the tariff, including interconnection fees and other interconnection terms except for certain terms set forth in the ordinance of the TBA, prior to implementation or amendment thereof. Further, such tariff including interconnection fees must be publicly disclosed (for example on the website of the operator of the Category I-designated telecommunications facilities).

Universal Services

Under the TBA, certain types of calls—calls to public facilities, calls to home telephones and emergency calls to police or fire stations—are considered "Universal Services" (i.e., telecommunications services deemed to be indispensable for daily life). As of the date hereof, the only "qualified carriers" of Universal Services are NTT East and NTT West. Therefore, other carriers, including SoftBank Mobile, SoftBank Telecom, SoftBank BB, Willcom and eAccess, that benefit by interconnecting to the NTT East and NTT West facilities, must share the cost of such services pursuant to a prescribed formula for allocating costs.

Land Use Privilege

The MIC may designate certain carriers as "Approved Carriers"—carriers who enjoy certain privileges specified in the TBA, such as the ability to obtain rights-of-way to use other parties' land under certain specified circumstances. SoftBank Mobile, SoftBank Telecom, SoftBank BB, Willcom, eAccess, BB BACKBONE Corp. and Wireless City Planning are Approved Carriers.

In order to become an Approved Carrier, the carrier must submit a detailed application to the MIC describing matters such as target service areas, planned facilities and equipment, its business plan (containing five-year revenue and expenditure projections), and the identity and qualifications of chief engineers. Review by the MIC focuses on the applicant's financial and technical capacity, the soundness and reasonableness of its business plan and the applicant's ability to obtain other necessary registrations.

This approval is an addition to those required as a registration carrier or a notification carrier, as discussed above.

An Approved Carrier may, provided it has justifiable reason, refuse to provide telecommunications services relating to its Approved Carrier status. If the Approved Carrier is unable to provide such services, the MIC may order the Approved Carrier to improve its business activities or take other measures to the extent deemed necessary to protect the interests of end users or the public. Further, the MIC has the authority to rescind the approval in certain cases, including, among others, where the Approved Carrier has breached the TBA or any order or disposition issued under the TBA, and the MIC considers such breach damaging to the public interest.

Other Regulations under the TBA

Protection of End Users

The TBA requires telecommunications carriers to explain to end users the terms and conditions (including service charges) of a contract relating to certain telecommunications services prior to execution thereof, to promptly and properly process any customer complaints or inquiries, and to generally notify end users before ceasing or terminating all or part of telecommunications services. The "Guidelines Regarding Protection Rules for Consumers of Telecommunication Business Act," issued by the MIC, contain detailed explanations of the above requirements and other consumer protection guidelines, such as the requirement that in soliciting or entering into a telecommunications service contract with an end user, the operator must provide sufficient explanation of such contract to the end user, taking into consideration such end user's knowledge and experiences relating to telecommunications services.

Business Improvement Order

The MIC may order telecommunications carriers to improve business activities in order to protect the interests of end users or the public. In particular, the MIC may order telecommunications carriers to improve business activities for reasons such as protecting the privacy of communications, avoiding discriminatory treatment, and giving due consideration to important communications.

Maintenance of Facilities

Telecommunications carriers that install telecommunications circuit facilities must maintain their facilities in compliance with specified technical standards and must confirm compliance to the MIC before commencing operation of such facilities. If the MIC determines that such facilities fail to meet the relevant technical standards, the MIC may order the carrier to improve or repair the facilities or restrict operation of such facilities.

Radio Act of Japan

General

Certain of our businesses are subject to the provisions of the Radio Act, which regulates licenses for radio transmission stations, radio equipment, radio operators, radio operations and the transmission of radio waves. The Radio Act impacts, among other matters, our mobile communications business, due to the fact that radio waves are used by transmitters to communicate with mobile telephone handsets.

License Requirement

Any person who intends to establish radio transmission stations must first obtain a license from the MIC. In particular, mobile communications service providers must obtain a license for each base station and for handsets.

The MIC has introduced a technical standards verification system and a blanket licensing system (which can be used for handsets) in order to expedite the licensing process. With certain exceptions, a license under the Radio Act has a term of five years, and is thereafter renewable for additional five-year terms pursuant to the Radio Act. A license holder must generally obtain MIC approval in advance of any operational changes relating to the licensed activities, such as modifications to wireless facilities, changes to the location of wireless facilities or changes to the recipients of wireless communications services, and is subject to periodic inspection of its facilities.

The MIC has the authority to rescind a license under certain circumstances, and may order cessation or restriction on the operation of radio stations after a cure period of less than three months if the license holder has breached the Radio Act or the Broadcasting Act of Japan (Act No. 132 of 1950, as amended) or any order or disposition under such laws. If a license-holder violates certain provisions under the Radio Act, such as operating a radio transmission station in violation of the terms of its license, such carrier may be subject to penalties.

Allocation of Radio Frequency Spectrum

Allocation Process

Unlike other jurisdictions which allot frequency spectrums by way of an auction system, use of radio frequency spectrum in Japan is allocated at the discretion of the MIC after consultation with the Radio Regulatory Council and consideration of plans submitted by operators.

The Radio Act gives the MIC the authority to allocate frequency spectrum to private telecommunications operators for the establishment of radio transmission stations. When the MIC determines that it will allocate frequency spectrum, it must provide notice of the frequency spectrum ranges to be allocated, the planned timeline for allocation and establishment of radio transmission stations, and other matters (the “Allocation Proposal”). The MIC first submits a draft of the Allocation Proposal to the Radio Regulatory Council for approval. Once the council gives its approval, the MIC publicly announces the Allocation Proposal, together with details of the application deadlines for carriers.

Any application submitted to the MIC in connection with an Allocation Proposal must contain, among other matters, evidence of the necessity of establishing radio transmission stations, a business plan, a plan for utilization of the applicable frequency spectrum, the proposed number of radio transmission stations and their proposed locations, the timeframe for establishing stations and the service area. In allocating spectrum, the MIC compares the plans submitted by operators and considers various factors such as whether or not such application conforms with the Allocation Proposal, the soundness of the business plan, the scale of the proposed investment and provision of access to mobile virtual network operators. The MIC will allocate spectrum based on its review and approval of such plans. A carrier dissatisfied with an allocation determination of the MIC may file an objection with the MIC, and if such objection is rejected by the MIC, it may file a lawsuit for revocation of such rejection.

The MIC’s allocation of radio frequency spectrum pursuant to an approved plan does not have a finite term; however, while it rarely exercises such authority, the MIC does have the power to reallocate spectrum as it deems necessary to secure an appropriate and reasonable utilization of frequency spectrum, taking into consideration the effect that such actions may have on existing carriers. The MIC also has the authority to rescind its approval of an application in certain cases, including, among others, where the carrier has failed to establish radio transmission stations in accordance with the approved plan, without justifiable reasons.

See "Business—Strengths—High-quality and Reliable Network" for a distribution of existing spectrum allocations between the SoftBank Group and our primary competitors.

Consideration of Auction System

In March 2011, the MIC established a "Panel regarding Spectrum Auction" to consider the potential implementation of a spectrum auction system. In December 2011, this panel released a report which supported implementing an auction system for 4G mobile telecommunications. Following publication of this report, a bill to amend the Radio Act to introduce an auction system was submitted to the Diet in 2011. However, due to a shift of political power in Japan in 2012, the Diet was dissolved while deliberations on the bill were ongoing. The bill has not been passed and has not been discussed by the Diet since 2012. Recently, the MIC announced that the MIC does not have any immediate plans to request the Diet to amend the Radio Act in order to implement an auction system.

MIC Action Plans

Since 2004, the MIC periodically announces an "Action Plan to Reorganize Frequencies", the most recent version of which was announced in October, 2012. The action plan proposes a basic policy for the allocation of frequency bands. Under the action plan, frequency spectrums are divided into seven bands, including the band from 470MHz ~ 960MHz, which is the band most commonly used by mobile telecommunications carriers. The action plan effectively states that the MIC's policy is to reallocate frequencies as necessary in order to efficiently manage the frequency spectrum for the growing use of mobile telecommunications system in the mid- to long-term.

In addition, in November 2010, the MIC set up a working group which issued the "Action Plan to Reorganize Frequencies toward Promotion of Wireless Broadband," which proposed a basic policy for the promotion of advanced wireless broadband services in Japan, and included a basic policy regarding allocation of the frequencies in the 700MHz band and the 900MHz band for mobile communications services.

At the end of February 2012, the MIC approved a plan submitted by SoftBank Mobile to establish radio transmission stations using the 945MHz to 960MHz frequency band, which is currently available for our use. In addition, in June 2012, the MIC approved plans submitted by NTT DoCoMo, Okinawa Cellular Telephone Company (a subsidiary of KDDI) and eAccess to establish radio transmission stations using the 773MHz to 803MHz frequency band, which is expected to become available from 2015.

Latest Proposals Concerning TBA and the Radio Act

In addition to the requirements described above, certain regulatory bodies have announced various proposals with respect to the TBA and the Radio Act. Certain significant proposals are set forth below.

Guidelines Concerning Fair Competition

In March 2008, the MIC and the Japan Fair Trade Commission jointly issued the "Guidelines for the Promotion of Competition in the Telecommunications Business Field," in which they announced an intention to collaborate to further promote competition in the telecommunications field. These guidelines deal with areas such as interconnection, lease of telegraph poles or conduits and provision of telecommunications services, any of which may give rise to regulatory issues under both the TBA and the Act Concerning Prohibition of Monopoly and Maintenance of Fair Trade. The guidelines recommend certain actions desirable for carriers to promote further competition, such as the establishment of information barriers between departments with responsibility for interconnection and other departments.

In May 2012, the MIC issued the "Guidelines Relating to Operation of System to Review the Fair Competition for Wider Adaption of Broadband". Pursuant to these guidelines, the MIC proposes to review whether the regulations applicable to the NTT group companies, such as the TBA and the Act Concerning Nippon Telegraph and Telephone Corporation, Etc. (Act No. 85 of 1984, as amended), promote fair competition. This review has not resulted in any amendment of regulations or other recommendations to promote fair competition. However the MIC is likely to continue to review the situation.

Further, under the TBA, an operator of Category II-designated telecommunications facilities that is a "designated carrier" (as determined by the MIC based on the operator's market share in terms of the most recent annual revenue market share history and certain other criteria) is subject to additional regulations. For example, such an operator is prohibited from using information relating to other carriers and end users, which the operator acquired in the course of providing interconnection services, for purposes other than the provision of such services. In addition, such an operator is prohibited from giving unfair advantage or disadvantage to another operator with respect to interconnection, and cannot unfairly interfere with the business of other operators, manufacturers or retailers of telecommunications facilities. As of the date hereof, KDDI and SoftBank Mobile are not designated carriers, although this is subject to review from a fair competition point of view.

Guideline Regarding MVNOs

Mobile virtual network operators ("MVNOs") are companies that have not received allocations of spectrum and do not own network infrastructure, but who provide mobile telecommunications services by leasing network capacity from other network operators. MVNOs therefore increase the variety of mobile telecommunications services available to consumers and promote the active exploitation of radio spectrum.

The MIC has formulated the "Guidelines Regarding the Application of the Telecommunications Business Act and the Radio Act to Mobile Virtual Network Operators" (the "MVNO Guidelines") to promote market entry by new MVNOs. Under the MVNO Guidelines, the telecommunications services to be provided by a mobile network operator to an MVNO, and the terms of MVNO services, are decided by consultation between the parties. However, when an MVNO requests access to a mobile network on behalf of its customers, unless the operator has grounds to refuse (such as where there is a risk that such interconnection would affect the smooth provision of telecommunications services or where there is a risk that such interconnection would unfairly impair the interests of the carrier), the TBA requires the operator to grant access to the MVNO. Upon an application by a carrier or both carriers, the MIC has the power, directly or through its dispute settlement commission, to require carriers to negotiate, to arbitrate or mediate disputes with other carriers, to order carriers to modify proposed interconnection fees and to grant awards with respect to the terms of interconnection (including interconnection fees).

Mobile Number Portability

Since late 2006, the MIC, through its "Regulations for Telecommunications Numbers," has required mobile operators to provide a process whereby customers can retain their phone numbers when migrating from one operator to another. This number portability requirement, however, does not apply to email addresses associated with mobile devices in Japan.

Guidelines Regarding SIM Unlocking Functions

Most mobile handsets now contain a removable subscriber identity module ("SIM") card that authenticates the device when it connects to a mobile telecommunications network. In the past, carriers generally sold handsets to customers with a software lock that prevented the device from working with SIM cards from other carriers, even if the handset was otherwise technologically capable of connecting to other carriers' networks. To increase consumer convenience and enhance the international competitiveness of Japan's mobile communications industry, the MIC has issued the "Guidelines Regarding SIM Unlocking Functions," which recommends that mobile network operators implement SIM card unlocking functions for mobile handsets released after April 2011, and publish the type of handsets that are subject to SIM card unlocking and conditions (including fees, if any) and procedures relating to SIM card unlocking. As at the date of this offering memorandum, the Diet deliberations on legislation to govern SIM locking have been postponed for an indefinite period.

Committee on Secure Communications in a State of Crisis Caused by Large-Scale Disasters

The Great East Japan Earthquake caused widespread communications problems. In April 2011, in response to these issues, the MIC established a "Committee on Secure Communications in Large-Scale Natural Disasters and other Emergency Situations". The committee focused on: (i) methods to control communications congestion in a crisis, (ii) methods to ensure continued communications when a base or a relay station is damaged, (iii) appropriate network infrastructure based on the experience of the Great East Japan Earthquake and (iv) effective use of the internet based on the experience of the Great East Japan Earthquake. In December 2011, the committee published specific recommendations for telecommunications carriers, including that carriers increase network capacity to avoid overload, upgrade network facilities to prevent disruptions and provide free services during emergencies.

Certain Other Laws, Regulations and Guidelines

The following are certain other laws, regulations and guidelines that are applicable to our businesses.

Protection of Personal Information

The Act Concerning Protection of Personal Information (Act No.57 of 2003, as amended) applies to businesses that use or maintain databases containing personal information. Such businesses must maintain appropriate custody of such information, may not use such information for purposes other than that for which it was provided and are subject to restrictions regarding provision of such information to third parties. Further, the MIC has released the "Guidelines Regarding Protection of Personal Information for Telecommunication Business," which state, among other matters, that carriers may maintain records of communications such as the date and time thereof and the identity of the parties communicating to the extent necessary for billing, invoicing, the processing of customer complaints, avoiding wrongful use or to the extent otherwise necessary in the performance of their telecommunications business, provided that carriers may not provide such information to third parties without customer consent, a warrant issued by a judge, or other legitimate reason.

Act Concerning Limitation of Liability for Damages of ISP

The Act Concerning Limitation of Liability for Damages of Specified Telecommunications Service Providers and the Right to Demand Disclosure of Identification Information of the Senders (Act No.137 of 2001) provides that if a party's rights are infringed in connection with the release of such party's personal information on the internet, under certain circumstances such party may require the ISP to disclose the name, address and other identifying information of the infringing party. Further, the ISP does not have immunity in connection with such infringement if (i) the ISP was technically able to prevent the release of the information and knew or reasonably should have known of the potential for infringement, or (ii) the ISP itself released the information.

Others

Under the Act on Identification by Mobile Voice Communications Carriers of Subscribers and for Prevention of Improper Use of Mobile Voice Communications Services (Act No. 31 of 2005, as amended), when a carrier enters into a contract with a customer regarding mobile communications services, the carrier must obtain appropriate verification of the identity of such customer (for example by checking a driver's license, passport or other evidence of identity).

Under the Installment Sales Act (Act No. 159 of 1961, as amended), if a customer purchases a mobile telephone handset pursuant to an installment plan, the carrier must deliver a written document which describes certain prescribed information such as details of the installment plan to the customer.

The Used Goods Dealings Act (Act No. 108 of 1949, as amended) requires that a person obtain a license from the prefectural Public Safety Commission in order to sell, purchase or trade in used goods. The law also contains provisions addressing fraud and stolen goods in online auctions and regulates providers of internet auction services, such as Yahoo Japan's *Yahoo! Auctions* service. Among other things, it requires "used goods auction intermediary businesses" to notify the prefectural Public Safety Commission at the commencement of operations, to attempt to verify the identity of sellers, to notify the police of items suspected of being stolen and to make efforts to preserve transaction records.

SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN JAPANESE GAAP, U.S. GAAP AND IFRS

The audited and unaudited financial statements of SoftBank Group included herein are prepared and presented in accordance with Japanese GAAP, which differs from U.S. GAAP and IFRS in certain respects which might be material to the financial information herein. The matters described below cannot necessarily be expected to reveal all differences between Japanese GAAP, U.S. GAAP and IFRS which are relevant to us. Consequently, there can be no assurance that these are the only differences in the accounting principles that could have a significant impact on the financial information included herein. Furthermore, we have made no attempt to identify or quantify the impact of these differences or any future differences between Japanese GAAP, U.S. GAAP and IFRS which may result from prospective changes in accounting standards. We have not considered matters of Japanese GAAP presentation and disclosures, which also differ from U.S. GAAP and IFRS. In making an investment decision, investors must rely upon their own examination of our business, the terms of the offerings and the financial information herein. Potential investors should consult with their own professional advisors for an understanding of the differences between Japanese GAAP, U.S. GAAP and IFRS, and how those differences might affect the financial information herein.

Impairment of Long-Lived Assets

Under Japanese GAAP and U.S. GAAP, when there is an indication that the asset may be impaired, entities need to perform a recoverability test by comparing the expected undiscounted future cash flows to be derived from the asset against its carrying amount. If the asset fails the recoverability test, the entity must record an impairment loss calculated as the amount in excess of the asset's carrying amount compared to its fair value.

Under IFRS, the recoverable amount of an asset is measured when there is an indication that the asset may be impaired. If the recoverable amount is less than its carrying amount, the difference is recognized as impairment loss. Impairment loss is reversed if there has been a change in estimates used to determine recoverable amount.

Hedging Activities

Under Japanese GAAP and IFRS, a firm commitment to acquire a business in a business combination is permitted as a hedged item for foreign exchange risk.

Under U.S. GAAP, a firm commitment to acquire a business in a business combination cannot be designated as a hedge item.

Goodwill

Under Japanese GAAP, goodwill is amortized over an appropriate period of up to 20 years.

Under U.S. GAAP and IFRS, goodwill is not amortized but is subject to an impairment test at least annually.

Bond Issuance Costs

Under Japanese GAAP, bond issuance costs are to be charged to income when paid or deferred and amortized by the straight-line method over the life of the bonds.

Under U.S. GAAP and IFRS, bond issuance costs should be deferred and amortized using the interest method over the life of the bonds.

Compensated Absences

Under Japanese GAAP, no accounting standard for compensated absences or the related liability exists.

U.S. GAAP and IFRS require recognition of the liability representing employees' rights to receive compensation for future compensated absences when certain conditions are met.

Capitalization of Interest Expense

Under Japanese GAAP, interest expense incurred during a construction period is charged to income rather than capitalized, except in certain specific industries or in case of self-construction.

Both U.S. GAAP and IFRS contain provisions for capitalizing certain costs associated with the financing of a qualifying asset as part of the asset's cost.

Unquoted Equity Securities

Under Japanese GAAP and U.S. GAAP, unquoted equity securities are recorded at cost.

Under IFRS, unquoted equity securities are accounted for at fair value unless fair value cannot be reliably measured (which is expected to be rare).

Derecognition of Financial Assets

Under Japanese GAAP and U.S. GAAP, financial assets are derecognized when control over the asset is surrendered.

Under IFRS, financial assets are derecognized only when substantially all of the risks and rewards of ownership of the asset are transferred.

Presentation of Liabilities and Equity

Under Japanese GAAP, classification of liability and equity is determined based on the legal form of the instruments.

Under U.S. GAAP equity instruments with redemption features that are not solely within the control of the issuer are classified outside of permanent equity (i.e., in a mezzanine account between liabilities and shareholders' equity).

Under IFRS, a share that may be put back to the issuer (i.e., that includes a purchased put option) creates a contractual obligation for the issuer to deliver cash and therefore is accounted for as a liability.

Presentation of Deferred Tax Assets and Deferred Tax Liabilities

Under Japanese GAAP and U.S. GAAP, classification of deferred tax assets and deferred tax liabilities must be consistent with the classification of the underlying asset or liability generating the temporary difference.

Under IFRS, all deferred tax assets and deferred tax liabilities are classified as noncurrent.

Offsetting of Financial Instrument Balances

Under Japanese GAAP and U.S. GAAP, entities are permitted, but not required, to offset financial assets and liabilities when the offsetting criteria are met.

Under IFRS, financial assets and liabilities must be presented net when the offsetting criteria are met.

Reporting Date

Under Japanese GAAP, it is acceptable for an entity's reporting date for financial statements to differ from that of its parent by not more than three months. Significant intercompany transactions that occurred during the intervening period should be adjusted.

Under U.S. GAAP, it is acceptable for an entity's reporting date for financial statements to differ from that of its parent by not more than about three months. If the difference is less than three months, then the entity must disclose, if not adjusted, that the reporting dates differ and explain why. It also must disclose the effect of any material transactions or events during the intervening period on the financial statements of the consolidated entity.

Under IFRS, the financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements shall be prepared as of the same date.

Scope of Consolidation

Under Japanese GAAP, the test for consolidation is control over the decision-making body of the affiliate company. Several factors may be considered, but there is a presumption that such control does not exist where a company, in combination with related parties, holds less than half of the voting rights of another company.

Under U.S. GAAP, a multi-step approach is used for evaluating whether a company should be consolidated. Under the first-step inquiry, if the parent company has power to direct the most important economic activities of the affiliate and the obligation to absorb losses or the right to receive benefits, then the affiliate must be consolidated. If the affiliate does not need to be consolidated under this test, the second-step inquiry examines whether the parent controls a majority of voting rights.

Under IFRS, the control inquiry is principles-based and less tied to voting power than under Japanese GAAP. Control is generally evidenced by the presence of three elements: power over the investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect the amount of the investor's returns. Control may exist even where the company and related parties hold less than half of the voting rights of the affiliate company.

Handset Sales Commissions

Under Japanese GAAP, there are no specific rules on how to account for handset sales commissions. They may be treated as deductions from revenue and recognized at the time of sale to the dealer, or they may be treated as sales expenses and recognized at the time of the dealer's sale to the end customer.

Under U.S. GAAP and IFRS, handset sales commissions are treated as deductions from revenue.

Proposed Changes to IFRS

New IFRS standards are continually being developed, and from time to time existing standards may be refined or replaced. The following summarizes certain changes or proposals expected in 2013:

- Important new standards are expected to be issued in the areas of revenue recognition and general hedge accounting.
- Amendments are planned to existing standards dealing with certain aspects of joint venture investments, methods of depreciation and amortization, and recoverable amounts disclosures for impaired assets.

Numerous preliminary proposals are expected to be submitted for public comment, including proposals for new standards related to hedging within the context of open portfolios (macro hedging), insurance contracts, leases and rate-regulated activities, and proposals for amendments to existing standards related to recognition of deferred tax assets for unrealized losses and measurement of certain subsidiary investments when preparing separate financial statements.

MANAGEMENT

Management

Our board of directors has the ultimate responsibility for the administration of our affairs. Our Articles of Incorporation provide for not more than 15 directors, and at the present, we have eight directors including three external directors. External directors are responsible for supervising our business management.

All directors are elected at general meetings of shareholders. The normal term of office of directors is two years, although they may serve any number of consecutive terms. To elect directors, the Board of Directors selects candidates in accordance with our Articles of Incorporation and the Regulations of the Board of Directors and these candidates are proposed at the General Meeting of Shareholders. Shareholders can also propose candidates in compliance with the requirements of the Companies Act of Japan. Cumulative voting is not allowed in the election of our directors.

Our Articles of Incorporation provide for not more than four corporate auditors, and at the present, we have one full-time corporate auditor and three external corporate auditors. All corporate auditors are elected at general meetings of shareholders. The normal term of office of corporate auditors is four years, although they may serve any number of consecutive terms. The corporate auditors are not required to be certified public accountants, and may not at the same time be our directors or employees of any of our group companies. In addition, not less than half of the corporate auditors must be an external corporate auditor.

The corporate auditors form the board of corporate auditors, and the board of corporate auditors determines matters relating to the duties of corporate auditors such as audit policy and methods of investigating our affairs. The board of corporate auditors also receives quarterly briefings and reports relating to financial results from the independent auditor and briefings on individual matters from directors as necessary and exchanges information and opinions with the independent auditor as necessary. The presently full-time corporate auditor was formerly the accounting general manager of our finance and accounting department and is a certified public accountant.

We established the Assistant to Audit Department to support the corporate auditors. This department acts under the direction of the corporate auditors to gather information, investigate matters and provide other assistance.

Under the Companies Act of Japan, the corporate auditors have the statutory duty of supervising the administration of our affairs by the directors and also of examining the financial statements and business reports to be submitted by a representative director to general meetings of shareholders. The corporate auditors must attend meetings of the board of directors and express opinions there, if necessary, but they are not entitled to vote. Corporate auditors also have a statutory duty to provide their report to the board of corporate auditors, which must submit its audit report to a representative director. If the audit report covers financial statements, the board of corporate auditors must also submit its audit report to the independent auditor.

We must appoint independent certified public accountants or audit firms in addition to corporate auditors. Such independent certified public accountants or audit firms have the statutory duty of examining the financial statements, prepared in accordance with the Companies Act of Japan, to be submitted by a representative director to general meetings of shareholders and reporting their opinion thereon to the board of corporate auditors, and a representative director. Our audit firm for such purposes is Deloitte Touche Tohmatsu LLC.

Under the Companies Act of Japan and our Articles of Incorporation, we may, by resolution of our board of directors, limit the liability of our directors and corporate auditors for losses sustained by us in connection with the failure of such directors and corporate auditors to perform their duties, except in the case of willful misconduct or gross negligence. The applicable liability thresholds are calculated, in accordance with the Companies Act of Japan, with reference to the amounts of annual remuneration, retirement allowance and profits received upon exercise or transfer of stock options for the relevant individual. In addition, we have entered into agreements limiting the liability of our external directors and external corporate auditors for losses sustained by us in connection with the failure of such directors and corporate auditors to perform their duties, except in the case of willful misconduct or gross negligence, to the greater of either an amount previously agreed in the liability limitation agreement that is no less than ¥10 million ($115.5 thousand) or an amount calculated as described above.

Directors and Statutory Auditors

The following table sets out certain information on our directors and corporate auditors as of the date of this offering memorandum:

Name	SoftBank Title	Other positions held	Initial appointment	Shareholding in the Company (thousands)[(1)]
Masayoshi Son	Chairman & CEO	Chairman & CEO, SoftBank Mobile	September 1981	231,704[(2)]
		Chairman & CEO, SoftBank BB		
		Chairman & CEO, SoftBank Telecom		
		Chairman of the Board, Yahoo Japan		
Ken Miyauchi	Representative Director, Executive Vice President	Representative Director & COO, SoftBank Mobile	February 1988	1,160
		Representative Director & COO, SoftBank BB		
		Representative Director & COO, SoftBank Telecom		
		Trustee, Representative Director & President, Willcom		
		Director, Yahoo Japan		
Kazuhiko Kasai	Director	Director, SoftBank Mobile	June 2000	15
		Director, SoftBank Telecom		
		President & Owner's Representative, Fukuoka SoftBank Hawks Corp.		
		Chairman & President, Fukuoka SoftBank Hawks Marketing Corp.		
Ronald D. Fisher	Director	Director & President, SoftBank Holdings Inc.	June 1997	—
Yun Ma	Director	Chairman, Alibaba Group Holding Limited	June 2007	—
		Non-Executive Director, Chairman, Alibaba.com Limited		
Tadashi Yanai	Director	Chairman, President & CEO, FAST RETAILING CO., LTD.	June 2001	120
		Chairman, President & CEO, UNIQLO CO., LTD.		
		Chairman, G.U. CO., LTD.		
Mark Schwartz	Director	Vice Chairman, Goldman Sachs Group, Inc.	June 2001	—
		Chairman of Goldman Sachs Asia Pacific		

Name	SoftBank Title	Other positions held	Initial appointment	Shareholding in the Company (thousands)[1]
Sunil Bharti Mittal	Director	Chairman & Managing Director, Bharti Airtel Limited	June 2011	—
Mitsuo Sano	Full-time Corporate Auditor	Certified Public Accountant	June 1998	69
Soichiro Uno	Corporate Auditor	Partner, Nagashima Ohno & Tsunematsu	June 2004	—
Kouichi Shibayama	Corporate Auditor	Certified Public Accountant, Certified Tax Accountant Advisor, Zeirishi-Hojin PricewaterhouseCoopers	June 2003	—
Hidekazu Kubokawa	Corporate Auditor	Certified Public Accountant, Certified Tax Accountant Representative Partner, Yotsuya Partners Accounting Firm	February 1989	50
Yoshimitsu Goto	Executive Corporate Officer, Finance		October 2000	
Fumihiro Aono	Corporate Officer, Human Resources		April 2005	
Masato Suzaki	Corporate Officer, Legal		February 2002	
Kazuko Kimiwada	Corporate Officer, Accounting & Internal Control		October 2000	

(1) Information as of March 31, 2012.
(2) Mr. Masayoshi Son holds 20.79% of total shares in issue as of September 2012.

Among all directors, Messrs. Tadashi Yanai, Mark Schwartz and Sunil Bharti Mittal are outside directors, meaning that they are not and have not been executive directors or employees of SoftBank Corp. or any of its subsidiaries.

Among all corporate auditors, Messrs. Soichiro Uno, Kouichi Shibayama and Hidekazu Kubokawa are outside corporate auditors, meaning that they are not and have not been directors or employees of SoftBank Corp. or any of its subsidiaries.

Investment Committee

The investment committee has been authorized by our board of directors to make decisions on investments, financing, and related matters. It is made up of three directors elected by the board of directors.

The agenda matters for discussion by the investment committee are set forth in the regulations of the investment committee. The committee makes decisions on the following, among other matters:

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

The committee requires unanimous agreement from all members to make a decision. If one or more members is against a proposal, the board of directors must consider such proposal. All decisions of the investment committee are reported to the board of directors.

Executive Compensation

The aggregate compensation, including bonuses, paid by us to our directors and corporate auditors as a group during the fiscal year ended March 31, 2012 was ¥367 million.

Stock Option Plan

Pursuant to a resolution at the meeting of the board of directors held on July 29, 2010, we granted stock acquisition rights to purchase up to 4 million shares of our common stock to certain of our directors and employees and those of our subsidiaries. As of March 31, 2013, such stock acquisition rights to purchase up to 3,281,100 shares were exercisable at an exercise price of ¥2,625 during the period from July 1, 2012 to June 30, 2017. As of March 31, 2013, we have issued 80,100 shares based upon the exercise of these options.

Key Senior Management Personnel

Masayoshi Son. Mr. Son founded SoftBank in September 1981, and has been its president and chairman since inception, and its CEO since February 1986. Mr. Son serves in various capacities with SoftBank's portfolio of companies, including service with SoftBank BB as president since 2001 and as chairman and CEO since 2004 with SoftBank Telecom as chairman since 2004 and CEO since 2006, and with SoftBank Mobile as CEO and chairman since 2006. In addition, Mr. Son has served as chairman of Yahoo Japan since 1996. Mr. Son was born in 1956.

Ken Miyauchi. Mr. Miyauchi joined SoftBank in October 1984, and has been a director since June 2000. Prior to joining SoftBank, Mr. Miyauchi had served with Japan Management Association since February 1977. Mr. Miyauchi serves in various positions with SoftBank's portfolio companies, including service with SoftBank Telecom as representative director and COO since 2006, with SoftBank Mobile as representative director and COO since 2007, with SoftBank BB as representative director and COO since 2007, with Willcom as representative director and president, with Yahoo Japan Corporation as director, and with eAccess as director. Mr. Miyauchi has also been appointed as representative director and executive vice president of SoftBank Corp. in April 2013 to enhance the management structure as well as to maintain the flexibility of management.

Kazuhiko Kasai. Mr. Kasai joined SoftBank in 2000 as director. Prior to joining SoftBank, Mr. Kasai had served with The Fuji Bank (currently Mizuho Bank, Ltd.) as executive vice president and with The Yasuda Trust and Banking Co., Ltd. (currently Mizuho Trust & Banking Co., Ltd.) as chairman of the board. Mr. Kasai serves in various positions with SoftBank's portfolio companies, mainly in finance capacities, including service with SoftBank Telecom as director since 2004, with the Fukuoka SoftBank Hawks as president and owners' representative since 2005, with the Fukuoka SoftBank Hawks Marketing as chairman and president and with SoftBank Mobile as director.

PRINCIPAL SHAREHOLDERS

As of September 30, 2012, the following shareholders beneficially owned or exercised control or direction over more than 5% of the outstanding shares of our common stock:

Shareholder	Number of shares held (thousands)	Percentage of total shares in issue (%)
Masayoshi Son	231,704	20.79
Japan Trustee Services Bank, Ltd. (Trust Account)	104,422	9.37
JP Morgan Chase Bank 380055	57,532	5.16
Total	393,658	35.32

This information is based on our shareholder register as of September 30, 2012 and does not necessarily show our beneficial shareholders. In addition:

- according to a substantial holding report under the FIEA, which was filed on December 21, 2009, Mr. Masayoshi Son, Son Holdings Inc., Son Asset Management Godo Kaisha and Son Kikaku Godo Kaisha jointly hold shares and bonds with stock acquisition rights equivalent to 24.97% of our outstanding shares as of December 18, 2009.

To our knowledge, we are not directly or indirectly owned or controlled by an individual, corporation or government. We know of no arrangements the operation of which may result in a change of control in us.

RELATED-PARTY TRANSACTIONS

The following discussion is a summary of the significant transactions with our affiliates in the fiscal years ended March 31, 2010, 2011 and 2012 and in the nine months ended December 31, 2012. We believe that each of these arrangements has been entered into on arm's-length terms or on terms that we believe have been at least as favorable to us as similar transactions with non-related parties would have been. See "Related-party disclosures" to our consolidated financial statements, which are included elsewhere in this offering memorandum.

Transactions with Respect to Affiliates

In connection with the Sprint Acquisition, the SoftBank Group and Sprint have entered into a merger agreement and other definitive agreements. On November 30, 2012, Sprint and New Sprint entered into an expense reimbursement agreement, pursuant to which the parties agreed that New Sprint will reimburse Sprint for certain out-of-pocket expenses of up to $3 million in the aggregate incurred in connection with certain audit services performed on behalf of Sprint. In connection with the acquisition of Clearwire, on December 17, 2012, SoftBank and New Sprint entered into a consent and agreement with Sprint, which permitted Sprint to enter into the agreements and provided SoftBank with certain rights to information and review of certain actions which might be taken by Sprint in connection with the acquisition. Additionally, on January 30, 2013, SoftBank and New Sprint delivered a consent to Sprint, which permitted Sprint to extend a deadline under a related agreement.

SoftBank has also entered into various commercial agreements with Sprint or its affiliates for international wireless roaming, as well as wireless and wireline call termination. These commercial agreements are typical for SoftBank's contractual arrangements with other U.S. carriers. The commercial agreements and related contract orders covered an aggregate of less than $10 million in payments for services, fees and expenses between the parties since January 1, 2012.

For the fiscal years ended March 31, 2010, 2011 and 2012, we received ¥236 million ($2.7 million), ¥220 million ($2.5 million) and ¥264 million ($3.0 million) respectively for temporary advances for expenses and ¥45 million ($0.5 million), ¥47 million ($0.5 million) and ¥46 million ($0.5 million) for office facility usage from Son Assets Management, LLC ("Son Assets"). Son Assets leases office space from us, is owned by our Chairman and CEO, Mr. Masayoshi Son.

During the fiscal year ended March 31, 2012, SoftBank Mobile Corp. received management consulting services from Heartis Inc., which is Mr. Taizo Son's asset management company. Taizo Son is the brother of Masayoshi Son. The services cost ¥30 million ($0.3 million).

Transactions with Respect to Management

For the fiscal years ended March 31, 2010 and 2011, directors of SoftBank Corp. and its significant subsidiaries exercised stock options totaling ¥972 million ($11.2 million) and ¥41 million ($0.5 million) respectively. No director exercised stock options in 2012.

On March 25, 2013, the board of directors of SoftBank Mobile approved a resolution to acquire a 6.37% interest in GungHo through a tender offer transaction. As part of undertaking the Tender Offer, SoftBank Mobile entered into an agreement with Asian Groove to acquire 73,400 of its shares in GungHo. In addition, Mr. Masayoshi Son, SoftBank chairman and CEO, entered into an MOU, effective as of April 1, 2013, with Heartis, GungHo's second largest shareholder after SoftBank BB. Under the MOU, in exchange for Mr. Masayoshi Son's agreement to procure that Son Holdings Inc. ("Son Holdings"), an asset management company for Mr. Masayoshi Son, will not exercise its security interest over GungHo shares pledged by Heartis to Son Holdings, Heartis will exercise its voting rights in accordance with Mr. Masayoshi Son's instructions at GungHo's shareholder meetings. This will cause SoftBank, which owns all voting rights held by SoftBank BB and SoftBank Mobile, and Mr. Masayoshi Son to gain a combined 58.5% interest in GungHo following the completion of the Tender Offer. GungHo is considered a consolidated subsidiary of SoftBank and will be recorded as such from the first quarter of the fiscal year ending March 31, 2014. See "Recent Developments—Tender Offer for Shares of GungHo Online Entertainment, Inc.".

SUBSIDIARIES AND AFFILIATES

We had 133 consolidated subsidiaries, three equity method non-consolidated subsidiaries and 71 equity method affiliates as of March 31, 2012. The following table provides information on our significant consolidated subsidiaries and affiliates as of March 31, 2012. Because we own a number of subsidiaries through subsidiaries that we do not wholly own, our economic interests in some of our subsidiaries listed below, mostly in our Internet Culture segment, may not be identical to our voting interests in such subsidiaries.

Name	Country	Issued Share Capital	Percentage of voting interest owned (indirectly) by the Company	Principal business
		(millions of yen and KRW/ thousands of dollars, euros and RMB)		
Mobile Business				
Consolidated Subsidiaries				
SoftBank Mobile Corp.[1][7]	Japan	¥177,251	100.0 (100.0)	Provision of mobile communications service; sale of mobile devices
BB Mobile Corp.[1]	Japan	¥315,155	100.0 (100.0)	Holding company
Telecom Express Co., Ltd.	Japan	¥ 100	100.0 (100.0)	Operation of mobile devices (phones and other devices) stores
One other equity method affiliate				
Broadband Infrastructure Business				
Consolidated Subsidiaries				
SoftBank BB Corp.[1][7]	Japan	¥100,000	100.0	ADSL broadband provider; whole sale of software; main source of income is revenue from ADSL subscribers (monthly charges to subscribers)
Fixed-line Telecom Business				
Consolidated Subsidiaries				
SoftBank Telecom Corp.[1]	Japan	¥ 100	100.0 (18.3)	Provision of fixed-line telephone service; provision of data transmission and leased line services
SoftBank Telecom Partners Corp.	Japan	¥ 100	100.0 (100.0)	Sale of *Otoku Line* fixed-line voice service; billing and collection of charge of communication services
Internet Culture Business				
Consolidated Subsidiaries				
Yahoo Japan Corporation[1][2][4]	Japan	¥ 7,959	42.2 (6.6)	Operation of a portal site *Yahoo! JAPAN*; sale of internet advertisements; operation of e-commerce sites; provision of membership services
Yahoo Japan Customer Relations Corporation	Japan	¥ 100	100.0 (100.0)	Provision of commissioned services for contact centers
IDC Frontier Inc.	Japan	¥ 100	100.0 (100.0)	Provision of sales and marketing solutions for data centers
Tavigator, Inc.	Japan	¥ 100	58.0 (58.0)	Internet-based sales of traveling goods

Name	Country	Issued Share Capital	Percentage of voting interest owned (indirectly) by the Company	Principal business
		(millions of yen and KRW/ thousands of dollars, euros and RMB)		
Equity Method Affiliates				
ValueCommerce Co., Ltd.(2)	Japan	¥ 1,727	43.5 (43.5)	Operation of internet affiliate program system
CREO CO., LTD.(2)	Japan	¥ 3,149	39.5 (39.5)	Development of systems; planning, development and sale of packaged software
Estore Corporation(2)	Japan	¥ 523	32.5 (32.5)	Provision of various services for internet-based business, such as logistics, settlement, sales promotion and management services
MACROMILL, INC.(2)	Japan	¥ 1,627	24.4 (24.4)	Market research utilizing the internet and mobile phones
Eight other consolidated subsidiaries and three other equity method affiliates				
Other Business				
Consolidated Subsidiaries				
Mobiletech Corporation(1)	Japan	¥315,966	100.0	Holding company
SoftBank Players Corp.	Japan	¥ 575	100.0	Provision of planning, consulting and other services for local government and public entities, as well as research, planning and information services regarding local and international tourism.
SoftBank Payment Service Corp.	Japan	¥ 450	100.0	Provision of outsourcing services for settlement and collection; provision of outsourcing services for corporate accounting work
Fukuoka SoftBank Hawks Marketing Corp.	Japan	¥ 100	100.0	Operation and management of baseball field and other sport facilities; operation of performance of baseball games for entertainment
Fukuoka SoftBank Hawks Corp.	Japan	¥ 100	100.0	Owning a Japanese professional baseball team; operation of performance of baseball games
DeeCorp Limited	Japan	¥ 100	100.0	Provision of online reverse auction services
SoftBank Frameworks Corporation	Japan	¥ 100	100.0 (100.0)	Provision of outsourcing services for logistics and consulting services specific to information technology-related companies
SoftBank Media Marketing Holdings Corp.	Japan	¥ 100	100.0	Holding company

Name	Country	Issued Share Capital (millions of yen and KRW/ thousands of dollars, euros and RMB)		Percentage of voting interest owned (indirectly) by the Company	Principal business
SoftBank Creative Corp.	Japan	¥	100	100.0 (100.0)	Distribution of digital contents and publishing
BB Softservice Corp.	Japan	¥	50	100.0 (100.0)	Operation and sale of portal sites for software services
SBBM Corporation(1)	Japan	¥	11	100.0	Holding company
Odds Park Corp.	Japan	¥	10	100.0 (100.0)	Provision of information and statistical gathering services and online and telephone ticket sales services for local public entities
TV Bank Corporation	Japan	¥	10	100.0 (100.0)	Procurement and distribution of video sites
Cybertrust Japan Co., Ltd.	Japan	¥	1,422	69.7 (69.7)	Development and sale of software for electronic certification
ITmedia Inc.(2)	Japan	¥	1,621	59.8 (59.8)	Operation of information technology-related comprehensive news sites "ITmedia"
Alibaba.com Japan Co., Ltd.	Japan	¥	1,221	58.2	Operation of business-to-business and retail sites for support of export and import trades
SoftBank Technology Corp.(2)	Japan	¥	634	55.5	Provision of solutions and services for online business
Vector Inc.(2)	Japan	¥	1,006	52.4 (50.3)	Operation of online gaming sites; sale of downloaded software
Carview Corporation(2)	Japan	¥	1,572	52.2	Distribution of automobile-related information via the internet
SFJ Capital Limited(1)(2)	Cayman	¥	200,000	100.0	Raising funds by issuance of preferred equity securities with restricted voting rights
SB CHINA HOLDINGS PTE LTD	Singapore	$	100,000	100.0	Holding company
SB Holdings (Europe) Ltd.	United Kingdom	$	48,618	100.0 (100.0)	Holding company
SB China & India Corporation	Micronesia	$	42,526	100.0	Holding company
SoftBank Ranger Venture Investment Partnership	South Korea	KRW	26,100	100.0 (1.0)	Venture fund
SB Third Singapore Pte Ltd	Singapore	$	16,991	100.0 (100.0)	Holding company
SoftBank Ventures Korea Inc.	South Korea	KRW	18,000	100.0 (100.0)	Holding company
SoftBank Korea Co., Ltd.	South Korea	KRW	2,200	100.0 (100.0)	Holding company

Name	Country	Issued Share Capital	Percentage of voting interest owned (indirectly) by the Company	Principal business
		(millions of yen and KRW/ thousands of dollars, euros and RMB)		
SoftBank Holdings Inc.	United States	$ 7	100.0	Holding company
SoftBank America Inc.	United States	$ 0	100.0 (100.0)	Holding company
SoftBank Capital Fund '10 L.P.	United States	$ 102,040	98.0 (98.0)	Venture fund
SoftBank US Ventures VI L.P.	United States	$ 626,880	97.0 (97.0)	Venture fund
SoftBank Commerce Korea Corporation	South Korea	KRW 5,537	88.8 (88.8)	Distribution and sale of information technology-related products within Korea
Bodhi Investments LLC(3)	Mauritius	$ 105,000	47.6 (47.6)	Venture fund
Equity Method Affiliates				
GILT Groupe K.K.	Japan	¥ 716	49.0	Internet-based sale of clothing, accessories, ornaments, sundry goods, etc.
Green Power Investment Corporation	Japan	¥ 1,415	44.4	Power generation with natural energy; supply and sale of electricity
Broadmedia Corporation(2)	Japan	¥ 2,666	34.5 (34.5)	Provision of distribution services for video, sound, data and other contents over the internet
GungHo Online Entertainment, Inc.(2)	Japan	¥ 5,331	33.7 (33.7)	Planning, development, distribution and operation of online gaming sites over the internet
Wireless City Planning Inc.	Japan	¥ 10,751	33.3	Planning and provision of wireless broadband services
Telecom Service Co., Ltd.(5)	Japan	¥ 500	17.3 (8.6)	Operation of mobile devices (phones and other devices) stores
SoftBank Capital Technology Fund III L.P.(6)	United States	$ 232,750	56.3 (56.3)	Venture fund
PPLive Corporation	Cayman	RMB 2,181	39.9	Investment in a company operating peer-to-peer streaming and internet TV ("PPTV") services and other companies
Renren Inc.	Cayman	$ 1,169	34.1 (34.1)	Investment in the company operating a social networking site "Renren" and other companies
SB Life Science Ventures I, L.P.	Cayman	$ 89,000	33.7 (33.7)	Venture fund
Alibaba Group Holding Limited	Cayman	$ 50	31.9 (20.9)	Investment in the company operating a business-to-business site "Alibaba.com" and other companies

Name	Country	Issued Share Capital	Percentage of voting interest owned (indirectly) by the Company	Principal business
		(millions of yen and KRW/ thousands of dollars, euros and RMB)		
InMobi Pte. Ltd.	Singapore	$ 206	21.2	Provision of advertisement delivery services for mobile devices

80 other consolidated subsidiaries and 51 other equity method affiliates

(1) This entity is a "specified subsidiary" (*tokutei kogaisha*), as defined in Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc. under the Financial Instruments and Exchange Act of Japan. A "specified subsidiary" is a material subsidiary which exceeds certain thresholds of, among others, amount of transactions with the parent, the value of assets, and the capital amount.
(2) This entity is a public company and/or files annual securities reports.
(3) The amount set out in the "Issued share capital" column indicates the scale of this fund.
(4) This entity is substantially controlled by us and is classified as a subsidiary, although the percentage of holding of voting rights by us is not more than 50%.
(5) This entity is substantially affected by us and is classified as an affiliate, although the percentage of holding of voting rights by us is less than 20%.
(6) We do not control the management of relevant funds of this entity and therefore this entity is not classified as a subsidiary, although the percentage of shareholding by us exceeds 50%.
(7) The percentage of the sales of this entity exceeds 90% of the total sales of the relevant segment for the fiscal year ending March 31, 2014 and therefore the information concerning the profit and loss of this entity is omitted, although the percentage of the sales of this entity exceeds 10% of the consolidated total sales of SoftBank Group companies for the fiscal year ending March 31, 2014.

eAccess and Willcom

The above does not include our holding of eAccess and Willcom.

With our adoption of the IFRS accounting standard, eAccess will be reported as our consolidated subsidiary. As of March 31, 2013, we hold 33.29% of eAccess' voting interests and maintain 99.59% of the economic interest. We are eAccess' largest shareholder, but do not hold a majority of its voting shares.

In December 2010, we acquired 100% of the shares of Willcom as part of its ¥41 billion court-administered corporate reorganization plan under the Corporate Reorganization Act of Japan. Willcom remains under court administration and we do not consolidate it as a subsidiary or consider it an equity method affiliate.

DESCRIPTION OF OTHER INDEBTEDNESS

The following is a description of our material indebtedness as of the date of the offering of the Notes. The description does not purport to be complete and is qualified in its entirety by reference to the agreements which set forth the principal terms and conditions of our credit facilities and other indebtedness. For a description of our plans with respect to the repayment and cancellation of certain of our debt facilities, see "Capitalization".

The table below shows our consolidated indebtedness as of December 31, 2012:

	As of December 31, 2012	
	(billions of yen and billions of dollars)	
Short-term loans	¥ 709	$ 8.2
Corporate bonds	570	6.6
Convertible bonds(1)	33	0.4
Lease obligations	707	8.2
Long-term loans	624	7.2
Total debt	2,643	30.5

(1) All our convertible bonds outstanding as of December 31, 2012, were redeemed for ¥74 million ($855 thousand) or converted into a total of 15 million shares as of March 31, 2013.

Loans

The table below summarizes our loans outstanding as of December 31, 2012:

Loan	Maturity Date	As of December 31, 2012	
		(billions of yen and billions of dollars)	
Syndicated Loan	March 2014 and 2015	¥ 550(1)	$ 6.4(1)
Bridge Loan for Sprint Acquisition	December 2013	250(2)	2.9(2)
Commitment Line(3)	August 2013	100(3)	1.2(3)
Term Loan	September 2014 and 2015	120	1.4
Other Loans	Various	219(4)	2.5(4)
Securities lending	Monthly but general rolled over	93	1.1
Total loans		1,332	15.4

(1) ¥150 billion ($1.7 billion) repaid on March 27, 2013.

(2) Outstanding undrawn commitment of ¥1.035 trillion ($11.9 billion) as of March 31, 2013. We hedged $17.0 billion of the consideration for the Sprint Acquisition at an average exchange rate of ¥82.2 per dollar.

(3) Outstanding undrawn commitment of ¥84 billion ($974 million) as of March 31, 2013.

(4) ¥15 billion ($173 million) repaid in March 2013 as ordinary-course repayments.

¥400 Billion ($4.6 Billion) Outstanding as of March 31, 2013 on the Syndicated Loan

On July 22, 2011, we procured a syndicated loan from several Japanese and international financial institutions in the principal amount of ¥550 billion ($6.4 billion) (the "Syndicated Loan"), of which ¥400 billion ($4.6 billion) remains outstanding. We used the proceeds of this loan to pay off debt that we acquired in connection with the Vodafone Japan acquisition, which had been through a whole business securitization (WBS) structure, on favorable terms. The Syndicated Loan is a direct, unsecured obligation of SoftBank Corp. and ranks *pari passu* with all other outstanding unsecured, unsubordinated obligations of SoftBank Corp.

Pursuant to the underlying agreement, the lenders provided the principal amount in three facilities: Facility A1 for ¥100 billion ($1.2 billion), Facility A2 for ¥253 billion ($2.9 billion) and Facility B for ¥198 billion ($2.3 billion). On March 27, 2013, we paid down the facilities by ¥150 billion ($1.7 billion) on a *pro rata* basis, resulting in the outstanding amount of ¥400 billion ($4.6 billion). The scheduled repayments are for an additional ¥200 billion ($2.3 billion) on March 27, 2014 and the final ¥200 billion ($2.3 billion) on March 27, 2015. The loans accrue interest at a rate that is equal to the sum of the announced Japanese yen Tokyo Interbank Offered Rate (TIBOR), for the applicable interest period, plus a margin. The Facility A1, A2 and B interest rates are based on the one-month TIBOR, three-month TIBOR and three-month TIBOR, respectively.

The Syndicated Loan is subject to representations and warranties customary in the Japanese syndicated loan market. It is also subject to certain financial and operating covenants that require us to maintain certain financial ratios and that restrict our business activities. The covenants include requirements such as that SoftBank Corp.'s net assets on a stand-alone basis cannot fall below 75% of our net assets from the end of the previous fiscal year. Other covenants place restrictions on the amount of lease obligations and net debt we can incur. We are also restricted from changing our predominant business activity. Additionally, we have agreed that the ratio of our net debt to EBITDA for the preceding 12 months cannot exceed 3.0x as of the end of each six-month period (tested at the end of each September and March) until the six-month period ended March 31, 2013, and starting from the six-month period ended September 30, 2013 cannot be greater than 2.6x as of the end of each six-month period. In the case of breach, we will be required to repay any outstanding amounts on an accelerated basis upon receipt of written notice from the syndicated lenders representing 51% or more outstanding amounts.

The Syndicated Loan is also subject to customary events of default including violation of the covenants described above. Any event of default could trigger an acceleration of amounts outstanding under the Syndicated Loan Agreement. We are obligated to report the occurrence of an event that may trigger the acceleration clause. We may prepay on the loan without penalty.

We will be required to amend, modify or obtain a waiver of the applicable provisions of the Syndicated Loan Agreement from lenders representing a 51% or more of outstanding loans, or to refinance the Syndicated Loan if a draw on the Bridge Loan, in order to facilitate the Sprint Acquisition, causes us to breach the financial and operating covenants described above. If we receive notice from lenders representing a 51% or more of outstanding amounts that we are in breach and do not remedy within five (5) business days, we will be required to repay any outstanding amounts on an accelerated basis. See "Risk Factors—Risks Relating to the Sprint Acquisitions—We will be required to repay or seek an amendment or waiver with respect to outstanding indebtedness in order to draw further on the Bridge Loan to fund the Sprint Acquisition" for more information. We intend to refinance the Syndicated Loan in connection with the Sprint Acquisition.

As of December 31, 2012, we had a total of ¥550 billion ($6.4 billion) outstanding under the Syndicated Loan. As mentioned above, we paid down the loan by ¥150 billion ($1.7 billion) to ¥400 billion ($4.6 billion) on March 27, 2013.

¥250 Billion ($2.9 Billion) Drawdown on the ¥1.65 trillion ($19.1 Billion) Bridge Loan for Sprint Acquisition

On December 18, 2012, we entered into a credit agreement with Mizuho Corporate Bank, Ltd., Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Deutsche Bank AG, Tokyo Branch. Under this agreement, the lenders thereunder agreed to provide us with secured short-term debt financing with a total commitment amount of ¥1.65 trillion ($19.1 billion) (the "Bridge Loan"). We are using the Bridge Loan to finance the Sprint Acquisition. In October 2012, we purchased with cash a $3.1 billion newly issued convertible bond from Sprint as the first part of a total $8.0 billion intended new capital injection in Sprint. On December 21, 2012, we drew down ¥250 billion ($2.9 billion) on the Bridge Loan to replenish the cash used to purchase the convertible bond, reducing the total outstanding commitment under the Bridge Loan to ¥1.4 trillion ($16.2 billion). We then issued the New Domestic Bonds and reduced the outstanding commitment amount by an amount equal to the ¥365 billion ($4.2 billion) net proceeds of the New Domestic Bonds to ¥1.035 trillion ($11.9 billion). As of the date of this offering, we have not made any further drawdowns on the Bridge Loan and the ¥1.035 trillion ($11.9 billion) of undrawn commitment remains available for drawing.

The Bridge Loan matures on December 17, 2013, and the interest rate is equal to the announced standard Japanese yen TIBOR, corresponding to the applicable interest period, plus a margin.

The Bridge Loan is subject to certain conditions precedent, representations and warranties. It is also subject to certain financial and operating covenants that require us to maintain certain financial ratios and that restrict our business activities. The covenants include requirements such as that our net assets on a stand-alone basis, which appears on our balance sheet as of the end of the each fiscal year, cannot fall below 75% of our net assets from the end of the previous fiscal year. Other covenants place restrictions on the amount of lease obligations and net debt we can incur. We are also restricted from changing our predominant business activity. Additionally, we have agreed that the ratio of our net debt to EBITDA as at the end of each six-month period until the six-month period ended March 31, 2013 cannot be greater than 3.0x and starting from the six-month period ending September 30, 2013 cannot be greater than 2.6x. We cannot give any other debt preferential rights over the Bridge Loan.

The Bridge Loan is also subject to certain events of default including violation of the covenants described above. Any event of default could trigger an acceleration of the amount outstanding under the Bridge Loan agreement requiring us to repay the borrowed amount in full. We are obligated to report the occurrence of an event that may trigger the acceleration clause. We may prepay on the loan without penalty.

Under the Bridge Loan, we have pledged our shares in and all other assets held by Starburst I, Inc. and Starburst II, Inc., including the convertible bond held by Starburst II, Inc. Satisfaction of the conditions to the closing of the Sprint Acquisition is a condition to our drawing the ¥1.035 trillion ($11.9 billion) total undrawn commitment amount remaining under the Bridge Loan. We protect ourselves from fluctuations in exchange rates between the yen and the dollar through exchange rate forward contracts. We hedged $17.0 billion of the consideration for the Sprint Acquisition at an average exchange rate of ¥82.2 per $1.00. The pledges over the assets held by Starburst II, Inc. will be released upon the closing of the Sprint Acquisition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Market Risk—Foreign Exchange Risk—Hedge Accounting Applied".

We do not intend to further drawdown on the Bridge Loan. We intend to refinance the Bridge Loan from the Permanent Financing, the net proceeds of the New Domestic Bonds or the net proceeds of the Notes. See "The Sprint Acquisition—Effects of the Acquisition—Permanent Financing".

¥100 Billion ($1.2 Billion) Drawn Down on a ¥184.3 Billion ($2.1 Billion) Commitment Line

On August 28, 2012, we renewed a commitment line agreement with several Japanese and international financial institutions for borrowings up to ¥184.3 billion ($2.1 billion) (the "Commitment Line"). As of December 31, 2012, we have drawn down ¥100 billion ($1.2 billion) on the Commitment Line, which we used for general corporate purposes. The remainder of the loan remains available for drawing. The Commitment Line is a direct, unsecured obligation of SoftBank Corp. and ranks *pari passu* with all other outstanding unsecured, unsubordinated obligations of SoftBank Corp. The Commitment Line has a one-year term, which we have historically renewed annually, and the interest rate is equal to the announced standard Japanese yen TIBOR, corresponding to the applicable interest period, plus a margin.

The Commitment Line is subject to customary representations and warranties customary in the Japanese syndicated loan market. It is also subject to certain financial and operating covenants that require us to maintain certain financial ratios and that restrict our business activities. The covenants include requirements such as that our net assets on a stand-alone basis cannot fall below 75% of our net assets from the end of the previous fiscal year. Other covenants place restrictions on the amount of lease obligations and net debt we can incur. We are also restricted from changing our predominant business activity. Additionally, we have agreed that the ratio of our net debt to EBITDA as of the end of each six-month period of any given fiscal year cannot be greater than 3.0x.

The Commitment Line is also subject to customary events of default including violation of the covenants described above. Any event of default could trigger an acceleration of the amount outstanding under the Commitment Line. We are obligated to report the occurrence of an event that may trigger the acceleration clause. We may prepay on the loan by reducing the total commitment amount without penalty.

¥120 Billion ($1.4 Billion) Term Loan

We have a ¥120 billion ($1.4 billion) term loan (the "Term Loan") comprised of two tranches. Tranche A is for ¥57 billion ($653 million) and is due September 29, 2014; and Tranche B is for ¥64 billion ($733 million) and is due September 28, 2015. The Term Loan is a direct, unsecured obligation of SoftBank Corp. and ranks *pari passu* with all other outstanding unsecured, subordinated obligations of SoftBank Corp. The interest rate on the Term Loan is equal to the announced standard Japanese yen one-month TIBOR, plus a margin. The Term Loan has covenants similar to those under the Syndicated Loan, and we may be required to repay the loan on an accelerated schedule if we draw down on the total commitment amount under the Bridge Loan. We expect to refinance the Term Loan in connection with the Sprint Acquisition. See "The Sprint Acquisition—Effects of the Acquisition—Permanent Financing". We may prepay on the loan on any interest payment date without penalty.

¥219 Billion ($2.5Billion) Outstanding on Other Loans

We have also entered into other loan agreements with a number of major Japanese financial institutions. These loans are direct, unsecured obligations of SoftBank Corp. and rank *pari passu* with all other outstanding unsecured, unsubordinated obligations of SoftBank Corp. These loan agreements contain terms that are customary for these types of loans provided by Japanese financial institutions. These loans also contain certain events of default, including non-payment of principal or interest, failure to observe certain covenants, default with respect to certain other indebtedness and certain bankruptcy-related events. Some of these loans contain financial covenants similar to the Bridge Loan.

As of December 31, 2012, the aggregate principal amount outstanding under these loans was ¥219 billion ($2.5billion). On March 29, 2013, we repaid ¥15 billion ($173 million) in an ordinary-course payment, and the total amount outstanding under these loans was ¥204 billion ($2.4 billion) as of March 31, 2013.

¥93 Billion ($1.1 Billion) in Securities Lending

We loan shares that we own in one of our subsidiaries to a major Japanese lender and receive cash as collateral. These loans are on a monthly basis and are typically rolled over each month. As of December 31, 2012, our securities lending totaled ¥93 billion ($1.1 billion).

Bonds

The table below summarizes all bonds, which we have issued, including our convertible bonds due 2013, outstanding as of December 31, 2012 and as of March 31, 2013.

			As of December 31, 2012		As of March 31, 2013	
Yen-Denominated Bond	**Maturity Date**	**Interest Rate (% per annum)**	**Balance (billions of yen)**	**Balance (millions of dollars)**	**Balance (billions of yen)**	**Balance (millions of dollars)**
31st series	May 31, 2013	1.170	¥ 25	$ 289	¥ 25	$ 289
33rd series (Fukuoka SoftBank Hawks bond)	Sept 17, 2013	1.240	130	1,502	130	1,502
38th series	Jan 27, 2014	0.420	50	578	50	578
37th series	June 10, 2014	0.650	30	347	30	347
26th series	June 19, 2014	4.360	15	172	15	172
30th series	Mar 11, 2015	3.350	30	347	30	347
32nd series	June 2, 2015	1.670	25	289	25	289
34th series	Jan 25, 2016	1.100	45	520	45	520
36th series (Fukuoka SoftBank Hawks bond)	June 17, 2016	1.000	100	1,155	100	1,155
40th series	Sept 14, 2017	0.732	10	116	10	116
39th series (Fukuoka SoftBank Hawks bond)	Sept 22, 2017	0.740	100	1,155	100	1,155
35th series	Jan 25, 2018	1.660	10	116	10	116
Total			¥570	$6,586	¥570	$ 6,586
42nd series	Mar 1, 2017	1.467	¥ —	$ —	¥ 70	$ 809
41st series (Fukuoka SoftBank Hawks bond)	Mar 10, 2017	1.470	—	—	300	3,465
Total			¥ —	$ —	¥940	$10,860
Convertible bonds due 2013	Mar 31, 2013	1.5%	33	381	—	—

¥940 Billion ($10.9 Billion) in Domestic Yen-Denominated Unsecured Straight Bonds

We have issued domestic yen-denominated bonds, which are direct, unsecured obligations of SoftBank Corp. and rank *pari passu* with all other outstanding unsecured, unsubordinated obligations of SoftBank Corp. These bonds contain terms that are customary for these types of securities issued by Japanese companies in Japan. However, we note that under the terms of the 33rd yen-denominated corporate bond, our net assets on a stand-alone basis must have a value of at least ¥327 billion ($3.8 billion) at the end of each fiscal year. These bonds contain various events of default, including those relating to the non-payment of principal or interest, default with respect to other indebtedness in excess of specified thresholds and insolvency events. Upon the occurrence of an event of default, holders of the bonds are immediately entitled to redeem the bonds on all amounts due.

As of December 31, 2012, the aggregate outstanding principal amount of these bonds was ¥570 billion ($6.6 billion).

On March 12, 2013, we issued the 41st Bond, which raised ¥300 billion ($3.5 billion) at 1.47% coupon per annum, and, on March 1, 2013, we issued the 42nd Bond, which raised ¥70 billion ($809 million) at 1.467% coupon per annum (together the "New Domestic Bonds"). Proceeds of the New Domestic Bonds, net of issuance costs, amounted to ¥365 billion ($4.2 billion) will be used for the Sprint Acquisition. No collateral or guarantee was pledged and no assets are specifically reserved to secure these bonds. The 41st bond contains a net assets maintenance clause triggering redemption rights. Both bonds received an A rating which is under review for a possible downgrade pending the Sprint Acquisition by the JCR and have a four year term. See "Recent Developments—Recent Changes to Indebtedness—Issuance of the New Domestic Bonds."

As of March 31, 2013, including the New Domestic Bonds, the aggregate principal amount of unsecured bonds outstanding was ¥940 billion ($10.9 billion).

¥33 Billion ($381 Million) Yen-Denominated Convertible Bonds due in 2013

On December 22, 2003, we issued 1.5% per annum convertible bonds due March 31, 2013 for ¥50 billion ($578 million). As of December 31, 2012, ¥33 billion ($381 million) remained outstanding, and in the three months ended March 31, 2013, ¥74 million ($855 thousand) of the convertible bonds were redeemed and converted into a total of 15 million shares. We currently have no convertible bonds outstanding.

Leases

The table below shows our finance lease and operating lease as of December 31, 2012.

	As of December 31, 2012	
	Balance	
	(billions of yen and millions of dollars)	
Finance leases (amounts stated under lease obligations on the consolidated balance sheets)[(1)]	¥707	$8,171
Finance leases (accounted for as operating leases)	17	201
Operating leases	65	751

(1) This includes the ¥85 billion ($1 billion) finance lease for the Fukuoka Yafuoku! Dome.

¥707 Billion ($8.2 Billion) Outstanding on Finance Leases

Our major subsidiaries lease certain telecommunications equipment and service lines, buildings and structures, other property, equipment and software. Once the assembly, installation and inspection of newly acquired equipment are complete, we sell the equipment, excluding the installed software, to leasing companies and lease the equipment back from them under sale and lease-back arrangements. At the same time, we enter into loan contracts with the lessors to pay for the value of the software installed in the equipment. We include the cash inflows from the sale of the equipment to leasing companies and the proceeds from the loan arranged for the software portion as proceeds from the sale and lease-back of equipment newly acquired under cash flows from financing activities in our consolidated financial statements. SoftBank Mobile holds ¥554 billion ($6.4 billion), or approximately 78%, of all of our finance leases.

In the fiscal year ended March 31, 2013, we reclassified our lease contract for the Fukuoka Yafuoku! Dome ("Yafuoku! Dome") as a finance lease, whereas previously it had been classified as an operating lease. We did this because our wholly owned subsidiary Fukuoka SoftBank Hawks Marketing Corp., which leased the Yafuoku! Dome" from Hawks Town Co., an unrelated third party, entered into a purchase contract on March 27, 2012 to acquire a trust beneficiary interest in the property by July 2015. We have included the Yafuoku! Dome in our consolidated financial statements in the first quarter of the fiscal year ended March 31, 2013 as "as if capitalized". See note 16 to our annual financial statements included elsewhere in this offering memorandum. We have recorded the buildings and structures at an acquisition cost of ¥38 billion ($442 million) and land at an acquisition cost of ¥49 billion ($570 million) as well. As of December 31, 2012, we had ¥85 billion ($1.0 billion) outstanding under this lease obligation.

As of December 31, 2012, we had outstanding finance leases totaling ¥707 billion ($8.2 billion), finance leases accounted for as operating leases totaling ¥17 billion ($201 million) and operating leases totaling ¥65 billion ($751 million). Of our outstanding finance leases, we had ¥186 billion ($2.2 billion) due within one year and ¥521 billion ($6.0 billion) due after one year.

Items Effected as Debt under IFRS

We will use IFRS to prepare our consolidated financial statements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Certain Anticipated Effects of Voluntary Adoption of IFRS". We expect that the switch to IFRS will result in material increases to our debt as a result of certain items being reclassified as debt under IFRS.

¥200 Billion ($2.3 Billion) in Preferred Securities Reclassified as Debt

On September 22, 2011, SFJ Capital Limited, our wholly owned consolidated finance subsidiary, raised ¥200 billion ($2.3 billion) through the issuance of preferred securities, which are now callable by us. These preferred securities do not have a maturity date. Dividend payments on the preferred securities are due on a semi-annual basis, at a dividend rate of 2.04% from issue until May 2015. From May 2015, the dividend rate steps up 1% per year (capped at 12%). SFJ Capital Limited or any holder of the securities will have the option to redeem the securities for cash at a fixed redemption price plus any unpaid dividends. We have guaranteed the payment of dividends on the preferred securities pursuant to a guarantee agreement between us and SFJ Capital Limited, for the benefit of the preferred security holders, which guarantee is unsecured and is subordinated to our other liabilities (including under these Notes).

Under Japanese GAAP, we recognized the preferred securities as minority interests on our consolidated balance sheets. However, under IFRS, the preferred securities will be considered debt.

¥306 Billion ($3.5 Billion) Securitization

Since 2007, SoftBank Mobile has maintained a continuous funding source through the securitization of installment sales receivables for mobile handsets on a non-recourse basis. Under IFRS, we will record on our balance sheet amounts related to securitizations of installment sales receivables. This will increase our interest-bearing debt by approximately ¥306 billion ($3.5 billion), net of relating to securitization cost. Note that this estimate of IFRS financial calculations as of December 31, 2012 is provisional and provided solely for the purpose of promoting understanding of our IFRS-based financial results. The actual figures may be different from the figures presented in this offering memorandum.

¥220 billion ($2.5 billion) of Debt Attributable to eAccess from Consolidation

eAccess is a telecommunications company operating under the EMOBILE brand. We reported eAccess as our equity method affiliate under Japanese GAAP. However, following our adoption of IFRS, which uses a broader test for effective control of entities than Japanese GAAP, we will report eAccess as our consolidated subsidiary effective January 1, 2013. As of December 31, 2012, eAccess held ¥220 billion ($2.5 billion) in debt per Japanese GAAP, which consisted primarily of a term loan, equipment financing and senior notes. This will appear as an increase in interest-bearing debt on our consolidated financial statements after eAccess is consolidated on January 1, 2013. We currently do not guarantee any debt held by eAccess. The amounts mentioned here related to eAccess may change due to the transition from Japanese GAAP to IFRS and due to the consolidation of eAccess starting from January 1, 2013.

¥81 Billion ($940 Million) Outstanding on the Term Loan

eAccess entered into a senior syndicated term loan on March 25, 2011 (the "eAccess Term Loan"). The eAccess Term Loan provides borrowings of ¥165 billion ($1.9 billion). The facility is repayable in quarterly installments and is scheduled to be repaid in full by December 31, 2015. The interest rate for the eAccess Term Loan is equal to the announced standard Japanese yen TIBOR, corresponding to the applicable interest period, plus a margin.

The eAccess Term Loan is subject to customary representations and warranties and events of default. It is also subject to certain financial and operating covenants that require eAccess to maintain certain financial ratios on a consolidated basis, and that restrict eAccess' business activities. These covenants require eAccess to stay within certain net leverage ratios, debt service coverage ratios and interest coverage ratios and also restrict eAccess from paying out dividends on its stock.

As of December 31, 2012, eAccess had ¥81 billion ($940 million) remaining under the loan.

¥44 Billion ($513 Million) in Outstanding Equipment Financings

eAccess has several facility agreements with international financial institutions to fund the purchase of equipment and services from certain suppliers, on a subordinated secured basis. The facility agreements contain financial covenants that restrict eAccess from making dividend payments unless certain financial ratios are satisfied. As of December 31, 2012, eAccess had ¥44 billion ($513 million) outstanding under these agreements.

¥59 Billion ($685 Million) in Outstanding Senior Notes

On April 1, 2011, eAccess issued senior notes due in 2018 for a total of $420 million at an interest rate of 8.25% per annum and of €200 million at an interest rate of 8.375% per annum. These notes are senior debt for eAccess and rank *pari passu* in right of payment to all of its existing and future senior indebtedness. As of December 31, 2012, eAccess had ¥59 billion ($685 million) outstanding in these senior notes.

As part of our acquisition of eAccess, a change of control offer was made to the noteholders of certain outstanding eAccess notes due 2018. Less than 1% of the outstanding aggregate principal amount of the notes were tendered.

DESCRIPTION OF THE NOTES

You can find the definitions of certain terms used in this Description of the Notes under the subheading "Certain Definitions." In this Description of the Notes, the term "the Company" refers only to SoftBank Corp. and not to any of its Subsidiaries.

The Company will issue the Notes under an indenture, to be dated as of the Issue Date, among, *inter alios*, itself, the Note Guarantors and the Trustee (the "Indenture"), in a private transaction that is not subject to the registration requirements of the U.S. Securities Act. Holders of Notes will not be entitled to any registration rights. See "Notice to Investors." Unless the context requires otherwise, references in this "Description of the Notes" include any additional Notes that are issued. The terms of the Notes will include those stated in the Indenture.

The following description is a summary of the material provisions of the Indenture. It does not restate the Indenture in its entirety. We urge you to read the Indenture because it, and not this description, defines your rights as holders of the Notes. Copies of the Indenture are available as set forth below under "—Additional Information". Certain defined terms used in this description but not defined below under "—Certain Definitions" have the meanings assigned to them in the Indenture. The Indenture will not incorporate or include any of, or be subject to, the provisions of the U.S. Trust Indenture Act of 1939, as amended.

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

Brief Description of the Notes and the Note Guarantees

The Notes

The Notes will be:

- general unsecured obligations of the Company;
- *pari passu* in right of payment with all existing and future unsecured senior Indebtedness of the Company other than any such Indebtedness that is mandatorily preferred by law;
- senior in right of payment to any future subordinated Indebtedness of the Company; and
- will be unconditionally guaranteed by the Note Guarantors.

However, the Notes and the Note Guarantees will be effectively subordinated to all borrowings under the Bridge Loan, which are secured by all of the shares of Capital Stock of Starburst I owned by the Company and substantially all of the assets of Starburst I and Starburst II. In the event that the Permanent Financing is secured, the Notes and the Note Guarantees will be effectively subordinated in right of payment to the Permanent Financing to the extent of the collateral provided. See "Risk Factors—Risks Relating to the Notes—The Notes and the Note Guarantees are unsecured obligations and will be effectively subordinated to our existing and future secured indebtedness and the existing and future secured indebtedness of any of our subsidiaries that guarantees the Notes".

By purchasing the Notes, each holder will be deemed to acknowledge and agree that the obligations of the Company and the Note Guarantors under the Indenture shall rank on an equal and ratable basis in right of payment with any other Indebtedness of the Company and the Note Guarantors, as applicable, other than any such Indebtedness that is mandatorily preferred by law.

The Note Guarantees

The Notes will initially be guaranteed by SoftBank Mobile and SoftBank Telecom.

Each Guarantee of the Notes (the "Note Guarantee") will be:

- a general unsecured obligation of the Note Guarantor;
- *pari passu* in right of payment with all existing and future unsecured senior Indebtedness of that Note Guarantor other than any such Indebtedness that is mandatorily preferred by law; and
- senior in right of payment to any future subordinated Indebtedness of that Note Guarantor.

For the nine months ended December 31, 2012, SoftBank Mobile had net sales of ¥1,723 billion ($19.9 billion), EBITDA of ¥570 billion ($6.5 billion), operating income of ¥381 billion ($4.4 billion) and net income of ¥242 billion ($2.8 billion). As of December 31, 2012, SoftBank Mobile had ¥3.3 trillion ($38.6 billion) of total assets, which amounted to substantially all of the total assets of the Mobile Communications segment. SoftBank Group's Mobile Communications segment generated 64.6% and 68.5% of SoftBank consolidated net sales and EBITDA, respectively, for the nine months ended December 31, 2012, with SoftBank Mobile generating substantially all of the net sales and operating income of the Mobile Communications segment for that period.

For the nine months ended December 31, 2012, SoftBank Telecom had net sales of ¥325 billion ($3.7 billion), EBITDA of ¥103 billion ($1.1 billion), operating income of ¥55 billion ($636 million) and net income of ¥33 billion ($386 million). As of December 31, 2012, SoftBank Telecom had total assets of ¥570 billion ($6.6 billion). SoftBank Group's Fixed-line Telecommunications segment generated 11.0% and 9.7% of SoftBank consolidated net sales and EBITDA, respectively, for the nine months ended December 31, 2012, with SoftBank Telecom generating substantially all of the net sales and operating income of the Fixed-line Telecommunications segment for that period.

Interest bearing debt including lease obligations of Non-Guarantor Subsidiaries was ¥110 billion ($1.3 billion) as of December 31, 2012.

Substantially all of the operations of the Company are conducted through its Subsidiaries and, therefore, the Company depends on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Notes. The Notes will be effectively subordinated in right of payment to all Indebtedness and other liabilities and commitments (including trade and certain other payables and lease obligations) of the Subsidiaries of the Company which are not providing a Note Guarantee (the "Non-Guarantor Subsidiaries"). Any right of the Company to receive assets of any of its Non-Guarantor Subsidiaries upon such Subsidiary's liquidation or reorganization (and the consequent right of the holders of the Notes to participate in those assets) will be effectively subordinated to the claims of that Non-Guarantor Subsidiary's creditors, except to the extent that the Company is itself recognized as a creditor of the Non-Guarantor Subsidiary, in which case the claims of the Company may be subordinate in right of payment to any security in the assets of the Non-Guarantor Subsidiary and any Indebtedness of such Subsidiary senior to that held by the Company. As of December 31, 2012, the Non-Guarantor Subsidiaries had ¥110 billion ($1.3 billion) of Interest bearing debt including lease obligations. See "Risk Factors—Risks Relating to the Notes—The Notes and the Note Guarantees are unsecured obligations and will be effectively subordinated to our existing and future secured indebtedness and to the existing and future secured indebtedness of any of our subsidiaries that may guarantee the Notes."

The Dollar Notes and Euro Notes are separate series of Notes but will be treated as a single class of Notes under the Indenture, except as otherwise stated therein. As a result, among other things, holders of each series of Notes will not have separate and independent rights to direct the Trustee to exercise remedies in the event of a Default or an Event of Default with respect to the Notes or take certain other actions, including with respect to waivers, amendments, redemptions and offers to purchase.

Principal, Maturity and Interest

The Company will issue $2,485 million in aggregate principal amount of Dollar Notes and €625 million in aggregate principal amount of Euro Notes in the offering. The Company may issue additional Notes under the Indenture from time to time after this offering. The Company will issue the Dollar Notes in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof and the Euro Notes in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. The Notes will mature on April 15, 2020.

Interest on the Dollar Notes will accrue at the rate of 4½% per annum and interest on the Euro Notes will accrue at the rate of 4⅝% per annum and, in each case, will be payable semi-annually in arrears on April 15 and October 15 in each year, commencing on October 15, 2013. Interest on overdue principal and interest, if any, will accrue at a rate that is 1% higher than the then applicable interest rate on the Notes. The Company will make each interest payment to the holders of record on the immediately preceding April 1 and October 1 in each year.

Interest on the Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Methods of Receiving Payments on the Notes

Principal, interest and premium, if any, on the Global Notes will be payable at the specified office or agency of one or more Paying Agents; provided that all such payments in respect of Dollar Notes represented by a Global Note shall be made by a wire transfer of immediately available funds to the account specified by DTC or its nominee and all such payments in respect of Euro Notes represented by a Global Note shall be made by a wire transfer of immediately available funds to the account specified by the common depositary for Euroclear and/or Clearstream or its nominee.

Principal, interest and premium, if any, on any certificated Notes in definitive form ("Certificated Notes") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes. In addition, interest on Certificated Notes may be paid by check mailed to the person entitled thereto as shown on the register for the Certificated Notes.

Paying Agent, Registrar and Transfer Agent for the Notes

The Company will maintain one or more paying agents (each, a "Paying Agent") for the Notes in each of (i) the City of London and (ii) the City and State of New York. Deutsche Bank AG, London Branch will initially act as Paying Agent in London; Deutsche Bank Luxembourg S.A. will initially act as Paying Agent in Luxembourg and Deutsche Bank Trust Company Americas will initially act as Paying Agent in New York.

If and for so long as the Notes are listed on the SGX-ST, and the rules of the SGX-ST so require, in the event that a Global Note is exchanged for Certificated Notes in definitive form, the Company will appoint and maintain a Paying Agent in Singapore where the Notes may be presented or surrendered for payment or redemption. In the event that a Global Note is exchanged for certificated Notes in definitive form, an announcement of such exchange shall be made by or on behalf of the Company through the SGX-ST and such announcement will include all material information with respect to the delivery of the Certificated Notes, including details of the Paying Agent in Singapore by way of an announcement to the SGX-ST, for so long as the Notes are listed on the SGX-ST.

Deutsche Bank Luxembourg S.A. will initially act as Euro Notes Registrar and Deutsche Bank Trust Company Americas will initially act as the Dollar Notes Registrar (each a "Registrar").

Deutsche Bank Trust Company Americas will initially act as a transfer agent in New York and Deutsche Bank Luxembourg S.A. will initially act as a transfer agent in Luxembourg. The Company may change a Paying Agent or the Registrar without prior notice to the holders of the Notes, and the Company or any of its Subsidiaries may act as paying agent or registrar.

Transfer and Exchange

A holder may transfer or exchange Notes in accordance with the provisions of the Indenture. The relevant Registrar and the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents in connection with a transfer of Notes. Holders will be required to pay all taxes due on transfer. The Company will not be required to transfer or exchange any Note selected for redemption. In addition, neither the relevant Registrar nor the Company will be required:

- to issue, to register the transfer of or to exchange any Notes during a period beginning at the opening of business 15 days before the day of any selection of Notes for redemption hereof and ending at the close of business on the day of selection;
- to register the transfer of or to exchange any Note selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part; or
- to register the transfer of or to exchange a Note between a record date and the next succeeding interest payment date.

For further discussion of the requirements (including the presentation of transfer certificates) under the Indenture to effect exchanges or transfer of interests in Global Notes (as defined below), see "—Book Entry, Delivery and Form."

Additional Amounts

All payments made by or on behalf of the Company under or with respect to the Notes (whether or not in the form of definitive Notes) or any Note Guarantor on its Note Guarantee will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of any jurisdiction in which the Company or Note Guarantor (including any Successor Entity), is then incorporated, engaged in business or resident for tax purposes, or any political subdivision thereof or therein or any jurisdiction by or through which payment is made (each, a "Tax Jurisdiction"), will at any time be required to be made from any payments made by or on behalf of the Company under or with respect to the Notes or any Note Guarantor with respect to any Note Guarantee, including payments of principal, redemption price, purchase price, interest or premium, the Company or the Note Guarantor, as applicable, will pay such additional amounts (the "Additional Amounts") as may be necessary in order that the net amounts received in respect of such payments (including Additional Amounts) after such withholding, deduction will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding, deduction or imposition; *provided, however*, that no Additional Amounts will be payable with respect to:

(1) any Taxes that would not have been imposed but for the holder or beneficial owner of the Notes being a citizen, resident or national of, incorporated in or carrying on a business, in the relevant Tax

Jurisdiction in which such Taxes are imposed, other than by the mere holding of such Note, enforcement of rights thereunder, the receipt of payments in respect thereof or any other connection with respect to the Notes;

(2) any Taxes imposed or withheld as a result of the failure of the holder or beneficial owner of the Notes to comply with any written request, made to the relevant holder in writing at least 90 days before any such withholding or deduction would be payable, by the Company or a Note Guarantor to provide timely or accurate information concerning the nationality, residence or identity of such holder or beneficial owner or to make any valid or timely declaration or similar claim or satisfy any certification information or other reporting requirement applicable to such holder or beneficial owner, which is required or imposed by a statute, treaty, regulation or administrative practice of the relevant Tax Jurisdiction as a precondition to exemption from all or part of such Taxes;

(3) any Note presented for payment (where Notes are in the form of definitive Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(4) any estate, inheritance, gift, sale, transfer, personal property or similar tax or assessment;

(5) any Taxes that are withheld, deducted or imposed on a payment to an individual and that are required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing, complying with or introduced in order to conform to, such Directive;

(6) any Note presented for payment by or on behalf of a holder (in cases in which presentation is required) in a Tax Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(7) any Note presented for payment by or on behalf of a holder who is an individual non-resident of Japan or a non-Japanese corporation and is liable for such Taxes in respect of such Notes by reason of its (a) having some connection with Japan, other than the mere holding of such Notes, enforcement of rights thereunder, the receipt of payments in respect thereof or any other connection with respect to the Notes or (b) being a Specially-Related Person of the Company);

(8) any Note presented for payment by or on behalf of a holder of the Notes who would otherwise be exempt from any such withholding or deduction but who fails to comply with any applicable requirement to provide certain information prescribed by the Special Taxation Measures Act to enable a participant of a depositary or financial intermediary through which the Notes are held (a "Participant") to establish that such beneficial owner is exempted from the requirement for Japanese taxes to be withheld or deducted (the "Interest Recipient Information");

(9) any Note presented for payment by or on behalf of a holder of the Notes who is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (a) a designated Japanese financial institution within certain categories as prescribed by the Special Taxation Measures Act (a "Designated Financial Institution"), which complies with the requirement to provide Interest Recipient Information or to submit a written application for tax exemption and (b) an individual resident of Japan or a Japanese corporation that duly notifies (directly or through the Participant or otherwise) the relevant Paying Agent of its status as exempt from Taxes to be withheld or deducted by the Company by reason of such individual resident of Japan or Japanese corporation receiving interest on the Notes through a payment handling agent in Japan appointed by it); or

(10) any combination of items (1) through (9) above.

In addition to the foregoing, the Company and each Note Guarantor will pay and indemnify the holder for any present or future stamp, issue, registration, transfer, court or documentary taxes, or any other excise or property taxes, charges or similar levies or Taxes levied by any jurisdiction on the execution, delivery, registration or enforcement of any of the Notes, the Indenture, any Note Guarantee or any other document or instrument referred to therein, or the receipt of any payments with respect to the Notes (but excluding in each case any such taxes, charges, levies or Taxes on any transfer of, or of any interest in, any Note or any Note Guarantee by or on behalf of any holder other than the initial resale of the Notes by the Initial Purchasers).

If the Company or any Note Guarantor becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes or any Note Guarantee, the Company or the relevant Note Guarantor, as the case may be, will deliver to the Trustee, copied to the Paying Agents, on a date at least 30 days prior to the date of payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Company or the relevant Note Guarantor, as the case may be, shall notify the Trustee promptly thereafter) an officers' certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The officers' certificate must also set forth any other information reasonably necessary to enable the Paying Agent to pay Additional Amounts to holders on the relevant payment date. The Company or the relevant Note Guarantor as the case may be, will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of Additional Amounts. The Trustee, will be entitled to rely solely on such officer's certificate as conclusive proof that such payments are necessary.

The Company or the relevant Note Guarantor, as the case may be, will make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Company or the relevant Note Guarantor, as the case may be, will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Company or the relevant Note Guarantor, as the case may be, will furnish to the holders, within 60 days after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Company or the relevant Note Guarantor, as the case may be, or if, notwithstanding the Company's or the relevant Note Guarantor's efforts to obtain receipts, receipts are not obtained, other evidence of payments by the Company or the relevant Note Guarantor, as the case may be.

Whenever the Indenture or this "Description of the Notes" mentions the payment of amounts based on the principal amount, interest of any other amount payable under, or with respect to, any of the Notes, such mention shall be deemed to include the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligation will survive any termination, defeasance or discharge of the Indenture, any transfer by a holder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Company or a Note Guarantor is organized or resident (or deemed resident) for tax purposes.

Where the Notes are held through a Participant, in order to receive payments free of withholding or deduction by the Company for, or on account of Taxes, if the relevant holder is, in accordance with the Special Taxation Measures Act, (A) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (B) a Designated Financial Institution, such holder shall, at the time of entrusting a Participant with the custody of the Notes, provide the Interest Recipient Information and advise the Participant if the holder of the Notes ceases to be so exempted (including the case where the holder who is an individual non-resident of Japan or a non-Japanese corporation becomes a specially-related person of the Company).

Where the Notes are not held by a Participant, in order to receive payments free of withholding or deduction by the Company for, or on account of, Taxes, if the relevant holder is (A) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (B) a Designated Financial Institution, such holder shall, prior to each time on which it receives interest, submit to the relevant Paying Agent a written application for tax exemption in a form obtainable from the Paying Agent stating the name and address of the holder of the Notes, the title of the Notes, the relevant interest payment date, the amount of interest and the fact that the holder is qualified to submit the written application for tax exemption, together with documentary evidence regarding its identity and residence.

Redemption for Changes in Taxes

The Company may redeem the Notes, in whole but not in part, at any time upon giving not less than 30 nor more than 60 days' prior notice to the holders (which notice will be irrevocable and given in accordance with the procedures described in "—Selection and Notice"), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption (a "Tax Redemption Date") and all Additional Amounts (if any) then due and that will become due on the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of holders on the relevant record date to receive interest due on the relevant interest payment date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Company has or would be required to pay Additional Amounts, and the Company cannot avoid any such payment obligation taking reasonable measures available (including by changing the jurisdiction of the Paying Agent), as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of the relevant Tax Jurisdiction affecting taxation which change or amendment has not been publicly

announced as formally proposed before and which becomes effective on or after the date of the Indenture (or, if the relevant Tax Jurisdiction has changed since the date of the Indenture, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under the Indenture); or

(2) any change in, or amendment to, the existing official position or the introduction of an official position regarding the application, administration or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction or a change in published practice), which change, amendment, application or interpretation has not been publicly announced as formally proposed before and becomes effective on or after the date of the Indenture (or, if the relevant Tax Jurisdiction has changed since the date of the Indenture, the date on which the then current Tax Jurisdiction became the applicable Tax Jurisdiction under the Indenture).

The Company will not give any such notice of redemption earlier than 90 days prior to the earliest date on which the Company would be obligated to make such payment or withholding if a payment in respect of the Notes were then due. Notwithstanding the foregoing, the Company may not redeem the Notes under this provision if the relevant Tax Jurisdiction changes under the Indenture and the Company is obligated to pay any Additional Amounts as a result of a change in, or an amendment to, the laws (or any regulations or rulings promulgated thereunder), or any change in or amendment to, any official position regarding the application, administration or interpretation of such laws, regulations or rules, of the then current Tax Jurisdiction which, at the time such Tax Jurisdiction became the applicable Tax Jurisdiction under the Indenture, was publicly announced as formally proposed.

Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company will deliver to the Trustee an officer's certificate and opinion of counsel, the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld) to the effect that there has been such change or amendment which would entitle the Company to redeem the Notes hereunder and the Company cannot avoid any obligation to pay Additional Amounts taking reasonable measures available to it. The Trustee will accept such officer's certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on holders of the Notes. For the avoidance of doubt, the implementation of European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with or introduced in order to conform to, such directive will not be a change or amendment for such purposes.

Optional Redemption

The Company may on any one or more occasions redeem all or a part of the Notes, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus the Applicable Premium as of, and accrued and unpaid interest, if any, to the date of redemption.

Mandatory Redemption

The Company is not required to make mandatory redemption or sinking fund payments with respect to the Notes.

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Trustee or the relevant Registrar will select Notes for redemption on a *pro rata* basis (in the case of the Euro Notes) or by lot (in the case of the Dollar Notes) (or, in the case of Notes issued in global form as discussed under "—Book-Entry, Delivery and Form," based on a method in accordance with DTC procedures (in the case of the Dollar Notes) or Euroclear and Clearstream (in the case of the Euro Notes)) unless otherwise required by law or applicable stock exchange or depositary requirements.

No Dollar Notes in the principal amount of $200,000 or less and no Euro Notes in the principal amount of €100,000 or less can be redeemed in part. If the Notes are in certificated definitive form, Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture, and the relevant Registrar shall receive a notice of the contemplated redemption at least 45 days prior to the redemption date. Notices of redemption may not be conditional.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. A new Note in principal amount equal to the unredeemed portion of the original Note will be issued in the name of the holder of Notes upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or any portion of Notes called for redemption.

For Notes which are represented by Global Notes held on behalf of Euroclear or Clearstream or DTC, notices may be given by delivery of the relevant notices to Euroclear, Clearstream and DTC for communication to entitled account holders in substitution for the aforesaid mailing.

Repurchase at the Option of Holders upon a Change of Control Triggering Event

If a Change of Control Triggering Event occurs, each holder of Notes will have the right to require the Company to repurchase all or any part (in case of Dollar Notes, equal to $200,000 or an integral multiple of $1,000 in excess thereof and in case of Euro Notes, equal to €100,000 or an integral multiple of €1,000 in excess thereof) of that holder's Notes pursuant to a Change of Control Offer on the terms set forth in the Indenture. In the Change of Control Offer, the Company will offer a Change of Control Payment in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest, if any, on the Notes repurchased to the date of purchase, subject to the rights of holders of Notes on the relevant record date to receive interest due on the relevant interest payment date. Within 30 days following any Change of Control Triggering Event, the Company will mail a notice to each holder describing the events that constitute the Change of Control Triggering Event and offering to repurchase Notes on the Change of Control Payment Date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is given, pursuant to the procedures required by the Indenture and described in such notice. The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Company will, to the extent lawful:

(1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(2) deposit with the applicable Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an officers' certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

The applicable Paying Agent will promptly mail to each holder of Notes properly tendered the Change of Control Payment for such Notes, and the Trustee (or its authenticating agent) will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Company to make a Change of Control Offer following a Change of Control Triggering Event will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the holders of the Notes to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Company will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes properly tendered and not withdrawn under the Change of Control Offer, or (2) notice of redemption has been given pursuant to the Indenture as described above under the caption "—Redemption for Changes in Taxes" or "—Optional Redemption," unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Company and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Company to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Subsidiaries taken as a whole to another Person or group may be uncertain.

The agreements governing the Company's other Indebtedness contain, and future agreements may contain, prohibitions of certain events, including events that would constitute a Change of Control and including repurchases of or other prepayments in respect of the Notes. The exercise by the holders of Notes of their right to require the Company to repurchase the Notes upon a Change of Control could cause a default under these other agreements, even if the Change of Control itself does not, due to the financial effect of such repurchases on the Company. In the event a Change of Control occurs at a time when the Company is prohibited from purchasing Notes, the Company could seek the consent of its senior lenders to the purchase of Notes or could attempt to refinance the borrowings that contain such prohibition. If the Company does not obtain a consent or repay those borrowings, the Company will remain prohibited from purchasing Notes. In that case, the Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture which could, in turn, constitute a default under the other indebtedness. Finally, the Company's ability to pay cash to the holders of Notes upon a repurchase may be limited by the Company's then existing financial resources. See "Risk Factors—Risks Relating to the Notes—We may not have sufficient funds to repurchase the Notes upon a Change of Control Triggering Event and certain strategic transactions may not constitute a Change of Control Trigger Event."

Certain Covenants

Anti-Layering

The Company and the Note Guarantors will not incur any Indebtedness that is contractually subordinated in right of payment to any other Indebtedness of the Company or such Note Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Note Guarantee on substantially identical terms; provided, however, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Company or such Note Guarantor solely by virtue of being unsecured or by virtue of being secured on a junior priority basis.

Negative Pledge

The Company and the Note Guarantors will not create, incur, assume or otherwise cause or suffer to exist or become effective any Lien of any kind securing any Relevant Indebtedness upon any of their property or assets, now owned or hereafter acquired, unless all payments due under the Indenture and the Notes are secured on an equal and ratable basis with the obligations so secured until such time as such obligations are no longer secured by a Lien.

Permitted Priority Debt

The Company will not permit any of the Non-Guarantor Subsidiaries, other than any Excluded Subsidiary, to create, assume, incur, guarantee or otherwise become liable for any Indebtedness, or issue any Disqualified Stock, other than Permitted Priority Debt or any Guarantee made in compliance of and accordance with the covenant listed under the caption "—Subsidiary Guarantees of Indebtedness."

The accrual of interest or preferred stock dividends, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of any liability as Indebtedness due to a change in accounting principles and the payment of dividends on preferred stock or Disqualified Stock in the form of additional shares of the same class of preferred stock or Disqualified Stock will not be deemed to be an incurrence of Indebtedness for purposes of this covenant.

Subsidiary Guarantees of Indebtedness

The Company will not permit any of its Non-Guarantor Subsidiaries, directly or indirectly, to Guarantee any Indebtedness of the Company or a Note Guarantor unless such Non-Guarantor Subsidiary simultaneously executes and delivers a supplemental indenture providing for the Note Guarantee by such Subsidiary, which Note Guarantee will be senior to or *pari passu* with such Subsidiary's Guarantee of such other Indebtedness.

Notwithstanding the foregoing, the Company shall not be obligated to cause such Subsidiary to Guarantee the Notes to the extent that such Guarantee by such Subsidiary would give rise to or result in a violation of applicable law which, in any case, cannot be prevented or otherwise avoided through measures available to the Company or the Subsidiary.

Except as provided below, the Note Guarantee of any Note Guarantor will automatically and unconditionally be released:

(1) in connection with any sale or other disposition of all or substantially all of the assets of such Note Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Company or a Subsidiary of the Company;

(2) in connection with any sale or other disposition of all of the Capital Stock of such Note Guarantor to a Person that is not (either before or after giving effect to such transaction) the Company or another Subsidiary of the Company; or

(3) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the captions "—Legal Defeasance and Covenant Defeasance" and "—Satisfaction and Discharge;" or

(4) upon the release of any Guarantee of any Indebtedness of the Company or a Note Guarantor (other than pursuant to the Note Guarantee) which results in such Note Guarantor no longer guaranteeing any Indebtedness of the Company or a Note Guarantor (other than pursuant to the Note Guarantee); *provided*, that the Note Guarantee of SoftBank Mobile or SoftBank Telecom may be released only if, at the time of the release, the Notes have an Investment Grade Rating.

If on any subsequent date the Notes cease to maintain a rating of at least Baa3 from Moody's and a rating of at least BBB- from S&P, any Note Guarantee of SoftBank Mobile or SoftBank Telecom that has been released under clause (4) above must be reinstated and SoftBank Mobile or SoftBank Telecom, as the case may be, must execute and deliver a supplemental indenture within 10 business days after such ratings decline.

The form of the Note Guarantee will be attached as an exhibit to the Indenture.

Distributions of Proceeds of Asset Sales

The Company will not, and will not permit any of its Subsidiaries to:

(i) pay any dividend or make any other payment or distribution on account of the Company's or any of its Subsidiaries' Equity Interests or to the direct or indirect holders of the Company's or any of its Subsidiaries' Equity Interests in their capacity as such; or

(ii) purchase, redeem or otherwise acquire for value any Equity Interests of the Company or any direct or indirect parent of the Company,

in each case using the Net Proceeds from any Asset Sale, if such dividend, payment, distribution, purchase, redemption or acquisition, individually or when aggregated with all other dividends, payments or distributions, purchases, redemptions and acquisitions using the Net Proceeds from any Asset Sales since the Issue Date, exceeds $5.0 billion; provided, however, that the foregoing will not prohibit any dividend, payment or distribution by a Subsidiary of the Company to the holders of its Equity Interests on a *pro rata* basis.

Merger or Consolidation

The Company will not, directly or indirectly: (1) consolidate or merge with or into another Person (whether or not the Company is the surviving corporation), or (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company and its Subsidiaries taken as a whole, in one or more related transactions, to another Person, unless:

(1) either: (a) the Company is the surviving corporation; or (b) the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, conveyance or other disposition has been made is a corporation organized and existing under the laws of Japan, any jurisdiction which is at the Issue Date or at any time thereafter a member state of the European Union, Switzerland, the United States, any state of the United States or the District of Columbia, Singapore, the Cayman Islands, Jersey, Guernsey or the British Virgin Islands;

(2) the Person formed by or surviving any such consolidation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made assumes all the obligations of the Company under the Notes and the Indenture pursuant to a supplemental indenture reasonably satisfactory to the Trustee;

(3) immediately after such transaction, no Default or Event of Default exists; and

(4) the Company shall have delivered to the Trustee an officer's certificate and an opinion of counsel, each to the effect that such consolidation, merger, sale, assignment, transfer, conveyance or other disposition and such supplemental indenture (if any) comply with the Indenture and an opinion of counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Company, the surviving Person (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance or other disposition has been made (in each case, in form and substance reasonably satisfactory to the Trustee), provided that in giving an opinion of counsel, counsel may rely on an officer's certificate as to any matters of fact, including as to satisfaction of clauses (2) and (3) above.

In addition, the Company will not, directly or indirectly, lease all or substantially all of the properties and assets of it and its Subsidiaries taken as a whole, in one or more related transactions, to any other Person.

A Note Guarantor may not sell or otherwise dispose of all or substantially all of its assets to, or consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person, other than the Company or another Note Guarantor, unless:

(1) the Person acquiring the property in any such sale or disposition or the Person formed by or surviving any such consolidation or merger becomes a Note Guarantor under the Indenture, pursuant to a supplemental indenture satisfactory to the Trustee; or, except in the case of SoftBank Mobile and SoftBank Telecom, the Net Proceeds of such sale or other disposition are applied in accordance with the applicable provisions of the Indenture; and

(2) immediately after giving effect to such transaction, no Default or Event of Default exists.

Designation of Excluded Subsidiaries

The Board of Directors of the Company may designate any future Subsidiary acquired after the date of the Indenture from a party other than the Company or an Affiliate of the Company, or any Subsidiary established by the Company after the date of the Indenture, to be an Excluded Subsidiary if that designation would not cause a Default; provided that in no event will a business existing on the Issue Date that is material to the operations of any of the Mobile Communications, Fixed-line Telecommunications or Broadband segments (such segments as determined for financial reporting purposes on a consolidated basis and in accordance with GAAP), be transferred to an Excluded Subsidiary. The Board of Directors of the Company may redesignate any Excluded Subsidiary to be a non-Excluded Subsidiary if that redesignation would not cause a Default.

Any designation of a Subsidiary of the Company as an Excluded Subsidiary will be evidenced to the trustee by filing with the trustee a certified copy of a resolution of the Board of Directors giving effect to such designation and an officers' certificate certifying that such designation complied with the preceding condition. The Board of Directors of the Company may at any time designate any Excluded Subsidiary to be a non-Excluded Subsidiary of the Company; provided that such designation will be deemed to be an incurrence of Indebtedness by a Subsidiary of the Company of any outstanding Indebtedness of such non-Excluded Subsidiary, and such designation will only be permitted if (1) such Indebtedness is permitted under the covenant described under the caption "—Permitted Priority Debt," calculated on a pro forma basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence following such designation.

Suspension of Certain Covenants

If on any date following the first to occur of (i) 30 days following the completion of the Sprint Acquisition or (ii) the termination and abandonment of the Sprint Acquisition Agreement:

(1) the Notes have received an Investment Grade Rating; and

(2) no Default or Event of Default shall have occurred and be continuing,

then, beginning on that day and subject to the provisions of the following paragraph, the covenants specifically listed under the following captions in this offering memorandum will be suspended:

(1) "—Anti-Layering;"

(2) "—Permitted Priority Debt;"

(3) "—Distributions of Proceeds of Asset Sales;" and

(4) "—Designation of Excluded Subsidiaries".

Notwithstanding the foregoing, if on any subsequent date (the "Reinstatement Date"), the Notes cease to maintain ratings of at least Baa3 and BBB- from Moody's and S&P, respectively, the foregoing covenants will be reinstituted as of and from the date of such rating decline. Calculations under the reinstated "Distributions of Proceeds of Asset Sales" covenant will be made as if the "Distributions of Proceeds of Asset Sales" covenant had been in effect since the date of the Indenture except that no default will be deemed to have occurred solely by reason of a distribution made while that covenant was suspended. In addition, any Indebtedness incurred by a Non-Guarantor Subsidiary (that is not deemed an Excluded Subsidiary) while the "Permitted Priority Debt" covenant was suspended will be deemed to have been incurred pursuant to clause (1) of the definition of "Permitted Priority Debt" (to the extent such Indebtedness would be permitted to be incurred as of the Reinstatement Date under such clause of the definition of "Permitted Priority Debt" after giving effect to Indebtedness incurred prior to the suspension of such covenant and outstanding on the Reinstatement Date). To the extent such Indebtedness would not be so permitted to be incurred pursuant to clause (1) of the definition of "Permitted Priority Debt," such Indebtedness will be deemed to have been in existence on the Issue Date for purposes of the definition of "Permitted Priority Debt" so that it is classified as Permitted Priority Debt under clause (2) of the definition of "Permitted Priority Debt".

The Company shall notify the Trustee that the conditions set forth in the first paragraph under this caption have been satisfied, provided that, no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

Payments for Consent

The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any holder of Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all holders of the Notes that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Reports

So long as any Notes are outstanding, the Company will furnish to the Trustee and furnish to holders of the Notes upon request, as soon as they are available but in any event not more than 10 days after they are filed with the Tokyo Stock Exchange or any other internationally recognized exchange on which the Company's common shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; provided that if at any time the Company's common shares cease to be listed for trading on an internationally recognized stock exchange, the Company will furnish to the Trustee and holders of the Notes as soon as they are available, but in any event:

(1) within 120 days after the end of each fiscal year of the Company, copies of the financial statements (on a consolidated basis and in the English language) of the Company in respect of such fiscal year (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and audited by a member firm of an internationally recognized firm of independent accountants; and

(2) within 60 days after the end of the first, second and third quarters of each fiscal year of the Company, copies of the financial statements (on a consolidated basis and in the English language) of the Company in respect of such period (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and reviewed by a member firm of an internationally recognized firm of independent accountants.

In addition, the Company and the Note Guarantors agree that they will furnish to Noteholders, prospective investors, broker-dealers and securities analysts, upon their request, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the Notes are not freely transferable under the U.S. Securities Act.

No Registration Rights

The Company does not intend to file a registration statement for the public resale of the Notes or for a registered exchange offer with respect to the Notes. Accordingly, holders of Notes may only resell their Notes pursuant to an exemption from the registration requirements of the Securities Act. See "Notice to Investors."

Events of Default and Remedies

Each of the following is an "*Event of Default*":

(1) default for 30 days in the payment when due of interest, if any, on the Notes;

(2) default in the payment when due (at maturity, upon redemption or otherwise) of the principal of, or premium, if any, on, the Notes;

(3) failure by the Company to comply with the provisions described under the captions "—Repurchase at the Option of Holders upon a Change of Control Triggering Event" or "—Certain Covenants—Merger or Consolidation;"

(4) failure by the Company for 60 days after notice to the Company by the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding voting as a single class to comply with any of the agreements in the Indenture (other than a default in performance covered under clauses (1), (2) or (3) above);

(5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Subsidiaries (or the payment of which is guaranteed by the Company or any of its Subsidiaries), whether such Indebtedness or Guarantee now exists, or is created after the date of the Indenture, if that default:

   (a) is caused by a failure to pay principal of, premium on, if any, or interest, if any, on, such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a "*Payment Default*"); or

   (b) results in the acceleration of such Indebtedness prior to its Stated Maturity,

   and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates ¥7.5 billion or more;

(6) failure by the Company or any of its Subsidiaries to pay final judgments entered by a court or courts of competent jurisdiction aggregating in excess of ¥7.5 billion, which judgments are not paid, discharged or stayed, for a period of 60 days;

(7) except as permitted by the Indenture, any Note Guarantee is held in any judicial proceeding to be unenforceable or invalid, in whole or in part, or ceases for any reason to be in full force and effect, or any Note Guarantor, or any Person acting on behalf of any Note Guarantor, denies or disaffirms its obligations under its Note Guarantee; or

(8) certain events of bankruptcy or insolvency described in the Indenture with respect to the Company or any of its Subsidiaries that is a Significant Subsidiary or any group of its Subsidiaries that, taken together, would constitute a Significant Subsidiary.

In the case of an Event of Default arising from certain events of bankruptcy or insolvency, with respect to the Company, any Subsidiary of the Company that is a Significant Subsidiary or any group of Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Notes may declare all the Notes to be due and payable immediately.

Subject to certain limitations, holders of a majority in aggregate principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal of, premium on, if any, and interest, if any.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of Notes unless such holders have offered to the Trustee indemnity or security satisfactory to it (including by way of pre-funding) against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest, if any, when due, no holder of a Note may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such holder has previously given the Trustee written notice that an Event of Default is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such holder or holders offer and, if requested, provide to the Trustee security or indemnity satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee does not comply with such request within 60 days after receipt of the request and the offer of security or indemnity; and

(5) during such 60-day period, holders of a majority in aggregate principal amount of the then outstanding Notes do not give the Trustee a direction inconsistent with such request.

The holders of a majority in aggregate principal amount of the then outstanding Notes by written notice to the Trustee may, on behalf of the holders of all of the Notes, rescind an acceleration or waive any existing Default or Event of Default and its consequences under the Indenture, if the rescission would not conflict with any judgment or decree, except a continuing Default or Event of Default in the payment of principal of, premium on, if any, or interest, if any, on, the Notes.

The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture. Upon becoming aware of any Default or Event of Default, the Company is required to deliver to the Trustee a statement specifying such Default or Event of Default.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Company and the Note Guarantors, as such, will have any liability for any obligations of the Company under the Notes, the Note Guarantees, the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under U.S. federal securities laws.

Legal Defeasance and Covenant Defeasance

The Company may at any time, at the option of its Board of Directors evidenced by a resolution set forth in an officers' certificate, elect to have all of its obligations discharged with respect to the outstanding Notes and the Note Guarantors' obligations discharged with respect to the Note Guarantees ("Legal Defeasance") except for:

(1) the rights of holders of outstanding Notes to receive payments in respect of the principal of, premium on, if any, or interest, if any, on, such Notes when such payments are due from the trust referred to below;

(2) the Company's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Trustee under the Indenture, and the Company's obligations in connection therewith; and

(4) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have its obligations released with respect to certain covenants (including its obligation to make Change of Control Offers) that are described in the Indenture ("Covenant Defeasance") and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, all Events of Default described under "—Events of Default and Remedies" (except those relating to payments on the Notes or bankruptcy, receivership, rehabilitation or insolvency events) will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit with the Trustee or such other entity designated by the Trustee for this purpose, in trust, for the benefit of the holders of the Dollar Notes, cash in U.S. dollars, non-callable Government Securities or a combination thereof, and, for the benefit of the holders of the Euro Notes, euro, euro-denominated European Government Obligations or a combination thereof, in amounts as will be sufficient, in the opinion of an internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of,

premium on, if any, and interest, if any, on, the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;

(2) in the case of Legal Defeasance, the Company must deliver to the Trustee: (a) an opinion of U.S. counsel reasonably acceptable to the Trustee confirming that (a) (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (ii) since the date of the Indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred; and (b) an opinion of Japanese counsel reasonably acceptable to the Trustee to the effect that the holders of the outstanding Notes will not recognize income, gain or loss for Japanese tax purposes as a result of such deposit and defeasance and will be subject to tax in Japan on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company must deliver to the Trustee: (a) an opinion of U.S. counsel reasonably acceptable to the Trustee confirming that the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred; and (b) an opinion of Japanese counsel reasonably acceptable to the Trustee to the effect that the holders of the outstanding Notes will not recognize income, gain or loss for Japanese tax purposes as a result of such deposit and defeasance and will be subject to Japanese tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred;

(4) no Default or Event of Default has occurred and is continuing either: (a) on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit (and any similar concurrent deposit relating to other Indebtedness), and the granting of Liens to secure such borrowing) or (b) insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 366th day after the date of deposit;

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture and the agreements governing any other Indebtedness being defeased, discharged or replaced) to which the Company is a party or by which the Company is bound;

(6) The Company must deliver to the Trustee an opinion of counsel, reasonably acceptable to the Trustee, to the effect that after the 366th day following the deposit, the trust funds will not be subject to the effect of any applicable preference or similar insolvency laws affecting creditors' rights generally;

(7) the Company must deliver to the Trustee an officers' certificate stating that the deposit was not made by the Company with the intent of preferring the holders of Notes over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding any creditors of the Company or others; and

(8) the Company must deliver to the Trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the Indenture, the Notes or the Note Guarantees may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes), and any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium on, if any, or interest, if any, on, the Notes, except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of the

Indenture, the Notes or the Note Guarantees may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, additional Notes, if any) voting as a single class (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

Without the consent of each holder of Notes affected, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting holder):

(1) reduce the principal amount of Notes whose holders must consent to an amendment, supplement or waiver;

(2) reduce the principal of or change the fixed maturity of any Note or alter or waive any of the provisions with respect to the redemption of the Notes (except those provisions relating to the covenant described above under the caption "—Repurchase at the Option of Holders upon a Change of Control Triggering Event");

(3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;

(4) waive a Default or Event of Default in the payment of principal of, premium on, if any, or interest, if any, on, the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the payment default that resulted from such acceleration);

(5) make any Note payable in money other than that stated in the Notes;

(6) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Notes to receive payments of principal of, premium on, if any, or interest, if any, on, the Notes;

(7) waive a redemption payment with respect to any Note (other than a payment required by the covenant described above under the caption "—Repurchase at the Option of Holders upon a Change of Control Triggering Event");

(8) make any change in the preceding amendment and waiver provisions; or

(9) release any Note Guarantor from any of its obligations under its Note Guarantee or the Indenture, except in accordance with the terms of the Indenture.

Notwithstanding the preceding, without the consent of any holder of Notes, the Company, the Note Guarantors and the Trustee may amend or supplement the Indenture, the Notes or the Note Guarantees:

(1) to cure any ambiguity, defect or inconsistency;

(2) to provide for uncertificated Notes in addition to or in place of Certificated Notes to;

(3) provide for the assumption of the Company's or a Note Guarantor's obligations to holders of Notes and Note Guarantees in the case of a merger or consolidation or sale of all or substantially all of the Company's or such Note Guarantor's assets;

(4) make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any holder;

(5) conform the text of the Indenture, the Notes or the Note Guarantees to any provision of this Description of the Notes to the extent that such provision in this Description of the Notes was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Note Guarantees, which intent may be evidenced by an officers' certificate to that effect;

(6) provide for the issuance of additional Notes in accordance with the limitations set forth in the Indenture as of the date thereof; or

(7) to allow any Note Guarantor to execute a supplemental indenture and/or a Note Guarantee with respect to the Notes.

The consent of the holders of Notes is not necessary under the Indenture to approve the particular form of any proposed amendment.

In formulating its decision on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including officer's certificates and opinions of counsel.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(1) either:

(a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Company, have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Company or any Note Guarantor has irrevocably deposited or caused to be deposited with the Trustee (or such other entity designated by the Trustee for such purpose) as trust funds in trust solely for the benefit of the holders, cash in U.S. dollars or euros, non-callable Government Securities, European Government Obligations, U.S. Government Obligations or a combination thereof, in each case, denominated in, with respect to the Dollar Notes, U.S. dollars and with respect to the Euro Notes, euros, and, in either case, in amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not delivered to the Trustee for cancellation for principal of, premium on, if any, and interest, if any, on, the Notes to the date of maturity or redemption;

(2) in respect of clause 1(b), no Default or Event of Default has occurred and is continuing on the date of the deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit and any similar deposit relating to other Indebtedness and, in each case, the granting of Liens to secure such borrowings) and the deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Note Guarantor is a party or by which the Company or any Note Guarantor is bound (other than with respect to the borrowing of funds to be applied concurrently to make the deposit required to effect such satisfaction and discharge and any similar concurrent deposit relating to other Indebtedness, and in each case the granting of Liens to secure such borrowings);

(3) the Company or any Note Guarantor has paid or caused to be paid all sums payable by it under the Indenture; and

(4) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Company must deliver an officers' certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

Judgment Currency

The sole currency of account and payment for all sums payable by the Company or any Note Guarantor under the Indenture with respect to Dollar Notes is U.S. dollars and with respect to Euro Notes is euro. Any payment on account of an amount that is payable in U.S. dollars or euros, as the case may be (the "Required Currency"), which is made to or for the account of any holder of the Notes or the Trustee in lawful currency of any other jurisdiction (the "Judgment Currency"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Company or a Note Guarantor, shall constitute a discharge of the obligations of the Company and the Note Guarantors under the Indenture, the Notes and the Note Guarantees only to the extent of the amount of the Required Currency which such holder or the Trustee, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the date of the receipt or recovery of the payment in the Judgment Currency (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If the amount of the Required Currency that could be so purchased is less than the amount of the Required Currency originally due to such holder or the Trustee, as the case may be, the Company and the Note Guarantors shall indemnify and hold harmless the holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. For the purposes of this indemnity, it will be sufficient for the holder to certify that it would have suffered a loss had an actual purchase of Required Currency been made with the amount so received in Judgment Currency on the date of receipt or recovery (or, if a purchase of

Required Currency on such date had not been practicable, on the first date on which it would have been practicable). This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture, the Notes or the Note Guarantees, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any holder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due under the Indenture, the Notes or the Note Guarantees or under any judgment or order.

Concerning the Trustee

If the Trustee becomes a creditor of the Company or any Note Guarantor, the Indenture limits the right of the Trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default has occurred and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee indemnity or security (including by way of pre-funding) satisfactory to it against any loss, liability or expense.

Listing

Approval in-principle has been received for the listing of the Notes on the SGX-ST. There can be no assurance that such listing will be obtained or maintained. If, and so long as, any of the Notes are listed on the SGX-ST, an agent for making payments on, and transfers of, Notes will be maintained in Singapore.

Additional Information

Anyone who receives this offering memorandum may obtain a copy of the Indenture without charge by e-mailing Investor Relations at ir@softbank.co.jp. The Company will provide an electronic version of the Indenture by e-mail reply.

Governing Law, Consent to Jurisdiction and Service of Process

The Notes, the Note Guarantees and the Indenture provide that they will be governed by, and construed in accordance with, the laws of the State of New York.

The Company and each of the Note Guarantors will irrevocably submit to the jurisdiction of any New York state or U.S. federal court located in The Borough of Manhattan, City of New York, State of New York in relation to any legal action or proceeding (i) arising out of, related to or in connection with the Indenture or the Notes and (ii) arising under any U.S. federal or state securities laws. The Company and each of the Note Guarantors will appoint National Corporate Research, Ltd. as its agent for service of process in any such action or proceeding.

Book-Entry, Delivery and Form

Each series of Notes sold within the United States to "qualified institutional buyers" pursuant to Rule 144A under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "144A Global Note"). The 144A Global Note representing the Dollar Notes (the "Dollar 144A Global Note") will be deposited upon issuance with the Dollar Notes Registrar as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. The 144A Global Note representing the Euro Notes (the "Euro 144A Global Note"), will be deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Each series of Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by a global note in registered form without interest coupons attached (the "Regulation S Global Notes" and together with the 144A Global Notes, the "Global Notes"). The Regulation S Global Note representing the Dollar Notes (the "Dollar Regulation S Global Note" and, together with the Dollar 144A Global Note, the "Dollar Global Notes") will be deposited upon issuance with the Dollar Notes Registrar as custodian for DTC and registered in the name of Cede & Co., as nominee of DTC. The Regulation S Global Note representing the Euro Notes (the “Euro Regulation S Global Note” and, together with the Euro 144A Global Note, the “Euro Global Notes”) will be deposited, on the Issue Date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Ownership of interests in the 144A Global Notes (the “144A Book-Entry Interests”) and ownership of interests in the Regulation S Global Notes (the “Regulation S Book-Entry Interests” and, together with 144A Book-Entry Interests, the “Book-Entry Interests”) will be limited to persons that have accounts with DTC, Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC, Euroclear and Clearstream and their participants. Beneficial interests in the Rule 144A Global Notes may not be exchanged for beneficial interests in the Regulation S Global Notes at any time except in the limited circumstances described below. See “—Exchanges between Regulation S Notes and Rule 144A Notes.”

Except as set forth below, the Dollar Notes will be issued in registered, global form in minimum denominations of $200,000 and integral multiples of $1,000 in excess thereof and the Euro Notes will be issued in registered, global form in minimum denominations of €100,000 and integral multiples of $1,000 in excess thereof. Notes will be issued at the closing of this offering only against payment in immediately available funds.

Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. Beneficial interests in the Global Notes may not be exchanged for Certificated Notes except in the limited circumstances described below. See “—Exchange of Global Notes for Certificated Notes.” Except in the limited circumstances described below, owners of beneficial interests in the Global Notes will not be entitled to receive physical delivery of Notes in certificated form.

Rule 144A Notes (including beneficial interests in the Rule 144A Global Notes) will be subject to certain restrictions on transfer and will bear a restrictive legend as described under “Notice to Investors.” Regulation S Notes will also bear the legend as described under “Notice to Investors.” In addition, transfers of beneficial interests in the Global Notes will be subject to the applicable rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time.

Clearing System Procedures

The following description of the operations and procedures of DTC, Euroclear and Clearstream are provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them. The Company takes no responsibility for these operations and procedures and urges investors to contact the system or their participants directly to discuss these matters.

DTC has advised the Company that DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the “DTC Participants”) and to facilitate the clearance and settlement of transactions in those securities between the DTC Participants through electronic book-entry changes in accounts of DTC Participants. The DTC Participants include securities brokers and dealers (including the Initial Purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC’s system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (collectively, the “Indirect Participants”). Persons who are not DTC Participants may beneficially own securities held by or on behalf of DTC only through the DTC Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the DTC Participants and Indirect Participants.

DTC has also advised the Company that, pursuant to procedures established by it:

(1) upon deposit of the Global Notes, DTC will credit the accounts of the DTC Participants designated by the Initial Purchasers with portions of the principal amount of the Global Notes; and

(2) ownership of these interests in the Global Notes will be shown on, and the transfer of ownership of these interests will be effected only through, records maintained by DTC (with respect to the DTC Participants) or by the DTC Participants and the Indirect Participants (with respect to other owners of beneficial interest in the Global Notes).

Like DTC, Euroclear and Clearstream hold securities for participant organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry charges in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing and Euroclear and Clearstream interface with domestic securities markets.

Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Investors in the Dollar Global Notes who are DTC Participants may hold their interests therein directly through DTC. Investors in the Rule 144A Global Notes who are not DTC Participants may hold their interests therein indirectly through organizations (including Euroclear and Clearstream) which are DTC Participants. Investors in the Dollar Regulation S Global Notes must initially hold their interests therein through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants. After the expiration of the Restricted Period (but not earlier), investors may also hold interests in the Dollar Regulation S Global Notes through DTC Participants in the DTC system other than Euroclear and Clearstream. Euroclear and Clearstream will hold interests in the Regulation S Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories, which are Euroclear Bank SA/NV and Clearstream Banking, S.A., as operator of Clearstream. All interests in a Global Note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of such systems. The laws of some states require that certain Persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Note to such Persons will be limited to that extent. Because DTC can act only on behalf of the DTC Participants, which in turn act on behalf of the Indirect Participants, the ability of a Person having beneficial interests in a Global Note to pledge such interests to Persons that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Except as described below, owners of interests in the Global Notes will not have Notes registered in their names, will not receive physical delivery of Notes in certificated form and will not be considered the registered owners or "holders" thereof under the Indenture for any purpose.

Payments of any amounts owing in respect of the Global Notes (including principal, premium and interest) will be made by the Company or the Note Guarantors, as the case may be, to the Paying Agent. The Paying Agent will, in turn, make such payments to the common depository for Euroclear and Clearstream (in the case of the Euro Global Notes) and to DTC or its nominee (in the case of the Dollar Global Notes), which will distribute such payments to participants in accordance with their respective procedures.

Under the terms of the Indenture, the Company, the Note Guarantors and the Trustee will treat the registered holder of the Global Notes (i.e., DTC, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither the Company, the Note Guarantors, the Trustee nor any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by DTC, Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of DTC, Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- DTC, Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of customers registered in "street name".

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Euro Global Notes, will be paid to holders of interest in such Notes (the "Euroclear/Clearstream Holders") through Euroclear and/or Clearstream in euro. The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Dollar Global Notes will be paid to holders of interest in such Notes (the "DTC Holders") through DTC in dollars.

Notwithstanding the payment provisions described above, Euroclear/Clearstream Holders may elect to receive payments in respect of the Euro Global Notes in dollars and DTC Holders may elect to receive payments in respect of the Dollar Global Notes in euro.

If so elected, a Euroclear/Clearstream Holder may receive payments of amounts payable in respect of its interest in the Euro Global Notes in dollars in accordance with Euroclear or Clearstream's customary procedures, which include, among other things, giving to Euroclear or Clearstream, as appropriate, a notice of such holder's election. All costs of conversion resulting from any such election will be borne by such holder.

If so elected, a DTC Holder may receive payment of amounts payable in respect of its interest in the Dollar Global Notes in euro in accordance with DTC's customary procedures, which include, among other things, giving to DTC a notice of such holder's election to receive payments in euro. All costs of conversion resulting from any such election will be borne by such holder.

DTC has advised the Company that its current practice, upon receipt of any payment in respect of securities such as the Notes (including principal and interest), is to credit the accounts of the relevant DTC Participants with the payment on the payment date unless DTC has reason to believe that it will not receive payment on such payment date. Each relevant DTC Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the DTC Participants and the Indirect Participants to the beneficial owners of Notes will be governed by standing instructions and customary practices and will be the responsibility of the DTC Participants or the Indirect Participants and will not be the responsibility of DTC, the Trustee or the Company. Neither the Company nor the Trustee will be liable for any delay by DTC or any of the DTC Participants or the Indirect Participants in identifying the beneficial owners of the Notes, and the Company and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under "Notice to Investors," transfers between the DTC Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds, and transfers between participants in Euroclear and Clearstream will be effected in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the Notes described herein, cross-market transfers between the DTC Participants, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be effected through DTC in accordance with DTC's rules on behalf of Euroclear or Clearstream, as the case may be, by their respective depositaries; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with the rules and procedures and within the established deadlines (Brussels time) of such system. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the relevant Global Note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

DTC has advised the Company that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more DTC Participants to whose account DTC has credited the interests in the Global Notes and only in respect of such portion of the aggregate principal amount of the Notes as to which such DTC Participant or DTC Participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC reserves the right to exchange the Global Notes for legended Notes in certificated form, and to distribute such Notes to DTC Participants.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures to facilitate transfers of interests in the Rule 144A Global Notes and the Regulation S Global Notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. None of the Company, the Trustee and any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Exchange of Global Notes for Certificated Notes

A Global Note is exchangeable for Certificated Notes if:

(1) (a) DTC (with respect to the Dollar Notes) or Euroclear and/or Clearstream (with respect to the Euro Notes), as the case may be, notifies the Company that it is unwilling or unable to continue as depositary for the Global Notes or (b) DTC (with respect to the Dollar Notes) has ceased to be a clearing agency registered under the Exchange Act and, in either case, the Company fails to appoint a successor depositary;

(2) the Company, at its option, notifies the Trustee in writing that it elects to cause the issuance of the Certificated Notes; or

(3) there has occurred and is continuing a Default or Event of Default with respect to the Notes.

In addition, beneficial interests in a Global Note may be exchanged for Certificated Notes upon prior written notice given to the Trustee by or on behalf of DTC (with respect to the Dollar Notes) or Euroclear and/or Clearstream (with respect to the Euro Notes), as the case may be, in accordance with the Indenture. In all cases, Certificated Notes delivered in exchange for any Global Note or beneficial interests in Global Notes will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depositary (in accordance with its customary procedures) and will bear the applicable restrictive legend referred to in "Notice to Investors," unless that legend is not required by applicable law.

Exchange of Certificated Notes for Global Notes

Certificated Notes may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "Notice to Investors."

Exchanges Between Regulation S Notes and Rule 144A Notes

Prior to the expiration of the Restricted Period, beneficial interests in the Regulation S Global Note may be exchanged for beneficial interests in the Rule 144A Global Note only if:

(1) such exchange occurs in connection with a transfer of the Notes pursuant to Rule 144A; and

(2) the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that the Notes are being transferred to a Person:

   (a) who the transferor reasonably believes to be a qualified institutional buyer within the meaning of Rule 144A;

   (b) purchasing for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A; and

   (c) in accordance with all applicable securities laws of the states of the United States and other jurisdictions.

Beneficial interests in a Rule 144A Global Note may be transferred to a Person who takes delivery in the form of an interest in the Regulation S Global Note, whether before or after the expiration of the Restricted Period, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 903 or 904 of Regulation S or Rule 144 (if available) and that, if such transfer occurs prior to the expiration of the Restricted Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream.

This paragraph refers to transfers and exchanges in respect of the Dollar Global Notes only. Transfers involving exchanges of beneficial interests between the Regulation S Global Notes and the Rule 144A Global Notes will be effected by DTC by means of an instruction originated by the Trustee through the DTC Deposit/ Withdraw at Custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a Person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long as it remains such an interest. The policies and practices of DTC may prohibit transfers of beneficial interests in the Regulation S Global Note prior to the expiration of the Restricted Period.

Same Day Settlement and Payment

The Company will (via the relevant Paying Agent) make payments in respect of the Notes represented by the Global Notes, including principal, premium, if any, and interest, if any, by wire transfer of immediately available funds to the accounts specified by DTC or its nominee in case of the Dollar Notes and to the accounts specified by the common depositary (or its nominee) for Euroclear and/or Clearstream in case of the Euro Notes. The Company will make all payments of principal, premium, if any, and interest, if any, with respect to Certificated Notes by wire transfer of immediately available funds to the accounts specified by the holders of the Certificated Notes or, if no such account is specified, by mailing a check to each such holder's registered address. The Notes represented by the Global Notes are expected to be eligible to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Notes will, therefore, be required by DTC to be settled in immediately available funds. the Company expects that secondary trading in any Certificated Notes will also be settled in immediately available funds.

Subject to compliance with the transfer restrictions applicable to the Global Notes, cross market transfers between participants in DTC, on the one hand, and Euroclear or Clearstream participants, on the other hand, will be done through DTC in accordance with DTC's rules on behalf of each of Euroclear or Clearstream by its common depository; however, such cross market transactions will require delivery of instructions to Euroclear or Clearstream by the counterparty in such system in accordance with the rules and regulations and within the established deadlines of such system (Brussels time). Euroclear or Clearstream will, if the transaction meets its settlement requirements, deliver instructions to the common depository to take action to effect final settlement on its behalf by delivering or receiving interests in the Global Notes by DTC, and making and receiving payment in accordance with normal procedures for same-day funds settlement application to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the common depository.

Because of time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in a Global Note from a DTC Participant will be credited, and any such crediting will be reported to the relevant Euroclear or Clearstream participant, during the securities settlement processing day (which must be a business day for Euroclear and Clearstream) immediately following the settlement date of DTC. DTC has advised the Company that cash received in Euroclear or Clearstream as a result of sales of interests in a Global Note by or through a Euroclear or Clearstream participant to a DTC Participant will be received with value on the settlement date of DTC but will be available in the relevant Euroclear or Clearstream cash account only as of the business day for Euroclear or Clearstream following DTC's settlement date.

Initial Settlement

Initial settlement for the Notes will be made in dollars and euros. Book-Entry Interests will be credited to the securities custody accounts of DTC, Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all defined terms used therein, as well as any other capitalized terms used herein for which no definition is provided.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing; provided that beneficial ownership of 10% or more of the Voting Stock of a Person shall be deemed to be control.

"*Applicable Dollar Note Premium*" means, with respect to any Dollar Notes on any redemption date applicable to the redemption of such Dollar Notes, the greater of:

(1) 1.0% of the principal amount of the Dollar Notes; or

(2) the excess of:

(a) the present value at such redemption date of (i) the payment of principal on the Dollar Notes on the maturity date *plus* (ii) all required interest payments due on the Dollar Notes through the maturity date (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points; over

(b) the principal amount of the Dollar Notes.

"*Applicable Euro Note Premium*" means, with respect to any Euro Notes on any redemption date applicable to the redemption of such Euro Notes, the greater of:

(1) 1.0% of the principal amount of the Euro Notes; and

(2) the excess of:

(a) the present value at such redemption date of (i) the redemption price of the Euro Notes on the maturity date *plus* (ii) all required interest payments due on the Euro Notes through to the maturity date (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points; over

(b) the principal amount of the Euro Notes, if greater.

"*Applicable Premium*" means, with respect to a Dollar Notes, the Applicable Dollar Note Premium and, with respect to a Euro Notes, the Applicable Euro Note Premium. For the avoidance of doubt, calculation of the Applicable Premium shall not be a duty or obligation of the Trustee or any Paying Agent.

"*Asset Sale*" means:

(1) the sale, lease, conveyance or other disposition of any assets or rights by the Company or any of the Company's Subsidiaries; *provided* that the sale, lease, conveyance or other disposition of all or substantially all of the assets of the Company and its Subsidiaries taken as a whole will be governed by the provisions of the Indenture described above under the caption "—Certain Covenants—Merger or Consolidation" and not by the provisions of the Distribution of Proceeds of Asset Sales covenant; and

(2) the issuance of Equity Interests by any of the Company's Subsidiaries or the sale by the Company or any of its Subsidiaries of Equity Interests in any of the Company's Subsidiaries.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(1) any single transaction or series of related transactions that involves assets having a fair market value of less than ¥1.0 billion;

(2) a transfer of assets or Equity Interests between or among the Company and its Subsidiaries;

(3) an issuance of Equity Interests by a Subsidiary of the Company to the Company or to a Subsidiary of the Company;

(4) the sale, lease or other transfer of products, services or accounts receivable in the ordinary course of business and any sale, conveyance or other disposition of damaged, worn-out or obsolete assets in the ordinary course of business (including the abandonment or other disposition of intellectual property that is, in the reasonable judgment of the Company, no longer economically practicable to maintain or useful in the conduct of the business of the Company and its Subsidiaries taken as whole);

(5) licenses and sublicenses by the Company or any of its Subsidiaries of software or intellectual property in the ordinary course of business;

(6) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business;

(7) the granting of Liens not prohibited by the covenant described above under the caption "—Negative Pledge;" and

(8) the sale or other disposition of cash or Cash Equivalents.

"*Attributable Debt*" in respect of a sale and lease-back transaction means, at any time of determination, the present value at that time of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and lease-back transaction including any period for which such lease has been extended or may, at the option of the lessor, be extended. Such present value will be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with GAAP; provided, however, that if such sale and lease-back transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of "Capital Lease Obligation".

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms "Beneficially Owns" and "Beneficially Owned" have a corresponding meaning.

"*Board of Directors*" means:

(1) with respect to a corporation, the board of directors of the corporation or any committee thereof duly authorized to act on behalf of such board;

(2) with respect to a partnership, the Board of Directors of the general partner of the partnership;

(3) with respect to a limited-liability company, the managing member or members or any controlling committee of managing members thereof; and

(4) with respect to any other Person, the board or committee of such Person serving a similar function.

"*Bridge Loan Facility*" means that certain Term Loan Agreement, dated as of December 18, 2012, by and among the Company and Mizuho Corporate Bank, Ltd., Sumitomo Mitsui Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Deutsche Bank AG, Tokyo Branch, among others, providing for up to ¥1,650 billion of term loan borrowings, including any related notes, Guarantees, collateral documents, instruments and agreements executed in connection therewith, and, in each case, as amended, restated, modified, renewed, refunded, replaced in any manner (whether upon or after termination or otherwise) or refinanced (but excluding any amount refinanced by means of sales of debt securities to institutional investors) in whole or in part from time to time.

"*Bund Rate*" means, with respect to any relevant date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(1) "*Comparable German Bund Issue*" means the German *Bundesanleihe* security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to the maturity date of the Euro Notes, and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Euro Notes and of a maturity most nearly equal to the maturity date of the Euro Notes; provided, however, that, if the period from such redemption date to the maturity date of the Euro Notes, is less than one year, a fixed maturity of one year shall be used;

(2) "*Comparable German Bund Price*" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Company obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) "*Reference German Bund Dealer*" means any dealer of German *Bundesanleihe* securities appointed by the Company in consultation with the Trustee; and

(4) "*Reference German Bund Dealer Quotations*" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Company of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany, time on the third business day in Frankfurt preceding the relevant date.

"*Capital Lease Obligation*" means, at the time any determination is to be made, the amount of the liability in respect of a capital lease that would at that time be required to be capitalized on a balance sheet prepared in accordance with GAAP, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

"*Capital Stock*" means:

(1) in the case of a corporation, corporate stock;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited-liability company, partnership interests (whether general or limited) or membership interests; and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully guaranteed or insured by the United States government or the Japanese government or any agency or instrumentality thereof (*provided* that the full faith and credit of the United States or Japan, as applicable, is pledged in support of those securities) having maturities of not more than 12 months from the date of acquisition;

(2) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances, money market deposits (and similar instruments) with maturities of 12 months or less from the date of acquisition, in each case, with any lender party to the Bridge Loan Facility or with any bank or trust company organized under, or authorized to operate as a bank or trust company under the laws of, Japan, the United States of America or any state thereof, any member state of the European Union or the United Kingdom, and having capital and surplus and undivided profits in excess of $500.0 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated "A-3" or higher by Moody's or "A-" or higher by S&P or the equivalent rating category of another internationally recognized rating agency;

(3) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;

(4) commercial paper having one of the two highest ratings obtainable from Moody's or S&P or the highest ratings obtainable by Japan Credit Rating Agency, Ltd. or Rating and Investment Information, Inc., and, in each case, maturing within 12 months after the date of acquisition; and

(5) money market funds at least 95% of the assets of which constitute cash or Cash Equivalents of the kinds described in clauses (1) through (4) of this definition.

"*Change of Control*" means the occurrence of any of the following:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries taken as a whole to any Person (including any "person" (as that term is used in Section 13(d)(3) of the Exchange Act)) other than the Permitted Holders;

(2) the adoption of a plan relating to the liquidation or dissolution of the Company (other than in connection with a solvent reorganization);

(3) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any Person (including any "person" (as defined above) other than the Permitted Holders becomes the Beneficial Owner, directly or indirectly, of (i) more than 33-1/3% of the Voting Stock of the Company, measured by voting power rather than number of shares, and (ii) more Voting Stock of the Company, measured by voting power rather than number of shares, than is Beneficially Owned by the Permitted Holders;

(4) the Company's common shares are no longer listed on the Tokyo Stock Exchange or another internationally recognized stock exchange; or

(5) the first day on which a majority of the members of the Board of Directors of the Company are not Continuing Directors.

"*Change of Control Offer*" has the meaning assigned to that term in the Indenture governing the Notes.

"*Change of Control Payment*" has the meaning assigned to such term in the Indenture.

"*Change of Control Payment Date*" has the meaning assigned to such term in the Indenture.

"*Change of Control Triggering Event*" means the occurrence of a Change of Control and, if the Notes are rated by at least one Rating Agency, a Ratings Decline;

"*Consolidated Net Tangible Assets*" means the Company's consolidated total assets as reflected in the Company's most recent balance sheet preceding the date of determination prepared in accordance with GAAP, less total Current Liabilities and goodwill, software and other similar intangible assets. "*continuing*" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"*Continuing Directors*" means, as of any date of determination, any member of the Board of Directors of the Company who:

(1) was a member of such Board of Directors on the date of the Indenture; or

(2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

"Current Liabilities" means those items that are included in such term under GAAP and reflected as such in the Company's most recent balance sheet preceding the date of determination prepared in accordance with GAAP.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, on or prior to the date that is 366 days after the date on which the Notes mature. The amount of Disqualified Stock deemed to be outstanding at any time for purposes of the indenture will be the maximum amount that a Person may become obligated to pay upon the maturity of, or pursuant to any mandatory redemption provisions of, such Disqualified Stock, exclusive of accrued dividends.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*European Government Obligations*" means any security that is (1) a direct obligation of Ireland, Belgium, the Netherlands, France, Germany or the United Kingdom, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"*Excluded Subsidiaries*" means (1) any Subsidiary of the Company, other than SoftBank Mobile and SoftBank Telecom, the common stock of which is listed at the relevant time on the Tokyo Stock Exchange or another internationally recognized stock exchange and any Subsidiary of such Subsidiary, other than SoftBank Mobile and SoftBank Telecom, (2) SFJ Capital Limited, Galilei Japan K.K. and any member of the New Sprint Group, to the extent that SFJ Capital Limited, Galilei Japan K.K. and such member, as the case may be, is not (a) a Note Guarantor or (b) required to provide a Note Guarantee under the Indenture and (3) any Subsidiary acquired by the Company after the date of the Indenture from a party other than the Company or an Affiliate of the Company, or established after the date of the Indenture, and in either case which is designated as an Excluded Subsidiary in accordance with the covenant under the caption "—Designation of Excluded Subsidiaries" to the extent that such Subsidiary is not (a) a Note Guarantor or (b) required to provide a Note Guarantee under the Indenture.

"*GAAP*" means generally accepted accounting principles in Japan, which are in effect from time to time. At any time after the Issue Date, the Company may irrevocably elect to apply IFRS in lieu of GAAP for its accounting and financial reporting purposes and, upon any such election, the definition of "GAAP" in the Indenture (including any references to specific provisions thereof) will thereafter be construed to mean IFRS as in effect from time to time.

"*Guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

"*Hedging Obligations*" means, with respect to any specified Person, the obligations of such Person under:

(1) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;

(2) other agreements or arrangements designed to manage interest rates or interest rate risk; and

(3) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

"*IFRS*" means International Financial Reporting Standards as in effect from time to time.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), whether or not contingent:

(1) in respect of borrowed money;

(2) evidenced by or issued in exchange for bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof);

(3) in respect of banker's acceptances, bank guarantees, surety bonds or similar instruments;

(4) representing Capital Lease Obligations or Attributable Debt in respect of sale and lease-back transactions;

(5) representing the balance deferred and unpaid of the purchase price of any property or services due more than 360 days after such property is acquired or such services are completed; or

(6) representing any Hedging Obligations,

if and to the extent any of the preceding items (other than letters of credit, Attributable Debt and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. The amount of Indebtedness representing any Hedging Obligation will be determined by the net termination value of such agreement or arrangement giving rise to such obligation that would be payable on the date of such determination. In addition, the term "Indebtedness" includes (i) all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person), (ii) to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person and (iii) preferred stock or other equity interests providing for mandatory redemption or sinking fund or similar payments issued by any Subsidiary of the specified Person.

"*Investment Grade Rating*" means a rating equal to or greater than Baa3 by Moody's and BBB- by S&P or the equivalent thereof under any new ratings system if the ratings systems of either such Rating Agency shall be modified after the Issue Date, or the equivalent rating of any other Ratings Agency selected as provided in the definition of Ratings Agency herein.

"Issue Date" means April 23, 2013.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction.

"*Moody's*" means Moody's Investors Service, Inc. or any successor to the rating agency business thereof.

"*Net Proceeds*" means the aggregate amount of proceeds received by the Company or any of its Subsidiaries in respect of any Asset Sale, net of the direct costs relating to such Asset Sale.

"*New Sprint Group*" means Starburst I and its Subsidiaries.

"*Permitted Holders*" means (1) Mr. Masayoshi Son, (2) any of his immediate family members and (3) any trust, corporation, partnership, limited-liability company or other entity, the beneficiaries, stockholders, partners, members, owners or Persons beneficially holding a majority (and controlling) interest of which consist of Mr. Masayoshi Son and/or any of his immediate family members.

"*Permitted Priority Debt*" means:

(1) any Indebtedness or Disqualified Stock as to which a Non-Guarantor Subsidiary (which is not an Excluded Subsidiary) is the issuer, borrower, guarantor or in any other manner an obligor and any Attributable Debt with respect to sale and lease-back transactions having an aggregate principal amount (or deemed amount, in the case of Attributable Debt) not to exceed, as of any date of incurrence of Permitted Priority Debt, when combined and taken together with the aggregate outstanding principal amount of other outstanding Permitted Priority Debt under this clause (1) and clauses (2) and (3) of this definition and after giving pro forma effect to such incurrence, 15.0% of the Company's Consolidated Net Tangible Assets;

(2) Indebtedness or Disqualified Stock of the Non-Guarantor Subsidiaries (which are not Excluded Subsidiaries) on the Issue Date;

(3) any Indebtedness or Disqualified Stock ("*Refinancing Indebtedness*") incurred to extend, renew, refinance or replace, in whole or in part, any Indebtedness or Disqualified Stock ("*Refinanced Indebtedness*") referred to in clause (1) or (2) above or this clause (3) if (A) the principal amount (or deemed amount in the case of Attributable Debt or liquidation amount in the case of Disqualified Stock) of the Refinancing Indebtedness does not exceed the principal amount (or deemed amount in the case of Attributable Debt or liquidation amount in the case of Disqualified Stock) of the Refinanced Indebtedness (plus all premiums and other costs incurred in connection with the extension, renewal, refinancing or replacement thereof) at the time of such extension, renewal, refinancing or replacement and (B) the Refinancing Indebtedness is only an obligation of some or all of the Person(s) who were obligors on the Refinanced Indebtedness and is only secured by Liens on some or all of the assets that secured the Refinanced Indebtedness;

(4) Indebtedness in respect of any finance lease under which the Fukuoka Yafuoku! Dome is the primary or sole underlying asset;

(5) any Indebtedness or Disqualified Stock in respect of intercompany loans or intercompany finance leases incurred by Non-Guarantor Subsidiaries;

(6) the incurrence of Hedging Obligations for bona fide hedging purposes including, for the avoidance of doubt, in connection with the Notes;

(7) any Indebtedness in respect of workers' compensation claims, self-insurance obligations, bankers' acceptances, performance and surety bonds in the ordinary course of business; and

(8) the incurrence of Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five business days;

provided, however, notwithstanding clauses (1) through (8) above, Permitted Priority Debt does not include any Indebtedness in the form of, or represented by bonds, notes, debentures, or other securities, which either confer a right to receive payment, or by their terms are payable, in any currency other than yen, or are denominated in yen and more than 50% of the aggregate principal amount thereof is initially distributed outside Japan.

For purposes of determining compliance with the covenant described under the caption "Permitted Priority Debt," in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Priority Debt described in this definition, the Company will be permitted to classify such item of Indebtedness on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with such covenant.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited-liability company or government or other entity.

"*Ratings Agencies*" means (1) Moody's and S&P; and (2) if either Moody's or S&P ceases to rate the Notes or ceases to make a rating on the Notes publicly available, other than due to any action or inaction of the Company, an entity registered as a "nationally recognized statistical rating organization" (registered as such pursuant to Rule 17g-1 of the Exchange Act) then making a rating on the Notes publicly available selected by the Company (as certified by an officer's certificate), which shall be substituted for Moody's or S&P, as the case may be.

"*Ratings Decline*" means the occurrence, during the period commencing on the date of the first public announcement of the Change of Control or the intention to effect a Change of Control and ending six months after the occurrence of the Change of Control, of any of the events listed below:

(1) in the event the Notes are rated by at least two of the Ratings Agencies on the Rating Date as Investment Grade, the rating of the Notes by either of such Rating Agencies shall be below Investment Grade; or

(2) in the event the Notes are not rated Investment Grade by at least two Rating Agencies on the Rating Date, (i) in the case of paragraph (3) of the definition of Change of Control, the rating of the Notes by any Rating Agency with a rating below Investment Grade shall be decreased by one or more gradations (including gradations within ratings categories as well as between rating categories) and (ii) in the case paragraphs (1), (2), (4) or (5) of the definition of Change of Control, no Rating Decline is required to cause a Change of Control Triggering Event.

"*Relevant Indebtedness*" means any present or future Indebtedness of the Company, any of the Note Guarantors or any other person in the form of, or represented by:

(1) bonds, notes, debentures or other securities, which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market or

(2) loans in respect of borrowed money.

Notwithstanding the foregoing, Relevant Indebtedness does not include any Indebtedness in the form of, or represented by, the Bridge Loan Facility or any other term loan facility the majority of the principal amount of which is provided by Japanese financial institutions or Japanese branches or affiliates of non-Japanese financial institutions, to the extent that (1) the combined aggregate principal amount borrowed under the Bridge Loan Facility and such other facilities does not exceed ¥2.0 trillion and (2) the collateral provided to secure such facilities is limited to that provided under the Bridge Loan Facility as of the Issue Date.

"*S&P*" means Standard & Poor's Ratings Japan K.K., a division of the McGraw-Hill Companies, Inc., or any successor to the rating business thereof.

"*Significant Subsidiary*" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of the Indenture.

"*Special Taxation Measures Act*" means the Act on Special Measures Concerning Taxation of Japan, Act No. 26 of 1957, as amended.

"*Specially-Related Person*" means a person who has a special relationship with the Company as described in Article 6, paragraph (4) of the Special Measures Taxation Act.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the first date it was incurred in compliance with the terms of the Indenture, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subsidiary*" means, with respect to any specified Person:

(1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders' agreement that effectively transfers voting power) to vote in the election of directors, managers or Trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof);

(2) any partnership or limited-liability company of which (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity; and

(3) any entity otherwise treated as a consolidated entity of that Person in accordance with GAAP.

"*Tax*" means any tax, duty, levy, impost, assessment or other governmental charge (including penalties and interest related thereto).

"*Treasury Rate*" means, as of any redemption date, the yield to maturity as of the earlier of (a) such redemption date or (b) the date on which such Notes are defeased or satisfied and discharged, of the most recently issued United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to such date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date; *provided, however*, that if the period from the redemption date to the maturity date, is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used. Any such Treasury Rate shall be obtained by the Company.

"*U.S. Government Obligations*" means direct obligations of, or obligations guaranteed by, the United States of America, and the payment for which the United States pledges its full faith and credit.

"*Voting Stock*" of any specified Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

MATERIAL TAXATION CONSIDERATIONS

The following discussion summarizes certain Japanese tax and U.S. federal income tax consequences to prospective holders arising from the purchase, ownership and disposition of the Notes. The summary does not purport to be a comprehensive description of all potential Japanese tax and U.S. federal income tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and is not intended as tax advice to any particular investor. This summary does not describe any tax consequences arising under the laws of any state, locality or other taxing jurisdiction other than Japan and the United States or any Japanese or U.S. tax consequences other than Japanese and U.S. federal income tax consequences.

Prospective holders of the Notes should consult their own tax advisors as the Japanese, U.S. or other tax consequences of the purchase, ownership and disposition of the Notes, including, in particular, the application of the tax considerations discussed below to their particular situations, as well as the application of any state, local, foreign or other tax laws.

Japanese Tax Considerations

The following description is a summary of Japanese tax consequences (limited to national taxes) to holders of the Notes, principally relating to such holders that are individual non-residents of Japan or non-Japanese corporations, having no permanent establishment in Japan, and applicable to interest and the Issue Differential (as defined below) with respect to Notes that we will issued outside Japan, as well as to certain aspects of capital gains, inheritance and gift taxes. It does not address the tax treatment of the original issue discount of the Notes bearing no interest that fall under "discounted bonds" as prescribed by the Special Taxation Measures Act or any Notes on which interest is calculated based on any indices, including the amount of our profits or assets or those of any specially-related person of ours (as defined below).

The statements regarding Japanese tax laws set out below are based on the laws in force and as interpreted by the Japanese taxation authorities as at the date hereof and are subject to changes in the applicable Japanese laws or tax treaties, conventions or agreements or in the interpretation thereof after such date. Prospective investors should note that the following description of Japanese taxation is not exhaustive.

Representation Upon Initial Distribution

By subscribing for Notes, an investor will be deemed to have represented that it is a "gross recipient," i.e., (1) a beneficial owner that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with us as described in Article 6, Paragraph 4 of the Special Taxation Measures Act, or a specially-related person of ours, (2) a Japanese financial institution of financial instruments business operator as, designated in Article 3-2-2, Paragraph 29 of the Cabinet Order (Cabinet Order No. 43 of 1957, as amended) relating to the Special Taxation Measures Act that will hold the Notes for its own proprietary account or (3) an individual resident of Japan or a Japanese corporation whose receipt of interest on the Notes will be made through a payment handling agent in Japan as defined in Article 2-2, Paragraph 2 of the Cabinet Order. The Notes are not as part of the initial distribution by the Initial Purchasers at any time to be directly or indirectly offered or sold in Japan or to, or for the benefit of, any person other than a gross recipient, except as specifically permitted under the Special Taxation Measures Act.

Interest and Issue Differential

Interest payments on the Notes will be subject to Japanese withholding tax unless the holder establishes that the Note is held by or for the account of a holder that is (1) for Japanese tax purposes, neither (a) an individual resident of Japan or a Japanese corporation, nor (b) an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of ours, and in compliance with certain requirements for tax exemption under the Special Taxation Measures Act, or (2) a Japanese designated financial institution or financial instruments business operator as described in Article 6, Paragraph 9 of the Special Taxation Measures Act which complies with the requirement for tax exemption under that Paragraph.

Interest payments on the Notes to an individual resident of Japan, to a Japanese corporation not described in item (2) of the preceding paragraph, to an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of ours, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is not a specially-related person of ours and does not comply with the requirements described in item (1) of the preceding paragraph will be subject to deduction in respect of Japanese income tax at a rate of 15% (from and including January 1, 2013 to and including December 31, 2037, of 15.315%) of the amount specified in subparagraphs (a) or (b) below, as applicable:

(a) if interest is paid to an individual resident of Japan, to a Japanese corporation, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of ours (except as provided in subparagraph (b) below), the amount of such interest; or

(b) if interest is paid to a public corporation, a financial institution, a financial instruments business operator or certain other entities through a Japanese payment handling agent, as provided in Article 3-3, Paragraph 6 of the Special Taxation Measures Act in compliance with the requirement for tax exemption under that paragraph, the amount of such interest minus the amount accrued during the period held, without any cessation, by such entities as provided in the Cabinet Order relating to the said Paragraph 6.

A legend containing a statement to the same effect as set forth in the preceding paragraphs will be printed on the relevant Notes or global Note, as applicable, in compliance with the requirements of the Special Taxation Measures Act and regulations thereunder.

If the recipient of interest on the Notes is a holder that is an individual non-resident of Japan or a non-Japanese corporation, having no permanent establishment in Japan, or having a permanent establishment in Japan but the receipt of the interest on the Notes is not attributable to the business thereof carried on in Japan through such permanent establishment, that in either case is not a specially-related person of ours, no Japanese income tax or corporation tax will be payable with respect to such interest whether by way of withholding or otherwise, if such recipient complies with certain requirements, inter alia:

(x) if the relevant Notes are held through a participant in an international clearing organization, such as DTC, Euroclear and Clearstream or through a financial intermediary, in each case, as prescribed by the Special Taxation Measures Act (each such participant or financial intermediary being referred to as a "Participant"), the requirement to provide certain information prescribed by the Special Taxation Measures Act to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted, and to advise the Participant if the holder of the Notes ceases to be so exempted (including the case where the holder became a specially-related person of ours); and

(y) if the relevant Notes are not held through a Participant, the requirement to submit to the relevant paying agent that makes payment of interest on the Notes a written application for tax exemption (*hikazei tekiyo shinkokusho*), together with certain documentary evidence, at or prior to each time interest is received.

If a recipient of interest on the Notes is an individual non-resident of Japan or a non-Japanese corporation, having no permanent establishment in Japan, which is subject to Japanese withholding tax due to its status as a specially-related person of ours or for any other reason, (1) the rate of withholding tax may be reduced, generally to 10%, under the applicable tax treaty, convention or agreement, and (2) if such recipient is not subject to Japanese tax under the applicable tax treaty, convention or agreement due to its status as a financial institution in the relevant country, such as the United States and the United Kingdom, or for any other reason, no Japanese income tax or corporation tax will be payable with respect to such interest whether by way of withholding or otherwise; provided that, in either case (1) or (2) above, such recipient shall submit required documents and information (if any) to the relevant tax authority.

If the recipient of any difference between the issue price and the redemption price of the Notes as referred to in Article 41-13, Paragraph 3 of the Special Taxation Measures Act (the "Issue Differential") is a holder that is an individual non-resident of Japan or a non-Japanese corporation, having no permanent establishment in Japan, that in either case is not a specially-related person of ours, no income tax or corporation tax will be withheld with respect to such issue differential.

Capital Gains, Inheritance and Gift Taxes

Gains derived from the sale of the Notes, whether within or outside Japan, by a holder that is an individual non-resident of Japan or a non-Japanese corporation, having no permanent establishment in Japan, will be, in general, not subject to Japanese income or corporation tax.

Japanese inheritance and gift taxes at progressive rates may be payable by an individual who has acquired the Notes as a legatee, heir or donee, even if the individual is not a Japanese resident.

No stamp, issue, registration or similar taxes or duties will, under present Japanese law, be payable by holders of the Notes in connection with the issue of the Notes outside Japan.

U.S. Federal Income Tax Considerations

To ensure compliance with Treasury Department Circular 230, you are hereby notified that (a) any discussion of U.S. federal tax issues in this disclosure statement is not intended or written to be relied upon, and cannot be relied upon by you for the purpose of avoiding penalties that may be imposed on you under the Internal Revenue Code of 1986, as amended (the "Code"), (b) this discussion is included herein in connection with the promotion or marketing (within the meaning of Circular 230) of the transactions or matters addressed in this disclosure statement, and (c) you should seek advice based on your particular circumstances from an independent tax advisor.

The following is a summary of the principal U.S. federal income tax considerations that may be relevant to a beneficial owner of Notes that is a citizen or resident of the United States or a domestic corporation or otherwise subject to U.S. federal income tax on a net income basis in respect of the Notes (a "U.S. holder"). It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular investor's decision to invest in the Notes.

This summary is based on provisions of the Internal Revenue Code of 1986, as amended, and regulations, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those summarized below. In addition, except where noted, this summary deals only with investors that are U.S. holders who acquire the Notes in the United States as part of the initial offering of the Notes, who will own the Notes as capital assets, and whose functional currency is the U.S. dollar. It does not address U.S. federal income tax considerations applicable to investors who may be subject to special tax rules, such as banks, financial institutions, partnerships (or entities treated as partnerships for U.S. federal income tax purposes) or partners therein, tax-exempt entities, insurance companies, traders in securities that use the mark-to-market method of accounting for their securities, persons subject to the alternative minimum tax, dealers in securities or currencies, certain short-term holders of Notes, or persons that hedge their exposure in the Notes or will hold Notes as a position in a "straddle" or conversion transaction or as part of a "synthetic security" or other integrated financial transaction. U.S. holders should be aware that the U.S. federal income tax consequences of holding the Notes may be materially different for investors described in the prior sentence.

Investors should consult their own tax advisors about the consequences of the acquisition, ownership and disposition of the Notes, including the relevance to their particular situation of the considerations discussed below, as well as the application of any foreign, state, local or other tax laws.

Payments of Interest and Additional Amounts

Payments of the gross amount of interest and any additional amounts (as defined in "Description of the Notes—Payment of Additional Amounts"), i.e., including amounts withheld in respect of Japanese withholding taxes, if any, with respect to a Note will be taxable to a U.S. holder as ordinary interest income at the time that such payments are accrued or received, in accordance with the U.S. holder's regular method of tax accounting. Thus, accrual method U.S. holders will report interest on a Note as it accrues, and cash method U.S. holders will report interest when it is received or unconditionally made available for receipt.

With respect to the Euro Notes, the amount of interest income realized by a cash method U.S. holder will be the U.S. dollar value of the amount received. If amounts are received in a currency other than the U.S. dollar ("foreign currency") the U.S. dollar value will be based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted to U.S. dollars.

A U.S. holder that uses the accrual method of tax accounting must accrue interest in accordance with either of two methods with respect to the Euro Notes. Under the first method, an accrual method U.S. holder will accrue interest income on the Euro Note in the foreign currency, and translate the amount accrued into U.S. dollars based on the average exchange rate in effect during the interest accrual period (or portion thereof within the U.S. holder's taxable year). Under the second method, an electing accrual method U.S. holder will accrue interest income on the Euro Note at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period. A U.S. holder that makes an election under the second method must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the U.S. Internal Revenue Service (the "IRS").

An accrual method U.S. holder will recognize foreign currency gain or loss with respect to accrued interest income on the Euro Note on the receipt of the interest payment if the exchange rate in effect on the date the payment is received (determined at the spot rate on the date such payment is received) differs from the exchange rate applicable to the previous accrual of that interest income (as determined above).

Foreign currency gain or loss will generally (1) be treated as ordinary income or loss, (2) not be treated as an adjustment to interest income received on the Note, and (3) be treated as U.S. source income or as an offset to U.S. source income, as applicable. The Japanese withholding tax, if any, that is imposed on interest will be treated as a foreign income tax eligible, subject to generally applicable limitations and conditions under the Code, for credit against a U.S. holder's federal income tax liability or, at the U.S. holder's election, for deduction in computing the holder's taxable income provided that the U.S. holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year. Interest and additional amounts paid on the Notes generally will constitute foreign source passive category income.

The calculation and availability of foreign tax credits or deductions involve the application of complex rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their own tax advisors regarding the availability of foreign tax credits and the treatment of additional amounts.

Sale or Other Taxable Disposition of Notes

A U.S. holder generally will recognize gain or loss on the sale or other taxable disposition of the Notes in an amount equal to the difference between (1) the amount realized on such sale or other taxable disposition (less any amounts attributable to accrued but unpaid interest, including any additional amounts thereon, which will be taxable as ordinary income to the extent not previously included in income) and (2) the U.S. holder's adjusted tax basis in the Notes.

A U.S. holder's adjusted tax basis in a Euro Note generally will be the U.S. dollar value of the purchase price of that Euro Note on the date of purchase. The U.S. dollar value of a Euro Note purchased with foreign currency is calculated at the exchange rate in effect on the settlement date of the purchase in the case of Euro Notes that are purchased by a cash basis U.S. holder (or an accrual basis U.S. holder that so elects). In the case of maturity, sale or retirement of a Euro Note, the amount realized generally will be the U.S. dollar value of the amounts received. If foreign currency is received, the U.S. dollar value of such foreign currency is calculated at the exchange rate in effect on the settlement date for when the Euro Note matures or is sold or retired in the case of a cash basis U.S. holder (or an accrual basis U.S. Holder that so elects). Similarly, if a Note is sold before maturity for an amount denominated in foreign currency, the amount realized generally will be the U.S. dollar value of the foreign currency received, calculated at the exchange rate in effect on the settlement date for the sale.

Subject to the foreign currency rules discussed below, gain or loss realized by a U.S. holder on such sale or other taxable disposition generally will be capital gain or loss and will be long-term capital gain or loss if, at the time of the disposition, the Notes have been held for more than one year. Certain non-corporate U.S. holders (including individuals) may be eligible for preferential rates of taxation in respect of long-term capital gains. The deductibility of capital losses is subject to limitations.

A portion of a U.S. holder's gain or loss with respect to the principal amount of a Euro Note may be treated as foreign currency gain or loss, which is treated as ordinary income or loss, and will generally be treated as U.S. source income or as an offset to U.S. source income, respectively. For these purposes, the principal amount of the Euro Note will be the U.S. holder's purchase price for the Euro Note in the foreign currency, and the amount of foreign currency gain or loss recognized is equal to the difference between (1) the U.S. dollar value of the principal amount determined on the date of the sale or other taxable disposition of the Euro Note and (2) the U.S. dollar value of the principal amount determined on the date the U.S. holder purchased the Euro Note. If the Euro Notes are traded on an established securities market and the holder is either a cash basis or an electing accrual basis holder, the U.S. source exchange rate gain or loss will be determined by reference to the settlement date for the sale and the settlement date of the purchase. In addition, upon the sale or other taxable disposition of a Euro Note, an accrual method U.S. holder may realize foreign currency gain or loss attributable to amounts received in respect of accrued and unpaid interest. The amount of foreign currency gain or loss realized with respect to principal and accrued interest will, however, be limited to the amount of overall gain or loss realized on the sale or other taxable disposition of the Note.

Capital gain or loss recognized by a U.S. holder, as well as any foreign currency gain or loss, generally will be U.S. source gain or loss. Consequently, if any such gain would be subject to Japanese income tax, a U.S. holder may not be able to credit the tax against its U.S. federal income tax liability.

Information Reporting and Backup Withholding

Payments on the Notes, and proceeds of the sale or other taxable disposition of the Notes, that are paid within the United States or through certain U.S. related financial intermediaries to a U.S. holder generally are subject to information reporting and backup withholding unless (1) the U.S. holder is a corporation or other exempt recipient and demonstrates this fact when so required or (2) in the case of backup withholding, the U.S. holder provides an accurate taxpayer identification number, certifies that it is not subject to backup withholding and otherwise complies with applicable backup withholding rules.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against the U.S. holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

Although non-U.S. holders generally are exempt from information reporting and backup withholding, a non-U.S. holder may, in certain circumstances, be required to comply with certification procedures to prove entitlement to this exemption.

Additional Medicare Tax

Certain U.S. Holders who are individuals, estates or trusts may be required to pay an additional 3.8% Medicare tax on, among other things, interest and capital gain from the sale or other disposition of Notes for taxable years beginning after December 31, 2012. For individuals, the additional Medicare tax applies to the lesser of (1) "net investment income" or (2) the excess of "modified adjusted gross income" over $200,000 ($250,000 if married and filing jointly or $125,000 if married and filing separately). "Net investment income" generally equals the taxpayer's gross investment income reduced by the deductions that are allocable to such income.

THE ABOVE DISCUSSION IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO INVESTORS. THE DISCUSSION ALSO DOES NOT ADDRESS FEDERAL INCOME TAX CONSIDERATIONS RELEVANT TO INVESTING IN NOTES ISSUED WITH ORIGINAL ISSUE DISCOUNT OR OTHER SPECIAL FEATURES. PROSPECTIVE INVESTORS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS ABOUT THE TAX CONSEQUENCES TO THEM OF INVESTMENT IN THE NOTES.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the Notes by employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (''ERISA''), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the ''Code'') or provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, ''Similar Laws''), and entities whose underlying assets are considered to include ''plan assets'' (within the meaning of Section 3(42) of ERISA) of any such plan, account or arrangement (each, a ''Plan'').

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (an ''ERISA Plan'') and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the Notes of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are ''parties in interest,'' within the meaning of ERISA, or ''disqualified persons,'' within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. Plans that are "governmental plans" (as defined in Section 3(32) of ERISA), certain "church plans" (as defined in Section 3(33) of ERISA or Section 4975(g)(3) of the Code) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code but may be subject to similar prohibitions under other applicable Similar Laws. The acquisition and/or holding of Notes by an ERISA Plan with respect to which the Issuer is considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions, or ''PTCEs,'' that may apply to the acquisition and holding of the Notes. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide relief from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions, provided that neither the issuer of the securities nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any ERISA Plan involved in the transaction and provided further that the ERISA Plan pays no more than "adequate consideration" (within the meaning of Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code) in connection with the transaction. There can be no assurance that all of the conditions of any such exemptions will be satisfied.

Because of the foregoing, the Notes should not be purchased or held by any person investing ''plan assets'' of any Plan, unless such purchase and holding will not constitute a non-exempt prohibited transaction under ERISA and the Code or similar violation of any applicable Similar Laws.

Representation

Accordingly, by acceptance of a Note, each purchaser and subsequent transferee of a Note will be deemed to have represented and warranted that either (i) no portion of the assets used by or on behalf of such purchaser or transferee to acquire or hold the Notes constitutes assets of any Plan or (ii) the purchase and holding of the Notes by such purchaser or transferee will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Laws.

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Notes on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the Notes. Each purchaser or subsequent transferee has exclusive responsibility for ensuring that their purchase and holding of Notes does not violate the fiduciary or prohibited transaction rules of ERISA or the Code or the provisions of applicable Similar Laws. The sale of any Notes to a Plan is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan or that such investment is appropriate for Plans generally or any particular Plan.

PLAN OF DISTRIBUTION

Subject to the terms and conditions of a purchase agreement dated the date of this offering memorandum entered into between the Company, the Note Guarantors and the Initial Purchasers, each of the Initial Purchasers has agreed, severally and not jointly, to purchase from us the Notes at the initial offering price set forth on the cover page of this offering memorandum less discounts and commissions.

The purchase agreement provides that the obligations of the several Initial Purchasers to purchase the Notes are subject to certain conditions precedent and that the Initial Purchasers will purchase all of the Notes if any of the Notes are purchased. The purchase agreement also provides that if an Initial Purchaser defaults, the purchase commitments of the non-defaulting Initial Purchasers may be increased or this offering may be terminated.

The Company and the Note Guarantors have agreed, on a joint and several basis, to indemnify the Initial Purchasers against some specified types of liabilities, including liabilities under the U.S. Securities Act, and to contribute to payments the Initial Purchasers may be required to make in respect of any of these liabilities. The Company and the Note Guarantors have also agreed, on a joint and several basis, to reimburse the Initial Purchasers for certain expenses incidental to the sale of the Notes.

The Initial Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the purchase agreement, such as the receipt by the Initial Purchasers of certain officers' certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part. After the initial offering, the Initial Purchasers may change the offering price and other selling terms.

No Sale of Similar Securities

The Company and the Note Guarantors have agreed that during the period from the date hereof through and including the date that is 180 days after the date the Notes are issued, without the prior written consent of Deutsche Bank Securities Inc., the Company and the Note Guarantors will not offer, sell, contract to sell or otherwise dispose of any debt securities issued or guaranteed by the Company or any Note Guarantor. This provision does not apply to any debt securities which either confer a right to receive payment, or by their terms are payable, in yen, or are denominated in any other currency and more than 50% of the aggregate principal amount thereof is initially distributed in Japan.

New Issue of Notes

The Notes are a new issue of securities with no established trading market. The Initial Purchasers may make a market in the Notes after completion of this offering, but will not be obligated to do so and may discontinue any market-making activities at any time without notice. If an active trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected.

Approval in-principle has been received for the listing of the Notes on the SGX-ST. There can be no assurance that such listing will be obtained or maintained.

Delivery, Payment and Settlement

The Company expects that delivery of the Notes will be made against payment therefore on or about the date specified on the cover page of this offering memorandum, which will be the third business day following the date of pricing of the Notes (this settlement cycle being referred to as "T+3").

Stabilization

In connection with this offering, the Initial Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales, purchases to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Notes than they are required to purchase in this offering. The Initial Purchasers may close out any short position by purchasing Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market prior to the completion of this offering.

Stabilizing transactions consist of various bids for or purchases of the Notes made by the Initial Purchasers in the open market prior to the completion of this offering. The Initial Purchasers may impose a penalty bid. This occurs when a particular Initial Purchaser repays to the other Initial Purchasers a portion of the underwriting discount received by it because the other Initial Purchasers have repurchased the Notes sold by or for the account of that Initial Purchaser in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or slowing a decline in the market price of the Notes. Additionally, these purchases, along with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market. These transactions may be effected in the over-the-counter market or otherwise.

Other Relationships

Some of the Initial Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. Affiliates of certain of the Initial Purchasers are lenders under the Bridge Loan, the Syndicated Loan, the Term Loan and certain of our other loan facilities and may receive a portion of the net proceeds of this offering in connection with the repayment of those facilities. See "Use of Proceeds." Morgan Stanley & Co. LLC is a subsidiary of Morgan Stanley. Mitsubishi UFJ Financial Group, Inc. ("MUFG") holds approximately 22.4% of the common shares in Morgan Stanley. The Bank of Tokyo-Mitsubishi UFJ, Ltd. is a subsidiary of MUFG, and is a lender under the Bridge Loan. Some of the Initial Purchasers and their respective affiliates may also enter into hedging agreements with the us in connection with this offering. In addition, Deutsche Securities Inc. and Mizuho Securities Co., Ltd. are acting as our financial advisors in connection with the Sprint Acquisition.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Certain of the Initial Purchasers or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

In addition, some of the Initial Purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with Sprint or its affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

Selling Restrictions

General

No action has been or will be taken by us or the Initial Purchasers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this offering memorandum or any other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Persons into whose possession this offering memorandum comes are required to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver the Notes or have in their possession or distribute this offering memorandum or any other offering material relating to the Notes.

United States

The Notes have not been and will not be registered under the U.S. Securities Act. Each Initial Purchaser has agreed that it will offer and sell the Notes only (i) in the United States to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act or (ii) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. The Notes being offered and sold pursuant to Regulation S may not be offered, sold or delivered in the United States unless they are registered under the U.S. Securities Act or an exemption from the registration requirements thereof is available. Terms used above have the meanings given to them by Regulation S and Rule 144A under the U.S. Securities Act. See "Notice to Investors."

Until the expiration of 40 days after the commencement of this offering, any offer or sale of Notes within the United States by a broker-dealer may violate the registration requirements of the U.S. Securities Act, unless such offer or sale is made pursuant to Rule 144A under the U.S. Securities Act or another available exemption from the registration requirements thereof.

United Kingdom

Each of the Initial Purchasers has represented, warranted and agreed that (i) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA") received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Company; and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act and are subject to the Special Taxation Measures Act. Each of the Initial Purchasers has represented and agreed that (i) it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell, Notes in Japan or to any person resident in Japan for Japanese securities law purposes (including any corporation or other entity organized under the laws of Japan), except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act; and (ii) it has not, directly or indirectly, offered or sold and will not, as part of its initial distribution, directly or indirectly offer or sell Notes to, or for the benefit of, any person other than a gross recipient or to others for re-offering or re-sale, directly or indirectly, to, or for the benefit of, any person other than a gross recipient. A "gross recipient" for this purpose is (i) a beneficial owner that is, for Japanese tax purposes, neither (x) an individual resident of Japan or a Japanese corporation, nor (y) an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with the Company as described in Article 6, paragraph (4) of the Special Taxation Measures Act, (ii) a Japanese financial institution or financial instruments business operator as, designated in Article 3-2-2 paragraph (29) of the Cabinet Order relating to the Special Taxation Measures Act (Cabinet Order No. 43 of 1957, as amended) that will hold Notes for its own proprietary account or (iii) an individual resident of Japan or a Japanese corporation whose receipt of interest on the Notes will be made through a payment handling agent in Japan as defined in Article 2-2 paragraph (2) of the Cabinet Order.

Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person from an offer referred to in Section 275(1A) or 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Italy

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("CONSOB") pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this offering memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except: (a) to qualified investors (investitori qualificati) as defined in Article 26, first paragraph, letter (d) of CONSOB Regulation No. 16190 of October 29, 2007, as amended ("Regulation No. 16190"), pursuant to Article 34, first paragraph letter (b) of CONSOB Regulation No. 11971, May 14, 1999, as amended (the "Issuers Regulation"), implementing Article 100 of Legislative Decree No. 58, February 24, 1998, as amended (the "Financial Services Act"); and (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and the Issuers Regulation. In any event, any offer, sale or delivery of the Notes or distribution of copies of this offering memorandum or any other document relating to the Notes in Italy under (a) or (b) above must be: (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of September 1, 1993, as amended and Regulation No. 16190; and (ii) in compliance with any other applicable laws and regulations, including any requirement or limitation which may be imposed, from time to time, by CONSOB or the Bank of Italy or other competent authority.

Switzerland

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the Company or the Notes constitutes an offering prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations, and neither this offering memorandum nor any other offering or marketing material relating to the Company or the Notes may be publicly distributed or otherwise made publicly available in Switzerland. The Notes will be offered in Switzerland and this offering memorandum and any other offering or marketing material relating to the Notes will be distributed or otherwise made available in Switzerland on a private placement basis only. No application has been or will be made to list the Notes on the SIX Swiss Exchange Ltd., and, consequently, neither this offering memorandum nor any other offering or marketing material relating to the Company or the Notes constitutes a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd. Investors are advised to contact their legal, financial or tax advisers to obtain an independent assessment of the financial and tax consequences of an investment in the Notes.

NOTICE TO INVESTORS

The Notes and the Note Guarantees have not been registered under the U.S. Securities Act or the securities laws of any other jurisdiction and may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons (as such terms are defined under the U.S. Securities Act) except pursuant to an exemption from or in a transaction not subject to the registration requirements of the U.S. Securities Act and such other securities laws. Accordingly, the Notes are being offered by this offering memorandum only (a) to qualified institutional buyers, or QIBs, in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A and (b) outside the United States to persons other than U.S. persons as defined in Rule 902 under the U.S. Securities Act in offshore transaction in reliance upon Regulation S under the U.S. Securities Act.

Each purchaser of the Notes, by its acceptance of this offering memorandum, will be deemed to have acknowledged, represented to, and agreed with us and the Initial Purchasers as follows:

(1) The purchaser understands and acknowledges that the Notes have not been registered under the U.S. Securities Act or any other applicable securities law, the Notes are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other securities laws, including sales pursuant to Rule 144A or Regulation S under the U.S. Securities Act, and none of the Notes may be offered, sold or otherwise transferred except in compliance with the registration requirements of the U.S. Securities Act or any other applicable securities law, pursuant to an exemption from such laws or in a transaction not subject to such laws, and in each case, in compliance with the conditions for transfer set forth in paragraph (3) below.

(2) The purchaser is not an affiliate (as defined in Rule 144 under the U.S. Securities Act) of ours, that the purchaser is not acting on our behalf and is either:

(a) a QIB and is aware that any sale of the Notes to it will be made in reliance on Rule 144A and such acquisition will be for its own account or for the account of another QIB; or

(b) not a U.S. person (and was not purchasing for the account or benefit of a U.S. person) within the meaning of Regulation S under the U.S. Securities Act, and is purchasing Notes in an offshore transaction in accordance with Regulation S.

(3) The purchaser is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the U.S. Securities Act, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be, at all times, within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any exemption from registration available under the U.S. Securities Act. The purchaser agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes and each subsequent holder of the Notes, by its acceptance of the Notes, to offer, sell or otherwise transfer such Notes prior to the end of the resale restriction periods described below only (a) to us or any subsidiary thereof, (b) pursuant to a registration statement which has been declared effective under the U.S. Securities Act, (c) for so long as the Notes are eligible for resale pursuant to Rule 144A to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB, to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) pursuant to offers and sales to non-U.S. persons that occur outside the United States within the meaning of Regulation S under the U.S. Securities Act or (e) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws. The purchaser will, and each subsequent purchaser is required to, notify any subsequent purchaser of the Notes from the purchaser or it of the resale restrictions referred to in the legend below. The foregoing restrictions on resale will apply from the closing date until the date that is one year after the later of the closing date and the last date that we or any of our affiliates was the owner of the Notes (in the case of Notes issued under Rule 144A under the U.S. Securities Act) or 40 days after the later of the commencement of this offering and the closing of this offering (in the case of Notes issued under Regulation S under the U.S. Securities Act) and will not apply after the applicable resale restriction period ends. Each purchaser acknowledges that we and the Trustee reserve the right prior to any offer, sale or other transfer pursuant to clause (d) prior to the end of the applicable resale restriction period to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the Trustee.

(4) The purchaser understands that if it is a non-U.S. person outside of the United States, the Notes will be represented by a dollar Regulation S global note or euro Regulation S global note, as applicable, and that transfers of such Notes are restricted as described in this section and in the section entitled "Description of the Notes—Book-Entry, Delivery and Form" or if it is a QIB, the Notes it purchases will be represented by a dollar Rule 144A global note or a euro Rule 144A global note, as applicable.

(5) Each purchaser acknowledges that each certificate representing a Note will contain a legend substantially to the following effect:

The security evidenced hereby was originally issued in a transaction exempt from registration under the U.S. Securities Act of 1933, as amended (the ''U.S. Securities Act''), and has not been registered under the securities laws of any state or other jurisdiction and the security evidenced hereby may not be offered, sold or otherwise transferred in the absence of such registration or an applicable exemption therefrom. The holder of this Note by its acceptance hereof (1) represents that (a) it is a ''qualified institutional buyer'' (as defined in Rule 144A under the U.S. Securities Act) or (b) it is not a U.S. person and is acquiring this Note in an ''offshore transaction'' pursuant to Rule 904 of Regulation S under the U.S. Securities Act, (2) agrees on its own behalf and on behalf of any investor account for which it has purchased securities, to offer, sell or otherwise transfer such security, prior to the date (the ''Resale Restriction Termination Date'') that is in the case of Rule 144A Notes: one year after the later of the original issue date hereof and the last date on which the Company or any affiliate of the Company was the owner of this security and in the case of Regulation S Notes: 40 days after the later of the commencement of this offering and the closing of this offering (or any predecessor of such security), only (a) to the Company, (b) pursuant to a registration statement that has been declared effective under the U.S. Securities Act, (c) for so long as the securities are eligible for resale pursuant to Rule 144A under the U.S. Securities Act, to a person it reasonably believes is a ''qualified institutional buyer'' as defined in Rule 144A under the U.S. Securities Act that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) pursuant to offers and sales that occur outside the United States within the meaning of Regulation S under the U.S. Securities Act, or (e) pursuant to another available exemption from the registration requirements of the U.S. Securities Act, subject to the Company's and the Trustee's right prior to any such offer, sale or transfer pursuant to clauses (d) or (e) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them. This legend will be removed upon the request of the holder after the Resale Restriction Termination Date.

(6) It acknowledges that the Trustee will not be required to accept for registration of transfer of any Notes acquired by them, except upon presentation of evidence satisfactory to us and the Trustee that the restrictions set forth herein have been complied with.

(7) It agrees that it will deliver to each person, to whom it transfers Notes, notice of any restrictions on the transfer of such securities.

(8) It acknowledges that the Company, the Initial Purchaser and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements and agrees that if any of the acknowledgments, representations, warranties and agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify us and the Initial Purchaser. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such investor account.

(9) The purchaser understands that no action has been taken in any jurisdiction (including the United States) by the Company or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Company or the Notes in any jurisdiction where action for the purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth herein.

LEGAL MATTERS

Certain legal matters in connection with the offering of the Notes will be passed upon for us by Morrison & Foerster LLP, with respect to matters of U.S. federal and New York state law, and by Mori Hamada & Matsumoto, with respect to certain matters of Japanese law, and for the Initial Purchasers by Latham & Watkins Gaikokuho Joint Enterprise with respect to matters of U.S. federal, New York state and Japanese law.

INDEPENDENT AUDITORS

The consolidated financial statements of SoftBank Corp. as of and for the years ended March 31, 2010, 2011 and 2012 included in this offering memorandum have been audited by Deloitte Touche Tohmatsu LLC, independent auditors as stated in their report appearing herein.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The consolidated financial statements of Sprint Nextel Corporation and subsidiaries as of December 31, 2012 and 2011, and for each of the years in the three-year period ended December 31, 2012, included in this offering memorandum, and the effectiveness of internal control over financial reporting as of December 31, 2012, have been audited by KPMG LLP, an independent registered public accounting firm, and, with respect to the consolidated financial statements, Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein, which report refers to the adoption of accounting guidance regarding the presentation of the consolidated statement of comprehensive loss in 2011 and testing indefinite-lived intangible assets for impairment in 2012.

The consolidated financial statements of Clearwire and subsidiaries as of December 31, 2012 and 2011, and for each of the three years in the period ended December 31, 2012, included in this offering memorandum by reference to Sprint Nextel Corporation's Annual Report on Form 10-K for the year ended December 31, 2012, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report (which report expresses an unqualified opinion and includes an explanatory paragraph relating to Clearwire's merger and financing agreements with Sprint Nextel Corporation, the uncertainties associated with those agreements, and the related potential impact of such uncertainties on Clearwire's need for liquidity in the next 12 months) appearing herein.

WHERE YOU CAN FIND OTHER INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this offering memorandum and any related amendments or supplements to this offering memorandum. Copies of this offering memorandum and any related amendments or supplements to this offering memorandum will also be made available at the offices of our paying agents in London, Luxembourg and New York. Each person receiving this offering memorandum and any related amendments or supplements to the offering memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us, and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

Pursuant to the indenture governing the Notes and so long as the Notes are outstanding, we will make available certain periodic information at the offices of our paying agents in London, Luxembourg and New York. See "Description of the Notes—Reports".

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GLOSSARY

ADSL	See asymmetric digital subscriber line.
advanced extended global platform (AXGP)	A high-speed wireless communication standard that is an advanced version of the extended global platform (XGP) communication standard. The standard offers high-speed communications with downlink speeds up to 110 Mbps.
ARPU	See average revenue per user.
asymmetric digital subscriber line (ADSL)	An internet access technology that allows voice and high-speed data to be sent simultaneously over local copper telephone lines.
average revenue per user (ARPU) . . .	Measures the average monthly revenue generated per customer. The calculation of ARPU excludes revenues that are not representative of monthly average usage such as initial activation charges, certain domestic in-roaming charges by overseas visitors and cancellation fees. ARPU is one measure of operating performance.
AXGP	See advanced extended global platform.
backbone	High-bandwidth point-to-point or ring connections between central offices or other types of major hubs.
broadband	A descriptive term for evolving digital technologies that provide consumers with a signal-switched facility offering integrated access to voice, high-speed data service, video-on-demand services and interactive delivery services (typically at speeds greater than 512 kbps).
broadband wireless access (BWA) . .	A service providing access to bandwidths greater than 1MHz by wireless means.
central office	A facility in a conventional telephone network where local switching gear is housed. The central office is the primary interconnection point between a caller and the rest of the network and is often referred to as the local exchange.
churn	The number of customers who terminate their service in any particular period.
churn rate	Churn rate is a measure that tracks customer retention by showing the percentage of subscribers who terminate their service (“churn”) relative to the total subscriber base for a given period.
digital subscriber line (DSL)	A technology for increasing the bandwidth of copper telephone lines. This is an important technology because it has allowed existing copper infrastructure to carry much more information than it was originally designed to handle. Several standards of upstream and downstream bandwidth have been created. These variants seek to trade off bandwidth against range and physical plant requirements to address a wide range of applications. However, the bandwidth DSL access of even the highest speed DSL connection is a small fraction of what can be carried by optical fiber. In addition, DSL connections are inherently vulnerable to electrical noise, including the noise produced by other DSL lines.
digital subscriber line access multiplexer (DSLAM)	A device which takes a number of ADSL subscriber lines and concentrates these into a single ATM line.
downstream	Internet data flowing from the source such as an internet service provider to the end user.
DC-HSDPA	See high-speed packet access.
dual-cell high-speed downlink packet access (DC-HSDPA)	See high-speed packet access.

DSL	See digital subscriber line.
DSLAM	See digital subscriber line access multiplexer.
FDD-LTE	See long-term evolution.
frequency division duplex long-term evolution (FDD-LTE)	See long-term evolution.
fiber-to-the-home (FTTH)	An optical access network in which the optical network unit is on or within the customer's premises. Although the first-connected capacity of an FTTH network varies, the upgrade capacity of a FTTH network exceeds all other transmission media.
FTTH	See fiber-to-the-home.
high-speed packet access (HSPA)	An advanced wireless communication standard that is an accelerated version of the third-generation mobile phone system, W-CDMA. HSPA refers to the joint deployment of both HSDPA (high-speed downlink packet access) and HSUPA (high-speed uplink packet access) technologies, providing accelerated downlink (base station to handset) and uplink (handset to base station) communication speeds. HSPA+ and DC-HSDPA (dual-cell high-speed downlink packet access) are accelerated developments of HSPA.
HSPA	See high-speed packet access.
HSPA+	See high-speed packet access.
high-speed downlink packet access (HSDPA)	See high-speed packet access.
high-speed uplink packet access (HSUPA)	See high-speed packet access.
HSDPA	See high-speed packet access.
HSUPA	See high-speed packet access.
interconnect	The connection of one telecommunications carrier's operator's network to another or of a piece of telephone equipment to the telephone network.
interconnection charge	The charge levied by one telecommunication's carrier to another for interconnection between their networks.
internet	A public network based on a common communication protocol which supports communication through the World Wide Web.
internet exchange	Acts as a junction between multiple points of internet presence. Typically the internet exchange owns and operates the switching platforms used to interconnect the various users.
internet protocol (IP)	In addition to governing the operation of the internet, IP is a set of rules for the interconnection of geographically dispersed users who may not be using a common data communication protocol. One important feature of IP is that it does not rely on the establishment of dedicated connections between users. This allows "idle" time between two users to be filled with other data, thereby increasing the utilization of the available bandwidth.
internet service provider (ISP)	A company providing internet access.
IP	See internet protocol.
IP telecommunications	The transmission of telephone calls over an IP network.
ISP	See internet service provider.
LAN	See local area network.

local area network (LAN)	A short distance data network used to link together computers through a main control center, enabling access to a centralized database.
long-term evolution (LTE)	An advanced wireless communications standard that achieves high-speed communications comparable to optic fiber. There are two LTE systems: FDD (frequency division duplex) and TDD (time division duplex). The FDD system assigns uplink and downlink communications to a pair of different frequency bandwidths, and is referred to as FDD-LTE. The TDD system uses the same frequency bandwidth for both uplink and downlink, and is referred to as TD-LTE.
LTE	See long-term evolution.
Mbps	Megabits per second.
mobile virtual network operator (MVNO)	A wireless communications services provider that does not own the radio spectrum or wireless network infrastructure over which it provides services but instead leases access to such spectrum or infrastructure from another operator.
modem	Modulates outgoing digital signals (from a computer or other digital device) to analogue signals for a conventional copper phone line. A modem then demodulates the incoming analogue signals and converts them to a digital signal for the digital device.
MVNO	See mobile virtual network operator.
packet	A unit of data in certain communications protocols such as Ethernet and IP. Typically the term "packet" is used for data units which can be of variable length. Packets allow some flexibility when packaging data for transmission by allowing more data to be sent without breaking it up into pieces and then reassembling it at the receiver. This, in turn, reduces the overhead.
personal handy-phone system (PHS)	A mobile network system operating in the 1880-1930 MHz frequency band.
PHS	See personal handy-phone system.
platinum band	Radio frequency spectrum from 700 to 900 MHz, well suited to mobile communications applications in Japan.
protocol	A set of rules defining how data transmission equipment and/or software will communicate and interact.
router	A multi-port data communications device that transfers data packets from one port to another along networks.
subscriber	An account for any particular telecommunications service.
traffic	Calls or other transmissions being sent and received over a communications network.
W-CDMA	See wideband code division multiple access.
wideband code division multiple access (W-CDMA)	A third-generation mobile telephone network technology.
WiMAX	See worldwide interoperability for microwave access.
worldwide interoperability for microwave access (WiMAX)	An advanced wireless communications technology.

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INDEX TO FINANCIAL STATEMENTS

SOFTBANK CORP.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2010, 2011 and 2012

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
SoftBank Corp.:

We have audited the accompanying consolidated balance sheets of SoftBank Corp. (the "Company") and consolidated subsidiaries as of March 31, 2010, 2011 and 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in conformity with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SoftBank Corp. and consolidated subsidiaries as of March 31, 2010, 2011 and 2012, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

As discussed in Note 21 (2) to the consolidated financial statements, on October 15, 2012, the Company and Sprint Nextel Corporation in the U.S. entered into a series of definitive agreements under which the Company will invest approximately $20.1 billion in Sprint Nextel Corporation.

As discussed in Note 21 (3) to the consolidated financial statements, on April 1, 2013, the Company changed the scope of consolidation and GungHo Online Entertainment, Inc. became a consolidated subsidiary of the Company.

Our opinion is not qualified in respect of these matters.

Convenience Translation

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

/s/ DELOITTE TOUCHE TOHMATSU LLC
Tokyo, Japan
June 22, 2012
(April 3, 2013 as to Notes 1, 21 (2) and 21(3))

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of March 31,			
	2010	2011	2012	2012
	(millions of yen)			(thousands of U.S. dollars) (Note 1)
ASSETS				
Current assets:				
Cash and cash equivalents (Notes 6 and 17)	¥ 687,682	¥ 847,155	¥1,014,559	$11,718,168
Marketable securities (Notes 4, 6 and 17)	3,981	77,769	3,794	43,821
Notes and accounts receivable-trade (Notes 6 and 17)	816,551	657,774	661,288	7,637,884
Merchandise and finished products	37,030	49,888	42,618	492,238
Deferred tax assets (Note 8)	74,290	90,908	56,469	652,218
Other current assets (Note 6)	109,467	176,902	170,739	1,972,037
Allowance for doubtful accounts (Note 17)	(34,560)	(37,779)	(39,015)	(450,623)
Total current assets	1,694,441	1,862,617	1,910,452	22,065,743
Property and equipment (Notes 2(8) and 6):				
Land	22,402	22,883	23,176	267,683
Buildings and structures	68,183	74,868	77,405	894,029
Telecommunications equipment	706,283	840,839	988,542	11,417,672
Telecommunications service lines	72,983	68,856	65,214	753,222
Construction in progress	34,634	55,663	80,502	929,799
Other	46,218	50,339	61,554	710,949
Total property and equipment	950,703	1,113,448	1,296,393	14,973,354
Intangible assets:				
Goodwill	900,768	839,238	780,243	9,011,816
Software (Note 6)	208,916	248,873	310,151	3,582,248
Other intangibles (Note 6)	42,702	32,234	36,121	417,197
Total intangible assets	1,152,386	1,120,345	1,126,515	13,011,261
Investments and other assets:				
Investment securities (Notes 4 and 17)	221,003	148,391	128,714	1,486,648
Investments in unconsolidated subsidiaries and affiliated companies (Note 17)	149,025	192,046	209,484	2,419,543
Deferred tax assets (Note 8)	152,654	109,145	104,327	1,204,978
Other assets (Note 6)	142,663	109,733	123,820	1,430,122
Total investments and other assets	665,345	559,315	566,345	6,541,291
Total assets	¥4,462,875	¥4,655,725	¥4,899,705	$56,591,649

See notes to consolidated financial statements.

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	As of March 31,			
	2010	2011	2012	2012
	(millions of yen)			(thousands of U.S. dollars) (Note 1)
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term borrowings (Notes 6 and 17)	¥ 208,308	¥ 228,256	¥ 103,958	$ 1,200,716
Commercial paper (Note 17)	—	25,000	—	—
Current portion of long-term debt (Notes 6 and 17)	284,053	311,195	444,198	5,130,492
Accounts payable-trade (Note 17)	158,943	193,645	190,533	2,200,658
Accounts payable-other and accrued expenses (Notes 6 and 17)	451,409	561,421	835,053	9,644,872
Income taxes payable (Note 17)	100,484	115,355	125,116	1,445,091
Current portion of lease obligations (Notes 6 and 17)	109,768	131,306	152,683	1,763,490
Other current liabilities	65,914	78,230	72,184	833,726
Total current liabilities	1,378,879	1,644,408	1,923,725	22,219,045
Long-term liabilities:				
Long-term debt (Notes 6 and 17)	1,730,110	1,538,350	1,019,970	11,780,665
Liability for retirement benefits (Note 7)	15,558	14,414	14,953	172,707
Allowance for point mileage	47,215	41,947	32,074	370,455
Lease obligations (Notes 6 and 17)	224,484	199,770	347,700	4,015,939
Deferred tax liabilities (Note 8)	30,483	26,582	20,370	235,274
Other liabilities (Note 6)	72,175	310,636	105,273	1,215,905
Total long-term liabilities	2,120,025	2,131,699	1,540,340	17,790,945
Commitments and contingent liabilities (Notes 16, 18 and 19)				
Equity (Notes 6, 9, 10 and 21):				
Common stock: Authorized: 3,600,000,000 shares; Issued: 1,082,503,878 shares in 2010, 1,082,530,408 shares in 2011, 1,107,728,781 shares in 2012	188,751	188,775	213,798	2,469,369
Additional paid-in capital	213,069	212,510	236,563	2,732,305
Stock acquisition rights	476	703	898	10,372
Retained earnings	43,072	222,277	530,534	6,127,674
Treasury stock—at cost: 174,775 shares in 2010, 180,503 shares in 2011, 9,213,962 shares in 2012	(226)	(240)	(22,947)	(265,038)
Accumulated other comprehensive income:				
Unrealized gain on available-for-sale securities	43,864	34,921	10,567	122,049
Deferred gain (loss) on derivatives under hedge accounting	14,528	11,224	(993)	(11,469)
Foreign currency translation adjustments	(32,526)	(50,214)	(30,827)	(356,052)
Subtotal	471,008	619,956	937,593	10,829,210
Minority interests	492,963	259,662	498,047	5,752,449
Total equity	963,971	879,618	1,435,640	16,581,659
Total liabilities and equity	¥4,462,875	¥4,655,725	¥4,899,705	$56,591,649

See notes to consolidated financial statements.

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	For the fiscal year ended March 31,			
	2010	2011	2012	2012
		(millions of yen)		(thousands of U.S. dollars) (Note 1)
Net sales	¥2,763,406	¥3,004,640	¥3,202,436	$36,988,173
Cost of sales	1,326,572	1,373,617	1,485,751	17,160,441
Gross profit	1,436,834	1,631,023	1,716,685	19,827,732
Selling, general and administrative expenses (Note 11)	970,963	1,001,860	1,041,402	12,028,206
Operating income	465,871	629,163	675,283	7,799,526
Other income (expenses):				
Interest and dividend income	1,371	3,857	4,400	50,821
Interest expense (Note 6)	(111,153)	(104,020)	(62,206)	(718,480)
Equity in earnings (losses) of affiliated companies	(3,616)	2,874	(2,948)	(34,049)
Gain on sale of investment securities, net (Note 4)	4,527	5,898	88,317	1,020,062
Valuation loss on investment securities	(5,168)	(8,740)	(13,971)	(161,365)
Other, net (Note 12)	(62,582)	(48,419)	(56,618)	(653,939)
Other expenses, net	(176,621)	(148,550)	(43,026)	(496,950)
Income before income taxes and minority interests	289,250	480,613	632,257	7,302,576
Income taxes (Note 8):				
Current	(117,877)	(173,510)	(196,509)	(2,269,681)
Corrections	—	(27,392)	—	—
Deferred	(26,683)	(32,048)	(58,204)	(672,257)
Total income taxes	(144,560)	(232,950)	(254,713)	(2,941,938)
Net income before minority interests	144,690	247,663	377,544	4,360,638
Minority interests in net income	(47,974)	(57,950)	(63,791)	(736,787)
Net income	¥ 96,716	¥ 189,713	¥ 313,753	$ 3,623,851

	For the fiscal year ended March 31,			
	2010	2011	2012	2012
		(millions of yen)		(thousands of U.S. dollars (Note 1))
Net income per share (Notes 2(23) and 13)				
Basic	¥ 89.39	¥ 175.28	¥ 285.78	$ 3.30
Diluted	86.39	168.57	278.75	3.22
Cash dividends applicable to the year	5.00	5.00	40.00	0.46

See notes to consolidated financial statements.

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the fiscal year ended March 31,			
	2010	2011	2012	2012
	(millions of yen)			(thousands of U.S. dollars) (Note 1)
Net income before minority interests	¥144,690	¥247,663	¥377,544	$4,360,638
Other comprehensive income (loss) (Note 14):				
Unrealized gain (loss) on available-for-sale securities	12,806	(6,822)	(25,780)	(297,759)
Deferred loss on derivatives under hedge accounting	(10,788)	(3,177)	(12,661)	(146,235)
Foreign currency translation adjustments	(3,619)	(10,195)	21,328	246,339
Share of other comprehensive income (loss) in affiliated companies	2,176	(7,527)	(3,442)	(39,756)
Total other comprehensive income (loss)	575	(27,721)	(20,555)	(237,411)
Comprehensive income	¥145,265	¥219,942	¥356,989	$4,123,227
Total comprehensive income attributable to:				
Owners of the parent	¥ 96,685	¥159,777	¥296,543	$3,425,075
Minority interests	48,580	60,165	60,446	698,152

See notes to consolidated financial statements.

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Number of shares of common stock outstanding	Common stock	Additional paid-in capital	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated ot
							Unrealized gain (loss) on available-for-sale securities
						(millions of yen)	
Balance, as of April 1, 2009	1,080,854,774	¥187,682	¥212,000	¥289	¥ (51,270)	¥ (215)	¥ 31,334
Net income	—	—	—	—	96,716	—	—
Cash dividends, ¥2.50 per share	—	—	—	—	(2,702)	—	—
Adjustments of retained earnings (accumulated deficit) due to change in scope of consolidation	—	—	—	—	328	—	—
Purchase of treasury stock	(5,571)	—	—	—	—	(11)	—
Exercise of warrants	1,479,900	1,069	1,069	—	—	—	—
Net changes in the year	—	—	—	187	—	—	12,530
Balance, as of March 31, 2010	1,082,329,103	¥188,751	¥213,069	¥476	¥ 43,072	¥ (226)	¥ 43,864
Decrease in retained earnings due to adoption of practical solution on unification of accounting policies applied to affiliated companies accounted for using the equity method	—	—	—	—	(4,510)	—	—
Net income	—	—	—	—	189,713	—	—
Cash dividends, ¥5.00 per share	—	—	—	—	(5,412)	—	—
Adjustments of retained earnings due to change in scope of consolidation	—	—	—	—	(586)	—	—
Purchase of treasury stock	(5,728)	—	—	—	—	(14)	—
Exercise of warrants	26,530	24	24	—	—	—	—
Changes in foreign subsidiaries and affiliated companies' interests in its subsidiaries	—	—	(583)	—	—	—	—
Net change in the year	—	—	—	227	—	—	(8,943)
Balance, as of March 31, 2011	1,082,349,905	¥188,775	¥212,510	¥703	¥222,277	¥ (240)	¥ 34,921
Net income	—	—	—	—	313,753	—	—
Cash dividends, ¥5.00 per share	—	—	—	—	(5,412)	—	—
Adjustments of retained earnings due to change in scope of consolidation	—	—	—	—	(84)	—	—
Purchase of treasury stock	(9,033,459)	—	—	—	—	(22,707)	—
Exercise of warrants	25,198,373	25,023	24,980	—	—	—	—
Changes in foreign subsidiaries and affiliated companies' interests in its subsidiaries	—	—	(927)	—	—	—	—
Net change in the year	—	—	—	195	—	—	(24,354)
Balance, as of March 31, 2012	1,098,514,819	¥213,798	¥236,563	¥898	¥530,534	¥(22,947)	¥ 10,567

See notes to consolidated financial statements.

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Number of shares of common stock outstanding	Common stock	Additional paid-in capital	Stock acquisition rights	Retained earnings	Treasury stock	Accumulated other c	
							Unrealized gain (loss) on available-for-sale securities	Defe (lo der und acc
					(thousands of U.S. of dollars) (note 1)			
Balance, as of March 31, 2011	1,082,349,905	$2,180,353	$2,454,493	$ 8,120	$2,567,302	$ (2,772)	$ 403,338	$ 1
Net income	—	—	—	—	3,623,851	—	—	
Cash dividends, ¥5.00 per share	—	—	—	—	(62,509)	—	—	
Adjustments of retained earnings due to change in scope of consolidation	—	—	—	—	(970)	—	—	
Purchase of treasury stock	(9,033,459)	—	—	—	—	(262,266)	—	
Exercise of warrants	25,198,373	289,016	288,519	—	—	—	—	
Changes in foreign subsidiaries and affiliated companies' interests in its subsidiaries	—	—	(10,707)	—	—	—	—	
Net change in the year	—	—	—	2,252	—	—	(281,289)	(1
Balance, as of March 31, 2012	1,098,514,819	$2,469,369	$2,732,305	$10,372	$6,127,674	$(265,038)	$ 122,049	$ (

See notes to consolidated financial statements.

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the fiscal year ended March 31,			
	2010	2011	2012	2012
		(millions of yen)		(thousands of U.S. dollars) (Note 1)
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 289,250	¥ 480,613	¥ 632,257	$ 7,302,576
Adjustments for:				
Income taxes paid	(39,191)	(186,162)	(195,641)	(2,259,656)
Depreciation and amortization	243,944	224,937	275,826	3,185,793
Amortization of goodwill	61,070	62,688	62,607	723,112
Equity in (earnings) losses of affiliated companies	3,616	(2,874)	2,948	34,049
Dilution gain from changes in equity interest, net	(328)	(2,046)	(19,685)	(227,362)
Valuation loss on investment securities	5,168	8,740	13,971	161,365
Unrealized appreciation on valuation of investments and loss on sale of investments at subsidiaries in the U.S., net	304	(264)	(1,986)	(22,938)
Gain on sale of marketable and investment securities, net	(4,621)	(5,972)	(88,278)	(1,019,612)
Foreign exchange gain, net	(1,818)	(1,587)	(256)	(2,957)
Changes in assets and liabilities, net of effects from changes in scope of the consolidation:				
Decrease (increase) in receivables-trade	59,637	167,452	(5,032)	(58,120)
Increase (decrease) in payables-trade	(1,038)	33,679	(3,005)	(34,708)
Other, net	52,057	46,633	66,501	768,088
Total adjustments	378,800	345,224	107,970	1,247,054
Net cash provided by operating activities	668,050	825,837	740,227	8,549,630
Cash flows from investing activities:				
Purchases of property and equipment, and intangibles	(223,819)	(208,553)	(455,024)	(5,255,532)
Purchases of marketable and investment securities	(56,686)	(79,441)	(33,323)	(384,881)
Proceeds from sale of marketable and investment securities (Note 4)	19,040	31,492	87,985	1,016,228
Proceeds from advanced redemption of debt security (Note 15(2))	—	—	30,375	350,832
Acquisition of interests in subsidiaries newly consolidated, net of cash acquired (Note 3)	(20,881)	(702)	(4,007)	(46,281)
Other, net	5,184	(7,244)	(1,662)	(19,197)
Net cash used in investing activities	(277,162)	(264,448)	(375,656)	(4,338,831)

See notes to consolidated financial statements.

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the fiscal year ended March 31, 2010	2011	2012	2012
	(millions of yen)			(thousands of U.S. dollars) (Note 1)
Cash flows from financing activities:				
Increase (decrease) in short-term borrowings, net	(112,911)	20,129	(124,291)	(1,435,562)
Increase (decrease) in commercial paper	—	25,000	(25,000)	(288,750)
Proceeds from long-term debt	337,930	252,900	600,819	6,939,466
Repayment of long-term debt (Note 4)	(516,052)	(459,166)	(919,696)	(10,622,499)
Proceeds from issuance of bonds	183,433	233,936	179,160	2,069,300
Redemption of bonds	(70,675)	(105,508)	(163,438)	(1,887,711)
Proceeds from issuance of shares to minority shareholders	1,494	1,685	323	3,731
Proceeds from issuance of preferred securities by a subsidiary (Note 15(3))	—	—	200,000	2,310,002
Purchase of treasury stock	(11)	(15)	(22,707)	(262,266)
Cash dividends paid	(2,678)	(5,388)	(5,421)	(62,613)
Cash dividends paid to minority shareholders	(4,619)	(16,009)	(20,346)	(234,997)
Proceeds from sale and lease-back of equipment newly acquired (Note 15 (1))	135,942	117,596	338,706	3,912,058
Repayment of lease obligations	(103,053)	(155,063)	(166,290)	(1,920,651)
Payments for additional entrustment for debt assumption (Note 5)	—	(75,000)	—	—
Payments for repurchase of minority interests and long-term debt (Note 15(4))	—	(213,565)	—	—
Other, net	(8,363)	(19,260)	(68,486)	(791,014)
Net cash used in financing activities	(159,563)	(397,728)	(196,667)	(2,271,506)
Effect of exchange rate changes on cash and cash equivalents	(606)	(4,204)	165	1,906
Net increase in cash and cash equivalents	230,719	159,457	168,069	1,941,199
Increase in cash and cash equivalents due to newly consolidated subsidiaries	126	1,919	69	797
Decrease in cash and cash equivalents due to exclusion of previously consolidated subsidiaries	(807)	(65)	(734)	(8,478)
Decrease in cash and cash equivalents resulting from corporate separation	—	(1,838)	—	—
Cash and cash equivalents, beginning of year	457,644	687,682	847,155	9,784,650
Cash and cash equivalents, end of year	¥ 687,682	¥ 847,155	¥1,014,559	$ 11,718,168
Non cash investing and financing activities:				
Acquisition of fixed assets by installments	¥ 23,696	¥ 51,347	¥ 11,717	$ 135,331
Increase of common stock and additional paid-in capital by the exercise of stock acquisition rights on convertible bond due 2013 and convertible bond due 2014	—	—	50,003	577,535

See notes to consolidated financial statements.

1 Basis of presentation of consolidated financial statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which differ from International Financial Reporting Standards with respect to application and disclosure requirements.

Under Japanese GAAP, a consolidated statement of comprehensive income was required from the fiscal year ended March 31, 2011. However, the statement for the fiscal year ended March 31, 2010 is also presented herein as comparative information.

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2010 and 2011 consolidated financial statements to conform them to the classifications used in 2012.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which SoftBank Corp. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥86.58 to $1, the approximate rate of exchange on December 28, 2012. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2 Summary of significant accounting policies

(1) Consolidation

The consolidated financial statements as of March 31, 2012 include the accounts of the Company and its 133 significant (109 in 2010 and 117 in 2011) subsidiaries (together, the "Group"). The Company does not consolidate other subsidiaries due to their immateriality in terms of consolidated total assets, net sales, net income and retained earnings.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in three (six in 2010 and four in 2011) unconsolidated subsidiaries and 71(58 in 2010 and 69 in 2011) affiliated companies are accounted for by the equity method.

Investments in 60 (57 in 2010 and 57 in 2011) unconsolidated subsidiaries and 26 (25 in 2010 and 23 in 2011) affiliated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Effective April 1, 2010, certain subsidiaries of the Company that apply generally accepted accounting principles in the United States of America ("U.S. GAAP") adopted accounting standards codification (ASC)810, consolidations, formerly SFAS No. 167, amendments to FASB interpretation No. 46 (R) (SFAS 167).

As a result of the application of the accounting standard, the scope of SB Asia Infrastructure Fund L.P. was changed from an affiliated company under equity method to a consolidated subsidiary. The effect of this change is not material for the fiscal year ended March 31, 2011.

The excess of the cost of acquisition over the fair value of the net assets of an acquired consolidated subsidiary at the date of acquisition is amortized over reasonably estimated periods, in which economic benefits are expected to be realized. The goodwill resulting from acquisition of Vodafone K.K. (currently SoftBank Mobile Corp.) is being amortized over a period of 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

(2) Unification of accounting policies applied to foreign subsidiaries for the consolidated financial statements

In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes (a) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (b) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (c) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (3) expensing capitalized development costs of R&D; (4) cancellation of fair value model accounting for property, plant, and equipment and investment properties and incorporation of cost model accounting; and (5) exclusion of minority interests from net income, if contained in net income.

(3) Unification of accounting policies applied to foreign affiliated companies for the equity method

In March 2008, the ASBJ issued ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments." The standard requires adjustments to be made to conform the affiliated company's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the affiliated company's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign affiliated companies in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (1) amortization of goodwill; (2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; (3) expensing capitalized development costs of R&D; (4) cancellation of fair value model accounting for property, plant, and equipment and investment properties and incorporation of cost model accounting; and (5) exclusion of minority interests from net income, if contained in net income.

The Company applied this accounting standard effective April 1, 2010. The Company adjusted the beginning balance of retained earnings at April 1, 2010.

(4) Cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include highly liquid investments with original maturities of three months or less from the date of acquisition and a low risk of fluctuation in value.

(5) Marketable and investment securities

Marketable and investment securities are classified and accounted for, depending on management's intent, as follows:

(a) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings, (b) held-to-maturity debt securities, for which there is the positive intent and ability to hold to maturity are reported at amortized cost; and (c) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Certain subsidiaries in the United States qualify as investment companies under the provisions set forth in "Financial Services—Investment Companies" of the FASB Accounting Standards Codification Topic 946 (ASC 946) and account for investment securities in accordance with the ASC 946. The investment securities are carried at fair value, and net changes in fair value are recorded in the consolidated statement of income under the application of the ASC 946.

(6) Merchandise and finished products

Merchandise and finished products are stated at the lower of cost determined, by the moving-average method, or net selling value.

(7) Allowance for doubtful accounts

To prepare for uncollectible credits, an allowance for doubtful accounts is calculated based on the actual bad debt ratio, and a specific allowance for doubtful accounts deemed to be uncollectible is calculated considering collectability.

(8) Property and equipment, and intangible assets

Property and equipment are stated at cost less accumulated depreciation. Accumulated depreciation as of March 31, 2010, 2011 and 2012 was ¥1,048,585 million, ¥1,113,677 million and ¥1,205,105 million ($13,918,977 thousand), respectively. Buildings and structures are depreciated primarily using the straight-line method over the estimated useful lives of the assets. Telecommunications equipment and telecommunications service lines are depreciated using the straight-line method over the estimated useful lives of the assets. Other property and equipment are depreciated primarily using the straight-line method over the estimated useful lives of the assets. Intangible assets are amortized using the straight-line method over the estimated useful lives of the assets.

(9) Impairment of long-lived assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amounts of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(10) Allowance for point mileage

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

(11) Retirement and pension plans

The Company and most of its domestic consolidated subsidiaries have defined contribution pension plans.

The Company and most of its domestic consolidated subsidiaries also participate in multi-employer contributory defined benefit welfare pension plans (the "welfare pension plans"). The welfare pension plans are funded in conformity with the funding requirements of the Japanese Welfare Pension Insurance Law, and include a portion relating to the governmental welfare pension program and other portion into which contributions are made by the respective companies and their employees.

Contributions made by the Company and most of its domestic consolidated subsidiaries into these pension plans are expensed when incurred.

Certain domestic consolidated subsidiaries, mainly SoftBank Mobile Corp. and SoftBank Telecom Corp., have defined benefit pension plans. The liability for retirement benefits for these companies is accounted for based on the projected benefit obligations on the consolidated balance sheet date.

SoftBank Mobile Corp. and SoftBank Telecom Corp. have amended their pension plans by fixing the periods covered by the plans through the end of March 2007 and March 2006, respectively. The retirement benefits calculated under the benefit pension plans were fixed and will be paid at the retirement of applicable employees. The projected benefit obligations are calculated based on these fixed retirement benefits.

As a result, there is no service cost under the defined benefit pension plans at SoftBank Mobile Corp. and SoftBank Telecom Corp.

(12) Asset retirement obligations

In March 2008, the ASBJ published ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010. The cumulative effects of this change were recorded in other expenses in the year ended March 31, 2011. The effect of this change in operating income was not material.

The Group has obligations to restore mobile phone base stations and telephone line facilities for transmission to their original conditions under its rental contracts. However, considering business continuity, the removal of these facilities is difficult and the possibility of restoring these facilities to their original conditions is extremely low, and therefore, asset retirement obligations were not recorded for the years ended March 31, 2011 and 2012.

(13) Stock options

The ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance are applicable to stock options granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. On the balance sheet, stock options are presented as a stock acquisition rights as a separate component of equity until exercised. The standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

(14) Research and development costs

Research and development costs are charged to income as incurred and were ¥557 million, ¥880 million and ¥867 million ($10,014 thousand) for the years ended March 31, 2010, 2011 and 2012, respectively.

(15) Leases

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations on the balance sheet. In addition, the accounting standard permits leases that existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group continues to account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

(16) Revenue recognition

In the Mobile Communications segment, net sales are mainly generated from the provision of mobile telecommunications services and the sale of handsets and accessories. The mobile telecommunications services consist of voice and data services and are recognized as revenue when services are provided to customers, based upon basic flat-rate monthly charges plus usage of traffic in accordance with price plans subjected to discounts. Sales of mobile handsets and accessories are recognized when merchandise is shipped to dealers. The dealers sell the mobile handsets to the customers mainly by installment payments over a period of 24 months. SoftBank Mobile Corp. purchases the installment sales receivables from the dealers and collects the installment sales receivables during the 24 months. Activation fees from new customers are recognized as revenue when services are activated.

In the Broadband Infrastructure segment, revenues are mainly from subscriber charges related to *Yahoo! BB ADSL* services. Monthly charges consist of an ISP charge, an ADSL service charge, a modem rental charge, and the usage of the network. Revenues from *Yahoo! BB ADSL* services are recognized as revenue when services are provided to customers, based upon fixed monthly charges plus the usage of the network.

In the Fixed-line Telecommunications segment, net sales are generated from voice communications, digital data transmission services, private line and other businesses. Telecommunications services, such as voice communications, digital data transmission services and private line are recognized as revenue when services are provided to customers, based upon fixed monthly charges plus usage of the network. Other businesses are mainly generated from sales and rental of telecommunications equipment and data center services. Sales of telecommunications equipment are recognized as one-time revenue upon inspection and acceptance by customers. Sales and rental of telecommunications equipment and data center services are recognized when services are provided to the customers, based upon fixed monthly charges plus usage.

Yahoo Japan Corporation, the core company in the Internet culture segment, records internet-related revenues such as display advertising, search advertising, listings, commission of e-commerce transactions, and fee revenue. Revenues from display advertising are recognized over the period in which advertisements are shown on the *Yahoo! JAPAN* website. Revenue from search advertising is recognized when a user clicks on an advertiser's search result listing. Listings revenues, such as *Yahoo! Real Estate*, *Yahoo! Rikunabi* and other services, are recognized over the period in which these services are shown on the *Yahoo! JAPAN* website. Revenues from commissions of e-commerce transactions, such as *Yahoo! Shopping*, *Yahoo! Auctions*, and *Yahoo! Travel*, are recognized when the transactions occur. Fee revenues such as membership revenue from *Yahoo! Premium* are recognized over the period in which the memberships are valid.

(17) Customer acquisition commission

Customer acquisition commission is recorded as expense when incurred.

(18) Bonuses to directors and corporate auditors

Bonuses to directors and corporate auditors are accrued at the year-end to which such bonuses are attributable.

(19) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

A valuation allowance is established against deferred tax assets to the extent that it is more likely than not that the deferred tax assets may not be realized within the foreseeable future.

BB Mobile Corp., as a parent company of the consolidated tax return, SoftBank Mobile Corp., and Telecom Express Co., Ltd. adopted the consolidated taxation system.

(20) Foreign currency transactions

All short-term and long-term monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates as of the consolidated balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by foreign currency forward contracts.

(21) Foreign currency financial statements

The balance sheet accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate.

Differences arising from such translation are shown as foreign currency translation adjustments under accumulated other comprehensive income in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate for the year.

(22) Derivatives and hedging activities

The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign currency forward contracts and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives, except those which qualify for hedge accounting are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized on the consolidated statement of income and (b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Receivables and obligations denominated in foreign currencies for which foreign currency forward contracts are used to hedge the foreign currency fluctuation are translated at the contracted rate, if the forward contracts qualify for hedge accounting. For forecasted transactions denominated in foreign currencies, recognitions of gains or losses resulting from changes in fair value of derivative instruments for hedging are deferred under hedge accounting under accumulated other comprehensive income in a separate component of equity until the related gains and losses on hedged items are recognized.

Interest rate swaps are utilized to hedge interest rate exposures of borrowings. Those swaps that qualify for hedge accounting are measured at fair value at the consolidated balance sheet date and the unrealized gains or losses are deferred until maturity as deferred gain (loss) under hedge accounting under accumulated other comprehensive income in a separate component of equity.

(23) Per share information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year, retroactively adjusted for stock splits.

(24) Accounting changes and error corrections

In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections."

Accounting treatments under this standard and guidance are as follows:

(a) Changes in accounting policies

When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(b) Changes in presentations

When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(c) Changes in accounting estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(d) Corrections of prior-period errors

When an error in prior-period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior-period which are made from the beginning on or after April 1, 2011.

3 Acquisition

SoftBank BB Corp. spun off and established BB Modem Rental Yugen Kaisha ("BB Modem rental"), which runs a modem rental business, in order to concentrate on its core broadband business, and sold its entire ownership interest in BB Modem rental to Yugen Kaisha Gemini BB in 2005.

On February 16, 2010, SoftBank BB Corp. acquired all shares of BB Modem Rental from Gemini BB Holdings, as a result of reconsideration of the significance of its modem rental business after the Group's entry into Mobile Communications business in 2006. SoftBank BB Corp. merged BB Modem Rental on March 31, 2010.

The acquisition cost was ¥20,841 million. The cost of the acquisition has been allocated to the assets acquired and the liabilities assumed based on their respective fair values.

The estimated fair values of the assets acquired and the liabilities assumed at the acquisition date were as follows:

	2010
	(millions of yen)
Current assets	¥13,685
Non-current assets	9,618
Goodwill	4,680
Current liabilities	(7,142)
Acquisition cost (Note)	20,841
Payments for the acquisition	¥20,841

(Note) Loan receivables to SoftBank BB Corp. of ¥20,827 million was included.

4 Marketable and investment securities

Most marketable and investment securities at March 31, 2010, 2011 and 2012 were classified as available-for-sale securities.

The Group does not hold trading securities at March 31, 2010, 2011 and 2012.

The costs and aggregate fair values of marketable and investment securities at March 31, 2010, 2011 and 2012 were as follows:

	As of March 31, 2010			
		Unrealized		
	Cost	Gains	Losses	Fair Value
	(millions of yen)			
Equity securities	¥30,352	¥74,071	¥(3,327)	¥101,096
Other	29,376	2,641	(14)	32,003
Total	¥59,728	¥76,712	¥(3,341)	¥133,099

	As of March 31, 2011			
		Unrealized		
	Cost	Gains	Losses	Fair Value
	(millions of yen)			
Equity securities	¥46,817	¥73,431	¥(7,482)	¥112,766
Other	29,896	4,565	(13)	34,448
Total	¥76,713	¥77,996	¥(7,495)	¥147,214

	As of March 31, 2012			
		Unrealized		
	Cost	Gains	Losses	Fair Value
	(millions of yen)			
Equity securities	¥43,944	¥23,156	¥(2,653)	¥64,447
Other	4,143	4	(110)	4,037
Total	¥48,087	¥23,160	¥(2,763)	¥68,484

	As of March 31, 2012			
		Unrealized		
	Cost	Gains	Losses	Fair Value
	(thousands of U.S. dollars)			
Equity securities	$507,554	$267,452	$(30,642)	$744,364
Other	47,852	46	(1,271)	46,627
Total	$555,406	$267,498	$(31,913)	$790,991

Proceeds from sales of available-for-sale securities for the years ended March 31, 2010, 2011 and 2012 were ¥4,487 million, ¥17,418 million and ¥79,156 million ($914,253 thousand), respectively. These proceeds included the proceeds from sales of available-for-sale securities, where the fair values are extremely difficult to measure, of ¥760 million, ¥372 million and ¥12,415 million ($143,393 thousand) for the years ended March 31, 2010, 2011 and 2012, respectively.

Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥860 million and ¥227 million, respectively, for the year ended March 31, 2010, ¥2,077 million and ¥601 million, respectively, for the year ended March 31, 2011 and ¥87,060 million ($1,005,544 thousand) and ¥129 million ($1,490 thousand), respectively, for the year ended March 31, 2012. These gains and losses included gross realized gains and losses on sales of available-for-sale securities, where the fair values are extremely difficult to measure. The gross realized gains were ¥581 million, ¥174 million and ¥8,454 million ($97,644 thousand), and the gross realized losses were ¥57 million, ¥124 million and ¥20 million ($231 thousand) for the years ended March 31, 2010, 2011 and 2012, respectively.

"Gain on sale of investment securities, net" for the year ended March 31, 2012 is primarily attributable to a ¥76,430 million ($882,767 thousand) gain on sale of Yahoo! Inc. shares.

In February 2004, the Company entered into variable share prepaid forward contracts ("collar transaction") through its U.S. subsidiary with CITIBANK, N.A., utilizing Yahoo! Inc. shares held by the U.S. subsidiary in order to effectively hedge the variability of cash flows associated with the future market price of the underlying securities. At the same time, the Company financed $1,135 million from CITIBANK, N.A., which would be settled at maturity by delivering Yahoo! Inc. shares.

During the year ended March 31, 2012, the obligation reached maturity and the cash proceeds received by the Company's U.S. subsidiary from delivering the shares of Yahoo! Inc. (cost of $142 million) to CITIBANK, N.A. were used to repay the related obligation. "Gain on sale of investment securities, net" of ¥76,430 million ($882,767 thousand), was recorded as a result of settling the variable share prepaid forward contracts. This was a U.S. dollar denominated transaction, and the gain in U.S. dollars was $993 million.

In the consolidated cash flow statement, the proceeds of ¥57,191 million ($660,557 thousand) equaled the $743 million fair value of the shares, the transaction amount denominated in U.S. dollars, when delivered and was recorded as "Proceeds from sale of marketable and investment securities." The same amount of ¥57,191 million ($660,557 thousand) was recorded as "Repayment of long-term debt."

The difference between the obligation balance of $1,135 million at maturity and the $743 million of proceeds from delivering the shares of Yahoo! Inc., which was used for the settlement of the obligation, was a realized gain on the variable share prepaid forward contracts upon the settlement. The balance of the obligation after deduction of the realized gain on the variable share prepaid forward contracts was the same amount of the fair value of Yahoo! Inc. shares delivered for the repayment of the obligation, and therefore, this amount was recorded under "Repayment of long-term debt."

During the year ended March 31, 2011, the shares of Yahoo! Inc. were reclassified to "Marketable securities" under current assets from "Investment securities" under investment and other assets. This was to coincide with the reclassification of the related obligation under current liabilities, of which the remaining period until maturity was less than one year. Accordingly, the gain on sale from this transaction was recorded as "Gain on sale of investment securities, net."

Certain marketable and investment securities were impaired, and valuation losses on investment securities for the years ended March 31, 2010, 2011 and 2012 were ¥5,168 million, ¥8,740 million and ¥13,971 million ($161,365 thousand), respectively. These amounts included valuation losses on investment securities, where the fair value is extremely difficult to measure, of ¥3,184 million, ¥6,169 million and ¥5,291 million ($61,111 thousand) for the years ended March 31, 2010, 2011 and 2012, respectively.

Certain subsidiaries in the United States qualify as investment companies under the provisions set forth in ASC 946 and account for investment securities in accordance with the ASC 946.

Proceeds from sales for the years ended March 31, 2010, 2011 and 2012 and the carrying amounts of the investment securities at fair value recorded in the consolidated balance sheet at March 31, 2010, 2011 and 2012 were as follows:

	For the fiscal year ended March 31,			
	2010	2011	2012	2012
	(millions of yen)			(thousands of U.S. dollars)
Proceeds from sales	¥ 1,864	¥ 1,551	¥ 508	$ 5,867
Carrying amounts of investment securities at fair value recorded in consolidated balance sheet	15,316	12,481	13,859	160,072

5 Additional Entrustment for Debt Assumption of Bonds

In 2006, SOFTBANK MOBILE Corp. entrusted cash for the repayment of straight bonds of ¥75,000 million based on debt assumption agreements with a financial institution and the bonds were derecognized on the consolidated balance sheets.

The trust had collateralized debt obligations (“CDO”) issued by a Cayman Islands based Special-Purpose Company (“SPC”). The SPC contracted a credit default swap agreement secured by debt securities (corporate bonds), which referred to a certain portion of the portfolio consisting of 160 referenced entities. Since defaults (credit events under the agreement) of more than a certain number of the referenced entities occurred, ¥75,000 million in total was reduced from the redemption amount of the CDO in April 2009 and an additional entrustment was required for the reduced amount.

As a result, for the amount required as the additional entrustment of ¥75,000 million, a long term accounts payable was recognized as of March 31, 2009.

As of March 31, 2010, since the maturity for the additional entrustment was within one year, the accounts payable was reclassified into accounts payable-other and accrued expenses of current liabilities in the consolidated balance sheet and it was paid in the year ended March 31, 2011.

6 Short-term borrowings, long-term debt and lease obligations

(1) Short-term borrowings as of March 31, 2010, 2011 and 2012 mainly consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term borrowings ranged from 0.56% to 7.31%, 1.24% to 8.50% and 0.56% to 8.50% as of March 31, 2010, 2011 and 2012, respectively.

Cash receipts as collateral from financial institutions in the amounts of ¥114,000 million, ¥114,000 million and ¥93,000 million ($1,074,151 thousand) as of March 31, 2010, 2011 and 2012, to whom the Company lent shares of its subsidiary under security deposit agreements, are included in short-term borrowings.

(2) Long-term debt as of March 31, 2010, 2011 and 2012 consisted of the following:

	As of March 31,			
	2010	2011	2012	2012
		(millions of yen)		(thousands of U.S. dollars)
Unsecured borrowings principally from financial institutions:				
Due on various dates through 2021—generally at 0.78% to 7.50% in 2010, 0.62% to 3.64% in 2011 and 0.84% to 6.05% in 2012	¥ 423,415	¥ 347,707	¥ 859,187	$ 9,923,620
Collateralized borrowings principally from financial institutions:				
Due on various dates through 2015—generally at 4.40% to 6.80% in 2010, 4.41% to 6.95% in 2011 and 3.44% to 4.20% in 2012	1,087,824	865,948	93	1,074
Unsecured straight bonds:				
Due on various dates through 2018—generally at 1.98% to 7.75% in 2010, 1.10% to 6.50% in 2011 and 0.42% to 4.72% in 2012	402,926	535,900	554,900	6,409,101
Convertible bonds:				
Due on various dates through 2013—generally at 1.50% to 1.75% in 2010, 1.50% to 1.75% in 2011 and 1.50% in 2012, convertible into common stock at prices of ranging from ¥1,984 to ¥2,165 in 2010, ¥2,165 in 2011 and ¥2,165 ($25.01) in 2012.	99,998	99,990	49,988	577,362
Total	2,014,163	1,849,545	1,464,168	16,911,157
Less current portion	(284,053)	(311,195)	(444,198)	(5,130,492)
Long-term debt, less current portion	¥1,730,110	¥1,538,350	¥1,019,970	$11,780,665

(3) Current portion of lease obligations and lease obligations as of March 31, 2010, 2011 and 2012 consisted of the following:

	As of March 31,			
	2010	2011	2012	2012
		(millions of yen)		(thousands of U.S. dollars)
Current portion of lease obligations—				
At 1.99% to 7.29% in 2010 in 201, 1.86% to 4.80% in 2011 and 1.44% to 5.71% in 2012	¥109,768	¥131,306	¥152,683	$1,763,490
Lease obligations—				
At 1.99% to 4.80% in 2010, 1.86% to 4.80% in 2011 and 1.44% to 5.71% in 2012	224,484	199,770	347,700	4,015,939

(4) The aggregate annual maturities of borrowings from financial institutions outstanding as of March 31, 2012 were as follows:

	As of March 31,	
	(millions of yen)	(thousands of U.S. dollars)
2013	¥299,210	$3,455,879
2014	359,291	4,149,815
2015	200,311	2,313,594
2016	72	832
2017 and thereafter	396	4,574
Total	¥859,280	$9,924,694

(5) The aggregate annual maturities of corporate bonds outstanding as of March 31, 2012 were as follows:

	as of March 31,	
	(millions of yen)	(thousands of U.S. dollars)
2013	¥144,988	$1,674,613
2014	205,000	2,367,752
2015	74,900	865,096
2016	70,000	808,501
2017 and thereafter	110,000	1,270,501
Total	¥604,888	$6,986,463

(6) The aggregate annual maturities of lease obligations outstanding as of March 31, 2012 were as follows:

	As of March 31,	
	(millions of yen)	(thousands of U.S. dollars)
2013	¥152,683	$1,763,490
2014	120,374	1,390,321
2015	101,289	1,169,889
2016	80,644	931,439
2017 and thereafter	45,393	524,290
Total	¥500,383	$5,779,429

(7) The carrying amounts of assets pledged as collateral as of March 31, 2010, 2011 and 2012 for the collateralized borrowings of ¥1,088,636, ¥866,264 million and ¥93 million ($1,074 thousand) respectively, and account payable-trade of ¥1,674 million, ¥964 million and ¥935 million ($10,799 thousand) respectively were as follows:

	As of March 31,			
	2010	2011	2012	2012
	(millions of yen)			(thousands of U.S. dollars)
The carrying amounts of assets pledged as collateral				
Cash and cash equivalents	¥212,565	¥222,422	¥ —	$ —
Notes and accounts receivable-trade	273,232	306,528	—	—
Marketable securities	81,701	73,593	—	—
Other current assets	533	191	100	1,155
Land	10,633	10,747	—	—
Buildings and structures	12,133	11,694	—	—
Telecommunications equipment	182,945	281,937	—	—
Telecommunications service lines	87	72	—	—
Investments and other assets—other assets	17,226	9,555	—	—
Total	¥791,055	¥916,739	¥100	$1,155

Consolidated subsidiaries shares owned by SoftBank Mobile Corp., SoftBank Mobile Corp. shares owned by BB Mobile Corp. and BB Mobile Corp. shares owned by Mobiletech Corporation were pledged as collateral for long-term debt (totaled to ¥772,577 million as of March 31, 2011) resulting from the acquisition of SoftBank Mobile Corp., in addition to the assets pledged as collateral above. In October 2011, the long-term loan was paid off and the collateral pledged was canceled.

(8) A consolidated subsidiary purchased assets by installments and installment payables were recorded in accounts payable-other and accrued expenses of ¥4,148 million, ¥9,907 million and ¥16,209 million ($187,214 thousand) and long-term accounts payable-other of ¥20,741 million, ¥63,086 million and ¥58,037 million ($670,328 thousand) as of March 31, 2010, 2011 and 2012 respectively.

The assets whose ownership rights had not been transferred to the consolidated subsidiary were as follows:

	As of March 31,			
	2010	2011	2012	2012
	(millions of yen)			(thousands of U.S. dollars)
Assets whose ownership right had not been transferred:				
Buildings and structures	¥ 35	¥ 61	¥ 59	$ 681
Telecommunications equipment	16,710	55,076	54,928	634,419
Construction in progress	1,539	186	210	2,426
Property and equipment, net-other	—	2	7	81
Software	4,755	14,055	17,007	196,431
Other intangibles	12	179	37	427
Investments and other assets-other assets	241	328	247	2,853
Total	¥23,292	¥69,887	¥72,495	$837,318

(9) Financial covenants

The Group's interest-bearing debt includes financial covenants, with which the Group is in compliance. The major financial covenants are as follows. If the Group fails to comply with the following covenants, creditors may require repayment of all debt. (Where the covenants set several conditions, the strictest condition is presented below.)

As of March 31, 2012, there is no infringement of the debt covenants.

(a) The amount of the Company's net assets at the end of the year and the first half of the year must not fall below 75% of the Company's net assets at the end of the previous year.

(b) The consolidated balance sheets of the Company and BB Mobile Corp. at the end of the year and the first half of the year must not show a net capital deficiency. The balance sheets of SoftBank Mobile Corp., SoftBank BB Corp. and SoftBank Telecom Corp. at the end of the year and the first half of the year, must not show a net capital deficiency.

7 Retirement and pension plans

The Company and most of its domestic consolidated subsidiaries participate in defined contribution pension plans and welfare pension plans. Certain domestic consolidated subsidiaries have defined benefit pension plans.

The liability for employees' retirement benefits as of March 31, 2010, 2011 and 2012 consisted of the following:

	As of March 31,			
	2010	2011	2012	2012
	(millions of yen)			(thousands of U.S. dollars)
Projected benefit obligation	¥15,558	¥14,414	¥14,953	$172,707
Net liability	¥15,558	¥14,414	¥14,953	$172,707

The components of net periodic retirement benefit costs are as follows:

	For the fiscal year ended March 31,			
	2010	2011	2012	2012
	Millions of yen			Thousands of U.S. dollars
Service cost (Note)	¥1,311	¥1,196	¥1,231	$14,218
Interest cost	302	292	271	3,130
Recognized actuarial loss	(88)	(222)	835	9,644
Contributions to the defined contribution pension plan	2,118	2,114	2,171	25,075
Net periodic retirement benefit costs	¥3,643	¥3,380	¥4,508	$52,067

(Note) Service cost for the years ended March 31, 2010, 2011 and 2012 includes ¥1,302 million, ¥1,186 million and ¥1,221 million ($14,103 thousand), respectively, of contributions to multi-employer contributory defined benefit welfare pension plans.

Assumptions used for the years ended March 31, 2010, 2011 and 2012 are set forth as follows:

	2010 and 2011	2012
Discount rate	Primarily 1.75%	Primarily 1.10%
Amortization period of prior service cost	Primarily expensed in the fiscal year incurred	Primarily expensed in the fiscal year incurred
Recognition period of actuarial gain/loss	Primarily expensed in the fiscal year incurred	Primarily expensed in the fiscal year incurred

8 Income taxes

The Company and domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.69% for the years ended March 31, 2010, 2011 and 2012.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2010, 2011 and 2012 are as follows:

	As of March 31,			
	2010	2011	2012	2012
	Millions of yen			Thousands of U.S. dollars
Deferred tax assets:				
Depreciation and amortization	¥ 99,676	¥ 64,682	¥ 49,458	$ 571,240
Loss carryforwards	88,229	79,173	43,554	503,049
Valuation of assets and liabilities of acquired consolidated subsidiaries at fair market value	54,775	43,560	30,281	349,746
Investment securities	32,107	48,451	19,975	230,711
Allowance for doubtful accounts	39,377	19,904	12,298	142,042
Allowance for point mileage	19,212	17,068	12,191	140,806
Accounts payable-other and accrued expenses	29,302	31,520	10,775	124,451
Other	52,860	64,275	68,968	796,583
Gross deferred tax assets	415,538	368,633	247,500	2,858,628
Less valuation allowance	(174,215)	(141,498)	(79,412)	(917,210)
Total deferred tax assets	241,323	227,135	168,088	1,941,418
Deferred tax liabilities:				
Deferred taxable gain on a sale of shares of a subsidiary to a 100% owned subsidiary under Japanese group taxation regime	—	(13,294)	(11,644)	(134,488)
Unrealized gain on available-for-sale securities	(30,504)	(27,844)	(4,942)	(57,080)
Deferred gain on derivatives under hedge accounting	(10,251)	(7,642)	—	—
Other	(4,107)	(11,988)	(11,076)	(127,928)
Total deferred tax liabilities	(44,862)	(60,768)	(27,662)	(319,496)
Net deferred tax assets	¥ 196,461	¥ 166,367	¥140,426	$1,621,922

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2010, 2011 and 2012 is as follows:

	For the fiscal year ended March 31,		
	2010	2011	2012
Normal effective statutory tax rate	40.69%	40.69%	40.69%
Reconciliation—			
Changes in valuation allowance	(8.64)	(5.05)	(5.81)
Amortization of goodwill	8.40	5.09	3.84
Decrease of deferred tax assets, net of liabilities at fiscal year-end by the change of tax rate	—	—	1.97
Dilution gain from changes in equity interest	—	—	(1.27)
Income taxes-corrections	—	5.70	—
Consolidation adjustments resulting from gain on sale of investments in consolidated subsidiaries	7.26	4.18	—
Other—net	2.26	(2.14)	0.87
Actual effective tax rate	49.97%	48.47%	40.29%

On December 2, 2011, new tax reform laws were enacted in Japan, which changed the normal effective statutory tax rate from 40.69% to 38.01% effective for the fiscal years beginning on or after April 1, 2012 through March 31, 2015, and to 35.64% afterwards.

The effect of this change was to decrease deferred taxes in the consolidated balance sheet as of March 31, 2012 by ¥11,876 million ($137,168 thousand), to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥12,453 million ($143,832 thousand) and to increase unrealized gain on available-for-sale securities by ¥577 million ($6,664 thousand).

As of March 31, 2012, the Group has tax loss carryforwards, which are available to be offset against taxable income in future years. The tax effects of these tax loss carryforwards, aggregating approximately ¥43,553 million ($503,038 thousand), if not utilized, will expire as follows:

	2012	2012
	Millions of yen	Thousands of U.S. dollars
Years ending March 31,		
2013	¥ 867	$ 10,014
2014	4,201	48,522
2015	10,558	121,945
2018	10,762	124,301
2019	2,153	24,867
2020 and thereafter	15,012	173,389
Total	¥43,553	$503,038

9 Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(1) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as; (a) having a Board of Directors, (b) having independent auditors, (c) having a Board of Corporate Auditors, and (d) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(2) Increases / decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital, depending on the equity account charged upon the payment of such dividends until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(3) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

(4) Stock acquisition rights

The Company and certain consolidated subsidiaries recorded stock acquisition rights of ¥476 million, ¥703 million and ¥898 million ($10,372 thousand) as of March 31, 2010, 2011 and 2012, respectively.

10 Stock Options

(1) The stock options outstanding as of March 31, 2012 were mainly as follows:

	The Fifth Series of Stock Acquisition Rights (2005)		The Sixth Series of Stock Acquisition Rights (2010)	
Company name	**The Company**		**The Company**	
Persons granted	Employees of the Company:	16	Employees of the Company:	28
	Directors of Subsidiaries:	1	Directors and Executive officers of Subsidiaries:	11
	Executive officers of Subsidiaries:	3	Employees of Subsidiaries:	194
	Employees of Subsidiaries:	152		
Class and number of shares	923,300 shares of common stock of the Company		3,449,500 shares of common stock of the Company	
Grant date	February 10, 2006		August 27, 2010	
Exercise period	A. 50% of allotment shares from July 1, 2007 to June 30, 2011		A. 25% of allotment shares from July 1, 2012 to June 30, 2017	
	B. 25% of allotment shares from July 1, 2008 to June 30, 2011		B. 25% of allotment shares from July 1, 2013 to June 30, 2017	
	C. 25% of allotment shares from July 1, 2009 to June 30, 2011		C. 25% of allotment shares from July 1, 2014 to June 30, 2017	
			D. 25% of allotment shares from July 1, 2015 to June 30, 2017	

	The Fourth Series of Stock Subscription Rights		The Fifth Series of Stock Subscription Rights	
Company name	**Yahoo Japan Corporation**		**Yahoo Japan Corporation**	
Persons granted	Directors of Yahoo Japan Corporation:	3	Directors of Yahoo Japan Corporation:	3
	Employees of Yahoo Japan Corporation:	72	Employees of Yahoo Japan Corporation:	72
Class and number of shares	108,544 shares of common stock of Yahoo Japan Corporation		112,640 shares of common stock of Yahoo Japan Corporation	
Grant date	June 29, 2001		December 18, 2001	
Exercise period	A. 50% of allotment shares from June 21, 2003 to June 20, 2011		A. 50% of allotment shares from December 8, 2003 to December 7, 2011	
	B. 25% of allotment shares from June 21, 2004 to June 20, 2011		B. 25% of allotment shares from December 8, 2004 to December 7, 2011	
	C. 25% of allotment shares from June 21, 2005 to June 20, 2011		C. 25% of allotment shares from December 8, 2005 to December 7, 2011	

Company name	The First Series of Stock Acquisition Rights (2002) Yahoo Japan Corporation	The Second Series of Stock Acquisition Rights (2002) Yahoo Japan Corporation
Persons granted	Directors of Yahoo Japan Corporation: 2 Employees of Yahoo Japan Corporation: 65	Employees of Yahoo Japan Corporation: 19
Class and number of shares	47,616 shares of common stock of Yahoo Japan Corporation	5,888 shares of common stock of Yahoo Japan Corporation
Grant date	July 29, 2002	November 20, 2002
Exercise period	A. 50% of allotment shares from June 21, 2004 to June 20, 2012 B. 25% of allotment shares from June 21, 2005 to June 20, 2012 C. 25% of allotment shares from June 21, 2006 to June 20, 2012	A. 50% of allotment shares from November 21, 2004 to June 20, 2012 B. 25% of allotment shares from November 21, 2005 to June 20, 2012 C. 25% of allotment shares from November 21, 2006 to June 20, 2012

Company name	The First Series of Stock Acquisition Rights (2003) Yahoo Japan Corporation	The Second Series of Stock Acquisition Rights (2003) Yahoo Japan Corporation
Persons granted	Directors of Yahoo Japan Corporation: 5 Employees of Yahoo Japan Corporation: 83	Employees of Yahoo Japan Corporation: 43
Class and number of shares	19,840 shares of common stock of Yahoo Japan Corporation	2,464 shares of common stock of Yahoo Japan Corporation
Grant date	July 25, 2003	November 4, 2003
Exercise period	A. 50% of allotment shares from June 21, 2005 to June 20, 2013 B. 25% of allotment shares from June 21, 2006 to June 20, 2013 C. 25% of allotment shares from June 21, 2007 to June 20, 2013	A. 50% of allotment shares from November 5, 2005 to June 20, 2013 B. 25% of allotment shares from November 5, 2006 to June 20, 2013 C. 25% of allotment shares from November 5, 2007 to June 20, 2013

Company name	The Third Series of Stock Acquisition Rights (2003) Yahoo Japan Corporation	The Fourth Series of Stock Acquisition Rights (2003) Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 38	Employees of Yahoo Japan Corporation: 41
Class and number of shares	2,400 shares of common stock of Yahoo Japan Corporation	1,168 shares of common stock of Yahoo Japan Corporation
Grant date	January 29, 2004	May 13, 2004
Exercise period	A. 50% of allotment shares from January 30, 2006 to June 20, 2013 B. 25% of allotment shares from January 30, 2007 to June 20, 2013 C. 25% of allotment shares from January 30, 2008 to June 20, 2013	A. 50% of allotment shares from May 14, 2006 to June 20, 2013 B. 25% of allotment shares from May 14, 2007 to June 20, 2013 C. 25% of allotment shares from May 14, 2008 to June 20, 2013

Company name	The First Series of Stock Acquisition Rights (2004) Yahoo Japan Corporation	The Second Series of Stock Acquisition Rights (2004) Yahoo Japan Corporation
Persons granted	Directors of Yahoo Japan Corporation: 5 Employees of Yahoo Japan Corporation: 131	Employees of Yahoo Japan Corporation: 46
Class and number of shares	9,856 shares of common stock of Yahoo Japan Corporation	712 shares of common stock of Yahoo Japan Corporation
Grant date	July 29, 2004	November 1, 2004
Exercise period	A. 50% of allotment shares from June 18, 2006 to June 17, 2014 B. 25% of allotment shares from June 18, 2007 to June 17, 2014 C. 25% of allotment shares from June 18, 2008 to June 17, 2014	A. 50% of allotment shares from November 2, 2006 to June 17, 2014 B. 25% of allotment shares from November 2, 2007 to June 17, 2014 C. 25% of allotment shares from November 2, 2008 to June 17, 2014

Company name	The Third Series of Stock Acquisition Rights (2004) Yahoo Japan Corporation	The Fourth Series of Stock Acquisition Rights (2004) Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 29	Employees of Yahoo Japan Corporation: 42
Class and number of shares	344 shares of common stock of Yahoo Japan Corporation	276 shares of common stock of Yahoo Japan Corporation
Grant date	January 28, 2005	May 12, 2005
Exercise period	A. 50% of allotment shares from January 29, 2007 to June 17, 2014	A. 50% of allotment shares from May 13, 2007 to June 17, 2014
	B. 25% of allotment shares from January 29, 2008 to June 17, 2014	B. 25% of allotment shares from May 13, 2008 to June 17, 2014
	C. 25% of allotment shares from January 29, 2009 to June 17, 2014	C. 25% of allotment shares from May 13, 2009 to June 17, 2014

Company name	The First Series of Stock Acquisition Rights (2005) Yahoo Japan Corporation	The Second Series of Stock Acquisition Rights (2005) Yahoo Japan Corporation
Persons granted	Directors of Yahoo Japan Corporation: 5	Employees of Yahoo Japan Corporation: 31
	Employees of Yahoo Japan Corporation: 180	
Class and number of shares	5,716 shares of common stock of Yahoo Japan Corporation	234 shares of common stock of Yahoo Japan Corporation
Grant date	July 28, 2005	November 1, 2005
Exercise period	A. 50% of allotment shares from June 18, 2007 to June 17, 2015	A. 50% of allotment shares from November 2, 2007 to June 17, 2015
	B. 25% of allotment shares from June 18, 2008 to June 17, 2015	B. 25% of allotment shares from November 2, 2008 to June 17, 2015
	C. 25% of allotment shares from June 18, 2009 to June 17, 2015	C. 25% of allotment shares from November 2, 2009 to June 17, 2015

Company name	The Third Series of Stock Acquisition Rights (2005) Yahoo Japan Corporation	The Fourth Series of Stock Acquisition Rights (2005) Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 65	Employees of Yahoo Japan Corporation: 49
Class and number of shares	316 shares of common stock of Yahoo Japan Corporation	112 shares of common stock of Yahoo Japan Corporation
Grant date	January 31, 2006	May 2, 2006
Exercise period	A. 50% of allotment shares from February 1, 2008 to June 17, 2015	A. 50% of allotment shares from May 3, 2008 to June 17, 2015
	B. 25% of allotment shares from February 1, 2009 to June 17, 2015	B. 25% of allotment shares from May 3, 2009 to June 17, 2015
	C. 25% of allotment shares from February 1, 2010 to June 17, 2015	C. 25% of allotment shares from May 3, 2010 to June 17, 2015

Company name	The First Series of Stock Acquisition Rights (2006) Yahoo Japan Corporation	The Second Series of Stock Acquisition Rights (2006) Yahoo Japan Corporation
Persons granted	Directors of Yahoo Japan Corporation: 5	Employees of Yahoo Japan Corporation: 49
	Employees of Yahoo Japan Corporation: 157	
Class and number of shares	8,569 shares of common stock of Yahoo Japan Corporation	313 shares of common stock of Yahoo Japan Corporation
Grant date	September 6, 2006	November 6, 2006
Exercise period	A. 50% of allotment shares from August 24, 2008 to August 23, 2016	A. 50% of allotment shares from October 24, 2008 to October 23, 2016
	B. 25% of allotment shares from August 24, 2009 to August 23, 2016	B. 25% of allotment shares from October 24, 2009 to October 23, 2016
	C. 25% of allotment shares from August 24, 2010 to August 23, 2016	C. 25% of allotment shares from October 24, 2010 to October 23, 2016

Company name	The Third Series of Stock Acquisition Rights (2006) Yahoo Japan Corporation	The First Series of Stock Acquisition Rights (2007) Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 62	Employees of Yahoo Japan Corporation: 66
Class and number of shares	360 shares of common stock of Yahoo Japan Corporation	651 shares of common stock of Yahoo Japan Corporation
Grant date	February 7, 2007	May 8, 2007
Exercise period	A. 50% of allotment shares from January 25, 2009 to January 24, 2017	A. 50% of allotment shares from April 25, 2009 to April 24, 2017
	B. 25% of allotment shares from January 25, 2010 to January 24, 2017	B. 25% of allotment shares from April 25, 2010 to April 24, 2017
	C. 25% of allotment shares from January 25, 2011 to January 24, 2017	C. 25% of allotment shares from April 25, 2011 to April 24, 2017

Company name	The Second Series of Stock Acquisition Rights (2007) Yahoo Japan Corporation	The Third Series of Stock Acquisition Rights (2007) Yahoo Japan Corporation
Persons granted	Directors of Yahoo Japan Corporation: 5	Employees of Yahoo Japan Corporation: 119
	Employees of Yahoo Japan Corporation: 225	
Class and number of shares	10,000 shares of common stock of Yahoo Japan Corporation	766 shares of common stock of Yahoo Japan Corporation
Grant date	August 7, 2007	November 7, 2007
Exercise period	A. 50% of allotment shares from July 25, 2009 to July 24, 2017	A. 50% of allotment shares from October 25, 2009 to October 24, 2017
	B. 25% of allotment shares from July 25, 2010 to July 24, 2017	B. 25% of allotment shares from October 25, 2010 to October 24, 2017
	C. 25% of allotment shares from July 25, 2011 to July 24, 2017	C. 25% of allotment shares from October 25, 2011 to October 24, 2017

Company name	The Fourth Series of Stock Acquisition Rights (2007) Yahoo Japan Corporation	The First Series of Stock Acquisition Rights (2008) Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 124	Employees of Yahoo Japan Corporation: 246
Class and number of shares	817 shares of common stock of Yahoo Japan Corporation	2,059 shares of common stock of Yahoo Japan Corporation
Grant date	February 13, 2008	May 9, 2008
Exercise period	A. 50% of allotment shares from January 31, 2010 to January 30, 2018	A. 50% of allotment shares from April 26, 2010 to April 25, 2018
	B. 25% of allotment shares from January 31, 2011 to January 30, 2018	B. 25% of allotment shares from April 26, 2011 to April 25, 2018
	C. 25% of allotment shares from January 31, 2012 to January 30, 2018	C. 25% of allotment shares from April 26, 2012 to April 25, 2018

Company name	The Second Series of Stock Acquisition Rights (2008) Yahoo Japan Corporation	The Third Series of Stock Acquisition Rights (2008) Yahoo Japan Corporation
Persons granted	Directors of Yahoo Japan Corporation: 5	Employees of Yahoo Japan Corporation: 128
	Employees of Yahoo Japan Corporation: 336	
Class and number of shares	11,750 shares of common stock of Yahoo Japan Corporation	407 shares of common stock of Yahoo Japan Corporation
Grant date	August 8, 2008	November 7, 2008
Exercise period	A. 50% of allotment shares from July 26, 2010 to July 25, 2018	A. 50% of allotment shares from October 25, 2010 to October 24, 2018
	B. 25% of allotment shares from July 26, 2011 to July 25, 2018	B. 25% of allotment shares from October 25, 2011 to October 24, 2018
	C. 25% of allotment shares from July 26, 2012 to July 25, 2018	C. 25% of allotment shares from October 25, 2012 to October 24, 2018

Company name	The Fourth Series of Stock Acquisition Rights (2008) Yahoo Japan Corporation	The First Series of Stock Acquisition Rights (2009) Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 128	Employees of Yahoo Japan Corporation: 100
Class and number of shares	350 shares of common stock of Yahoo Japan Corporation	890 shares of common stock of Yahoo Japan Corporation
Grant date	February 10, 2009	May 12, 2009
Exercise period	A. 50% of allotment shares from January 28, 2011 to January 27, 2019	A. 50% of allotment shares from April 29, 2011 to April 28, 2019
	B. 25% of allotment shares from January 28, 2012 to January 27, 2019	B. 25% of allotment shares from April 29, 2012 to April 28, 2019
	C. 25% of allotment shares from January 28, 2013 to January 27, 2019	C. 25% of allotment shares from April 29, 2013 to April 28, 2019

Company name	The Second Series of Stock Acquisition Rights (2009) Yahoo Japan Corporation	The Third Series of Stock Acquisition Rights (2009) Yahoo Japan Corporation
Persons granted	Directors of Yahoo Japan Corporation: 5	Employees of Yahoo Japan Corporation: 61
	Employees of Yahoo Japan Corporation: 454	
Class and number of shares	12,848 shares of common stock of Yahoo Japan Corporation	277 shares of common stock of Yahoo Japan Corporation
Grant date	August 11, 2009	November 10, 2009
Exercise period	A. 50% of allotment shares from July 29, 2011 to July 28, 2019	A. 50% of allotment shares from October 28, 2011 to October 27, 2019
	B. 25% of allotment shares from July 29, 2012 to July 28, 2019	B. 25% of allotment shares from October 28, 2012 to October 27, 2019
	C. 25% of allotment shares from July 29, 2013 to July 28, 2019	C. 25% of allotment shares from October 28, 2013 to October 27, 2019

Company name	The Fourth Series of Stock Acquisition Rights (2009) Yahoo Japan Corporation	The First Series of Stock Acquisition Rights (2010) Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 101	Employees of Yahoo Japan Corporation: 155
Class and number of shares	571 shares of common stock of Yahoo Japan Corporation	700 shares of common stock of Yahoo Japan Corporation
Grant date	February 10, 2010	May 11, 2010
Exercise period	A. 50% of allotment shares from January 28, 2012 to January 27, 2020	A. 50% of allotment shares from April 28, 2012 to April 27, 2020
	B. 25% of allotment shares from January 28, 2013 to January 27, 2020	B. 25% of allotment shares from April 28, 2013 to April 27, 2020
	C. 25% of allotment shares from January 28, 2014 to January 27, 2020	C. 25% of allotment shares from April 28, 2014 to April 27, 2020

Company name	The Second Series of Stock Acquisition Rights (2010) Yahoo Japan Corporation	The Third Series of Stock Acquisition Rights (2010) Yahoo Japan Corporation
Persons granted	Directors of Yahoo Japan Corporation: 5	Employees of Yahoo Japan Corporation: 106
	Employees of Yahoo Japan Corporation: 268	
Class and number of shares	11,936 shares of common stock of Yahoo Japan Corporation	316 shares of common stock of Yahoo Japan Corporation
Grant date	August 10, 2010	November 5, 2010
Exercise period	A. 50% of allotment shares from July 28, 2012 to July 27, 2020	A. 50% of allotment shares from October 23, 2012 to October 22, 2020
	B. 25% of allotment shares from July 28, 2013 to July 27, 2020	B. 25% of allotment shares from October 23, 2013 to October 22, 2020
	C. 25% of allotment shares from July 28, 2014 to July 27, 2020	C. 25% of allotment shares from October 23, 2014 to October 22, 2020

Company name	The Fourth Series of Stock Acquisition Rights (2010) Yahoo Japan Corporation	The First Series of Stock Acquisition Rights (2011) Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 104	Employees of Yahoo Japan Corporation: 169
Class and number of shares	541 shares of common stock of Yahoo Japan Corporation	589 shares of common stock of Yahoo Japan Corporation
Grant date	February 8, 2011	June 3, 2011
Exercise period	A. 50% of allotment shares from January 26, 2013 to January 25, 2021	A. 50% of allotment shares from May 21, 2013 to May 20, 2021
	B. 25% of allotment shares from January 26, 2014 to January 25, 2021	B. 25% of allotment shares from May 21, 2014 to May 20, 2021
	C. 25% of allotment shares from January 26, 2015 to January 25, 2021	C. 25% of allotment shares from May 21, 2015 to May 20, 2021

Company name	The Second Series of Stock Acquisition Rights (2011) Yahoo Japan Corporation	The Third Series of Stock Acquisition Rights (2011) Yahoo Japan Corporation
Persons granted	Directors of Yahoo Japan Corporation: 5 Employees of Yahoo Japan Corporation: 251	Employees of Yahoo Japan Corporation: 281
Class and number of shares	12,265 shares of common stock of Yahoo Japan Corporation	932 shares of common stock of Yahoo Japan Corporation
Grant date	August 5, 2011	November 16, 2011
Exercise period	A. 50% of allotment shares from July 23, 2013 to July 22, 2021	A. 50% of allotment shares from November 3, 2013 to November 2, 2021
	B. 25% of allotment shares from July 23, 2014 to July 22, 2021	B. 25% of allotment shares from November 3, 2014 to November 2, 2021
	C. 25% of allotment shares from July 23, 2015 to July 22, 2021	C. 25% of allotment shares from November 3, 2015 to November 2, 2021

Company name	The Fourth Series of Stock Acquisition Rights (2011) Yahoo Japan Corporation
Persons granted	Employees of Yahoo Japan Corporation: 114
Class and number of shares	684 shares of common stock of Yahoo Japan Corporation
Grant date	February 17, 2012
Exercise period	A. 50% of allotment shares from February 4, 2014 to February 3, 2022
	B. 25% of allotment shares from February 4, 2015 to February 3, 2022
	C. 25% of allotment shares from February 4, 2016 to February 3, 2022

In addition to the aforementioned information of the stock options outstanding, the stock option activity is as follows:

Company name	The Fifth Series of Stock Acquisition Rights (2005) The Company	The Sixth Series of Stock Acquisition Rights (2010) The Company
Non-vested shares:		
At the beginning of the year	—	3,449,500
Granted during the year	—	—
Forfeited and expired during the year	—	56,000
Vested during the year	—	—
At the end of the year	—	3,393,500
Vested shares:		
At the beginning of the year	744,500	—
Vested during the year	—	—
Exercised during the year	—	—
Forfeited or expired during the year	744,500	—
Unexercised at the end of the year	—	—
Exercise price—yen	¥ 4,172	¥ 2,625
(U.S. dollars)	$ (48.19)	$ (30.32)
Average stock price at exercise—		
yen	—	—
(U.S. dollars)	—	—
Fair value price at the grant date—		
yen	—	2,900
(U.S. dollars)	—	(33.50)

Company name	The Fourth Series of Stock Subscription Rights Yahoo Japan Corporation	The Fifth Series of Stock Subscription Rights Yahoo Japan Corporation	The First Series of Stock Acquisition Rights (2002) Yahoo Japan Corporation	The Second Series of Stock Acquisition Rights (2002) Yahoo Japan Corporation
Non-vested shares:				
At the beginning of the year	—	—	—	—
Granted during the year	—	—	—	—
Forfeited and expired during the year	—	—	—	—
Vested during the year	—	—	—	—
At the end of the year	—	—	—	—
Vested shares:				
At the beginning of the year	1,552	2,066	14,848	768
Vested during the year	—	—	—	—
Exercised during the year	1,552	2,066	3,072	256
Forfeited or expired during the year	—	—	—	—
Unexercised at the end of the year	—	—	11,776	512
Exercise price—yen	¥ 9,559	¥ 8,497	¥ 10,196	¥ 11,375
(U.S. dollars)	$(110.41)	$ (98.14)	$(117.76)	$(131.38)
Average stock price at exercise—				
yen	26,659	24,454	25,686	27,120
(U.S. dollars)	(307.91)	(282.44)	(296.67)	(313.24)
Fair value price at the grant date—				
yen	—	—	—	—
(U.S. dollars)	—	—	—	—

Company name	The First Series of Stock Acquisition Rights (2003) Yahoo Japan Corporation	The Second Series of Stock Acquisition Rights (2003) Yahoo Japan Corporation	The Third Series of Stock Acquisition Rights (2003) Yahoo Japan Corporation	The Fourth Series of Stock Acquisition Rights (2003) Yahoo Japan Corporation
Non-vested shares:				
At the beginning of the year	—	—	—	—
Granted during the year	—	—	—	—
Forfeited and expired during the year	—	—	—	—
Vested during the year	—	—	—	—
At the end of the year	—	—	—	—
Vested shares:				
At the beginning of the year	15,424	1,248	1,056	480
Vested during the year	—	—	—	—
Exercised during the year	—	—	—	—
Forfeited or expired during the year	704	32	—	32
Unexercised at the end of the year	14,720	1,216	1,056	448
Exercise price—yen	¥ 33,438	¥ 51,478	¥ 47,813	¥ 78,512
(U.S. dollars)	$(386.21)	$(594.57)	$(552.24)	$(906.81)
Average stock price at exercise—				
yen	—	—	—	—
(U.S. dollars)	—	—	—	—
Fair value price at the grant date—				
yen	—	—	—	—
(U.S. dollars)	—	—	—	—

Company name	The First Series of Stock Acquisition Rights (2004) Yahoo Japan Corporation	The Second Series of Stock Acquisition Rights (2004) Yahoo Japan Corporation	The Third Series of Stock Acquisition Rights (2004) Yahoo Japan Corporation	The Fourth Series of Stock Acquisition Rights (2004) Yahoo Japan Corporation
Non-vested shares:				
At the beginning of the year	—	—	—	—
Granted during the year	—	—	—	—
Forfeited and expired during the year	—	—	—	—
Vested during the year	—	—	—	—
At the end of the year	—	—	—	—
Vested shares:				
At the beginning of the year	8,800	368	208	192
Vested during the year	—	—	—	—
Exercised during the year	—	—	—	—
Forfeited or expired during the year	416	8	—	32
Unexercised at the end of the year	8,384	360	208	160
Exercise price—yen	¥ 65,290	¥ 62,488	¥ 65,375	¥ 60,563
(U.S. dollars)	$(754.10)	$(721.74)	$(755.08)	$(699.50)
Average stock price at exercise—				
yen	—	—	—	—
(U.S. dollars)	—	—	—	—
Fair value price at the grant date—				
yen	—	—	—	—
(U.S. dollars)	—	—	—	—

Company name	The First Series of Stock Acquisition Rights (2005) Yahoo Japan Corporation	The Second Series of Stock Acquisition Rights (2005) Yahoo Japan Corporation	The Third Series of Stock Acquisition Rights (2005) Yahoo Japan Corporation	The Fourth Series of Stock Acquisition Rights (2005) Yahoo Japan Corporation
Non-vested shares:				
At the beginning of the year	—	—	—	—
Granted during the year	—	—	—	—
Forfeited and expired during the year	—	—	—	—
Vested during the year	—	—	—	—
At the end of the year	—	—	—	—
Vested shares				
At the beginning of the year	4,856	124	228	75
Vested during the year	—	—	—	—
Exercised during the year	—	—	—	—
Forfeited or expired during the year	248	2	8	—
Unexercised at the end of the year	4,608	122	220	75
Exercise price—yen	¥ 58,500	¥ 62,000	¥ 79,500	¥ 67,940
(U.S. dollars)	$(675.68)	$(716.10)	$(918.23)	$(784.71)
Average stock price at exercise— yen	—	—	—	—
(U.S. dollars)	—	—	—	—
Fair value price at the grant date— yen (U.S. dollars)	— — — — — —	— — — — — —	— — — — — —	A. 30,958 (357.57) B. 35,782 (413.28) C. 39,196 (452.71)

Company name	The First Series of Stock Acquisition Rights (2006) Yahoo Japan Corporation	The Second Series of Stock Acquisition Rights (2006) Yahoo Japan Corporation	The Third Series of Stock Acquisition Rights (2006) Yahoo Japan Corporation	The First Series of Stock Acquisition Rights (2007) Yahoo Japan Corporation
Non-vested shares:				
At the beginning of the year	—	—	—	160
Granted during the year	—	—	—	—
Forfeited and expired during the year	—	—	—	—
Vested during the year	—	—	—	160
At the end of the year	—	—	—	—
Vested shares:				
At the beginning of the year	7,162	265	250	394
Vested during the year	—	—	—	160
Exercised during the year	—	—	—	—
Forfeited or expired during the year	229	—	5	76
Unexercised at the end of the year	6,933	265	245	478
Exercise price—yen	¥ 47,198	¥ 44,774	¥ 47,495	¥ 45,500
(U.S. dollars)	$(545.14)	$(517.14)	$(548.57)	$(525.53)
Average stock price at exercise— yen	—	—	—	—
(U.S. dollars)	—	—	—	—
Fair value price at the grant date— yen (U.S. dollars)	A. 24,564 (283.71) B. 26,803 (309.57) C. 28,156 (325.20)	A. 23,832 (275.26) B. 25,311 (292.34) C. 26,766 (309.15)	A. 20,435 (236.02) B. 23,448 (270.82) C. 25,578 (295.43)	A. 22,586 (260.87) B. 25,697 (296.80) C. 27,206 (314.23)

Company name	The Second Series of Stock Acquisition Rights (2007) Yahoo Japan Corporation	The Third Series of Stock Acquisition Rights (2007) Yahoo Japan Corporation	The Fourth Series of Stock Acquisition Rights (2007) Yahoo Japan Corporation	The First Series of Stock Acquisition Rights (2008) Yahoo Japan Corporation
Non-vested shares:				
At the beginning of the year	2,206	224	246	833
Granted during the year	—	—	—	—
Forfeited and expired during the year	34	—	1	41
Vested during the year	2,172	224	245	341
At the end of the year	—	—	—	451
Vested shares:				
At the beginning of the year	6,413	466	527	694
Vested during the year	2,172	224	245	341
Exercised during the year	—	—	—	—
Forfeited or expired during the year	345	1	2	102
Unexercised at the end of the year	8,240	689	770	933
Exercise price—yen	¥ 40,320	¥ 51,162	¥ 47,500	¥ 51,781
(U.S. dollars)	$(465.70)	$(590.92)	$(548.63)	$(598.07)
Average stock price at exercise—yen	—	—	—	—
(U.S. dollars)	—	—	—	—
Fair value price at the grant date—yen (U.S. dollars)	A. 17,061 (197.05)	A. 20,900 (241.40)	A. 20,289 (234.34)	A. 16,538 (191.01)
	B. 18,121 (209.30)	B. 23,651 (273.17)	B. 23,128 (267.13)	B. 18,525 (213.96)
	C. 20,659 (238.61)	C. 26,853 (310.15)	C. 24,691 (285.18)	C. 21,037 (242.98)

Company name	The Second Series of Stock Acquisition Rights (2008) Yahoo Japan Corporation	The Third Series of Stock Acquisition Rights (2008) Yahoo Japan Corporation	The Fourth Series of Stock Acquisition Rights (2008) Yahoo Japan Corporation	The First Series of Stock Acquisition Rights (2009) Yahoo Japan Corporation
Non-vested shares:				
At the beginning of the year	5,465	203	190	768
Granted during the year	—	—	—	—
Forfeited and expired during the year	131	20	3	7
Vested during the year	2,634	44	45	351
At the end of the year	2,700	139	142	410
Vested shares:				
At the beginning of the year	5,362	161	137	—
Vested during the year	2,634	44	45	351
Exercised during the year	—	—	—	—
Forfeited or expired during the year	323	19	3	2
Unexercised at the end of the year	7,673	186	179	349
Exercise price—yen	¥ 40,505	¥ 34,000	¥ 32,341	¥ 26,879
(U.S. dollars)	$(467.83)	$(392.70)	$(373.54)	$(310.45)
Average stock price at exercise—yen	—	—	—	—
(U.S. dollars)	—	—	—	—
Fair value price at the grant date—yen (U.S. dollars)	A. 14,918 (172.30)	A. 14,554 (168.10)	A. 10,204 (117.86)	A. 9,499 (109.71)
	B. 15,716 (181.52)	B. 15,075 (174.12)	B. 10,715 (123.76)	B. 10,338 (119.40)
	C. 17,980 (207.67)	C. 16,395 (189.36)	C. 11,262 (130.08)	C. 10,701 (123.60)

Company name	The Second Series of Stock Acquisition Rights (2009)		The Third Series of Stock Acquisition Rights (2009)		The Fourth Series of Stock Acquisition Rights (2009)		The First Series of Stock Acquisition Rights (2010)	
	Yahoo Japan Corporation		Yahoo Japan Corporation		Yahoo Japan Corporation		Yahoo Japan Corporation	
Non-vested shares:								
At the beginning of the year		12,070		225		505		667
Granted during the year		—		—		—		—
Forfeited and expired during the year		242		13		26		29
Vested during the year		5,877		94		223		—
At the end of the year		5,951		118		256		638
Vested shares:								
At the beginning of the year		—		—		—		—
Vested during the year		5,877		94		223		—
Exercised during the year		—		—		—		—
Forfeited or expired during the year		162		—		5		—
Unexercised at the end of the year		5,715		94		218		—
Exercise price—yen		¥ 30,700		¥ 28,737		¥ 32,050		¥ 35,834
(U.S. dollars)		$(354.59)		$(331.91)		$(370.18)		$(413.88)
Average stock price at exercise—yen		—		—		—		—
(U.S. dollars)		—		—		—		—
Fair value price at the grant date—yen (U.S. dollars)	A.	12,264 (141.65)	A.	9,601 (110.89)	A.	12,152 (140.36)	A.	11,631 (134.34)
	B.	13,247 (153.00)	B.	10,271 (118.63)	B.	12,987 (150.00)	B.	12,389 (143.09)
	C.	13,747 (158.78)	C.	11,193 (129.28)	C.	13,992 (161.61)	C.	13,174 (152.16)

Company name	The Second Series of Stock Acquisition Rights (2010)		The Third Series of Stock Acquisition Rights (2010)		The Fourth Series of Stock Acquisition Rights (2010)		The First Series of Stock Acquisition Rights (2011)	
	Yahoo Japan Corporation		Yahoo Japan Corporation		Yahoo Japan Corporation		Yahoo Japan Corporation	
Non-vested shares:								
At the beginning of the year		11,723		314		541		—
Granted during the year		—		—		—		589
Forfeited and expired during the year		382		30		2		47
Vested during the year		—		—		—		—
At the end of the year		11,341		284		539		542
Vested shares:								
At the beginning of the year		—		—		—		—
Vested during the year		—		—		—		—
Exercised during the year		—		—		—		—
Forfeited or expired during the year		—		—		—		—
Unexercised at the end of the year		—		—		—		—
Exercise price—yen		¥ 34,617		¥ 28,857		¥ 31,193		¥ 27,917
(U.S. dollars)		$(399.83)		$(333.30)		$(360.28)		$(322.44)
Average stock price at exercise yen		—		—		—		—
(U.S. dollars)		—		—		—		—
Fair value price at the grant date—yen (U.S. dollars)	A.	10,077 (116.39)	A.	9,284 (107.23)	A.	10,508 (121.37)	A.	8,899 (102.78)
	B.	10,734 (123.98)	B.	9,518 (109.93)	B.	10,641 (122.90)	B.	8,987 (103.80)
	C.	11,507 (132.91)	C.	10,109 (116.76)	C.	11,264 (130.10)	C.	9,168 (105.89)

Company name	The Second Series of Stock Acquisition Rights (2011) Yahoo Japan Corporation	The Third Series of Stock Acquisition Rights (2011) Yahoo Japan Corporation	The Fourth Series of Stock Acquisition Rights (2011) Yahoo Japan Corporation
Non-vested shares:			
At the beginning of the year	—	—	—
Granted during the year	12,265	932	684
Forfeited and expired during the year	216	51	—
Vested during the year	—	—	—
At the end of the year	12,049	881	684
Vested shares:			
At the beginning of the year	—	—	—
Vested during the year	—	—	—
Exercised during the year	—	—	—
Forfeited or expired during the year	—	—	—
Unexercised at the end of the year	—	—	—
Exercise price—yen	¥ 27,669	¥ 25,263	¥ 24,900
(U.S. dollars)	$(319.58)	$(291.79)	$(287.60)
Average stock price at exercise—yen	—	—	—
(U.S. dollars)	—	—	—
Fair value price at the grant date—yen (U.S. dollars)	A. 7,634 (88.17) B. 7,711 (89.06) C. 7,780 (89.86)	A. 6,963 (80.42) B. 7,158 (82.67) C. 7,235 (83.56)	A. 7,865 (90.84) B. 8,278 (95.61) C. 8,343 (96.36)

(Note) A, B, and C correspond to those in the table of stock options outstanding.

(2) Estimation method for major stock options issued

The assumptions used to measure the fair value of the Stock options of Yahoo Japan Corporation granted in the fiscal year ended March 31, 2012.

Estimation method: Black-Scholes option-pricing model with following assumptions:

Company name	The First Series of Stock Acquisition Rights (2011) Yahoo Japan Corporation	The Second Series of Stock Acquisition Rights (2011) Yahoo Japan Corporation	The Third Series of Stock Acquisition Rights (2011) Yahoo Japan Corporation	The Fourth Series of Stock Acquisition Rights (2011) Yahoo Japan Corporation
Volatility of stock price (Note 2)	A 39.2% B 38.2% C 37.7%	A 39.2% B 38.2% C 37.3%	A 38.7% B 38.4% C 37.6%	A 38.0% B 38.7% C 37.8%
Estimated remaining outstanding period (in years) (Note 3)	A 5.97 B 6.47 C 6.97	A 5.97 B 6.47 C 6.97	A 5.97 B 6.47 C 6.97	A 5.97 B 6.47 C 6.97
Estimated dividend yield (Note 4)	1.16%	1.26%	1.36%	1.28%
Risk-free interest rate (Note 5)	A 0.54% B 0.61% C 0.68%	A 0.45% B 0.52% C 0.58%	A 0.43% B 0.48% C 0.54%	A 0.41% B 0.47% C 0.54%

1. A, B, and C correspond to those in the table of stock options outstanding.
2. Volatility of stock price is computed based on the actual stock prices traded within the following terms:

The First Series of Stock Acquisition Rights (2011)

A. From June 13, 2005 to June 3, 2011

B. From December 13, 2004 to June 3, 2011

C. From June 14, 2004 to June 3, 2011

The Second Series of Stock Acquisition Rights (2011)

A. From August 15, 2005 to August 5, 2011

B. From February 14, 2005 to August 5, 2011

C. From August 16, 2004 to August 5, 2011

The Third Series of Stock Acquisition Rights (2011)

A. From November 28, 2005 to November 16, 2011

B. From May 30, 2005 to November 16, 2011

C. From November 29, 2004 to November 16, 2011

The Fourth Series of Stock Acquisition Rights (2011)

A. From February 27, 2006 to February 17, 2012

B. From August 29, 2005 to February 17, 2012

C. From February 28, 2005 to February 17, 2012

3. The estimated remaining outstanding period is based on the assumption that stock acquisition rights are exercised in the middle of their exercisable periods because it cannot reasonably estimated due to the insufficient accumulated data.

4. Estimated dividend yield is based on the dividends paid in 2011.

5. Risk-free interest rate is based on government bond yield for a term consistent with the estimated remaining outstanding period.

Estimated number of options vested is determined based on the actual termination ratio of employees.

Yahoo Japan Corporation recognized compensation expense for employee stock options as selling, general and administrative expenses. The effect of this expense is not material.

11 Selling, general and administrative expenses

The main components of selling, general and administrative expenses for the years ended March 31, 2010, 2011 and 2012 were as follows:

	For the fiscal year ended March 31,			
	2010	2011	2012	2012
	(millions of yen)			(thousands of U.S. dollars)
Sales commission and sales promotion expense	¥471,921	¥513,482	¥541,807	$6,257,877
Payroll and bonuses	125,799	126,884	124,024	1,432,479
Provision for allowance for doubtful accounts	8,500	14,647	13,362	154,331

12 Other income (expenses)—other, net

Other income (expenses)—other, net, for the years ended March 31, 2010, 2011 and 2012 consisted of the following:

	For the fiscal year ended March 31,			
	2010	2011	2012	2012
	(millions of yen)			(thousands of U.S. dollars)
Unrealized appreciation on valuation of investments and loss on sale of investments at subsidiaries in the U.S., net (Note 1)	¥ (304)	¥ 264	¥ 1,986	$ 22,938
Dilution gain from changes in equity interest	1,408	2,880	20,186	233,149
Refinancing—related expense (Note 2)	—	(2,784)	(46,831)	(540,899)
Loss on liquidation of subsidiaries and affiliated companies	—	—	(19,071)	(220,270)
Loss on disaster	—	(14,416)	—	—
Valuation loss on option	—	(9,522)	—	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	(7,100)	—	—
Other, net	(63,686)	(17,741)	(12,888)	(148,857)
Total	¥(62,582)	¥(48,419)	¥(56,618)	$(653,939)

(1) Unrealized appreciation on valuation of investments and loss on sale of investments at subsidiaries in the United States, net

Certain subsidiaries in the United States are investment companies under the provisions set forth in ASC 946 and account for investment securities in accordance with ASC 946.

The net changes in the fair value of the investments and loss on sale of investments, computed based on the acquisition cost, are included in this account. The breakdown of the account is as follows:

	For the fiscal year ended March 31,			
	2010	2011	2012	2012
	(millions of yen)			(thousands of U.S. dollars)
Unrealized appreciation on valuation of investments at subsidiaries in the U.S., net	¥ 1,927	¥1,042	¥ 3,585	$ 41,407
Loss on sale of investments at subsidiaries in the U.S., net	(2,231)	(778)	(1,599)	(18,469)
Total	¥ (304)	¥ 264	¥ 1,986	$ 22,938

(2) Refinancing—related expense

It is primarily ¥23,957 million ($276,704 thousand) of procurement expense related to the total amount of ¥550.0 billion ($6,352,506 thousand) financing based on the resolution of the directors' meeting held on July 21, 2011, cancellation expense of interest-rate swap to hedge interest rate risks along with the repayment of SBM loan*, and a premium expense of ¥21,875 million ($252,657 thousand) for the advanced repayment of SBM loan on October 27, 2011.

*(Note) ¥1,366.0 billion ($15,777,316 thousand) loan to SoftBank Mobile Corp. procured in November 2006 by Mizuho Trust & Banking Co., Ltd., the "Tokutei Kingai Trust Trustee" under the whole business securitization scheme. The SBM loan was associated with the series of financing transactions for the Company to acquire Vodafone K.K. (currently SoftBank Mobile Corp.).

13 Net income per share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2010, 2011 and 2012 is as follows:

	For the year ended March 31, 2010		
	Net income	Weighted-average shares	EPS
	(millions of yen)	(number of shares)	(yen)
Basic EPS			
Net income available to common shareholders	¥96,716	1,081,990,217	¥89.39
Effect of Dilutive Securities			
Warrants	—	74,184	
Convertible bonds	964	48,297,825	
Effects of dilutive securities issued by consolidated subsidiaries and affiliated companies under the equity method	(30)	—	
Diluted EPS			
Net income for computation	¥97,650	1,130,362,226	¥86.39

	For the year ended March 31, 2011		
	Net income	Weighted-average shares	EPS
	(millions of yen)	(number of shares)	(yen)
Basic EPS			
Net income available to common shareholders	¥189,713	1,082,345,444	¥175.28
Effect of dilutive securities			
Warrants	—	712	
Convertible bonds	964	48,296,643	
Effects of dilutive securities issued by consolidated subsidiaries and affiliated companies under the equity method	(88)	—	
Diluted EPS			
Net income for computation	¥190,589	1,130,642,799	¥168.57

	For the year ended March 31, 2012			
	Net income	Weighted-average shares	EPS	
	(millions of yen)	(number of shares)	(yen)	(dollars)
Basic EPS				
Net income available to common shareholders	¥313,753	1,097,880,178	¥285.78	$3.30
Effect of dilutive securities				
Warrants	—	65,691		
Convertible bonds	445	28,715,248		
Effects of dilutive securities issued by consolidated subsidiaries and affiliated companies under the equity method	(136)	—		
Diluted EPS				
Net income for computation	¥314,062	1,126,661,117	¥278.75	$3.22

14 Other comprehensive income (loss)

The components of other comprehensive loss for the year ended March 31, 2012 were the following:

	2012	
	(millions of yen)	(thousands of U.S. dollars)
Unrealized loss on available-for sale securities		
Loss arising during the year	¥ (5,331)	$ (61,573)
Reclassification adjustments to profit or loss	(44,213)	(510,661)
Amount before income tax effect	(49,544)	(572,234)
Income tax effect	23,764	274,475
Total	¥(25,780)	$(297,759)
Deferred loss on derivatives under hedge accounting		
Gains arising during the year	¥ 7,646	$ 88,311
Reclassification adjustments to profit or loss	(29,496)	(340,679)
Amount before income tax effect	(21,850)	(252,368)
Income tax effect	9,189	106,133
Total	¥(12,661)	$(146,235)
Foreign currency translation adjustments		
Adjustments arising during the year	¥ 2,344	$ 27,073
Reclassification adjustments to profit or loss	18,984	219,266
Amount before income tax effect	21,328	246,339
Income tax effect	—	—
Total	¥ 21,328	$ 246,339
Share of other comprehensive loss in affiliated companies		
Loss arising during the year	¥ (2,893)	$ (33,414)
Reclassification adjustments to profit or loss	(549)	(6,342)
Total	¥ (3,442)	$ (39,756)
Total other comprehensive loss	¥(20,555)	$(237,411)

The corresponding information for the year ended March 31, 2010 and 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

15 Supplemental cash flow information

(1) Proceeds from sale and lease back of equipment newly acquired

Once the Group purchases telecommunications equipment for the purpose of assembly, installation and inspection, the Group sells the equipment to lease companies for sale and lease—back purposes. The leased asset and lease obligation are recorded in the consolidated balance sheet.

The cash outflows from the purchases of the equipment from vendors are included in purchases of property and equipment, and intangibles, and the cash inflows from the sale of the equipment to lease companies are included in proceeds from sales and lease back of equipment newly acquired.

(2) Proceeds from advanced redemption of debt security

In January 2010, the Company acquired corporate bonds issued by J-WBS Funding K.K. to provide part of the funding for the SBM loan under the whole business securitization scheme associated with the acquisition of Vodafone K.K. (currently SoftBank Mobile Corp.) and recorded the corporate bonds as investment securities on the consolidated balance sheet. These are proceeds from the advanced redemption of the corporate bonds, in connection with the repayment of the entire SBM loan by SoftBank Mobile Corp. in October 2011.

(3) Proceeds from issuance of preferred securities by a subsidiary

These are proceeds from the issuance of preferred securities with limited voting right (preferred securities which have the nature of a stock prescribed in Financial Instruments and Exchange Act Article 2 (1) (ix), which is a part of securities described in Financial Instruments and Exchange Act Article 2 (1) (xvii)) to investors through public offering in Japan by the Company's consolidated subsidiary, SFJ Capital Limited.

(4) Payments for repurchase of minority interests and long-term debt

The Company acquired all class 1 preferred stock-series 1, stock acquisition rights issued by BB Mobile Corp. to Vodafone International Holdings B.V. and all principal and accrued interest of a long-term loan receivable, which was recorded as "Long-term debt" in the Company's consolidated balance sheet, from SoftBank Mobile Corp. to Vodafone Overseas Finance Limited for the total amount of ¥412,500 million during the year ended March 31, 2011. Of the total amount of the acquisition, the amount paid during the year ended March 31, 2011 amounting to ¥212,500 million, together with related expenses associated with the acquisition were recorded as "Payments for repurchase of minority interest and long-term debt." The remaining amount of ¥200,000 million is scheduled to be paid in April 2012.

16 Leases

(1) Lessee

The Group leases certain telecommunications equipment and telecommunications service lines, buildings and structures, other property and equipment, and software.

Total rental expenses including lease payments under finance leases discussed below for the years ended March 31, 2010, 2011 and 2012 were ¥85,102 million, ¥69,024 million and ¥56,485 million ($652,402 thousand), respectively.

As discussed in Note 2 (15), the Group accounts for leases that existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date on an "as if capitalized" basis for the years ended March 31, 2010, 2011 and 2012 was as follows:

Finance lease assets:	As of March 31, 2010	2011	2012	2012
	(Millions of yen)			(thousands of U.S. dollars)
Telecommunications equipment and telecommunications service lines				
Acquisition cost	¥141,093	¥124,132	¥ 61,166	$ 706,467
Accumulated depreciation	(67,777)	(73,354)	(37,469)	(432,767)
Accumulated impairment loss	(33,232)	(24,744)	(10,177)	(117,544)
Net leased property	40,084	26,034	13,520	156,156
Buildings and structures				
Acquisition cost	46,730	46,716	46,700	539,386
Accumulated depreciation	(11,909)	(14,238)	(16,565)	(191,326)
Accumulated impairment loss	—	—	—	—
Net leased property	34,821	32,478	30,135	348,060
Other property and equipment				
Acquisition cost	16,114	13,073	5,203	60,095
Accumulated depreciation	(10,224)	(9,860)	(3,132)	(36,175)
Accumulated impairment loss	(1,243)	(1,078)	(1,013)	(11,700)
Net leased property	4,647	2,135	1,058	12,220
Software				
Acquisition cost	9,070	8,597	428	4,943
Accumulated amortization	(6,669)	(8,004)	(233)	(2,691)
Accumulated impairment loss	(290)	(171)	(171)	(1,975)
Net leased property	2,111	422	24	277
Total	¥ 81,663	¥ 61,069	¥ 44,737	$ 516,713

Long-term prepaid expense of ¥25,157 million ¥26,074 million and ¥22,863 million ($264,068 thousand) relating to lease contracts in which service periods are different from payment periods is included in other assets of investments and other assets as of March 31, 2010, 2011 and 2012, respectively. Current portion of long-term prepaid expenses of ¥670 million ¥583 million and ¥492 million ($5,683 thousand) relating to lease contracts is included in other current assets as of March 31, 2010, 2011 and 2012, respectively.

Obligations under finance lease:

	For the fiscal year ended March 31, 2010	2011	2012	2012
	(Millions of yen)			(Thousands of U.S. dollars)
Due within one year	¥ 26,191	¥15,679	¥ 8,378	$ 96,766
Due after one year	79,432	62,845	54,405	628,378
Total	¥105,623	¥78,524	¥62,783	$725,144

Allowance for impairment loss on leased property as of March 31, 2010, 2011 and 2012 was ¥10,776 million, ¥4,530 million and ¥2,580 million ($29,799 thousand), respectively, and was not included in the obligations under finance leases.

Depreciation expense, interest expense and other information under finance leases:

	For the years ended March 31,			
	2010	2011	2012	2012
	(Millions of yen)			(Thousands of U.S. dollars)
Depreciation and amortization expense	¥23,960	¥20,990	¥12,967	$149,769
Interest expense	8,654	6,735	4,832	55,810
Total	¥32,614	¥27,725	¥17,799	$205,579
Lease payments	¥36,752	¥30,830	¥20,514	$236,937
Reversal of allowance for impairment loss on leased property	8,416	6,247	1,950	22,523
Impairment loss	383	—	—	—

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statement of income, are computed by the straight-line method and the interest method, respectively.

Lease contract of the Fukuoka Yahoo! JAPAN Dome (hereafter "Yahoo Dome") is currently included in the above "as if capitalized" information notes. Fukuoka SoftBank HAWKS Marketing Corp. (hereafter "HAWKS Marketing"), a subsidiary of the Company, entered into a purchase contract on March 27, 2012 to acquire a trust beneficiary interest in Yahoo Dome in July 2015. Since the fiscal year end of HAWKS Marketing is February, the financial statements as of the end of February are reflected in the consolidated financial statements with one month lag. As this transaction occurred in March 2012, this will be recognized in the fiscal year ending March 31, 2013.

Based on this contract, the lease is newly classified and buildings and structures (acquisition cost: ¥38,280 million ($442,134 thousand)) and land (acquisition cost: ¥49,360 million ($570,109 thousand)) will be recorded in the consolidated financial statements for the fiscal year ending March 31, 2013.

The future minimum rental payments under non-cancelable operating leases as of March 31, 2010, 2011 and 2012 were as follows:

	As of March 31,			
	2010	2011	2012	2012
	(Millions of yen)			(Thousands of U.S. dollars)
Due within one year	¥22,494	¥21,113	¥24,329	$281,000
Due after one year	34,649	46,468	53,120	613,537
Total	¥57,143	¥67,581	¥77,449	$894,537

(2) Lessor

The Group leases certain property and equipment.

Future lease receivables under non-cancelable operating lease as of March 31, 2010, 2011 and 2012 were as follows:

	As of March 31,			
	2010	2011	2012	2012
	(Millions of yen)			(Thousands of U.S. dollars)
Due within one year	¥ 867	¥ 938	¥ 592	$ 6,838
Due after one year	1,006	1,234	630	7,276
Total	¥1,873	¥2,172	¥1,222	$14,114

17 Financial instruments and related disclosures

(1) Conditions of financial instruments

(a) Group policy for financial instruments

The Group utilizes diversified financing methods for raising funds through both indirect financing, such as bank loans, and direct financing, such as issuance of bonds and commercial paper and borrowings through securitization, taking market conditions and current/non-current debts ratio into consideration. The Group makes short-term deposits for fund management purposes. The Group also utilizes derivative financial instruments to hedge various risks as described in (b) below and does not enter into derivatives for trading or speculative purposes.

(b) Nature, extent of risks and management of risks arising from financial instruments

The notes and accounts receivable-trade are exposed to credit risk of customers. To minimize the credit risk, the Group performs due date controls and balance controls for each customer in accordance with internal customer credit management rules, and regularly screens major customers' credit status. For credit risk associated with installment sales receivables of mobile handsets, SoftBank Mobile Corp. screens customers' credit in accordance with internal screening standards for new subscriber contracts as well as referring to an external institution for customers' credit status.

Marketable and investment securities are exposed to stock market fluctuation risk and foreign currency exchange risk. For those risks, the Group is continuously monitoring investees' financial condition, stock market fluctuation, and foreign currency exchange risk. The Group entered into a variable share prepaid forward contract (collar transaction) utilizing its shares of Yahoo! Inc. The purpose of this collar transaction was to hedge the variability of cash flows associated with the future market price of the underlying security, which was for the settlement of loans at their maturity. During the year ended March 31, 2012, the collar transaction was settled as the obligation under the forward contracts was settled at maturity by effectively delivering the shares of Yahoo! Inc.

Maturities of accounts payable-trade and accounts payable-other are mostly within one year. Loan payables with variable interest rate are exposed to interest rate risk, and interest rate swaps are used for certain loan payables in order to hedge this risk.

In order to hedge interest rate risk associated with financial assets and liabilities, and foreign currency exchange risk associated with assets and liabilities denominated in foreign currencies, interest rate swap transactions and foreign currency forward contracts are used. The collar transaction, which was used to hedge the variability of cash flows associated with the future market price of the underlying security, was settled during the year ended March 31, 2012. Hedge accounting is applied for certain derivative transactions. Derivative transactions entered into by the Company are implemented and controlled based on the Company's internal policies and are limited to the extent of actual demand. Balance and fair value of derivative transactions are reported regularly to the board of directors. Consolidated subsidiaries also manage the derivative transactions based on the Company's policies. Please see Note 2(22) for more detail about derivatives.

(c) Supplemental explanation regarding fair value of financial instruments

Fair value of financial instruments are measured based on the quoted market price, if available, or reasonably assessed value if a quoted market price is not available. Fair value of financial instruments for which quoted market price is not available is calculated based on certain assumptions, and the fair value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions described in Note 18 does not represent the market risk of the derivative transactions.

(2) Fair value of financial instruments

The carrying amounts in the consolidated balance sheet, fair value, and its differences as of March 31, 2010, 2011 and 2012 are as follows.

In addition, financial instruments, whose fair values cannot be reliably determined, are not included. Please see Note 2. Carrying amount of financial instruments whose fair values cannot be reliably determined.

	As of March 31, 2010		
	Carrying amount	Fair value	Unrealized gain(loss)
		(Millions of yen)	
Cash and cash equivalents	¥ 687,682	¥ 687,682	¥ —
Notes and accounts receivable-trade	816,551		
Allowance for doubtful accounts (Note)	(32,802)		
Notes and accounts receivable-trade, net	783,749	783,749	—
Marketable securities and investment securities			
Held-to-maturity debt securities	1,499	1,343	(156)
Investments in unconsolidated subsidiaries and affiliated companies	8,639	19,275	10,636
Other securities	148,415	148,415	—
Total	1,629,984	1,640,464	10,480
Accounts payable-trade	158,943	158,943	—
Short-term borrowings	208,308	208,308	—
Current portion of long-term debt	284,053	284,053	—
Accounts payable-other and accrued expenses	451,409	451,409	—
Income taxes payable	100,484	100,484	—
Current portion of lease obligations	109,768	109,768	—
Long-term debt	1,730,110	1,852,954	122,844
Lease obligations	224,484	224,922	438
Total	¥3,267,559	¥3,390,841	¥123,282

	As of March 31, 2011		
	Carrying amount	Fair value	Unrealized gain(loss)
		(Millions of yen)	
Cash and cash equivalents	¥ 847,155	¥ 847,155	¥ —
Notes and accounts receivable-trade	657,774		
Allowance for doubtful accounts (Note)	(36,064)		
Notes and accounts receivable-trade, net	621,710	621,710	—
Marketable securities and investment securities			
Held-to-maturity debt securities	1,588	1,487	(101)
Investments in unconsolidated subsidiaries and affiliated companies	15,938	30,947	15,009
Other securities	159,695	159,695	—
Total	1,646,086	1,660,994	14,908
Accounts payable-trade	193,645	193,645	—
Short-term borrowings	228,256	228,256	—
Commercial paper	25,000	25,000	—
Current portion of long-term debt	311,195	311,195	—
Accounts payable-other and accrued expenses	561,421	561,421	—
Income taxes payable	115,355	115,355	—
Current portion of lease obligations	131,306	131,306	—
Long-term debt	1,538,350	1,686,806	148,456
Long-term accounts payable-other	265,142	265,085	(57)
Lease obligations	199,770	203,113	3,343
Total	¥3,569,440	¥3,721,182	¥151,742

	As of March 31, 2012		
	Carrying amount	Fair value	Unrealized gain(loss)
	(Millions of yen)		
Cash and cash equivalents	¥1,014,559	¥1,014,559	¥ —
Notes and accounts receivable-trade	661,288		
Allowance for doubtful accounts (Note)	(36,882)		
Notes and accounts receivable-trade, net	624,406	624,406	—
Marketable securities and investment securities			
Held-to-maturity debt securities	691	580	(111)
Investments in unconsolidated subsidiaries and affiliated companies	60,599	82,042	21,443
Other securities	82,343	82,343	—
Total	1,782,598	1,803,930	21,332
Accounts payable-trade	190,533	190,533	—
Short-term borrowings	103,958	103,958	—
Current portion of long-term debt	444,198	444,198	—
Accounts payable-other and accrued expenses	835,053	835,053	—
Income taxes payable	125,116	125,116	—
Current portion of lease obligations	152,683	152,683	—
Long-term debt	1,019,970	1,035,309	15,339
Lease obligations	347,700	351,832	4,132
Total	¥3,219,211	¥3,238,682	¥19,471

	As of March 31, 2012		
	Carrying amount	Fair value	Unrealized gain(loss)
	(Thousands of U.S. dollars)		
Cash and cash equivalents	$11,718,168	$11,718,168	$ —
Notes and accounts receivable-trade	7,637,884		
Allowance for doubtful accounts (Note)	(425,988)		
Notes and accounts receivable-trade, net	7,211,896	7,211,896	—
Marketable securities and investment securities			
Held-to-maturity debt securities	7,981	6,699	(1,282)
Investments in unconsolidated subsidiaries and affiliated companies	699,919	947,586	247,667
Other securities	951,063	951,063	—
Total	20,589,027	20,835,412	246,385
Accounts payable-trade	2,200,658	2,200,658	—
Short-term borrowings	1,200,716	1,200,716	—
Current portion of long-term debt	5,130,492	5,130,492	—
Accounts payable-other and accrued expenses	9,644,872	9,644,872	—
Income taxes payable	1,445,091	1,445,091	—
Current portion of lease obligations	1,763,490	1,763,490	—
Long-term debt	11,780,665	11,957,831	177,166
Lease obligations	4,015,939	4,063,664	47,725
Total	$37,181,923	$37,406,814	$224,891

Allowance for doubtful accounts associated with notes and accounts receivable-trade is deducted.

Note 1. Fair value measurement of financial instruments

Assets:

Cash and cash equivalents

The carrying amount approximates fair value because of the short maturity of these instruments.

Notes and accounts receivable-trade

The carrying amount of installment sales receivables approximates fair value, which is based on the present value of future cash flows through maturity discounted using an estimated credit-risk-adjusted interest rate. The carrying amount of notes and accounts receivable-trade other than installment sales receivables approximates fair value because of the short maturity of these instruments.

Marketable securities and investment securities

The fair value of equity securities equals quoted market price, if available. The fair value of debt securities equals quoted market price or a price provided by financial institutions. The investment securities held by certain subsidiaries in the U.S. which apply ASC 946 are carried at fair value. Marketable and investment securities based on holding purpose are described in Note 4.

Liabilities:

Accounts payable-trade, Commercial paper, Accounts payable-other and accrued expenses, and Income taxes payable

The carrying amount approximates fair value because of the short maturity of these instruments.

Short-term borrowings

The carrying amount approximates fair value because of the short maturity of these instruments.

Current portion of long-term debt

The carrying amount of the current portion of long-term debt approximates fair value since the carrying amount was equivalent to the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity.

Current portion of lease obligations

The carrying amount approximates fair value since the carrying amount was equivalent to the present value of future cash flows discounted using the current interest rate for similar lease contracts of comparable maturities and contract conditions.

Long-term debt

Fair value of long-term debts is based on the price provided by a financial institution or the present value of future cash flows discounted using the current borrowing rate for similar debt of a comparable maturity.

Long-term accounts payable—other

Fair value of long-term accounts payable—other is based on the present value of future cash flows discounted using an estimated credit-risk-adjusted interest rate with the consideration for period up to payment date.

Lease obligations

Fair value equals to the present value of future cash flows discounted using the current interest rate for similar lease contracts of comparable maturities and contract conditions.

Derivative Transactions

The information of the fair value for derivatives is included in Note 18.

Note 2. Carrying amount of financial instruments whose fair values cannot be reliably determined

	As of March 31, 2010
	Carrying amount
	(millions of yen)
Unlisted investment securities of unconsolidated subsidiaries	¥140,386
Unlisted equity securities	68,241
Investments in partnership	6,827
Total	¥215,454

	As of March 31, 2011
	Carrying amount
	(millions of yen)
Unlisted investment securities of unconsolidated subsidiaries	¥176,108
Unlisted equity securities	55,297
Investments in partnership	9,580
Total	¥240,985

	As of March 31, 2012 Carrying amount	
	(millions of yen)	(thousands of U.S. dollars)
Unlisted investment securities of unconsolidated subsidiaries	¥148,886	$1,719,635
Unlisted equity securities	42,807	494,421
Investments in partnership	6,666	76,993
Total	¥198,359	$2,291,049

Note 3. Maturity analysis for financial assets and securities with contractual maturities

	As of March 31, 2012			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Millions of yen)			
Cash and cash equivalents	¥1,014,559	¥ —	¥ —	¥ —
Notes and accounts receivable-trade	587,959	73,329	—	—
Marketable and investment securities				
Held-to-maturity debt securities (corporate bonds)	200	—	—	600
Other securities with maturity date (corporate bonds)	630	200	200	—
(other)	400	101	—	—
Total	¥1,603,748	¥73,630	¥200	¥600

	As of March 31, 2012			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Thousands of U.S. dollars)			
Cash and cash equivalents	$11,718,168	$ —	$ —	$ —
Notes and accounts receivable-trade	6,790,933	846,951	—	—
Marketable and investment securities				
Held-to-maturity debt securities (corporate bonds)	2,310	—	—	6,930
Other securities with maturity date (corporate bonds)	7,277	2,310	2,310	—
(other)	4,620	1,166	—	—
Total	$18,523,308	$850,427	$2,310	$6,930

Please see Note 6 for annual maturities of borrowings, corporate bonds, and lease obligations under financial leases, respectively.

18 Derivatives

The Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with certain assets and liabilities, and forecasted transactions denominated in foreign currencies. The Group also enters into interest rate swap contracts to manage its interest rate exposures on certain liabilities.

These derivative transactions are entered into to hedge interest and foreign currency exposures incorporated within its business. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount.

Derivative transactions to which hedge accounting is not applied as of March 31, 2010, 2011 and 2012

	As of March 31, 2010			
	Contract amounts	Contract amount due after one year	Fair value (Note)	Unrealized gain (loss)
	(Millions of yen)			
Foreign currency forward contracts				
Buying U.S. dollars	¥81,568	¥—	¥1,358	¥1,358
Buying Euro	657	—	(34)	(34)

	As of March 31, 2011			
	Contract amounts	Contract amount due after one year	Fair value (Note)	Unrealized gain (loss)
	(Millions of yen)			
Foreign currency forward contracts				
Buying U.S. dollars	¥52,792	¥—	¥(218)	¥(218)
Buying U.S. dollars and selling Korean won	353	—	2	2

	As of March 31, 2012			
	Contract amounts	Contract amount due after one year	Fair value (Note)	Unrealized gain (loss)
	(Millions of yen)			
Foreign currency forward contracts				
Buying U.S. dollars	¥53,100	¥—	¥1,683	¥1,683
Buying U.S. dollars and selling Korean won	481	—	(0)	(0)
Buying Euro	19	—	(0)	(0)

	As of March 31, 2012			
	Contract amounts	Contract amount due after one year	Fair value (Note)	Unrealized gain (loss)
	(Thousands of U.S. dollars)			
Foreign currency forward contracts				
Buying U.S. dollars	$613,306	$—	$19,439	$19,439
Buying U.S. dollars and selling Korean won	5,556	—	(0)	(0)
Buying Euro	219	—	(0)	(0)

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

Derivative transactions to which hedge accounting is applied as of March 31, 2010, 2011 and 2012

	As of March 31, 2010			
	Hedged item	**Contract amounts**	**Contract amount due after one year**	**Fair value (Note 1)**
		(Millions of yen)		
Foreign currency forward contracts (deferral hedge accounting)				
Buying U.S. dollars	Forecasted transactions for expenses denominated in foreign currencies	¥ 844	¥ —	¥ 44
Buying Euro	Forecasted transactions for expenses denominated in foreign currencies	13	—	0
Foreign currency forward contracts (alternative method) (Note 2)				
Buying U.S. dollars	Account payable-trade and other	545	—	(Note 2)
Buying Euro	Account payable-trade, and corporate bonds	49,121	47,808	(Note 2)
Interest rate swaps (deferral hedge accounting)				
Receiving floating rate and paying fix rate	Interest for loan	15,000	10,000	(260)
Collar transaction (deferral hedge accounting)				
A variable share prepaid forward contract consisting of a purchased put option and a sold call option	Equity securities	105,697	105,697	25,918

	As of March 31, 2011			
	Hedged item	**Contract amounts**	**Contract amount due after one year**	**Fair value (Note 1)**
		(Millions of yen)		
Foreign currency forward contracts (deferral hedge accounting)				
Buying U.S. dollars	Forecasted transactions for expenses denominated in foreign currencies	¥ 206	¥ —	¥ (4)
Buying Euro	Forecasted transactions for expenses denominated in foreign currencies	1,182	—	(2)
Interest rate swaps (deferral hedge accounting)				
Receiving floating rate and paying fix rate	Interest for loan	104,000	99,000	(1,419)
Collar transaction (deferral hedge accounting)				
A variable share prepaid forward contract consisting of a purchased put option and a sold call option	Equity securities	94,462	—	22,281

	As of March 31, 2012			
	Hedged item	Contract amounts	Contract amount due after one year	Fair value (Note 1)
	(Millions of yen)			
Foreign currency forward contracts (alternative method) (Note 2)				
Buying U.S. dollars	Accounts payable-other	¥ 148	¥ —	¥ —
Buying Euro	Accounts payable-trade	1,020	—	—
Selling U.S. dollars	Accounts receivable-trade	87	—	—
Interest rate swaps (deferral hedge accounting)				
Receiving floating rate and paying fix rate	Interest for loan	99,000	84,000	(993)

	As of March 31, 2012			
	Hedged item	Contract amounts	Contract amount due after one year	Fair value (Note 1)
	(Thousands of U.S. dollars)			
Foreign currency forward contracts (alternative method) (Note 2)				
Buying U.S. dollars	Accounts payable-other	$ 1,709	$ —	$ —
Buying Euro	Accounts payable-trade	11,781	—	—
Selling U.S. dollars	Accounts receivable-trade	1,005	—	—
Interest rate swaps (deferral hedge accounting)				
Receiving floating rate and paying fix rate	Interest for loan	1,143,451	970,201	(11,469)

1. Fair value is based on information provided by financial institutions at the end of the fiscal year.
2. For certain accounts payable-other, accounts payable-trade, accounts receivable-trade and corporate bonds denominated in foreign currencies for which foreign currency forward contracts are used to hedge the foreign currency fluctuations, fair value of the derivative financial instrument is included in fair value of the accounts payable-other, accounts payable-trade, and accounts receivable-trade as hedged items. Please see Note 17. Financial instruments and related disclosures.

19 Commitments and contingent liabilities

As of March 31, 2012, ¥14,785 million ($170,767 thousand) remains as unused lines of credit. It is mainly from line of credit contracts made by a certain subsidiary with credit cardholders. On demand from those cardholders, the subsidiary is required to make loans to them.

The Company has entered into a sponsor agreement with WILLCOM, Inc. during the fiscal year ended March 2011. Under the sponsor agreement, the Company will provide necessary financial support to WILLCOM, Inc. for business operation and execution of the rehabilitation plan. The agreement is effective until WILLCOM, Inc. completes the payment of its reorganization claims and reorganization security interests (initial amount ¥41,000 million) amounting to ¥40,970 million as of March 31, 2011, and ¥34,152 million ($394,456 thousand) as of March 31, 2012, respectively.

20 Related-party disclosures

Transactions of the Company with related parties for the years ended March 31, 2010, 2011 and 2012 were as follows:

	As of March 31,			
	2010	2011	2012	2012
	(Millions of yen)			(Thousands of U.S. dollars)
(Son Assets Management, LLC.) (Note)				
Temporary advance for expenses on behalf of Son Assets Management, LLC.	¥236	¥220	¥264	$3,049
Office facility usage	45	47	46	531
Office deposits returned	—	16	—	—
(Director of the Company and directors of the Company's significant subsidiaries)				
Exercise of stock options	972	41	—	—
(A company whose majority shares were owned by a close relative of one of the Company's directors)				
Capital contributions	70	—	—	—
(A company whose majority shares were owned by a close relative of one of the Company's directors)				
Advisory service	—	—	30	347

(Note) Son Assets Management, LLC. leases office space from the Company.

The balances due to or from related parties as of March 31, 2010, 2011 and 2012 were as follows:

	As of ended March 31			
	2010	2011	2012	2012
	(Millions of yen)			(Thousands of U.S. dollars)
(Son Assets Management, LLC.)				
Other current assets	¥ 27	¥ 24	¥ 22	$ 254
Deposit received included in long term liabilities-other liabilities	193	178	178	2,056
(A company whose majority shares were owned by a close relative of one of the Company's directors)				
Account payable-other	—	—	3	35

21 Significant subsequent events

(1) Appropriation of retained earnings

The following appropriation of retained earnings as of March 31, 2012 was approved at the shareholders' meeting held on June 22, 2012:

	As of March 31,	
	2012	2012
	(Millions of yen)	(Thousands of U.S. dollars)
Year-end cash dividends, ¥40.00 ($0.46) per share	¥43,941	$507,519

The following appropriation of retained earnings at September 30, 2012 was approved at the Board of Directors meeting held on November 15, 2012:

	As of September 30,	
	2012	2012
	(Millions of yen)	(Thousands of U.S. dollars)
Year-end cash dividends, ¥20.00 ($0.23) per share	¥22,104	$255,301

(2) Acquisition of Sprint Nextel Corporation

On October 15, 2012, the Company and Sprint Nextel Corporation ("Sprint") in the U.S. entered into a series of definitive agreements under which the Company will invest approximately $20.1 billion (the "transaction") in Sprint, consisting of approximately $12.1 billion to be paid to Sprint shareholders and $8.0 billion of new capital to be used, amongst other purposes, to strengthen Sprint's balance sheet.

The transaction, which has been approved by the Boards of Directors of both the Company and Sprint, is subject to approval at a meeting of the Sprint shareholders, customary antitrust, Federal Communications Commission and other regulatory approvals and the satisfaction or waiver of other closing conditions, including accuracy of representations and warranties.

The Company and Sprint expect the closing of the transaction will occur in mid-2013. As a result of the transaction, the Company will own approximately 70% of the fully-diluted (as used herein, not giving effect to out-of-the-money options) shares of New Sprint (as defined below), which will own 100% of the shares of Sprint.

<1> Purposes of acquisition

[1] Enable the Company to establish an operating base as one of the largest mobile Internet companies in the world. The combined subscriber base will be one of the largest (Notes 1) between the U.S. and Japan, and the combined mobile telecom service revenue will rank third (Notes 2) amongst global operators.

[2] Enable the Company to leverage its deep expertise in smartphones and next-generation mobile networks, and its track record of success in competing in mature markets with large incumbents, to enhance Sprint's competitiveness in the U.S.

[3] Provide Sprint with $8.0 billion of new capital for its mobile network, strategic investments, and balance sheet as part of its continued efforts to fortify its operating base towards future growth.

Notes:

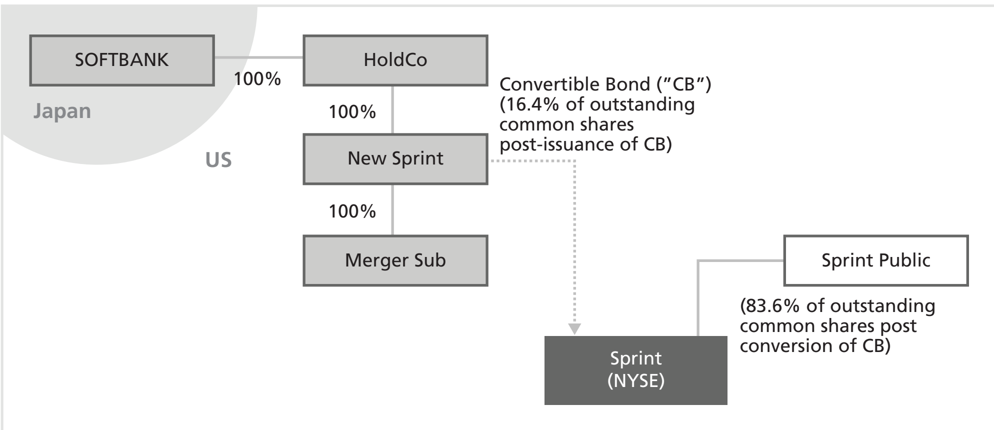
1. Based on Wireless Intelligence data, TCA data, and disclosed material by relevant companies. U.S. as of June 2012, and Japan as of September 2012 (eAccess Ltd. data as of August 2012).
2. Based on disclosures by global mobile operators such as China Mobile and Verizon Wireless (January to June 2012).

<2> Outline of acquisition

[1] Establishment of subsidiaries

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

Via New Sprint, the Company invested $3.1 billion in Sprint in the form of a newly-issued convertible bond (Bond) on October 22, 2012 (EST). The Bond has a 1.0% coupon rate with a seven-year maturity and, if the merger agreement is terminated prior to completion of the merger (as defined in [2] below), subject to regulatory approval, will be convertible, or if the merger (as defined in [2] below) is completed, will be converted, at $5.25 per share into 16.4% of outstanding Sprint common shares on a post-issuance basis (subject to customary adjustments).



[2] Merger

Following receipt of Sprint shareholders' and regulatory approvals and the satisfaction or waiver of the other closing conditions to the transaction, the Company will capitalize, through HoldCo, New Sprint with an additional approximately $17.0 billion. Approximately $12.1 billion will be distributed to Sprint shareholders as merger consideration. Merger Sub will merge with and into Sprint as a result of which:

(a) Sprint will become a wholly-owned subsidiary of New Sprint.

(b) In aggregate, Sprint shareholders will receive, in exchange for their Sprint shares approximately 30% of the fully-diluted equity of New Sprint and approximately $12.1 billion cash.

(c) Individual Sprint shareholders will have the right to elect to receive, for each share of Sprint that they own, either (i) $7.30 in cash or (ii) one share of New Sprint stock, subject to proration if shareholders in the aggregate elect more than the total amount of cash or stock consideration, as applicable (which would result in the receipt of a mix of cash and stock).

(d) Holders of Sprint stock options will receive stock options in the New Sprint.

(e) The Bond will be converted into shares of Sprint, with the value of such shares reflected (together with the Company's additional investment) in approximately 70% of the fully-diluted equity of New Sprint which HoldCo will hold after consummation of the merger.

(f) New Sprint will issue a 5 year warrant for approximately 55 million shares of New Sprint with an exercise price of U$5.25 per share (Warrant) to HoldCo.

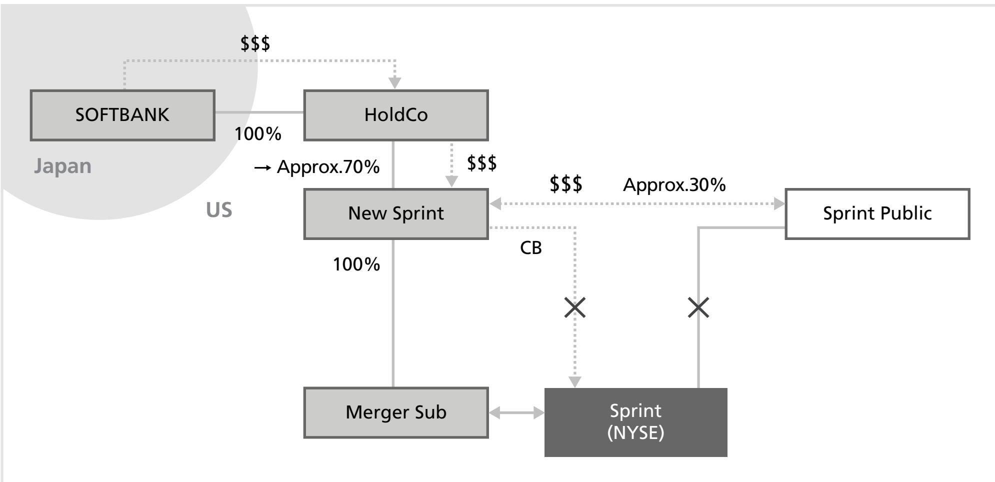
(g) New Sprint is expected to succeed Sprint's New York Stock Exchange listing as a publicly traded company in the US.

Other key terms include:

(a) The Company must pay Sprint a termination fee of $600 million if the merger does not close because the Company does not obtain financing.

(b) Sprint must pay the Company a termination fee of $600 million if the merger does not close because Sprint accepts a superior offer by a third party.

(c) Sprint must pay up to $75 million of the Company's expenses if Sprint's shareholders do not approve the transaction at their shareholders meeting.



[3] Post-transaction (fully-diluted basis)

Post-transaction:

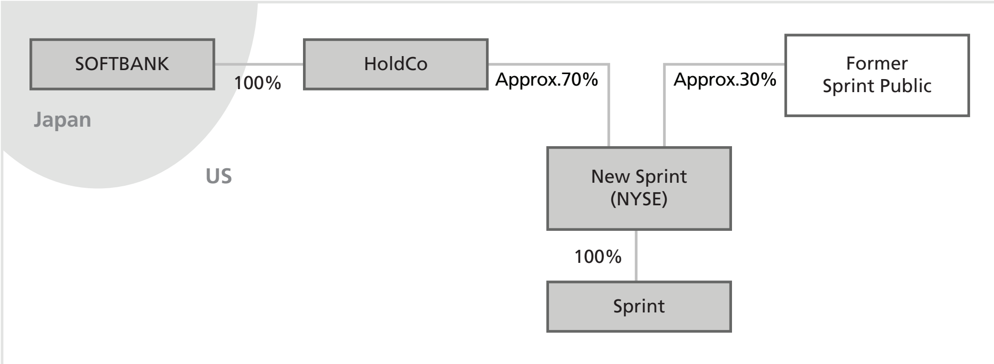
(a) The Company will own, through HoldCo, approximately 70% of New Sprint shares and Sprint shareholders will own approximately 30% of New Sprint shares in aggregate on a fully-diluted basis.

(b) New Sprint will retain $4.9 billion of the $17.0 billion contribution by the Company, which, in combination with the $3.1 billion purchase price for the Bond, represents an $8.0 billion dollar contribution to the New Sprint balance sheet.

(c) Sprint's current CEO Dan Hesse will be the CEO of New Sprint.

(d) New Sprint will have a 10-member board of directors, including three members from the current Sprint Board of Directors as well as the CEO.

(e) Sprint's headquarters will continue to be in Overland Park, Kansas.



<3> New Sprint's number of shares to be acquired, acquisition price and state of share ownership before and after acquisition

[1] Number of shares held before transfer	0 shares (number of voting rights: 0) (voting rights holding ratio: 0.0%)
[2] Number of shares to be acquired	3,241,403,146 shares*
[3] Acquisition price	Total amount invested: approx.$20.1 billion Advisory fees and others: to be determined
[4] Number of shares held after transfer	3,241,403,146 shares* (number of voting rights: 3,241,403,146) (voting rights holding ratio: 70.0%)

Note:* Based on Sprint's fully-diluted shares (as of October 15, 2012, calculated not giving effect to out-of-the-money options) and giving effect to full exercise of the warrant.

<4> Financing

In order to raise necessary funds for the transaction, on December 18, 2012, as mentioned below, the Company entered into a bridge loan agreement for a maximum amount of ¥1.65 trillion ($19.1 billion) with financial institutions. The maximum amount was amended to ¥1.28 trillion ($14.8 billion) in March 2013. The loan procured under the agreement is planned to be refinanced as medium and long term loan.

Summary of the loan agreement

([4] Maximum total amount of borrowing is after the decrease in March 2013)

[1] Borrower	The Company
[2] Mandated lead arrangers (MLAs)	Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Deutsche Bank AG, Tokyo Branch
[3] Date of execution	December 18, 2012
[4] Maximum total amount of borrowing	¥1.28 trillion ($14.8 billion) (Breakdown) Facility A: ¥250 billion ($2,888 million) Facility B: ¥1.03 trillion ($11.9 billion)
[5] Loan drawdown date	Facility A: December 21, 2012 Facility B: At the time of the Sprint acquisition
[6] Use of loan proceeds	Facility A: Investment in Sprint in the form of newly-issued convertible bonds (restore balance of cash on hand used for the investment in Sprint in the form of newly-issued convertible bonds in October 2012) Facility B: Investment in and resulting acquisition of Sprint
[7] Maturity	December 17, 2013
[8] Collateral	(a) Shares of Starburst I, Inc. held by the Company (b) Shares of Starburst II, Inc. and all other assets held by Starburst I, Inc. (c) Sprint convertible bonds and all other assets held by Starburst II, Inc.*
[9] Guarantors	(a) Pre-transaction: Starburst I, Inc. and Starburst II, Inc. (b) Post-transaction: Starburst I, Inc., SoftBank Mobile Corp., SoftBank BB Corp. and SoftBank Telecom Corp.

Note:* Until immediately prior to, but subject to the occurrence of, the Company's acquisition of Sprint.

<5> Foreign currency forward contracts

Following receipt of Sprint shareholders and regulatory approvals and the satisfaction or waiver of the other closing conditions to the transaction, in addition to a $3.1 billion convertible bond subscribed on October 22, 2012, the Company will capitalize, through HoldCo, New Sprint with an additional approximately $17.0 billion. The Company enters into foreign currency forward contracts to hedge foreign exchange risk related to the additional investment and hedge accounting is applied to the contracts.

<6> Outline of Sprint

[1] Name	Sprint Nextel Corporation
[2] Address	6200 Sprint Parkway, Overland Park, Kansas
[3] Name and title of representative	Daniel R. Hesse, Chief Executive Officer and President
[4] Business description	Telecommunications
[5] Paid-in capital	$46,716 million (as of December 31, 2011)
[6] Date of foundation	November 15, 1938

(3) Change in scope of consolidation regarding GungHo Online Entertainment, Inc.

A subsidiary of the Company, SoftBank Mobile Corp. (the "SoftBank Mobile"), has resolved at its board of directors meeting on March 25, 2013, to acquire by tender offer (the "Tender Offer") the additional ordinary shares of an equity method affiliate of the Company, GungHo Online Entertainment, Inc. ("GungHo"). Accordingly, SoftBank Mobile undertook the Tender Offer on April 1, 2013 and expects to acquire the additional shares on May 7, 2013. In connection with the Tender Offer, SoftBank Mobile entered into agreement to tender shares in Tender Offer (the "Share Tender Agreement") on March 25, 2013, with ASIAN GROOVE GOUDOU

GAISHA (“Asian Groove”; number of shares held: 166,710 shares (Note 1); percentage of voting interest: 14.47% (Note 2)), which is the third largest shareholder of GungHo and of which Taizo Son, the chairman of GungHo, is the representative partner. Under the Share Tender Agreement, Asian Groove has agreed to tender 73,400 shares (percentage of voting interest: 6.37%) of the shares of GungHo, which are a portion of the shares of GungHo held by it.

In addition, Masayoshi Son, chairman and CEO of the Company, has entered into a Memorandum of Understanding on Exercise of Voting Rights for Deferment of Execution of Pledges (the “MOU”) with respect to the shares of GungHo on April 1, 2013, with Heartis Inc. (the “Heartis”; number of shares held : 213,080 shares; percentage of voting interest: 18.5%), which is the second largest shareholder of GungHo and Taizo Son’s asset management company and of which Taizo Son, chairman of GungHo, is the representative director. Under the MOU, in order to have Son Holdings Inc. (the “Son Holdings”), of which Masayoshi Son is a director and which is a Masayoshi Son’s asset management company, defer the execution of pledges over the shares of GungHo held by Heartis, Heartis has agreed, effective as of April 1, 2013, to the effect that at the shareholders meeting of GungHo, Heartis will exercise the voting rights for all of the shares of GungHo it holds in accordance with Masayoshi Son’s directions.

Consequently, GungHo becomes a consolidated subsidiary of the Company from an equity method affiliate.

(Note 1) GungHo has resolved to execute a share split, effective April 1, 2013, at a ratio of ten shares for every one share (“GungHo Share Split”). As a result, the number of shares held is set out using the figure calculated by multiplying the number of shares before the GungHo’s Share Split by ten and converting that quotient to the number of shares after the GungHo Share Split (the “Number of Shares After GungHo Share Split”), and the number of voting rights for the number of shares held is set out to that effect with respect to the Number of Shares After GungHo’s Share Split.

(Note 2) The percentage of voting interest is calculated using the number of voting rights (1,152,010 rights) relating to the Number of Shares After the GungHo’s Share Split (1,152,010 shares) as the denominator, which is based on the number of shares (115,201 shares; the Number of Shares After GungHo’s Share Split: 1,152,010 shares) calculated by adding (i) the total number of GungHo’s outstanding shares as at December 31, 2012 (114,981 shares; the Number of Shares After GungHo’s Share Split: 1,149,810 shares) set out in the 16th Annual Securities Report filed by GungHo on March 22, 2013, to (ii) the number of shares of GungHo (220 shares; the Number of Shares After GungHo’s Share Split: 2,200 shares) that are subject to the number of the options as at December 31, 2012 (44 options) that are the series 1 options that were issued on July 30, 2004 pursuant to GungHo’s extraordinary shareholder meeting resolution adopted on May 17, 2004 and extraordinary board of directors resolution adopted on June 21, 2004, that are set out in that Annual Securities Report.

Overview of the Tender Offer is as follows:

1 Overview of the business combination

<1> Purpose of the Tender Offer

The Company recognized the importance of enhancing mobile content by combining smartphone-focused development capability and infrastructure held by SoftBank Mobile and planning and creating capability in the smartphone game industry held by GungHo to further improve the efficiency in operation of the mobile communications business, profitability and competitiveness. As a result, the Company came to the conclusion that it is necessary to establish a direct capital relationship between SoftBank Mobile and GungHo. In addition, it is important not only for SoftBank Mobile but also for the SoftBank Group, which has based its business growth on the Internet, to address the environmental change caused by online devices, enhance the content lineup catering to the market decision various needs, and strengthen the content distribution capability of the SoftBank Group. This also led to the conclusion to enhance the capital relationship with GungHo.

It is also expected that enhancing the capital relationship with GungHo and utilizing the global management resources held by the SoftBank Group will contribute to the revenue and the expansion of distribution channels of online and smartphone games, and allow GungHo, SoftBank Mobile and the SoftBank Group to enhance their revenue base and enterprise value.

<2> Outline of GungHo

1 Name	GungHo Online Entertainment, Inc.
2 Address	3-8-1 Marunouchi, Chiyoda-ku, Tokyo
3 Name and Title of Representative	Kazuki Morishita, Representative director, President and CEO
4 Business Description	Plan, development, operation and distribution of Internet online game Plan and development of mobile content Plan, development and sales of character goods Plan, development and distribution of other entertainment content
5 Common stock	JPY 5,332,504,000 (as of December 31, 2012)
6 Date of Incorporation	July 1, 1998

<3> Date of business combination

May 7, 2013 (Deemed acquisition date: April 1, 2013)

<4> Legal form of business combination

Acquisition of shares by Cash

<5> The number of shares held and percentage of voting interest

A) Before the Tender Offer

Shareholder	Number of shares held	Number of voting rights	Percentage of voting interest
SoftBank BB Corp.	387,440 shares	387,440	33.63%

B) Additional Shares acquired by the Tender Offer

Shareholder	Number of shares held	Number of voting rights	Percentage of voting interest
SoftBank Mobile	73,400 shares	73,400	6.37%

C) After the Tender Offer

Shareholder	Number of shares held	Number of voting rights	Percentage of voting interest
SoftBank BB Corp.	387,440 shares	387,440	33.63%
SoftBank Mobile	73,400 shares	73,400	6.37%
Total	460,840 shares	460,840	40.00%

Note: Combined with shares held by Heartis, which has agreed with Masayoshi Son, chairman and CEO of the Company, who has a close relationship with the Company that at the shareholders meeting of GungHo, Heartis will exercise the voting rights for all of the shares of GungHo it holds in accordance with Masayoshi Son's directions, the number of shares held will be 673,920 shares (number of voting rights 673,920, percentage of voting interest 58.50%)

2 Basis of acquisition cost

The breakdown of the acquisition cost is SoftBank Mobile's additional acquisition of ¥24,976 million ($288,473 thousand) (excluding the related expenses) by the Tender Offer and the fair value of shares of ¥153,620 million ($1,774,313 thousand), held by SoftBank BB Corp. The total is ¥178,596 million ($2,062,786 thousand).

By evaluating the shares held by SoftBank BB Corp. at fair value, ¥150,120 million ($1,733,888 thousand), which is the difference between the book value on a consolidation basis of ¥3,500 million ($40,425 thousand) at the time of obtaining control and the fair value of ¥153,620 million ($1,774,313 thousand), will be recorded as other income in the first quarter of fiscal year ending March 31, 2014.

3 Purchase Price Allocation of acquisition cost

Purchase Price Allocation of acquisition cost is not determined yet.

22. Segment information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of reportable segments

The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Company's management is being performed in order to decide how resources are allocated among the Group. The Company as a pure holding company assigns core operating companies to primary businesses. The core operating companies develop comprehensive business strategies for the products and services and perform business activities.

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

"Mobile Communications" business provides mobile communication services and sale of mobile phones accompanying the services. "Broadband Infrastructure" business provides high-speed Internet connection service, IP telephony service, and contents. "Fixed-line Telecommunications" business provides fixed-line telecommunication services. "Internet Culture" business provides Internet-based advertising operations, e-commerce site operations such as *Yahoo! Auctions* and *Yahoo! Shopping*, and membership services.

(2) Methods of measurement for the amounts of sales, profit, and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."

"Segment Operating Income" is based on operating income. The same or similar general business conditions are applied to "Net Sales to external customers" and "Net Sales intersegment." Assets are not allocated in the reportable segments.

(3) Information about sales, profit, and other items is as follows

	For the year ended March 31, 2010					
	Reportable segments					
	Mobile Communications	Broadband Infrastructure	Fixed-line Telecommunications	Internet Culture	Subtotal	C
	(Millions of yen)					
Net Sales						
external customers	¥1,692,326	¥198,262	¥304,183	¥265,938	¥2,460,709	¥30
intersegment	9,088	3,866	44,509	4,817	62,280	2
Total	1,701,414	202,128	348,692	270,755	2,522,989	33
Segment Operating Income	¥ 260,895	¥ 48,400	¥ 23,065	¥136,586	¥ 468,946	¥
Others:						
Depreciation and amortization	¥ 176,337	¥ 17,024	¥ 35,293	¥ 9,864	¥ 238,518	¥

	For the year ended March 31, 2011					
	Reportable segments					
	Mobile Communications	Broadband Infrastructure	Fixed-line Telecommunications	Internet Culture	Subtotal	C
	(Millions of yen)					
Net Sales						
external customers	¥1,936,093	¥183,071	¥297,090	¥279,233	¥2,695,487	¥30
intersegment	8,458	6,984	59,472	4,383	79,297	3
Total	1,944,551	190,055	356,562	283,616	2,774,784	34
Segment Operating Income	¥ 402,412	¥ 43,154	¥ 38,006	¥150,306	¥ 633,878	¥
Others:						
Depreciation and amortization	¥ 156,993	¥ 15,841	¥ 36,634	¥ 9,423	¥ 218,891	¥
Amortization of goodwill	51,428	1,561	7,283	1,817	62,089	
Goodwill at March 31, 2011	775,700	3,120	35,204	21,515	835,539	

	For the year ended March 31, 2012					
	Reportable segments					
	Mobile Communications	Broadband Infrastructure	Fixed-line Telecommunications	Internet Culture	Subtotal	Othe
	(Millions of yen)					
Net Sales						
external customers	¥ 2,138,651	¥ 155,389	¥ 292,675	¥ 290,005	¥ 2,876,720	¥ 325,
intersegment	6,248	16,516	74,971	3,630	101,365	35,
Total	2,144,899	171,905	367,646	293,635	2,978,085	360,
Segment Operating Income	¥ 429,237	¥ 34,328	¥ 57,950	¥ 156,822	¥ 678,337	¥ 8,
Others:						
Depreciation and amortization	¥ 203,456	¥ 14,395	¥ 39,801	¥ 10,288	¥ 267,940	¥ 6,
Amortization of goodwill	51,428	1,560	7,283	1,903	62,174	
Goodwill at March 31, 2012	724,273	1,560	27,920	19,319	773,072	7,

	For the year ended March 31, 2012					
	Reportable segments					
	Mobile Communications	Broadband Infrastructure	Fixed-line Telecommunications	Internet Culture	Subtotal	Othe
	(Thousands of U.S. dollars)					
Net Sales						
external customers	$24,701,444	$1,794,745	$3,380,400	$3,349,560	$33,226,149	$3,762,
intersegment	72,164	190,760	865,916	41,927	1,170,767	407,
Total	24,773,608	1,985,505	4,246,316	3,391,487	34,396,916	4,169,
Segment Operating Income	$ 4,957,692	$ 396,489	$ 669,323	$1,811,296	$ 7,834,800	$ 101,
Others:						
Depreciation and amortization	$ 2,349,919	$ 166,262	$ 459,702	$ 118,827	$ 3,094,710	$ 72,
Amortization of goodwill	593,994	18,018	84,119	21,979	718,110	5,
Goodwill at March 31, 2012	8,365,362	18,018	322,476	223,135	8,928,991	82,

SOFTBANK CORP.
AND CONSOLIDATED SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

For the nine months ended December 31, 2011 and 2012

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES
INTERIM CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	As of December 31,		
	2011	2012	2012
	(millions of yen)		(thousands of U.S. dollars) (Note 1)
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 759,783	¥1,061,966	$12,265,720
Marketable securities	3,664	3,626	41,880
Notes and accounts receivable-trade	655,698	618,924	7,148,579
Merchandise and finished products	37,588	50,426	582,421
Deferred tax assets	60,375	35,497	409,991
Other current assets	170,757	287,942	3,325,733
Allowance for doubtful accounts	(40,602)	(31,980)	(369,369)
Total current assets	1,647,263	2,026,401	23,404,955
Property and equipment:			
Land	22,909	73,891	853,442
Buildings and structures	75,096	119,804	1,383,738
Telecommunications equipment	946,954	1,101,184	12,718,688
Telecommunications service lines	66,152	61,174	706,560
Construction in progress	58,615	122,538	1,415,315
Other	58,338	68,705	793,544
Total property and equipment	1,228,064	1,547,296	17,871,287
Intangible assets:			
Goodwill	792,307	735,868	8,499,284
Software	283,029	365,976	4,227,027
Other intangibles	30,165	28,541	329,649
Total intangible assets	1,105,501	1,130,385	13,055,960
Investments and other assets:			
Investment securities	112,471	373,391	4,312,670
Investments in unconsolidated subsidiaries and affiliated companies	204,794	202,264	2,336,152
Deferred tax assets	89,408	103,211	1,192,088
Other assets	111,262	128,604	1,485,377
Total investments and other assets	517,935	807,470	9,326,287
Total assets	¥4,498,763	¥5,511,552	$63,658,489

See notes to consolidated financial statements.

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES
INTERIM CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	As of December 31,		
	2011	2012	2012
	(millions of yen)		(thousands of U.S. dollars) (Note 1)
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term borrowings	¥ 104,080	¥ 454,323	$ 5,247,436
Current portion of long-term debt	230,174	442,508	5,110,973
Accounts payable-trade	175,774	169,199	1,954,250
Accounts payable-other and accrued expenses	751,115	625,153	7,220,524
Income taxes payable	74,464	114,985	1,328,078
Current portion of lease obligations	141,776	186,310	2,151,883
Other current liabilities	66,025	88,736	1,024,902
Total current liabilities	1,543,408	2,081,214	24,038,046
Long-term liabilities:			
Long-term debt	1,184,824	1,038,666	11,996,604
Liability for retirement benefits	14,309	14,734	170,178
Allowance for point mileage	32,313	25,606	295,750
Lease obligations	273,028	521,095	6,018,653
Deferred tax liabilities	21,410	16,673	192,573
Other liabilities	108,347	140,156	1,618,804
Total long-term liabilities	1,634,231	1,756,930	20,292,562
Commitments and contingent liabilities (Notes 5)			
Equity (Notes 8 and 11):			
Common stock:			
Authorized: 3,600,000,000 shares			
Issued: 1,107,728,781 shares as of December 31, 2011 and 1,115,489,458 shares as of December 31, 2012	213,798	222,203	2,566,447
Additional paid-in capital	237,202	193,739	2,237,688
Stock acquisition rights	886	944	10,902
Retained earnings	466,863	699,698	8,081,520
Treasury stock—at cost:			
9,213,447 shares as of December 31, 2011 and 9,183,744 shares as of December 31, 2012	(22,946)	(22,873)	(264,183)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	286	1,256	14,507
Deferred gain (loss) on derivatives under hedge accounting	(1,079)	36,143	417,452
Foreign currency translation adjustments	(58,868)	6,692	77,293
Subtotal	836,142	1,137,802	13,141,626
Minority interests	484,982	535,606	6,186,255
Total equity	1,321,124	1,673,408	19,327,881
Total liabilities and equity	¥4,498,763	¥5,511,552	$63,658,489

See notes to consolidated financial statements.

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	For the nine months ended December 31, 2011	2012	2012
	(millions of yen)		(thousands of U.S. dollars) (Note 1)
Net sales	¥2,398,192	¥2,509,790	$28,988,103
Cost of sales	1,100,773	1,163,227	13,435,285
Gross profit	1,297,419	1,346,563	15,552,818
Selling, general and administrative expenses	764,635	746,414	8,621,090
Operating income	532,784	600,149	6,931,728
Other income (expenses):			
Interest income	1,632	1,721	19,878
Interest expense	(53,272)	(26,394)	(304,851)
Equity in losses of affiliated companies	(3,632)	(22,999)	(265,639)
Gain on sale of investment securities, net (Note 6)	83,634	3,738	43,174
Valuation loss on investment securities	(9,322)	(10,514)	(121,437)
Other, net (Note 7)	(33,506)	(19,971)	(230,665)
Other expenses, net	(14,466)	(74,419)	(859,540)
Income before income taxes and minority interests	518,318	525,730	6,072,188
Income taxes:			
Current	(146,401)	(214,519)	(2,477,697)
Deferred	(75,166)	(21,912)	(253,084)
Total income taxes	(221,567)	(236,431)	(2,730,781)
Net income before minority interests	296,751	289,299	3,341,407
Minority interests in net income	(46,669)	(53,932)	(622,915)
Net income	¥ 250,082	¥ 235,367	$ 2,718,492

	For the nine months ended December 31, 2011	2012	2012
	(Yen)		(U.S. dollars (Note 1))
Net income per share (Notes 8)			
Basic	¥ 227.83	¥ 213.79	$ 2.47
Diluted	221.85	209.97	2.43

See notes to consolidated financial statements.

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	For the nine months ended December 31		
	2011	2012	2012
	(millions of yen)		(thousands of U.S. dollars) (Note 1)
Net income before minority interests	¥296,751	¥289,299	$3,341,407
Other comprehensive income (loss):			
Unrealized loss on available-for-sale securities	(35,949)	(9,288)	(107,277)
Deferred gain (loss) on derivatives under hedge accounting	(12,747)	37,133	428,887
Foreign currency translation adjustments	(3,329)	29,119	336,325
Share of other comprehensive income (loss) in affiliated companies	(6,601)	7,971	92,065
Total other comprehensive income (loss)	(58,626)	64,935	750,000
Comprehensive income	¥238,125	¥354,234	$4,091,407
Total comprehensive income attributable to:			
Owners of the parent	¥194,502	¥300,712	$3,473,227
Minority interests	43,623	53,522	618,180

See notes to consolidated financial statements.

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the nine months ended December 31,		
	2011	2012	2012
	(millions of yen)		(thousands of U.S. dollars) (Note 1)
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 518,318	¥ 525,730	$ 6,072,188
Adjustments for:			
Income taxes paid	(191,106)	(215,840)	(2,492,954)
Depreciation and amortization	196,348	242,716	2,803,373
Amortization of goodwill	46,937	47,656	550,427
Equity in losses of affiliated companies	3,632	22,999	265,639
Dilution gain from changes in equity interest, net	(18,176)	(3,602)	(41,603)
Valuation loss on investment securities	9,322	10,514	121,437
Unrealized (appreciation) loss on valuation of investments and (gain) loss on sale of investments at subsidiaries in the U.S., net	(2,175)	1,393	16,089
Gain on sale of marketable and investment securities, net (Note 6)	(83,677)	(3,758)	(43,405)
Foreign exchange gain, net	(13)	(2,020)	(23,331)
Changes in assets and liabilities, net of effects from changes in scope of the consolidation:			
Decrease in receivables-trade	1,482	45,161	521,610
Decrease in payables-trade	(17,649)	(22,419)	(258,940)
Other, net	44,191	(53,151)	(613,896)
Total adjustments	(10,884)	69,649	804,446
Net cash provided by operating activities	507,434	595,379	6,876,634
Cash flows from investing activities:			
Purchases of property and equipment, and intangibles	(357,633)	(432,752)	(4,998,291)
Purchases of marketable and investment securities	(26,775)	(314,274)	(3,629,868)
Proceeds from sale of marketable and investment securities	80,258	18,307	211,446
Proceeds from advanced redemption of debt security (Note 9(2))	30,375	—	—
Acquisition of interests in subsidiaries newly consolidated, net of cash acquired	(53)	(2,040)	(23,562)
Other, net	3,135	(15,334)	(177,108)
Net cash used in investing activities	(270,693)	(746,093)	(8,617,383)

See notes to consolidated financial statements.

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the nine months ended December 31,		
	2011	2012	2012
	(millions of yen)		(thousands of U.S. dollars) (Note 1)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	(124,148)	350,358	4,046,639
Decrease in commercial paper	(25,000)	—	—
Proceeds from long-term debt	600,675	152,848	1,765,396
Repayment of long-term debt	(918,616)	(134,154)	(1,549,480)
Proceeds from issuance of bonds	129,354	109,431	1,263,929
Redemption of bonds	(163,438)	(95,000)	(1,097,251)
Proceeds from issuance of shares to minority shareholders	282	527	6,087
Proceeds from issuance of preferred securities by a subsidiary (Note 9(3))	200,000	—	—
Cash dividends paid	(5,386)	(65,206)	(753,130)
Cash dividends paid to minority shareholders	(16,900)	(16,517)	(190,772)
Proceeds from sale and lease-back of equipment newly acquired (Note 9(1))	198,529	258,895	2,990,240
Repayment of lease obligations	(111,531)	(139,612)	(1,612,520)
Payments for repurchase of minority interests and long-term debt (Note 9(4))	—	(200,444)	(2,315,131)
Other, net	(86,031)	(29,977)	(346,234)
Net cash provided by (used in) financing activities	(322,210)	191,149	2,207,773
Effect of exchange rate changes on cash and cash equivalents	(1,239)	4,985	57,577
Net increase (decrease) in cash and cash equivalents	(86,708)	45,420	524,601
Increase in cash and cash equivalents due to newly consolidated subsidiaries	69	3,782	43,682
Decrease in cash and cash equivalents due to exclusion of previously consolidated subsidiaries	(734)	(1,795)	(20,731)
Cash and cash equivalents, beginning of year	847,156	1,014,559	11,718,168
Cash and cash equivalents, end of year	¥ 759,783	¥1,061,966	$12,265,720

See notes to consolidated financial statements.

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1 Basis of presentation of interim consolidated financial statements

The accompanying interim consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which differ from International Financial Reporting Standards with respect to application and disclosure requirements.

The accounting standard for quarterly financial statements requires companies to prepare a set of interim consolidated financial statements for each quarter comprised of the consolidated balance sheet as of the current quarter-end, and the consolidated statements of income, and comprehensive income for the year-to-date period, as well as the consolidated statement of cash flows for the year-to-date period. A statement of changes in equity is not required.

The consolidated statements of income, comprehensive income for the current quarterly period, and changes in equity are not presented herein.

In preparing the interim consolidated financial statements, certain reclassifications and rearrangements have been made to the interim consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the December 2011 interim consolidated financial statements to conform them to the classifications used in the December 2012 interim consolidated financial statements.

The interim consolidated financial statements are stated in Japanese yen, the currency of the country in which SoftBank Corp. (the "Company") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥86.58 to $1, the approximate rate of exchange on December 28, 2012. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2 Significant accounting policies

Substantially the same accounting policies have been followed in these interim consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended March 31, 2012.

3 Significant Changes in Scope of Consolidation

The Company included newly established Starburst I Inc. and Starburst II Inc. in the scope of consolidation from the quarter ended December 31, 2012.

4 Additional Information

Acquisition of Sprint Nextel Corporation

On October 15, 2012, the Company and Sprint Nextel Corporation ("Sprint") in the U.S. entered into a series of definitive agreements under which the Company will invest approximately $20.1 billion (the "transaction") in Sprint, consisting of approximately $12.1 billion to be paid to Sprint shareholders and $8.0 billion of new capital to be used, among other purposes, to strengthen Sprint's balance sheet.

The transaction, which has been approved by the Boards of Directors of both the Company and Sprint, is subject to approval at a meeting of the Sprint shareholders, customary antitrust, Federal Communications Commission and other regulatory approvals and the satisfaction or waiver of other closing conditions, including accuracy of representations and warranties.

The Company and Sprint expect the closing of the transaction will occur in mid-2013. As a result of the transaction, the Company will own approximately 70% of the fully-diluted (as used herein, not giving effect to out-of-the-money options) shares of New Sprint (as defined below), which will own 100% of the shares of Sprint.

(1) Purposes of acquisition

[1] Enable the Company to establish an operating base as one of the largest mobile Internet companies in the world. The combined subscriber base will be one of the largest (Notes 1) between the U.S. and Japan, and the combined mobile telecom service revenue will rank third (Notes 2) among global operators.

[2] Enable the Company to leverage its significant expertise in smartphones and next-generation mobile networks, as well as its track record of success in competing in mature markets with large incumbents, to enhance Sprint's competitiveness in the U.S.

[3] Provide Sprint with $8.0 billion of new capital for its mobile network, strategic investments, and balance sheet as part of its continued efforts to fortify its operating base towards future growth.

Notes:

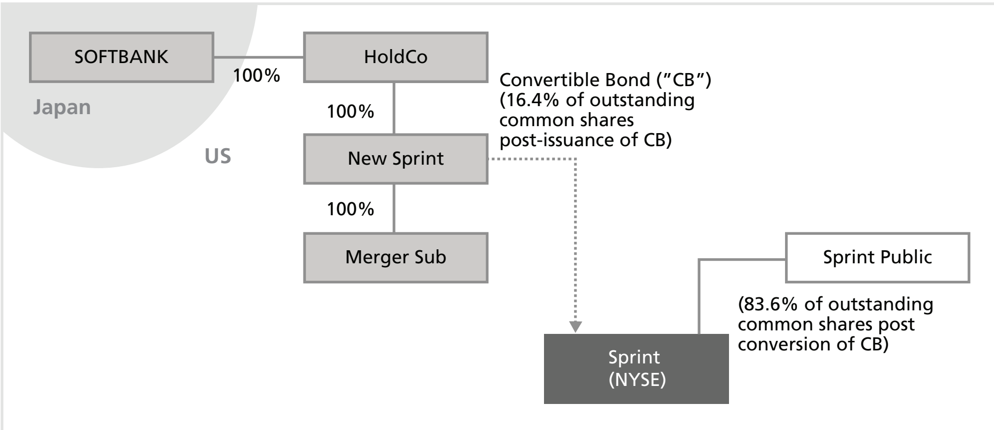
1. Based on Wireless Intelligence data, TCA data, and disclosed material by relevant companies. U.S. as of June 2012, and Japan as of September 2012 (eAccess Ltd. data as of August 2012).
2. Based on disclosures by global mobile operators such as China Mobile and Verizon Wireless (January to June 2012).

(2) Outline of acquisition

[1] Establishment of subsidiaries

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

Via New Sprint, the Company invested $3.1 billion in Sprint in the form of a newly-issued convertible bond (the "Bond") on October 22, 2012 (EST). The Bond has a 1.0% coupon rate with a seven-year maturity and, if the merger agreement is terminated prior to completion of the merger (as defined in [2] below), subject to regulatory approval, will be convertible, or if the merger (as defined in [2] below) is completed, will be converted, at $5.25 per share into 16.4% of outstanding Sprint common shares on a post-issuance basis (subject to customary adjustments).



[2] Merger

Following receipt of Sprint shareholder and regulatory approval and the satisfaction or waiver of the other closing conditions to the transaction, the Company will capitalize, through HoldCo, New Sprint with an additional approximately $17.0 billion. Approximately $12.1 billion will be distributed to Sprint shareholders as merger consideration. Merger Sub will merge with and into Sprint, as a result of which:

(a) Sprint will become a wholly-owned subsidiary of New Sprint.

(b) In aggregate, Sprint shareholders will receive, in exchange for their Sprint shares approximately 30% of the fully-diluted equity of New Sprint and approximately $12.1 billion cash.

(c) Individual Sprint shareholders will have the right to elect to receive, for each share of Sprint that they own, either (i) $7.30 in cash or (ii) one share of New Sprint stock, subject to proration if shareholders in the aggregate elect more than the total amount of cash or stock consideration, as applicable (which would result in the receipt of a mix of cash and stock).

(d) Holders of Sprint stock options will receive stock options in the New Sprint.

(e) The Bond will be converted into shares of Sprint, with the value of such shares reflected (together with the Company's additional investment) in approximately 70% of the fully-diluted equity of New Sprint which HoldCo will hold after consummation of the merger.

(f) New Sprint will issue a 5 year warrant for approximately 55 million shares of New Sprint with an exercise price of U$5.25 per share (Warrant) to HoldCo.

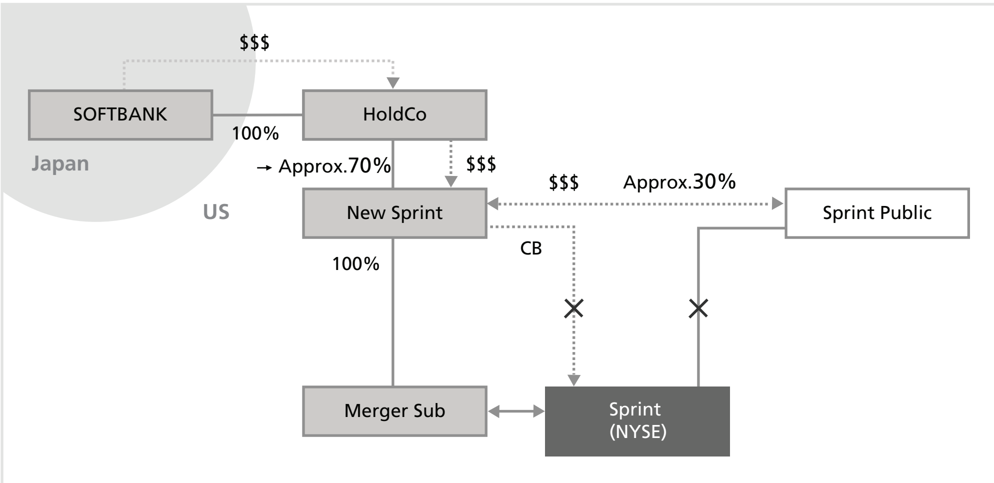
(g) New Sprint is expected to succeed Sprint's New York Stock Exchange listing as a publicly traded company in the US.

Other key terms include:

(a) The Company must pay Sprint a termination fee of $600 million if the merger does not close because the Company does not obtain financing.

(b) Sprint must pay the Company a termination fee of $600 million if the merger does not close because Sprint accepts a superior offer by a third party.

(c) Sprint must pay up to $75 million of the Company's expenses if Sprint's shareholders do not approve the transaction at their shareholders meeting.



[3] Post-transaction (fully-diluted basis)

Post-transaction:

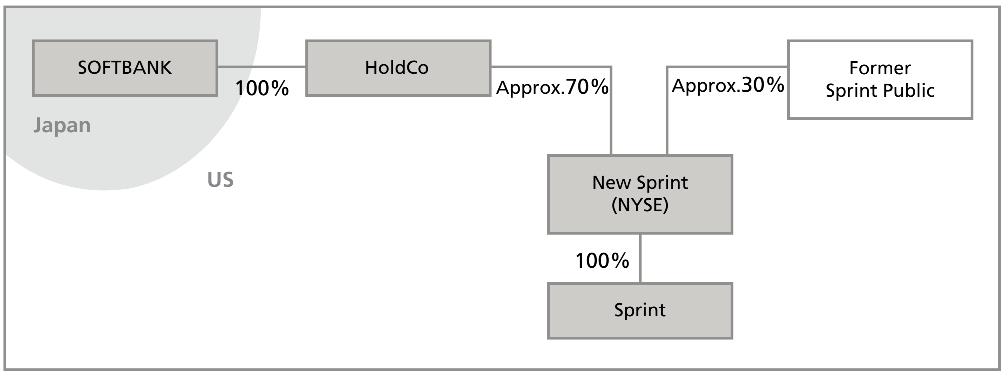
(a) The Company will own, through HoldCo, approximately 70% of New Sprint shares and Sprint shareholders will own approximately 30% of New Sprint shares in aggregate on a fully-diluted basis.

(b) New Sprint will retain $4.9 billion of the $17.0 billion contribution by the Company, which, in combination with the $3.1 billion purchase price for the Bond, represents an $8.0 billion dollar contribution to the New Sprint balance sheet.

(c) Sprint's current CEO Dan Hesse will be the CEO of New Sprint.

(d) New Sprint will have a 10-member board of directors, including three members from the current Sprint Board of Directors as well as the CEO.

(e) Sprint's headquarters will continue to be in Overland Park, Kansas.



(3) New Sprint's number of shares to be acquired, acquisition price and state of share ownership before and after acquisition

[1] Number of shares held before transfer	0 shares (number of voting rights: 0) (voting rights holding ratio: 0.0%)
[2] Number of shares to be acquired	3,241,403,146 shares*
[3] Acquisition price	Total amount invested: approx. $20.1 billion Advisory fees and others: to be determined
[4] Number of shares held after transfer	3,241,403,146 shares* (number of voting rights: 3,241,403,146) (voting rights holding ratio: 70.0%)

Note:* Based on Sprint's fully-diluted shares (as of October 15, 2012, calculated not giving effect to out-of-the-money options) and giving effect to full exercise of the warrant.

(4) Financing

In order to raise necessary funds for the transaction, on December 18, 2012, as mentioned below, the Company entered into a bridge loan agreement for a maximum amount of ¥1.65 trillion ($19.1 billion) with financial institutions. The maximum amount was amended to ¥1.28 trillion ($14.8 billion) in March 2013. The loan procured under the agreement is planned to be refinanced as medium and long term loan.

Summary of the loan agreement

([4] Maximum total amount of borrowing is after the decrease in March 2013)

[1] Borrower	The Company
[2] Mandated lead arrangers (MLAs)	Mizuho Corporate Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd. Deutsche Bank AG, Tokyo Branch
[3] Date of execution	December 18, 2012
[4] Maximum total amount of borrowing	¥1.28 trillion ($14.8 billion) (Breakdown) Facility A: ¥250 billion ($2,888 million) Facility B: ¥1.03 trillion ($11.9 billion)
[5] Loan drawdown date	Facility A: December 21, 2012 Facility B: At the time of the Sprint acquisition
[6] Use of loan proceeds	Facility A: Investment in Sprint in the form of newly-issued convertible bonds (restore balance of cash on hand used for the investment in Sprint in the form of newly-issued convertible bonds in October 2012) Facility B: Investment in and resulting acquisition of Sprint
[7] Maturity	December 17, 2013
[8] Collateral	(a) Shares of Starburst I, Inc. held by the Company (b) Shares of Starburst II, Inc. and all other assets held by Starburst I, Inc. (c) Sprint convertible bonds and all other assets held by Starburst II, Inc.*
[9] Guarantors	(a) Pre-transaction: Starburst I, Inc. and Starburst II, Inc. (b) Post-transaction: Starburst I, Inc., SoftBank Mobile Corp., SoftBank BB Corp. and SoftBank Telecom Corp.

Note:* Until immediately prior to, but subject to the occurrence of, the Company's acquisition of Sprint.

(5) Foreign currency forward contracts

Following receipt of Sprint shareholders and regulatory approvals and the satisfaction or waiver of the other closing conditions to the transaction, in addition to a $3.1 billion convertible bond subscribed on October 22, 2012, the Company will capitalize, through HoldCo, New Sprint with an additional approximately $17.0 billion. The Company entered into foreign currency forward contracts to hedge foreign exchange risk related to the additional investment and applies hedge accounting to the contracts.

(6) Outline of Sprint

[1] Name	Sprint Nextel Corporation
[2] Address	6200 Sprint Parkway, Overland Park, Kansas
[3] Name and title of representative	Daniel R. Hesse, Chief Executive Officer and President
[4] Business description	Telecommunications
[5] Paid-in capital	$46,716 million (as of December 31, 2011)
[6] Date of foundation	November 15, 1938

5 Guarantee obligation

The Company has entered into a sponsor agreement with WILLCOM, Inc. during the fiscal year ended March 2011. Under the sponsor agreement, the Company will provide necessary financial support to WILLCOM, Inc. for business operation and execution of the rehabilitation plan. The agreement is effective until WILLCOM, Inc. completes the payment of its reorganization claims and reorganization security interests (total amount ¥41,000 million) amounting to ¥34,165 million as of December 31, 2011 and ¥27,379 million ($316,228 thousand) as of December 31, 2012, respectively.

6 Gain on sale of investment securities, Proceeds from sale of marketable and investment securities and repayment of long-term debt

"Gain on sale of investment securities, net" for the nine-month period ended December 31, 2011 is primarily attributable to a ¥76,430 million gain on the sale of Yahoo! Inc. shares.

In February 2004, the Company entered into a variable share prepaid forward contract ("collar transaction") with CITIBANK, N.A. through its U.S. subsidiary utilizing Yahoo! Inc. shares held by the U.S. subsidiary in order to effectively hedge the variability of cash flows associated with the future market price of the underlying securities. At the same time, the Company financed $1,135 million from CITIBANK, N.A., which would be settled at maturity by delivering Yahoo! Inc. shares.

During the nine-month period ended December 31, 2011, the obligation reached maturity and the cash proceeds received by the Company's U.S. subsidiary from delivering the shares of Yahoo! Inc. (cost of $142 million) to CITIBANK, N.A. were used to repay the related obligation. "Gain on sale of investment securities, net" of ¥76,430 million, was recorded as a result of settling the variable share prepaid forward contracts. This was a U.S. dollar denominated transaction, and the gain in U.S. dollars was $993 million.

In the consolidated cash flow statement, the proceeds of ¥57,191 million equaled the $743 million fair value of the shares, the transaction amount denominated in U.S. dollar, when delivered and was recorded as "Proceeds from sale of marketable and investment securities." The same amount of ¥57,191 million was recorded as "Repayment of long-term debt."

The difference between the obligation balance of $1,135 million at maturity and the $743 million of proceeds from delivering the shares of Yahoo! Inc., which was used for the settlement of the obligation, was a realized gain on the variable share prepaid forward contracts upon the settlement. The balance of the obligation after deduction of the realized gain on the variable share prepaid forward contracts was the same amount of the fair value of Yahoo! Inc. shares delivered for the repayment of the obligation, and therefore, this amount was recorded under "Repayment of long-term debt."

During the year ended March 31, 2011, the shares of Yahoo! Inc. were reclassified to "Marketable securities" under current assets from "Investment securities" under investment and other assets. This was to coincide with the reclassification of the related obligation under current liabilities, of which the remaining period until maturity was less than one year. Accordingly, the gain on sale from this transaction was recorded as "Gain on sale of investment securities, net."

7 Other income (expenses)—other, net

Other income (expenses)—other, net, for the nine-month periods ended December 31, 2011 and 2012 consisted of the following:

	For the nine-month period ended December 31,		
	2011	2012	2012
	(millions of yen)		(thousands of U.S. dollars)
Unrealized appreciation (loss) on valuation of investments and gain (loss) on sale of investments at subsidiaries in the United States, net (Note 1)	¥ 2,175	¥ (1,393)	$ (16,089)
Dilution gain from changes in equity interest	18,375	3,985	46,027
Refinancing related expense	(24,907)	—	—
Financing related expenses (Note 2)	—	(19,027)	(219,762)
Premium expense on advanced repayment of long-term debt	(21,875)	—	—
Other, net	(7,274)	(3,536)	(40,841)
Total	¥(33,506)	¥(19,971)	$(230,665)

1. Unrealized appreciation (loss) on valuation of investments and gain (loss) on sale of investments at subsidiaries in the United States, net

Certain subsidiaries in the United States are investment companies under the provisions set forth in ASC 946 and account for investment securities in accordance with ASC 946.

The net changes in the fair value of the investments and gain (loss) on sale of investments, computed based on the acquisition cost, are included in this account. The breakdown of the account is as follows:

	For the nine-month period ended December 31,		
	2011	2012	2012
	(millions of yen)		(thousands of U.S. dollars)
Unrealized appreciation (loss) on valuation of investment at subsidiaries in the U.S., net	¥1,986	¥ (113)	$ (1,305)
Gain (loss) on sale of investments at subsidiaries in the U.S., net	189	(1,280)	(14,784)
Total	¥2,175	¥(1,393)	$(16,089)

2. Financing related expenses

Financing related expenses are primarily associated with a bridge loan agreement for a maximum amount of ¥1.65 trillion, which was entered into on December 18, 2012, in order to raise the necessary funds for the acquisition of Sprint.

8 Net income per share

Reconciliation of the differences between basic and diluted net income per share (“EPS”) for the nine-month periods ended December 31, 2011 and 2012 is as follows:

	For the nine-month period ended December 31, 2011		
	Net income	Weighted-average shares	EPS
	(millions of yen)	(number of shares)	(Yen)
Basic EPS			
Net income available to common shareholders	¥250,082	1,097,670,072	¥227.83
Effect of dilutive securities		30,781,024	
Warrants	—		
Convertible bonds	334		
Effects of dilutive securities issued by consolidated subsidiaries and affiliated companies under the equity method	(67)		
Diluted EPS			
Net income for computation	¥250,349	1,128,451,096	¥221.85

	For the nine-month period ended December 31, 2012			
	Net income	Weighted-average shares	EPS	
	(millions of yen)	(number of shares)	(Yen)	(Dollars)
Basic EPS				
Net income available to common shareholders	¥235,367	1,100,942,038	¥213.79	$2.47
Effect of dilutive securities		20,899,927		
Warrants	—			
Convertible bonds	242			
Effects of dilutive securities issued by consolidated subsidiaries and affiliated companies under the equity method	(59)			
Diluted EPS				
Net income for computation	¥235,550	1,121,841,965	¥209.97	$2.43

9 Supplemental cash flow information

(1) Proceeds from sale and lease back of equipment newly acquired

Once the Group purchases telecommunications equipment for the purpose of assembly, installation and inspection, the Group sells the equipment to lease companies for sale and lease—back purposes. The leased asset and lease obligation are recorded in the consolidated balance sheet.

The cash outflows from the purchases of the equipment from vendors are included in purchases of property and equipment, and intangibles, and the cash inflows from the sale of the equipment to lease companies are included in proceeds from sales and lease back of equipment newly acquired.

(2) Proceeds from advanced redemption of debt security

In January 2010, the Company acquired corporate bonds issued by J-WBS Funding K.K. to provide part of the funding for the SBM loan under the whole business securitization scheme associated with the acquisition of Vodafone K.K. (currently SoftBank Mobile Corp.) and recorded the corporate bonds as "Investment securities" on the consolidated balance sheet. Proceeds from advanced redemption of debt security are proceeds from the advanced redemption of the corporate bonds with accompanying the repayment of the entire SBM loan in October 2011.

(3) Proceeds from issuance of preferred securities by a subsidiary

Proceeds from issuance of preferred securities by a subsidiary are proceeds from the issuance of preferred securities with limited voting right (preferred securities which have the nature of a stock prescribed in Financial Instruments and Exchange Act Article 2 (1) (ix), which is a part of securities described in Financial Instruments and Exchange Act Article 2 (1) (xvii)) to investors through public offering in Japan by the Company's consolidated subsidiary, SFJ Capital Limited.

(4) Payments for repurchase of minority interests and long-term debt

In April 2006, BB Mobile Corp issued class 1 preferred stock-series 1 and stock acquisition rights to Vodafone International Holdings B.V. and obtained a subordinated loan from Vodafone Overseas Finance Limited as a series of financing transactions for the Group's acquisition of Vodafone K.K. (currently SoftBank Mobile Corp.). In November 2006, refinancing of the funds for the acquisition was conducted, and SoftBank Mobile Corp. assumed BB Mobile Corp's subordinated loan.

In December 2010, the Company acquired aforementioned all class 1 preferred stock-series 1 and stock acquisition rights issued by BB Mobile Corp. to Vodafone International Holdings B.V., and all principal and accrued interest of a long-term loan receivable from SoftBank Mobile Corp. held by Vodafone Overseas Finance Limited for the total amount of ¥412,500 million.

Amounting to ¥212,500 million out of the total amount and the remaining amount of ¥200,000 million ($2,310,002 thousand) were paid with the related expenses associated with the acquisition (¥63 million in December 2010 and ¥444 million ($5,128 thousand) in April 2012) in December 2010 and in April 2012, respectively.

10 Dividends paid

For the nine-month period ended December 31, 2011

Resolution	Class of shares	Amount of dividend	Dividend per share	Record date	Effective date	Source of dividend
Ordinary general meeting of shareholders, June 24, 2011 . . .	Common stocks	¥5,412 million	¥5.00	March 31, 2011	June 27, 2011	Retained earnings

For the nine-month period ended December 31, 2012

Resolution	Class of shares	Amount of dividend	Dividend per share	Record date	Effective date	Source of dividend
Ordinary general meeting of shareholders, June 22, 2012 . . .	Common stocks	¥ 43,941 million ($507,519 thousand)	¥40.00 $ (0.46)	March 31, 2012	June 25, 2012	Retained earnings
Board meeting, November 15, 2012	Common stocks	¥ 22,104 million ($255,301 thousand)	¥20.00 $ (0.23)	September 30, 2012	December 14, 2012	Retained earnings

11 Significant Changes in Shareholders' Equity

Alibaba Group Holding Limited, the Company's affiliate company under the equity method, acquired the shares of Alibaba.com Limited, a subsidiary of Alibaba Group Holding Limited, through its takeover bid in June 2012 and conducted the privatization of Alibaba.com Limited. Financial statements of Alibaba Group Holding Limited were prepared in accordance with accounting principles generally accepted in the United States, and Alibaba Group Holding Limited recorded the change in the interests in its controlled subsidiary as a decrease in additional paid-in capital.

The Company applied "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (Practical Issues Task Force No.24)" for the transaction, and as a result, additional paid-in capital decreased by ¥51,208 million ($591,453 thousand) during the nine-month period ended December 31, 2012.

12 Significant subsequent events

(1) Share exchange between the Company and eAccess Ltd. and partial transfer of eAccess Ltd. shares

The Company and eAccess Ltd. ("eAccess") completed a share exchange (the "Share Exchange"). The Company became the sole parent company of eAccess and eAccess became a wholly-owned subsidiary effective January 1, 2013.

eAccess acquired all common shares held by the Company and newly issued class A shares (without voting rights) and class B shares (with voting rights) to the Company on January 17, 2013. The Company transferred 66.71 % of class B shares (with voting rights) to 11 third-party purchasers based on the share transfer agreement on the same date. eAccess became the Company's affiliated company as a result of the transaction.

Note: Rights on class A shares are the same as that of class B shares, except for voting rights.

Details of the Share Exchange and the partial transfer of shares are as follows:

1. The Share Exchange between the Company and eAccess

<1> Purpose of the Share Exchange

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

(Effects of making eAccess a group company)

[1] Shared utilization of mobile communications network

[2] Mutual collaboration on efficient operation of base station sites

[3] Creation of synergies

<2>Method of the Share Exchange

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

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

<3>Details of the Share Exchange

20.09 common shares of the Company are exchanged into 1 common share of eAccess. Total number of granted common shares of the Company was 69,871,312. All granted shares were newly issued and treasury stock held by the Company were not granted.

The acquisition amount of eAccess common shares (accompanying costs are not included) based on the Share Exchange is ¥219,396 million ($2,534,026 thousand),* which was the fair value of the granted common shares of the Company at one day before the effective date of the Share Exchange.

Note:*69,871,312 shares (number of granted shares) × ¥3,140 ($36.27) (closing share price of the Company at Tokyo Stock Exchange 1st section as of December 28, 2012)

2. Partial transfer of eAccess shares

<1> Reason for partial transfer of eAccess shares

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

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

<2> Companies to which the shares were transferred

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

<3> The number of shares transferred, and the number of shares held before and after the transfer

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

Before the share transfer

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

After the share transfer

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

<4> Other

The share transfer is not expected to have a material impact on the Company's consolidated results for the fiscal year ending March 2013.

(2) Change in scope of consolidation regarding GungHo Online Entertainment, Inc.

A subsidiary of the Company, SoftBank Mobile Corp. (the "SoftBank Mobile"), has resolved at its board of directors meeting on March 25, 2013, to acquire by tender offer (the "Tender Offer") the additional ordinary shares of an equity method affiliate of the Company, GungHo Online Entertainment, Inc. ("GungHo"). Accordingly, SoftBank Mobile undertook the Tender Offer on April 1, 2013 and expects to acquire the additional shares on May 7, 2013. In connection with the Tender Offer, SoftBank Mobile entered into agreement to tender shares in the Tender Offer (the "Share Tender Agreement") on March 25, 2013, with ASIAN GROOVE GOUDOU GAISHA ("Asian Groove"; number of shares held: 166,710 shares (Note 1); percentage of voting interest: 14.47% (Note 2)), which is the third largest shareholder of GungHo and of which Taizo Son, the chairman of GungHo, is the representative partner. Under the Share Tender Agreement, Asian Groove has agreed to tender 73,400 shares (percentage of voting interest: 6.37%) of the shares of GungHo, which are a portion of the shares of GungHo held by it.

In addition, Masayoshi Son, chairman and CEO of the Company, has entered into a Memorandum of Understanding on Exercise of Voting Rights for Deferment of Execution of Pledges (the "MOU") with respect to the shares of GungHo on April 1, 2013, with Heartis Inc. (the "Heartis"; number of shares held : 213,080 shares; percentage of voting interest: 18.5%), which is the second largest shareholder of GungHo and Taizo Son's asset management company and of which Taizo Son, chairman of GungHo, is the representative director. Under the MOU, in order to have Son Holdings Inc. (the "Son Holdings"), of which Masayoshi Son is a director and which is a Masayoshi Son's asset management company, defer the execution of pledges over the shares of GungHo held by Heartis, Heartis has agreed, effective as of April 1, 2013, to the effect that at the shareholders meeting of GungHo, Heartis will exercise the voting rights for all of the shares of GungHo it holds in accordance with Masayoshi Son's directions.

Consequently, GungHo becomes a consolidated subsidiary of the Company from an equity method affiliate.

(Note 1) GungHo has resolved to execute a share split, effective April 1, 2013, at a ratio of ten shares for every one share ("GungHo Share Split"). As a result, the number of shares held is set out using the figure calculated by multiplying the number of shares before the GungHo's Share Split by ten and converting that quotient to the number of shares after the GungHo Share Split (the "Number of Shares After GungHo Share Split"), and the number of voting rights for the number of shares held is set out to that effect with respect to the Number of Shares After GungHo's Share Split.

(Note 2) The percentage of voting interest is calculated using the number of voting rights (1,152,010 rights) relating to the Number of Shares After the GungHo's Share Split (1,152,010 shares) as the denominator, which is based on the number of shares (115,201 shares; the Number of Shares After

GungHo's Share Split: 1,152,010 shares) calculated by adding (i) the total number of GungHo's outstanding shares as at December 31, 2012 (114,981 shares; the Number of Shares After GungHo's Share Split: 1,149,810 shares) set out in the 16th Annual Securities Report filed by GungHo on March 22, 2013, to (ii) the number of shares of GungHo (220 shares; the Number of Shares After GungHo's Share Split: 2,200 shares) that are subject to the number of the options as at December 31, 2012 (44 options) that are the series 1 options that were issued on July 30, 2004 pursuant to GungHo's extraordinary shareholder meeting resolution adopted on May 17, 2004 and extraordinary board of directors resolution adopted on June 21, 2004, that are set out in that Annual Securities Report.

Overview of the Tender Offer is as follows:

1 Overview of the business combination

<1> Purpose of the Tender Offer

The Company recognized the importance of enhancing mobile content by combining smartphone-focused development capability and infrastructure held by SoftBank Mobile and planning and creating capability in the smartphone game industry held by GungHo to further improve the efficiency in operation of the mobile communications business, profitability and competitiveness. As a result, the Company came to the conclusion that it is necessary to establish a direct capital relationship between SoftBank Mobile and GungHo. In addition, it is important not only for SoftBank Mobile but also for the SoftBank Group, which has based its business growth on the Internet, to address the environmental change caused by online devices, enhance the content lineup catering to the market decision various needs, and strengthen the content distribution capability of the SoftBank Group. This also led to the conclusion to enhance the capital relationship with GungHo.

It is also expected that enhancing the capital relationship with GungHo and utilizing the global management resources held by the SoftBank Group will contribute to the revenue and the expansion of distribution channels of online and smartphone games, and allow GungHo, SoftBank Mobile and the SoftBank Group to enhance their revenue base and enterprise value.

<2> Outline of GungHo

1 Name	GungHo Online Entertainment, Inc.
2 Address	3-8-1 Marunouchi, Chiyoda-ku, Tokyo
3 Name and Title of Representative	Kazuki Morishita, Representative director, President and CEO
4 Business Description	Plan, development, operation and distribution of Internet online game Plan and development of mobile content Plan, development and sales of character goods Plan, development and distribution of other entertainment content
5 Common stock	JPY 5,332,504,000 (as of December 31, 2012)
6 Date of Incorporation	July 1, 1998

<3> Date of business combination

May 7, 2013 (Deemed acquisition date: April 1, 2013)

<4> Legal form of business combination

Acquisition of shares by Cash

<5> The number of shares held and percentage of voting interest

A) Before the Tender Offer

Shareholder	Number of shares held	Number of voting rights	Percentage of voting interest
SoftBank BB Corp.	387,440 shares	387,440	33.63%

B) Additional Shares acquired by the Tender Offer

Shareholder	Number of shares held	Number of voting rights	Percentage of voting interest
SoftBank Mobile	73,400 shares	73,400	6.37%

C) After the Tender Offer

Shareholder	Number of shares held	Number of voting rights	Percentage of voting interest
SoftBank BB Corp.	387,440 shares	387,440	33.63%
SoftBank Mobile	73,400 shares	73,400	6.37%
Total	460,840 shares	460,840	40.00%

Note: Combined with shares held by Heartis, which has agreed with Masayoshi Son, chairman and CEO of the Company, who has a close relationship with the Company that at the shareholders meeting of GungHo, Heartis will exercise the voting rights for all of the shares of GungHo it holds in accordance with Masayoshi Son's directions, the number of shares held will be 673,920 shares (number of voting rights 673,920, percentage of voting interest 58.50%)

2 Basis of acquisition cost

The breakdown of the acquisition cost is SoftBank Mobile's additional acquisition of ¥24,976 million ($288,473 thousand) (excluding the related expenses) by the Tender Offer and the fair value of shares of ¥153,620 million ($1,774,313 thousand), held by SoftBank BB Corp. The total is ¥178,596 million ($2,062,786 thousand).

By evaluating the shares held by SoftBank BB Corp. at fair value, ¥150,120 million ($1,733,888 thousand), which is the difference between the book value on a consolidation basis of ¥3,500 million ($40,425 thousand) at the time of obtaining control and the fair value of ¥153,620 million ($1,774,313 thousand), will be recorded as other income in the first quarter of fiscal year ending March 31, 2014.

3 Purchase Price Allocation of acquisition cost

Purchase Price Allocation of acquisition cost is not determined yet.

13 Segment information

Information about sales and profit is as follows

	For the nine-month period ended December 31, 2					
	Reportable segments					
-	Mobile Communications	Broadband Infrastructure	Fixed-line Telecommunications	Internet Culture	Subtotal	Othe
					Millions of yen	
Net Sales						
external customers	¥ 1,613,652	¥ 118,405	¥ 214,623	¥ 213,050	¥ 2,159,730	¥ 238,
intersegment	5,526	11,385	55,434	2,893	75,238	26,
Total	1,619,178	129,790	270,057	215,943	2,234,968	264,
Segment Operating Income	¥ 346,479	¥ 28,306	¥ 42,847	¥ 114,983	¥ 532,615	¥ 9,

	For the nine-month period ended December 31, 2					
	Reportable segments					
-	Mobile Communications	Broadband Infrastructure	Fixed-line Telecommunications	Internet Culture	Subtotal	Othe
					Millions of yen	
Net Sales						
external customers	¥ 1,692,617	¥ 103,993	¥ 223,640	¥ 237,067	¥ 2,257,317	¥ 252,
intersegment	5,265	18,859	64,140	2,354	90,618	29,
Total	1,697,882	122,852	287,780	239,421	2,347,935	281,
Segment Operating Income	¥ 389,934	¥ 29,038	¥ 52,159	¥ 129,095	¥ 600,226	¥ 9,

	For the nine-month period ended December 31, 2					
	Reportable segments					
-	Mobile Communications	Broadband Infrastructure	Fixed-line Telecommunications	Internet Culture	Subtotal	Othe
					Thousands of U.S. dollars	
Net Sales						
external customers	$19,549,746	$1,201,120	$2,583,045	$2,738,126	$26,072,037	$2,916,
intersegment	60,811	217,822	740,817	27,189	1,046,639	340,
Total	19,610,557	1,418,942	3,323,862	2,765,315	27,118,676	3,256,
Segment Operating Income	$ 4,503,742	$ 335,389	$ 602,437	$1,491,049	$ 6,932,617	$ 107,

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Note: The consolidated financial statements of Sprint and Clearwire included in the Form 10-K set forth herein were prepared under U.S. GAAP, which differs in certain significant respects from Japanese GAAP. See "Summary of Certain Significant Differences Between Japanese GAAP, U.S. GAAP and IFRS". Accordingly, these financial statements of Sprint and Clearwire are not directly comparable to our consolidated financial statements included elsewhere in this offering memorandum. In addition, from the first quarter of the fiscal year ending March 31, 2014, we expect to report our consolidated financial statements in accordance with IFRS, and thus after the Sprint Acquisition we expect to consolidate Sprint's financial results prepared under IFRS. Such financial results of Sprint prepared under IFRS may differ materially in their impact on us as compared to Sprint's financial results prepared under U.S. GAAP. We did not prepare, nor did we have any role in the preparation of, the Form 10-K set forth herein, which was prepared by Sprint management for the purpose of complying with Sprint's reporting requirements under U.S. securities laws. No information filed or furnished with, or incorporated by reference in, the Form 10-K set forth herein is part of this offering memorandum.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2012

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-04721

SPRINT NEXTEL CORPORATION
(Exact name of registrant as specified in its charter)

KANSAS	**48-0457967**
(State or other jurisdiction of incorporation or organization)	***(I.R.S. Employer Identification No.)***
6200 Sprint Parkway, Overland Park, Kansas	**66251**
(Address of principal executive offices)	***(Zip Code)***

Registrant's telephone number, including area code: (800) 829-0965

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Series 1 common stock, $2.00 par value	New York Stock Exchange
Guarantees of Sprint Capital Corporation 6.875% Notes due 2028	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer (Do not check if smaller reporting company)	☐	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes ☐ No ☒

Aggregate market value of voting and non-voting common stock equity held by non-affiliates at June 30, 2012 was $9,762,996,418

COMMON SHARES OUTSTANDING AT FEBRUARY 25, 2013:

VOTING COMMON STOCK	
Series 1	3,010,769,241

SPRINT NEXTEL CORPORATION

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PART I

Item 1. Business

OVERVIEW

Sprint Nextel Corporation, incorporated in 1938 under the laws of Kansas, is mainly a holding company, with its operations primarily conducted by its subsidiaries. Our Series 1 voting common stock trades on the New York Stock Exchange (NYSE) under the symbol "S." Sprint Nextel Corporation and its subsidiaries ("Sprint," "we," "us," "our" or the "Company") is a communications company offering a comprehensive range of wireless and wireline communications products and services that are designed to meet the needs of individual consumers, businesses, government subscribers and resellers. Our operations are organized to meet the needs of our targeted subscriber groups through focused communications solutions that incorporate the capabilities of our wireless and wireline services. We are the third largest wireless communications company in the United States based on wireless revenue, one of the largest providers of wireline long distance services, and one of the largest Internet carriers in the nation. Our services are provided through our ownership of extensive wireless networks, an all-digital global long distance network and a Tier 1 Internet backbone.

We offer wireless and wireline voice and data transmission services to subscribers in all 50 states, Puerto Rico, and the U.S. Virgin Islands under the Sprint corporate brand, which includes our retail brands of Sprint®, Boost Mobile®, Virgin Mobile®, and Assurance Wireless® on networks that utilize third generation (3G) code division multiple access (CDMA), integrated Digital Enhanced Network (iDEN), or Internet protocol (IP) technologies. We also offer fourth generation (4G) services through our deployment of Long Term Evolution (LTE) as part of our network modernization plan, Network Vision, and also utilize Worldwide Interoperability for Microwave Access (WiMAX) technology through our mobile virtual network operator (MVNO) wholesale relationship with Clearwire Corporation and its subsidiary Clearwire Communications LLC (together, "Clearwire"). We utilize these networks to offer our wireless and wireline subscribers differentiated products and services whether through the use of a single network or a combination of these networks.

Recent Developments

On October 15, 2012, we entered into an Agreement and Plan of Merger (Merger Agreement) with SOFTBANK CORP., a *kabushiki kaisha* organized and existing under the laws of Japan, and certain of its wholly-owned subsidiaries (together, "SoftBank"). Upon consummation of the merger (SoftBank Merger), (i) Sprint will become a wholly-owned subsidiary of a subsidiary of SoftBank (New Sprint), (ii) New Sprint will be a publicly traded company, (iii) SoftBank will indirectly own approximately 70% of New Sprint on a fully diluted basis, and (iv) the former stockholders and other equityholders of Sprint will own approximately 30% of the fully diluted equity of New Sprint. The SoftBank merger is subject to various conditions, including receipt of required regulatory approvals and approval of Sprint's stockholders, and is expected to close in mid-2013.

In addition, on October 15, 2012, Sprint and SoftBank entered into a Bond Purchase Agreement (Bond Agreement), and on October 22, 2012, Sprint issued a convertible bond (Bond) under the Bond Agreement to New Sprint with a face amount of $3.1 billion, stated interest rate of 1%, and maturity date of October 15, 2019. The Bond is convertible into approximately 590 million shares of Sprint common stock, subject to adjustment. The Bond will convert into shares of Sprint common stock immediately prior to consummation of the SoftBank Merger and may not otherwise be converted prior to the termination of the Merger Agreement.

On November 6, 2012, Sprint entered into a definitive agreement with United States Cellular Corporation (U.S. Cellular) to acquire personal communications services (PCS) spectrum and approximately 585,000 customers in parts of Illinois, Indiana, Michigan, Missouri and Ohio, including the Chicago and St. Louis markets, for $480 million in cash. Sprint has agreed, in connection with the acquisition, to reimburse U.S. Cellular for certain network shut-down costs in these markets. These costs are expected to range from $130 million to $150 million on a net present value basis, but in no event will Sprint's reimbursement obligation exceed $200 million on an undiscounted basis. The additional spectrum will be used to supplement Sprint's coverage in these areas. The transaction is subject to customary regulatory approvals and is expected to close in mid-2013.

On December 11, 2012, Sprint purchased the equity holdings of one of Clearwire's equityholders, Eagle River Holdings, LLC (Eagle River) comprised of 30.9 million shares of Clearwire Corporation Class A Common Stock and 2.7 million shares of Clearwire Communications LLC Class B Interests, for a total purchase price of $100 million in cash.

In addition, on December 17, 2012, Sprint entered into a merger agreement with Clearwire Corporation to acquire all of the remaining equity interests in Clearwire Corporation that we do not currently own for approximately $2.2 billion in cash, or $2.97 per share (Clearwire Acquisition). In connection with the Clearwire Acquisition, Clearwire Corporation and Sprint have entered into agreements that provide up to $800 million of additional financing for Clearwire in the form of exchangeable notes, which will be exchangeable for Clearwire common stock at $1.50 per share, subject to certain conditions and subject to adjustment. Under the financing agreements, Sprint has agreed to purchase $80 million of exchangeable notes per month for up to ten months beginning in January 2013, with some of the monthly purchases subject to certain funding conditions, including conditions relating to approval of the Clearwire Acquisition by Clearwire's shareholders and the parties agreeing to a network build out plan. On January 31, 2013 Sprint and Clearwire entered into an amendment to the financing agreement which extended the date the parties were to agree to a network build out plan from January 31, 2013 to February 28, 2013. The Clearwire Acquisition is subject to customary regulatory approvals, is contingent on the consummation of the SoftBank Merger, and is expected to close in mid-2013.

On February 26, 2013, Sprint and Clearwire amended the exchangeable notes agreement to remove the network build out condition to Sprint's obligation to provide financing for the last three draws (in August, September and October 2013). Accordingly, Clearwire, at its option, is eligible for the last three draws, totaling $240 million. In addition, Clearwire provided its first notification to Sprint of its election to draw $80 million, under the terms of the financing agreements, in March 2013.

See “Part II, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations” and also refer to the Notes to the Consolidated Financial Statements for more information on the proposed business transactions and acquisitions noted above. Also see Item 1A, “Risk Factors" for risks related to the Softbank Merger and Clearwire Acquisition.

Our Business Segments

We operate two reportable segments: Wireless and Wireline. For information regarding our segments, see “Part II, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations” and also refer to the Notes to the Consolidated Financial Statements.

Wireless

We offer wireless services on a postpaid and prepaid payment basis to retail subscribers and also on a wholesale and affiliate basis, which includes the sale of wireless services that utilize the Sprint network but are sold under the wholesaler's brand. We support the open development of applications, content, and devices on our network platforms through products and services such as Google Voice™, which allows for functionality such as one phone number for all devices (home, wireless, office, etc.), routing calls between devices, and in-call options to switch between devices during a call, and Google Wallet™, which provides the ability to store loyalty, gift and credit cards, and to tap and pay while you shop using your wireless device. We have recently introduced Sprint Guardian, a collection of mobile safety and device security bundles that provide families relevant tools to help stay safe and secure, and Pinsight Media+, a new advertising service giving advertisers the power to reach consumers on their mobile device by providing more relevant advertising based on information consumers choose to share about their location and mobile Web browsing history. In addition, we enable a variety of business and consumer third-party relationships, through our portfolio of machine-to-machine solutions, which we offer on a retail postpaid and wholesale basis. Our machine-to-machine solutions portfolio provides a secure, real-time and reliable wireless two-way data connection across a broad range of connected devices such as the Chrysler Group's UConnect® Access in-vehicle communications system which enables hand free phone calls, and the ability to access music, navigation, and other applications and services through cell connections built into the vehicle. Other connected devices include original equipment manufacturer (OEM) devices and after-market in-vehicle connectivity and electric vehicle charging stations, point-of-sale systems, kiosks and vending machines, asset tracking, digital signage, security, smartgrid utilities, medical equipment, and a variety of other consumer electronics and appliances.

In our postpaid portfolio, we have reduced confusion over consumer pricing plans and complex bills with our Simply Everything® and Everything Data plans and our Any Mobile Anytime℠ feature. We also offer price plans tailored to business subscribers such as Business Advantage℠, which allows for the flexibility to mix and match plans that include voice, voice and messaging, or voice, messaging and data to meet individual business needs and also allows the Any Mobile Anytime feature with certain plans. In January 2013, we introduced Sprint As You Go℠ which offers unlimited talk, text and data while on the Sprint network paired with the flexibility of a monthly no-contract plan, which is available with select devices.

Our prepaid portfolio currently includes multiple brands, each designed to appeal to specific subscriber segments. Boost Mobile serves subscribers who are voice and text messaging-centric with its popular Monthly Unlimited plan with Shrinkage service where bills are reduced after six on-time payments. Virgin Mobile serves subscribers who are device and data-oriented with our Beyond Talk™ plans and our broadband plan, Broadband2Go, which offers subscribers control, flexibility and connectivity through various communication vehicles. Virgin Mobile is also designated as a Lifeline-only Eligible Telecommunications Carrier in certain states which provides service for the Lifeline program under our Assurance Wireless brand. Assurance Wireless provides eligible subscribers who meet income requirements or are receiving government assistance with a free wireless phone and 250 free minutes of local and long-distance monthly service.

Services and Products

Data & Voice Services

Wireless data communications services include mobile productivity applications, such as Internet access, messaging and email services; wireless photo and video offerings; location-based capabilities, including asset and fleet management, dispatch services and navigation tools; and mobile entertainment applications, including the ability to view live television, listen to satellite radio, download and listen to music, and play games with full-color graphics and polyphonic and real-music sounds from a wireless handset.

Wireless voice communications services include basic local and long distance wireless voice services throughout the United States, as well as voicemail, call waiting, three-way calling, caller identification, directory assistance and call forwarding. We also provide voice and data services to areas in numerous countries outside of the United States through roaming arrangements. We offer customized design, development, implementation and support for wireless services provided to large companies and government agencies.

Products

Our services are provided using a broad array of device selections and applications and services that run on these devices to meet the growing needs of customer mobility. Our multi-functional device portfolio includes many cutting edge devices from various OEMs. Our mobile broadband portfolio consists of devices such as hotspots, which allow the connection of multiple WiFi enabled devices and aircards. We generally sell these devices at prices below our cost in response to competition to attract new subscribers and as retention inducements for existing subscribers. Our networks can also be accessed through our portfolio of embedded tablets and laptops manufactured by various suppliers for use with our voice and data services. In addition, we sell accessories, such as carrying cases, hands-free devices, batteries, battery chargers and other items to subscribers, and we sell devices and accessories to agents and other third-party distributors for resale.

Wireless Network Technologies

We deliver wireless services to subscribers primarily through our existing networks or as a reseller of 4G WiMAX services through our MVNO wholesale relationship with Clearwire.

Our current Sprint platform, an all-digital wireless network with spectrum licenses that allow us to provide service in all 50 states, Puerto Rico and the U.S. Virgin Islands, uses a single frequency band and a digital spread-spectrum wireless technology, known as CDMA, that allows a large number of users to access the band by assigning a code to all voice and data bits, sending a scrambled transmission of the encoded bits over the air and reassembling the voice and data into its original format. We provide nationwide service through a combination of operating our own digital network in both major and smaller U.S. metropolitan areas and rural connecting routes, affiliations under commercial arrangements with third-party affiliates (Affiliates) and roaming on other providers' networks.

In 2009, our Sprint platform subscribers in certain markets began to have access to Clearwire's 4G WiMAX network through an MVNO wholesale arrangement that enables us to resell Clearwire's 4G wireless services under the Sprint brand name. The services supported by 4G WiMAX give subscribers with compatible devices high-speed access to the Internet.

In December 2010, we announced Network Vision, a multi-year network infrastructure initiative intended to provide subscribers with an enhanced network experience by improving voice quality, coverage, and data speeds, while enhancing network flexibility, reducing operating costs, and improving environmental sustainability through the utilization of multiple spectrum bands onto a single multi-mode base station. In addition to implementing these multi-mode base stations, this plan encompasses next-generation push-to-talk technology with broadband capabilities and the integration of multi-mode chipsets into smartphones, tablets and other broadband devices, including machine-to-machine products. Through the deployment of Network Vision, we are migrating to a single nationwide network allowing for the consolidation and optimization of our 800 megahertz (MHz), 1.9 gigahertz (GHz) spectrum, as well as other spectrum, into multi-mode stations allowing us to repurpose spectrum to enhance coverage, particularly around the in-building experience. The multi-mode technology also utilizes software-based solutions with interchangeable hardware to provide greater network flexibility, which has allowed for the deployment of LTE.

Our Nextel platform, which is expected to be shut-down by June 30, 2013, is an all-digital packet data network based on iDEN wireless technology provided by Motorola Solutions, Inc. We are the only national wireless service provider in the United States that utilizes this technology. Generally, Nextel platform devices are not enabled to roam on wireless networks that do not utilize iDEN technology. As a result of our plan to shut-down our Nextel platform, we will continue to pursue the retention of these customers through competitive offerings on the Sprint platform.

Sales, Marketing and Customer Care

We focus the marketing and sales of wireless services on targeted groups of retail subscribers: individual consumers, businesses and government.

We use a variety of sales channels to attract new subscribers of wireless services, including:

- direct sales representatives whose efforts are focused on marketing and selling wireless services primarily to mid-sized to large businesses and government agencies;
- retail outlets owned and operated by us, that focus on sales to the consumer market as well as third-party retailers;
- indirect sales agents that primarily consist of local and national non-affiliated dealers and independent contractors that market and sell services to businesses and the consumer market, and are generally paid through commissions; and
- subscriber-convenient channels, including web sales and telesales.

We market our postpaid services under the Sprint® brand. We generally offer these services on a contract basis typically for a two-year period, with services billed on a monthly basis according to the applicable pricing plan. In January 2013, we introduced a Sprint branded no contract service, Sprint As You Go. As we shut-down the Nextel platform, our efforts will continue to pursue the recapture of Nextel platform subscribers; however, prospectively we will continue our efforts to focus on profitable growth through service provided on an enhanced wireless network on the Sprint platform. We market our prepaid services under the Boost Mobile, Virgin Mobile, and Assurance Wireless brands as a means to provide value-driven prepaid service plans to particular markets. Our wholesale customers are resellers of our wireless services rather than end-use subscribers and market their products and services using their brands.

Although we market our services using traditional print and television advertising, we also provide exposure to our brand names and wireless services through various sponsorships, including the National Association for Stock Car Auto Racing (NASCAR®) and the National Basketball Association (NBA). The goal of these marketing initiatives is to increase brand awareness and sales.

Our customer management organization works to improve our customers' experience, with the goal of retaining subscribers of our wireless services. Customer service call centers, some of which are operated by us and some of which are operated by unrelated parties subject to Sprint standards of operation, receive and resolve inquiries from subscribers and proactively address subscriber needs.

Competition

We believe that the market for wireless services has been and will continue to be characterized by intense competition on the basis of price, the types of services and devices offered, and quality of service. We compete with a number of wireless carriers, including three other national wireless companies: AT&T, Verizon Wireless (Verizon) and T-Mobile. Our primary competitors offer voice, high-speed data, entertainment and location-based services and push-to-talk-type features that are designed to compete with our products and services. AT&T and Verizon also offer competitive wireless services packaged with local and long distance voice, high-speed Internet services and video. Our prepaid services compete with a number of carriers and resellers including Metro PCS Communications, Inc., Leap Wireless International, Inc. and TracFone Wireless, which offer competitively-priced calling plans that include unlimited local calling. Additionally, AT&T, T-Mobile and Verizon also offer competitive prepaid services and wholesale services to resellers. Competition will increase as a result of certain mergers and acquisitions, as new firms enter the market, and as a result of the introduction of other technologies such as LTE, the availability of previously unavailable spectrum bands, such as the 700 MHz spectrum band, and the potential introduction of new services using unlicensed spectrum. Wholesale services and products also contribute to increased competition. In some instances, resellers that use our network and offer like services compete against our offerings.

Most markets in which we operate have high rates of penetration for wireless services, thereby limiting the growth of subscribers of wireless services. As the wireless market has matured, it has become increasingly important to retain existing subscribers in addition to attracting new subscribers, particularly in less saturated growth markets such as those with non-traditional data demands. Wireless carriers are addressing the growth in non-traditional data needs by working with OEMs to develop connected devices such as after-market in-vehicle connectivity and electric vehicle charging stations, point-of-sale systems, kiosks and vending machines, asset tracking, digital signage, security, smartgrid utilities, medical equipment and a variety of other consumer electronics and appliances, which utilize wireless networks to increase consumer and business mobility. In addition, we and our competitors continue to offer more service plans that combine voice and data offerings, plans that allow users to add additional mobile devices to their plans at attractive rates, plans with a higher number of bundled minutes included in the fixed monthly charge for the plan, plans that offer the ability to share minutes among a group of related subscribers, or combinations of these features. Consumers respond to these plans by migrating to those they deem most attractive. In addition, wireless carriers also try to appeal to subscribers by offering certain devices at prices lower than their acquisition cost. We may offer higher cost devices at greater discounts than our competitors, with the expectation that the loss incurred on the cost of the device will be offset by future service revenue. As a result, we and our competitors recognize point-of-sale losses that are not expected to be recovered until future periods when services are provided. Our ability to effectively compete in the wireless business is dependent upon our ability to retain existing and attract new subscribers in an increasingly competitive marketplace. See Item 1A, "Risk Factors—If we are not able to retain and attract wireless subscribers, our financial performance will be impaired."

Wireline

We provide a broad suite of wireline voice and data communications services to other communications companies and targeted business and consumer subscribers. In addition, we provide voice, data and IP communication services to our Wireless segment, and IP and other services to cable Multiple System Operators (MSOs). Cable MSOs resell our local and long distance services and use our back office systems and network assets in support of their telephone service provided over cable facilities primarily to residential end-use subscribers.

Services and Products

Our services and products include domestic and international data communications using various protocols such as multiprotocol label switching technologies (MPLS), IP, managed network services, Voice over Internet Protocol (VoIP), Session Initiated Protocol (SIP) and traditional voice services. Our IP services can also be combined with wireless services. Such services include our Sprint Mobile Integration service, which enables a wireless handset to operate as part of a subscriber's wireline voice network, and our DataLink℠ service, which uses our wireless networks to connect a subscriber location into their primarily wireline wide-area IP/MPLS data network, making it easy for businesses to adapt their network to changing business requirements. In addition to providing services to our business customers, the wireline network is carrying increasing amounts of voice and data traffic for our Wireless segment as a result of growing usage by our wireless subscribers.

We continue to assess the portfolio of services provided by our Wireline business and are focusing our efforts on IP-based services and de-emphasizing stand-alone voice services and non-IP-based data services. We also provide wholesale voice local and long distance services to cable MSOs, which they offer as part of their bundled service offerings, as well as traditional voice and data services for their enterprise use. However, the digital voice services we provide to some of our cable MSOs have become large enough in scale that they have decided to in-source these services. We also continue to provide voice services to residential consumers. Our Wireline segment markets and sells its services primarily through direct sales representatives.

Competition

Our Wireline segment competes with AT&T, Verizon Communications, CenturyLink, Level 3 Communications, Inc., other major local incumbent operating companies, and cable operators as well as a host of smaller competitors in the provision of wireline services. Over the past few years, our long distance voice services have experienced an industry-wide trend of lower revenue from lower prices and increased competition from other wireline and wireless communications companies, as well as cable MSOs and Internet service providers.

Some competitors are targeting the high-end data market and are offering deeply discounted rates in exchange for high-volume traffic as they attempt to utilize excess capacity in their networks. In addition, we face increasing competition from other wireless and IP-based service providers. Many carriers, including cable companies, are competing in the residential and small business markets by offering bundled packages of both local and long distance services. Competition in long distance is based on price and pricing plans, the types of services offered, customer service, and communications quality, reliability and availability. Our ability to compete successfully will depend on our ability to anticipate and respond to various competitive factors affecting the industry, including new services that may be introduced, changes in consumer preferences, demographic trends, economic conditions and pricing strategies. See Item 1A, "Risk Factors—Consolidation and competition in the wholesale market for wireline services, as well as consolidation of our roaming partners and access providers used for wireless services, could adversely affect our revenues and profitability" and "—The blurring of the traditional dividing lines among long distance, local, wireless, video and Internet services contributes to increased competition."

Legislative and Regulatory Developments

Overview

Communications services are subject to regulation at the federal level by the Federal Communications Commission (FCC) and in certain states by public utilities commissions (PUCs). The Communications Act of 1934 (Communications Act) preempts states from regulating the rates or entry of commercial mobile radio service (CMRS) providers, such as those in our Wireless segment, and imposes licensing and technical requirements, including provisions related to the acquisition, assignment or transfer of radio licenses. Depending upon state law, CMRS providers can be subject to state regulation of other terms and conditions of service. Our Wireline segment also is subject to federal and state regulation.

The following is a summary of the regulatory environment in which we operate and does not describe all present and proposed federal, state and local legislation and regulations affecting the communications industry. Some legislation and regulations are the subject of judicial proceedings, legislative hearings and administrative proceedings that could change the way our industry operates. We cannot predict the outcome of any of these matters or their potential impact on our business. See Item 1A, "Risk Factors—Government regulation could adversely affect our prospects and results of operations; the FCC and state regulatory commissions may adopt new regulations or take other actions that could adversely affect our business prospects, future growth or results of operations." Regulation in the communications industry is subject to change, which could adversely affect us in the future. The following discussion describes some of the significant communications-related regulations that affect us, but numerous other substantive areas of regulation not discussed here may also influence our business.

Regulation and Wireless Operations

The FCC regulates the licensing, construction, operation, acquisition and sale of our wireless operations and wireless spectrum holdings. FCC requirements impose operating and other restrictions on our wireless operations that increase our costs. The FCC does not currently regulate rates for services offered by CMRS providers, and states are legally preempted from regulating such rates and entry into any market, although states may regulate other terms and conditions. The Communications Act and FCC rules also require the FCC's prior approval of the assignment or transfer of control of an FCC license, although the FCC's rules permit spectrum lease arrangements for a range of wireless radio service licenses, including our licenses, with FCC oversight. Approval from the Federal Trade Commission and the Department of Justice, as well as state or local regulatory authorities, also may be required if we sell or acquire spectrum interests. The FCC sets rules, regulations and policies to, among other things:

- grant licenses in the 800 MHz band, 900 MHz band, 1.9 GHz PCS band, and license renewals;
- rule on assignments and transfers of control of FCC licenses, and leases covering our use of FCC licenses held by other persons and organizations;
- govern the interconnection of our networks with other wireless and wireline carriers;
- establish access and universal service funding provisions;
- impose rules related to unauthorized use of and access to customer information;
- impose fines and forfeitures for violations of FCC rules;
- regulate the technical standards governing wireless services; and
- impose other obligations that it determines to be in the public interest

We hold 1.9 GHz, 800 MHz, and 900 MHz FCC licenses authorizing the use of radio frequency spectrum to deploy our wireless services.

1.9 GHz PCS License Conditions

All PCS licenses are granted for ten-year terms. For purposes of issuing PCS licenses, the FCC utilizes major trading areas (MTAs) and basic trading areas (BTAs) with several BTAs making up each MTA. Each license is subject to build-out requirements which we have met in all of our MTA and BTA markets.

If applicable build-out conditions are met, these licenses may be renewed for additional ten-year terms. Renewal applications are not subject to auctions. If a renewal application is challenged, the FCC grants a preference commonly referred to as a license renewal expectancy to the applicant if the applicant can demonstrate that it has provided “substantial service” during the past license term and has substantially complied with applicable FCC rules and policies and the Communications Act. The licenses for the 10 MHz of spectrum in the 1.9 GHz band that we received as part of the FCC's Report and Order, described below, have ten-year terms and are not subject to specific build-out conditions, but are subject to renewal requirements that are similar to those for our PCS licenses.

800 MHz and 900 MHz License Conditions

Spectrum in our 800 MHz and 900 MHz bands originally was licensed in small groups of channels, therefore we hold thousands of these licenses, which together allow us to provide coverage across much of the continental United States. Our 800 MHz and 900 MHz licenses are subject to requirements that we meet population coverage benchmarks tied to the initial license grant dates. To date, we have met all of the construction requirements applicable to these licenses, except in the case of licenses that are not material to our business. Our 800 MHz and 900 MHz licenses have ten-year terms, at the end of which each license is subject to renewal requirements that are similar to those for our 1.9 GHz licenses.

Spectrum Reconfiguration Obligations

In 2004, the FCC adopted a Report and Order that included new rules regarding interference in the 800 MHz band and a comprehensive plan to reconfigure the 800 MHz band (the “Report and Order”). The Report and Order provides for the exchange of a portion of our 800 MHz FCC spectrum licenses, and requires us to fund the cost incurred by public safety systems and other incumbent licensees to reconfigure the 800 MHz spectrum band. Also, in exchange, we received licenses for 10 MHz of nationwide spectrum in the 1.9 GHz band; however, we were required to relocate and reimburse the incumbent licensees in this band for their costs of relocation to another band designated by the FCC. We completed all of our 1.9 GHz incumbent relocation and reimbursement obligations in the second half of 2010.

The minimum cash obligation under the Report and Order is $2.8 billion. We are, however, obligated to pay the full amount of the costs relating to the reconfiguration plan, even if those costs exceed $2.8 billion. As required under the terms of the Report and Order, a letter of credit has been secured to provide assurance that funds will be available to pay the relocation costs of the incumbent users of the 800 MHz spectrum. We submit the qualified 800 MHz relocation costs to the FCC for review for potential letter of credit reductions on a periodic basis. As a result of these reviews, our letter of credit was reduced from $2.5 billion at the start of the project to $859 million as of December 31, 2012, as approved by the FCC. As required by the Report and Order, the letter of credit had a minimum of $850 million, which was largely intended to protect both the relocating licensees as well as the US Treasury should an anti-windfall payment be necessary. Given the significant progress that has been made, the total amounts spent to date, and the remaining forecasted amounts to be spent by the licensees, Sprint believes it is reasonable to allow the letter of credit to be reduced below $850 million. Accordingly, in January 2013, we submitted a Request for Declaratory Ruling to the FCC requesting two items: (i) that it declare that Sprint will not owe any anti-windfall payment to the US Treasury, because we have exceeded the $2.8 billion of required expenditures, and (ii) that the FCC remove the $850 million minimum for the letter of credit and allow further reductions based on quarterly estimates of remaining obligations. This Request for Declaratory Ruling is pending before the FCC.

Completion of the 800 MHz band reconfiguration was initially required by June 26, 2008. The FCC continues to grant 800 MHz public safety licensees additional time to complete their band reconfigurations which, in turn, delays our access to some of our 800 MHz replacement channels. Accordingly, we will continue to transition to our 800 MHz replacement channels consistent with public safety licensees' reconfiguration progress. We anticipate that continuing reconfiguration progress will be sufficient to support the 800 MHz portion of our Network Vision rollout. On May 24, 2012, the FCC revised its rules to authorize Sprint to deploy wireless broadband services, such as CDMA and LTE, on its 800 MHz spectrum, including channels that become available to Sprint upon completion of the 800 MHz band reconfiguration program.

New Spectrum Opportunities and Spectrum Auctions

Several FCC proceedings and initiatives are underway that may affect the availability of spectrum used or useful in the provision of commercial wireless services, which may allow new competitors to enter the wireless market. While in general we cannot predict when or whether the FCC will conduct any spectrum auctions or if it will release additional spectrum that might be useful to wireless carriers, including us, in the future, the FCC has taken steps to license spectrum designated for auction in the Middle Class Tax Relief and Job Creation Act of 2012. In particular, the FCC has initiated two proceedings to auction the Advanced Wireless Services H Block and to reallocate and auction broadcast spectrum in the 600 MHz Band.

911 Services

Pursuant to FCC rules, CMRS providers, including us, are required to provide enhanced 911 (E911) services in a two-tiered manner. Specifically, wireless carriers are required to transmit to a requesting public safety answering point (PSAP) both the 911 caller's telephone number and (a) the location of the cell site from which the call is being made, or (b) the location of the subscriber's handset using latitude and longitude, depending upon the capability of the PSAP. Implementation of E911 service must be completed within six months of a PSAP request for service in its area, or longer, based on the agreement between the individual PSAP and the carrier. The FCC is currently reviewing the accuracy standards for the provision of wireless 911 services indoors and may impose additional obligations, but we believe we comply with current requirements.

National Security

National security and disaster recovery issues continue to receive attention at the federal, state and local levels. For example, the new Congress is expected to again consider cyber security legislation to increase the security and resiliency of the Nation's digital infrastructure. It is also understood that the President may issue an Executive Order directing the Department of Homeland Security and other government agencies to take a number of steps to improve the security of the Nation's critical infrastructure. We cannot predict the cost impact of such measures. In addition, the FCC continues to examine issues of network resiliency and reliability, particularly in the wake of the weather-related disasters that struck the U.S. mainland in 2012 and may seek to impose additional regulations designed to reduce the severity and length of disruptions in communications. Again, we cannot predict the cost impact of any regulations the FCC adopts. The FCC, in conjunction with the Federal Emergency Management Agency and Department of Homeland Security, may also seek to enhance wireless emergency alerting systems. Sprint has been providing such emergency alerts since January 2012.

Tower Siting

Wireless systems must comply with various federal, state and local regulations that govern the siting, lighting and construction of transmitter towers and antennas, including requirements imposed by the FCC and the Federal Aviation Administration. FCC rules subject certain cell site locations to extensive zoning, environmental and historic preservation requirements and mandate consultation with various parties, including State and Tribal Historic Preservation Offices. The FCC rules govern historic preservation review of projects, which can make it more difficult and expensive to deploy antenna facilities. The FCC has imposed a tower siting "shot clock" that requires local authorities to address tower applications within a specific timeframe, which can assist carriers in more rapid deployment of towers. Certain local jurisdictions sought review of the rule in the courts and a decision is expected in 2013 by the United States Supreme Court on the issue of federal agency deference in making such determinations. The decision could potentially impact the speed of deployment of some of Sprint's telecommunications facilities, including Network Vision. The FCC also modified its antenna structure registration process in order to help address public notice requirements when plans are made for construction of, or modification to, antenna structures required to be registered with the FCC, potentially adding to the delays and burdens associated with tower siting, including potential challenges from special interest groups. To the extent governmental agencies continue to impose additional requirements like this on the tower siting process, the time and cost to construct cell towers could be negatively impacted.

State and Local Regulation

While the Communications Act generally preempts state and local governments from regulating entry of, or the rates charged by, wireless carriers, certain state PUCs and local governments regulate customer billing, termination of service arrangements, advertising, certification of operation, use of handsets when driving, service quality, sales practices, management of customer call records and protected information and many other areas. Also, some state attorneys general have become more active in bringing lawsuits related to the sales practices and services of wireless carriers. Varying practices among the states may make it more difficult for us to implement national sales and marketing programs. States also may impose their own universal service support requirements on wireless and other communications carriers, similar to the contribution requirements that have been established by the FCC, and some states are requiring wireless carriers to help fund additional programs, including the implementation of E911 and the provision of intrastate relay services for consumers who are hearing impaired. We anticipate that these trends will continue to require us to devote legal and other resources to work with the states to respond to their concerns while attempting to minimize any new regulation and enforcement actions that could increase our costs of doing business.

Regulation and Wireline Operations

Competitive Local Service

The Telecommunications Act of 1996 (Telecom Act), which was the first comprehensive update of the Communications Act, was designed to promote competition, and it eliminated legal and regulatory barriers for entry into local and long distance communications markets. It also required incumbent local exchange carriers (ILECs) to allow resale of specified local services at wholesale rates, negotiate interconnection agreements, provide nondiscriminatory access to certain unbundled network elements and allow co-location of interconnection equipment by competitors. The rules implementing the Telecom Act remain subject to legal challenges. Thus, the scope of future local competition remains uncertain. These local competition rules impact us because we provide wholesale services to cable television companies that wish to compete in the local voice telephony market. Our communications and back-office services enable the cable companies to provide competitive local and long distance telephone services primarily in a VoIP format to their end-use customers.

Voice over Internet Protocol

We offer VoIP-based services to business subscribers and transport VoIP-originated traffic for various cable companies. The FCC issued an order in late 2010 reforming, among other things, its regulatory structure governing intercarrier compensation and again declined to classify VoIP services as either telecommunications services or information services. However, it prescribed the rates applicable to the exchange of traffic between a VoIP provider and a local exchange carrier providing service on the public switched telephone network (PSTN). The rate for toll VoIP-PSTN traffic is the interstate access rate applicable to non-VoIP traffic regardless of whether the traffic is interstate or intrastate. The rate for non-toll VoIP-PSTN traffic is the applicable reciprocal compensation rate. These rates will be reduced over the next several years as the industry transitions to bill-and-keep methodology for the exchange of all traffic. Providers of interconnected VoIP will continue to be required to contribute to the federal Universal Service Fund (USF), offer E911 emergency calling capabilities to their subscribers, and comply with the electronic surveillance obligations set forth in the Communications Assistance for Law Enforcement Act (CALEA). Because we provide VoIP services and transport VoIP-originated traffic, the FCC's rate prescription decision is expected to reduce our costs for such traffic over time as well as reduce disputes between carriers that often result in litigation.

International Regulation

The wireline services we provide outside the United States are subject to the regulatory jurisdiction of foreign governments and international bodies. In general, we are required to obtain licenses to provide wireline services and comply with certain government requirements.

Other Regulations

Network Neutrality

On December 22, 2010, the FCC adopted so-called net neutrality rules. The FCC rules for fixed broadband Internet access services consist of: (a) an obligation to provide transparency to consumers regarding network management practices, performance characteristics, and commercial terms of service; (b) a prohibition on blocking access to lawful content, applications, services and devices; and (c) a prohibition on unreasonable discrimination. The FCC acknowledged, however, that mobile broadband is in its early stages of development and is rapidly changing and accordingly adopted lesser obligations for mobile providers. Mobile providers must: (a) provide transparency to consumers in the same manner as fixed providers; and (b) not block access to lawful websites and applications that compete with the provider's own voice or video telephony services. Other rules applicable to fixed broadband, including no blocking of other applications, services or devices, and the prohibition on "unreasonable discrimination," do not apply to mobile providers. Because the net neutrality rules applicable to mobile broadband are relatively narrow and because we have deployed open mobile operating platforms on our devices, such as the Android platform created in conjunction with Google and the Open Handset Alliance, the rules should not adversely affect the operation of our broadband networks or significantly constrain our ability to manage the networks and protect our users from harm caused by other users and devices.

Truth in Billing and Consumer Protection

The FCC's Truth in Billing rules generally require both wireline and wireless telecommunications carriers, such as us, to provide full and fair disclosure of all charges on their bills, including brief, clear, and non-misleading plain language descriptions of the services provided. In response to a petition from the National Association of State Utility Consumer Advocates, the FCC found that state regulation of CMRS rates, including line items on consumer bills, is preempted by federal statute. This decision was overturned by the 11th Circuit Court of Appeals and the Supreme Court denied further appeal. As a consequence, states may attempt to impose various regulations on the billing practices of wireless carriers. In addition, the FCC has opened several proceedings to address issues of consumer protection, including the use of early termination fees, the FCC has opened an investigation into “bill shock” concerning overage charges for voice, data and text usage, and the FCC has proposed new rules to address cramming. The wireless industry has proactively addressed many of these consumer issues by adopting industry best practices such as the addition of free notifications for voice, data, messaging and international roaming to address the FCC's bill shock proceeding. If these FCC proceedings or individual state proceedings create changes in the Truth in Billing rules, our billing and customer service costs could increase.

Access Charge Reform

ILECs and competitive local exchange carriers (CLECs) impose access charges for the origination and termination of long distance calls upon wireless and long distance carriers, including our Wireless and Wireline segments. Also, interconnected local carriers, including our Wireless segment, pay to each other reciprocal compensation fees for terminating interconnected local calls. In addition, ILECs and CLECs charge other carriers special access charges for access to dedicated facilities that are paid by both our Wireless and Wireline segments. These fees and charges are a significant cost for our Wireless and Wireline segments. In November 2011, the FCC adopted comprehensive intercarrier compensation reforms, including a multi-year transition to a system of bill-and-keep for terminating switched access charges. These reforms have decreased and are expected to continue to decrease our terminating switched access expense over time.

In the November 2011 order, the FCC also adopted new rules requiring local exchange carriers (LECs) to lower their rates when they meet certain traffic pumping “triggers.” Traffic pumping occurs predominantly in rural exchanges that have very high access charges. Under traffic pumping arrangements, the LECs partner with other entities to offer “free” or almost free services (such as conference calling and chat lines) to end users; these services (and payments to the LECs' partners) are financed through the assessment of high access charges on the end user's long distance or wireless carrier. As a major wireless and wireline carrier, we have been assessed millions of dollars in access charges for “pumped” traffic. The FCC's new rules have limited, to some extent, our exposure to these traffic pumping costs.

The FCC's special access rate proceeding remains open. In 2012, the FCC released an order freezing the existing special access pricing flexibility “triggers,” and another order requiring parties to submit information needed to assess the level of competition in the special access market. The FCC also has initiated a further notice of proposed rulemaking to consider whether special access pricing flexibility rules need to be changed, and whether the terms and conditions governing the provision of special access are just and reasonable. We continue to advocate for special access reform but cannot predict when these proceedings will be completed or the outcome of these proceedings.

Universal Service Reform

Communications carriers contribute to and receive support from various USFs established by the FCC and many states. The federal USF program funds services provided in high-cost areas, reduced-rate services to low-income consumers, and discounted communications and Internet services for schools, libraries and rural health care facilities. The USF is funded from assessments on communications providers, including our Wireless and Wireline segments, based on FCC-prescribed contribution factors applicable to our interstate and international end-user revenues from telecommunications services and interconnected VoIP services. Similarly, many states have established their own USFs to which we contribute. The FCC is considering changing its USF contribution methodology, and may replace the interstate telecommunications revenue-based assessment with one based on either connections (telephone numbers or connections to the public network) or by expanding the revenue base to include data revenues. The latter approach in particular could impact the amount of our assessments. The FCC issued a notice of proposed rulemaking on USF reform in April 2012, but has not announced an estimated timeline for adoption of an order in this proceeding. In addition, the FCC issued a decision redefining the manner in which carriers certify their compliance with USF obligations on facilities used in the provision of information services beginning in 2014. The FCC's new service-by-service certification process may increase our cost of complying with the FCC's USF obligations and/or our USF contribution obligations in some circumstances. This order has been challenged on appeal and various carriers have sought reconsideration of the decision before the FCC. As permitted, we assess subscribers a fee to recover our USF contributions.

In 2012, Sprint completed the mandated phase out of its high-cost USF support as an Eligible Telecommunications Carrier (ETC). Sprint did not participate in the “Mobility Fund” or “Connect America Fund” broadband USF programs, but continues to evaluate possible future participation in these programs.

Virgin Mobile is designated as a Lifeline-only ETC in 36 jurisdictions as of December 31, 2012, and provides service under our Assurance Wireless brand. Lifeline ETC applications are pending or planned in other jurisdictions as well. Virgin Mobile's Federal Lifeline USF receipts increased substantially in 2012, although changes in the Lifeline program by the FCC and other regulatory/legislative bodies could negatively impact growth in the Assurance Wireless and wholesale subscriber base and/or the profitability of the Assurance Wireless and wholesale business overall. The FCC recertification process, for example, is expected to have a substantial one-time reduction on subscribers in the first half of 2013.

Electronic Surveillance Obligations

The CALEA requires telecommunications carriers, including us, to modify equipment, facilities and services to allow for authorized electronic surveillance based on either industry or FCC standards. Our CALEA obligations have been extended to data and VoIP networks, and we are in compliance with these requirements. Certain laws and regulations require that we assist various government agencies with electronic surveillance of communications and provide records concerning those communications. We do not disclose customer information to the government or assist government agencies in electronic surveillance unless we have been provided a lawful request for such information.

Environmental Compliance

Our environmental compliance and remediation obligations relate primarily to the operation of standby power generators, batteries and fuel storage for our telecommunications equipment. These obligations require compliance with storage and related standards, obtaining of permits and occasional remediation. Although we cannot assess with certainty the impact of any future compliance and remediation obligations, we do not believe that any such expenditures will have a material adverse effect on our financial condition or results of operations.

Patents, Trademarks and Licenses

We own numerous patents, patent applications, service marks, trademarks and other intellectual property in the United States and other countries, including "Sprint®," "Nextel®," "Direct Connect®," "Boost Mobile®," and "Assurance Wireless®." Our services often use the intellectual property of others, such as licensed software, and we often license copyrights, patents and trademarks of others, like "Virgin Mobile." In total, these licenses and our copyrights, patents, trademarks and service marks are of material importance to our business. Generally, our trademarks and service marks endure and are enforceable so long as they continue to be used. Our patents and licensed patents have remaining terms generally ranging from one to 19 years.

We occasionally license our intellectual property to others, including licenses to others to use the "Sprint" trademark.

We have received claims in the past, and may in the future receive claims, that we, or third parties from whom we license or purchase goods or services, have infringed on the intellectual property of others. These claims can be time-consuming and costly to defend, and divert management resources. If these claims are successful, we could be forced to pay significant damages or stop selling certain products or services or stop using certain trademarks. We, or third parties from whom we license or purchase goods or services, also could enter into licenses with unfavorable terms, including royalty payments, which could adversely affect our business.

Access to Public Filings and Board Committee Charters

Important information is routinely posted on our website at *www.sprint.com*. Public access is provided to our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed with or furnished to the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934. These documents may be accessed free of charge on our website at the following address: *http://www.sprint.com/investors*. These documents are available as soon as reasonably practicable after filing with the SEC and may also be found at the SEC's website at *www.sec.gov*. Information contained on or accessible through our website or the SEC's website is not part of this annual report on Form 10-K.

Public access is provided to our Code of Ethics, entitled the Sprint Nextel Code of Conduct (Code of Conduct), our Corporate Governance Guidelines and the charters of the following committees of our board of directors: the Audit Committee, the Compensation Committee, the Executive Committee, the Finance Committee, and the Nominating and Corporate Governance Committee. The Code of Conduct, corporate governance guidelines and committee charters may be accessed free of charge on our website at the following address: *www.sprint.com/governance*. Copies of any of these documents can be obtained free of charge by writing to: Sprint Nextel Shareholder Relations, 6200 Sprint Parkway, Mailstop KSOPHF0302-3B424, Overland Park, Kansas 66251 or by email at *shareholder.relations@sprint.com*. If a provision of the Code of Conduct required under the NYSE corporate governance standards is materially modified, or if a waiver of the Code of Conduct is granted to a director or executive officer, a notice of such action will be posted on our website at the following address: *www.sprint.com/governance*. Only the Audit Committee may consider a waiver of the Code of Conduct for an executive officer or director.

Employee Relations

As of December 31, 2012, we employed approximately 39,000 personnel.

Item 1A. Risk Factors

In addition to the other information contained in this Form 10-K, the following risk factors should be considered carefully in evaluating us. Our business, financial condition, liquidity or results of operations could be materially adversely affected by any of these risks.

If we are not able to retain and attract wireless subscribers, our financial performance will be impaired.

We are in the business of selling communications services to subscribers, and our economic success is based on our ability to retain current subscribers and attract new subscribers. If we are unable to retain and attract wireless subscribers, our financial performance will be impaired, and we could fail to meet our financial obligations. Beginning in 2008 through 2012, we experienced net decreases in our total retail postpaid subscriber base of approximately 9.7 million subscribers (excluding the impact of our 2009 acquisitions).

Our ability to retain our existing subscribers and to compete successfully for new subscribers and reduce our rate of churn depends on, among other things:

- the successful deployment and completion of our network modernization plan, Network Vision, including a multi-mode network infrastructure, successful LTE implementation and deployment, and push-to-talk capabilities of comparable quality to our existing Nextel platform push-to-talk capabilities;
- our ability to mitigate churn as we migrate Nextel platform push-to-talk subscribers to other offerings on our Sprint platform, which include offerings on our multi-mode network, such as Sprint Direct Connect and LTE;
- actual or perceived quality and coverage of our networks, including Clearwire's 4G WiMAX network;
- Clearwire's ability to successfully obtain additional financing for the continued operation and build-out of its 4G networks;
- our ability to access additional spectrum;
- our successful execution of marketing and sales strategies, including the acceptance of our value proposition; service delivery and customer care activities, including new account set up and billing; and our credit and collection policies;
- our ability to anticipate and respond to various competitive factors affecting the industry, including new technologies, products and services that may be introduced by our competitors, changes in consumer preferences, demographic trends, economic conditions, and discount pricing and other strategies that may be implemented by our competitors;
- our ability to anticipate and develop new or enhanced technologies, products and services that are attractive to existing or potential subscribers;
- public perception about our brands; and
- our ability to maintain our current MVNOs, including Clearwire, and to enter into new arrangements with MVNOs.

Our ability to retain subscribers may be negatively affected by industry trends related to subscriber contracts. For example, we and our competitors no longer require subscribers to renew their contracts when making changes to their pricing plans. These types of changes could negatively affect our ability to retain subscribers and could lead to an increase in our churn rates if we are not successful in providing an attractive product and service mix.

Moreover, service providers frequently offer wireless equipment, such as devices, below acquisition cost as a method to retain and attract subscribers that enter into wireless service agreements for periods usually extending 12 to 24 months. Equipment cost in excess of the revenue generated from equipment sales is referred to in the industry as equipment net subsidy and is generally recognized when title of the device passes to the dealer or end-user subscriber. The cost of multi-functional devices, such as smartphones, including the iPhone®, has increased significantly in recent years as a result of enhanced capabilities and functionality. At the same time, wireless service providers continue to compete on the basis of price, including the price of devices offered to subscribers, which has resulted in increased equipment net subsidy. We have entered into a purchase commitment with Apple that increases the average equipment net subsidy for postpaid devices resulting in a reduction to consolidated results from operations and reduced cash flow from operations associated with initiation of service for these devices until such time that retail service revenues associated with customers acquiring these devices exceeds such costs.

We expect to incur expenses to attract new subscribers, improve subscriber retention and reduce churn, but there can be no assurance that our efforts will result in new subscribers or a lower rate of subscriber churn. Subscriber losses and a high rate of churn adversely affect our business, financial condition and results of operations because they result in lost revenues and cash flow. Although attracting new subscribers and retention of existing subscribers are important to the financial viability of our business, there is an added focus on retention because the cost of adding a new subscriber is higher than the cost associated with retention of an existing subscriber.

As the wireless market matures, we must increasingly seek to attract subscribers from competitors and face increased credit risk from new postpaid wireless subscribers.

We and our competitors increasingly must seek to attract a greater proportion of new subscribers from each other's existing subscriber bases rather than from first-time purchasers of wireless services. In addition, the higher market penetration also means that subscribers purchasing postpaid wireless services for the first time, on average, have lower credit scores than existing wireless subscribers, and the number of these subscribers we are willing to accept is dependent on our credit policies, which may be different than our competitors. To the extent we cannot compete effectively for new subscribers or if they are not creditworthy, our revenues and results of operations will be adversely affected.

The Merger Agreement contains provisions that could affect the decisions of a third party considering making an alternative acquisition proposal to the SoftBank Merger.

On October 15, 2012, Sprint entered into the Merger Agreement with SoftBank, Starburst I, Inc., a Delaware corporation and a direct wholly owned subsidiary of SoftBank (HoldCo), Starburst II, Inc., a Delaware corporation and a direct wholly owned subsidiary of HoldCo (Parent), and Starburst III, Inc., a Kansas corporation and a direct wholly owned subsidiary of Parent (Merger Sub and, together with SoftBank, HoldCo, Parent, the "SoftBank Entities"), pursuant to which, at the effective time of the Merger (Effective Time), Merger Sub will merge with and into the Company, with the Company surviving the merger as a wholly owned subsidiary of Parent (SoftBank Merger). Upon consummation of the SoftBank Merger, Parent will be renamed Sprint Corporation (New Sprint).

Under the terms of the Merger Agreement, in certain circumstances Sprint may be required to pay to SoftBank a termination fee of $600 million, or to pay certain fees of the SoftBank Entities up to a maximum of $75 million, in connection with termination of the Merger Agreement. In addition, the Merger Agreement limits the ability of Sprint to initiate, solicit, encourage or facilitate acquisition or merger proposals from a third party. These provisions could affect the decision by a third party to make a competing acquisition proposal, or the structure, pricing and terms proposed by a third party seeking to acquire or merge with Sprint.

Pending litigation against Sprint, SoftBank and Clearwire could result in an injunction preventing the completion of the SoftBank Merger or the Clearwire Acquisition and the payment of damages in the event the SoftBank Merger or the Clearwire Acquisition are completed and may adversely affect New Sprint's business, financial condition or results of operations following the SoftBank Merger or the Clearwire Acquisition.

In connection with the SoftBank Merger and as of the date of this Form 10-K, purported stockholders of Sprint have filed several stockholder class action complaints against Sprint, its directors and the SoftBank Entities alleging, among other things, that the Sprint board of directors conducted an unfair sales process resulting in unfair consideration to the Sprint stockholders in the SoftBank Merger. The complaints assert that members of Sprint's board of directors breached their fiduciary duties in agreeing to the SoftBank Merger and in agreeing to the issuance of the convertible bond (Bond) pursuant to the Bond Purchase Agreement dated October 15, 2012 between Sprint and Parent, and that SoftBank aided and abetted these alleged breaches of fiduciary duties. The lawsuits seek to enjoin the SoftBank Merger and seek unspecified monetary damages.

On December 17, 2012, Sprint announced that it had agreed to acquire all of the equity interests of Clearwire Corporation (together with Clearwire Communications LLC, “Clearwire”) not currently owned by Sprint (Clearwire Acquisition), subject to the terms and conditions of the agreement and plan of merger, dated as of December 17, 2012, by and among Sprint, Clearwire Corporation and Collie Acquisition Corp. (Clearwire Acquisition Agreement). In connection with the Clearwire Acquisition and as of the date of this Form 10-K, purported stockholders of Clearwire have filed several stockholder class action complaints against Clearwire, its directors and Sprint, alleging, among other things, that the Clearwire board of directors conducted an unfair sales process resulting in an unfair consideration to the Clearwire stockholders in the Clearwire Acquisition. The complaints assert that members of Clearwire's board of directors breached their fiduciary duties in agreeing to the Clearwire Acquisition and some of the complaints assert that Sprint breached fiduciary duties owed to Clearwire's non-Sprint stockholders. The lawsuits seek to enjoin the Clearwire Acquisition and seek unspecified monetary damages, and one lawsuit seeks to enjoin the SoftBank Merger. If the Clearwire Acquisition is consummated, Sprint will assume Clearwire's potential liability under these lawsuits, including the obligation to defend the lawsuits and indemnification obligations with respect to former Clearwire directors.

These actions could prevent or delay the completion of the SoftBank Merger or the Clearwire Acquisition, divert management attention from operating Sprint's businesses and result in substantial costs to Sprint and New Sprint, including any costs associated with indemnification of Sprint or Clearwire directors. The defense or settlement of any lawsuit or claim that remains unresolved at the time the SoftBank Merger or the Clearwire Acquisition is completed may be costly and adversely affect New Sprint's business, financial condition or results of operation.

The SoftBank Merger and the Clearwire Acquisition are subject to various closing conditions, and uncertainties related to the SoftBank Merger and the Clearwire Acquisition or the failure to complete the SoftBank Merger or the Clearwire Acquisition could negatively impact Sprint's business or share price.

The SoftBank Merger and the Clearwire Acquisition are subject to the satisfaction of a number of conditions beyond Sprint's control, and there is no assurance that the SoftBank Merger or the Clearwire Acquisition and the respective related transactions will occur on the terms and timeline currently contemplated or at all, or that the conditions to the SoftBank Merger or the Clearwire Acquisition will be satisfied or waived in a timely manner or at all. Any delay in completing the Clearwire Acquisition could cause Sprint not to realize, or delay the realization of, some or all of the benefits that Sprint expects to achieve from the SoftBank Merger and Clearwire Acquisition. In addition, the efforts to satisfy the closing conditions of the SoftBank Merger and the Clearwire Acquisition, including the regulatory approval process, may place a significant burden on Sprint's management and internal resources. Any significant diversion of management attention away from ongoing business and any difficulties encountered in the SoftBank Merger process could adversely affect Sprint's business, results of operations and financial condition.

The Merger Agreement with SoftBank limits Sprint's ability to pursue alternatives to the SoftBank Merger. These restrictions may prevent Sprint from pursuing attractive business opportunities and making other changes to its business prior to the effective time of the SoftBank Merger or termination of the Merger Agreement, and if the SoftBank Merger is not consummated, Sprint may not be able to fund its capital needs from external resources on terms acceptable to it or without modifying its business plan. Sprint could also be subject to litigation related to any failure to complete the SoftBank Merger.

Uncertainty about the completion and effect of the SoftBank Merger or the Clearwire Acquisition on Sprint, Clearwire or their respective employees or customers may have an adverse effect on Sprint's share price and business, including as a result of attempts by other communications providers to persuade Sprint's customers to change service providers, which could increase the rate of Sprint's subscriber churn and have a negative impact on Sprint's subscriber growth, revenue and results of operations. These uncertainties may also impair Sprint's ability to preserve employee morale and attract, retain and motivate key employees until the SoftBank Merger is completed. If key employees depart because of uncertainty about their future roles and the potential complexities of the SoftBank Merger or a desire not to remain with the business after the completion of the SoftBank Merger, Sprint's business could be harmed.

If the proposed SoftBank Merger or the Clearwire Acquisition is not completed, the share price of Sprint's common stock may decline to the extent that the current market price of Sprint common stock reflects an assumption that the SoftBank Merger, the Clearwire Acquisition and the respective related transactions will be completed. In addition, upon termination of the Merger Agreement, under specified circumstances (including in connection with a superior offer), Sprint may be required to pay a termination fee of $600 million. Also, if the Merger Agreement is terminated because Sprint stockholders do not approve the SoftBank Merger, subject to the provisions of the Merger Agreement, then Sprint may be required to reimburse SoftBank for its fees and expenses incurred in connection with the Merger Agreement up to $75 million. See “-The Merger Agreement contains provisions that could affect the decisions of a third party considering making an alternative acquisition proposal to the SoftBank Merger." Further, upon termination of the Clearwire Acquisition Agreement, under specified circumstances, Sprint may be required to pay a termination fee of $120 million (payable in cancellation of indebtedness), and under certain circumstances, Clearwire may also be entitled to receive from Sprint a supplemental prepayment for LTE services on January 15, 2014 in the amount of $100 million (conditioned upon the completion of site build-out targets pursuant to a commercial agreement currently in effect between Sprint and Clearwire and credited against certain of Sprint's obligations under such agreement).

Further, a failed or significantly delayed SoftBank Merger or Clearwire Acquisition may result in negative publicity and a negative impression of Sprint in the investment community. Any disruptions to Sprint's business resulting from the announcement and pendency of the SoftBank Merger or the Clearwire Acquisition and from intensifying competition from its competitors, including any adverse changes in its relationships with its customers, vendors, suppliers and employees or recruiting and retention efforts, could continue or accelerate in the event of a failed transaction. In addition, Sprint will not have the right to a termination fee from Clearwire if the Clearwire Acquisition Agreement is terminated, regardless of the actual amount of Sprint's damages or costs incurred in connection with the Clearwire Acquisition. There can be no assurance that Sprint's business, these relationships or its financial condition will not be negatively impacted, as compared to the condition prior to the announcement of the SoftBank Merger, if the SoftBank Merger or the Clearwire Acquisition are not consummated.

If SoftBank's financing for the SoftBank Merger is not funded, the SoftBank Merger may not be completed. In the event of a financing failure, and the termination of the Merger Agreement under certain circumstances, Sprint's remedies are limited to receipt of the $600 million reverse termination fee, which may not reflect the actual damages incurred by Sprint if the SoftBank Merger is not completed.

SoftBank intends to fund the cash required in connection with the SoftBank Merger and related transactions largely with debt financing. On December 18, 2012, SoftBank entered into a credit agreement with its lenders for the debt financing for the SoftBank Merger. To the extent one or more of the lenders is unwilling to, or unable to, fund its portion of the debt financing commitments under the credit agreement, the other lenders are not obligated to assume the unfunded commitments and SoftBank may be required to seek alternative financing or fund such portion of the commitments itself. The lenders' debt financing commitments are subject to the satisfaction of various conditions, including conditions relating to any of Sprint's outstanding indebtedness that may become payable as a result of the SoftBank Merger, the satisfaction or waiver of the conditions to the SoftBank Merger, the execution of satisfactory documentation and other customary closing conditions, among others. The lenders' commitments to provide the debt financing under the credit agreement expire on November 18, 2013.

Under the Merger Agreement, SoftBank is obligated to use its reasonable best efforts (i) to obtain the debt financing on the terms set forth in the debt commitment letters that its lenders executed in connection with the debt financing and upon which the credit agreement is based and (ii) in the event the debt financing is not available, to obtain alternative financing on financial terms no more favorable to SoftBank and subject to conditions not less favorable to SoftBank. In the event that all or any portion of the debt financing is not available under the credit agreement, financing alternatives may not be available on acceptable terms, in a timely manner or at all. If SoftBank is unable to obtain the funding from its lenders, or any alternative financing, the completion of the SoftBank Merger may be jeopardized.

Under certain circumstances, Sprint may seek to require SoftBank to issue a borrowing certificate, borrowing notice or similar document pursuant to the SoftBank debt financing documents in order to permit the SoftBank Merger closing to occur. Sprint will have the right to terminate the Merger Agreement and SoftBank will be required to pay Sprint a $600 million reverse termination fee if (a) the SoftBank Merger is not consummated within 11 business days following Sprint's notice to SoftBank that all conditions to closing have been satisfied or (b) during the 30 business day period beginning on April 15, 2013, the credit agreement has been terminated and SoftBank is not party to an alternative debt commitment letter or definitive financing documents which, in either case, provide for debt financing to be available from April 15, 2013 until October 15, 2013. SoftBank will also be required to pay a reverse termination fee if the Merger Agreement is terminated at the end date or by Sprint due to a breach by SoftBank and, at the time of such termination, all of the closing conditions are satisfied (other than delivery of the parties' closing certificates) and there was an uncured financing failure. If the Merger Agreement is terminated under any circumstance that entitles Sprint to receive the reverse termination fee, the right to receive the reverse termination fee is Sprint's only remedy and Sprint cannot otherwise seek damages from SoftBank for the failure of the SoftBank Merger to be completed or for any other matter, regardless of the actual amount of Sprint's damages.

The SoftBank Merger and the Clearwire Acquisition are subject to the receipt of consents and clearances from domestic and foreign regulatory authorities that may impose measures to protect national security and classified projects or other conditions that, if not obtained, could prevent completion of the SoftBank Merger or the Clearwire Acquisition.

While the Antitrust Division of the Department of Justice and the Federal Trade Commission granted early termination of the waiting period under the Hart-Scott-Rodino Act on December 6, 2012, with respect to the SoftBank Merger, before the SoftBank Merger or the Clearwire Acquisition may be completed, applicable waiting periods must expire or terminate under all other applicable antirust and competition laws, and various approvals or consents must be obtained from other regulatory entities. In deciding whether to grant antitrust or regulatory clearances, the relevant governmental entities will consider the effect of the SoftBank Merger and the Clearwire Acquisition on competition within their relevant jurisdiction. Due to the substantial foreign ownership of New Sprint shares following the SoftBank Merger, each of the FCC, Defense Security Service and Committee on Foreign Investment in the United States may take measures and impose conditions to protect national security and classified projects. There can be no assurance that regulators will not impose conditions, terms, obligations or restrictions, or that such conditions, terms, obligations or restrictions will not have the effect of delaying completion of the SoftBank Merger or the Clearwire Acquisition. In addition, Sprint cannot provide assurance that any such conditions, terms, obligations or restrictions will not result in the delay or abandonment of the SoftBank Merger or the Clearwire Acquisition.

The SoftBank Merger will result in an ownership change for Sprint under Section 382 of the Internal Revenue Code (Code), potentially limiting Sprint's use of net operating loss carryforwards, referred to as NOLs, tax credits and other tax attributes to offset future taxable income or tax liabilities.

Sprint has substantial NOLs, tax credits and other tax attributes for U.S. federal and state income tax purposes. The utilization of Sprint's NOLs, tax credits and other tax attributes following the SoftBank Merger depends on the timing and amount of taxable income earned by Sprint in the future, which Sprint is not able to predict. Moreover, the SoftBank Merger will result in an ownership change for Sprint under Section 382 of the Code, potentially limiting the use of Sprint's NOLs to offset future taxable income for both U.S. federal and state income tax purposes. Section 383 of the Code applies a similar limitation to capital loss and certain tax credit carryforwards of a corporation which experiences such an ownership change. These limitations may affect the timing of when these NOLs, tax credits and other tax attributes may be used which, in turn, may impact the timing and amount of cash taxes payable by Sprint. These tax attributes are generally subject to expiration at various times in the future to the extent that they have not previously been applied to offset the taxable income or tax liabilities of Sprint.

Competition and technological changes in the market for wireless services could negatively affect Sprint's average revenue per subscriber, subscriber churn, operating costs and its ability to attract new subscribers, resulting in adverse effects on Sprint's revenues, future cash flows, growth and profitability.

Sprint competes with a number of other wireless service providers in each of the markets in which Sprint provides wireless services, and Sprint expects competition may increase if additional spectrum is made available for commercial wireless services and as new technologies are developed and launched. As smartphone penetration increases, Sprint continues to expect an increased usage of data on Sprint's network. Competition in pricing and service and product offerings may also adversely impact subscriber retention and Sprint's ability to attract new subscribers, with adverse effects on Sprint's results of operations. A decline in the average revenue per subscriber coupled with a decline in the number of subscribers would negatively impact Sprint's revenues, future cash flows, growth and overall profitability, which, in turn, could impact Sprint's ability to meet Sprint's financial obligations.

The wireless communications industry is experiencing significant technological change, including improvements in the capacity and quality of digital technology and the deployment of unlicensed spectrum devices. This change causes uncertainty about future subscriber demand for Sprint's wireless services and the prices that Sprint will be able to charge for these services. Spending by Sprint's competitors on new wireless services and network improvements could enable its competitors to obtain a competitive advantage with new technologies or enhancements that Sprint does not offer. Rapid change in technology may lead to the development of wireless communications technologies, products or alternative services that are superior to Sprint's technologies, products, or services or that consumers prefer over Sprint's. If Sprint is unable to meet future advances in competing technologies on a timely basis, or at an acceptable cost, Sprint may not be able to compete effectively and could lose subscribers to its competitors.

Some competitors and new entrants may be able to offer subscribers network features or products and services not offered by Sprint, coverage in areas not served by Sprint's wireless networks or pricing plans that are lower than those offered by Sprint, all of which would negatively affect Sprint's average revenue per subscriber, subscriber churn, ability to attract new subscribers, and operating costs.

The success of Sprint's network modernization plan, Network Vision, will depend on the timing, extent and cost of implementation; the performance of third-parties and related parties; upgrade requirements; and the availability and reliability of the various technologies required to provide such modernization.

Sprint must continually invest in its wireless network in order to continually improve its wireless service to meet the increasing demand for usage of Sprint's data and other non-voice services and remain competitive.

Improvements in Sprint's service depend on many factors, including continued access to and deployment of adequate spectrum. Sprint must maintain and expand its network capacity and coverage as well as the associated wireline network needed to transport voice and data between cell sites. If Sprint is unable to obtain access to additional spectrum to increase capacity or to deploy the services subscribers desire on a timely basis or at acceptable costs while maintaining network quality levels, Sprint's ability to retain and attract subscribers could be materially adversely affected, which would negatively impact its operating margins.

Sprint is implementing Network Vision, which is a multi-year infrastructure initiative intended to reduce operating costs and provide subscribers with an enhanced network experience by improving voice quality, coverage and data speeds, while enhancing network flexibility and improving environmental sustainability. The focus of the plan is on upgrading the existing Sprint platform and providing flexibility for new 4G technologies, including LTE. If Network Vision does not provide a competitive LTE network, an enhanced network experience, Sprint's ability to provide enhanced wireless services to its subscribers, to retain and attract subscribers, and to maintain and grow its subscriber revenues could be adversely affected.

Using a new and sophisticated technology on a very large scale entails risks. For example, deployment of new technology, including LTE, may adversely affect the performance of existing services on Sprint's networks and result in increased churn. Should implementation of Sprint's upgraded network be delayed or costs exceed expected amounts, its margins could be adversely affected and such effects could be material. Should the delivery of services expected to be deployed on Sprint's upgraded network be delayed due to technological constraints, performance of third-party suppliers, zoning and leasing restrictions or permit issues, or other reasons, the cost of providing such services could become higher than expected, which could result in higher costs to customers, potentially resulting in decisions to purchase services from Sprint's competitors which would adversely affect Sprint's revenues, profitability and cash flow from operations.

Sprint is migrating existing Nextel platform subscribers to other offerings on the Sprint platform, including existing or future offerings on Sprint's multi-mode network, such as Sprint Direct Connect. The successful deployment and market acceptance of Network Vision has resulted in and is expected to continue to result in incremental charges during the period of implementation including, but not limited to, an increase in depreciation and amortization associated with existing assets, due to changes in Sprint's estimates of the remaining useful lives of long-lived assets, and the expected timing of asset retirement obligations. Sprint's ability to transition subscribers from the Nextel platform to offerings on the Sprint platform is dependent, in part, upon the success of Sprint Direct Connect and subscriber satisfaction with this technology.

Failure to complete development, testing and deployment of new technology that supports new services, including LTE, could affect Sprint's ability to compete in the industry. The deployment of new technology and new service offerings could result in network degradation or the loss of subscribers. In addition, the technology Sprint currently uses, including WiMAX, may place it at a competitive disadvantage.

Sprint develops, tests and deploys various new technologies and support systems intended to enhance Sprint's competitiveness by both supporting new services and features and reducing the costs associated with providing those services. Successful development and implementation of technology upgrades depend, in part, on the willingness of third parties to develop new applications or devices in a timely manner. Sprint may not successfully complete the development and rollout of new technology and related features or services in a timely manner, and they may not be widely accepted by Sprint's subscribers or may not be profitable, in which case Sprint could not recover its investment in the technology. Deployment of technology supporting new service offerings may also adversely affect the performance or reliability of Sprint's networks with respect to both the new and existing services and may require us to take action like curtailing new subscribers in certain markets. Any resulting subscriber dissatisfaction could affect Sprint's ability to retain subscribers and have an adverse effect on its results of operations and growth prospects.

Sprint has expended significant resources and made substantial investments to deploy a 4G mobile broadband network through its equity method investment in Clearwire using WiMAX technology. As part of Network Vision, Sprint expects to continue to support WiMAX devices, as it fully transitions to LTE. The failure to successfully design, build and deploy Sprint's LTE network, or a loss of or inability to access Clearwire's spectrum could increase subscriber losses, increase Sprint's costs of providing services or increase Sprint's churn. Other competing technologies may have advantages over Sprint's current or planned technology and operators of other networks based on those competing technologies may be able to deploy these alternative technologies at a lower cost and more quickly than the cost and speed with which Clearwire provides 4G MVNO services to Sprint or with which it deploys Sprint's LTE network, which may allow those operators to compete more effectively or may require Sprint and Clearwire to deploy additional technologies. See “-Risks Relating to Clearwire” below for additional risks related to Clearwire.

Current economic and market conditions, Sprint's recent financial performance, its high debt levels, and its debt ratings could negatively impact its access to the capital markets resulting in less growth than planned or failure to satisfy financial covenants under Sprint's existing debt agreements.

Sprint may incur additional debt in the future for a variety of reasons, such as refinancing, Network Vision and working capital needs, including equipment net subsidies, future investments or acquisitions. Sprint's ability to arrange additional financing will depend on, among other factors, current economic and market conditions, its financial performance, its high debt levels, and its debt ratings. Some of these factors are beyond Sprint's control, and Sprint may not be able to arrange additional financing on terms acceptable to it or at all. Failure to obtain suitable financing when needed could, among other things, result in Sprint's inability to continue to expand its businesses and meet competitive challenges, including implementation of Network Vision on Sprint's current timeline.

The continued instability in the global financial markets has resulted in periodic volatility in the credit, equity and fixed income markets. This volatility could limit Sprint's access to the credit markets, leading to higher borrowing costs or, in some cases, the inability to obtain financing on terms that are acceptable to it, or at all.

Sprint has incurred substantial amounts of indebtedness to finance operations and other general corporate purposes. At December 31, 2012, Sprint's total debt was approximately $24.3 billion. As a result, Sprint is highly leveraged and will continue to be highly leveraged. Accordingly, Sprint's debt service requirements are significant in relation to its revenues and cash flow. This leverage exposes it to risk in the event of downturns in Sprint's businesses (whether through competitive pressures or otherwise), in its industry or in the economy generally, and may impair Sprint's operating flexibility and its ability to compete effectively, particularly with respect to competitors that are less leveraged.

The debt ratings for Sprint's outstanding notes are currently below the “investment grade” category, which results in higher borrowing costs than investment grade debt as well as reduced marketability of Sprint's debt. Sprint's debt ratings could be further downgraded for various reasons, including if it incurs significant additional indebtedness including indebtedness relating to any required change of control offer, or if it does not generate sufficient cash from its operations, which would likely increase Sprint's future borrowing costs and could adversely affect Sprint's ability to obtain additional capital.

Sprint's new $2.8 billion unsecured revolving credit facility, which expires in February 2018, requires that the ratio (Leverage Ratio) of total indebtedness to trailing four quarters earnings before interest, taxes, depreciation and amortization and other non-recurring items, as defined by the credit facility (adjusted EBITDA), not exceed 6.25 to 1.0 through June 30, 2014. Subsequent to June 30, 2014 the Leverage Ratio declines on a scheduled basis, as determined by the credit agreement, until the ratio becomes fixed at 4.0 to 1.0 for the fiscal quarter ended December 31, 2016 and each fiscal quarter ending thereafter. If Sprint does not continue to satisfy this required ratio, it will be in default under its new revolving credit facility, which would trigger defaults under Sprint's other debt obligations, which in turn could result in the maturities of certain debt obligations being accelerated. Additionally, although we expect to remain in compliance with the covenants under our new revolving credit and secured equipment credit facilities through the next twelve months, our Leverage Ratio under our unsecured loan agreement with Export Development Canada (EDC) is more restrictive. While we are currently in discussions with the lender under our EDC facility to amend such agreement to reflect the Leverage Ratio permitted under our revolving bank credit facility, there can be no assurance that Sprint can obtain such amendment. Further, if the Clearwire Acquisition is consummated, Sprint's consolidated debt would increase by approximately $4.3 billion (based on Clearwire's debt as of December 31, 2012, excluding short-term debt expected to be paid by June 30, 2013). In addition to the covenants in Sprint's new revolving credit facility, Sprint's EDC facility and Sprint's secured equipment credit facility, certain indentures governing Sprint's notes limit, among other things, Sprint's ability to incur additional debt, pay dividends, create liens and sell, transfer, lease or dispose of assets. Such restrictions could adversely affect Sprint's ability to access the capital markets or engage in certain transactions.

Although these restrictions do not limit Sprint's ability to engage in the SoftBank Merger, under the terms of Sprint's EDC facility and secured equipment credit facility, consummation of the SoftBank Merger would constitute a change of control that would enable the lenders thereunder to require repayment of all outstanding balances thereunder. If the lenders exercised their rights as a consequence of the change of control, amounts outstanding under the EDC facility and the secured equipment credit facility, which were approximately $796 million in the aggregate at December 31, 2012, would become due and payable at the time of closing. Sprint is currently in discussions with the existing lenders under the EDC and secured equipment facilities and intends to amend these facilities to, among other things, exclude the SoftBank Merger from the change of control provisions.

The trading price of Sprint's common stock has been and may continue to be volatile and may not reflect Sprint's actual operations and performance. We expect that these factors will affect New Sprint and the New Sprint common stock following the effective time of the SoftBank Merger.

Market and industry factors may seriously harm the market price of Sprint's common stock, regardless of Sprint's actual operations and performance. Stock price volatility and sustained decreases in Sprint's share price could subject its stockholders to losses or lead to action by the NYSE. The trading price of Sprint's common stock has been, and may continue to be, subject to fluctuations in price in response to various factors, some of which are beyond Sprint's control, including, but not limited to:

- uncertainty related to Sprint's proposed transactions with SoftBank and Clearwire;
- market speculation or announcements by Sprint regarding the entering into, or termination of, material transactions, including the SoftBank Merger and the Clearwire Acquisition;
- disruption to Sprint's operations or those of other companies critical to Sprint's network operations;
- the performance of SoftBank and SoftBank's ordinary shares or speculation about the possibility of future actions SoftBank may take in connection with New Sprint;
- quarterly announcements and variations in Sprint's results of operations or those of its competitors, either alone or in comparison to analysts' expectations or prior company estimates, including announcements of subscriber counts, rates of churn, and operating margins that would result in downward pressure on Sprint's stock price;
- seasonality or other variations in Sprint's subscriber base, including its rate of churn;
- the cost and availability or perceived availability of additional capital and market perceptions relating to Sprint's access to this capital;
- announcements by Sprint or its competitors of acquisitions, new products, technologies, significant contracts, commercial relationships or capital commitments;
- Sprint's ability to develop and market new and enhanced technologies, products and services on a timely and cost-effective basis, including implementation of Network Vision and Sprint's networks;
- recommendations by securities analysts or changes in their estimates concerning Sprint;
- the incurrence of additional debt, dilutive issuances of Sprint's stock, short sales or hedging of, and other derivative transactions, in its common stock;
- any significant change in Sprint's board of directors or management;
- litigation;

- changes in governmental regulations or approvals; and
- perceptions of general market conditions in the technology and communications industries, the U.S. economy and global market conditions.

Consolidation and competition in the wholesale market for wireline services, as well as consolidation of Sprint's roaming partners and access providers used for wireless services, could adversely affect Sprint's revenues and profitability.

Sprint's Wireline segment competes with AT&T, Verizon Communications, CenturyLink, Level 3 Communications Inc., other major local incumbent operating companies, and cable operators, as well as a host of smaller competitors. Some of these companies have high-capacity, IP-based fiber-optic networks capable of supporting large amounts of voice and data traffic. Some of these companies claim certain cost structure advantages that, among other factors, may allow them to offer services at lower prices than Sprint can. In addition, consolidation by these companies could lead to fewer companies controlling access to more cell sites, enabling them to control usage and rates, which could negatively affect Sprint's revenues and profitability.

Sprint provides wholesale services under long-term contracts to cable television operators which enable these operators to provide consumer and business digital telephone services. These contracts may not be renewed as they expire. Increased competition and the significant increase in capacity resulting from new technologies and networks may drive already low prices down further. AT&T and Verizon Communications continue to be Sprint's two largest competitors in the domestic long distance communications market. Sprint and other long distance carriers depend heavily on local access facilities obtained from ILECs to serve Sprint's long distance subscribers, and payments to ILECs for these facilities are a significant cost of service for Sprint's Wireline segment. The long distance operations of AT&T and Verizon Communications have cost and operational advantages with respect to these access facilities because those carriers serve significant geographic areas, including many large urban areas, as the ILECs.

In addition, Sprint's Wireless segment could be adversely affected by changes in rates and access fees that result from consolidation of Sprint's roaming partners and access providers, which could negatively affect Sprint's revenues and profitability.

The blurring of the traditional dividing lines among long distance, local, wireless, video and Internet services contributes to increased competition.

The traditional dividing lines among long distance, local, wireless, video and Internet services are increasingly becoming blurred. In addition, the dividing lines between voice and data are also becoming blurred. Through mergers, joint ventures and various service expansion strategies, major providers are striving to provide integrated services in many of the markets Sprint serves. This trend is also reflected in changes in the regulatory environment that have encouraged competition and the offering of integrated services. Sprint expects competition to intensify as a result of the entrance of new competitors or the expansion of services offered by existing competitors, and the rapid development of new technologies, products and services. Sprint cannot predict which of many possible future technologies, products, or services will be important to maintain Sprint's competitive position or what expenditures Sprint will be required to make in order to develop and provide these technologies, products or services. To the extent Sprint does not keep pace with technological advances or fails to timely respond to changes in the competitive environment affecting Sprint's industry, Sprint could lose market share or experience a decline in revenue, cash flows and net income. As a result of the financial strength and benefits of scale enjoyed by some of Sprint's competitors, they may be able to offer services at lower prices than Sprint can, thereby adversely affecting Sprint's revenues, growth and profitability.

Subscriber dissatisfaction, including possible litigation, related to the Nextel Platform shut-down could have a material adverse effect on our results of operations.

Sprint is migrating existing Nextel platform subscribers to other offerings on the Sprint platform, including existing or future offerings on Sprint's multi-mode network, such as Sprint Direct Connect. Sprint's ability to maintain existing subscriber relationships depends significantly on the quality of our services, our reputation, and the continuity of service. Subscriber dissatisfaction with the shut-down of services on the Nextel platform or of alternative services or damage to our reputation as a result of the shut-down could result in a loss of subscribers or litigation that could cause our revenue to be reduced or our expenses to be increased resulting in a material adverse effect on our results of operations.

If Sprint is unable to improve Sprint's results of operations, it faces the possibility of charges for impairments of long-lived assets. Further, Sprint's future operating results will be impacted by Sprint's share of Clearwire's net loss as well as the potential Clearwire Acquisition, which will likely negatively affect Sprint's results of operations for a period of time subsequent to the Clearwire Acquisition. The carrying value of Sprint's current investment in Clearwire may be subject to further impairment if the Clearwire Acquisition does not close.

Sprint reviews its long-lived assets for impairment whenever changes in circumstances indicate that the carrying amount may not be recoverable. If Sprint continues to have operational challenges, including obtaining and retaining subscribers, Sprint's future cash flows may not be sufficient to recover the carrying value of Sprint's long-lived assets, and Sprint could record asset impairments that are material to Sprint's consolidated results of operations and financial condition. If Sprint continues to have challenges retaining subscribers and as it assesses the deployment of Network Vision, management may conclude, in future periods, that certain equipment assets will never be either deployed or redeployed, in which case additional cash and/or non-cash charges that could be material to Sprint's consolidated financial statements would be recognized.

Sprint accounts for Sprint's current investment in Clearwire using the equity method of accounting and, as a result, it records its share of Clearwire's net income or net loss, which could adversely affect Sprint's consolidated results of operations. Clearwire reported that it will need substantial additional capital over the intermediate and long-term. Clearwire's ability, however, to raise sufficient additional capital on acceptable terms, or at all, will remain uncertain if the proposed Clearwire Acquisition does not close. In addition, Clearwire reported that if it fails to obtain additional capital, its business prospects, financial condition and results of operations will likely be materially and adversely affected, and it will be forced to consider all available alternatives. Declines in the estimated fair value of Clearwire resulting from potential declines in its stock price as a result of failure to close the Clearwire Acquisition may require Sprint to reevaluate the decline in relation to the carrying value of its current investment in Clearwire. A conclusion by Sprint that additional declines in the value of Clearwire are other than temporary could result in an additional impairment, which could be material.

Each of Sprint and Clearwire has entered into agreements with unrelated parties for certain business operations. Any difficulties experienced by Sprint or, to the extent the Clearwire Acquisition is consummated, Clearwire in these arrangements could result in additional expense, loss of subscribers and revenue, interruption of Sprint's services or a delay in the roll-out of new technology.

Sprint has entered into agreements with unrelated parties for the day-to-day execution of services, provisioning and maintenance for Sprint's wireless and wireline networks, for the implementation of Network Vision, and for the development and maintenance of certain software systems necessary for the operation of Sprint's business. Clearwire has also entered into similar arrangements relating to its wireless networks. Sprint also has agreements with unrelated parties to provide customer service and related support to its wireless subscribers and outsourced aspects of Sprint's wireline network and back office functions to unrelated parties. In addition, Sprint has sublease agreements with unrelated parties for space on communications towers. As a result, Sprint must rely on unrelated parties to perform certain of its operations and, in certain circumstances, interface with Sprint's subscribers. If these unrelated parties were unable to perform to Sprint's or, to the extent the Clearwire Acquisition is consummated, Clearwire's requirements, Sprint would have to pursue alternative strategies to provide these services and that could result in delays, interruptions, additional expenses and loss of subscribers.

The products and services utilized by Sprint and its suppliers and service providers may infringe on intellectual property rights owned by others.

Some of Sprint's products and services use intellectual property that Sprint owns. Sprint also purchases products from suppliers, including device suppliers, and outsources services to service providers, including billing and customer care functions, that incorporate or utilize intellectual property. Sprint and some of its suppliers and service providers have received, and may receive in the future, assertions and claims from third parties that the products or software utilized by Sprint or its suppliers and service providers infringe on the patents or other intellectual property rights of these third parties. These claims could require Sprint or an infringing supplier or service provider to cease certain activities or to cease selling the relevant products and services. These claims can be time-consuming and costly to defend, and divert management resources. If these claims are successful, Sprint could be forced to pay significant damages or stop selling certain products or services or stop using certain trademarks, which could have an adverse effect on Sprint's results of operations.

Government regulation could adversely affect Sprint's prospects and results of operations; the FCC and state regulatory commissions may adopt new regulations or take other actions that could adversely affect Sprint's business prospects, future growth or results of operations.

The FCC and other federal, state and local, as well as international, governmental authorities have jurisdiction over Sprint's business and could adopt regulations or take other actions that would adversely affect Sprint's business prospects or results of operations.

The licensing, construction, operation, sale and interconnection arrangements of wireless telecommunications systems are regulated by the FCC and, depending on the jurisdiction, international, state and local regulatory agencies. In particular, the FCC imposes significant regulation on licensees of wireless spectrum with respect to how radio spectrum is used by licensees, the nature of the services that licensees may offer and how the services may be offered, and resolution of issues of interference between spectrum bands.

The FCC grants wireless licenses for terms of generally ten years that are subject to renewal and revocation. There is no guarantee that Sprint's licenses will be renewed. Failure to comply with FCC requirements applicable to a given license could result in revocation of that license and, depending on the nature of the non-compliance, other Sprint licenses.

Depending on their outcome, the FCC's proceedings regarding regulation of special access rates could affect the rates paid by Sprint's Wireless and Wireline segments for special access services in the future. Similarly, depending on their outcome, the FCC's proceedings on the regulatory classification of VoIP services and a pending appeal of the FCC's 2011 order reforming universal service for high cost area and intercarrier compensation could affect the intercarrier compensation rates and the level of USF contributions paid by Sprint.

Various states are considering regulations over terms and conditions of service, including certain billing practices and consumer-related issues that may not be pre-empted by federal law. If imposed, these regulations could make it more difficult and expensive to implement national sales and marketing programs and could increase the costs of Sprint's wireless operations.

Degradation in network performance caused by compliance with government regulation, such as “net neutrality,” loss of spectrum or additional rules associated with the use of spectrum in any market could result in an inability to attract new subscribers or higher subscriber churn in that market, which could adversely affect Sprint's revenues and results of operations. Furthermore, additional costs or fees imposed by governmental regulation could adversely affect Sprint's revenues, future growth and results of operations.

Regulatory developments regarding the use of “conflict” minerals mined from the Democratic Republic of Congo and adjoining countries could affect the sourcing and availability of minerals used in the manufacture of certain products, including handsets. Although Sprint does not purchase raw materials, manufacture, or produce any electronic equipment directly, the regulation may affect some of Sprint's suppliers. As a result, there may only be a limited pool of suppliers who provide conflict free metals, and Sprint cannot ensure that it will be able to obtain products in sufficient quantities or at competitive prices. Also, because Sprint's supply chain is complex, it may face reputational challenges with its customers and other stakeholders if we are unable to sufficiently verify the origins for all metals used in the products that Sprint sells.

Changes to the federal Lifeline Assistance Program could negatively impact the growth of the Assurance Wireless and wholesale subscriber base and the profitability of the Assurance Wireless and wholesale business overall.

Virgin Mobile USA, L.P., Sprint's wholly-owned subsidiary, offers service to low-income subscribers eligible for the federal Lifeline Assistance program under the brand Assurance Wireless, which we refer to as Assurance Wireless. Assurance Wireless provides a monthly discount to eligible subscribers in the form of a free block of minutes. Moreover, some of Sprint's wholesale customers also offer service to subscribers eligible for the federal Lifeline Assistance program. This discount is subsidized by the Low-Income Program of the federal USF and administered by the Universal Service Administrative Company. Lifeline service is offered by both wireline and wireless companies, but more recent wireless entry, particularly by prepaid carriers with a focus on lower income consumers, has caused a rapid increase in the amount of USF support directed toward the Lifeline program. The FCC recently adopted reforms to the Low Income program to increase program effectiveness and efficiencies, including a limit of one subsidized service per household. More stringent eligibility and certification requirements will make it more difficult for all Lifeline service providers to sign up and retain Lifeline subscribers. The growth in the Lifeline program has caused some regulators and legislators to question the structure of the current program and the FCC is continuing to review the growth of the program. Changes in the Lifeline program as a result of the ongoing FCC proceeding or other legislation has and would continue to negatively impact growth in the Assurance Wireless and wholesale subscriber base and/or the profitability of the Assurance Wireless and wholesale business overall.

If Sprint's business partners and subscribers fail to meet their contractual obligations it could negatively affect Sprint's results of operations.

The current economic environment has made it difficult for businesses and consumers to obtain credit, which could cause Sprint's suppliers, distributors and subscribers to have problems meeting their contractual obligations with Sprint. If Sprint's suppliers are unable to fulfill its orders or meet their contractual obligations with Sprint, Sprint may not have the services or devices available to meet the needs of its current and future subscribers, which could cause it to lose current and potential subscribers to other carriers. In addition, if Sprint's distributors are unable to stay in business, it could lose distribution points, which could negatively affect Sprint's business and results of operations. If Sprint's subscribers are unable to pay their bills or potential subscribers feel they are unable to take on additional financial obligations, they may be forced to forgo Sprint's services, which could negatively affect Sprint's results of operations.

Sprint's reputation and business may be harmed and it may be subject to legal claims if there is loss, disclosure or misappropriation of or access to Sprint's subscribers' or Sprint's own information or other breaches of Sprint's information security.

Sprint makes extensive use of online services and centralized data processing, including through third-party service providers. The secure maintenance and transmission of customer information is an important element of Sprint's operations. Sprint's information technology and other systems that maintain and transmit customer information, or those of service providers, may be compromised by a malicious third-party penetration of Sprint's network security, or that of a third-party service provider, or impacted by advertent or inadvertent actions or inactions by Sprint's employees, or those of a third-party service provider. As a result, Sprint's subscribers' information may be lost, disclosed, accessed or taken without the subscribers' consent.

In addition, Sprint and third-party service providers process and maintain its proprietary business information and data related to its business-to-business customers or suppliers. Sprint's information technology and other systems that maintain and transmit this information, or those of service providers, may also be compromised by a malicious third-party penetration of Sprint's network security or that of a third-party service provider, or impacted by intentional or inadvertent actions or inactions by Sprint's employees or those of a third-party service provider. As a result, Sprint's business information, or subscriber or supplier data may be lost, disclosed, accessed or taken without consent.

Any major compromise of our data or network security, failure to prevent or mitigate the loss of our services or any customer information and delays in detecting any such compromise or loss could disrupt our operations, damage our reputation and subscribers' willingness to purchase our service and subject us to additional costs and liabilities, including litigation, which could be material.

Any potential future acquisitions, strategic investments or mergers may subject us to significant risks, any of which may harm our business.

Our long-term strategy may include identifying and acquiring, investing in or merging with suitable candidates on acceptable terms. In particular, over time, we may acquire, make investments in, or merge with companies that complement our business. Acquisitions would involve a number of risks and present financial, managerial and operational challenges, including:

- diversion of management attention from running our existing business;
- possible material weaknesses in internal control over financial reporting;
- increased expenses including legal, administrative and compensation expenses related to newly hired employees;

- increased costs to integrate the technology, personnel, customer base and business practices of the acquired company with our own;
- potential exposure to material liabilities not discovered in the due diligence process;
- potential adverse effects on our reported operating results due to possible write-down of goodwill and other intangible assets associated with acquisitions;
- acquisition financing may not be available on reasonable terms or at all; and
- any acquired business, technology, service or product may significantly under-perform relative to our expectations, and we may not achieve the benefits we expect from our acquisitions.

For any or all of these reasons, our pursuit of an acquisition, investment or merger may cause our actual results to differ materially from those anticipated.

Sprint's business could be negatively impacted by threats and other disruptions.

Major equipment failures, natural disasters, including severe weather, terrorist acts or other breaches of network or information technology security that affect Sprint's wireline and wireless networks, including transport facilities, communications switches, routers, microwave links, cell sites or other equipment or third-party owned local and long-distance networks on which Sprint relies, could have a material adverse effect on Sprint's operations.

These events could disrupt Sprint's operations, require significant resources, result in a loss of subscribers or impair Sprint's ability to attract new subscribers, which in turn could have a material adverse effect on Sprint's business, results of operations and financial condition.

Concerns about health risks associated with wireless equipment may reduce the demand for Sprint's services.

Portable communications devices have been alleged to have adverse health effects, due to radio frequency emissions from these devices. The actual or perceived risk of using mobile communications devices could adversely affect Sprint through a reduction in subscribers or reduced financing available to the mobile communications industry. Although the FDA and FCC have both noted that the weight of the scientific evidence does not link cell phone use to cancer or any health problems, further research and studies are ongoing; Sprint has no reason to expect those studies to reach a different conclusion, but it cannot guarantee that additional studies will not demonstrate a link between radio frequency emissions and health concerns.

Risks Relating to Clearwire

Sprint is currently a major equityholder of Clearwire, and on December 17, 2012, Sprint announced that it had agreed to acquire all of the equity interests of Clearwire Corporation not currently owned by Sprint subject to the terms and conditions of the Clearwire Acquisition Agreement. The following are certain additional risks that relate to the Clearwire Acquisition, Sprint's existing investment in Clearwire and the business and operations of Clearwire. If the Clearwire Acquisition and the SoftBank Merger are consummated, Clearwire will be an indirect wholly owned subsidiary of New Sprint, and therefore, certain risks that relate to Clearwire will also relate to New Sprint. For more discussion of Clearwire and the risks affecting Clearwire, you should refer to Clearwire's Annual Report on Form 10-K for the year ended December 31, 2012, and the notice to holders of Clearwire common stock and an accompanying proxy statement to be filed by Clearwire with the SEC, a preliminary form of which was filed by Clearwire with the SEC on February 1, 2013. The contents of Clearwire's SEC filings are expressly not incorporated by reference into this annual report on Form 10-K.

Clearwire currently could be, and if the Clearwire Acquisition is consummated, Clearwire would be, considered a subsidiary and affiliate under certain of Sprint's agreements relating to its indebtedness and could cross-default Sprint's debt.

If the Clearwire Acquisition is consummated, Sprint will own all of the outstanding equity interests in Clearwire. As a result, Clearwire would be considered a subsidiary under certain agreements relating to Sprint's indebtedness, and therefore certain actions or defaults by Clearwire could potentially result in a breach by Sprint of covenants and cross-default provisions under certain agreements relating to its indebtedness, which could have a material adverse effect on Sprint's business, financial condition, liquidity and results of operations, including as a result of cross-defaults of Sprint's other debt facilities in connection with any acceleration of such indebtedness. Additionally, pursuant to certain of its debt agreements, Sprint would be subject to covenants relating to the maintenance of property and payment of taxes of Clearwire. As an affiliate of Sprint, transactions involving Sprint and Clearwire would be subject to certain related party transaction and asset sale restrictions under certain of Sprint's credit agreements and Clearwire's agreements, which could restrict integration efforts. Further, while Clearwire is currently not permitted to guarantee Sprint's indebtedness under Clearwire's agreements now in effect, as a subsidiary of Sprint, Clearwire will be required to guarantee certain Sprint indebtedness if permitted under such agreements.

In addition, on December 11, 2012, Sprint purchased all of Eagle River's equity interest in Clearwire, causing Sprint's economic and voting interest in Clearwire to exceed 50%. As a result of this acquisition, certain of the above referenced provisions, including the cross-default, relating to Clearwire as a subsidiary and affiliate of Sprint may already be applicable to Sprint and Clearwire regardless of whether the Clearwire Acquisition is consummated (provided that Clearwire would not be considered a subsidiary of Sprint under certain Sprint debt agreements or be required to guarantee Sprint's indebtedness unless, among other things, it became a wholly owned subsidiary of Sprint).

Additional review by regulatory agencies of the SoftBank Merger, together with the proposed Clearwire Acquisition, could result in delays in the regulatory approvals needed to close the SoftBank Merger.

Sprint and SoftBank, and Sprint and Clearwire, have made various filings and taken other actions, and will continue to take actions, necessary to obtain governmental approvals in connection with the SoftBank Merger and the Clearwire Acquisition, respectively, and related transactions. Several governmental agencies may elect to review the Clearwire Acquisition together with the SoftBank Merger, which could have the effect of delaying approval for, and closing of, the SoftBank Merger. While Sprint and SoftBank believe that required regulatory approvals for both the SoftBank Merger and the Clearwire Acquisition will ultimately be obtained, these approvals are not assured.

Continued investment by Sprint in Clearwire exposes Sprint to risks because Sprint does not currently control the board, determine the strategies, manage operations or control management, including decisions relating to the operation and build-out of its 4G networks, and the value of Sprint's investment in Clearwire or Sprint's financial performance may be adversely affected by decisions made by Clearwire or other large investors in Clearwire that are adverse to Sprint's interests.

Sprint has historically been exposed to risk with respect to control and management of Clearwire, and this risk will continue during the period prior to the closing of the Clearwire Acquisition and longer if the Clearwire Acquisition does not close. While Sprint has the right to appoint up to seven of Clearwire's 13 directors, Sprint does not currently control Clearwire's board, nor does it manage the operations of Clearwire or control management. Clearwire has a group of investors that are represented on Clearwire's board of directors. These investors may have interests that diverge from Sprint's or Clearwire's. Differences in views among the large investors could result in delayed decisions by Clearwire's board of directors or failure to agree on major issues. Any such delay or failure to agree with respect to the operation of Clearwire could have a material adverse effect on the value of Sprint's investment in Clearwire or, because some of Sprint's subscribers use Clearwire's 4G network, Sprint's business, financial condition, results of operations or cash flows.

In addition, the corporate opportunity provisions in Clearwire's certificate of incorporation provide that unless a director is an employee of Clearwire, the person does not have a duty to present to Clearwire a corporate opportunity of which the director becomes aware, except where the corporate opportunity is expressly offered to the director in his or her capacity as a director of Clearwire. This could enable certain Clearwire stockholders to benefit from opportunities that may otherwise be available to Clearwire, which could adversely affect Clearwire's business and Sprint's investment in Clearwire.

Clearwire's certificate of incorporation also expressly provides that certain stockholders and their affiliates may, and have no duty not to, engage in any businesses that are similar to or competitive with those of Clearwire, do business with Clearwire's competitors, subscribers and suppliers, and employ Clearwire's employees or officers. These stockholders or their affiliates may deploy competing wireless broadband networks or purchase broadband services from other providers. Any such actions could have a material adverse effect on Clearwire's business, financial condition, results of operations or prospects and the value of Sprint's investment in Clearwire.

Moreover, although as part of Network Vision Sprint has launched Sprint's own LTE network in limited markets, Sprint currently relies on Clearwire to operate its WiMAX 4G network. In addition, Clearwire has announced its intention to build a 4G LTE network. Clearwire's success could be affected by, among other things, its deployment of new technology, ability to offer a competitive cost structure and its ability to obtain additional financing in the amounts and on terms that enable it to continue to operate its 4G network. Clearwire's failure to operate or upgrade its 4G network may negatively affect Sprint's ability to generate future revenues, cash flows or overall profitability from 4G services. See “—Failure to complete development, testing and deployment of new technology that supports new services, including LTE, could affect Sprint's ability to compete in the industry. The deployment of new technology and new service offerings could result in network degradation or the loss of subscribers. In addition, the technology Sprint currently uses, including WiMAX, may place Sprint at a competitive disadvantage.”

If Clearwire fails to obtain additional capital on commercially reasonable terms, or at all, its business prospects, financial condition and results of operations will likely be materially and adversely affected, and it has stated that it will be forced to consider all available alternatives. In addition, Clearwire has indicated that due to its current funding constraints, it may not be able to maintain or make improvements necessary to add capacity to its 4G network. If Clearwire is unable to add significant subscriber capacity, or maintain the quality and operations of its 4G network, Sprint could experience subscriber dissatisfaction or loss, which would have a material adverse effect on Sprint's revenues, profitability and cash flow from operations. Moreover, Sprint currently accesses Clearwire's spectrum through an MVNO agreement, which if breached or terminated could affect Sprint's ability to access Clearwire spectrum.

In connection with the Clearwire Acquisition, Clearwire and Sprint have entered into agreements that provide up to $800 million of additional financing for Clearwire in the form of exchangeable notes, which will be convertible under certain conditions to Clearwire common stock at $1.50 per share, subject to adjustment, as defined. Under the financing agreements, Sprint has agreed to purchase up to $80 million of exchangeable notes per month for up to ten months beginning in January 2013, subject to certain funding conditions including conditions relating to a network build-out agreement and the consummation of the proposed Clearwire Acquisition.

On February 26, 2013, Sprint and Clearwire amended the exchangeable notes agreement to remove the network build out condition to Sprint’s obligation to provide financing for the last three draws (in August, September and October 2013). Accordingly, Clearwire, at its option, is eligible for the last three draws, totaling $240 million. In addition, Clearwire provided its first notification to Sprint of its election to draw $80 million, under the terms of the financing agreements, in March 2013.

If the Clearwire Acquisition is consummated, and Sprint does not maintain rights to use Clearwire's leased spectrum in one or more markets, Sprint may be unable to execute its business strategy as planned.

To offer services using licensed spectrum, Clearwire depends in part on its ability to maintain sufficient rights to use spectrum through leases in markets in which it operates or intends to operate. Using Clearwire's leased spectrum would pose additional risks to us, including:

- refusal by the FCC to recognize Clearwire's lease of spectrum licenses from others or its investments in other license holders;
- inability to control leased spectrum due to contractual disputes with, or the bankruptcy or other reorganization of, the license holders, or third parties; and
- failure to obtain extensions or renewals of spectrum leases, or an inability to renegotiate such leases, on terms acceptable to us before they expire, which may result in the loss of spectrum we need to operate our network in the market covered by the spectrum leases.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters are located in Overland Park, Kansas and consist of about 3,853,000 square feet. Our gross property, plant and equipment at December 31, 2012 totaled $47.9 billion, as follows:

	2012
	(in billions)
Wireless	$ 40.8
Wireline	4.7
Corporate and other	2.4
Total	$ 47.9

Properties utilized by our Wireless segment generally consist of base transceiver stations, switching equipment and towers, as well as leased and owned general office facilities and retail stores. We lease space for base station towers and switch sites for our wireless network.

Properties utilized by our Wireline segment generally consist of land, buildings, switching equipment, digital fiber optic network and other transport facilities. We have been granted easements, rights-of-way and rights-of-occupancy by railroads and other private landowners for our fiber optic network.

Item 3. Legal Proceedings

On January 6, 2011, the U.S. District Court for the District of Kansas denied our motion to dismiss a shareholder lawsuit, *Bennett v. Sprint Nextel Corp.*, that alleges that the Company and three of our former officers violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 by failing adequately to disclose certain alleged operational difficulties subsequent to the Sprint-Nextel merger, and by purportedly issuing false and misleading statements regarding the write-down of goodwill. The complaint was originally filed in March 2009 and is brought on behalf of alleged purchasers of company stock from October 26, 2006 to February 27, 2008. Our motion to certify the January 6, 2011 order for an interlocutory (or interim) appeal was denied, and discovery has begun. The plaintiff moved to certify a class of bond holders as well as owners of common stock, and we have opposed that motion. We believe the complaint is without merit and intend to defend the matter vigorously. We do not expect the resolution of this matter to have a material adverse effect on our financial position or results of operations.

Five related shareholder derivative suits were filed against the Company and certain of our present and/or former officers and directors. The first, *Murphy v. Forsee*, was filed in state court in Kansas on April 8, 2009, was removed to federal court, and was stayed by the court pending resolution of the motion to dismiss the *Bennett* case; the second, *Randolph v. Forsee*, was filed on July 15, 2010 in state court in Kansas, was removed to federal court, and was remanded back to state court; the third, *Ross-Williams v. Bennett, et al.*, was filed in state court in Kansas on February 1, 2011; the fourth, *Price v. Forsee, et al.*, was filed in state court in Kansas on April 15, 2011; and the fifth, *Hartleib v. Forsee, et. al.*, was filed in federal court in Kansas on July 14, 2011. These cases are essentially stayed while we proceed with discovery in the *Bennett* case. We do not expect the resolution of these matters to have a material adverse effect on our financial position or results of operations.

In addition, the Company has received several complaints purporting to assert claims on behalf of Sprint shareholders, alleging that members of the board of directors breached their fiduciary duties in agreeing to the SoftBank Merger, and otherwise challenging that transaction. There are five cases pending in state court in Johnson County, Kansas: *UFCW Local 23 and Employers Pension Fund, et al. v. Bennett, et al.*, filed on October 25, 2012; *Iron Workers Mid-South Pension Fund, et al. v. Hesse, et al.*, filed on October 25, 2012; *City of Dearborn Heights Act 345 Police and Fire Retirement System v. Sprint Nextel Corp., et al.*, filed on October 12, 2012; *Testani, et al. v. Sprint Nextel Corp., et al.*, filed on November 1, 2012; and *Patten, et al. v. Sprint Nextel Corp., et al.*, filed on November 1, 2012. There is one case filed in federal court in the District of Kansas, entitled *Gerbino, et al. v. Sprint Nextel Corp., et al.*, filed on November 15, 2012. The Company intends to defend these cases vigorously, and, because these cases are still in the preliminary stages, has not yet determined what effect the lawsuits will have, if any, on its financial position, results of operations, or cash flows.

The Company is also a defendant in several complaints filed by shareholders of Clearwire Corporation, asserting claims for breach of fiduciary duty by Sprint, and related claims and otherwise challenging the Clearwire Acquisition. There are four suits pending in Chancery Court in Delaware: *Crest Financial Limited v. Sprint Nextel Corp., et al.*, filed on December 12, 2012; *Katsman v. Prusch, et al*., filed December 20, 2012; *Feigeles, et al. v. Clearwire Corp., et al.*, filed December 28, 2012; and *Litwin, et al. v. Sprint Nextel Corp., et al*., , filed January 2, 2013. There is one case filed in state court in King County, Washington, in which Sprint is a party, and that case and two other cases in which Sprint is not a party have been stayed in favor of the Delaware proceedings: *Rowe, et al. v. Clearwire Corp., et al*., filed December 31, 2012. The Company intends to defend these cases vigorously, and, because these cases are still in the preliminary stages, has not yet determined what effect the lawsuits will have, if any, on its financial position, results of operations, or cash flows.

Various other suits, inquiries, proceedings and claims, either asserted or unasserted, including purported class actions typical for a large business enterprise and intellectual property matters, are possible or pending against us or our subsidiaries. If our interpretation of certain laws or regulations, including those related to various federal or state matters such as sales, use or property taxes, or other charges were found to be mistaken, it could result in payments by us. While it is not possible to determine the ultimate disposition of each of these proceedings and whether they will be resolved consistent with our beliefs, we expect that the outcome of such proceedings, individually or in the aggregate, will not have a material adverse effect on our financial position or results of operations. During the quarter ended December 31, 2012, there were no material developments in the status of any of these legal proceedings.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Common Share Data

The principal trading market for our Series 1 common stock is the NYSE. We currently have no Series 2 common stock or non-voting common stock outstanding. The high and low Sprint Series 1 common stock prices, as reported on the NYSE composite, are as follows:

	2012 Market Price			2011 Market Price		
	High	Low	End of Period	High	Low	End of Period
Series 1 common stock						
First quarter	$ 3.03	$ 2.10	$ 2.85	$ 5.26	$ 4.12	$ 4.64
Second quarter	3.33	2.30	3.26	6.45	4.54	5.39
Third quarter	5.76	3.15	5.52	5.75	2.95	3.04
Fourth quarter	6.04	4.79	5.67	3.39	2.10	2.34

Number of Shareholders of Record

As of February 25, 2013, we had approximately 45,000 Series 1 common stock record holders.

Dividends

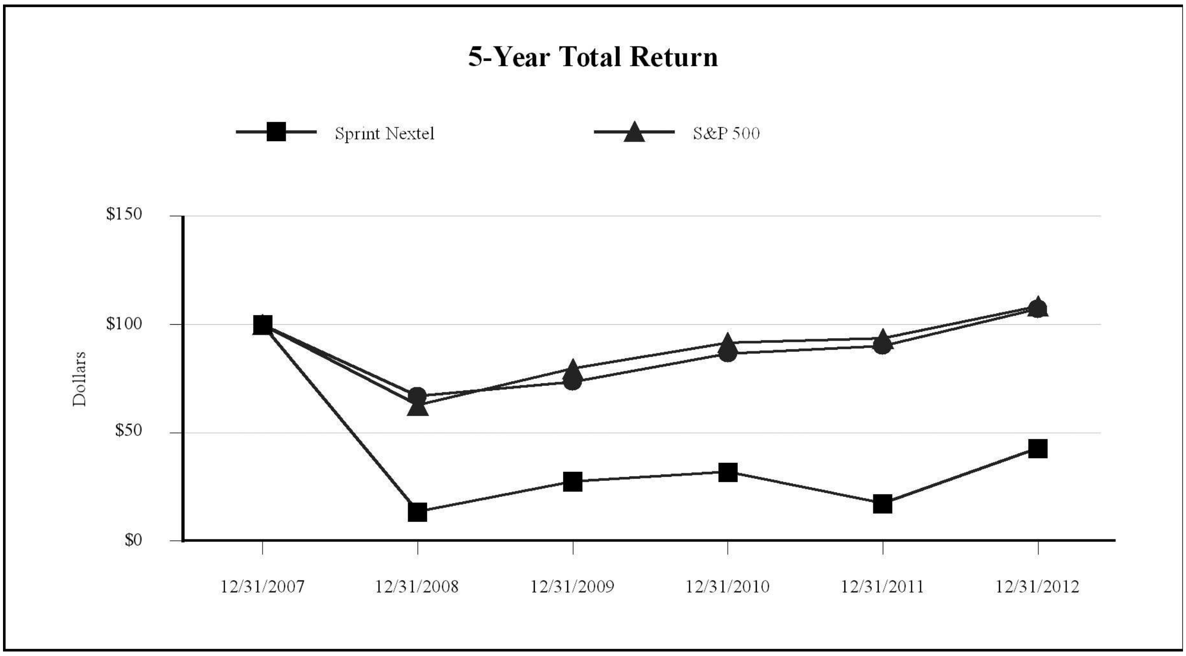
We did not declare any dividends on our common shares in 2011 or 2012. We are currently restricted from paying cash dividends by the terms of our revolving bank credit facility as described under *Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."*

Issuer Purchases of Equity Securities

None.

Performance Graph

The graph below compares the yearly change in the cumulative total shareholder return for our Series 1 common stock with the S&P® 500 Stock Index and the Dow Jones U.S. Telecommunications Index for the five-year period from December 31, 2007 to December 31, 2012. The graph assumes an initial investment of $100 on December 31, 2007 and reinvestment of all dividends.



Value of $100 Invested on December 31, 2007

	2007	2008	2009	2010	2011	2012
Sprint Nextel	$ 100.00	$ 13.94	$ 27.88	$ 32.22	$ 17.82	$ 43.18
S&P 500	$ 100.00	$ 63.00	$ 79.68	$ 91.68	$ 93.61	$ 108.59
Dow Jones U.S. Telecom Index	$ 100.00	$ 67.07	$ 73.68	$ 86.75	$ 90.19	$ 107.14

Item 6. Selected Financial Data

The selected financial data presented below is not comparable for all periods presented primarily as a result of transactions such as the acquisitions of Virgin Mobile USA, Inc. (Virgin Mobile) and Affiliates in 2009, as well as the November 2008 contribution of our WiMAX wireless network to Clearwire. The acquired companies' results of operations subsequent to their acquisition dates are included in our consolidated financial statements. The 2012 increase in net operating revenues as compared to the prior year was primarily due to an increase in postpaid average revenue per subscriber, continued prepaid subscriber net additions, and increased equipment revenue primarily due to a higher average sales price for both postpaid and prepaid devices. The primary reason for the increase in net operating revenues for 2011 as compared to the prior year was an increase in postpaid average revenue per subscriber and total retail wireless subscribers net additions of 2.4 million. The 2010 increase in net operating revenues as compared to the prior year was primarily related to the total retail wireless subscribers net additions of 783,000 and the additional subscribers obtained in our 2009 acquisitions. We lost approximately 1.0 million retail wireless subscribers in 2009 and 5.1 million in 2008, which caused the majority of the reduction in net operating revenues in 2009.

	Year Ended December 31,				
	2012	2011	2010	2009	2008
	(in millions, except per share amounts)				
Results of Operations					
Net operating revenues	$ 35,345	$ 33,679	$ 32,563	$ 32,260	$ 35,635
Goodwill impairment	—	—	—	—	963
Depreciation and amortization	6,543	4,858	6,248	7,416	8,407
Operating (loss) income[(1)]	(1,820)	108	(595)	(1,398)	(2,642)
Net loss[(1)(2)]	(4,326)	(2,890)	(3,465)	(2,436)	(2,796)
Loss per Share and Dividends[(3)]					
Basic and diluted loss per common share[(1)(2)]	$ (1.44)	$ (0.96)	$ (1.16)	$ (0.84)	$ (0.98)
Financial Position					
Total assets	$ 51,570	$ 49,383	$ 51,654	$ 55,424	$ 58,550
Property, plant and equipment, net	13,607	14,009	15,214	18,280	22,373
Intangible assets, net	22,371	22,428	22,704	23,462	22,886
Total debt, capital lease and financing obligations (including equity unit notes)	24,341	20,274	20,191	21,061	21,610
Shareholders' equity	7,087	11,427	14,546	18,095	19,915
Cash Flow Data					
Net cash provided by operating activities	$ 2,999	$ 3,691	$ 4,815	$ 4,891	$ 6,179
Capital expenditures	4,261	3,130	1,935	1,603	3,882

(1) *In 2012, operating income decreased $1.9 billion from the prior year resulting in an operating loss primarily due to increases in operating expenses of $3.6 billion partially offset by the increase in net operating revenues of $1.7 billion. The increases in operating expenses are due to the incremental effect of accelerated depreciation due to the implementation of Network Vision, which was approximately $2.1 billion, of which the majority related to the Nextel platform. The increase related to accelerated depreciation was slightly offset by a net decrease in depreciation as a result of assets that became fully depreciated or were retired. In addition, wireless cost of products increased approximately $1.8 billion primarily due to higher cost of postpaid and prepaid devices. In 2011, operating income improved $703 million primarily due to the increase in net operating revenues of $1.1 billion as well as decreases in depreciation and amortization associated with a reduction in the replacement rate of assets in 2009 through 2011, and definite lived intangible assets becoming fully amortized. These changes were offset by increases in operating expenses of $413 million as a result of increases in wireless cost of services associated with 4G MVNO roaming due to higher data usage and increased wireless cost of products primarily related to higher cost of postpaid and prepaid devices. In 2010, operating loss improved $803 million primarily due to the increase in net operating revenues of $303 million in addition to decreases in operating expenses of $500 million as a result of our cost cutting initiatives in prior periods. In 2009, we recognized net charges of $389 million ($248 million after tax) primarily related to asset impairments other than goodwill, severance and exit costs, and merger and integration costs. In 2008, we recognized net charges of $936 million ($586 million after tax) primarily related to merger and integration costs, asset impairments other than goodwill, and severance and exit costs.*

(2) *During 2012 and 2011, the Company did not recognize significant tax benefits associated with federal and state net operating losses generated during the periods due to its history of consecutive annual losses. As a result, the Company recognized an increase in the valuation allowance on deferred tax assets affecting the income tax provision by approximately $1.8 billion, $1.2 billion, and $1.4 billion for the years ended December 31, 2012, 2011 and 2010, respectively.*

(3) *We did not declare any dividends on our common shares in any of the periods reported.*

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

Business Strategies and Key Priorities

Sprint is a communications company offering a comprehensive range of wireless and wireline communications products and services that are designed to meet the needs of individual consumers, businesses, government subscribers and resellers. The communications industry has been and will continue to be highly competitive on the basis of the quality and types of services and devices offered, as well as price. We are currently undergoing a significant multi-year program, Network Vision, to upgrade our existing wireless communication network, including the decommissioning of our Nextel platform for which we expect to re-purpose valuable spectrum resources that currently support that network (see "Overview - Network Vision"). To support our business strategy and expected capital requirements associated with Network Vision, as well as take advantage of a favorable interest rate environment to refinance a portion of existing debt, we raised debt financing of approximately $8.9 billion during 2012 in addition to executing a $1.0 billion secured equipment credit facility with remaining availability of up to $704 million as of December 31, 2012 (see "Liquidity and Capital Resources").

Wireless segment earnings represented approximately 86% of our total consolidated segment earnings as of December 31, 2012. Within the Wireless segment, postpaid wireless voice and data services represent the most significant contributors to earnings and are driven by the number of postpaid subscribers to our services, as well as the average revenue per user (ARPU).

The following table shows our trend of end of period postpaid subscribers by platform for the past five years.

	As of December 31,				
	2012	2011	2010	2009	2008
			(in thousands)		
Sprint platform	30,245	28,729	27,446	26.712	27,068
Nextel platform	1,632	4,285	5,666	7.255	9,610
Total end of period postpaid subscribers	31,877	33,014	33,112	33.967	36,678

In the first quarter of 2012, we formalized our plans to decommission the Nextel platform and ceased using approximately one-third, or 9,600, of the Nextel platform cell sites in the middle of 2012 as part of Network Vision. We expect the remainder of the Nextel platform, or approximately 20,000 sites, to be shut-down on June 30, 2013. During the Network Vision modernization program, as we execute on the planned shut-down of the Nextel platform, we expect continued losses on the Nextel platform; however, we intend to achieve subscriber growth on the Sprint platform by focusing on the addition of profitable subscribers as well as the recapture of subscribers from the Nextel platform. Despite the overall reduction in postpaid subscribers, primarily as a result of our action to shut-down the Nextel platform, we experienced growth in net operating revenue during the twelve month period ended 2012 as compared to 2011, related primarily to the continued adoption of smartphones and the premium data add-on charge. During 2012, we achieved approximately 1.5 million net postpaid subscriber additions on the Sprint platform, of which substantially all represented postpaid subscribers that deactivated service on the Nextel platform, while the Nextel postpaid platform incurred approximately 2.7 million net postpaid subscriber losses.

During the year ended December 31, 2012, we achieved an annual recapture rate of approximately 55% of the Nextel platform postpaid subscribers, based on net postpaid subscribers that terminated service on the Nextel platform during that same period and activated service on the Sprint platform. In addition, recaptured Nextel platform subscribers, on average, carry a slightly higher average revenue per subscriber on the Sprint platform as compared to the Nextel platform as a result of smartphone adoption by such subscribers. At December 31, 2012, there were approximately 2.1 million Nextel platform subscribers, of which approximately 1.6 million and 454,000 represent postpaid and prepaid, respectively. More than 80% of the remaining 1.6 million Nextel platform postpaid subscribers represent business accounts. Although we will continue to pursue the recapture of these subscribers, we expect the level of competition for these subscribers as well as the timing of business customer decisions to cause the rate of recapture to decline to 30-40% during the six-month period ended June 30, 2013. Despite the continued reduction of Nextel platform subscribers as we shut-down the Nextel platform in 2013, we expect consolidated net operating revenue to benefit from Sprint platform growth in 2013. Prospectively, our efforts are expected to continue to focus on profitable growth through service provided on an enhanced wireless network on the Sprint platform while continuing to achieve our key priorities.

Our business strategy is to be responsive to changing customer mobility demands by being innovative and differentiated in the marketplace. Our future growth plans and strategy revolve around achieving the following three key priorities:

- Improve the customer experience;
- Strengthen our brands; and
- Generate operating cash flow.

To simplify and improve the customer experience, we continue to offer Ready Now, which trains our customers before they leave the store on how to use their mobile devices. For our business customers, we aim to increase their productivity by providing differentiated services that utilize the advantages of combining IP networks with wireless technology. This differentiation enables us to retain and acquire both wireline, wireless and combined wireline-wireless subscribers on our networks. We have also continued to focus on further improving customer care. We implemented initiatives that are designed to improve call center processes and procedures, and standardized our performance measures through various metrics, including customer satisfaction ratings with respect to customer care, first call resolution, and calls per subscriber.

We distinguish ourselves from the other wireless providers through our truly unlimited offerings of data, text and calling to any mobile, any time. We are rated one of the highest in satisfaction of purchase experience for full-service wireless providers and have been named one of the nation's greenest companies. In addition to our improvements in the customer experience, we continue to strengthen our brand through offering a broad selection of some of the most desired and iconic devices while focusing on continued enhancements to our network and our upgrade to LTE.

In addition to our brand and customer-oriented goals, we continue to focus on generating increased operating cash flow through competitive rate plans for postpaid and prepaid subscribers, multi-branded strategies, and effectively managing our cost structure. Certain of our strategic decisions, such as Network Vision and the introduction of the iPhone®, which on average carries a higher equipment net subsidy, will result in a reduction in cash flows from operations in the near term. However, we believe these actions will generate long-term benefits, including growth in valuable postpaid subscribers, a reduction in variable cost of service per unit and long-term accretion to cash flows from operations. See “Liquidity and Capital Resources” for more information.

Proposed Business Transactions

On October 15, 2012 we entered into an Agreement and Plan of Merger (Merger Agreement) with SOFTBANK CORP., a *kabushiki kaisha* organized and existing under the laws of Japan, and certain of its wholly-owned subsidiaries (together, "SoftBank"). Upon consummation of the merger (SoftBank Merger), (i) Sprint will become a wholly-owned subsidiary of a subsidiary of SoftBank (New Sprint), (ii) New Sprint will be a publicly traded company, (iii) SoftBank will indirectly own approximately 70% of New Sprint on a fully diluted basis, and (iv) the former stockholders and other equityholders of Sprint will own approximately 30% of the fully diluted equity of New Sprint. The SoftBank merger is subject to various conditions, including receipt of required regulatory approvals and approval of Sprint's stockholders, and is expected to close in mid-2013.

In addition, on October 15, 2012, Sprint and SoftBank entered into a Bond Purchase Agreement (Bond Agreement), an on October 22, 2012, Sprint issued a convertible bond (Bond) under the Bond Agreement to New Sprint with a face amount of $3.1 billion, stated interest rate of 1%, and maturity date of October 15, 2019. The Bond is convertible into approximately 590 million shares of Sprint common stock, subject to adjustment. The Bond will convert into shares of Sprint common stock immediately prior to consummation of the SoftBank Merger and may not otherwise be converted prior to the termination of the Merger Agreement.

On November 6, 2012, Sprint entered into a definitive agreement with United States Cellular Corporation (U.S. Cellular) to acquire personal communications services (PCS) spectrum and approximately 585,000 customers in parts of Illinois, Indiana, Michigan, Missouri and Ohio, including the Chicago and St. Louis markets, for $480 million in cash. Sprint has agreed, in connection with the acquisition, to reimburse U.S. Cellular for certain network shut-down costs in these markets. These costs are expected to range from $130 million to $150 million on a net present value basis, but in no event will Sprint's reimbursement obligation exceed $200 million on an undiscounted basis. The additional spectrum will be used to supplement Sprint's coverage in these areas.

On December 11, 2012, Sprint purchased the equity holdings of one of Clearwire's equityholders, Eagle River Holdings, LLC (Eagle River) comprised of 30.9 million shares of Class A Common Stock and 2.7 million shares of Class B Interests, for a total purchase price of $100 million in cash.

In addition, on December 17, 2012, Sprint entered into a merger agreement with Clearwire Corporation to acquire all of the remaining equity interests in Clearwire Corporation that we do not currently own for approximately $2.2 billion in cash, or $2.97 per share (Clearwire Acquisition). In connection with the Clearwire Acquisition, Clearwire Corporation and Sprint have entered into agreements that provide up to $800 million of additional financing for Clearwire in the form of exchangeable notes, which will be exchangeable for Clearwire common stock at $1.50 per share, subject to certain conditions and subject to adjustment. Under the financing agreements, Sprint has agreed to purchase $80 million of exchangeable notes per month for up to ten months beginning in January 2013, with some of the monthly purchases subject to certain funding conditions, including conditions relating to approval of the Clearwire Acquisition by Clearwire's shareholders and the parties agreeing to a network build out plan. On January 31 2013 Sprint and Clearwire entered into an amendment to the financing agreement which extended the date the parties were to agree to a network build out plan from January 31, 2013 to February 28, 2013.

On February 26, 2013, Sprint and Clearwire amended the exchangeable notes agreement to remove the network build out condition to Sprint's obligation to provide financing for the last three draws (in August, September and October 2013). Accordingly, Clearwire, at its option, is eligible for the last three draws, totaling $240 million. In addition, Clearwire provided its first notification to Sprint of its election to draw $80 million, under the terms of the financing agreements, in March 2013.

Network Vision

Network Vision will encompass approximately 38,000 cell sites. We had approximately 6,000 sites on air and had launched LTE in 49 markets as of December 31, 2012. Further deployments of Network Vision technology, including LTE market launches and enhancements of our 3G technology, are expected to continue through the middle of 2014. We expect Network Vision to bring financial benefit to the Company through migration to one common network, which is expected to reduce network maintenance and operating costs through capital efficiencies, reduced energy costs, lower roaming expenses, backhaul savings, and reduction in total cell sites. Our expectation of financial savings is affected by multiple variables, including our expectation of the timeliness of deployment across our existing network footprint. We revised our plan to bring 12,000 multi-mode base stations on-air by the end of 2012 to the first quarter of 2013. The deployment of multi-mode technology is managed by Sprint but dependent upon three primary OEMs, each of which has responsibility for a geographical territory across the United States. During the second half of 2012, we experienced delays with vendor execution, backhaul connectivity delays, shortages in equipment such as fiber cable and antennas, as well as other regulatory and environmental issues. However, we expect that we will recover from these delays and we are still forecasting to have the majority of the sites on-air by the end of 2013 with expected completion of Network Vision deployment by the middle of 2014.

The deployment related to changes in technology have resulted in incremental charges during the period of implementation of our multi-mode technology and Nextel platform decommissioning including, but not limited to, an increase in depreciation associated with existing assets related to both the Nextel and Sprint platforms due to changes in our estimates of the remaining useful lives of long-lived assets, changes in the expected timing and amount of asset retirement obligations, and lease exit and other contract termination costs. In the first quarter of 2012, we formalized our plans to take off-air roughly one-third, or 9,600 cell sites, of our total Nextel platform by the middle of 2012 with the remaining sites to be taken off-air on June 30, 2013. As a result, in the first quarter 2012, we revised our estimates to shorten the expected useful lives of Nextel platform assets through the expected benefit period of the underlying assets through 2013 and also revised the expected timing and amount of our asset retirement obligations. During the second quarter 2012, as a result of progress in taking Nextel platform sites off-air and progress toward notifying and transitioning customers off the Nextel platform, we further reduced our estimated benefit period for the remaining Nextel platform assets through the middle of 2013 resulting in incremental depreciation expense. The amounts reflected as depreciation expense are dependent upon the expected useful lives of assets, which includes our expectation of the timing of assets to be phased out of service, and could result in further revision during the decommissioning period. The remaining net book value of Nextel platform assets as of December 31, 2012 was approximately $1.0 billion, which we expect to recognize as depreciation expense on an approximately ratable basis through June 30, 2013. We took approximately 9,600 cell sites off-air in 2012 which resulted in lease exit costs totaling approximately $196 million as of December 31, 2012. We expect to complete our shutdown of the Nextel platform on June 30, 2013. As a result, we expect to incur significant additional charges in the future under other tower lease agreements as we continue to take off-air Nextel platform sites as well as transition our existing backhaul architecture to a replacement technology for our remaining network sites.

We are also experiencing increased data usage driven by more subscribers on the Sprint platform and a continuing shift in our subscriber base to smartphones, which has required additional capital expenditures of legacy 3G Sprint platform equipment (legacy equipment). As we deploy Network Vision, we intend to maximize the use of previously deployed legacy equipment when possible; however, based on our capacity needs during the implementation period of Network Vision, we expect additional legacy equipment expenditures that will not be utilized beyond the final deployment of Network Vision's multi-mode technology, which is expected to continue through the middle of 2014. As a result, the estimated useful lives of such equipment have been shortened, as compared to similar prior capital expenditures, which we also expect will contribute to an increase in depreciation expense. There is approximately $1.3 billion in net book value of legacy equipment currently in-service with shortened estimated useful lives, which is resulting in accelerated depreciation as of December 31, 2012. In addition, capital expenditures of approximately $205 million related to legacy equipment are included in construction in progress as of December 31, 2012, which we also expect to have a shortened estimated useful life when placed in-service. Furthermore, based on current estimates of increased data usage, we expect additional capital expenditures of legacy equipment until Network Vision is substantially complete.

RESULTS OF OPERATIONS

	Year Ended December 31,		
	2012	2011	2010
		(in millions)	
Wireless segment earnings	$ 4,147	$ 4,267	$ 4,531
Wireline segment earnings	649	800	1,090
Corporate, other and eliminations	7	5	12
Consolidated segment earnings	4,803	5,072	5,633
Depreciation and amortization	(6,543)	(4,858)	(6,248)
Other, net	(80)	(106)	20
Operating (loss) income	(1,820)	108	(595)
Interest expense	(1,428)	(1,011)	(1,464)
Equity in losses of unconsolidated investments, net	(1,114)	(1,730)	(1,286)
Other income (expense), net	190	(3)	46
Income tax expense	(154)	(254)	(166)
Net loss	$ (4,326)	$ (2,890)	$ (3,465)

Consolidated segment earnings decreased $269 million, or 5%, in 2012 compared to 2011 and $561 million, or 10%, in 2011 compared to 2010. Consolidated segment earnings consist of our Wireless and Wireline segments, which are discussed below, and Corporate, other and eliminations.

Depreciation and Amortization Expense

Depreciation expense increased $1.8 billion, or 40%, in 2012 compared to 2011. The Network Vision deployment is resulting in incremental charges during the period of implementation including, but not limited to, an increase in depreciation associated with existing assets related to both the Nextel and Sprint platforms, due to changes in our estimates of the remaining useful lives of long-lived assets, and the expected timing and amount of asset retirement obligations, which we expect to continue to have a material impact on our results of operations during 2013. In 2012, the incremental effect of accelerated depreciation due to the implementation of Network Vision was approximately $2.1 billion, of which the majority related to the Nextel platform. The increase related to accelerated depreciation was slightly offset by a net decrease in depreciation as a result of assets that became fully depreciated or were retired. We expect that the amount of accelerated depreciation in 2013 will be lower than 2012, primarily as a result of our initial phase of taking Nextel platform sites off-air which occurred within the first two quarters of 2012. Although we expect the amount of accelerated depreciation related to the Nextel platform to decline in 2013, we expect an increase in capital expenditures during the period of implementation of Network Vision, which is expected to result in an increase in depreciation expense over the next several years as those assets are placed in service. Depreciation expense decreased $619 million, or 12%, in 2011 compared to 2010 primarily due to the estimated useful life study of depreciable assets which reflected a reduction in the replacement rate of capital additions. This decline is partially offset by an increase due to assets placed in service as a result of capital expenditures related to capacity to support increased data usage by our subscribers.

Amortization expense declined $100 million, or 25%, in 2012 compared to 2011 primarily due to the absence of amortization for customer relationship intangible assets related to the 2006 acquisition of Nextel Partners, Inc. and the 2009 acquisition of Virgin Mobile USA, Inc. (Virgin Mobile), which became fully amortized in the second quarter 2011. Amortization expense declined $771 million, or 66%, in 2011 as compared to 2010, primarily due to the absence of amortization for customer relationship intangible assets related to the 2005 acquisition of Nextel which became fully amortized in the second quarter 2010 and Nextel Partners, Inc. and Virgin Mobile impacting 2011 as discussed above. Our remaining customer relationships are amortized using the sum-of-the-months'-digits method, resulting in higher amortization rates in early periods that decline over time.

Other, net

The following table provides additional information of items included in “Other, net” for the years ended December 31, 2012, 2011 and 2010.

	Year Ended December 31,		
	2012	2011	2010
		(in millions)	
Severance and exit costs	$ (196)	$ (28)	$ (8)
Asset impairments	(102)	(78)	(125)
Spectrum hosting contract termination	236	—	—
Gains from asset dispositions and exchanges	29	—	69
Other	(47)	—	84
Total	$ (80)	$ (106)	$ 20

Other, net changed $26 million, or 25%, in 2012 compared to 2011 and $126 million, or 630%, in 2011 compared to 2010. During 2012, we recognized severance and exit costs of $196 million as a result of lease exit costs associated with taking certain Nextel platform sites off-air in the second and third quarter 2012. We did not accrue lease exit costs for certain sites taken off-air in the second and third quarter of 2012 as these sites are subject to agreements under which we expect to continue to receive economic benefit for the remaining term. As a result of this factor, as well as the variability of factors that are used in the estimate of lease exit costs, the relationship of the costs recognized in the current quarter to the number of sites taken off-air is not necessarily indicative of future per-site charges as we complete our transition of Nextel customers and continue to take sites off-air. During 2011 we recognized severance and exit costs of $28 million associated with actions in the fourth quarter of 2011. During 2010 we recognized $8 million of severance and exit costs primarily related to exit costs incurred in the second and fourth quarter 2010 associated with vacating certain office space which is no longer being utilized. Asset impairments increased by $24 million, or 31%, in 2012 compared to 2011 and decreased $47 million, or 38%, in 2011 compared to 2010.

Asset impairments in the first quarter 2012, consisted of $18 million of assets associated with a decision to utilize fiber backhaul, which we expect to be more cost effective, rather than microwave backhaul and $66 million of capitalized assets that we no longer intend to deploy as a result of the termination of a spectrum hosting arrangement in the first quarter 2012. Asset impairments of $18 million in the fourth quarter 2012 and all asset impairments in 2011 and 2010 primarily relate to assets that are no longer necessary for management's strategic plans and were primarily related to network asset equipment.

Spectrum hosting contract termination is due to the recognition of $236 million of the total $310 million paid by LightSquared in 2011 as operating income in "Other, net" due to the termination of our spectrum hosting arrangement with LightSquared. Additional information related to these items can be found in the Notes to the

Consolidated Financial Statements. Gains from asset dispositions and exchanges for 2012 and 2010 are primarily related to spectrum exchange transactions.

The amounts reflected in Other for 2012 consist of $45 million of hurricane-related costs and $19 million of expenses associated with business combinations offset by $17 million in benefits resulting from favorable developments relating to access cost disputes with certain exchange carriers. The amounts reflected in "Other" in 2010 were primarily related to benefits resulting from favorable developments relating to access cost disputes with certain exchange carriers.

Interest Expense

Interest expense increased $417 million, or 41%, in 2012 as compared to 2011, primarily due to increased weighted average long-term debt balances as a result of 2011 and 2012 debt issuances partially offset by 2011 and 2012 debt repayments (see Notes to the Consolidated Financial Statements for details on debt issuances and repayments), in addition to increased effective interest rates combined with reductions in the amount of interest capitalized primarily related to spectrum licenses. We expect interest capitalization related to spectrum licenses not previously utilized to continue to decline as a substantial portion of the value of our spectrum licenses used for Network Vision are now ready for use. Interest expense decreased $453 million, or 31%, in 2011 as compared to 2010 primarily due to a $400 million increase in the amount of interest capitalized. The increase in capitalized interest was related to our plan to deploy certain spectrum licenses as part of Network Vision that were not previously utilized. The reduction in interest expense also includes a decrease of $115 million as a result of the repayment of $1.65 billion of Sprint Capital Corporation 7.625% senior notes in January 2011. The decrease was partially offset by increases in interest expense of $54 million as a result of the November 2011 Sprint Nextel Corporation issuance of $1 billion in principal of 11.50% senior notes due 2021 and $3 billion in principal of 9.00% guaranteed notes due 2018. The effective interest rate, which includes capitalized interest, on the weighted average long-term debt balance of $22.0 billion, $19.1 billion, and $20.6 billion was 7.8%, 7.4%, and 7.2% for 2012, 2011 and 2010, respectively. See “Liquidity and Capital Resources” for more information on the Company's financing activities.

Equity in Losses of Unconsolidated Investments, net

Clearwire owns and operates a next generation mobile broadband network that provides high-speed residential and mobile Internet access services and residential voice services in communities throughout the country. On December 17, 2012, Sprint entered into a definitive agreement with Clearwire Corporation to acquire the remaining interest Sprint does not currently own for $2.97 per share for a total payment of approximately $2.2 billion to Clearwire Corporation shareholders.

Equity in losses of unconsolidated investments primarily consists of our proportionate share of losses from our equity method investments. Equity in losses associated with our investment in Clearwire consists of Sprint's share of Clearwire's net loss and other adjustments such as gains or losses associated with the dilution of Sprint's ownership interest resulting from Clearwire's equity issuances, Sprint's impairment, if any, of its investment in Clearwire, and other items recognized by Clearwire Corporation that do not effect Sprint's economic interest. Equity in losses from Clearwire were $1.1 billion, $1.7 billion, and $1.3 billion for 2012, 2011 and 2010, respectively. Equity in losses from Clearwire for 2012, 2011 and 2010 include charges of approximately $41 million, $361 million and $97 million, respectively, which are associated with Clearwire's write-off of certain network and other assets that no longer meet their strategic plans.

The years ended December 31, 2012 and 2011 also include a $204 million and $135 million, respectively, pre-tax impairment reflecting Sprint's reduction in the carrying value of its investment in Clearwire to an estimated fair value. In addition, the year ended December 31, 2011 also includes a dilution loss of approximately $27 million associated with the fourth quarter reduction of our non-controlling economic interest related to Clearwire's equity issuance.

Other income (expense), net

Other income (expense), net changed $193 million in 2012 as compared to 2011 primarily as a result of an increase in interest income from the additional promissory note received from Clearwire in January 2012 as well as gains on our early retirement of all of our remaining Nextel Communications, Inc. notes. The change of $49 million in 2011 as compared to 2010 was primarily a result of losses on early retirement of debt in 2011 due to the redemption of all of our remaining Sprint Capital Corporation 8.375% senior notes.

Income Tax Expense

The consolidated effective tax rate was an expense of approximately 4%, 10% and 5% in 2012, 2011, and 2010, respectively. The income tax expense for 2012, 2011, and 2010 is primarily attributable to taxable temporary differences from amortization of FCC licenses and includes a $1.8 billion, $1.2 billion, and $1.4 billion net increase to the valuation allowance for federal and state deferred tax assets primarily related to net operating loss carryforwards generated during the respective periods. The income tax expense for 2012 also includes a $69 million tax benefit resulting from the resolution of various federal and state income tax uncertainties. The income tax expense for 2011 also includes a $59 million expense resulting from changes in corporate state income tax laws. We do not expect to record significant tax benefits on future net operating losses until our circumstances justify the recognition of such benefits. Additional information related to items impacting the effective tax rates can be found in the Notes to the Consolidated Financial Statements.

Segment Earnings - Wireless

Wireless segment earnings are primarily a function of wireless service revenue, costs to acquire subscribers, network and interconnection costs to serve those subscribers and other Wireless segment operating expenses. The costs to acquire our subscribers include the net cost at which we sell our devices, referred to as equipment net subsidies, as well as the marketing and sales costs incurred to attract those subscribers. Network costs primarily represent switch and cell site costs and interconnection costs, which generally consist of per-minute usage fees and roaming fees paid to other carriers. The remaining costs associated with operating the Wireless segment include the costs to operate our customer care organization and administrative support. Wireless service revenue, costs to acquire subscribers, and variable network and interconnection costs fluctuate with the changes in our subscriber base and their related usage, but some cost elements do not fluctuate in the short term with these changes.

As shown by the table above under "Results of Operations," Wireless segment earnings represented approximately 86% of our total consolidated segment earnings as of December 31, 2012. The wireless industry is subject to competition to retain and acquire subscribers of wireless services. Most markets in which we operate have high rates of penetration for wireless services. Wireless carriers accordingly must attract a greater proportion of new subscribers from competitors rather than from first time subscribers. Within the Wireless segment, postpaid wireless services represent the most significant contributors to earnings, and are driven by the number of postpaid subscribers to our services, as well as the average revenue per subscriber or user (ARPU). Wireless segment earnings have declined over the last several years, primarily resulting from subscriber losses associated with our Nextel platform postpaid offerings. Most recently, our decision to shut-down the Nextel platform has accelerated the loss of subscribers on that platform; however, we have focused our efforts on recapturing these subscribers on our Sprint platform. In addition, we have taken initiatives to strengthen the Sprint brand and continue to increase market awareness of the improvements that have been achieved in the customer experience. We have also introduced new devices, including the iPhone® in the fourth quarter of 2011 and the iPad® in the fourth quarter of 2012, improving our overall lineup and providing a competitive portfolio for customer selection, as well as competitive rate plans providing simplicity and value, which have contributed to an increase in net equipment subsidy costs.

The Company has significantly improved net postpaid subscriber results on the Sprint platform subsequent to the first quarter 2009 as a result of the actions taken, including the recapture of Nextel platform subscribers. In conjunction with Network Vision, the Company continues to focus on the growth of the Sprint platform including the targeted retention of Nextel platform subscribers through competitive offerings on the Sprint platform, which includes Sprint Direct Connect. As a result of our plans and increased competition for these subscribers, we expect that subscriber churn on the Nextel platform, both postpaid and prepaid, will increase through the shut-down period of the Nextel platform. Although the Company continues to experience net losses of Nextel platform postpaid subscribers, beginning in 2010, wireless service revenue has increased primarily as a result of growth in subscribers from our prepaid business as well as increased postpaid ARPU and subscribers on the Sprint platform.

The following table provides an overview of the results of operations of our Wireless segment for each of the three years ended December 31, 2012.

Wireless Earnings	Year Ended December 31, 2012	2011	2010
		(in millions)	
Sprint platform	$ 22,264	$ 20,052	$ 18,339
Nextel platform	1,455	2,582	3,582
Total postpaid	23,719	22,634	21,921
Sprint platform	4,380	3,325	1,617
Nextel platform	525	1,170	2,139
Total prepaid	4,905	4,495	3,756
Retail service revenue	28,624	27,129	25,677
Wholesale, affiliate and other revenue	483	261	217
Total service revenue	29,107	27,390	25,894
Cost of services (exclusive of depreciation and amortization)	(9,017)	(8,907)	(8,288)
Service gross margin	20,090	18,483	17,606
Service gross margin percentage	69 %	67 %	68 %
Equipment revenue	3,248	2,911	2,703
Cost of products	(9,905)	(8,057)	(6,965)
Equipment net subsidy	(6,657)	(5,146)	(4,262)
Equipment net subsidy percentage	(205)%	(177)%	(158)%
Selling, general and administrative expense	(9,286)	(9,070)	(8,813)
Wireless segment earnings	$ 4,147	$ 4,267	$ 4,531

Service Revenue

Our Wireless segment generates revenues from the sale of wireless services, the sale of wireless devices and accessories and the sale of wholesale and other services. Service revenue consists of fixed monthly recurring charges, variable usage charges and miscellaneous fees such as activation fees, directory assistance, roaming, equipment protection, late payment and early termination charges and certain regulatory related fees, net of service credits. The ability of our Wireless segment to generate service revenues is primarily a function of:

- revenue generated from each subscriber, which in turn is a function of the types and amount of services utilized by each subscriber and the rates charged for those services; and
- the number of subscribers that we serve, which in turn is a function of our ability to retain existing and acquire new subscribers.

Retail comprises those subscribers to whom Sprint directly provides wireless services, whether those services are provided on a postpaid or a prepaid basis. Retail service revenue increased $1.5 billion, or 6%, in 2012 as compared to 2011 and increased $1.5 billion, or 6% in 2011 as compared to 2010. The increase in retail service revenue in 2012 as compared to 2011 reflects an increase in Sprint platform postpaid service revenue related to our $10 premium data add-on charge required for all smartphones and continued popularity of unlimited and bundled plans, combined with increases in roaming and other fees. The increase was also driven by continued subscriber growth from our Assurance Wireless brand as well as a growing number of subscribers on our remaining prepaid brands who are choosing higher rate plans as a result of the increased availability of smartphones. The majority of the increase in 2011 as compared to 2010 was primarily driven by an increase in postpaid service revenue related to the $10 premium data add-on charge for smartphones and greater popularity of unlimited and bundled plans, combined with other fee increases including an increase in our handset protection plan. The increase was also driven by attracting more subscribers to our Boost and Virgin Mobile prepaid brands who chose higher rate plans to take advantage of international offerings as well as the increased availability of smartphones and increased subscribers from new market launches for our Assurance Wireless brand.

Wholesale and affiliates are those subscribers who are served through MVNO and affiliate relationships and other arrangements through which wireless services are sold by Sprint to other companies that resell those services to subscribers. Wholesale, affiliate and other revenues increased $222 million, or 85%, for 2012 as compared to 2011, and increased $44 million, or 20%, for 2011 as compared to 2010. The majority of the increase in 2012 as compared to 2011 and 2011 as compared to 2010 was a result of growth in our MVNO's reselling prepaid services. Specifically, growth in subscribers on the Lifeline program offered through our MVNO's reselling prepaid services, which is similar to our Assurance Wireless offering, contributed to revenue growth. Approximately 33% of our wholesale and affiliate subscribers represent a growing number of connected devices. These devices generate revenue from usage which varies depending on the solution being utilized. Average revenue per connected device is generally significantly lower than revenue from other wholesale and affiliate subscribers; however, the cost to service these customers is also lower resulting in a higher profit margin as a percent of revenue.

Average Monthly Service Revenue per Subscriber and Subscriber Trends

The table below summarizes average number of retail subscribers and ARPU for the years ended December 31, 2012, 2011 and 2010. Additional information about the number of subscribers, net additions to subscribers, ARPU, and average rates of monthly postpaid and prepaid subscriber churn for each quarter since the first quarter 2010 may be found in the tables on the following pages.

	Year Ended December 31,		
	2012	2011	2010
	(subscribers in thousands)		
Average postpaid subscribers	32,462	32,935	33,249
Average prepaid subscribers	15,291	13,672	11,272
Average retail subscribers	47,753	46,607	44,521
ARPU[(1)]:			
Postpaid	$ 60.84	$ 57.27	$ 54.94
Prepaid	$ 26.72	$ 27.40	$ 27.76
Average retail	$ 49.92	$ 48.51	$ 48.06

(1) *ARPU is calculated by dividing service revenue by the sum of the average number of subscribers in the applicable service category. Changes in average monthly service revenue reflect subscribers for either the postpaid or prepaid service category who change rate plans, the level of voice and data usage, the amount of service credits which are offered to subscribers, plus the net effect of average monthly revenue generated by new subscribers and deactivating subscribers.*

Postpaid ARPU for 2012 increased as compared to 2011 primarily due to increased revenues from the $10 premium data add-on charges for all smartphones and increases in roaming and other fees. Postpaid ARPU for 2011 increased as compared to 2010 due to increased revenues from the $10 premium data add-on charges for all smartphones and fee increases in our handset protection plan.

Prepaid ARPU declined for 2012 compared to 2011 and for 2011 compared to 2010 primarily as a result of net additions of our Assurance Wireless brand whose subscribers carry a lower ARPU, partially offset by an increase in ARPU for the remaining prepaid brands as subscribers are choosing higher priced plans to take advantage of international offerings and the increased availability of smartphones. Average retail ARPU increased for 2012 compared to 2011 primarily as a result of the increased postpaid ARPU which was partially offset by an increased weighting of average prepaid subscribers to average retail subscribers which carry a lower ARPU. Average retail ARPU increased for 2011 compared to 2010 primarily as a result of the increased postpaid ARPU which was partially offset by an increased weighting of average prepaid subscribers to total subscribers which carry a lower ARPU.

The following table shows (a) net additions (losses) of wireless subscribers, (b) our total subscribers as of the end of each quarterly period fo
device subscribers.

	Quarter Ended							
	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011	December 2011
Net additions (losses) (in thousands)[1]								
Sprint platform:								
Postpaid	(131)	136	276	453	253	226	265	
Prepaid	392	638	1,171	1,414	1,406	1,149	839	
Wholesale and affiliates	155	166	280	393	389	519	835	
Total Sprint platform	416	940	1,727	2,260	2,048	1,894	1,939	2
Nextel platform:								
Postpaid	(447)	(364)	(383)	(395)	(367)	(327)	(309)	(
Prepaid	(44)	(465)	(700)	(768)	(560)	(475)	(354)	(
Total Nextel platform	(491)	(829)	(1,083)	(1,163)	(927)	(802)	(663)	(
Total retail postpaid	(578)	(228)	(107)	58	(114)	(101)	(44)	
Total retail prepaid	348	173	471	646	846	674	485	
Total wholesale and affiliate	155	166	280	393	389	519	835	
Total Wireless	(75)	111	644	1,097	1,121	1,092	1,276	1
End of period subscribers (in thousands)[1]								
Sprint platform[2]:								
Postpaid[4]	26,581	26,717	26,993	27,446	27,699	27,925	28,190	28
Prepaid	5,361	5,999	7,121	8,535	9,941	11,090	11,929	12
Wholesale and affiliates[3][4]	3,633	3,799	4,128	4,521	4,910	5,429	6,264	7
Total Sprint platform	35,575	36,515	38,242	40,502	42,550	44,444	46,383	48
Nextel platform:								
Postpaid	6,808	6,444	6,061	5,666	5,299	4,972	4,663	4
Prepaid	5,675	5,210	4,510	3,742	3,182	2,707	2,353	1
Total Nextel platform	12,483	11,654	10,571	9,408	8,481	7,679	7,016	6
Total retail postpaid[4]	33,389	33,161	33,054	33,112	32,998	32,897	32,853	33
Total retail prepaid	11,036	11,209	11,631	12,277	13,123	13,797	14,282	14
Total wholesale and affiliates[3][4]	3,633	3,799	4,128	4,521	4,910	5,429	6,264	7
Total Wireless	48,058	48,169	48,813	49,910	51,031	52,123	53,399	55
Supplemental data - connected devices								
End of period subscribers (in thousands)[4]								
Retail postpaid	612	630	660	702	715	727	762	
Wholesale and affiliates	1,730	1,765	1,824	1,860	1,883	1,920	1,956	2
Total	2,342	2,395	2,484	2,562	2,598	2,647	2,718	2

(1) *Subscribers that transfer from their original service category classification to another platform, or another service line within the same platform, are reflected as a n service category. There is no net effect for such subscriber changes to the total wireless net additions (losses) or end of period subscribers.*

(2) *Reflects the third quarter 2010 transfer of 49,000 wholesale and affiliates subscribers from prepaid as a result of a sale and transfer of customers to an affiliate.*

(3) *Subscribers through some of our MVNO relationships have inactivity either in voice usage or primarily as a result of the nature of the device, where activity only occ infrequently. Although we continue to provide these customers access to our network through our MVNO relationships, approximately 822,000 subscribers at Decem at least six months, with no associated revenue during the six-month period ended December 31, 2012.*

(4) *End of period connected devices are included in total retail postpaid or wholesale and affiliates end of period subscriber totals for all periods presented.*

The following table shows (a) our average rates of monthly postpaid and prepaid subscriber churn as of the end of each quarterly period for
(b) our recapture of Nextel platform subscribers that deactivated but remained as customers on the Sprint platform, and (c) our postpaid and

								Quarter Ended
	March 31, 2010	June 30, 2010	September 30, 2010	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011	December 2011
Monthly subscriber churn rate[1]								
Sprint platform:								
Postpaid	2.14%	1.82%	1.91%	1.84%	1.78%	1.72%	1.91%	1
Prepaid	5.07%	4.81%	4.06%	3.63%	3.41%	3.25%	3.43%	3
Nextel platform:								
Postpaid	2.21%	1.97%	2.00%	1.93%	1.95%	1.92%	1.91%	1
Prepaid	6.34%	6.43%	6.97%	7.37%	6.94%	7.29%	7.02%	7
Total retail postpaid	2.15%	1.85%	1.93%	1.86%	1.81%	1.75%	1.91%	1
Total retail prepaid	5.74%	5.61%	5.32%	4.93%	4.36%	4.14%	4.07%	3
Nextel platform subscriber recaptures								
Rate[2]:								
Postpaid	15%	17%	23%	28%	27%	27%	27%	
Prepaid	11%	16%	21%	25%	27%	21%	21%	
Subscribers[3]:								
Postpaid	88	85	114	137	124	113	103	1
Prepaid	137	204	270	296	260	171	141	1
ARPU								
Sprint platform:								
Postpaid	$ 56.88	$ 56.84	$ 56.80	$ 57.53	$ 58.52	$ 59.07	$ 60.20	$ 61
Prepaid	$ 18.30	$ 20.38	$ 22.37	$ 24.16	$ 25.76	$ 25.53	$ 25.35	$ 25
Nextel platform:								
Postpaid	$ 47.34	$ 46.88	$ 46.08	$ 44.74	$ 44.35	$ 43.68	$ 42.78	$ 41
Prepaid	$ 35.67	$ 35.85	$ 34.54	$ 35.07	$ 35.46	$ 34.63	$ 35.62	$ 34
Total retail postpaid	$ 54.89	$ 54.85	$ 54.78	$ 55.26	$ 56.17	$ 56.67	$ 57.65	$ 58
Total retail prepaid	$ 27.49	$ 27.98	$ 27.62	$ 27.95	$ 28.39	$ 27.53	$ 27.19	$ 26

(1) *Churn is calculated by dividing net subscriber deactivations for the quarter by the sum of the average number of subscribers for each month in the quarter. For postp and enterprise accounts, net deactivations are defined as deactivations in excess of customer activations in a particular account within 30 days. Postpaid and prepaid his or her own determination to cease being a customer, and involuntary churn, where the customer's service is terminated due to a lack of payment or other reasons.*

(2) *Represents the recapture rate defined as the Nextel platform postpaid or prepaid subscribers, as applicable, that switched from the Nextel platform during each perio platform subscriber deactivations in the period for postpaid and prepaid, respectively.*

(3) *Represents the Nextel platform postpaid and prepaid subscribers, as applicable, that switched from the Nextel platform during each period but remained with the Co deactivate service on the Nextel platform and activate service on the Sprint platform are included in the Sprint platform net additions for the applicable period.*

Subscriber Results

In the first quarter of 2012, we formalized our plan to decommission the Nextel platform as part of Network Vision and expect to shut-down the Nextel platform by June 30, 2013. During 2012, we focused our efforts on recapturing Nextel platform subscribers to our ongoing Sprint platform. As a result of these efforts, we successfully recaptured 55% and 33% of the postpaid and prepaid subscribers, respectively, that deactivated service from the Nextel platform during 2012. As of December 31, 2012, we had approximately 2.1 million subscribers remaining on the Nextel platform. We expect to recapture approximately 30-40% of the remaining Nextel platform subscribers on the Sprint platform. Accordingly, as we execute on the planned shut-down of the Nextel platform, we will continue to experience subscriber losses on the Nextel platform through June 30, 2013, the end of life of the Nextel platform. In addition to our focused effort on Nextel platform recaptures, we will continue to focus on the retention of existing Sprint platform subscribers as well as the acquisition of profitable subscribers to achieve growth on the Sprint platform.

The following sections, *Sprint Platform Subscribers* and *Nextel Platform Subscribers*, discuss the subscriber results by platform for each annual period in the three-year period ended December 31, 2012. This information should be read in conjunction with the prior section titled *Average Monthly Service Revenue per Subscriber and Subscriber Trends*.

Sprint Platform Subscribers

Retail Postpaid — During 2012, we added approximately 1.5 million net postpaid subscribers, as compared to adding 1.3 million and 734,000 net postpaid subscribers in 2011 and 2010, respectively. Of the 1.5 million additions in 2012, substantially all represented postpaid subscribers that deactivated service on the Nextel platform primarily associated with our planned shut-down of that network. Our increase in net postpaid subscribers in 2011 as compared to 2010 is primarily related to increased subscriber gross additions. Our net postpaid subscriber additions for 2011 and 2010 include approximately 508,000 and 424,000 postpaid subscribers that were previously on the Nextel platform, respectively.

Retail Prepaid — During 2012, we added 2.3 million net prepaid subscribers, as compared to adding 4.3 million and 3.6 million net prepaid subscribers in 2011 and 2010, respectively. Our decrease in net prepaid additions in 2012 as compared to 2011 was primarily due to a decline in gross subscriber additions on Assurance Wireless due to lower response rates and a lower customer application approval rate resulting from complexities associated with new federal regulations as well as an increase in churn primarily related to FCC mandated efforts to remove duplicate Lifeline accounts between carriers. Our increase in net prepaid additions in 2011 as compared to 2010 was primarily attributable to net additions from the Assurance Wireless brand primarily as a result of new market launches and increased advertising and promotions. Our net prepaid subscriber additions for 2012, 2011 and 2010 include approximately 620,000, 724,000, and 907,000 prepaid subscribers that were previously on the Nextel platform, respectively.

The federal Lifeline program under which Assurance Wireless operates requires applicants to meet certain eligibility requirements and existing subscribers must re-certify as to those requirements annually. New regulations in 2012, which impact all Lifeline carriers, impose stricter rules on the subscriber eligibility requirements and re-certification. These new regulations also required a one-time re-certification of the entire June 1, 2012 subscriber base by December 31, 2012. Subscribers who failed to respond by December 31, 2012 are subject to our prepaid churn rules as described below (or 365 days in a limited number of states). However, subscribers can re-apply prior to being deactivated and also have the ability to receive by-the-minute service at their own expense. As a result, we expect deactivations of approximately 1.3 to 1.4 million subscribers, representing approximately 30% of ending period Assurance subscribers as of December 31, 2012, which is expected to primarily impact prepaid churn for the second quarter 2013. Although we expect a significant reduction in Assurance subscribers as a result of the one-time recertification process, our rate of recertification of existing subscribers is consistent with our historical recertification rates.

Prepaid subscribers are generally deactivated between 60 and 150 days from the later of the date of initial activation or replenishment; however, prior to account deactivation, targeted retention programs can be offered to qualifying subscribers to maintain ongoing service by providing up to an additional 150 days to make a replenishment. Subscribers targeted through these retention offers are not included in the calculation of churn until their retention offer expires without a replenishment to their account. As a result, end of period prepaid subscribers include subscribers engaged in these retention programs, however the number of these subscribers as a percentage of our total prepaid subscriber base has remained consistent over the past four quarters.

Wholesale and Affiliate — Wholesale and affiliate subscribers represent customers that are served on our networks through companies that resell our wireless services to their subscribers, customers residing in affiliate territories and connected devices that utilize our network. Of the 8.2 million total subscribers included in wholesale and affiliates, approximately 33% represent connected devices. Wholesale and affiliate subscriber net additions were 944,000 during 2012 as compared to 2.7 million and 994,000 in 2011 and 2010, respectively, inclusive of net additions of connected devices totaling 593,000, 217,000, and 152,000 during 2012, 2011, and 2010, respectively. Wholesale and affiliate subscriber net additions declined by 1.8 million during 2012 as compared to 2011 and increased 1.7 million during 2011 as compared to 2010. The decline in wholesale and affiliate subscriber net additions during 2012 as compared to 2011 was primarily attributable to reduced subscriber net additions from the Lifeline programs offered by our MVNO's selling prepaid services as well as targeted efforts by our wholesale customers to eliminate inactive accounts. The decrease in net additions to the Lifeline programs offered by our MVNO's is primarily affected by the new federal regulations, similar to the impact on our Assurance Wireless brand in "*Retail Prepaid*" above. We expect the new federal regulations related to the Lifeline programs will result in additional deactivations during 2013. The increase in wholesale and affiliate subscriber net additions during 2011 as compared to 2010 was primarily driven by net additions from the Lifeline program offered through our MVNO's reselling prepaid services.

Nextel Platform Subscribers

During 2012, our postpaid subscriber base was reduced by approximately 2.7 million, of which approximately 1.5 million were recaptured on the Sprint platform. We plan to retain Nextel platform push-to-talk subscribers by providing competitive offerings on the Sprint platform, which includes offerings on our multi-mode network, such as Sprint Direct Connect. During 2012, our prepaid subscriber base was reduced by 1.5 million, of which approximately 620,000 were recaptured on the Sprint platform, as we continued the trend of prepaid subscriber losses. We expect to continue a trend of net postpaid and prepaid subscriber losses on the Nextel platform through the June 30, 2013 shut-down period.

Cost of Services

Cost of services consists primarily of:

- costs to operate and maintain our networks, including direct switch and cell site costs, such as rent, utilities, maintenance, labor costs associated with network employees, and spectrum frequency leasing costs;
- fixed and variable interconnection costs, the fixed component of which consists of monthly flat-rate fees for facilities leased from local exchange carriers based on the number of cell sites and switches in service in a particular period and the related equipment installed at each site, and the variable component of which generally consists of per-minute use fees charged by wireline providers for calls terminating on their networks, which fluctuate in relation to the level and duration of those terminating calls;
- long distance costs paid to the Wireline segment;
- costs to service and repair devices;
- regulatory fees;
- roaming fees paid to other carriers; and
- fixed and variable costs relating to payments to third parties for the use of their proprietary data applications, such as messaging, music, TV, and navigation services by our subscribers.

Cost of services increased $110 million, or 1%, in 2012 compared to 2011, reflecting an increase in rent expense primarily due to the cell site leases renegotiated in 2011 in connection with Network Vision and higher backhaul costs primarily due to increased capacity. These increases were partially offset by a decrease in payments to third-party vendors for use of their proprietary data applications and premium services as a result of more favorable rates provided by contract renegotiations and a decline in long distance network costs as a result of lower market rates. In addition, service and repair costs decreased due to a decline in the volume and frequency of repairs, which is slightly offset by an increase in the cost per unit of devices utilized for service and repair due to the growth in smartphone popularity. As we achieved the 2012 plan to take 9,600 Nextel platform cell sites off-air, utility, backhaul and rent expense related to these sites began to decline in the last half of 2012. Further reductions are expected in the second half of 2013 as we expect to recognize the full amount of lease exit costs associated with the shut-down of the remaining Nextel platform cell sites by June 30, 2013.

Cost of services increased $619 million, or 7%, in 2011 as compared to 2010 primarily reflecting increased roaming due to higher Clearwire MVNO data usage. In addition, higher service and repair costs were incurred driven by the increase in the cost per unit of new and used devices due to the growth in smartphone popularity. These increases were partially offset by a decrease in long distance network costs as a result of lower market rates and a decline in payments to third-party vendors for use of their proprietary data applications and premium services as a result of contract renegotiations, providing more favorable rates.

Equipment Net Subsidy

We recognize equipment revenue and corresponding costs of devices when title and risk of loss passes to the indirect dealer or end-use customer, assuming all other revenue recognition criteria are met. Our marketing plans assume that devices typically will be sold at prices below cost, which is consistent with industry practice. We offer certain incentives to retain and acquire subscribers such as new devices at discounted prices. The cost of these incentives is recorded as a reduction to equipment revenue upon activation of the device with a service contract.

Cost of products includes equipment costs (primarily devices and accessories), order fulfillment related expenses, and write-downs of device and accessory inventory related to shrinkage and obsolescence. Additionally, cost of products is reduced by any rebates that are earned from the equipment manufacturers. Cost of products in excess of the net revenue generated from equipment sales is referred to in the industry as equipment net subsidy. We also make incentive payments to certain indirect dealers, who purchase the iPhone® directly from Apple. Those payments are recognized as selling, general and administrative expenses when the device is activated with a Sprint service plan because Sprint does not recognize any equipment revenue or cost of products for those transactions. (See Selling, General and Administrative Expense below.)

Equipment revenue increased $337 million, or 12%, in 2012 compared to 2011 and cost of products increased $1.8 billion, or 23%, in 2012 compared to 2011. The increase in both equipment revenue and cost of products is primarily due to a higher average sales price and cost per device sold for postpaid and prepaid devices, particularly driven by the introduction of the more expensive iPhone to postpaid and prepaid subscribers, partially offset by a decline in the number of postpaid and prepaid devices sold. Equipment revenue increased $208 million, or 8%, in 2011 compared to 2010 and cost of products increased $1.1 billion, or 16%, in 2011 compared to 2010 primarily due to a higher average sales price and cost per device sold for both postpaid and prepaid devices in addition to an overall increase in the number of prepaid devices sold, partially offset by a decline in the number of postpaid devices sold. As a result of a growing number of postpaid and prepaid subscribers moving to smartphone devices, we expect the trend of increased equipment net subsidy to continue.

Selling, General and Administrative Expense

Sales and marketing costs primarily consist of customer acquisition costs, including commissions paid to our indirect dealers, third-party distributors and retail sales force for new device activations and upgrades, residual payments to our indirect dealers, payments made to OEMs for direct source equipment, payroll and facilities costs associated with our retail sales force, marketing employees, advertising, media programs and sponsorships, including costs related to branding. General and administrative expenses primarily consist of costs for billing, customer care and information technology operations, bad debt expense and administrative support activities, including collections, legal, finance, human resources, corporate communications, strategic planning, and technology and product development.

Sales and marketing expense was $5.3 billion, an increase of $165 million, or 3%, in 2012 from 2011 and $5.1 billion, an increase of $246 million, or 5%, in 2011 from 2010. The increase in sales and marketing expenses for the year ended December 31, 2012 as compared to the prior period is primarily due to increased reimbursements for point-of-sale discounts for iPhones of $238 million, which are directly sourced by distributors from Apple and accounted for as sales expense, partially offset by a reduction in commissions expense resulting from a shift in channel mix combined with our decrease in subscriber gross additions. Point-of-sale discounts are included in the determination of equipment net subsidy when we purchase and resell devices. The increase in sales and marketing expenses for the year ended December 31, 2011 as compared to the prior period was also due to reimbursements for point-of-sale discounts for iPhones, introduced in fourth quarter of 2011, as well as the additional costs associated with our increase in subscriber gross additions, slightly offset by a decrease in media spend.

General and administrative costs were approximately $4.0 billion in both 2012 and 2011 with an increase of $51 million in 2012 from 2011 and $11 million in 2011 from 2010. The majority of the increase in general and administrative costs for the year ended December 31, 2012 reflects higher employee-related costs, offset by a decrease in customer care costs primarily due to lower call volumes. The increase for the year ended December 31, 2011 reflects an increase in bad debt expense partially offset by a reduction in customer care costs as well as reductions in prepaid integration costs incurred in 2010 associated with our business acquisitions. The continued improvement in customer care costs is largely attributable to customer care quality initiatives and price plan simplification that have resulted in a reduction in calls per subscriber, which allowed for further optimization of call center resources. Bad debt expense was $541 million for the year ended December 31, 2012, representing an $11 million decrease as compared to bad debt expense of $552 million in 2011. For the year ended December 31, 2011, bad debt expense increased $129 million as compared to bad debt expense of $423 million in 2010, reflecting an increase in the aging of accounts receivable outstanding greater than 60 days combined with an increase in the average write-off per account. We reassess our allowance for doubtful accounts quarterly. Changes in our allowance for doubtful accounts are largely attributable to the analysis of historical collection experience and changes, if any, in credit policies established for subscribers. Our mix of prime postpaid subscribers to total postpaid subscribers was 82% as of December 31, 2012 and 2011.

Segment Earnings - Wireline

Wireline segment earnings are primarily a function of wireline service revenue, network and interconnection costs, and other Wireline segment operating expenses. Network costs primarily represent special access costs and interconnection costs, which generally consist of domestic and international per-minute usage fees paid to other carriers. The remaining costs associated with operating the Wireline segment include the costs to operate our customer care and billing organizations in addition to administrative support. Wireline service revenue and variable network and interconnection costs fluctuate with the changes in our customer base and their related usage, but some cost elements do not fluctuate in the short term with the changes in our customer usage. Our wireline services provided to our Wireless segment are generally accounted for based on market rates, which we believe approximate fair value. The Company generally re-establishes these rates at the beginning of each fiscal year. Over the past several years, there has been an industry wide trend of lower rates due to increased competition from other wireline and wireless communications companies as well as cable and Internet service providers. For 2013, we expect wireline segment earnings to decline by approximately $80 to $120 million to reflect changes in market prices for services provided by our Wireline segment to our Wireless segment. This decline in wireline segment earnings related to intercompany pricing will not affect our consolidated results of operations as our Wireless segment will benefit from an equivalent reduction in cost of service.

The following table provides an overview of the results of operations of our Wireline segment for the years ended December 31, 2012, 2011 and 2010.

Wireline Earnings	Year Ended December 31, 2012	2011	2010
		(in millions)	
Voice	$ 1,627	$ 1,915	$ 2,249
Data	398	460	519
Internet	1,781	1,878	2,175
Other	75	73	97
Total net service revenue	3,881	4,326	5,040
Cost of services and products	(2,781)	(3,005)	(3,319)
Service gross margin	1,100	1,321	1,721
Service gross margin percentage	28%	31%	34%
Selling, general and administrative expense	(451)	(521)	(631)
Wireline segment earnings	$ 649	$ 800	$ 1,090

Wireline Revenue

Voice Revenues

Voice revenues decreased $288 million, or 15%, in 2012 as compared to 2011 and $334 million, or 15%, in 2011 as compared to 2010. The 2012 decrease was primarily driven by overall price declines of which $174 million was related to the decline in prices for the sale of services to our Wireless segment as well as volume declines due to customer churn. The 2011 decrease was also primarily driven by volume declines due to customer churn as well as overall price declines. Voice revenues generated from the sale of services to our Wireless segment represented 32% of total voice revenues in 2012 as compared to 34% in 2011 and 33% in 2010.

Data Revenues

Data revenues reflect sales of data services, primarily Private Line, and also includes ATM, frame relay and managed network services bundled with non-IP data access. Data revenues decreased $62 million, or 13%, in 2012 as compared to 2011 and $59 million, or 11%, in 2011 as compared to 2010 as a result of customer churn driven by the focus to no longer provide frame relay and ATM services in each of those periods. Data revenues generated from the provision of services to the Wireless segment represented 44% of total data revenue in 2012 as compared to 35% in 2011 and 27% in 2010.

Internet Revenues

Internet revenues reflect sales of IP-based data services, including MPLS, VoIP and SIP and managed services bundled with IP-based data access. Internet revenues decreased $97 million, or 5%, in 2012 from 2011 and $297 million, or 14%, in 2011 from 2010. Certain cable MSO's have decided to in-source their digital voice products resulting in a $98 million decrease in 2012 as compared to 2011. The 2011 decrease was primarily due to the in-sourcing of their digital voice products by certain cable MSO's, combined with a decline in prices related to the sale of services to our Wireless segment. Internet revenues generated from the provision of services to the Wireless segment represented 11% of total Internet revenues in 2012 as compared to 8% in 2011 and 10% in 2010.

Other Revenues

Other revenues, which primarily consist of sales of customer premises equipment, increased by $2 million, or 3% in 2012 as compared to 2011 and decreased $24 million, or 25%, in 2011 as compared to 2010 as a result of fewer projects in 2011.

Costs of Services and Products

Costs of services and products include access costs paid to local phone companies, other domestic service providers and foreign phone companies to complete calls made by our domestic subscribers, costs to operate and maintain our networks, and costs of equipment. Costs of services and products decreased $224 million, or 7%, in 2012 from 2011 and $314 million, or 9%, in 2011 from 2010. The decrease in 2012 and 2011 was primarily due to lower access expense as a result of savings initiatives and declining voice, data and Internet volumes. Service gross margin percentage decreased from 34% in 2010 to 31% in 2011 and further decreased to 28% in 2012 as a result of a decrease in net service revenue partially offset by a decrease in costs of services and products.

Selling, General and Administrative Expense

Selling, general and administrative expense decreased $70 million, or 13%, in 2012 as compared to 2011 and $110 million, or 17%, in 2011 as compared 2010. The decrease in 2012 and 2011 was primarily due to a reduction in shared administrative and employee related costs required to support the Wireline segment as a result of the decline in revenue. Total selling, general and administrative expense as a percentage of net services revenue was 12% in 2012 and 2011 and 13% in 2010.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

	Year Ended December 31,		
	2012	2011	2010
		(in millions)	
Net cash provided by operating activities	$ 2,999	$ 3,691	$ 4,815
Net cash used in investing activities	(6,375)	(3,443)	(2,556)
Net cash provided by (used in) financing activities	4,280	26	(905)
Net change in cash	$ 904	$ 274	$ 1,354

Operating Activities

Net cash provided by operating activities of $3.0 billion in 2012 decreased $692 million from the same period in 2011. The decrease resulted from increases in vendor and labor-related payments of $1.5 billion, which primarily related to an increase in the average cost of postpaid and prepaid devices sold and increased cash paid for interest of $339 million primarily due to an increase in the weighted average long-term debt balance and effective interest rate. This was partially offset by increased cash received from customers of $1.1 billion primarily due to increases in postpaid ARPU and total net subscribers. Included in our vendor and labor related payments was $108 million in pension contribution payments made during 2012.

Net cash provided by operating activities of $3.7 billion in 2011 decreased by $1.1 billion from the same period in 2010. The decrease resulted from an increase in vendor and labor-related payments of $2.6 billion, which primarily related to an increase in the average cost of postpaid and prepaid devices sold and related increases in inventory, increased roaming due to higher 3G and 4G data usage, as well as $136 million in pension contribution payments. This was offset by $1.2 billion of increased cash received from customers primarily due to increases in total subscriber net additions and $310 million received for spectrum hosting. In addition, cash paid for interest decreased by $430 million, of which $395 million was associated with interest capitalization as a result of Network Vision and was reflected as an investing activity.

Investing Activities

Net cash used in investing activities for 2012 increased by $2.9 billion from 2011, primarily due to increases of $2.4 billion in purchases of short-term investments and $1.1 billion in capital expenditures, partially offset by an increase of $533 million in proceeds from sales and maturities of short-term investments. Increases in capital expenditures were primarily related to Network Vision spend, partially offset by reductions to legacy equipment spend. We also recognized $128 million in the form of a note receivable from Clearwire in 2012 as a result of the additional investment provided through our amended agreement in the fourth quarter 2011. In addition, we purchased Clearwire Corporation Class A Common Stock and Clearwire Communications LLC Class B Interests from Eagle River for $100 million in December 2012.

Net cash used in investing activities for 2011 increased by $887 million from 2010, due to increases of $480 million in purchases of short-term investments and $1.2 billion in capital expenditures. Increases in capital expenditures are related to the addition of data capacity to our wireless networks and Network Vision and also include $395 million due to the recognition of capitalized interest on qualifying activities associated with Network Vision primarily related to the carrying value of spectrum licenses not yet placed in service. These increases in use of cash were offset by increases of $825 million in proceeds from sales and maturities of short-term investments and a decrease of $201 million in expenditures associated with our obligations under the FCC Report and Order. In 2012 we also received $135 million in reimbursements from the mobile satellite service (MSS) entrants for their pro rata portion of our costs of clearing a portion of the 1.9 GHz spectrum. In addition, during the fourth quarter 2011, Sprint invested an additional $331 million in Clearwire as a result of an amendment to our agreements and Clearwire's successful offering of additional Class A shares to the market.

Financing Activities

Net cash provided by financing activities was $4.3 billion during 2012. During 2012, the Company issued debt for senior notes, guaranteed notes, convertible bonds, and had drawdowns on the secured equipment credit facility totaling, in the aggregate, approximately $9.2 billion and redeemed the remaining Nextel

Communications, Inc. senior notes of approximately $4.8 billion (see "Liquidity and Capital Resources -Liquidity"). In addition, we incurred $134 million of debt financing costs in 2012.

Net cash provided by financing activities was $26 million during 2011. During 2011, the Company repaid certain debt obligations, including $1.65 billion of Sprint Capital Corporation 7.625% senior notes, the early redemption of $2.0 billion of Sprint Capital Corporation 8.375% senior notes and repayment of $250 million of the $750 million Export Development Canada (EDC) Facility. The reductions in debt obligations were offset by proceeds from issuances of $1.0 billion of 11.5% senior notes due 2021 and $3.0 billion of 9% guaranteed notes due 2018 in a private placement in November 2011. We also paid $86 million for debt financing costs associated with our November 2011 debt issuances and fourth quarter credit facility amendments.

Net cash used in financing activities was $905 million during 2010. Activities in 2010 included a $750 million debt payment in June 2010 and a $51 million payment for debt financing costs associated with our revolving credit facility. In addition, in the fourth quarter 2010, we exercised an option to terminate our relationship with a variable interest entity, which resulted in the repayment of financing, capital lease and other obligations of $105 million.

We received $29 million, $18 million and $8 million in 2012, 2011 and 2010, respectively, in proceeds from common share issuances, primarily resulting from exercises of employee options.

Working Capital

As of December 31, 2012, we had working capital of $4.9 billion compared to $3.8 billion as of December 31, 2011. The increase in working capital is primarily due to net debt proceeds of $4.4 billion consisting of approximately $9.2 billion in debt issuances offset by debt repayments of approximately $4.8 billion. This increase was partially offset by increases in accounts payable, increases in accrued expenses and other current liabilities, and increases to the current portion of long-term debt. The remaining change is primarily related to other activity in current assets during 2012.

Available Liquidity

As of December 31, 2012, our liquidity, including cash, cash equivalents, short-term investments, and available borrowing capacity under our revolving credit facility was $9.5 billion. Our cash, cash equivalents and short-term investments totaled $8.2 billion as of December 31, 2012 compared to $5.6 billion as of December 31, 2011. As of December 31, 2012, approximately $925 million in letters of credit were outstanding under our $2.2 billion revolving bank credit facility, including the letter of credit required by the Report and Order to reconfigure the 800 MHz band. As a result of the outstanding letters of credit, which directly reduce the availability of the revolving bank credit facility, we had $1.3 billion of borrowing capacity available under our revolving bank credit facility as of December 31, 2012. In addition, as of December 31, 2012, up to $204 million was available through May 31, 2013 under the first tranche of our secured equipment credit facility described below, although the use of such funds is limited to equipment-related purchases from Ericsson. On February 28, 2013 we entered into a new $2.8 billion unsecured revolving credit facility that expires in February 2018. This new credit facility replaced the $2.2 billion revolving credit facility that was due to expire in October 2013. The new facility includes approximately $925 million of letters of credit outstanding, resulting in approximately $1.9 billion of available borrowing capacity under this facility.

Strategic Initiatives

Apple Contract

Our commitment with Apple to purchase a minimum number of smartphones, which on average, carry a higher subsidy per unit than other smartphones we sell, has had, and will continue to have, an expected increase in cash outflow and reduction in operating income in the earlier years of the contract until such time as we may recover the acquisition costs through subscriber revenue consistent with our initial forecast when we launched the iPhone. We continue to believe the effect of the iPhone, given the significance of its expected positive effect on gross additions and upgrades, will reduce contribution margin in the near term. These estimates are subject to significant judgment and include assumptions such as product mix, expected improvements in customer churn, and smartphone sales volume, which are difficult to predict and actual results may differ significantly compared to our estimates.

Network Capital Expenditures

In October 2011, we announced our intention to accelerate the timeline associated with Network Vision. In addition to Network Vision, we are currently experiencing rapid growth in data usage driven by more subscribers on the Sprint platform and a continuing shift in our subscriber base to smartphones, which requires additional capital for legacy equipment to meet our customers' needs and to maintain customer satisfaction. Our accelerated timeline coupled with our capital needs to maintain and operate our existing infrastructure are expected to require substantial amounts of additional capital expenditures during the period of deployment. In addition to our expectation of increased capital expenditures, we also expect network operating expenditures to increase during the Network Vision deployment period, as well as expected cash requirements to meet existing obligations associated with the decommissioning of the Nextel platform.

SoftBank Transaction

On October 15, 2012, we entered into the Merger Agreement for the SoftBank Merger. In addition, on October 15, 2012, Sprint and SoftBank entered into the Bond Agreement.

Bond Agreement

Pursuant to the Bond Agreement, on October 22, 2012, Sprint issued a convertible bond (Bond) to New Sprint with a face amount of $3.1 billion, stated interest rate of 1%, and maturity date of October 15, 2019, which is convertible into 590,476,190 shares of Sprint common stock at $5.25 per share, or approximately 16.4% upon conversion of the Bond (based on Sprint common shares outstanding as of December 31, 2012), subject to adjustment in accordance with the terms of the Bond Agreement. Interest on the Bond will be due and payable in cash semiannually in arrears on April 15 and October 15 of each year, commencing on April 15, 2013. Upon receipt of regulatory approval, the Bond will be converted into Sprint shares immediately prior to consummation of the SoftBank Merger and may not otherwise be converted prior to the termination of the Merger Agreement. Conversion of the Bond is subject in any case to receipt of any required approvals and, subject to certain exceptions, receipt of waivers under the Company's existing credit facilities. Subject to certain exceptions, SoftBank may not transfer the Bond without Sprint's consent.

Merger Agreement

Upon consummation of the SoftBank Merger, which is subject to various conditions, including Sprint stockholder and regulatory approval, SoftBank will fund New Sprint with additional capital of approximately $17.0 billion, of which approximately $12.1 billion will be distributed to Sprint stockholders as merger consideration with the remaining $4.9 billion held in the cash balance of New Sprint for general corporate purposes, including but not limited to the Clearwire Acquisition. Pursuant to the terms and subject to the conditions described in the Merger Agreement, upon consummation of the SoftBank Merger, outstanding shares of Sprint common stock, except as otherwise provided for in the Merger Agreement, will be converted, at the election of Sprint stockholders, into (i) cash in an amount equal to $7.30 for each share of Sprint common stock or (ii) one share of New Sprint common stock for each share of Sprint common stock, subject in each case to proration such that a stockholder may receive a combination of cash and New Sprint common stock.

Upon consummation of the SoftBank Merger, SoftBank will receive a five-year warrant to purchase 54,579,924 shares in New Sprint at $5.25 per share which would yield approximately $300 million in proceeds upon exercise. Upon consummation of the SoftBank Merger, (i) Sprint will become a wholly-owned subsidiary of New Sprint, (ii) New Sprint will be a publicly traded company, (iii) SoftBank will indirectly own approximately 70% of New Sprint on a fully diluted basis, and (iv) the former stockholders and other equityholders of Sprint will own approximately 30% of the fully diluted equity of New Sprint. The SoftBank Merger is subject to various conditions, including receipt of required regulatory approvals and approval of Sprint's stockholders, and is expected to close in mid-2013.

Under the terms of the EDC facility and the secured equipment credit facility consummation of the SoftBank Merger would constitute a change of control that would require repayment of all outstanding balances thereunder. Amounts outstanding under the EDC facility and secured equipment credit facility, which were approximately $796 million in the aggregate at December 31, 2012, would become due and payable at the time of closing. Sprint is currently in discussions with the existing lenders under the EDC and the secured equipment credit facility and intends to amend these facilities to, among other things, exclude the SoftBank Merger from the change of control provisions.

As of the date the Merger Agreement was entered into, approximately $8.8 billion of our senior notes and guaranteed notes provided holders with the right to require us to repurchase the notes if a change of control triggering event (as defined in our indentures and supplemental indentures governing applicable notes) occurred, which included both a change of control and a ratings decline of the applicable notes by each of Moody's Investor Services and Standard & Poor's Rating Services. On November 20, 2012, Sprint announced that it had obtained the necessary consents to amend the applicable provisions of the outstanding indentures such that the SoftBank Merger would not constitute a change of control and, as a result, indebtedness outstanding under Sprint's applicable indentures will not become payable by reason of completion of the SoftBank Merger.

Acquisition of Assets from U.S. Cellular

On November 6, 2012, Sprint entered into a definitive agreement with U.S. Cellular to acquire PCS spectrum and approximately 585,000 customers in parts of Illinois, Indiana, Michigan, Missouri and Ohio, including the Chicago and St. Louis markets, for $480 million in cash. Sprint has agreed, in connection with the acquisition, to reimburse U.S. Cellular for certain network shut-down costs in these markets. These costs are expected to range from $130 million to $150 million on a net present value basis, but in no event will Sprint's reimbursement obligation exceed $200 million on an undiscounted basis. The additional spectrum will be used to supplement Sprint's coverage in these areas. Sprint and U.S. Cellular will enter into transition services agreements as a condition to closing of the acquisition which will outline the terms of services to be provided by U.S. Cellular during the period after closing and prior to the transfer of the acquired customers to Sprint's network. The transaction is subject to customary regulatory approvals and is expected to close in mid-2013.

Clearwire

In January 2012, Clearwire issued a $150 million note receivable to us with a stated interest rate of 11.5% as a result of the additional investment provided to Clearwire through our amended agreement in the fourth quarter 2011. The note receivable matures in two installments of $75 million plus accrued interest in January 2013 and in January 2014. Sprint, at its sole discretion, can choose to offset any amounts payable by Clearwire under this promissory note against amounts owed by Sprint under the MVNO agreement, and this action was taken for the installment due in January 2013.

On December 17, 2012, Sprint entered into a merger agreement with Clearwire Corporation to acquire all of the remaining equity interests of Clearwire Corporation that Sprint does not currently own for approximately $2.2 billion in cash, or $2.97 per share (Clearwire Acquisition). In connection with the Clearwire Acquisition, Clearwire Corporation and Sprint have entered into agreements that provide up to $800 million of additional financing for Clearwire in the form of exchangeable notes, which will be exchangeable for Clearwire common stock at $1.50 per share, subject to certain conditions and subject to adjustment. Under the financing agreements, Sprint has agreed to purchase $80 million of exchangeable notes per month for up to ten months beginning in January 2013, with some of the monthly purchases subject to certain funding conditions, including conditions relating to approval of the Clearwire Acquisition by Clearwire's shareholders and the parties agreeing to a network build out plan. On January 31, 2013 Sprint and Clearwire entered into an amendment to the financing agreement which extended the date the parties were to agree to a network build out plan from January 31, 2013 to February 28, 2013. The Clearwire Acquisition is subject to customary regulatory approvals, is contingent on the consummation of the SoftBank Merger, and is expected to close in mid-2013.

On February 26, 2013, Sprint and Clearwire amended the exchangeable notes agreement to remove the network build out condition to Sprint's obligation to provide financing for the last three draws (in August, September and October 2013). Accordingly, Clearwire, at its option, is eligible for the last three draws, totaling $240 million. In addition, Clearwire provided its first notification to Sprint of its election to draw $80 million, under the terms of the financing agreements, in March 2013.

The Clearwire Acquisition does not accelerate any of the stated maturity dates of Clearwire's debt; however, holders of Clearwire's Exchangeable Notes will have the right to require Clearwire to repurchase all of the Exchangeable Notes at an amount equal to 100% of the principal amount, plus any unpaid accrued interest at the repurchase date. If all holders required Clearwire to repurchase the Exchangeable Notes, the total principal payment would be approximately $629 million.

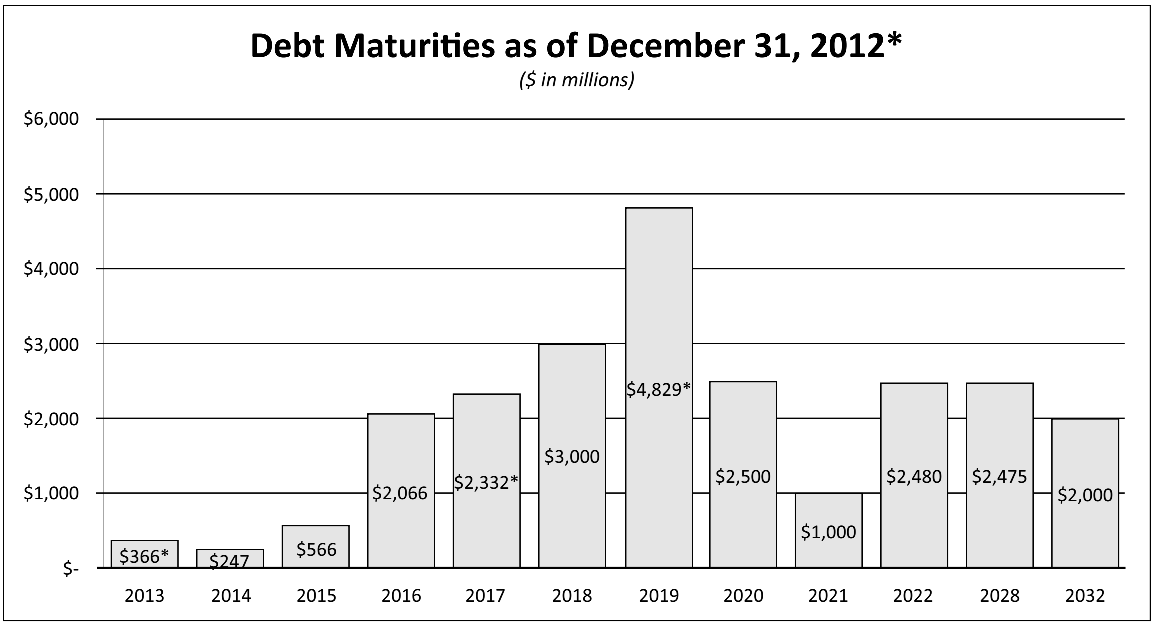
Long-Term Debt and Scheduled Maturities

The following debt issuances and redemptions occurred during 2012:

	Date	Interest rate	Maturity	Amount (in millions)
Issuances:				
Senior notes	March 2012	9.125%	2017	$ 1,000
Guaranteed notes	March 2012	7.000%	2020	1,000
Secured equipment credit facility(1)	May 2012	2.030%	2017	296
Senior notes	August 2012	7.000%	2020	1,500
Convertible bond	October 2012	1.000%	2019	3,100
Senior notes	November 2012	6.000%	2022	2,280
Total issuances				$ 9,176
Redemptions:				
Serial redeemable senior notes	June 2012	6.875%	2013	$ 1,000
Serial redeemable senior notes	August 2012	6.875%	2013	473
Serial redeemable senior notes	August 2012	7.375%	2015	1,027
Serial redeemable senior notes	November 2012	7.375%	2015	1,110
Serial redeemable senior notes	November 2012	5.950%	2014	1,170
Total redemptions				$ 4,780

(1) In May 2012, certain of our subsidiaries entered into a $1.0 billion secured equipment credit facility that expires in March 2017 to finance equipment-related purchases from Ericsson for Network Vision. The facility is secured by a lien on the equipment purchased and is fully and unconditionally guaranteed by Sprint Nextel Corporation, the parent corporation. The facility is equally divided into two consecutive tranches of $500 million, with drawdown availability contingent upon our equipment-related purchases from Ericsson, up to the maximum of each tranche, ending on May 31, 2013 and May 31, 2014, for the first and second tranche, respectively. Repayments of outstanding amounts on the secured equipment credit facility cannot be re-drawn. The cost of funds under this facility includes a fixed interest rate of 2.03%, and export credit agency premiums and other fees that, in total, equate to an expected effective interest rate of approximately 6% based on assumptions such as timing and amounts of drawdowns. As of December 31, 2012, the Company had borrowing capacity of $204 million under the first tranche of our secured equipment credit facility.

The following graph depicts our future principal maturities of debt as of December 31, 2012:



* This table includes the $3.1 billion 1% convertible bond that is convertible into Sprint common stock upon consummation of the SoftBank merger, which will otherwise mature in 2019, and excludes (i) our prior revolving bank credit facility, which was due to expire in October 2013 and had no outstanding balance, (ii) our new revolving credit facility, which will expire in 2018, (iii) $925 million in letters of credit outstanding under the prior revolving bank credit facility, (iv) any undrawn, available credit under our secured equipment credit facility, which will mature in 2017, and (v) all capital leases and other financing obligations.

Liquidity and Capital Resource Requirements

To meet our short- and long-term liquidity requirements, we look to a variety of funding sources. Our existing liquidity balance and cash generated from operating activities is our primary source of funding. In addition to cash flows from operating activities, we rely on the ability to issue debt and equity securities, the ability to issue other forms of financing, and the borrowing capacity available under our credit facilities, to support our short- and long-term liquidity requirements. However, we are currently precluded from issuing any equity securities under the SoftBank Merger. We believe our existing available liquidity and cash flows from operations will be sufficient to meet our funding requirements through the next 12 months, including debt service requirements and other significant future contractual obligations. To maintain an adequate amount of available liquidity and execute according to the timeline of our current business plan, which includes Network Vision, subscriber growth, expected usage profiles of smartphone customers and the expected achievement of a cost structure intended to achieve more competitive margins, we may need to raise additional funds from external resources. If we are unable to fund our remaining capital needs from external resources on terms acceptable to us, we would need to modify our existing business plan, which could adversely affect our expectation of long-term benefits to results from operations and cash flows from operations.

The terms and conditions of our new revolving bank credit facility, which expires in February 2018, require that the ratio (Leverage Ratio) of total indebtedness to trailing four quarters earnings before interest, taxes, depreciation and amortization and other non-recurring items, as defined by the credit facility (adjusted EBITDA), not exceed 6.25 to 1.0 through June 30, 2014. Subsequent to June 30, 2014 the Leverage Ratio declines on a scheduled basis, as determined by the credit agreement, until the ratio becomes fixed at 4.0 to 1.0 for the fiscal quarter ended December 31, 2016 and each fiscal quarter ending thereafter.

The Company is currently engaged in discussions with our existing lenders for both the EDC and secured equipment credit facility and intends to modify the terms to, among other things, provide covenant compliance ratio requirements that are similar to those required under our new revolving bank credit facility and exclude the SoftBank Merger from the change of control provisions. If we are unsuccessful in our efforts, we would be required to pay all amounts outstanding under these facilities upon the consummation of the SoftBank Merger. Additionally, although we expect to remain in compliance with the covenants under our new revolving credit and secured equipment credit facilities through the next twelve months, our leverage ratio under the EDC facility is more restrictive. To the extent we are unsuccessful in our efforts to amend the EDC facility; we have both the ability and intent to pay off all amounts outstanding, totaling $500 million as of December 31, 2012. As of December 31, 2012 and 2011, our Leverage Ratio, as defined by the EDC agreement and prior revolving credit facility, was 3.7 to 1.0.

In determining our expectation of future funding needs in the next 12 months and beyond, we have made several assumptions regarding:

- projected revenues and expenses relating to our operations;
- continued availability of our revolving bank credit facility in the amount of $2.8 billion, which expires in February 2018;
- anticipated levels and timing of capital expenditures, including the capacity and upgrading of our networks and the deployment of new technologies in our networks, and FCC license acquisitions;
- anticipated payments under the Report and Order, as supplemented;
- any additional contributions we may make to our pension plan;
- scheduled principal payments of $366 million;
- payment of $480 million to acquire certain assets of U.S. Cellular;
- additional financing in the form of exchangeable notes to Clearwire not to exceed Sprint's minimum contractual commitment; and
- other future contractual obligations, including decommissioning obligations associated with Network Vision, and general corporate expenditures.

Due to the significance and uncertainty of timing related to the SoftBank Merger and the Clearwire Acquisition, the cashflows from these proposed transactions have not yet been fully taken into consideration in the future funding needs outlined above. Consummation of the transactions is expected to occur in close proximity pending shareholder and regulatory approval for both transactions; however, the Company cannot predict whether both, or either, transactions will be consummated or the timing of such consummation. Upon consummation we expect to receive $4.9 billion from SoftBank's purchase of New Sprint common stock of which a portion of the funds may be used for the following items that we would expect to occur in conjunction with the proposed transactions:

- acquisition of the remaining equity interests of Clearwire Corporation that Sprint does not currently own for approximately $2.2 billion;
- payment of any outstanding balances of our EDC facility and secured equipment facility, which become due upon a change of control and totaled $796 million as of December 31, 2012; and/or
- any optional repurchase requirement of the holders of the Clearwire Exchangeable Notes, which could result in a principal repayment of up to $629 million.

Although these additional cash outflows are currently expected to occur upon consummation of the proposed transactions, we have approximately $1.9 billion available under our new revolving credit facility as of February 28, 2013, in addition to the $4.9 billion capital contribution to be received from SoftBank, and we expect to renegotiate our existing EDC and secured equipment credit facilities prior to consummation.

Our ability to fund our capital needs from external sources is ultimately affected by the overall capacity and terms of the banking and securities markets, as well as our performance and our credit ratings. Given our recent financial performance as well as the volatility in these markets, we continue to monitor them closely and to take steps to maintain financial flexibility and a reasonable cost of capital.

As of December 31, 2012, Moody's Investor Service, Standard & Poor's Ratings Services, and Fitch Ratings had assigned the following credit ratings to certain of our outstanding obligations:

	Rating				
Rating Agency	**Issuer Rating**	**Unsecured Notes**	**Guaranteed Notes**	**Bank Credit Facility**	**Outlook**
Moody's	B1	B3	Ba3	Ba1	Review for Upgrade
Standard and Poor's	B+	B+	BB-	-	Review for Upgrade
Fitch	B+	B+	BB	BB	Review for Upgrade

Downgrades of our current ratings alone do not accelerate scheduled principal payments of our existing debt. However, downgrades may cause us to incur higher interest costs on our credit facilities and future borrowings, if any, and could negatively impact our access to the capital markets.

A default under any of our borrowings could trigger defaults under our other debt obligations, which in turn could result in the maturities being accelerated. Certain indentures that govern our outstanding notes also require compliance with various covenants, including covenants that limit the Company's ability to sell all or substantially all of its assets, covenants that limit the ability of the Company and its subsidiaries to incur indebtedness, and covenants that limit the ability of the Company and its subsidiaries to incur liens, as defined by the terms of the indentures. As of December 31, 2012, we own a 50.4% economic interest in Clearwire. As a result, Clearwire could be considered a subsidiary under certain agreements relating to our indebtedness. Whether Clearwire could be considered a subsidiary under our debt agreements is subject to interpretation. However, Sprint does maintain the right to unilaterally surrender voting securities to reduce its voting security percentage below 50%, which could eliminate the potential for Clearwire to be considered a subsidiary of Sprint. Certain actions or defaults by Clearwire would, if viewed as a subsidiary, result in a breach of covenants, including potential cross-default provisions, under certain agreements relating to our indebtedness. We believe the unilateral rights significantly mitigate the possibility of an event that would cross-default against Sprint's debt obligations. However, upon consummation of the Clearwire Acquisition, Clearwire will be considered a subsidiary of Sprint. Under our new revolving bank credit facility, we are currently restricted from paying cash dividends because our ratio of total indebtedness to adjusted EBITDA exceeds 2.5 to 1.0.

CURRENT BUSINESS OUTLOOK

The Company expects 2013 consolidated segment earnings to be between $5.2 billion and $5.5 billion.

The above discussion is subject to the risks and other cautionary and qualifying factors set forth under “Forward-Looking Statements” and Part I, Item 1A “Risk Factors” in this report.

FUTURE CONTRACTUAL OBLIGATIONS

The following table sets forth our current estimates as to the amounts and timing of contractual payments as of December 31, 2012. Future events, including additional purchases of our securities and refinancing of those securities, could cause actual payments to differ significantly from these amounts. See "Forward-Looking Statements" and Item 1A, "Risk Factors."

Future Contractual Obligations	Total	2013	2014	2015	2016	2017	2018 and thereafter
				(in millions)			
Notes, credit facilities and debentures(1)	$ 38,125	$ 1,948	$ 1,820	$ 2,136	$ 3,600	$ 3,699	$ 24,922
Capital leases and financing obligation(2)	1,603	99	87	83	86	86	1,162
Operating leases(3)	15,666	1,880	1,863	1,668	1,542	1,437	7,276
Purchase orders and other commitments(4)(5)	30,464	17,464	5,357	4,798	1,046	643	1,156
Total	$ 85,858	$21,391	$ 9,127	$ 8,685	$ 6,274	$ 5,865	$ 34,516

(1) *Includes outstanding principal and estimated interest payments. Interest payments are based on management's expectations for future interest rates.*

(2) *Represents capital lease payments including interest and financing obligation related to the sale and subsequent leaseback of multiple tower sites.*

(3) *Includes future lease payments related to cell and switch sites, real estate, network equipment and office space.*

(4) *Includes service, spectrum, network capacity and other executory contracts including our contract with Apple. Excludes blanket purchase orders in the amount of $24 million. See below for further discussion.*

(5) *Includes the $800 million of additional financing for Clearwire during 2013. (see Liquidity and Capital Resources).*

"Purchase orders and other commitments" include minimum purchases we commit to purchase from suppliers over time and/or the unconditional purchase obligations where we guarantee to make a minimum payment to suppliers for goods and services regardless of whether we take delivery. These amounts do not represent our entire anticipated purchases in the future, but generally represent only our estimate of those items for which we are committed. Our estimates are based on assumptions about the variable components of the contracts such as hours contracted, number of subscribers, pricing, and other factors. In addition, we are party to various arrangements that are conditional in nature and create an obligation to make payments only upon the occurrence of certain events, such as the delivery of functioning software or products. Because it is not possible to predict the timing or amounts that may be due under these conditional arrangements, no such amounts have been included in the table above. The table above also excludes approximately $24 million of blanket purchase order amounts since their agreement terms are not specified. No time frame is set for these purchase orders and they are not legally binding. As a result, they are not firm commitments. Our liability for uncertain tax positions was $171 million as of December 31, 2012. Due to the inherent uncertainty of the timing of the resolution of the underlying tax positions, it is not practicable to assign this liability to any particular year(s) in the table.

The table above does not include remaining costs to be paid in connection with the fulfillment of our obligations under the Report and Order. The Report and Order requires us to make a payment to the U.S. Treasury at the conclusion of the band reconfiguration process to the extent that the value of the 1.9 GHz spectrum we received exceeds the total of the value of licenses for spectrum in the 700 MHz and 800 MHz bands that we surrendered under the decision plus the actual costs, or qualifying costs, that we incur to retune incumbents and our own facilities. From the inception of the program through December 31, 2012, we have incurred approximately $3.2 billion of costs directly attributable to the spectrum reconfiguration program. This amount does not include any of our internal network costs that we have preliminarily allocated to the reconfiguration program for capacity sites and modifications for which we may request credit under the reconfiguration program. We estimate, based on our experience to date with the reconfiguration program and on information currently available, that our total direct costs attributable to complete the spectrum reconfigurations will range between $3.6 and $3.7 billion. Accordingly, we believe that it is unlikely that we will be required to make a payment to the U.S. Treasury.

OFF-BALANCE SHEET FINANCING

We do not participate in, or secure, financings for any unconsolidated, special purpose entities.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Sprint applies those accounting policies that management believes best reflect the underlying business and economic events, consistent with accounting principles generally accepted in the United States. Sprint's more critical accounting policies include those related to the basis of presentation, allowance for doubtful accounts, valuation and recoverability of our equity method investment in Clearwire, valuation and recoverability of long-lived assets, and evaluation of goodwill and indefinite-lived assets for impairment. Inherent in such policies are certain key assumptions and estimates made by management. Management regularly updates its estimates used in the preparation of the financial statements based on its latest assessment of the current and projected business and general economic environment. These critical accounting policies have been discussed with Sprint's Board of Directors. Sprint's significant accounting policies are summarized in the Notes to the Consolidated Financial Statements.

Basis of Presentation

The consolidated financial statements include the accounts of Sprint and its consolidated subsidiaries. Investments where Sprint maintains majority ownership, but lacks full decision making ability over all major issues, are accounted for using the equity method. Governance for Sprint's major unconsolidated investment, Clearwire, is based on Clearwire board representation for which Sprint does not have the ability to control the actions of Clearwire.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for estimated losses that result from failure of our subscribers to make required payments. Our estimate of the allowance for doubtful accounts considers a number of factors, including collection experience, aging of the accounts receivable portfolios, credit quality of the subscriber base, and other qualitative considerations. To the extent that actual loss experience differs significantly from historical trends, the required allowance amounts could differ from our estimate. A 10% change in the amount estimated to be uncollectible would result in a corresponding change in bad debt expense of approximately $18 million for the Wireless segment and $1 million for the Wireline segment.

Valuation and Recoverability of our Equity Method Investment in Clearwire

We assess our equity method investment for other-than-temporary impairment when indicators such as decline in quoted prices in active markets indicate a value below the carrying value of our investment. This evaluation requires significant judgment regarding, but not limited to, the severity and duration of decline in market prices; the ability and intent to hold the securities until recovery; financial condition, liquidity, and near-term prospects of Clearwire; specific events, and other factors.

At each financial reporting measurement date, we evaluate the excess, if any, of Sprint's carrying value over the estimated fair value of our investment in Clearwire to determine if such excess, an implied unrealized loss, is other-than-temporary. Our evaluation considers, among other things, Clearwire's market capitalization, volatility associated with Clearwire's common stock, and the duration of a decline in Clearwire's average trading stock price below Sprint's carrying value. Our evaluation also considers tax benefits associated with our Class B non-voting common interests in Clearwire Communications LLC, governance rights, and our expectation of the duration of our ongoing relationship, as well as other factors. The carrying value of our equity method investment in Clearwire as of December 31, 2012 totaled approximately $674 million. Each $0.10 per share change in the value of Clearwire's traded stock price results in a $73.9 million change in the estimated fair value of our equity investment based on Sprint's equity interest as of December 31, 2012.

Valuation and Recoverability of Long-lived Assets

Long-lived assets consist primarily of property, plant and equipment and intangible assets subject to amortization. Changes in technology or in our intended use of these assets, as well as changes in economic or industry factors or in our business or prospects, may cause the estimated period of use or the value of these assets to change.

Property, plant and equipment are generally depreciated on a straight-line basis over estimated economic useful lives. Certain network assets are depreciated using the group life method. Depreciable life studies are performed periodically to confirm the appropriateness of depreciable lives for certain categories of property, plant and equipment. These studies take into account actual usage, physical wear and tear, replacement history and assumptions about technology evolution. When these factors indicate that an asset's useful life is different from the previous assessment, we depreciate the remaining book values prospectively over the adjusted remaining estimated useful life. Depreciation rates for assets using the group life method are revised periodically as required under this method. Changes made as a result of depreciable life studies and rate changes generally do not have a material effect on depreciation expense.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived asset groups were determined based upon certain factors including assessing the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the total of the expected undiscounted future cash flows is less than the carrying amount of our assets, a loss is recognized for the difference between the estimated fair value and carrying value of the assets. Impairment analyses, when performed, are based on our current business and technology strategy, views of growth rates for our business, anticipated future economic and regulatory conditions and expected technological availability. Our estimate of undiscounted cash flows exceeded the carrying value of these assets by more than 10%. If we continue to have operational challenges, including retaining and attracting subscribers, future cash flows of the Company may not be sufficient to recover the carrying value of our wireless asset group, and we could record asset impairments that are material to Sprint's consolidated results of operations and financial condition.

In addition to the analysis described above, certain assets that have not yet been deployed in the business, including network equipment, cell site development costs and software in development, are periodically assessed to determine recoverability. Network equipment and cell site development costs are expensed whenever events or changes in circumstances cause the Company to conclude the assets are no longer needed to meet management's strategic network plans and will not be deployed. Software development costs are expensed when it is no longer probable that the software project will be deployed. Network equipment that has been removed from the network is also periodically assessed to determine recoverability. In connection with Network Vision, including the decommissioning of the Nextel platform, management may conclude in future periods that certain equipment will never be either deployed or redeployed, in which case non-cash charges that could be material to our consolidated financial statements would be recognized. Refer to Results of Operations for additional information on asset impairments.

Evaluation of Goodwill and Indefinite-Lived Intangible Assets for Impairment

Goodwill represents the excess of purchase price paid over the fair value assigned to the net tangible and identifiable intangible assets of acquired businesses. Sprint evaluates the carrying value of goodwill annually or more frequently if events or changes in circumstances indicate that the carrying amount may exceed estimated fair value. Our analysis includes a comparison of the estimated fair value of the reporting unit to which goodwill applies to the carrying value, including goodwill, of that reporting unit.

We regularly assess whether any indicators of impairment exist, which requires a significant amount of judgment. Such indicators may include a sustained significant decline in our share price and market capitalization; a decline in our expected future cash flows; a significant adverse change in legal factors or in the business climate; unanticipated competition; the testing for recoverability of a significant asset group within a reporting unit; and/or slower growth rates, among others. Any adverse change in these factors could result in an impairment up to the carrying value of our goodwill, which was $359 million as of December 31, 2012.

The Company recognizes that our market capitalization, the product of our traded stock price and shares outstanding, is subject to volatility and, during certain periods, has been below our shareholders' equity book value. Accordingly we monitor changes in our market capitalization between annual impairment tests to determine whether declines, if any, should necessitate an interim review of goodwill for impairment. We consider a decline in our market capitalization that corresponds to an overall deterioration in stock market conditions to be less of an indicator of goodwill impairment than a unilateral decline in our market capitalization, which could result from adverse changes in our underlying operating performance, cash flows, financial condition and/or liquidity. In the event that our market capitalization does decline below its book value, we consider the length and severity of the decline and the reasons for the decline when assessing whether a potential goodwill impairment exists. We believe that short-term fluctuations in share price may not necessarily reflect underlying aggregate fair value of our segments, which are our reporting units. If a decline in our market capitalization below book value persists for an extended period of time, we would likely consider the decline to be indicative of a decline in the estimated fair value at the reporting unit level.

Differences in the Company's actual future cash flows, operating results, growth rates, capital expenditures, cost of capital and discount rates as compared to the estimates utilized for the purpose of estimating the fair value of each reporting unit, as well as a decline in the Company's stock price and related market capitalization, could affect the results of our annual goodwill assessment and, accordingly, potentially lead to a future goodwill impairment.

The determination of the estimated fair value of the wireless reporting unit requires significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to, transactions within the wireless industry and related control premiums, discount rate, terminal growth rates, operating income before depreciation and amortization (OIBDA) and capital expenditures forecasts. Due to the inherent uncertainty involved in making those estimates, actual results could differ from those estimates. The merits of each significant assumption, both individually and in the aggregate, used to estimate the fair value of a reporting unit are evaluated for reasonableness. A decline in the estimated fair value of our wireless reporting unit of 10% would not result in an impairment of our goodwill.

Our FCC licenses and our Sprint and Boost Mobile trademarks have been identified as indefinite-lived intangible assets, in addition to goodwill, after considering the expected use of the assets, the regulatory and economic environment within which they are being used, and the effects of obsolescence on their use. At least annually, Sprint assesses the recoverability of other indefinite-lived intangibles, including FCC licenses which are carried as a single unit of accounting. In assessing recoverability of FCC licenses, we estimate the fair value of such licenses using the Greenfield direct value method, which approximates value through estimating the discounted future cash flows of a hypothetical start-up business. Assumptions key in estimating fair value under this method include, but are not limited to, capital expenditures, subscriber activations and deactivations, market share achieved, tax rates in effect and discount rate. A one percent decline in our assumed revenue growth rate used to estimate terminal value, a one percent decline in our assumed net cash flows or a one percent adverse change in any of the key assumptions referred to above would not result in an impairment of our FCC licenses as of the most recent testing date. A decline in the estimated fair value of FCC licenses of approximately 10% also would not result in an impairment of the carrying value.

NEW ACCOUNTING PRONOUNCEMENTS

In May 2011, the Financial Accounting Standards Board (FASB) issued authoritative guidance regarding *Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, which resulted in common requirements for measuring fair value and for disclosing information about fair value measurement under both U.S. GAAP and International Financial Reporting Standards (IFRS), including a consistent definition of the term "fair value." The amendments were effective beginning in the first quarter 2012, and did not have a material effect on our consolidated financial statements.

In December 2011, the FASB issued authoritative guidance regarding *Disclosures about Offsetting Assets and Liabilities*, which requires common disclosure requirements to allow investors to better compare and assess the effect of offsetting arrangements on financial statements prepared under U.S. GAAP with financial statements prepared under IFRS. The standard will be effective beginning in the first quarter of 2013, requires retrospective application, and will only affect disclosures in the footnotes to the financial statements. In October 2012, the FASB tentatively decided to limit the scope of this authoritative guidance to derivatives, repurchase agreements, and securities lending and securities borrowing arrangements. In January 2013, the FASB issued additional clarifying guidance which limited the scope of the disclosure requirements to derivatives, repurchase agreements and reverse purchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with specific criteria contained in U.S. GAAP or subject to a master netting arrangement or similar agreement. Based on the proposed scope revision, we do not expect this authoritative guidance to impact our existing disclosures.

In July 2012, the FASB issued authoritative guidance regarding *Testing Indefinite-Lived Intangible Assets for Impairment,* which is intended to reduce the cost and complexity of the annual impairment test for indefinite-lived intangible assets by providing entities with the option of performing an elective qualitative assessment to determine whether further impairment testing is necessary. The standard will be effective for annual and interim indefinite-lived intangible asset impairment tests performed beginning the first quarter of 2013, with early adoption permitted under certain circumstances. We early adopted the provisions of this standard as part of our annual assessment of indefinite-lived intangible assets with no effect on our financial statements.

FINANCIAL STRATEGIES

General Risk Management Policies

Our board of directors has adopted a financial risk management policy that authorizes us to enter into derivative transactions, and all transactions comply with the policy. We do not purchase or hold any derivative financial instruments for speculative purposes with the exception of equity rights obtained in connection with commercial agreements or strategic investments, usually in the form of warrants to purchase common shares.

Derivative instruments are primarily used for hedging and risk management purposes. Hedging activities may be done for various purposes, including, but not limited to, mitigating the risks associated with an asset, liability, committed transaction or probable forecasted transaction. We seek to minimize counterparty credit risk through stringent credit approval and review processes, credit support agreements, continual review and monitoring of all counterparties, and thorough legal review of contracts. Exposure to market risk is controlled by regularly monitoring changes in hedge positions under normal and stress conditions to ensure they do not exceed established limits.

FORWARD-LOOKING STATEMENTS

We include certain estimates, projections and other forward-looking statements in our annual, quarterly and current reports, and in other publicly available material. Statements regarding expectations, including performance assumptions and estimates relating to capital requirements, as well as other statements that are not historical facts, are forward-looking statements.

These statements reflect management's judgments based on currently available information and involve a number of risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. With respect to these forward-looking statements, management has made assumptions regarding, among other things, subscriber and network usage, subscriber growth and retention, pricing, operating costs, the timing of various events, and the economic and regulatory environment.

Future performance cannot be assured. Actual results may differ materially from those in the forward-looking statements. Some factors that could cause actual results to differ include:

- our ability to retain and attract subscribers and to manage credit risks associated with our subscribers;
- the ability of our competitors to offer products and services at lower prices due to lower cost structures;
- the uncertainties related to our proposed transactions with SoftBank and Clearwire;
- the uncertainties related to certain restrictions placed on Sprint under the Merger Agreement with SoftBank;
- the effects of vigorous competition on a highly penetrated market, including the impact of competition on the price we are able to charge subscribers for services and equipment we provide and on the geographic areas served by Sprint's wireless networks; the impact of equipment net subsidy costs; the impact of increased purchase commitments; the overall demand for our service offerings, including the impact of decisions of new or existing subscribers between our postpaid and prepaid service offerings and between our two network platforms; and the impact of new, emerging and competing technologies on our business;
- our ability to provide the desired mix of integrated services to our subscribers;
- the ability to generate sufficient cash flow to fully implement our network modernization plan, Network Vision, to improve and enhance our networks and service offerings, improve our operating margins, implement our business strategies and provide competitive new technologies;
- the effective implementation of Network Vision, including timing, execution, technologies, costs, and performance of our network;
- our ability to retain Nextel platform subscribers on the Sprint platform and mitigate related increases in churn;

- our ability to access additional spectrum capacity, including through Clearwire;
- changes in available technology and the effects of such changes, including product substitutions and deployment costs;
- our ability to obtain additional financing on terms acceptable to us, or at all;
- volatility in the trading price of our common stock and expected volatility in the trading price of New Sprint common stock after consummation of the SoftBank Merger, current economic conditions and our ability to access capital;
- the impact of unrelated parties not meeting our business requirements, including a significant adverse change in the ability or willingness of such parties to provide devices or infrastructure equipment for our networks;
- the costs and business risks associated with providing new services and entering new geographic markets;
- the financial performance of Clearwire and its ability to fund, build, operate, and maintain its 4G network, including an LTE network;
- the compatibility of Sprint's LTE network with Clearwire's LTE network;
- the effects of mergers and consolidations and new entrants in the communications industry and unexpected announcements or developments from others in the communications industry;
- unexpected results of litigation filed against us or our suppliers or vendors;
- the impact of adverse network performance;
- the costs or potential customer impacts of compliance with regulatory mandates including, but not limited to, compliance with the FCC's Report and Order to reconfigure the 800 MHz band and government regulation regarding "net neutrality" and conflict minerals;
- equipment failure, natural disasters, terrorist acts or other breaches of network or information technology security;
- one or more of the markets in which we compete being impacted by changes in political, economic or other factors such as monetary policy, legal and regulatory changes, or other external factors over which we have no control; and
- other risks referenced from time to time in this report and other filings of ours with the Securities and Exchange Commission (SEC).

The words “may,” “could,” "should," “estimate,” “project,” “forecast,” “intend,” “expect,” "anticipate," “believe,” “target,” “plan,” “providing guidance” and similar expressions are intended to identify forward-looking statements. Forward-looking statements are found throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations, and elsewhere in this report. Readers are cautioned that other factors, although not listed above, could also materially affect our future performance and operating results. The reader should not place undue reliance on forward-looking statements, which speak only as of the date of this report. We are not obligated to publicly release any revisions to forward-looking statements to reflect events after the date of this report, including unforeseen events.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are primarily exposed to the market risk associated with unfavorable movements in interest rates, foreign currencies, and equity prices. The risk inherent in our market risk sensitive instruments and positions is the potential loss arising from adverse changes in those factors.

Interest Rate Risk

The communications industry is a capital intensive, technology driven business. We are subject to interest rate risk primarily associated with our borrowings. Interest rate risk is the risk that changes in interest rates could adversely affect earnings and cash flows. Specific interest rate risk includes: the risk of increasing interest rates on floating-rate debt and the risk of increasing interest rates for planned new fixed rate long-term financings or refinancings.

About 96% of our debt as of December 31, 2012 was fixed-rate debt. While changes in interest rates impact the fair value of this debt, there is no impact to earnings and cash flows because we intend to hold these obligations to maturity unless market and other conditions are favorable.

We perform interest rate sensitivity analyses on our variable rate debt. These analyses indicate that a one percentage point change in interest rates would have an annual pre-tax impact of $10 million on our consolidated statements of operations and cash flows for the year ended December 31, 2012. We also perform a sensitivity analysis on the fair market value of our outstanding debt. A 10% decline in market interest rates would cause an $844 million increase in the fair market value of our debt to $29.3 billion.

Foreign Currency Risk

We may enter into forward contracts and options in foreign currencies to reduce the impact of changes in foreign exchange rates. Our foreign exchange risk management program focuses on reducing transaction exposure to optimize consolidated cash flow. We use foreign currency derivatives to hedge our foreign currency exposure related to settlement of international telecommunications access charges and the operation of our international subsidiaries. The dollar equivalent of our net foreign currency receivables from international settlements was $26 million and the net foreign currency receivables from international operations was less than $1 million as of December 31, 2012. The potential immediate pre-tax loss to us that would result from a hypothetical 10% change in foreign currency exchange rates based on these positions would be less than $3 million.

Equity Risk

We are exposed to market risk as it relates to changes in the market value of our investments. We invest in equity instruments of public companies for operational and strategic business purposes. These securities are subject to significant fluctuations in fair market value due to volatility of the stock market and industries in which the companies operate. These securities, which are classified in investments on the consolidated balance sheets, primarily include equity method investments, such as our investment in Clearwire and available-for-sale securities.

In certain business transactions, we are granted warrants to purchase the securities of other companies at fixed rates. These warrants are supplemental to the terms of the business transaction and are not designated as hedging instruments.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements required by this item begin on page F-1 of this annual report on Form 10-K and are incorporated herein by reference. The financial statements of Clearwire, as required under Regulation S-X, are included in Item 15 of this annual report on Form 10-K and incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports under the Securities Exchange Act of 1934, such as this Annual Report on Form 10-K, is reported in accordance with the SEC's rules. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

In connection with the preparation of this Annual Report on Form 10-K, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of the disclosure controls and procedures were effective as of December 31, 2012 in providing reasonable assurance that information required to be disclosed in reports we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure and in providing reasonable assurance that the information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Internal controls over our financial reporting continue to be updated as necessary to accommodate modifications to our business processes and accounting procedures. There have been no changes in our internal control over financial reporting that occurred during the fourth quarter 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

Our management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2012. This assessment was based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework. Based on this assessment, management believes that, as of December 31, 2012, our internal control over financial reporting was effective.

Our independent registered public accounting firm has issued a report on the effectiveness of our internal control over financial reporting. This report appears on page F-2.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The names of our directors and executive officers and their ages, positions, and biographies as of February 28, 2013 are set forth below. Our executive officers are appointed by and serve at the discretion of our board of directors. There are no family relationships among any of our directors or executive officers.

Director and Executive Officer

Name	Experience	Director Since	Age
Daniel R. Hesse	President and Chief Executive Officer of Sprint Nextel. Before becoming the President and Chief Executive Officer of Sprint Nextel on December 17, 2007, Mr. Hesse was Chairman, President, and Chief Executive Officer of Embarq Corporation. He served as Chief Executive Officer of Sprint's Local Telecommunications Division from June 2005 until the Embarq spin-off in May 2006. Before that, Mr. Hesse served as Chairman, President and Chief Executive Officer of Terabeam Corp., a wireless telecommunications service provider and technology company, from 2000-2004. Prior to serving at Terabeam Corp., Mr. Hesse spent 23 years at AT&T during which he held various senior management positions, including President and Chief Executive Officer of AT&T Wireless Services. He serves on the board of directors of the National Board of Governors of the Boys and Girls Clubs of America and the University of Notre Dame's Mendoza School of Business. He previously served on the board of directors of Clearwire Corporation, Nokia Corporation and VF Corporation.	2007	59

Executive Officers

Name	Experience	Current Position Held Since	Age
Joseph J. Euteneuer	Chief Financial Officer. He was appointed Chief Financial Officer in April 2011. Mr. Euteneuer served as Executive Vice President and Chief Financial Officer of Qwest, a wireline telecom company, from September 12, 2008 until April 2011. Previously, Mr. Euteneuer served as Executive Vice President and Chief Financial Officer of XM Satellite Radio Holdings Inc., a satellite radio provider, from 2002 until September 2008 after it merged with SIRIUS Satellite Radio, Inc. Prior to joining XM, Mr. Euteneuer held various management positions at Comcast Corporation and its subsidiary, Broadnet Europe.	2011	57
Robert L. Johnson	Chief Service and Information Technology Officer. He has served as Chief Service Officer since October 2007 and his role was expanded to Chief Service and Information Technology Officer in August 2011. He served as President - Northeast Region from September 2006 to October 2007. He served as Senior Vice President - Consumer Sales, Service and Repair from August 2005 to August 2006. He served as Senior Vice President - National Field Operations of Nextel from February 2002 to July 2005.	2011	54

Name	Experience	Current Position Held Since	Age
Paget L. Alves	Chief Sales Officer. He has served as Chief Sales Officer since January 2012. Prior to that, he served as President - Business Markets from February 2009 through January 2012. He served as President - Sales and Distribution from March 2008 through February 2009, and as Regional President from September 2006 through March 2008. He served as Senior Vice President, Enterprise Markets from January 2006 through September 2006. He served as our President, Strategic Market from November 2003 through January 2006.	2012	58
William M. Malloy	Chief Marketing Officer. Mr. Malloy has served as Chief Marketing Officer since September 2011. Mr. Malloy has more than 30 years of experience in senior operating roles with marketing, media and wireless companies ranging from start-up ventures to large corporate entities. Prior to joining Sprint, he was a venture partner with Ignition Partners, a venture capital firm based in Seattle. He joined Ignition in 2002 and was a member of the firm's wireless communications team. In addition to working on early-stage investments, he represented the firm from 2004 through 2009 as chairman and CEO of Sparkplug Communications, a company created from within Ignition that later merged with Airband Communications. Prior to Ignition, he served as CEO of two Internet companies, Peapod and Worldstream Communications, and served in different capacities at McCaw Cellular and AT&T Wireless.	2011	60
Steven L. Elfman	President - Network Operations and Wholesale. He was appointed President - Network Operations and Wholesale in May 2008. He served as President and Chief Operating Officer of Motricity, a mobile data technology company, from January 2008 to May 2008 and as Executive Vice President of Infospace Mobile (currently Motricity) from July 2003 to December 2007. He was an independent consultant working with Accenture Ltd., a consulting company, from May 2003 to July 2003. He served as Executive Vice President of Operations of Terabeam Corporation, a Seattle-based communications company, from May 2000 to May 2003, and he served as Chief Information Officer of AT&T Wireless from June 1997 to May 2000.	2008	57
Matthew Carter	President - Global Wholesale and Emerging Solutions. He was appointed President - 4G in January 2010, and his role has changed to include Wholesale and Emerging Solutions. He served as Senior Vice President, Boost Mobile from April 2008 until January 2010 and as Senior Vice President, Base Management from December 2006 until April 2008. Prior to joining Sprint, he served as Senior Vice President of Marketing at PNC Financial Services.	2010	51
Charles R. Wunsch	Senior Vice President, General Counsel and Corporate Secretary. He was appointed Senior Vice President, General Counsel and Corporate Secretary in October 2008. He served as our Vice President for corporate transactions and business law and has served in various legal positions at the Company since 1990. He was previously an associate and partner at the law firm Watson, Ess, Marshall, and Enggas.	2008	57

Name	Experience	Current Position Held Since	Age
Michael C. Schwartz	Senior Vice President - Corporate and Business Development. He was appointed Senior Vice President - Corporate and Business Development on January 2, 2013. Mr. Schwartz served as as Vice President, Marketing, Corporate Development and Regulatory at Telesat Canada, a satellite communications company, from 2007 to 2012. Previously, Mr. Schwartz served as Senior Vice President of Marketing and Corporate Development of SES New Skies, a satellite company. Prior to joining SES New Skies, he served as Chief Development and Financial Officer of Terabeam Corporation, responsible for business and corporate development as well as financial operations.	2013	48
Ryan H. Siurek	Vice President - Controller. He was appointed Vice President, Controller in November 2009. He served as Vice President and Assistant Controller from January 2009 to November 2009. Prior to joining Sprint, he worked for LyondellBasell Industries, a global chemical manufacturing company, from January 2004 through January 2009, where he held various executive level finance and accounting positions in the United States and Europe, including Controller - European Operations.	2009	41

Directors

Name	Experience	Director since	Age
Robert R. Bennett	Managing Director of Hilltop Investments, LLC, a private investment company. Mr. Bennett served as President of Discovery Holding Company from March 2005 until September 2008, when the company merged with Discovery Communications, Inc., creating a new public company. Mr. Bennett also served as President and CEO of Liberty Media Corporation (now Liberty Interactive Corporation) from April 1997 until August 2005 and continued as President until February 2006. He was with Liberty Media from its inception, serving as its principal financial officer and in various other capacities. Prior to his tenure at Liberty Media, Mr. Bennett worked with Tele-Communications, Inc. and the Bank of New York. Mr. Bennett currently serves as a director of Discovery Communications, Inc., Demand Media, Inc., and Liberty Media Corporation. Mr. Bennett previously served on the board of directors of Liberty Interactive Corporation and Discovery Holding Company.	2006	54
Gordon M. Bethune	Retired Chairman and Chief Executive Officer of Continental Airlines, Inc., an international commercial airline company. He served as Chief Executive Officer of Continental Airlines from 1994 and as Chairman and Chief Executive Officer from 1996 until December 30, 2004. He is currently a director of Honeywell International Inc. and Prudential Financial, Inc. He previously served on the board of directors of Willis Group Holdings, Ltd.	2004	71

Name	Experience	Director since	Age
Larry C. Glasscock	Retired Chairman of the Board of WellPoint, Inc., a health benefits company. Mr. Glasscock served as President and Chief Executive Officer of WellPoint, Inc. from November 2004 (following the merger between Anthem, Inc. and WellPoint Health Networks Inc.) until June 2007 and as Chairman of WellPoint, Inc. from November 2005 until March 2010. Prior to Anthem's merger with WellPoint Health Networks in November 2004, Mr. Glasscock served as Anthem's President and Chief Executive Officer since 2001 and also as Anthem's Chairman since 2003. He is currently a director of Simon Property Group, Inc., Sysco Corporation and Zimmer Holdings, Inc. He previously served on the board of directors of WellPoint, Inc.	2007	64
James H. Hance	Chairman of the Board of Sprint Nextel. Mr. Hance serves as a Senior Advisor to The Carlyle Group. He served as the Vice Chairman of Bank of America Corporation from 1993 until his retirement on January 31, 2005 and as the Chief Financial Officer of Bank of America Corporation from 1988 until April 2004. He is a director of Cousins Properties Incorporated, Duke Energy Corporation, Ford Motor Company and The Carlyle Group. He previously served on the Board of Directors of Rayonier Corporation, Morgan Stanley and EnPro Industries, Inc.	2005	68
V. Janet Hill	Principal, Hill Family Advisors. In 2010, Mrs. Hill retired from Alexander & Associates, Inc., a corporate consulting firm, after serving as a Vice President since 1981. Mrs. Hill also serves as a director of The Carlyle Group, The Wendy's Company, and Dean Foods, Inc.	2005	63
Frank Ianna	Former Chief Executive Officer and Director, Attila Technologies LLC, a Technogenesis Company incubated at Stevens Institute of Technology. Mr. Ianna retired from AT&T in 2003 after a 31-year career serving in various executive positions, most recently as President of Network Services. Following his retirement, Mr. Ianna served as a business consultant, executive and board member for several private and nonprofit enterprises. Mr. Ianna is a director of Tellabs, Inc. Mr. Ianna previously served on the board of directors of Clearwire Corporation.	2009	63
Sven-Christer Nilsson	Owner and Founder, Ripasso AB, Ängelholm, Sweden, a private business advisory company. Mr. Nilsson serves as an advisor and board member for companies throughout the world. He previously served in various executive positions for The Ericsson Group from 1982 through 1999, including as its President and Chief Executive Officer from 1998 through 1999. Mr. Nilsson is a director of Ripasso AB, Magle Life Science AB, Ceva, Inc. and Assa Abloy AB. He also serves as chariman for the (Swedish) Defense Materiel Administration. Mr. Nilsson previously served on the board of directors of TeliaSonera AB and Tilgin AB. Mr. Nilsson is a fellow of the Royal Swedish Academy of Engineering Sciences and of the Royal Academy of War Sciences.	2008	68

Name	Experience	Director since	Age
William R. Nuti	Chairman of the Board, Chief Executive Officer and President of NCR Corporation, a global technology company. Mr. Nuti has served as Chief Executive Officer and President of NCR since August 2005, and as Chairman of NCR since October 2007. Before joining NCR, Mr. Nuti had served as President and Chief Executive Officer of Symbol Technologies, Inc. from 2003 to 2005, and as President and Chief Operating Officer of Symbol Technologies from 2002 to 2003. Mr. Nuti joined Symbol Technologies in 2002 following more than 10 years at Cisco Systems, where he advanced to the dual role of senior vice president of the company's Worldwide Service Provider Operations and senior vice president of U.S. Theater Operations. Mr. Nuti previously served on the board of directors of Symbol Technologies, Inc.	2008	49
Rodney O'Neal	Chief Executive Officer, President and board member of Delphi Automotive PLC, a global supplier of mobile electronics and transportation systems since 2007. He began his career at General Motors (GM) in 1971 as a student at General Motors Institute (currently Kettering University) and moved through the company in a number of engineering and manufacturing positions. In 1997, Mr. O'Neal was elected a GM Vice President and named general manager of Delphi Interior Systems. Later, after Delphi became an independent company following its spinoff from GM in 1999, Mr. O'Neal continued in leadership roles, including as president of Delphi's Dynamics, Propulsion and Thermal Sector in 2003 and as president and chief operating officer in 2005. In January 2007, he was named to his current position as chief executive officer of the leading global supplier of electronics and technologies for automotive, commercial vehicle and other market segments. He previously served on the board of directors of Goodyear Tire and Rubber Company.	2007	59

In evaluating prospective candidates or current board members for nomination, the Nominating and Corporate Governance Committee, or Nominating Committee, considers all factors it deems relevant, including, but not limited to, the candidate's:

- character, including reputation for personal integrity and adherence to high ethical standards;
- judgment;
- knowledge and experience in leading a successful company, business unit or other institution;
- independence from our company;
- ability to contribute diverse views and perspectives;
- business acumen; and
- ability and willingness to devote the time and attention necessary to be an effective director - all in the context of an assessment of the needs of our board at that point in time.

The Nominating Committee reviews with our board the appropriate characteristics and background needed for directors. This review is undertaken not only in considering new candidates for board membership, but also in determining whether to nominate existing directors for another term. The Nominating Committee determines the current director selection criteria and conducts searches for prospective directors whose skills and attributes reflect these criteria. To assist in the recruitment of new members to our board, the Nominating Committee employs one or more third-party search firms. All approvals of nominations are determined by the full board.

Consistent with our *Corporate Governance Guidelines*, the Nominating Committee places a great deal of importance on identifying candidates having a variety of views and perspectives arising out of their individual experiences, professional expertise, educational background, and skills. In considering candidates for our board, the Nominating Committee considers the totality of each candidate's credentials in the context of this standard.

It is the policy of the Nominating Committee also to consider candidates recommended by shareholders, using the same key factors described above for purposes of its evaluation. A shareholder who wishes to recommend a prospective nominee for our board should notify the Corporate Secretary in writing with supporting material that the shareholder considers appropriate. The Nominating Committee will also consider whether to nominate any person nominated by a shareholder pursuant to the provisions of our bylaws relating to shareholder nominations that permit shareholders to nominate directors for election at an annual shareholder meeting. To nominate a director, the shareholder must deliver the information required by our bylaws.

The Nominating Committee and the board believe that the above-mentioned attributes, along with the leadership skills and other experience of our board members described below, provide us with a diverse range of perspectives and judgment necessary to guide our strategies and monitor their execution.

- Mr. Bennett has extensive knowledge of the capital markets and other financial and operational issues from his experiences as a principal financial officer and president and chief executive officer of Liberty Media, which allows him to provide an invaluable perspective to our board's discussions on financial and operational matters.

- Mr. Bethune has extensive experience serving as a chief executive officer and director of large international corporations, which provides our board a perspective of someone familiar with all facets of an international enterprise.

- Mr. Glasscock's prior experience as the chairman, president and chief executive officer of WellPoint, Inc. and its predecessor companies, during which time the companies grew from approximately $6 billion in revenue to more than $60 billion in revenue, provides a unique insight into the challenges and opportunities involved in growing a company within a highly competitive industry. His expertise derived from over 20 years of experience in financial services, as a senior executive and director, enables him to provide invaluable assistance to our board on financial and marketing matters. Throughout his career, Mr. Glasscock has developed expertise in the successful completion and integration of mergers, utilization of technology to improve productivity and customer service, and team building and human capital development. Mr. Glasscock also has significant experience as a public company director and as a member of various committees related to important board functions, including audit, finance, governance and compensation.

- Mr. Hance's experience as a director for a wide variety of large corporations and his extensive experience in the financial services industry, which included responsibility for financial and accounting matters while serving as chief financial officer of Bank of America Corporation, provide an invaluable perspective into the diverse issues facing an international enterprise, particularly relating to financial matters.

- Mr. Hesse, as our President and Chief Executive Officer, provides our board with unparalleled insight into our company's operations, and his 35 years of experience in the telecommunications industry provides substantial knowledge of the challenges and opportunities facing our company.

- Mrs. Hill's significant experience as a consultant to and director of large commercial enterprises provides our board with the keen insight of someone whose expertise is advising companies on the governance and operational challenges facing international consumer companies.

- Mr. Ianna's technical background and expertise, and his vast experience in the telecommunications industry as an executive and director for a diverse array of enterprises allows him to provide a unique perspective to our board on a wide variety of issues.

- Mr. Nilsson provides his perspective on global business leadership as former chief executive officer and president of The Ericsson Group. He also provides insights as a successful technology entrepreneur and has in-depth knowledge of the telecommunications industry.

- Mr. Nuti, as a current chairman and chief executive officer of a global technology company, provides our board an invaluable perspective of someone with primary responsibility for the oversight of all facets of an international enterprise in today's global economy.

- Mr. O'Neal has extensive senior management experience as both a chief executive officer and director, which provides the knowledge and expertise necessary to contribute an important viewpoint on a wide variety of governance and operational issues.

Executive Sessions

Sprint's non-management directors meet in regularly scheduled executive sessions without any management participation by officers or employee directors. These executive sessions are currently held either before, after or otherwise in conjunction with the board's regularly scheduled, physically-held meetings each year. Additional executive sessions can be scheduled at the request of the non-management directors.

The director who presides over the executive sessions of the board is its chairman, Mr. Hance. The committee chairperson chairs the executive sessions of his or her committee. If that chairman or committee chairperson is not present, another independent director will be chosen by the executive session to preside.

Audit Committee

Sprint has a separately-designated standing Audit Committee established in accordance with the requirements of the Exchange Act. The primary purpose of the Audit Committee is to assist our board in fulfilling its oversight responsibilities with respect to:

- the integrity of our financial statements and related disclosures, as well as related accounting and financial reporting processes;
- our compliance with legal and regulatory requirements;
- our independent registered public accounting firm's qualifications, independence, audit and review scope, and performance;
- the audit scope and performance of our internal audit function;
- our ethics and compliance program; and
- our enterprise risk management program.

The Audit Committee also has sole authority for the appointment, retention, termination, compensation, evaluation and oversight of our independent registered public accounting firm. The committee's principal responsibilities in serving these functions are described in the Audit Committee Charter, which is available at *www.sprint.com/governance*.

The Chair of the Audit Committee is Mr. Glasscock. The other members are Messrs. Bennett, Hance and Ianna. Each of the members is financially literate and able to devote sufficient time to serving on the Audit Committee. Our board has determined that each of the Audit Committee members is an independent director under the independence requirements established by our board and the NYSE corporate governance standards. Our board has also determined that Messrs. Bennett, Glasscock, Ianna, and Hance each possess the qualifications of an "audit committee financial expert" as defined in the SEC rules.

Committee Charters

Our standing committees are our Audit Committee, Compensation Committee, Executive Committee, Finance Committee, and Nominating and Corporate Governance Committee. Each of our standing committees has a charter that describes such committee's primary functions. A current copy of our Corporate Governance Guidelines and the charter for each standing committee of our board is available at *www.sprint.com/governance* or by email at *shareholder.relations@sprint.com*. Our charters and our Corporate Governance Guidelines were adopted by our board and are annually reviewed and revised as necessary.

Code of Ethics

Our code of ethics, *The Sprint Nextel Code of Conduct,* is available at *www.sprint.com/governance* or by email at *shareholder.relations@sprint.com.* It describes the ethical and legal responsibilities of directors and employees of our company and our subsidiaries, including senior financial officers and executive officers.

All of our directors and employees (including all senior financial officers and executive officers) are required to comply with *The Sprint Nextel Code of Conduct.* In support of the ethics code, we have provided employees with a number of avenues for the reporting of potential ethics violations or similar concerns or to seek guidance on ethics matters, including a 24/7 telephone helpline. The Audit Committee has established procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters, including the confidential, anonymous submission by our employees of any concerns regarding questionable financial and non-financial matters to the Ethics Helpline at 1-800-788-7844, by mail to the Audit Committee, c/o Sprint Nextel Corporation, 6200 Sprint Parkway, Overland Park, KS 66251, KSOPHF0302-3B424, or by email to *boardinquiries@sprint.com*. Our Chief Ethics Officer reports regularly to the Audit Committee and annually to the entire board on our ethics and compliance program.

Board Communications

We value the views of our stakeholders. Consistent with this approach, our board has established a system to receive, track and respond to communications from stakeholders addressed to our board or to our outside directors. A statement regarding our board communications policy is available at *www.sprint.com/governance.* Any stakeholder who wishes to communicate with our board or our outside directors may write to our General Counsel, Senior Vice President and Corporate Secretary, who is our Board Communications Designee, at the following address: Sprint Nextel Corporation, 6200 Sprint Parkway, Overland Park, KS 66251, KSOPHF0302-3B424, or send an email to *boardinquiries@sprint.com.* Our board has instructed the Board Communications Designee to examine incoming communications and forward to our board, or individual directors as appropriate, communications deemed relevant to our board's roles and responsibilities. Our board has requested that certain types of communications not be forwarded, and redirected if appropriate, such as: spam, business solicitations or advertisements, resumes or employment inquiries, service complaints or inquiries, surveys, or any threatening or hostile materials. The Board Communications Designee will review all appropriate communications and report on the communications to the chair of or the full Nominating Committee, the full board, or the outside directors, as appropriate. The Board Communications Designee will take additional action or respond to letters in accordance with instructions from the relevant board source. Communications relating to accounting, internal accounting controls, or auditing matters will be referred promptly to members of the Audit Committee in accordance with our policy on communications with our board of directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own more than 10% of a registered class of our equity securities, to file with the SEC and the NYSE initial reports of beneficial ownership and reports of changes in beneficial ownership of our shares and other equity securities. These people are required by the SEC regulations to furnish us with copies of all Section 16(a) reports they file, and we make these reports available at *www.sprint.com/investors/sec*.

To our knowledge, based solely on a review of the copies of these reports furnished to us and written representations that no other reports were required, during 2012 all Section 16(a) filing requirements applicable to our directors, executive officers and beneficial owners of more than 10% of our equity securities were met.

Item 11. Executive Compensation

Compensation Discussion and Analysis

This compensation discussion and analysis describes and analyzes our compensation program for our named executive officers for 2012, who were: Daniel R. Hesse, President and CEO; Joseph J. Euteneuer, CFO; Keith O. Cowan, President, Strategic Planning and Corporate Initiatives; Steven L. Elfman, President, Network Operations and Wholesale; and Robert L. Johnson, Chief Service and Information Technology Officer.

Compensation Overview

Philosophy and Objectives of Our Executive Compensation Program

- Attract and retain qualified and experienced executives by providing base salaries, target incentives, and benefits that are market competitive and require that a large portion of total compensation is earned over a multi-year period and subject to forfeiture to the extent that vesting requirements and performance objectives are not met.
- Pay for performance by tying a substantial portion of our executives' compensation opportunities directly to our performance through short- and long-term incentive compensation plans that include performance

objectives most critical to driving our continued financial and operational improvement and long-term shareholder value.

- Align compensation with shareholder interests by structuring our compensation programs to align executive interests with those of our shareholders, mitigate the possibility that our executives undertake excessively risky business strategies, and adhere to corporate governance best practices.

Components of Our Executive Compensation Program

The major components of our executive compensation program are base salary, our short-term incentive compensation (STIC) plan, and our long-term incentive compensation (LTIC) plan. The base salary and target opportunities under the STIC and LTIC plans for our named executive officers in 2012 are listed below.

	Base Salary	STIC Plan	LTIC Plan
Hesse[1]	$ 853,777	$ 2,040,000	$ 10,000,000
Euteneuer	$ 775,000	$ 1,007,500	$ 3,500,000
Cowan[2]	$ 725,000	$ 906,250	$ 2,500,000
Elfman	$ 650,000	$ 812,500	$ 3,250,000
Johnson[3]	$ 540,000	$ 540,000	$ 1,500,000

(1) The compensation elements shown for Mr. Hesse in this table reflect the reductions agreed to in his May 4, 2012 letter as previously disclosed in Sprint's Current Report on Form 8-K filed on May 4, 2012.

(2) As previously announced, Mr. Cowan left the Company effective January 2, 2013.

(3) Amounts shown reflect base salary and STIC target opportunity effective June 30, 2012.

Numerous changes were made to the primary components of our overall executive compensation program in 2012 to better align with recognized market "best practices" and to ensure that the program strongly supported our overall business objectives. These changes included:

- Adoption of a single three-year performance measurement period in our LTIC plan for 2012 performance units and performance-based restricted stock units (RSUs) in lieu of three one-year performance periods as was used in our LTIC plans for 2010 and 2011. This change emphasized and provided incentives for performance over the long term.
- Addition of an operational objective to the 2012 LTIC plan to provide incentives for exceptional deployment of Network Vision, Sprint's multi-year network infrastructure initiative intended to provide subscribers with an enhanced network experience by improving voice quality, coverage, and data speeds, while enhancing network flexibility, reducing operating costs, and improving environmental sustainability through the utilization of multiple spectrum bands onto a single multi-mode base station.
- Adoption of a single one-year performance measurement period in our STIC plan for 2012 in lieu of two six-month performance periods as was used in our STIC plans for 2010 and 2011.

2012 Performance—Delivering on the Sprint Turnaround

We continue to execute on our plan to accomplish Sprint's turnaround in three phases: (1) Phase One, the recovery and strengthening of our business; (2) Phase Two, the investment phase; and (3) Phase Three, margin expansion.

In 2012, we transitioned from the recovery phase to the investment phase which made 2012 perhaps the most pivotal and challenging year in Sprint's turnaround. There were two dominant headlines for Sprint's executive compensation story in 2012. First, Sprint generated excellent returns for our stockholders. Sprint's total shareholder return in 2012 of 142% was the second highest among the companies making up the S&P 500. Accordingly, our executives, who have a significant portion of their incentive compensation tied to Sprint equity, stand to share in future realizable compensation gains if they remain with Sprint. Second, we set challenging objectives and goals in 2012 as Sprint entered the investment phase of our turnaround. These included aggressive targets on Network Vision Deployment. As detailed below, not withstanding the progress we made in 2012, the setting of very aggressive performance goals against these objectives resulted in below target payouts for our performance units and performance-based RSUs in our LTIC plan.

Phase One

Through unrelenting focus on improving the customer experience, strengthening the brand and generating cash, we successfully completed Phase One in 2011. Since the beginning of our turnaround efforts through the completion of Phase One, we increased net subscriber additions, total service revenue, customer satisfaction and brand health. Our accomplishments in Phase One continued into 2012 with full year consolidated operating revenue of $35.3 billion, the highest since 2008, rising postpaid average revenue per subscriber or user (ARPU), and continued accolades on our brand and customer experience.

Phase Two

As we moved to Phase Two, our 2012 executive compensation program provided strong incentives for executives to remain focused on improving the customer experience, strengthening the brand, and generating cash, while also concentrating on investment for future growth. During 2012, we made investments in Network Vision and launched 15 4G LTE devices including the iPhone® 5, Apple iPAD mini® and iPAD® with Retina display.

2012 STIC Plan

Our STIC plan is our annual cash bonus plan, which is intended to ensure that annual bonuses are tied to the successful achievement of critical operating and financial objectives that are the leading drivers of sustainable increases in shareholder value. The table below summarizes our key priorities in 2012, the metrics selected in support of these priorities, and the rationale for why each was chosen by the Compensation Committee.

Priority	Objective	Rationale
Customer Experience	Postpaid subscriber churn, which is a measure of our ability to retain our customers who pay for their wireless service on a contract basis, typically for one- or two-year periods.	Measures the degree to which we retain our most profitable customers.
Strengthening our Brand	Total Net Additions, which is a measure of the new wireless customers we gain, net of deactivations.	Measures the degree to which we have attracted new customers to our brands.
Generating Cash	Adjusted OIBDA, which means Adjusted Operating Income Before Depreciation and Amortization less severance, exit costs and other special items.	Measures our ability to generate cash and profit, which are critical to our ability to invest in our business and service our debt.

The Compensation Committee approved the aggregate payout percentage for the 2012 STIC plan at 100.7% of the target award opportunity for all eligible employees, including our named executive officers. Our STIC plan objectives, targets, and actual results are summarized in the table below.

Objective	Weight	Target	Actual Results	Percent Payout
Postpaid Subscriber Churn	30%	1.95%	2.02%	69%
Total Net Additions	30%	4,526,000	(15,000)	0%
Adjusted OIBDA	40%	$4.2 billion	$4.8 billion	200%
			Total Payout	***100.7%***

In establishing the weighting among the three STIC plan objectives, the Compensation Committee assigned the highest weighting to Adjusted OIBDA. This was to emphasize and provide incentives to enhance operating performance and cash flow critically necessary for continued investment in Phase Two of our turnaround.

We underperformed in 2012 on the challenging targets the Compensation Committee set for postpaid churn and total net subscriber additions. However, a significant portion of our iPhone sales were to new postpaid customers, and we retained 55% of Nextel platform subscribers as we continue our rapid shut-down of the Nextel platform in a highly competitive environment. We did not fully deploy the iPad, a highly desirable device that we believe creates an ability to acquire and retain subscribers, until the fourth quarter of 2012. However, we substantially outperformed our Adjusted OIBDA target, which included our first full year of iPhone sales.

2012 LTIC Plan

Our LTIC plan is designed to encourage retention, linking payment of performance-based awards to achievement of financial and operational objectives critical to our long-term success, and granting equity awards to directly link executive interests with those of our shareholders. In 2012, we granted three types of awards under our LTIC plan:

- *Performance units*—Each unit has a value of $1.00, and executives earn a cash payout that vests on December 31, 2014 and will be paid in the 1st Quarter of 2015, with cash payouts ranging from 0% to 150% based on achievement of predetermined performance objectives during a single three-year performance period of 2012-2014.
- *Performance-based RSUs*—RSUs vest on the third anniversary of the grant date, with vesting conditioned on achievement of predetermined performance objectives during a single three-year performance period of 2012-2014.
- *Stock options*—Non-qualified stock options vest ratably on each of the three anniversaries of the grant date with an exercise price equal to the fair market value (closing price on the NYSE) of our stock on the grant date. To determine the number of stock options to be delivered under the 2012 LTIC plan, we used a Black-Scholes valuation model discussed below in footnote 3 to the 2012 Summary Compensation Table.

With respect to the performance units and performance-based RSUs, the Compensation Committee selected objectives to support our turnaround efforts, including the investment phase, as described below.

Priority	**Objective**	**Rationale**
Generating Cash	Net service revenue	Measures the degree to which we have grown annual revenue, which is the key to driving long-term growth in profitability.
	Free cash flow, which is the cash provided by our operating activities less the cash used in our investing activities other than short-term investments and equity method investments during the applicable period.	Measures our ability to generate cash, which is critical to our ability to invest in our business and service our debt.
Strengthening our Brand	Network Vision Deployment, measured by the number of Network Vision cell sites on air by the end of the performance period.	Measures our progress toward enhancing our network experience for our customers while reducing operating costs and improving environmental sustainability.

Our performance units and performance-based RSUs granted in 2012 set performance objectives and targets over a single three-year period covering 2012, 2013 and 2014. However, in 2010 and 2011, our LTIC plan grants of performance units and performance-based RSUs were allocated one-third to each of three annual performance periods.

For the 2012 annual performance period for performance units granted in 2010 and 2011, the Compensation Committee approved the aggregate payout percentage as compared to targeted opportunity for our executives at approximately 71.35%. The Compensation Committee approved the payout percentage for 2012 for the performance-based RSUs at 66.7%.

Our LTIC plan objectives, targets, and actual results for 2012 for the performance units were as follows:

Free Cash Flow Performance Target *(in millions)*			Net Service Revenue Performance Target *(in millions)*			Network Vision Deployment		
Weight	**Target ($)**	**Actual ($)**	**Weight**	**Target ($)**	**Actual ($)**	**Weight**	**Target**	**Actual**
33.4%	(3,774)	(1,449)	33.3%	32,821	32,097	33.3%	12,967	6,144

Our LTIC plan objectives, targets, and actual results for 2012 for the performance-based RSUs were as follows:

Free Cash Flow Performance Target *(in millions)*			Net Service Revenue Performance Target *(in millions)*			Network Vision Deployment		
Weight	**Target ($)**	**Actual ($)**	**Weight**	**Target ($)**	**Actual ($)**	**Weight**	**Target**	**Actual**
33.4%	(4,704)	(1,449)	33.3%	31,321	32,097	33.3%	11,022	6,144

In establishing the weighting among the three LTIC plan objectives, the Compensation Committee assigned equal weightings to Free Cash Flow, Net Service Revenue, and Network Vision Deployment. While Network Vision Deployment was a critical objective as part of our investment phase, the Committee also emphasized and provided an incentive for us to grow top-line revenues, and drive cash flow, which are also critical as we move through Phase Two.

Because the payout for the performance-based RSUs is capped at 100% and there is no graduated scale for partial payout for performance below target, the Compensation Committee set the Free Cash Flow, Net Service Revenue, and Network Vision Deployment targets at lower but still meaningful levels as compared to the performance units.

We exceeded the target amounts set for Free Cash Flow for both performance units and performance-based RSUs. With respect to Net Service Revenue, we slightly exceeded target amounts set for performance-based RSUs and were slightly below target amounts set for performance units. Despite our marked improvements in brand strength noted above, we remain approximately one calendar quarter behind in Network Vision Deployment as a result of delays from vendors related to logistics execution and material shortages, as well as delays due to the hurricane in the third quarter of 2012. Because we failed to meet the minimum payout threshold under the Network Vision Deployment objective, each of our named executive officers forfeited approximately one third of the performance-based RSUs granted under the LTIC plan for each of 2010 and 2011 as follows:

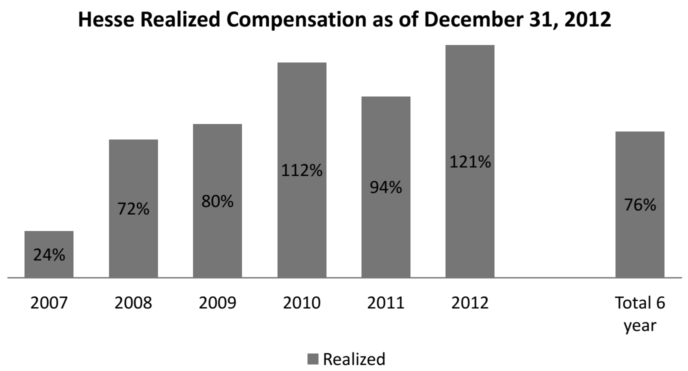
	2010 Performance-based RSUs Forfeited	**2011 Performance-based RSUs Forfeited**
Hesse	92,244	107,115
Euteneuer[1]	—	25,448
Cowan	23,061	18,750
Elfman	27,673	24,375
Johnson	11,807	10,500

(1) Mr. Euteneuer commenced employment with the Company effective April 4, 2011 and therefore was not eligible to receive (and did not forfeit) any performance-based RSUs granted under the LTIC plan for 2010.

CEO Realized Compensation

To better illustrate comparisons of pay to performance, it is helpful to consider realizable pay rather than the compensation shown in the summary compensation table. The graph below shows the realizable pay for Mr. Hesse during his tenure with Sprint expressed as a percentage of his target compensation. For the calculation of realizable pay:

- Stock options are valued at the actual gains realized at exercise, or if outstanding at December 31, 2012 at intrinsic value (*i.e.*, the excess of the value per share of Sprint stock at December 31, 2012 over the exercise price multiplied by shares underlying the option);
- RSUs are valued based on the value at vesting, or December 31, 2012 if not vested, with adjustment for forfeiture for failure to achieve any performance vesting conditions for completed performance period (we assume target performance for performance periods that were not complete at December 31, 2012); and
- Compensation repaid or forfeited is included, as described in Sprint's Current Report on Form 8-K filed on May 4, 2012.



Corporate Governance Highlights

We endeavor to maintain good governance standards, including with respect to our executive compensation practices. Several highlights are listed below:

- We have stock ownership guidelines and a clawback policy.
- Our named executive officers receive few perquisites, entitlements or elements of non-performance-based compensation, except for market-competitive salaries and modest benefits that are comparable to those provided to all employees.
- Our severance benefits are positioned conservatively relative to market practices, with no benefit in excess of two times base salary plus bonus, change-in-control benefits payable only upon a "double-trigger" qualified termination, and no golden parachute excise tax gross-ups.
- The Compensation Committee retains an independent advisor that performs no other work for the Company.

Setting Executive Compensation

Role of Compensation Consultant and Executive Officers

The Compensation Committee has retained Frederic W. Cook & Co., Inc., or Cook, as its independent compensation consultant. Cook provides no services to us other than advisory services for executive and director compensation and has no other relationships with the Company. Cook works with management only at the request and under the direction of the Compensation Committee and only on matters for which the Compensation Committee has oversight responsibility.

To ensure independence, the Compensation Committee has a policy regarding executive compensation consultants that codifies this relationship. Representatives of Cook attend Compensation Committee meetings at the Compensation Committee's request and provide guidance to the Compensation Committee on a variety of compensation issues. The primary point of contact at Cook frequently communicates with the chair of the Compensation Committee and interacts with all Compensation Committee members without management present.

Cook has reviewed the compensation components and levels for our named executive officers and advised the Compensation Committee on the appropriateness of our compensation programs, including our incentive and equity-based compensation plans, retention incentives and proposed employment agreements, as these matters arose during the year. The Compensation Committee has directed that Cook provide this advice taking into account our overall executive compensation philosophy as described above. Cook prepares benchmarking data discussed below, reviews the results with the Compensation Committee, and provides recommendations and an opinion on the reasonableness of new compensation plans, programs and arrangements.

In addition to its ongoing support of the Compensation Committee and continuous advice on compensation design, levels and emerging market practices, Cook periodically conducts a comprehensive review of our overall executive compensation program, including direct and indirect elements of compensation, to ensure that the program operates in support of our short- and long-term financial and strategic objectives and that it aligns with evolving corporate governance "best practices." Cook last completed such a comprehensive study in 2010 and found that, overall, the program supported our specific business and human resource objectives, including unique issues related to our rapidly evolving turn-around initiatives. In both 2011 and 2012, Cook leveraged the findings from this comprehensive study and worked closely with the Compensation Committee to ensure that our variable compensation plans continued to evolve in a manner that ensured appropriate focus on both our short- and long-term financial and strategic objectives as we work through Phase Two of our turnaround efforts.

Our CEO periodically discusses the design of and makes recommendations with respect to our compensation programs and the compensation levels of our other named executive officers and certain key personnel with the Compensation Committee. Our CEO does not make recommendations to the Compensation Committee with regard to his own compensation; rather, Cook provides the Compensation Committee with an annual report on CEO compensation and a range of alternatives with regard to potential changes.

Process for Setting Executive Compensation

The Compensation Committee annually reviews the compensation packages of our named executive officers in the form of "tally sheets." These tally sheets value each component of compensation and benefits, including a summary of the outstanding equity holdings of each named executive officer as of year-end and the value of such holdings at various assumed stock prices. The tally sheets also set forth the estimated value that each of our named executive officers would realize upon termination under various scenarios.

The Compensation Committee uses these tally sheets when considering adjustments to base salaries and awards of equity-based or other remuneration and in establishing incentive plan target opportunity levels as follows:

- comparing each named executive officer's total compensation against a similar position in our peer group;
- understanding the impact of decisions on each individual element of compensation on total compensation for each named executive officer;
- evaluating total compensation of each named executive officer from an internal equity perspective; and
- assuring that equity compensation represents a portion of each named executive officer's total compensation that is in line with our philosophy of motivating the executives to align their interests with our shareholders.

Although the Compensation Committee reviews and considers the amounts realizable by our named executive officers under different termination scenarios, including those in connection with a change in control, as well as the current equity-based award holdings, these are not the primary considerations in the assessment and determination of annual compensation for our named executive officers.

Use of Benchmarking Data

To assist in setting total compensation levels that are reasonably competitive, the Compensation Committee annually reviews market trends in executive compensation and a competitive analysis prepared by Cook. This information is derived from the most recent proxy statement data of companies in a peer group of telecommunications and high-technology companies and, where limited in its functional position match to our executives, is supplemented with data on our peer group from a published compensation survey prepared by Towers Watson of approximately 80 participating all industry companies with revenues exceeding $4 billion.

Taking into consideration the recommendation of Cook, the Compensation Committee determines companies for our peer group based on similarity of their business model and product offerings as well as comparability from a size perspective, including annual revenue, market capitalization, net income, enterprise value and number of employees. For example, our revenue is above the median of our peer group while our enterprise value is below the median. The Compensation Committee approved the use of the following 12 companies for its 2012 executive compensation benchmarking analysis:

> AT&T, Inc., CenturyLink, Inc., Comcast Corporation, Computer Sciences Corporation, Dell Inc., DIRECTV, Motorola Solutions, Inc., Qualcomm Incorporated, Texas Instruments Incorporated, Time Warner Cable, Inc., Verizon Communications Inc., and Xerox Corporation.

In August of 2011, we made the following changes to our peer group that was used in our 2012 executive compensation decisions: removed Hewlett-Packard Company from our peer group given its dissimilarity of operations and size to Sprint; replaced Motorola with Motorola Solutions, Inc.; and replaced Time Warner, Inc. with Time Warner Cable, Inc. as the latters' operations are more similar to Sprint's.

The Compensation Committee does not follow a specific formula in making its pay decisions, but rather uses benchmarks as a frame of reference and generally targets total compensation at the median of our peer group to reflect our relative position within it. Based on performance against predetermined goals and changes in total shareholder return over time, this approach results in an opportunity to earn total payouts above median market rates for over-achievement and below the median for under-achievement relative to the peer group. The Compensation Committee exercises its judgment by taking into consideration a multitude of other important factors such as experience, individual performance, and internal pay equity in setting target compensation levels, but actual payouts under our variable incentive plans are primarily determined based on formulaic outcomes. With respect to our named executive officers' total targeted compensation for 2012, Messrs. Elfman and Euteneuer were above the median, and the remaining named executive officers, including our CEO, were below the median.

Primary Components of Executive Compensation

What follows is a discussion and analysis of the primary elements of our 2012 named executive officer compensation program.

Base Salary

Base salary is designed to attract and retain executives. Our named executive officers' salaries are based on a number of factors, including the nature, responsibilities and reporting relationships of the position, individual performance of the executive, salary levels for incumbents in comparable positions at peer companies, as well as other executives within our organization, and experience and tenure of the executive. To minimize fixed costs during our turnaround and emphasize variable, performance-based compensation, the Compensation Committee did not make increases to base salary levels for our named executive officers, except in the case of Mr. Johnson, whose base salary was increased to $540,000, effective June 30, 2012, in recognition of his performance while assuming additional responsibilities. See "—2012 Summary Compensation Table."

Short-Term Incentive Compensation Plan

Our STIC plan is our annual cash bonus plan, which we believe will ultimately result in an increase in shareholder value because our incentives under it are linked to business objectives that we believe will deliver our long-term success.

For the 2012 STIC plan, the Compensation Committee approved a change to one annual performance period for determining the amount of plan payments from January 1, 2012 through December 31, 2012, rather than two six-month performance periods as were used in 2010 and 2011. Based on performance against stated objectives, our named executive officers must have been employed through December 31, 2012 in order to be eligible to receive full or prorated compensation for the performance period unless their termination during the year was the result of death, disability, retirement, or involuntary termination without cause.

In February 2012, the Compensation Committee established financial and operational objectives and their respective weightings and targets for the performance period, continuing to balance our senior management team's and other plan participants' focus among our most critical financial and strategic objectives, which remained as growing revenue and earnings while increasing subscriber growth and reducing churn. To that end, the Compensation Committee established the following objectives and weightings for our 2012 STIC plan:

- adjusted OIBDA, 40%;
- postpaid churn, 30%; and
- total net additions, 30%.

To further our goal of tying a significant portion of each named executive officer's total annual compensation to our business performance, the STIC plan provides for a payment equal to the named executive officer's targeted opportunity (set at a percentage of his base salary) only if our actual results meet the targets. Similarly, a payment in excess of a named executive officer's targeted opportunity may be made if our actual performance exceeds the targeted objectives (capped at 200%), a payment below targeted opportunity may be made if our actual performance is below the target objectives but exceeded the minimum threshold level, and no payout would be made if our actual performance does not exceed the minimum threshold level.

Long-Term Incentive Compensation Plan

Our LTIC plan serves our compensation objectives by linking payment to achievement of financial and operational objectives, and by linking executive interests with those of our shareholders.

Following evaluation of our recent LTIC plans and assessment of the near-term factors critical to driving long-term shareholder value, in February 2012, following the board's approval of the 2012 budget, the Compensation Committee established the terms of the 2012 LTIC plan. This plan continued granting an executive's targeted 2012 LTIC opportunity in the form of performance-based opportunities: 50% in performance units (approximately 72% for Mr. Hesse), 30% in performance-based RSUs (approximately 19% for Mr. Hesse) and 20% in non-qualified stock options (approximately 9% for Mr. Hesse). In determining the weightings among the LTIC components, the Compensation Committee balanced the desire to provide incentives to achieve critical financial and operational objectives, stock price appreciation considerations, and affordability of the LTIC plan from both a share usage and aggregate cost perspective. In particular, placing less weight on the stock option component of the 2012 LTIC plan as compared to the other two components was intended to mitigate a potential windfall associated with possible significant increases in our stock price that were not tied to our performance but to rising equity markets generally.

- *Performance units*—Each unit has a value of $1.00, and executives earn a cash payout that vests on December 31, 2014 and would be paid in the 1st Quarter of 2015, with cash payouts ranging from 0 to 150% based on achievement of predetermined performance objectives during a single three-year performance period of 2012-2014.
- *Performance-based RSUs*—RSUs vest on the third anniversary of the grant date, with vesting conditioned on achievement of predetermined performance objectives during a single three-year performance period of 2012-2014.
- *Stock options*—Nonqualified stock options vest ratably on each of the three anniversaries of the grant date, with an exercise price equal to the fair market value (closing price on the NYSE) of our stock on the grant date. To determine the number of stock options to be delivered under the 2012 LTIC plan, we used a Black-Scholes valuation model discussed below in footnote 3 to the 2012 Summary Compensation Table.

For Mr. Hesse, the mix of LTIC plan awards was more heavily weighted by the Compensation Committee toward the components in which vesting is dependent on achievement of specific financial objectives. In particular, the number of shares underlying Mr. Hesse's awards that are subject to performance-based vesting exceeds the number of shares underlying the awards that are subject to time-based vesting. This approach is intended to ensure that long-term compensation earned by our CEO, who is the executive most accountable to shareholders, is most sensitive to performance against long-term goals. As part of the May 4, 2012 letter previously disclosed in Sprint's Current Report on Form 8-K filed on May 4, 2012, Mr. Hesse agreed to forfeit 2 million performance units granted to him on February 22, 2012 under our 2012 LTIC plan. This forfeiture had the effect of rebalancing Mr. Hesse's targeted 2012 LTIC opportunity in the form of performance-based opportunities as follows: 66% in performance units, 22% in performance-based RSUs and 12% in non-qualified stock options.

The 2012 LTIC plan continued our prior years' focus on generating cash through establishing a free cash flow performance objective weighted at 33.4% and a net service revenue performance objective objective weighted at 33.3% and included a new focus on improving the customer experience through establishing Network Vision deployment as the third objective, also weighted at 33.3%. These metrics were chosen for the 2012 to 2014 performance period because they represent our most critical longer-term objectives.

Other Compensation Decisions for 2012

2012 Performance Period for the 2010 and 2011 LTIC Plans

In early 2012, the Compensation Committee approved the results for the 2011 performance period of the 2010 and 2011 LTIC plans. In addition, the Compensation Committee set goals for the 2012 performance period of the Company's 2010 and 2011 LTIC plans with respect to free cash flow, net service revenue and Network Vision. Please refer to footnotes 2 and 4 of the 2012 Summary Compensation Table and footnotes 3, 5 and 6 of the “2012 Grants of Plan-Based Awards” table for a discussion of these awards.

Other Components of Executive Compensation

Our named executive officers' total rewards opportunities consist of a number of other elements important to our compensation philosophy for 2012 of attracting, retaining, and motivating our named executive officers:

- ***Employee Benefit Plans and Programs.*** Our compensation program includes a comprehensive array of health and welfare benefits in which our eligible employees, including our named executive officers, are eligible to participate. We pay all of the costs for some of these benefit plans, and participants contribute a portion of the cost for other benefit plans.
- ***Retirement Programs.*** Our retirement program consists of the Sprint Nextel 401(k) Plan, which provides participants, with our help of a profit-sharing matching contribution opportunity and, continuing from 2011, a fixed matching contribution on up to 2% of eligible compensation, an opportunity to build financial security for their future. The amount of any matching contributions made by us to participating named executive officers is included in the “All Other Compensation” column of the 2012 Summary Compensation Table.
- ***Deferred Compensation.*** Certain employees, including our named executive officers, are offered the opportunity to participate in the Sprint Nextel Deferred Compensation Plan, a nonqualified and unfunded plan, under which they may defer to future years the receipt of certain compensation in addition to that eligible under the 401(k) plan. Participants may elect to defer up to 50% of base salary and 75% of STIC plan payments. We believe this plan helps attract and retain executives by providing the participant another tax efficient retirement plan. Participants elect to allocate deferred and any matching contributions among one or more hypothetical investment options, which include one option that tracks our common stock and other options that track broad-based bond and equity indices. Our plan provides for a matching contribution using the same matching contribution percentage as our 401(k) plan of eligible earnings above the applicable annual limit, which is intended to compensate highly-compensated employees for limitations placed on our 401(k) plan by federal tax law. For 2012, Mr. Hesse was the only named executive officer who participated in the Sprint Nextel Deferred Compensation Plan.
- ***Personal Benefits and Perquisites.*** The limited personal benefits and perquisites that we provide to our named executive officers are summarized in footnote 6 to the 2012 Summary Compensation Table below. As a result of the recommendations contained in an independent third-party security study, the Compensation Committee established an overall security program for Mr. Hesse. Under the security program, we currently provide Mr. Hesse with residential security systems and equipment, and he is required to use our aircraft for business and non-business travel. We believe these measures ensure the safety of Mr. Hesse and enable him to devote his full attention to Company business. Mr. Hesse is

permitted to have his family accompany him on the corporate aircraft for business and non-business travel.

- ***Executive Severance Policy.*** Providing severance to our named executive officers helps attract and retain high quality talent by (1) mitigating the risks associated with leaving their former employer or position and assuming the challenges of a new position with us, and (2) providing income continuity following an unexpected termination of employment. Under our executive severance policy, our board will seek shareholder approval for any future severance agreement or arrangement with an executive officer, including our named executive officers, that provides (a) severance pay in excess of two times the senior executive's base salary plus bonus and (b) continuation of group health, life insurance, and other benefits in excess of 24 months following the executive's termination. The policy permits, without shareholder approval: (x) accelerated vesting of RSUs, stock options and any other LTIC plan awards, and (y) continued vesting during the severance period of any such awards. The policy also requires that we seek shareholder approval of any future severance agreement or arrangement that provides for the reimbursement of excise taxes imposed under Internal Revenue Code Section 4999 to a senior level executive. The severance benefits to which our named executive officers are entitled as provided in the their employment agreements and described in "—Potential Payments upon Termination of Employment or Change in Control," allow us to attract and retain a management team and secure our competitive advantage in the event of their departure through corresponding restrictive covenants.
- ***Change in Control.*** If a transaction that could result in a change in control were under consideration, we expect that our named executive officers would face uncertainties about how the transaction may affect their continued employment with us. We believe it is in our shareholders' best interest if our named executive officers remain employed and focused on our business through any transition period following a change in control and remain independent and objective when considering possible transactions that may be in shareholders' best interests but possibly result in the termination of their employment. Our change in control benefits accomplish this goal by providing each eligible named executive officer with a meaningful severance benefit in the event that a change in control occurs and, within a specified time period of the change in control, his employment is involuntarily terminated without "cause" or voluntarily terminated for "good reason."

  The Sprint Nextel Change in Control Severance Plan, which we refer to as the CIC plan, provides severance benefits to a select group of senior executives, including our named executive officers, in the event of a qualified termination of employment in connection with a transaction that results in a change in control. Any of these benefits payable would be reduced to the extent of any severance benefit otherwise available under any other applicable policy, program, or plan so that there would be no duplication of benefits. The benefits upon termination in connection with a change in control to which our named executive officers are entitled, as described in "—Potential Payments upon Termination of Employment or Change in Control," are likewise competitive within our peer group.

Tax Deductibility of Compensation

Section 162(m) limits to $1 million the amount of non-performance-based remuneration that we may deduct from our taxable income in any tax year with respect to our CEO and the three other most highly compensated executive officers, other than the CFO, at the end of the year. Section 162(m) provides, however, that we may deduct from our taxable income without regard to the $1 million limit the full value of all "qualified performance-based compensation."

Our base salary and perquisites and other personal benefits are not considered "qualified performance-based compensation" and therefore are subject to the limit on deductibility. Our STIC plan and LTIC plan awards may be considered "qualified performance-based compensation" if certain requirements are met, including among others that the maximum number of stock option or full value share awards and the maximum amount of other cash performance-based remuneration that may be payable to any one executive officer has been disclosed to and approved by shareholders prior to the award or payment.

The Compensation Committee considers Section 162(m) deductibility in designing our compensation program and incentive-based compensation plans. In general, we design our STIC and LTIC plans to be compliant with the performance-based compensation rules of Section 162(m) in order to maximize deductibility. In certain circumstances, however, the Compensation Committee has determined it necessary in order to retain executives and attract candidates for senior level positions to offer compensation packages in which the non-performance-based elements exceed the $1 million Section 162(m) limit.

The awards under our 2012 STIC and LTIC plans are considered performance-based compensation under Section 162(m), except for a portion of Mr. Hesse's performance unit award under the LTIC plan due to the limits set under our incentive compensation plan, as well as Mr. Johnson's award under the STIC plan and his performance-based RSU award under the LTIC plan due to the terms of his employment agreement.

For the 2012 STIC plan, the Compensation Committee also established an annual Section 162(m) objective for the named executive officers potentially subject to Section 162(m) at a small fraction of a percentage of our adjusted operating income. The Compensation Committee is precluded from exercising upward discretion to the payout achieved under this objective. The Compensation Committee exercised its discretion to make payments under the STIC plan at levels below the payout achieved under the Section 162(m) objective for 2012 as guided by the performance metrics discussed under "—2012 Performance—Delivering on the Sprint Turnaround—Phase Two —2012 STIC Plan."

For the 2012 LTIC plan, the Compensation Committee also established Internal Revenue Code Section 162(m) objectives for the named executive officers potentially subject to Section 162(m) except for a portion of Mr. Hesse's performance unit award. The Section 162(m) objective for performance units was a small fraction of a percentage of our adjusted operating income, and for performance-based restricted stock units was a required threshold level of adjusted operating income achievement. The Compensation Committee is precluded from exercising upward discretion to the payout achieved under these objectives.

Clawback Policy

We have a “clawback” policy, which provides that, in addition to any other remedies available to us under applicable law, we may recover (in whole or in part) any bonus, incentive payment, commission, equity-based award, or other compensation received by certain executives, including our named executive officers, if our board or any committee of our board determines that such bonus, incentive payment, commission, equity-based award, or other compensation is or was based on any financial results or operating objectives that were impacted by the officer's knowing or intentional fraudulent or illegal conduct, and recovery is appropriate.

Stock Ownership Guidelines

We have stock ownership guidelines for our named executive officers and other members of our senior management team. The board believes ownership by executives of a meaningful financial stake in our Company serves to align executives' interests with those of our shareholders. Our guidelines encourage our CEO to hold shares of our common stock with a value equal to five times his base salary, and that the other named executive officers hold shares of our common stock with a value equal to three times their respective base salaries. Eligible shares and share equivalents counted toward ownership consist of:

- common or preferred stock, including those purchased through our Employee Stock Purchase Plan;
- restricted stock or RSUs;
- intrinsic value (the excess of the current stock price over the option's exercise price) of vested, in-the-money stock options; and
- share units held in our 401(k) plan and various deferred compensation plans.

Persons subject to the stock ownership guidelines have five years beginning on the date on which the person becomes subject to the ownership guidelines, or until December 31, 2012 if later, to achieve the ownership requirement. Failure to meet the ownership requirement as of such date results in the requirement to retain 50% of shares received on vesting of restricted stock units and option exercises until the requirement is met. As of December 31, 2012, all of our named executive officers who have been with the Company for at least five years had met the stock ownership guidelines.

2012 Shareholder Say-on-Pay Vote

The Company provides its shareholders with the opportunity to cast an annual advisory vote on named executive officer compensation (a “say-on-pay proposal”). At the Company's annual meeting of shareholders held in May 2012, 81% of the votes cast on the say-on-pay proposal at that meeting were voted in favor of the proposal. The Compensation Committee considered the 2012 voting results at discussions among its members during its meetings, and the Compensation Committee believes this vote affirms shareholders' support of the Company's approach to executive compensation. As a result of this consideration, the Company did not change its approach to named executive officer compensation in 2012. The Compensation Committee will continue to consider the outcome of the Company's say-on-pay votes when making future compensation decisions for the named executive officers.

Compensation Committee Report

The Compensation Committee has reviewed and discussed Sprint Nextel's Compensation Discussion and Analysis with management. Based on these reviews and discussions, the Compensation Committee recommended to the board that Sprint Nextel's Compensation Discussion and Analysis be included in this Annual Report on Form 10-K for the year ended December 31, 2012.

The Compensation Committee
Gordon M. Bethune, Chair
V. Janet Hill
William R. Nuti
Rodney O'Neal

Relationship of Compensation Practices to Risk Management

We have assessed whether there are any risks arising from our compensation policies and practices for our employees and factors that may affect the likelihood of excessive risk taking. Based on that review, we have concluded that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company.

In coming to this conclusion, in late 2012 and early 2013, our human resources department reviewed the Company's incentive plans, surveying sales- and nonsales-related compensation programs, as well as executive and nonexecutive compensation programs. Pay philosophies, performance objectives and overall incentive plan designs were reviewed. Human resources discussed plan elements with representatives from the business functions responsible for incentive plan design and administration. Design features were assessed to determine whether there is a likelihood that incentive plans could encourage excessive risk-taking resulting in a material adverse effect on the Company and to ensure that appropriate governance is in place to mitigate risk under unforeseen circumstances. The results of this assessment were reviewed by the Compensation Committee on February 6, 2013. In addition, the Compensation Committee's independent consultant, Cook, considered risk in all aspects of the plans in which our executives participate and advised the Compensation Committee accordingly. Cook confirmed that there are no aspects of the programs described in the preceding Compensation Discussion and Analysis, or for our employees in general, that create an incentive to take risks that are reasonably likely to have a material adverse effect on the Company.

Summary Compensation Table

The table below summarizes the compensation of our named executive officers that is attributable to the fiscal ye and 2010. The named executive officers are our CEO and president, our CFO, and our three other most highly compensated total compensation in the table below.

Each of our named executive officers has an employment agreement with us. For more information regarding ou discussion of the elements of our compensation program, see "—Compensation Discussion and Analysis."

2012 Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Salary Foregone ($)(1)	Bonus ($)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(4)	N In Co
Daniel R. Hesse	2012	1,200,000	(346,223)	—	3,560,070	1,214,695	5,002,457	
Chief Executive Officer and President	2011(7)	1,200,000	—	829,322	3,222,768	1,692,000	4,844,272	
	2010	1,200,000	—	—	1,664,012	1,801,958	4,387,636	
Joseph J. Euteneuer	2012	775,000	—	—	1,215,727	742,609	1,430,935	
Chief Financial Officer	2011	551,442	—	688,150	930,557	689,755	895,935	
Keith O. Cowan	2012	725,000	—	—	1,026,645	530,435	1,507,321	
President Strategic Planning	2011	725,000	—	229,076	735,678	458,536	1,339,781	
and Corporate Initiatives	2010	725,000	—	—	447,253	450,490	1,550,971	
Steven L. Elfman	2012	650,000	—	—	1,319,200	689,565	1,561,531	
President Network Operations and	2011	650,000	—	251,232	868,963	596,097	1,470,688	
Wholesale	2010	650,000	—	300,000	499,203	540,587	1,546,044	
Robert L. Johnson	2012	523,846	—	—	597,376	318,261	847,621	
Chief Service and Information Technology	2011	486,308	—	123,842	372,019	256,780	718,990	
Officer	2010	460,000	—	—	212,993	253,999	789,514	

(1) As previously disclosed on Sprint's Current Report on Form 8-K filed on May 4, 2012, Mr. Hesse agreed to a reduction in his ba a discretionary adjustment the Compensation Committee made under the incentive plan payouts for 2011 for the impact of the iP

(2) The value shown for 2012 is the sum of three awards: performance-based RSU awards under the 2010 LTIC plan, the 2011 LTIC plan, and the 2012 LTIC plan.

	2010 RSUs ($)	2011 RSUs ($)	2012 RSUs ($)	Total ($)
Hesse	617,730	717,317	2,225,023	3,560,070
Euteneuer	—	170,414	1,045,313	1,215,727
Cowan	154,432	125,562	746,651	1,026,645
Elfman	185,320	163,232	970,648	1,319,200
Johnson	79,069	70,316	447,991	597,376

For the performance-based RSU awards, the value represents the aggregate grant date fair market value computed in accordance with FASB ASC Topic 718 as of the date the Compensation Committee approved the applicable objectives and targets for the 2012 performance period under the 2010 LTIC plan and the 2011 LTIC plan, and for the three-year performance period covering 2012-2014 under the 2012 LTIC plan. The RSUs vest on the third anniversary of the grant, but are also subject to performance-based vesting conditions. The RSUs under the 2010 and 2011 LTIC plans are allocated one-third to each annual performance period for three years, 2010-2012 for the 2010 LTIC plan and 2011-2013 for the 2011 LTIC plan. Each annual performance target is set by the Compensation Committee at the start of each respective single year performance period. Based on achievement of specified results with respect to free cash flow and net service revenue, and the failure to achieve specified results with respect to Network Vision Deployment sites on air in 2012, some RSUs have been forfeited. The table below shows the number of RSUs forfeited and their grant date values.

	2010 RSUs (#)	2010 RSUs ($)	2011 RSUs (#)	2011 RSUs ($)
Hesse	92,244	205,704	107,115	238,866
Euteneuer	—	—	25,448	56,749
Cowan	23,061	51,426	18,750	41,813
Elfman	27,673	61,711	24,375	54,356
Johnson	11,807	26,330	10,500	23,415

See "—Compensation Discussion and Analysis—Primary Components of Executive Compensation—Long-Term Incentive Compensation Plan."

(3) Represents the grant date fair value of options granted in 2012 computed in accordance with FASB ASC Topic 718. The grant date fair value reported in 2012 is higher than the respective portion of the target opportunities disclosed under "Compensation Discussion and Analysis—Compensation Overview—Components of Our Executive Compensation Program", consistent with our practice in prior years, to determine the number of stock options to be delivered under the LTIC plan. Under that methodology, which is commonly used to alleviate short-term fluctuations in the stock price used in the conversion from dollar-denominated awards to shares, we calculate an average closing price of our stock over a 30 calendar day period before the grant (for the 2012 LTIC plan, that period ended on February 3, 2012 and the average stock price was $2.24). The Black-Scholes value was $1.15 using this average price per share. The target dollar value to be delivered in stock options is then divided by the Black-Scholes value to determine the number of stock options granted to the participant. The strike price is the closing price of our common stock on the date the award was granted.

(4) The value shown for 2012 is the sum of three amounts: the payout under the 2012 STIC plan, a performance unit award under the 2011 LTIC plan and a performance unit award under the 2010 LTIC plan.

	2012 STIC Plan ($)	2010 Performance Units ($)	2011 Performance Units ($)	Total ($)
Hesse	2,417,280	1,189,090	1,396,087	5,002,457
Euteneuer.	1,014,754	—	416,181	1,430,935
Cowan	912,775	297,273	297,273	1,507,321
Elfman	818,350	356,727	386,454	1,561,531
Johnson	528,945	152,204	166,472	847,621

With respect to the 2012 STIC plan, each named executive officer earned a payout of approximately 100.7% of his targeted opportunity based on actual performance in 2012. For more information regarding our STIC plan, see "—Compensation Discussion and Analysis—Primary Components of Executive Compensation—Short-Term Incentive Compensation Plan."

With respect to the performance units under the 2010 LTIC plan and 2011 LTIC plan, the amount shown includes the amount earned with respect to performance units granted by the Compensation Committee on March 16, 2010 and February 23, 2011, respectively. The performance unit award is allocated one-third to each annual performance period for three years (2010-2012 or 2011-2013, as applicable), and is payable in cash after the end of the three-year period. Each annual performance target is set by the Compensation Committee at the start of each respective single-year performance period, and the payout of the performance unit award may range from 0% to 150% based on the achievement of specified results. For 2012, the performance unit award payout was based on the Company's achievement of specified results with respect to free cash flow, net service revenue and Network Vision deployment, equally weighted, and the achievement on the objective was 71.35% of target.

(5) As previously disclosed on Sprint's Current Report on Form 8-K filed on May 4, 2012, Mr. Hesse agreed to a reduction in his target opportunity under the 2012 STIC plan from 200% to 170%, which returned his incentive opportunity to his 2010 level.

(6) Consists of: (a) amounts contributed by us under our 401(k) and deferred compensation plans; and (b) perquisites and other personal benefits as follows:

	Year	*Company Contributions to 401(k) and Deferred Compensation Plans ($)*	*Perquisites and Other Personal Benefits ($)(a)*
Hesse	*2012*	*145,980*	*21,354*
Euteneuer	*2012*	*14,875*	—
Cowan	*2012*	*14,875*	—
Elfman	*2012*	*14,875*	—
Johnson	*2012*	*14,875*	—

(a) The perquisites and other personal benefits received by Mr. Hesse in 2012 consisted of: non-business use of our corporate aircraft by Mr. Hesse and his family, which had an incremental cost to us of $7,416; costs for security services for Mr. Hesse's residence, which had an incremental cost to us of $13,938; and personal IT and tech support.

The incremental cost of use of our aircraft is calculated by dividing the total variable costs (such as fuel, aircraft maintenance, engine warranty expense, contract labor expense and other trip expenses) by the total flight hours for such year and multiplying such amount by the individual's total number of flight hours for non-business use for the year.

The Compensation Committee has established an overall security program for Mr. Hesse. Under the security program, we provided Mr. Hesse with residential security systems and equipment and he was required to use our aircraft for business travel as well as non-business travel. Mr. Hesse was permitted to have his family accompany him on the corporate aircraft for business and non-business travel.

(7) *As previously disclosed on Sprint's Current Report on Form 8-K filed on May 4, 2012, Mr. Hesse agreed to forfeit $544,607 earned with respect to the 2011 performance period associated with a discretionary adjustment the Compensation Committee made under performance unit payouts for the impact of the iPhone® on Sprint's financial results. Amounts shown for 2011 are before reduction of this forfeited amount.*

Grants of Plan-Based Awards

The table below summarizes awards under our short- and long-term incentive plans, and other option awards, to our named executive officers in 2012. These awards consisted of the following:

- Awards granted pursuant to our 2012 STIC plan, which is our annual cash incentive compensation plan; and
- Stock option, performance units and performance-based RSUs granted pursuant to our 2012 LTIC plan.

2012 Grants of Plan-Based Awards

			Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			**Estimated Future Payouts Under Equity Incentive Plan Awards**						
Name	*Grant Date*	*Award Type*	*Threshold ($)*	*Target ($)*	*Maximum ($)*	*Threshold ($)*	*Target ($)*	*Maximum ($)*	*Target #*	*All Other Options Awards: # of Securities Underlying Options (#)*	*Exercise of Base Price of Option Awards ($/Sh)*	*Grant Date Fair Value of Stock and Option Awards ($)*
Hesse . . .	2/22	STI(1)	600,000	2,400,000	4,800,000	—	—	—	—	—	—	—
	2/22	LTI(2)	1,250,000	5,000,000	7,500,000	—	—	—	—	—	—	—
	2/22	LTI(3)	1,467,600	5,870,400	8,805,600	—	—	—	—	—	—	—
	2/22	LTI(4)	2,155,000	8,620,000	12,930,000	—	—	—	—	—	—	—
	2/22	pRSU(5)	—	—	—	—	—	—	277,009	—	—	617,730
	2/22	pRSU(6)	—	—	—	—	—	—	321,667	—	—	717,317
	2/22	pRSU(7)	—	—	—	—	—	—	997,768	—	—	2,225,023
	2/22	SO(8)	—	—	—	—	—	—	—	995,652	2.23	1,214,695
Euteneuer .	2/22	STI(1)	251,875	1,007,500	2,015,000	—	—	—	—	—	—	—
	2/22	LTI(3)	437,500	1,750,000	2,625,000	—	—	—	—	—	—	—
	2/22	LTI(4)	437,500	1,750,000	2,625,000	—	—	—	—	—	—	—
	2/22	pRSU(6)	—	—	—	—	—	—	76,419	—	—	170,414
	2/22	pRSU(7)	—	—	—	—	—	—	468,750	—	—	1,045,313
	2/22	SO(8)	—	—	—	—	—	—	—	608,696	2.23	742,609
Cowan . .	2/22	STI(1)	226,563	906,250	1,812,500	—	—	—	—	—	—	—
	2/22	LTI(2)	312,500	1,250,000	1,875,000	—	—	—	—	—	—	—
	2/22	LTI(3)	312,500	1,250,000	1,875,000	—	—	—	—	—	—	—
	2/22	LTI(4)	312,500	1,250,000	1,875,000	—	—	—	—	—	—	—
	2/22	pRSU(5)	—	—	—	—	—	—	69,252	—	—	154,432
	2/22	pRSU(6)	—	—	—	—	—	—	56,306	—	—	125,562
	2/22	pRSU(7)	—	—	—	—	—	—	334,821	—	—	746,651
	2/22	SO(8)	—	—	—	—	—	—	—	434,783	2.23	530,435
Elfman . .	2/22	STI(1)	203,125	812,500	1,625,000	—	—	—	—	—	—	—
	2/22	LTI(2)	375,000	1,500,000	2,250,000	—	—	—	—	—	—	—
	2/22	LTI(3)	406,250	1,625,000	2,437,500	—	—	—	—	—	—	—
	2/22	LTI(4)	406,250	1,625,000	2,437,500	—	—	—	—	—	—	—
	2/22	pRSU(5)	—	—	—	—	—	—	83,103	—	—	185,320
	2/22	pRSU(6)	—	—	—	—	—	—	73,198	—	—	163,232
	2/22	pRSU(7)	—	—	—	—	—	—	435,268	—	—	970,648
	2/22	SO(8)	—	—	—	—	—	—	—	565,217	2.23	689,565
Johnson .	2/22	STI(1)	131,250	525,000	1,050,000	—	—	—	—	—	—	—
	2/22	LTI(2)	160,000	640,000	960,000	—	—	—	—	—	—	—
	2/22	LTI(3)	175,000	700,000	1,050,000	—	—	—	—	—	—	—
	2/22	LTI(4)	187,500	750,000	1,125,000	—	—	—	—	—	—	—
	2/22	pRSU(5)	—	—	—	—	—	—	35,457	—	—	79,069
	2/22	pRSU(6)	—	—	—	—	—	—	31,532	—	—	70,316
	2/22	pRSU(7)	—	—	—	—	—	—	200,893	—	—	447,991
	2/22	SO(8)	—	—	—	—	—	—	—	260,870	2.23	318,261

(1) STI—Represents the threshold, target and maximum estimated possible payouts for fiscal year 2012 under our 2012 STIC plan. Payouts under the 2012 STIC plan, which were based on our 2012 actual performance compared to the financial and operating objectives of the plan, were made at approximately 100.7% of each named executive officer's target opportunity and are reflected in the 2012 Summary Compensation Table in the column entitled "Non-Equity Incentive Plan Compensation." Each performance objective under the plan had a threshold achievement level, below which there would be no payout, a target achievement level, at which the target opportunity would be paid, and a maximum achievement level, at which 200% of the target would be paid for the annual performance period. For purposes of this table, the minimum estimated possible payout assumes that the threshold achievement level was satisfied. For more information on the 2012 STIC plan, see "Compensation Discussion and Analysis—Primary Components of Executive Compensation—Short-term Incentive Compensation Plan."

As previously disclosed on Sprint's Current Report on Form 8-K filed on May 4, 2012, Mr. Hesse agreed to a reduction in his target opportunity under the 2012 STIC plan. Amounts shown above are before this reduction. After reduction, Mr. Hesse's threshold, target and maximum are $510,000, $2,040,000, and $4,080,000, respectively.

(2) LTI—Represents the threshold, target and maximum estimated possible payouts for performance units granted by the Compensation Committee on March 16, 2010 under the 2010 LTIC plan. In early 2012, the Compensation Committee set goals for this grant for the 2012 performance period with respect to free cash flow, net service revenue and Network Vision deployment.

(3) LTI—Represents the threshold, target and maximum estimated possible payouts for performance units granted by the Compensation Committee on February 23, 2011 under the 2011 LTIC plan. In early 2012, the Compensation Committee set goals for this grant for the 2012 performance period with respect to free cash flow, net service revenue and Network Vision deployment.

(4) LTI—Represents the threshold, target and maximum estimated possible payouts for performance units granted by the Compensation Committee on February 22, 2012 under the 2012 LTIC plan. In early 2012, the Compensation Committee set goals for the 2012-2014 LTIC plan performance period with respect to free cash flow, net service revenue and Network Vision deployment.

As previously disclosed on Sprint's Current Report on Form 8-K filed on May 4, 2012, Mr. Hesse agreed to forfeit $2 million in performance units under the 2012 LTIC plan. Amounts shown above are before this reduction. After reduction, Mr. Hesse's threshold, target and maximum are $1,655,000, $6,620,000, and $9,930,000, respectively.

(5) pRSUs—Represents a performance-based RSU award granted under our 2010 LTIC plan, which is subject to adjustment in accordance with the performance objectives. Vesting occurs 100%, as adjusted for achievement in each of the three one-year performance periods ending on December 31, 2010, 2011, and 2012, on March 16, 2013. In early 2012, the Compensation Committee set goals for the 2012 LTIC plan performance period with respect to free cash flow, net service revenue and Network Vision deployment. The total number of performance-based RSUs granted is set forth below. Because we failed to meet threshold achievement with respect to our Network Vision deployment objective, the RSUs forfeited are also set forth below.

	2010 Performance-based RSUs	***1/3 for 2012***	***Forfeited for 2012***
Hesse	*831,025*	*277,009*	*92,244*
Cowan	*207,756*	*69,252*	*23,061*
Elfman	*249,307*	*83,103*	*27,673*
Johnson	*106,371*	*35,457*	*11,807*

(6) pRSUs—Represents a performance-based RSU award granted under our 2011 LTIC plan, which is subject to adjustment in accordance with the performance objectives. Vesting occurs 100%, as adjusted for achievement in each of the three one-year performance periods ending on December 31, 2011, 2012, and 2013, and on February 23, 2014 (April 4, 2014 for Mr. Euteneuer). In early 2012, the Compensation Committee set goals for the 2012 performance period with respect to free cash flow, net service revenue and Network Vision deployment. The total number of performance-based RSUs granted is set forth below. Because we failed to meet threshold achievement with respect to our Network Vision deployment objective, the RSUs forfeited are also set forth below.

	2011 Performance-based RSUs	*1/3 for 2012*	*Forfeited for 2012*
Hesse	*965,000*	*321,667*	*107,115*
Euteneuer	*229,258*	*76,420*	*25,448*
Cowan	*168,919*	*56,307*	*18,750*
Elfman	*219,595*	*73,199*	*24,375*
Johnson	*94,595*	*31,532*	*10,500*

(7) pRSUs—Represents a performance-based RSU award granted under our 2012 LTIC plan, which is subject to adjustment in accordance with the performance objectives. Vesting occurs 100%, as adjusted for achievement in the three-year performance period ending on December 31, 2014, on February 22, 2015. In early 2012, the Compensation Committee set goals for the 2012-2014 performance period with respect to free cash flow, net service revenue and Network Vision deployment.

(8) SO—Represents stock options granted under our 2012 LTIC plan. Vesting occurs in equal installments on each of February 22, 2013, February 22, 2014 and February 22, 2015.

Option Exercises and Stock Vested

The table below summarizes option awards that were exercised and stock awards that vested in 2012 with respect to each of our named executive officers.

2012 Option Exercises and Stock Vested

	Option Awards		**Stock Awards**	
	Number of Shares Acquired on Exercise (#)	**Value Realized on Exercise ($)(1)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**
Hesse	750,000	4,091,250	—	—
Euteneuer	—	—	—	—
Cowan	—	—	—	—
Elfman	—	—	—	—
Johnson	—	—	—	—

(1) Amounts reflect the average high and low common stock price as reported on the NYSE composite of the underlying common stock on the day the option shares were exercised or RSU award vested multiplied by the number of shares that vested.

Outstanding Equity Awards at Fiscal Year-End

The table below summarizes option and equity awards outstanding as of December 31, 2012 held by each of our named executive officers.

Outstanding Equity Awards at 2012 Fiscal Year-End

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)[1]	Market Value of Shares or Units of Stock that Have Not Vested ($)[1]	Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights that Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights that Have Not Vested ($)[1]
Hesse	—	995,652 [2]	2.23	2/22/2022	1,474,359 [7]	8,359,616	1319434 —	7,481,191
	300,000 [3]	600,000 [3]	4.20	2/23/2021	—	—	—	—
	—	454,546 [4]	3.45	3/16/2020	—	—	—	—
	1,918,086 [5]	737,848 [5]	3.59	2/25/2019	—	—	—	—
	513,347 [6]	—	6.52	3/26/2018	—	—	—	—
	1,000,000 [6]	—	13.91	12/17/2017	—	—	—	—
	1,000,000 [6]	—	16.69	12/17/2017	—	—	—	—
	1,275,000 [6]	—	19.47	12/17/2017	—	—	—	—
Euteneuer	—	608,696 [2]	2.23	2/22/2022	277,838 [7]	1,575,341	545,170 —	3,091,114
	113,821 [9]	227,642 [9]	4.62	4/4/2021	—	—	—	—
Cowan	—	434,783 [2]	2.23	2/22/2022	320,368 [7]	1,816,487	391,128 —	2,217,696
	81,300 [3]	162,602 [3]	4.20	2/23/2021	—	—	—	—
	113,636 [4]	113,637 [4]	3.45	3/16/2020	—	—	—	—
	651,042 [5]	217,014 [5]	3.59	2/25/2019	—	—	—	—
	256,674 [6]	—	6.52	3/26/2018	—	—	—	—
	473,485 [6]	—	21.48	7/9/2017	—	—	—	—
Elfman	—	565,217 [2]	2.23	2/22/2022	395,703 [7]	2,243,636	508,467 —	2,883,008
	105,691 [3]	211,382 [3]	4.20	2/23/2021	—	—	—	—
	136,363 [4]	136,364 [4]	3.45	3/16/2020	—	—	—	—
	664,062 [5]	221,355 [5]	3.59	2/25/2019	—	—	—	—
	154,004 [6]	—	7.89	5/4/2018	—	—	—	—
	435,730 [6]	—	9.47	5/4/2018	—	—	—	—
Johnson	—	260,870 [2]	2.23	2/22/2022	169,435 [7]	960,696	232,424 —	1,317,844
	45,528 [3]	91,057 [3]	4.20	2/23/2021	—	—	—	—
	58,182 [4]	58,182 [4]	3.45	3/16/2020	—	—	—	—
	283,333 [5]	94,445 [5]	3.59	2/25/2019	—	—	—	—
	65,708 [6]	—	6.52	3/26/2018	—	—	—	—
	70,715 [6]	—	4.64	6/17/2017	—	—	—	—

(1) Market value is based on the closing price of a share of our common stock of $5.67 on December 31, 2012.
(2) Stock options vest 33 1/3% on February 22, 2013, February 22, 2014 and February 22, 2015.
(3) Stock options vest 33 1/3% on February 23, 2012, February 23, 2013 and February 23, 2014.
(4) Stock options vest/vested 25% on March 16, 2011, March 16, 2012, March 16, 2013 and March 16, 2014.
(5) Stock options vest/vested 25% on February 25, 2010, February 25, 2011, February 25, 2012 and February 25, 2013.
(6) Stock options are fully vested.

(7) Consists of Mr. Euteneuer's Restricted Stock Award of 125,000 shares that vest on April 4, 2014 and performance-based RSUs that vest on March 16, 2013 and with respect to which the applicable performance periods have been completed:

	Amount	***Forfeited***
Hesse	*831,025*	*92,244*
Cowan	*207,756*	*23,061*
Elfman	*249,307*	*27,673*
Johnson	*106,371*	*11,807*

Consists of performance-based RSUs that vest on February 23, 2014 (April 4, 2014 for Mr. Euteneuer) and with respect to which the applicable performance periods have been completed:

	Amount	***Forfeited***
Hesse	*643,334*	*107,115*
Euteneuer	*152,839*	*25,448*
Cowan	*112,613*	*18,750*
Elfman	*146,397*	*24,375*
Johnson	*63,064*	*10,500*

(8) Consists of performance-based RSUs that vest on February 23, 2014 (and April 4, 2014 for Mr. Euteneuer) and with respect to which the applicable performance periods have not been completed:

	Amount
Hesse	*321,666*
Euteneuer	*76,420*
Cowan	*56,307*
Elfman	*73,199*
Johnson	*31,532*

Consists of performance-based RSUs that vest on February 22, 2015 and with respect to which the applicable performance periods have not been completed:

	Amount
Hesse	*997,768*
Euteneuer	*468,750*
Cowan	*334,821*
Elfman	*435,268*
Johnson	*200,893*

(9) Stock options vest in equal installments on each of April 4, 2012, April 4, 2013 and April 4, 2014.

Pension Benefits

None of our named executive officers are offered pension benefits from us.

Nonqualified Deferred Compensation

Certain employees, including our named executive officers, are entitled to participate in the Sprint Nextel Deferred Compensation Plan, a nonqualified and unfunded plan under which participants may defer to future years the receipt of certain compensation. For 2012, the plan permitted participants to defer up to 50% of base salary and 75% of their STIC plan payout. To compensate participants for federal tax law limitations under our 401(k) plan, we match deferrals to the plan using the same matching contribution formula as our 401(k) plan for eligible compensation above the applicable annual limit, which for 2012 was $250,000. Of our named executive officers, only Mr. Hesse participated in this plan with respect to compensation earned during 2012. The table below summarizes the information with respect to this plan and the activity and balances with respect to the account of each named executive officer.

Name	Executive Contributions in Last FY ($)(1)	Registrant Contributions in Last FY ($)(2)	Aggregate Earnings in Last FY ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)(3)
Hesse	145,423	131,105	25,520	—	775,833
Euteneuer	—	—	—	—	—
Cowan	—	—	—	—	—
Elfman	—	—	—	—	—
Johnson	—	—	—	—	—

(1) *Includes contributions by Mr. Hesse with respect to (i) 2012 base salary compensation, the amount of which is included in the 2012 Summary Compensation Table in the "Salary" and "Non-Equity Incentive Plan Compensation" column and (ii) the payout to Mr. Hesse pursuant to the 2012 STIC plan.*

(2) *Represents matching contributions by us with respect to 2012 base salary deferrals on STIC plan compensation paid in 2012 but earned in 2011 and will not be credited to the account of Mr. Hesse until March 29, 2013, the amount of which is included in the 2012 Summary Compensation Table in the "All Other Compensation" column.*

(3) *Represents the aggregate balance as of December 31, 2012, adjusted to include the matching contribution noted in footnote 2 above.*

Compensation deferred by participants and any matching contributions made by us are credited to a bookkeeping account that represents our unsecured obligation to repay the participant in the future. Participants elect to allocate deferred and matching contributions among one or more hypothetical investment options, which include one option that tracks our common stock and other options that track broad-based bond and equity indices. Participants may change hypothetical investment elections only four times a year and at least three months must elapse between each change. Under the plan, the amount of our unfunded obligation is determined by tracking the value in the bookkeeping account according to the performance of the hypothetical investments.

Potential Payments upon Termination of Employment or Change in Control

Upon a December 31, 2012 termination of employment due to a resignation without good reason or termination by us with cause, our named executive officers would be entitled to only those payments and benefits provided to all our salaried employees on a non-discriminatory basis, including:

- accrued salary and vacation pay;
- distribution of balances under our 401(k) plan and deferred compensation plan; and
- had their termination not for cause been at their normal retirement, (1) the 2012 STIC plan and the 2010 LTIC plan performance unit award based on actual performance and made after the Compensation Committee determined whether performance targets were achieved, pro-rated for their service during the performance period, (2) continued participation in group life and health plans, and (3) accelerated vesting of options and RSUs granted (at actual performance) and exercisability of vested options for five years.

For more information on the deferred compensation benefits available to our named executive officers, see "—Setting Executive Compensation—Other Components of Executive Compensation."

Further, pursuant to the terms of our named executive officers' respective employment agreements or our Change in Control Severance Plan, they would be entitled to not only their accrued benefits noted above, but other payments and benefits upon terminations of employment in the event of certain situations as described in the narrative and quantified in the table below.

While each of the applicable employment agreements and the Change in Control Severance Plan set forth relevant definitions in full, generally:

Change in control means: the acquisition by a person or group of 30% or more of Sprint's voting stock; a change in the composition of a majority of our directors; the consummation of a merger, reorganization, business combination or similar transaction after which: Sprint's shareholders do not hold more than 50% of the combined entity, the members of Sprint's board of directors do not constitute a majority of the directors of the combined entity, or a person or group holds 30% or more of the voting securities of the combined entity; or the liquidation or dissolution of Sprint.

The SoftBank Merger will constitute a change in control if consummated. The table below shows, for the CIC column, the amounts due to each named executive officer in the event of a qualifying termination following a change in control for a transaction other than the SoftBank Merger. Amounts due in connection with a qualifying termination following the SoftBank Merger, which include items specific to that transaction, will be disclosed in the proxy statement relating to the SoftBank Merger.

We have *cause* to terminate the employment of a named executive officer involuntarily where that officer materially breaches his employment agreement, fails to perform his duties, intentionally acts in a manner that is injurious to us, or violates our code of conduct.

Good reason means the occurrence of any of the following without the named executive officer's consent:

- our material breach of his employment agreement; a reduction in salary or short-term incentive compensation target opportunity, except for across-the-board reductions; certain relocations; and
- in connection with a change in control:
  - a significant and adverse reduction of an executive's duties or responsibilities or organizational status;
  - the failure to provide a long-term incentive compensation opportunity comparable to other senior executives or a greater than 10% maximum across-the-board reduction to any of base salary or short- or long-term incentive compensation opportunities; or
  - our failure to obtain an agreement from a successor to assume the employment agreement.

The following table and narrative describe the potential payments and benefits that would be provided to our named executive officers upon each respective hypothetical December 31, 2012 termination of employment scenario.

			Without Cause or For Good Reason			
			Non-CIC ($)(1)	**CIC ($)(2)**	**Disability ($)**	**Death ($)**
Hesse	**Salary-based**		2,400,000	2,400,000	1,200,000	—
	STI-based		6,134,688	6,120,000	2,054,688	2,054,688
	LTI-based (3)		15,951,366	23,880,756	23,880,756	23,880,756
	Benefits/ Perquisites		50,561	50,561	7,781	—
		Total value	24,536,615	32,451,317	27,143,225	25,935,444
Euteneuer	**Salary-based**		1,550,000	1,550,000	775,000	—
	STI-based		3,029,754	3,022,500	1,014,754	1,014,754
	LTI-based (3)		3,499,322	6,999,394	6,999,394	6,999,394
	Benefits/ Perquisites		50,561	50,561	7,781	—
		Total value	8,129,637	11,622,455	8,796,929	8,014,148
Cowan	**Salary-based**		1,450,000	—	—	—
	STI-based		2,725,275	—	—	—
	LTI-based (3)		4,135,743	—	—	—
	Benefits/ Perquisites		50,561	—	—	—
		Total value	8,361,529	—	—	—
Elfman	**Salary-based**		1,300,000	1,300,000	650,000	—
	STI-based		2,443,350	2,437,500	818,350	818,350
	LTI-based (3)		5,090,397	8,501,597	8,501,597	8,501,597
	Benefits/ Perquisites		46,119	46,119	5,559	—
		Total value	8,879,866	12,285,216	9,975,506	9,319,947
Johnson	**Salary-based**		1,080,000	1,080,000	540,000	540,000
	STI-based		1,608,945	1,608,945	528,945	528,945
	LTI-based (3)		3,787,601	3,787,601	3,787,601	3,787,601
	Benefits/ Perquisites		66,309	66,309	8,154	—
		Total value	6,542,855	6,542,855	4,864,700	4,856,546

(1) *With respect to Mr. Johnson, if his termination was for good reason based on relocation, his salary-based benefit would have been $540,000 (effective June 30, 2012), his STI-based benefit would have been $1,068,945, his LTI-based benefit would have been $3,767,601, and his benefits/perquisites would have been $8,154, for a total value of $5,384,700.*

(2) *If the change in control had occurred in 2011, the 2012 STIC plan portion of the STI-based payment would have been: for Mr. Hesse, $2,054,688, resulting in a total value of $32,466,005; for Mr. Euteneuer, $1,014,754, resulting in a total value of $11,629,709; and for Mr. Elfman, $818,350, resulting in a total value of $12,291,066.*

(3) *Includes performance units (payable in cash), stock options and RSUs. The value of options is based on the intrinsic value of the options, which is the difference between the exercise price of the option and the market price of our shares on December 31, 2012, multiplied by the number of options, and the value of RSUs is based on the market value of our stock on December 31, 2012, multiplied by the number of RSUs.*

Resignation for Good Reason or Involuntary Termination without Cause

If our named executive officers' employment had terminated either by them for good reason or by us without cause, they would have been entitled to:

- continuation of their then-current base salary for their respective payment period through periodic payment with the same frequency as our payroll schedule (or in the event of a termination within 18 months after a change in control, in a lump sum equal to their base salary for such payment period);
- a payment of:
  - their STIC plan award for 2012, based on actual performance (or in the event of a termination within 18 months after a change in control occurring in 2012, at their STI target opportunity), plus
  - their STI target opportunity as of December 31, 2012 or that amount of the applicable STIC plan payout based on actual performance, if less (greater, with respect to Mr. Johnson), for their payment period, with each payment being made after the Compensation Committee has determined whether performance targets were achieved, except that, in the event of a termination within 18 months after a change in control, the payment equal to their STI target opportunity for their payment period would instead be paid as a lump sum without regard to achievement of performance targets or timing of the Compensation Committee's determination thereon;
- a payment of their 2010 LTIC plan performance unit award based on actual performance and made after the Compensation Committee has determined whether performance targets were achieved, prorated for their service during the performance period;
- continued vesting through their payment period (through the originally-scheduled vesting date with respect to Mr. Cowan's awards outstanding as of August 5, 2010), of options and RSUs granted (or in the event of a termination within 18 months after a change in control, and with respect to Mr. Johnson, immediate vesting of options granted and RSUs outstanding), exercisability of options vested through the 90th day after such vesting, and with respect to:
  - Mr. Hesse, receipt of the Sign-On RSU Award (as defined in his employment agreement) on the first business day of the seventh month following his termination; and
  - Mr. Johnson, exercisability of vested options for 12 months; and
- continued participation at employee rates in our group health and life (and for Mr. Johnson, long-term disability) plans, and (except for Mr. Johnson if his termination was for good reason based on relocation) outplacement services in an amount not to exceed $35,000 ($50,000 with respect to Mr. Johnson), each for the duration of his payment period.

The payment period for each of the named executive officers is 24 months (12 months with respect to Mr. Johnson if his termination was for good reason based on relocation).

Termination as a Result of Disability

If our named executive officers' employment had terminated as a result of their disability, they would have been entitled to:

- continuation of their base salary for 12 months, less (except for Mr. Johnson) any benefits paid under our Long-term Disability Plan, through periodic payment with the same frequency as our payroll schedule;
- a payment of their 2012 STIC plan award and the 2010 LTIC plan performance unit award, each based on actual performance and the LTIC plan award prorated for service during the three applicable performance periods;
- immediate vesting of options and RSUs granted, exercisability of vested options for five years (12 months with respect to Mr. Johnson), and with respect to Mr. Hesse, receipt of the Sign-On RSU Award on the first business day of the seventh month following his termination; and
- continued participation at employee rates in our group health and life plans for 12 months.

Termination as a Result of Death

Had our named executive officers' employment terminated as a result of their death, their estates would have been entitled, as with respect to our employees generally, to a payment of the 2012 STIC plan award based on target and the 2010 performance units under the 2010 LTIC plan based on actual performance, with the LTIC plan award prorated for service during the three performance periods, immediate vesting of options and RSUs granted, and exercisability of vested options for 12 months. Mr. Johnson's estate also would have received continuation of his base salary for 12 months.

Conditions Applicable to the Receipt of Severance Payments and Benefits

As a condition to our named executive officers' entitlement to receive the amounts above, they would have been:

- required to execute a release in favor of us;
- subject to confidentiality and non-disparagement provisions on a permanent basis following the termination of their employment; and
- for the duration of their payment period, prohibited from:
  - engaging in certain employment activities with a competitor of ours;
  - soliciting our employees and certain other parties doing business with us to terminate their relationship with us; and
  - soliciting or assisting any party to undertake any action that would be reasonably likely to, or is intended to, result in a change in control or seek to control our board of directors.

If the named executive officer breached any of these obligations, he would have no rights in, and we would have no obligation to provide, any severance benefits yet to be paid or provided under his employment agreement and any outstanding equity-based award granted under his employment agreement would have terminated immediately.

Compensation of Directors

The compensation of our outside directors is partially equity-based and is designed to comply with our *Corporate Governance Guidelines*, which provide that the guiding principles behind our outside director compensation practices are: (1) alignment with shareholder interests; (2) preservation of outside director independence; and (3) preservation of the fiduciary duties owed to all shareholders. Our outside directors are also reimbursed for direct expenses relating to their activities as members of our board.

Components of Compensation

Compensation Element	2012 Compensation
Annual Retainer	$80,000
Chairman Retainer	$150,000
Audit Chair Retainer	$20,000
Compensation Chair Retainer	$15,000
Finance, Nominating and other Special Chair Retainer(1)	$10,000
Meeting Fees (per meeting):	
In Person	$2,000
Telephonic	$1,000
Restricted Stock Units(2)	Annual grant value of $110,000

(1) *Includes any non-standing committee of directors established from time to time, but excludes the Executive Committee of the Board of Directors.*

(2) *Generally, the restricted stock units, or RSUs, underlying which are shares of our common stock, are granted each year on the date of the annual meeting of shareholders. Each grant vests in full upon the subsequent annual meeting. Any new outside board*

member joining our board receives a grant of prorated RSUs upon his or her appointment that vests in full upon the subsequent annual meeting.

The dollar value of the outside directors' targeted annual grant is prorated for the time period between the date of the director's initial appointment to our board and the date of the subsequent annual meeting. The prorated RSU grant is intended to offer a competitive compensation package to our outside directors, to immediately align the interests of outside directors with our shareholders' interests and to be consistent with the manner in which the cash retainers are paid upon an outside director joining our board.

Director Compensation Table

The following table provides compensation information for our outside directors who served during 2012. Compensation information for Mr. Hesse, our President and Chief Executive Officer, can be found at the beginning of this Item 11—Executive Compensation.

2012 Director Compensation

	Fees earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	All Other Compensation ($)(3)	Total ($)
Robert R. Bennett	148,000	110,000	—	258,000
Gordon M. Bethune	127,000	110,000	—	237,000
Larry C. Glasscock	162,000	110,000	1,500	273,500
James H. Hance, Jr.	287,000	110,000	2,500	399,500
V. Janet Hill	130,000	110,000	—	240,000
Frank Ianna	123,000	110,000	—	233,000
Sven-Christer Nilsson	107,000	110,000	—	217,000
William R. Nuti	110,000	110,000	—	220,000
Rodney O'Neal	120,000	110,000	—	230,000

(1) *Consists of annual retainer fees, chairman and committee chair fees, and board and committee meeting fees.*

(2) *Represents the grant date fair value of 44,534 RSUs granted to our outside directors on May 15, 2012 based on the Company's closing stock price of $2.47 on that date. The grant date fair value is calculated in accordance with FASB ASC Topic 718.*

For a discussion of the assumptions used in determining the compensation cost associated with stock awards, see note 2 of the Notes to the Consolidated Financial Statements. We did not issue stock options to outside directors as part of our 2012 outside director compensation program.

As of December 31, 2012, each of the outside directors held 44,534 stock awards in the form of RSUs. Although we issued no cash dividends in 2012, it is our policy that any cash dividend equivalents on the RSUs granted to the outside directors are reinvested into RSUs, which vest when the underlying RSUs vest.

As of December 31, 2012, V. Janet Hill was the only outside director that held outstanding stock option awards. Ms. Hill held options, all of which are vested, with respect to 49,841 shares. Stock options granted to Ms. Hill were granted under the Nextel incentive equity plan prior to the Sprint-Nextel merger. Since the merger, we have not issued stock options to our outside directors as part of our outside director compensation program.

(3) *Consists of charitable matching contributions made on the director's behalf in 2012 under our Sprint Foundation matching gift program.*

Compensation Committee Interlocks and Insider Participation

There were no compensation committee interlocks or insider participations during 2012.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Agreements with respect to Changes in Control

On October 15, 2012, we entered into the Merger Agreement for the SoftBank Merger. In addition, on October 15, 2012, Sprint and SoftBank entered into the Bond Agreement.

Bond Agreement

Pursuant to the Bond Agreement, on October 22, 2012, Sprint issued a convertible bond (Bond) to New Sprint with a face amount of $3.1 billion, stated interest rate of 1%, and maturity date of October 15, 2019, which is convertible into 590,476,190 shares of Sprint common stock at $5.25 per share, or approximately 16.4% upon conversion of the Bond (based on Sprint common shares outstanding as of December 31, 2012), subject to adjustment in accordance with the terms of the Bond Agreement. Interest on the Bond will be due and payable in cash semiannually in arrears on April 15 and October 15 of each year, commencing on April 15, 2013. The Bond will be converted into Sprint shares immediately prior to consummation of the SoftBank Merger and may not otherwise be converted prior to the termination of the Merger Agreement. Conversion of the Bond is subject in any case to receipt of any required approvals and, subject to certain exceptions, to receipt of waivers under the Company's existing credit facilities. Subject to certain exceptions, SoftBank may not transfer the Bond without Sprint's consent.

Merger Agreement

Upon consummation of the SoftBank Merger, which is subject to various conditions, including Sprint stockholder and regulatory approval, SoftBank will fund New Sprint with additional capital of approximately $17.0 billion, of which approximately $12.1 billion will be distributed to Sprint stockholders as merger consideration with the remaining $4.9 billion held in the cash balance of New Sprint for general corporate purposes, including but not limited to the Clearwire Acquisition. Pursuant to the terms and subject to the conditions described in the Merger Agreement, upon consummation of the SoftBank Merger, outstanding shares of Sprint common stock, except as otherwise provided for in the Merger Agreement, will be converted, at the election of Sprint stockholders, into (i) cash in an amount equal to $7.30 for each share of Sprint common stock or (ii) one share of New Sprint common stock for each share of Sprint common stock, subject in each case to proration such that a stockholder may receive a combination of cash and New Sprint common stock.

Upon consummation of the SoftBank Merger, SoftBank will receive a five-year warrant to purchase 54,579,924 shares in New Sprint at $5.25 per share which would yield approximately $300 million in proceeds upon exercise. Upon consummation of the SoftBank Merger, (i) Sprint will become a wholly-owned subsidiary of New Sprint, (ii) New Sprint will be a publicly traded company, (iii) SoftBank will indirectly own approximately 70% of New Sprint on a fully diluted basis, and (iv) the former stockholders and other equityholders of Sprint will own approximately 30% of the fully diluted equity of New Sprint. The SoftBank Merger is subject to various conditions, including receipt of required regulatory approvals and approval of Sprint's stockholders, and is expected to close in mid-2013.

Security Ownership of Certain Beneficial Owners

The following table provides information about the only known beneficial owners of 5% or more of Sprint's common stock. For purposes of the table below, beneficial ownership is determined based on Rule 13d-3 of the Securities Exchange Act of 1934, which states that a beneficial owner is any person who directly or indirectly has or shares voting and/or investment or dispositive power.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class [(1)]
SOFTBANK CORP. 1-9-1 Higashi-Shimbashi Minato-ku Tokyo 105-7303 Japan	590,476,190 shares [(2)]	16.4%[(3)]
Capital Research Global Investors 333 South Hope Street Los Angeles, California 90071	330,058,600 shares [(4)]	11%
Dodge & Cox 555 California Street, 40th Floor San Francisco, California 94104	319,807,955 shares [(5)]	10.6%
BlackRock, Inc. 40 East 52nd Street New York, New York 10022	154,874,860 shares [(6)]	5.1%

(1) *The ownership percentages set forth in this column are based on Sprint's outstanding shares on February 15, 2013 and assumes that each of these stockholders continued to own the number of shares reflected in the table above on February 15, 2013.*

(2) *Shares issuable upon conversion of the Bond, which conversion is subject to certain conditions, including regulatory approvals.*

(3) *The SoftBank ownership percentage assumes conversion of the Bond.*

(4) *According to a Schedule 13G/A filed with the SEC on February 13, 2013, by Capital Research Global Investors (a division of Capital Research and Management Company). According to the Schedule 13G/A, Capital Research Global Investors is the beneficial owner of, and has sole voting power and sole dispositive power with respect to, all of the shares.*

(5) *According to a Schedule 13G/A filed with the SEC on February 13. 2013 by Dodge & Cox. Dodge & Cox has sole voting power with respect to 299,521,655 shares, and sole dispositive power with respect to 319,807,955 shares.*

(6) *According to a Schedule 13G/A filed with the SEC on January 30, 2013, by BlackRock, Inc. BlackRock, Inc. is the beneficial owner of, and has sole voting power and sole dispositive power with respect to, all of the shares.*

Security Ownership of Directors and Executive Officers

The following table states the number of shares of Sprint common stock beneficially owned as of February 15, 2013 by each director, named executive officer, and all directors and executive officers as a group. Except as otherwise indicated, each individual named has sole investment and voting power with respect to the shares owned.

Name of Beneficial Owner	Shares Owned	Shares Covered by Exercisable Options and RSUs to be Delivered (1)	Percentage of Common Stock
Robert R. Bennett	107,542	—	*
Gordon M. Bethune	96,060	—	*
Keith O. Cowan	731,788	2,122,388	*
Steven L. Elfman	526,534	2,134,913	*
Joseph J. Euteneuer	240,252 (2)	430,540	*
Larry C. Glasscock	112,491	—	*
James H. Hance, Jr.	117,000	—	*
Daniel R. Hesse	3,030,407	7,788,203	*
V. Janet Hill	97,673	49,841	*
Frank Ianna	77,339	—	*
Robert L. Johnson	269,188	803,136	*
Sven-Christer Nilsson	51,710	—	*
William R. Nuti	74,695	—	*
Rodney O'Neal	82,194	—	*
Directors and Executive Officers as a group (20 persons)	6,017,365	14,550,237	*

*Indicates ownership of less than 1%.

(1) *Represents shares that may be acquired upon the exercise of stock options exercisable, and shares of stock that underlie restricted stock units to be delivered, on or within 60 days after February 15, 2013 under Sprint's equity-based incentive plans.*

(2) *Includes shares of restricted stock as to which Mr. Euteneuer has sole voting power but no dispositive power.*

Compensation Plan Information

Currently we sponsor two active equity incentive plans, the 2007 Omnibus Incentive Plan (2007 Plan) and our Employee Stock Purchase Plan (ESPP). We also sponsor the 1997 Long-Term Incentive Program (1997 Program) and the Nextel Incentive Equity Plan (Nextel Plan). All outstanding options under the Management Incentive Stock Option Plan (MISOP) expired in 2012. Under the 2007 Plan, we may grant stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units and other equity-based and cash awards to our employees, outside directors and certain other service providers. The Compensation Committee of our board of directors, or one or more executive officers should the Compensation Committee so authorize, will determine the terms of each award. No new grants can be made under the 1997 Program, the Nextel Plan, or the MISOP.

The following table provides information about the shares of Series 1 common stock that may be issued upon exercise of awards as of December 31, 2012.

Plan Category	Number of Securities To be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)
	(a)	(b)	(c)
Equity compensation plans approved by shareholders of Series 1 common stock	80,965,327 (1)(2)	$6.48 (3)	209,215,981 (4)(5)(6)
Equity compensation plans not approved by shareholders of Series 1 common stock	1,663,042 (7)	$17.34	—
Total	82,628,369		209,215,981

(1) Includes 53,959,361 shares covered by options and 18,425,717 restricted stock units under the 2007 Plan, and 7,857,056 shares covered by options and 41,607 restricted stock units outstanding under the 1997 Program. Also includes purchase rights to acquire 681,586 shares of common stock accrued at December 31, 2012 under the ESPP. Under the ESPP, each eligible employee may purchase common stock at quarterly intervals at a purchase price per share equal to 95% of the market value on the last business day of the offering period.

(2) Included in the total of 80,965,327 shares are 18,425,717 restricted stock units under the 2007 Plan, which will be counted against the 2007 Plan maximum in a 2.5 to 1 ratio.

(3) The weighted average exercise price does not take into account the shares of common stock issuable upon vesting of restricted stock units issued under the 1997 Program or the 2007 Plan. These restricted stock units have no exercise price. The weighted average purchase price also does not take into account the 681,586 shares of common stock issuable as a result of the purchase rights accrued under the ESPP; the purchase price of these shares was $5.41 for each share.

(4) Of these shares, 136,083,651shares of common stock were available under the 2007 Plan. Through December 31, 2012, 127,611,214 cumulative shares came from the 1997 Program, the Nextel Plan and the MISOP.

(5) Includes 73,132,330 shares of common stock available for issuance under the ESPP after issuance of the 681,586 shares purchased in the fourth quarter 2012 offering. See note 1 above.

(6) No new awards may be granted under the 1997 Program, the Nextel Plan, or the MISOP.

(7) Consists of 1,663,042 options outstanding under the Nextel Plan. There are no deferred shares outstanding under the Nextel Plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Certain Relationships and Related Transactions

Our board has adopted a written policy regarding the review and approval or ratification of transactions involving our company and our directors, nominees for directors, executive officers, immediate family members of these individuals, and shareholders owning five percent or more of our outstanding voting stock, each of whom is referred to as a related party. Our policy covers any transaction, arrangement or relationship where a related party has a direct or indirect material interest and the amount involved exceeds $120,000, except for approved compensation-related arrangements. Our corporate governance and legal staff are primarily responsible for the development and implementation of processes and procedures to obtain information from our directors and executive officers with respect to transactions between related parties.

We have a related party transaction committee comprised of members of management that reviews transactions between related parties to determine, based on the facts and circumstances, the potential amount involved and whether a related party has a direct or indirect material interest in the transaction. If the transaction is covered under our policy, the related party transaction committee then makes a recommendation to the Nominating Committee of our board regarding the appropriateness of the transaction. The Nominating Committee approves or ratifies the transaction only if it determines the transaction is in the best interests of the Company and our shareholders. In 2012, the related party transaction described below was brought before and ratified by the Nominating Committee.

Certain Employment Relationships

Danny L. Bowman, who was an executive officer of Sprint in 2012, has a brother-in-law who is employed by a subsidiary of Sprint as a business account manager and in 2012 earned approximately $260,000, including commissions, which is commensurate with his level of experience and other employees having similar responsibilities.

Independence of Directors

Our board has adopted a definition of director independence that meets the listing standards of the NYSE. Our *Corporate Governance Guidelines* require that at least two-thirds of our board be independent. A director will not be independent unless our board, considering all relevant circumstances, determines that the director does not have a material relationship with us, including any of our consolidated subsidiaries.

Our outside directors are directors who are not our employees. In determining the independence of the outside directors, our board considered whether our outside directors, their immediate family members, and the companies by which they are employed as an executive officer (if applicable) have any relationships with our company that would prevent them from meeting the independence standards of the NYSE. In performing its review, our board considered the responses provided by the outside directors in their director questionnaires and determined that the following directors have no material relationship with our company and are independent using the definition described above: Mrs. Hill and Messrs. Bennett, Bethune, Glasscock, Hance, Ianna, Nilsson, Nuti and O'Neal.

Item 14. Principal Accountant Fees and Services

Audit Fees

For professional services rendered for the audit of our 2012 consolidated financial statements, the report on the effectiveness of internal control over financial reporting as required by the Sarbanes-Oxley Act, the review of the consolidated financial statements included in our 2012 Form 10-Qs and the statutory audits of our international subsidiaries, KPMG billed us a total of $15.8 million.

For professional services rendered for the audit of our 2011 consolidated financial statements, the report on the effectiveness of internal control over financial reporting as required by the Sarbanes-Oxley Act, the review of the consolidated financial statements included in our 2011 Form 10-Qs and the statutory audits of our international subsidiaries, KPMG billed us a total of $15.0 million.

These amounts also include reviews of documents filed with the SEC, accounting consultations related to the annual audit and preparation of letters for underwriters and other requesting parties.

Audit-Related Fees

For professional audit-related services rendered to us, KPMG billed us a total of $1.3 million in 2012. Audit-related services in 2012 generally included the audits of our employee benefit plans, internal control reviews and other attestation services.

For professional audit-related services rendered to us, KPMG billed us a total of $0.6 million in 2011. Audit-related services in 2011 generally included the audits of our employee benefit plans, internal control reviews and other attestation services.

Tax Fees

For professional tax services rendered to us, KPMG billed us a total of approximately $0.8 million in 2012. Tax services in 2012 primarily included tax consultation matters

For professional tax services rendered to us, KPMG billed us a total of approximately $0.8 million in 2011. Tax services in 2011 primarily included tax consultation matters.

All Other Fees

All other fees included non-audit services of $0.2 million rendered to us for financial management advisory services in 2012.

The Audit Committee determined that the non-audit services rendered by KPMG in 2012 and 2011 were compatible with maintaining its independence as auditors of our consolidated financial statements.

The Audit Committee has adopted policies and procedures concerning our independent registered public accounting firm, including the pre-approval of services to be provided. Our Audit Committee pre-approved all of the services described above. The Audit Committee is responsible for the pre-approval of all audit, audit-related, tax and non-audit services; however, pre-approval authority may be delegated to one or more members of the Audit Committee. The details of any services approved under this delegation must be reported to the full Audit Committee at its next regular meeting. Our independent registered public accounting firm is generally prohibited from providing certain non-audit services under our policy, which is more restrictive than the SEC rules related to non-audit services. Any permissible non-audit service engagement must be specifically approved in advance by the Audit Committee. We provide quarterly reporting to the Audit Committee regarding all audit, audit-related, tax and non-audit services provided by our independent registered public accounting firm.

PART IV

Item 15. Exhibits and Financial Statement Schedules

1. The consolidated financial statements of Sprint Nextel Corporation filed as part of this report are listed in the Index to Consolidated Financial Statements.
2. The consolidated financial statements of Clearwire Corporation filed as part of this report are listed in the Index to Consolidated Financial Statements.
3. The exhibits filed as part of this report are listed in the Exhibit Index

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SPRINT NEXTEL CORPORATION
(Registrant)

By /s/ DANIEL R. HESSE

Daniel R. Hesse
Chief Executive Officer and President

Date: February 28, 2013

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 28th day of February, 2013.

/s/ DANIEL R. HESSE

Daniel R. Hesse
Chief Executive Officer and President
(Principal Executive Officer)

/s/ JOSEPH J. EUTENEUER

Joseph J. Euteneuer
Chief Financial Officer
(Principal Financial Officer)

/s/ RYAN H. SIUREK

Ryan H. Siurek
Vice President and Controller
(Principal Accounting Officer)

SIGNATURES
SPRINT NEXTEL CORPORATION
(Registrant)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 28th day of February, 2013.

/s/ JAMES H. HANCE, JR.	/s/ V. JANET HILL
James H. Hance, Jr., Chairman	**V. Janet Hill, Director**
/s/ ROBERT R. BENNETT	/s/ FRANK IANNA
Robert R. Bennett, Director	**Frank Ianna, Director**
/s/ GORDON M. BETHUNE	/s/ SVEN-CHRISTER NILSSON
Gordon M. Bethune, Director	**Sven-Christer Nilsson, Director**
/s/ LARRY C. GLASSCOCK	/s/ WILLIAM R. NUTI
Larry C. Glasscock, Director	**William R. Nuti, Director**
/s/ DANIEL R. HESSE	/s/ RODNEY O'NEAL
Daniel R. Hesse, Director	**Rodney O'Neal, Director**

Exhibit Index

Exhibit No.	Exhibit Description	Form	Incorporated by Reference SEC File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
(2) Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession						
2.1**	Separation and Distribution Agreement by and between Sprint Nextel Corporation and Embarq Corporation, dated as of May 1, 2006	10-12B/A	001-32732	2.1	5/2/2006	
2.2	Transaction Agreement and Plan of Merger dated as of May 7, 2008, by and among Sprint Nextel Corporation, Clearwire Corporation, Comcast Corporation, Time Warner Cable Inc., Bright House Networks, LLC, Google Inc. and Intel Corporation	8-K	001-04721	2.1	5/7/2008	
2.3**	Agreement and Plan of Merger, dated as of July 27, 2009, by and among Sprint Nextel Corporation, Sprint Mozart, Inc. and Virgin Mobile USA, Inc.	8-K	001-04721	2.1	7/28/2009	
2.4**	Agreement and Plan of Merger, dated as of October 15, 2012, by and among Sprint Nextel Corporation, SOFTBANK CORP., Starburst I, Inc., Starburst II, Inc. and Starburst III, Inc.	8-K	001-04721	2.1	10/15/2012	
2.5**	Agreement and Plan of Merger, dated as of December 17, 2012, by and among Sprint Nextel Corporation, Collie Acquisition Corp. and Clearwire Corporation	8-K	001-04721	2.1	12/18/2012	
(3) Articles of Incorporation and Bylaws						
3.1	Amended and Restated Articles of Incorporation	8-K	001-04721	3.2	5/18/2012	
3.2	Amended and Restated Bylaws	8-K	001-04721	3.2	11/4/2010	
(4) Instruments Defining the Rights of Sprint Nextel Security Holders						
4.1	The rights of Sprint Nextel Corporation's equity security holders are defined in the Fifth, Sixth, and Eighth Articles of Sprint's Articles of Incorporation. See Exhibit 3.1	8-K	001-04721	3.1	8/18/2005	
4.2	Provision regarding Kansas Control Share Acquisition Act is in Article 2, Section 2.5 of the Bylaws. Provisions regarding Stockholders' Meetings are set forth in Article 3 of the Bylaws. See Exhibit 3.2	8-K	001-04721	3	2/28/2007	
4.3.1	Indenture, dated as of October 1, 1998, among Sprint Capital Corporation, Sprint Corporation and Bank One, N.A., as Trustee	10-Q	001-04721	4(b)	11/2/1998	
4.3.2	First Supplemental Indenture, dated as of January 15, 1999, among Sprint Capital Corporation, Sprint Corporation and Bank One, N.A., as Trustee	8-K	001-04721	4(b)	2/3/1999	

Exhibit No.	Exhibit Description	Form	Incorporated by Reference SEC File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
4.3.3	Second Supplemental Indenture, dated as of October 15, 2001, among Sprint Capital Corporation, Sprint Corporation and Bank One, N.A., as Trustee	8-K	001-04721	99	10/29/2001	
4.4.1	Indenture, dated November 20, 2006, between Sprint Nextel Corporation and The Bank of New York Mellon Trust Company, N.A.	8-K	001-04721	4.1	11/9/2011	
4.4.2	First Supplemental Indenture, dated November 9, 2011, between Sprint Nextel Corporation and The Bank of New York Mellon Trust Company, N.A.	8-K	001-04721	4.2	11/9/2011	
4.4.3	Second Supplemental Indenture, dated November 9, 2011, among Sprint Nextel Corporation, the Subsidiary Guarantors and The Bank of New York Mellon Trust Company, N.A.	8-K	001-04721	4.3	11/9/2011	
4.4.4	Registration Rights Agreement, dated November 9, 2011, among Sprint Nextel Corporation and J.P. Morgan Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., Citigroup Global Markets, Inc., Goldman, Sachs & Co., Scotia Capital (USA) Inc., Wells Fargo Securities, LLC and the Williams Capital Group, L.P.	8-K	001-04721	4.4	11/9/2011	
4.5.1	Third Supplemental Indenture, dated March 1, 2012, between Sprint Nextel Corporation and The Bank of New York Mellon Trust Company, N.A.	8-K	001-04721	4.1	3/1/2012	
4.5.2	Fourth Supplemental Indenture, dated March 1, 2012, among Sprint Nextel Corporation, the Subsidiary Guarantors and The Bank of New York Mellon Trust Company, N.A.	8-K	001-04721	4.2	3/1/2012	
4.5.3	Registration Rights Agreement, dated March 1, 2012, among Sprint Nextel Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., Citigroup Global Markets Inc., Deutsche Bank Securities Inc., Goldman, Sachs & Co., J.P. Morgan Securities LLC, Scotia Capital (USA) Inc., Wells Fargo Securities, LLC and the Williams Capital Group, L.P.	8-K	001-04721	4.3	3/1/2012	
4.6.1	Fifth Supplemental Indenture, dated as of August 14, 2012, between Sprint Nextel Corporation and The Bank of New York Mellon Trust Company, N.A.	8-K	001-04721	4.1	8/14/2012	
4.6.2	Specimen of 7.00% Notes due 2020 (included in Exhibit 4.6.1)	8-K	001-04721	4.2	8/14/2012	

Exhibit No.	Exhibit Description	Form	Incorporated by Reference SEC File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
4.7.1	Sixth Supplemental Indenture, dated as of November 14, 2012, to the Indenture, dated as of November 20, 2006, between Sprint Nextel Corporation and The Bank of New York Mellon Trust Company, N.A.	8-K	001-04721	4.1	11/14/2012	
4.7.2	Specimen of 6.000% Notes due 2022 (included in Exhibit 4.7.1)	8-K	001-04721	4.2	11/14/2012	
4.8.1	Seventh Supplemental Indenture, dated as of November 20, 2012, to the Indenture, dated as of November 20, 2006, between Sprint Nextel Corporation and The Bank of New York Mellon Trust Company, N.A.	8-K	001-04721	4.1	11/20/2012	
(10) Material Agreements:						
10.1	Bond Purchase Agreement, dated as of October 15, 2012, by and between Sprint Nextel Corporation and Starburst II, Inc.	8-K	001-04721	10.1	10/15/2012	
10.2	Note Purchase Agreement, dated as of December 17, 2012, by and among Clearwire Corporation, Clearwire Communications, LLC and Collie Finance, Inc., as issuers and Sprint Nextel Corporation, as purchaser	8-K	001-04721	10.1	12/18/2012	
10.3	First Amendment to the Note Purchase Agreement, dated January 31, 2013 by and among Clearwire Corporation, Clearwire Communications LLC, Clearwire Finance, Inc., and Sprint Nextel Corporation					*
10.4	Second Amendment to the Note Purchase Agreement, dated as of February 26, 2013, by and among Clearwire Corporation, Clearwire Communications LLC, Clearwire Finance, Inc. and Sprint Nextel Corporation					*
(10) Executive Compensation Plans and Arrangements:						
10.5	Form of Nonqualified Stock Option Agreement (Non-Affiliate Director Form) under the Nextel Amended and Restated Incentive Equity Plan	10-Q	000-19656	10.4	11/8/2004	
10.6	Summary of 2010 Short-Term Incentive Plan	8-K	001-04721		3/3/2010	
10.7	Amended Summary of 2010 Short-Term Incentive Plan	8-K/A	001-04721		7/8/2010	
10.8	Summary of 2009 Short-Term Incentive Plan	8-K	001-04721		1/26/2009	
10.9	Amended Summary of 2009 Short-Term Incentive Plan	8-K/A	001-04721		8/5/2009	

Exhibit No.	Exhibit Description	Form	Incorporated by Reference SEC File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
10.10	Sprint Nextel 1997 Long-Term Stock Incentive Program, as amended and restated January 1, 2008	10-K	001-04721	10.9	2/27/2009	
10.11	Summary of 2010 Long-Term Incentive Plan	8-K	001-04721		3/22/2010	
10.12	Amended Summary of 2010 Long-Term Incentive Plan	8-K/A	001-04721		2/28/2011	
10.13	Second Amended Summary of 2010 Long-Term Incentive Plan	8-K/A	001-04721		2/28/2012	
10.14	Summary of 2009 Long-Term Incentive Plan	8-K	001-04721		1/26/2009	
10.16	Summary of 2008 Long-Term Incentive Plan	8-K	001-04721		3/25/2008	
10.17	First Amended Summary of 2009 Long-Term Incentive Plan	8-K/A	001-04721		3/22/2010	
10.18	Second Amended Summary of 2009 Long-Term Incentive Plan	8-K/A	001-04721		2/28/2011	
10.19	Summary of 2007 Long-Term Incentive Plan	10-K	001-04721	10.23	3/1/2007	
10.20	Amended Summary of 2011 Long-Term Incentive Plan	8-K/A	001-04721		2/28/2012	
10.21	Summary of 2012 Short-Term Incentive Plan and 2012 Long-Term Incentive Plan	8-K	001-04721		2/28/2012	
10.22	Form of Award Agreement (awarding stock options) under the 2010 Long-Term Incentive Plan for executive officers with Nextel employment agreements	10-Q	001-04721	10.1	5/5/2010	
10.23	Form of Award Agreement (awarding stock options) under the 2010 Long-Term Incentive Plan for all other executive officers	10-Q	001-04721	10.2	5/5/2010	
10.24	Form of Award Agreement (awarding restricted stock units) under the 2010 Long-Term Incentive Plan for executive officers with Nextel employment agreements	10-Q	001-04721	10.3	5/5/2010	
10.25	Form of Award Agreement (awarding restricted stock units) under the 2010 Long-Term Incentive Plan for all other executive officers	10-Q	001-04721	10.4	5/5/2010	
10.26	Form of Award Agreement (awarding stock options) under the 2011 Long-Term Incentive Plan for executive officers with Nextel employment agreements	10-Q	001-04721	10.1	5/5/2011	
10.27	Form of Award Agreement (awarding stock options) under the 2011 Long-Term Incentive Plan for all other executive officers	10-Q	001-04721	10.2	5/5/2011	

Exhibit No.	Exhibit Description	Form	Incorporated by Reference SEC File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
10.28	Form of Award Agreement (awarding restricted stock units) under the 2011 Long-Term Incentive Plan for executive officers with Nextel employment agreements	10-Q	001-04721	10.3	5/5/2011	
10.29	Form of Award Agreement (awarding restricted stock units) under the 2011 Long-Term Incentive Plan for all other executive officers	10-Q	001-04721	10.4	5/5/2011	
10.30	Summary of 2011 Long-Term Incentive Plan	8-K	001-04721		2/28/2011	
10.31.1	Summary of 2011 Short-Term Incentive Plan	8-K	001-04721		2/28/2011	
10.31.2	Amended Summary of 2011 Short-Term Incentive Plan	8-K	001-04721		8/2/2011	
10.32	Form of Award Agreement (awarding stock options) under the 2012 Long-Term Incentive Plan for all other executive officers					*
10.33	Form of Award Agreement (awarding restricted stock units) under the 2012 Long-Term Incentive Plan for all other executive officers					*
10.34	Form of Award Agreement (awarding stock options) under the 2012 Long-Term Incentive Plan for executives officers with Nextel employment agreements					*
10.35	Form of Award Agreement (awarding restricted stock units) under the 2012 Long-Term Incentive Plan for executive officers with Nextel employment agreements					*
10.36	Form of Stock Option Agreement under the Stock Option Exchange Program (for certain Nextel Communication Inc. employees)	Sch. TO-I	005-41991	d(2)	5/17/2010	
10.37	Form of Stock Option Agreement under the Stock Option Exchange Program (for all other employees)	Sch. TO-I/A	005-41991	d(3)	5/21/2010	
10.38.1	Amended and Restated Employment Agreement, effective December 31, 2008, between Daniel R. Hesse and Sprint Nextel Corporation	8-K	001-04721	10.1	12/19/2008	
10.38.2	Letter Agreement, dated May 4, 2012, between Sprint Nextel Corporation and Daniel R. Hesse	8-K	001-04721	10.1	5/4/2012	

Exhibit No.	Exhibit Description	Form	Incorporated by Reference SEC File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
10.38.3	First Amendment to Amended and Restated Employment Agreement, dated November 16, 2012, by and between Sprint Nextel Corporation and Daniel R. Hesse	8-K	001-04721	10.4	11/20/2012	
10.39.1	Amended and Restated Employment Agreement, effective December 31, 2008, between Keith O. Cowan and Sprint Nextel Corporation	10-K	001-04721	10.25.1	2/27/2009	
10.39.2	Compensatory Agreement, dated June 11, 2008, between Keith O. Cowan and Sprint Nextel Corporation	10-Q	001-04721	10.2	8/6/2008	
10.39.3	First Amendment to Amended and Restated Employment Agreement, effective August 5, 2010, between Keith O. Cowan and Sprint Nextel Corporation	8-K	001-04721	10.1	8/6/2010	
10.39.4	Second Amendment to Amended and Restated Employment Agreement, dated November 18, 2012, by and between Sprint Nextel Corporation and Keith O. Cowan	8-K	001-04721	10.1	11/20/2012	
10.40.1	Amended and Restated Employment Agreement, effective December 31, 2008, between Robert L. Johnson and Sprint Nextel Corporation	10-K	001-04721	10.26.1	2/27/2009	
10.40.2	Compensatory Agreement, dated June 11, 2008, between Robert L. Johnson and Sprint Nextel Corporation	10-Q	001-04721	10.3	8/6/2008	
10.40.3	Letter, dated May 24, 2010, to Robert L. Johnson regarding the Sprint Nextel Corporation Relocation Program	10-Q	001-04721	10.1	8/5/2010	
10.41.1	Amended and Restated Employment Agreement, effective December 31, 2008, between Steven L. Elfman and Sprint Nextel Corporation	10-K	001-04721	10.27.1	2/27/2009	
10.41.2	First Amendment to Amended and Restated Employment Agreement, dated November 16, 2012, by and between Sprint Nextel Corporation and Steven L. Elfman	8-K	001-04721	10.2	11/20/2012	
10.42.1	Amended and Restated Employment Agreement, effective December 31, 2008, between Paget L. Alves and Sprint Nextel Corporation	10-K	001-04721	10.28	2/27/2009	
10.42.2	First Amendment to Amended and Restated Special Compensation and Non-Compete Agreement, effective November 6, 2012, by and between Sprint Nextel Corporation and Paget L. Alves.					*

Exhibit No.	Exhibit Description	Form	Incorporated by Reference SEC File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
10.43.1	Amended and Restated Employment Agreement, effective December 31, 2008, between Charles R. Wunsch and Sprint Nextel Corporation	10-K	001-04721	10.29	2/27/2009	
10.43.2	First Amendment to Amended and Restated Employment Agreement, effective November 6, 2012, by and between Sprint Nextel Corporation and Charles R. Wunsch.					*
10.44.1	Employment Agreement, effective April 29, 2009, between Matthew Carter and Sprint Nextel Corporation	10-K	001-04721	10.33	2/26/2010	
10.44.2	Matt Carter Restricted Stock Unit Award Agreement Retention Award	10-K	001-04721	10.58	2/27/2012	
10.44.3	First Amendment to Amended and Restated Employment Agreement, effective November 6, 2012, by and between Sprint Nextel Corporation and Matthew Carter Jr.					*
10.45.1	Employment Agreement, executed December 20, 2010, effective April 4, 2011, between Joseph J. Euteneuer and Sprint Nextel Corporation	8-K	001-04721	10.1	12/21/2010	
10.45.2	First Amendment to Employment Agreement, dated November 20, 2012, by and between Sprint Nextel Corporation and Joseph J. Euteneuer	8-K	001-04721	10.3	11/20/2012	
10.46	Letter, dated November 8, 2010, to Ryan Siurek regarding retention cash award	10-Q	001-04721	10.5	5/5/2011	
10.47.1	Employment Agreement, effective September 26, 2011, between William M. Malloy and Sprint Nextel Corporation	10-K	001-04721	10.43	2/27/2012	
10.47.2	RSU Agreement, between William Malloy and Sprint Nextel Corporation, effective September 26, 2011	10-Q	001-04721	10.1	11/7/2012	
10.47.3	First Amendment to Employment Agreement, effective November 6, 2012, by and between Sprint Nextel Corporation and William Malloy					*
10.48.1	Employment Agreement, dated September 27, 2012 and effective as of January 2, 2013 between Sprint Nextel Corporation and Michael Schwartz					*
10.48.2	First Amendment to Employment Agreement, dated December 10, 2012 by and between Sprint Nextel Corporation and Michael Schwartz					*
10.49	Form of Award Agreement (awarding stock options) under the 2009 Long-Term Incentive Plan for executive officers with Nextel employment agreements	10-Q	001-04721	10.2	5/8/2009	

Exhibit No.	Exhibit Description	Form	Incorporated by Reference SEC File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
10.50	Form of Award Agreement (awarding stock options) under the 2009 Long-Term Incentive Plan for all other executive officers	10-Q	001-04721	10.3	5/8/2009	
10.51	Sprint Nextel Deferred Compensation Plan, as amended and restated effective November 17, 2011	10-K	001-04721	10.46	2/27/2012	
10.52	Executive Deferred Compensation Plan, as amended and restated effective January 1, 2008	10-K	001-04721	10.35	2/27/2009	
10.53	Director's Deferred Fee Plan, as amended and restated effective January 1, 2008	10-K	001-04721	10.37	2/27/2009	
10.54	Amended and Restated Sprint Nextel Corporation Change in Control Severance Plan effective as of February 10, 2012	10-K	001-04721	10.49	2/27/2012	
10.55	Sprint Supplemental Executive Retirement Plan, as amended and restated effective November 6, 2009	10-K	001-04721	10.50	2/27/2012	
10.56	Form of Election to Defer Delivery of Shares subject to RSUs (Outside Directors)	10-K	001-04721	10.51	2/27/2012	
10.57	Form of Indemnification Agreement between Sprint Nextel and its Directors and Officers	10-K	001-04721	10.55	3/1/2007	
10.58	Sprint Nextel Corporation, 2007 Omnibus Incentive Plan, as amended and restated on May 15, 2012	10-Q	001-04721	10.2	8/2/2012	
10.59	Form of Award Agreement (awarding restricted stock units) under the 2007 Omnibus Incentive Plan for non-employee directors	10-Q	001-04721	10.10	5/9/2007	
10.60	Nextel Communications, Inc. Amended and Restated Incentive Equity Plan as of January 1, 2008	10-K	001-04721	10.56	2/27/2012	
12	Computation of Ratio of Earnings to Combined Fixed Charges					*
21	Subsidiaries of the Registrant					*
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm					*
23.2	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm					*
31.1	Certification of Chief Executive Officer Pursuant to Securities Exchange Act of 1934 Rule 13a-14(a)					*

Exhibit No.	Exhibit Description	Form	Incorporated by Reference SEC File No.	Exhibit	Filing Date	Filed/ Furnished Herewith
31.2	Certification of Chief Financial Officer Pursuant to Securities Exchange Act of 1934 Rule 13a-14(a)					*
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002					*
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002					*
(101) Formatted in XBRL (Extensible Business Reporting Language)						
101.INS	XBRL Instance Document					*
101.SCH	XBRL Taxonomy Extension Schema Document					*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					*

* Filed or furnished, as required.

** Schedules and/or exhibits not filed will be furnished to the SEC upon request.

Sprint will furnish to the SEC, upon request, copies of instruments defining the rights of holders of long-term debt not exceeding 10% of the total assets of Sprint.

SPRINT NEXTEL CORPORATION

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Sprint Nextel Corporation:

We have audited the accompanying consolidated balance sheets of Sprint Nextel Corporation and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of comprehensive loss, cash flows and shareholders' equity for each of the years in the three-year period ended December 31, 2012. We also have audited Sprint Nextel Corporation's internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Sprint Nextel Corporation's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We did not audit the financial statements of Clearwire Corporation and its consolidated subsidiary Clearwire Communications, LLC (collectively, "Clearwire"), a 50.4% owned investee company. Sprint Nextel Corporation's investment in Clearwire included $674 million and $1.7 billion at December 31, 2012 and December 31, 2011, respectively, and its equity in losses of Clearwire included $1.1 billion, $1.7 billion, and $1.3 billion for the years 2012, 2011, and 2010, respectively. The financial statements of Clearwire were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to those amounts included for Clearwire, is based solely on the report of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sprint Nextel Corporation and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also in our opinion, Sprint Nextel Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Sprint Nextel Corporation adopted accounting guidance regarding the presentation of the consolidated statement of comprehensive loss in 2011 and testing indefinite-lived intangible assets for impairment in 2012.

/s/ KPMG LLP

Kansas City, Missouri
February 28, 2013

SPRINT NEXTEL CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 31, 2012	December 31, 2011
	(in millions, except share and per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,351	$ 5,447
Short-term investments	1,849	150
Accounts and notes receivable, net	3,658	3,206
Device and accessory inventory	1,200	913
Deferred tax assets	1	130
Prepaid expenses and other current assets	700	491
Total current assets	13,759	10,337
Investments	1,053	1,996
Property, plant and equipment, net	13,607	14,009
Intangible assets		
Goodwill	359	359
FCC licenses and other	20,677	20,453
Definite-lived intangible assets, net	1,335	1,616
Other assets	780	613
Total assets	$ 51,570	$ 49,383
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,487	$ 2,348
Accrued expenses and other current liabilities	5,008	4,143
Current portion of long-term debt, financing and capital lease obligations	379	8
Total current liabilities	8,874	6,499
Long-term debt, financing and capital lease obligations	23,962	20,266
Deferred tax liabilities	7,047	6,986
Other liabilities	4,600	4,205
Total liabilities	44,483	37,956
Commitments and contingencies		
Shareholders' equity:		
Common shares, voting, par value $2.00 per share, 6.5 billion shares authorized, 3.010 and 2.996 billion shares issued	6,019	5,992
Paid-in capital	47,016	46,716
Accumulated deficit	(44,815)	(40,489)
Accumulated other comprehensive loss	(1,133)	(792)
Total shareholders' equity	7,087	11,427
Total liabilities and shareholders' equity	$ 51,570	$ 49,383

See Notes to the Consolidated Financial Statements

SPRINT NEXTEL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Year Ended December 31,		
	2012	2011	2010
	(in millions, except per share amounts)		
Net operating revenues	$ 35,345	$ 33,679	$ 32,563
Net operating expenses:			
Cost of services and products (exclusive of depreciation and amortization included below)	20,841	19,015	17,492
Selling, general and administrative	9,765	9,592	9,438
Severance, exit costs and asset impairments	298	106	133
Depreciation and amortization	6,543	4,858	6,248
Other, net	(282)	—	(153)
	37,165	33,571	33,158
Operating (loss) income	(1,820)	108	(595)
Other (expense) income:			
Interest expense	(1,428)	(1,011)	(1,464)
Equity in losses of unconsolidated investments, net	(1,114)	(1,730)	(1,286)
Other income (expense), net	190	(3)	46
	(2,352)	(2,744)	(2,704)
Loss before income taxes	(4,172)	(2,636)	(3,299)
Income tax expense	(154)	(254)	(166)
Net loss	(4,326)	(2,890)	(3,465)
Other comprehensive loss, net of tax:			
Foreign currency translation adjustment	(4)	2	(8)
Unrealized holding gains on securities:			
Unrealized holding gains on securities	5	6	—
Less: reclassification adjustment for realized gains included in net loss	(3)	(4)	(3)
Net unrealized holding gains (losses) on securities	2	2	(3)
Unrecognized net periodic pension and other postretirement benefits:			
Net actuarial loss	(404)	(349)	(171)
Less: Amortization of actuarial loss and prior service cost included in net loss	65	55	32
Net unrecognized net periodic pension and other postretirement benefits	(339)	(294)	(139)
Other comprehensive loss	(341)	(290)	(150)
Comprehensive loss	$ (4,667)	$ (3,180)	$ (3,615)
Basic and diluted net loss per common share	$ (1.44)	$ (0.96)	$ (1.16)
Basic and diluted weighted average common shares outstanding	3,002	2,995	2,988

See Notes to the Consolidated Financial Statements

SPRINT NEXTEL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2012	2011	2010
		(in millions)	
Cash flows from operating activities			
Net loss	$ (4,326)	$ (2,890)	$ (3,465)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Asset impairments	102	78	125
Depreciation and amortization	6,543	4,858	6,248
Provision for losses on accounts receivable	561	559	430
Share-based and long-term incentive compensation expense	82	73	70
Deferred income tax expense	209	231	230
Equity in losses of unconsolidated investments, net	1,114	1,730	1,286
Gains from asset dispositions and exchanges	(29)	—	(69)
Contribution to pension plan	(108)	(136)	—
Spectrum hosting contract termination	(236)	—	—
Other changes in assets and liabilities:			
Accounts and notes receivable	(892)	(729)	(473)
Inventories and other current assets	(486)	(238)	9
Accounts payable and other current liabilities	577	90	558
Non-current assets and liabilities, net	(11)	48	(27)
Other, net	(101)	17	(107)
Net cash provided by operating activities	2,999	3,691	4,815
Cash flows from investing activities			
Capital expenditures	(4,261)	(3,130)	(1,935)
Expenditures relating to FCC licenses	(198)	(258)	(459)
Reimbursements relating to FCC licenses	—	135	—
Investment in Clearwire	(228)	(331)	(58)
Proceeds from sales and maturities of short-term investments	1,513	980	155
Purchases of short-term investments	(3,212)	(830)	(350)
Other, net	11	(9)	91
Net cash used in investing activities	(6,375)	(3,443)	(2,556)
Cash flows from financing activities			
Proceeds from debt and financings	9,176	4,000	—
Repayments of debt and capital lease obligations	(4,791)	(3,906)	(862)
Debt financing costs	(134)	(86)	(51)
Proceeds from issuance of common shares, net	29	18	8
Net cash provided by (used in) financing activities	4,280	26	(905)
Net increase in cash and cash equivalents	904	274	1,354
Cash and cash equivalents, beginning of year	5,447	5,173	3,819
Cash and cash equivalents, end of year	$ 6,351	$ 5,447	$ 5,173

See Notes to the Consolidated Financial Statements

SPRINT NEXTEL CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(in millions)

	Common Shares		Paid-in Capital	Treasury Shares		Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
	Shares[(1)]	Amount		Shares	Amount			
Balance, December 31, 2009	3,007	$6,015	$ 46,793	34	$ (582)	$ (33,779)	$ (352)	$ 18,095
Net loss						(3,465)		(3,465)
Other comprehensive loss, net of tax							(150)	(150)
Issuance of common shares, net	1	1	(1)	(14)	355	(347)		8
Share-based compensation expense			59					59
Other, net			(10)			9		(1)
Balance, December 31, 2010	3,008	$6,016	$ 46,841	20	$ (227)	$ (37,582)	$ (502)	$ 14,546
Net loss						(2,890)		(2,890)
Other comprehensive loss, net of tax							(290)	(290)
Issuance of common shares, net	7	14	—	(1)	21	(17)		18
Share-based compensation expense			43					43
Conversion of series 2 to series 1 common shares	(19)	(38)	(168)	(19)	206			—
Balance, December 31, 2011	2,996	$5,992	$ 46,716	—	$ —	$ (40,489)	$ (792)	$ 11,427
Net loss						(4,326)		(4,326)
Other comprehensive loss, net of tax							(341)	(341)
Issuance of common shares, net	14	27	2					29
Share-based compensation expense			44					44
Beneficial conversion feature on convertible bond			254					254
Balance, December 31, 2012	3,010	$6,019	$ 47,016	—	$ —	$ (44,815)	$ (1,133)	$ 7,087

(1) See note 14 for information regarding common shares.

See Notes to the Consolidated Financial Statements

SPRINT NEXTEL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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SPRINT NEXTEL CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Description of Operations

Sprint Nextel Corporation, including its consolidated subsidiaries, ("Sprint," "we," "us," "our" or the "Company") is a communications company offering a comprehensive range of wireless and wireline communications products and services that are designed to meet the needs of individual consumers, businesses, government subscribers and resellers. We have organized our operations to meet the needs of our targeted subscriber groups through focused communications solutions that incorporate the capabilities of our wireless and wireline services.

The Wireless segment includes retail, wholesale, and affiliate service revenue from a wide array of wireless voice and data transmission services and equipment revenue from the sale of wireless devices and accessories in the U.S., Puerto Rico and the U.S. Virgin Islands.

The Wireline segment includes revenue from domestic and international wireline voice and data communication services, including services to the cable multiple systems operators that resell our local and long distance services and use our back office systems and network assets in support of their telephone service provided over cable facilities primarily to residential end-use subscribers.

Note 2. Summary of Significant Accounting Policies and Other Information

Consolidation Policies and Estimates

The consolidated financial statements include our accounts, those of our wholly owned subsidiaries, and subsidiaries we control or in which we have a controlling financial interest. All significant intercompany transactions and balances have been eliminated in consolidation. Investments where Sprint maintains majority ownership, but lacks full decision making ability over all major issues, are accounted for using the equity method. Sprint's most significant equity investment is in Clearwire for which Sprint does not have a controlling vote or the ability to control operating and financial policies.

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States (GAAP). This requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements. These estimates are inherently subject to judgment and actual results could differ.

Certain prior period amounts have been reclassified to conform to the current period presentation. Subsequent events were evaluated for disclosure through the date on which the financial statements were filed with the Securities and Exchange Commission (SEC).

Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash equivalents generally include highly liquid investments with maturities at the time of purchase of three months or less. These investments may include money market funds, certificates of deposit, U.S. government and government-sponsored debt securities, corporate debt securities, municipal securities, bank-related securities, and credit and debit card transactions in process.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is established to cover probable and reasonably estimable losses. Because of the number of subscriber accounts, it is not practical to review the collectibility of each of those accounts individually to determine the amount of allowance for doubtful accounts each period, although some account level analysis is performed with respect to large wireless and wireline subscribers. The estimate of allowance for doubtful accounts considers a number of factors, including collection experience, aging of the accounts receivable portfolios, credit quality of the subscriber base and other qualitative considerations, including macro-economic factors. Amounts written off against the allowance for doubtful accounts, net of recoveries and other adjustments, were $549 million, $519 million, and $437 million in 2012, 2011 and 2010, respectively.

Device and Accessory Inventory

Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method. Costs of devices and related revenues generated from device sales (equipment net subsidy) are recognized at the time of sale. Expected equipment net subsidy is not recognized prior to the time of sale because the promotional discount decision is generally made at the point of sale and because the equipment net subsidies are expected to be recovered through service revenues.

The net realizable value of devices and other inventory is analyzed on a regular basis. This analysis includes assessing obsolescence, sales forecasts, product life cycle, marketplace and other considerations. If assessments regarding the above factors adversely change, we may be required to sell devices at a higher subsidy or potentially record expense in future periods prior to the point of sale.

Property, Plant and Equipment

Property, plant and equipment (PP&E), including improvements that extend useful lives, are recognized at cost. Depreciation on property, plant and equipment is generally calculated using the straight-line method based on estimated economic useful lives of 3 to 30 years for buildings and improvements and network equipment, site costs and related software and 3 to 12 years for non-network internal use software, office equipment and other. Leasehold improvements are depreciated over the shorter of the lease term or the estimated useful life of the respective assets. We calculate depreciation on certain network assets using the group life method. Accordingly, ordinary asset retirements and disposals on those assets are charged against accumulated depreciation with no gain or loss recognized. Gains or losses associated with all other asset retirements or disposals are recognized in the consolidated statements of comprehensive loss. Depreciation rates for assets are revised periodically to account for changes, if any, related to management's strategic objectives, technological changes or obsolescence. Repair and maintenance costs and research and development costs are expensed as incurred.

We capitalize costs for network and non-network software developed or obtained for internal use during the application development stage. These costs are included in PP&E and, when the software is placed in service, are depreciated over estimated useful lives of 3 to 5 years. Costs incurred during the preliminary project and post-implementation stage, as well as maintenance and training costs, are expensed as incurred.

Investments

Short-term investments are recognized at amortized cost and classified as current assets on the consolidated balance sheets when the original maturities at purchase are greater than three months but less than one year. Certain investments are accounted for using the equity method based on the Company's ownership interest and ability to exercise significant influence. Accordingly, the initial investment is recognized at cost and subsequently adjusted to recognize the Company's share of earnings or losses of the investee in each reporting period subsequent to the investment date.

Equity method investments are evaluated for other-than-temporary impairment on a regular basis. Other-than-temporary impairment occurs when the estimated fair value of an investment is below the carrying value, and the difference is determined to not be recoverable. This evaluation requires significant judgment regarding, among other things, the severity and duration of the decline in value, the ability and intent to hold the securities until recovery, financial condition, liquidity, and near-term prospects of the issuer, specific events, and other factors.

Long-Lived Asset Impairment

Sprint evaluates long-lived assets, including intangible assets subject to amortization, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Asset groups are determined at the lowest level for which identifiable cash flows are largely independent of cash flows of other groups of assets and liabilities. When it is probable that undiscounted future cash flows will not be sufficient to recover an asset group's carrying amount, an impairment is determined by the excess of the asset group's net carrying value over the estimated fair value. Refer to note 9 for additional information on asset impairments.

Certain assets that have not yet been deployed in the business, including network equipment, cell site development costs and software in development, are periodically assessed to determine recoverability. Network equipment and cell site development costs are expensed whenever events or changes in circumstances cause the Company to conclude the assets are no longer needed to meet management's strategic network plans and will not be deployed. Software development costs are expensed when it is no longer probable that the software project will be deployed. Network equipment that has been removed from the network is also periodically assessed to determine recoverability. If we continue to have operational challenges, including retaining and attracting subscribers, future cash flows of the Company may not be sufficient to recover the carrying value of our wireless asset group, and we could record asset impairments that are material to Sprint's consolidated results of operations and financial condition.

During 2012, we assessed the recoverability of the wireless asset group, which includes tangible and intangible long-lived assets subject to amortization as well as indefinite-lived intangible assets. We included cash flow projections from wireless operations along with cash flows associated with the eventual disposition of the long-lived assets, which included estimated proceeds from the assumed sale of Federal Communications Commission (FCC) licenses and other intangible assets.

Indefinite-Lived Intangible Assets

Our indefinite-lived intangible assets primarily consist of goodwill, FCC licenses acquired primarily through FCC auctions and business combinations to deploy our wireless services, and certain of our trademarks. Goodwill represents the excess of consideration paid over the estimated fair value of the net tangible and identifiable intangible assets acquired in business combinations. In determining whether an intangible asset, other than goodwill, is indefinite-lived, we consider the expected use of the assets, the regulatory and economic environment within which they are being used, and the effects of obsolescence on their use. We assess our indefinite-lived intangible assets for impairment at least annually or, if necessary, more frequently, whenever events or changes in circumstances indicate the asset may be impaired. Such indicators may include a sustained, significant decline in our market capitalization since our previous impairment assessment, a significant decline in our expected future cash flows, a significant adverse change in legal factors or in the business climate, unanticipated competition, and/or slower growth rates, among others.

Benefit Plans

We provide a defined benefit pension plan and certain other postretirement benefits to certain employees, and we sponsor a defined contribution plan for all employees.

As of December 31, 2012 and 2011, the fair value of our pension plan assets and certain other postretirement benefits in aggregate was $1.6 billion and $1.4 billion, respectively, and the fair value of our projected benefit obligations in aggregate was $2.7 billion and $2.2 billion, respectively. As a result, the plans were underfunded by approximately $1.1 billion and $800 million at December 31, 2012 and 2011, respectively, and were recorded as a net liability in our consolidated balance sheets. Estimated contributions totaling approximately $3 million are expected to be paid during 2013.

The offset to the pension liability is recorded in equity as a component of "Accumulated other comprehensive loss," net of tax, including the 2012 and 2011 net actuarial loss of $404 million and $349 million, respectively, which is amortized to "Selling, general and administrative" in Sprint's consolidated statement of comprehensive loss. The change in the net liability of the plan in 2012 was affected primarily by a decrease in the discount rate, from 5.4% to 4.3%, used to estimate the projected benefit obligation. We intend to make future cash contributions to the pension plan in an amount necessary to meet minimum funding requirements according to applicable benefit plan regulations.

As of December 31, 2005, the pension plan was amended to freeze benefit plan accruals for participants. The objective for the investment portfolio of the pension plan is to achieve a long-term nominal rate of return, net of fees, which exceeds the plan's long-term expected rate of return on investments for funding purposes which was 8.0% for 2012. To meet this objective, our investment strategy for 2012 was governed by an asset allocation policy, whereby a targeted allocation percentage is assigned to each asset class as follows: 50% to U.S. equities; 15% to international equities; 15% to fixed income investments; 10% to real estate investments; and 10% to other investments including hedge funds. Actual allocations are allowed to deviate from target allocation percentages by plus or minus 5%. As of January 1, 2013, the target allocation percentage assigned to each asset class was revised as follows: 41% to U.S. equities; 18% to international equities; 21% to fixed income investments; 10% to real estate investments; and 10% to other investments including hedge funds. The long-term expected rate of return on investments for funding purposes for 2013 is 7.75%.

Investments of the pension plan are measured at fair value on a recurring basis which is determined using quoted market prices or estimated fair values. As of December 31, 2012, 54% of the investment portfolio was valued at quoted prices in active markets for identical assets; 28% was valued using quoted prices for similar assets in active or inactive markets, or other observable inputs; and 18% was valued using unobservable inputs that are supported by little or no market activity.

Under our defined contribution plan, participants may contribute a portion of their eligible pay to the plan through payroll withholdings. For 2012 and 2011, the Company matched 50% of participants' contributions up to 2% of their eligible compensation for a total of $30 million and $31 million, respectively, in fixed matching contributions. The Company also made discretionary matching contributions, as determined by the Board of Directors of the Company, equal to 100% of participants' contributions up to 3.95% of eligible compensation, or $60 million, and 1.2% of eligible compensation, or $20 million, in 2012 and 2011, respectively, based upon the attainment of certain profitability levels. For 2010, the amount of matching contribution was discretionary only, as determined by the Board of Directors of the Company based upon a formula related to the profitability of the Company, resulting in a match equal to 100% of the participant's contributions up to 0.7% of their eligible compensation, totaling $9 million.

Revenue Recognition

Operating revenues primarily consist of wireless service revenues, revenues generated from device and accessory sales, revenues from wholesale operators and third party affiliates (Affiliates), as well as long distance voice, data and Internet revenues. Service revenues consist of fixed monthly recurring charges, variable usage charges and miscellaneous fees such as activation fees, directory assistance, roaming, equipment protection, late payment and early termination charges, and certain regulatory related fees, net of service credits. We recognize service revenues as services are rendered and equipment revenue when title and risk of loss passes to the indirect dealer or end-use customer, assuming all other revenue recognition criteria are met. Incentives to retain and acquire subscribers, such as new devices at discounted prices, are recorded as a reduction to equipment revenue upon activation of the device with a service contract. We recognize revenue for access charges and other services charged at fixed amounts ratably over the service period, net of credits and adjustments for service discounts, billing disputes and fraud or unauthorized usage. We recognize excess wireless voice usage and long distance revenue at contractual rates per minute as minutes are used. Additionally, we recognize excess wireless data usage based on kilobytes and one-time use charges, such as for the use of premium services, when rendered. As a result of the cutoff times of our multiple billing cycles each month, we are required to estimate the amount of subscriber revenues earned but not billed from the end of each billing cycle to the end of each reporting period. These estimates are based primarily on rate plans in effect and our historical usage and billing patterns. Regulatory fees and costs are recorded gross. The largest component of the regulatory fees is universal service fund, which represented about 2% of net operating revenues in 2012, 2011 and 2010.

The accounting estimates related to the recognition of revenue in the results of operations require us to make assumptions about future billing adjustments for disputes with subscribers, unauthorized usage, future returns and mail-in rebates on device sales.

Dealer Commissions

Cash consideration given by us to a dealer or end-use customer is presumed to be a reduction of revenue unless we receive, or will receive, an identifiable benefit in exchange for the consideration, and the fair value of such benefit can be reasonably estimated, in which case the consideration will be recorded as a selling expense. We compensate our dealers using specific compensation programs related to the sale of our devices and our subscriber service contracts, or both. When a commission is earned by a dealer solely due to a selling activity relating to wireless service, the cost is recorded as a selling expense. When a commission is earned by a dealer due to the dealer selling one of our devices, the cost is recorded as a reduction to equipment revenue. Commissions are generally earned upon sale of device, service, or both, to an end-use subscriber. Incentive payments to dealers for sales associated with devices and service contracts are classified as contra-revenue, to the extent the incentive payment is reimbursement of loss on the device, and selling expense for the amount associated with the selling effort. Incentive payments to certain indirect dealers who purchase the iPhone® directly from Apple are recognized as selling expense when the device is activated with a Sprint service plan because Sprint does not recognize any equipment revenue or cost of products for those transactions.

Severance and Exit Costs

Liabilities for severance and exit costs are recognized based upon the nature of the cost to be incurred. For involuntary separation plans that are completed within the guidelines of our written involuntary separation plan, a liability is recognized when it is probable and reasonably estimable. For voluntary separation plans (VSP) a liability is recognized when the VSP is irrevocably accepted by the employee. For one-time termination benefits, such as additional severance pay or benefit payouts, and other exit costs, such as lease termination costs, the liability is measured and recognized initially at fair value in the period in which the liability is incurred, with subsequent changes to the liability recognized as adjustments in the period of change. Severance and exit costs associated with business combinations are recorded in the results of operations when incurred.

Compensation Plans

As of December 31, 2012, Sprint sponsored three incentive plans: the 2007 Omnibus Incentive Plan (2007 Plan); the 1997 Long-Term Incentive Program (1997 Program); and the Nextel Incentive Equity Plan (Nextel Plan) (together, "Compensation Plans"). In the first quarter 2012, the Management Incentive Stock Option Plan (MISOP) became deregistered and when all outstanding options expired. Sprint also sponsors an Employee Stock Purchase Plan (ESPP). Under the 2007 Plan, we may grant share and non-share based awards, including stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units and other equity-based and cash awards to employees, outside directors and other eligible individuals as defined by the plan. The Compensation Committee of our board of directors, or one or more executive officers should the Compensation Committee so authorize, as provided in the 2007 Plan, will determine the terms of each share and non-share based award. No new grants can be made under the 1997 Program or the Nextel Plan. We use new shares to satisfy share-based awards or treasury shares, if available.

The fair value of each option award is estimated on the grant date using the Black-Scholes option valuation model, based on several assumptions including the risk-free interest rate, volatility, expected dividend yield and expected term. During 2012, the Company granted 12 million stock options with weighted average grant date fair value of $1.22 per share based upon assumptions of a risk free interest rate of 1.15%, weighted average expected volatility of 59.4%, expected dividend yield of 0% and expected term of 6 years. In general, options are granted with an exercise price equal to the market value of the underlying shares on the grant date, vest on an annual basis over three or four years, and have a contractual term of ten years. As of December 31, 2012, 63 million options were outstanding of which 39 million options were exercisable.

The fair value of each restricted stock unit award is calculated using the share price at the date of grant. Restricted stock units generally have performance and service requirements or service requirements only with vesting periods ranging from one to three years. Employees and directors who are granted restricted stock units are not required to pay for the shares but generally must remain employed with us, or continue to serve as a member of our board of directors, until the restrictions lapse, which is typically three years for employees and one year for directors. Certain restricted stock units outstanding as of December 31, 2012 are entitled to dividend equivalents paid in cash, if dividends are declared and paid on common shares, but performance-based restricted stock units are not entitled to dividend equivalent payments until the applicable performance and service criteria have been met. During 2012, the Company granted 13 million performance-based restricted stock units with a weighted average grant date fair value of $2.23 per share, of which 15 million awards were outstanding as of December 31, 2012.

Compensation Costs

The cost of employee services received in exchange for share-based awards classified as equity is measured using the estimated fair value of the award on the date of the grant, and that cost is recognized over the period that the award recipient is required to provide service in exchange for the award. Awards of instruments classified as liabilities are measured at the estimated fair value at each reporting date through settlement. Share-based compensation cost related to awards with graded vesting is recognized using the straight-line method.

Pre-tax share and non-share based compensation charges from our incentive plans included in net loss were $82 million for 2012, $73 million for 2011, and $70 million for 2010. The net income tax benefit (expense) recognized in the consolidated financial statements for share-based compensation awards was $14 million for 2012, $13 million for 2011, and $(18) million for 2010. As of December 31, 2012, there was $39 million of total unrecognized compensation cost related to non-vested incentive awards that are expected to be recognized over a weighted average period of 1.71 years.

Advertising Costs

We recognize advertising expense when incurred as selling, general and administrative expense. Advertising expenses totaled $1.4 billion for each of the years ended December 31, 2012, 2011 and 2010.

New Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued authoritative guidance regarding *Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, which resulted in common requirements for measuring fair value and for disclosing information about fair value measurement under both U.S. GAAP and International Financial Reporting Standards (IFRS), including a consistent definition of the term "fair value." The amendments were effective beginning in the first quarter 2012, and did not have a material effect on our consolidated financial statements.

In December 2011, the FASB issued authoritative guidance regarding *Disclosures about Offsetting Assets and Liabilities*, which requires common disclosure requirements to allow investors to better compare and assess the effect of offsetting arrangements on financial statements prepared under U.S. GAAP with financial statements prepared under IFRS. The standard will be effective beginning in the first quarter of 2013, requires retrospective application, and will only affect disclosures in the footnotes to the financial statements. In October 2012, the FASB tentatively decided to limit the scope of this authoritative guidance to derivatives, repurchase agreements, and securities lending and securities borrowing arrangements. In January 2013, the FASB issued additional clarifying guidance which limited the scope of the disclosure requirements to derivatives, repurchase agreements and reverse purchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with specific criteria contained in U.S. GAAP or subject to a master netting arrangement or similar agreement. Based on the scope revision, we do not expect this authoritative guidance to impact our existing disclosures.

In July 2012, the FASB issued authoritative guidance regarding *Testing Indefinite-Lived Intangible Assets for Impairment,* which is intended to reduce the cost and complexity of the annual impairment test for indefinite-lived intangible assets by providing entities with the option of performing an elective qualitative assessment to determine whether further impairment testing is necessary. The standard will be effective for annual and interim indefinite-lived intangible asset impairment tests performed beginning the first quarter of 2013, with early adoption permitted under certain circumstances. We early adopted the provisions of this standard as part of our annual assessment of indefinite-lived intangible assets with no effect on our financial statements.

Note 3. Proposed Business Transactions and Acquisitions

SoftBank Transaction

On October 15, 2012, Sprint entered into an Agreement and Plan of Merger (Merger Agreement) with SOFTBANK CORP., a *kabushiki kaisha* organized and existing under the laws of Japan, and certain of its wholly-owned subsidiaries (together, "SoftBank"). In addition, on October 15, 2012, Sprint and SoftBank entered into a Bond Purchase Agreement (Bond Agreement).

Bond Agreement

Pursuant to the Bond Agreement, on October 22, 2012, Sprint issued a convertible bond (Bond) to New Sprint, with a face amount of $3.1 billion, stated interest rate of 1%, and maturity date of October 15, 2019, which is convertible into 590,476,190 shares of Sprint common stock at $5.25 per share, or approximately 16.4% upon conversion of the Bond (based on Sprint common shares outstanding as of December 31, 2012), subject to adjustment in accordance with the terms of the Bond Agreement. This conversion feature remains in effect in the event the merger does not close. Interest on the Bond will be due and payable in cash semiannually in arrears on April 15 and October 15 of each year, commencing on April 15, 2013. Upon receipt of regulatory approval, the Bond will be converted into Sprint shares immediately prior to consummation of the SoftBank Merger and may not otherwise be converted prior to the termination of the Merger Agreement. Conversion of the Bond is subject in any case to receipt of any required approvals and, subject to certain exceptions, receipt of waivers under the Company's existing credit facilities. Subject to certain exceptions, SoftBank may not transfer the Bond without Sprint's consent.

Merger Agreement

Upon consummation of the SoftBank Merger, which is subject to various conditions, including Sprint shareholder and regulatory approval, SoftBank will fund New Sprint with additional capital of approximately $17.0 billion, of which approximately $12.1 billion will be distributed to Sprint shareholders as merger consideration with the remaining $4.9 billion held in the cash balance of New Sprint for general corporate purposes, including but not limited to the Clearwire Acquisition. Pursuant to the terms and subject to the conditions described in the Merger Agreement, upon consummation of the SoftBank Merger, outstanding shares of Sprint common stock, except as otherwise provided for in the Merger Agreement, will be converted, at the election of Sprint shareholders, into (i) cash in an amount equal to $7.30 for each share of Sprint common stock or (ii) one share of New Sprint common stock for each share of Sprint common stock, subject in each case to proration such that a stockholder may receive a combination of cash and New Sprint common stock.

Upon consummation of the SoftBank Merger, SoftBank will receive a five-year warrant to purchase 54,579,924 shares in New Sprint at $5.25 per share which would yield approximately $300 million in proceeds upon exercise. Upon consummation of the SoftBank Merger, (i) Sprint will become a wholly-owned subsidiary of New Sprint, (ii) New Sprint will be a publicly traded company, (iii) SoftBank will indirectly own approximately 70% of New Sprint on a fully diluted basis, and (iv) the former shareholders and other equityholders of Sprint will own approximately 30% of the fully diluted equity of New Sprint. The SoftBank Merger is subject to various conditions, including receipt of required regulatory approvals and approval of Sprint's shareholders, and is expected to close in mid-2013.

Under the terms of the Export Development Canada (EDC) facility, the secured equipment credit facility and our revolving credit facility, consummation of the SoftBank Merger would constitute a change of control that would require repayment of all outstanding balances thereunder. Amounts outstanding under the EDC facility and secured equipment credit facility, which were approximately $796 million in the aggregate at December 31, 2012, would become due and payable at the time of closing. In addition, our $2.2 billion revolving bank credit facility would expire upon a change of control, of which approximately $925 million was outstanding as of December 31, 2012 through letters of credit, including the letter of credit required by the Report and Order (see note 13). Sprint is currently in discussions with existing lenders and intends to amend these facilities to, among other things, exclude the SoftBank Merger from the change of control provisions.

As of the date the Merger Agreement was entered into, approximately $8.8 billion of our senior notes and guaranteed notes provided holders with the right to require us to repurchase the notes if a change of control triggering event (as defined in our indentures and supplemental indentures governing applicable notes) occurred, which included both a change of control and a ratings decline of the applicable notes by each of Moody's Investor Services and Standard & Poor's Rating Services. On November 20, 2012, Sprint announced that it had obtained the necessary consents to amend the applicable provisions of the outstanding indentures such that the SoftBank Merger would not constitute a change of control and, as a result indebtedness outstanding under Sprint's applicable indentures will not become payable by reason of completion of the SoftBank Merger.

Acquisition of Assets from U.S. Cellular

On November 6, 2012, Sprint entered into a definitive agreement with United States Cellular Corporation (U.S. Cellular) to acquire PCS spectrum and approximately 585,000 customers in parts of Illinois, Indiana, Michigan, Missouri and Ohio, including the Chicago and St. Louis markets, for $480 million in cash. Sprint has agreed, in connection with the acquisition, to reimburse U.S. Cellular for certain network shut-down costs in these markets. These costs are expected to range from $130 million to $150 million on a net present value basis, but in no event will Sprint's reimbursement obligation exceed $200 million on an undiscounted basis. The additional spectrum will be used to supplement Sprint's coverage in these areas. Sprint and U.S. Cellular will enter into transition services agreements as a condition to closing of the acquisition which will outline the terms of services to be provided by U.S. Cellular during the period after closing and prior to the transfer of the acquired customers to Sprint's network. The transaction is subject to customary regulatory approvals and is expected to close in mid-2013.

Acquisition of Remaining Stake in Clearwire

On December 17, 2012, Sprint entered into a merger agreement with Clearwire Corporation to acquire all of the remaining equity interests in Clearwire Corporation that Sprint does not currently own for approximately $2.2 billion in cash, or $2.97 per share (Clearwire Acquisition). In connection with the Clearwire Acquisition, Clearwire Corporation and Sprint have entered into agreements that provide up to $800 million of additional financing for Clearwire in the form of exchangeable notes, which will be exchangeable for Clearwire common stock at $1.50 per share, subject to certain conditions and subject to adjustment. Under the financing agreements, Sprint has agreed to purchase $80 million of exchangeable notes per month for up to ten months beginning in January 2013, with some of the monthly purchases subject to certain funding conditions, including conditions relating to approval of the Clearwire Acquisition by Clearwire's shareholders and the parties agreeing to a network build out plan. On January 31, 2013 Sprint and Clearwire entered into an amendment to the financing agreement which extended the date the parties were to agree to a network build out plan from January 31, 2013 to February 28, 2013. The Clearwire Acquisition is subject to customary regulatory approvals, is contingent on the consummation of the SoftBank Merger, and is expected to close in mid-2013.

On February 26, 2013, Sprint and Clearwire amended the exchangeable notes agreement to remove the network build out condition to Sprint's obligation to provide financing for the last three draws (in August, September and October 2013). Accordingly, Clearwire, at its option, is eligible for the last three draws, totaling $240 million. In addition, Clearwire provided its first notification to Sprint of its election to draw $80 million, under the terms of the financing agreements, in March 2013.

Note 4. Investments

The components of investments were as follows:

	December 31,	
	2012	2011
	(in millions)	
Marketable equity securities	$ 45	$ 43
Equity method and other investments	1,008	1,953
	$ 1,053	$ 1,996

Marketable equity securities

Investments in marketable equity securities are recognized at fair value and are considered available-for-sale securities. Accordingly, unrealized holding gains and losses on these securities are recognized in accumulated other comprehensive loss, net of related income tax. Realized gains or losses are measured and reclassified from accumulated other comprehensive loss into "Other income (expense), net" in Sprint's consolidated statement of comprehensive loss based on identifying the specific investments sold or where an other-than-temporary impairment exists.

Equity Method Investment in Clearwire

Sprint's Ownership Interest

Sprint's investment in Clearwire Corporation and its consolidated subsidiary Clearwire Communications LLC (together, "Clearwire") is one of the ways we participate in the fourth generation (4G) wireless broadband market. Sprint offers certain 4G products utilizing Clearwire's 4G wireless Worldwide Interoperability for Microwave Access (WiMAX) broadband network in available markets.

On December 11, 2012, Sprint purchased the equity holdings of one of Clearwire's equityholders, Eagle River Holdings, LLC (Eagle River) for $100 million in cash. These holdings represented 30.9 million shares of Clearwire Corporation Class A Common Stock and 2.7 million shares of Clearwire Communications LLC Class B Interests (together, “Interests”). After the purchase, Sprint held a 50.4% non-controlling voting interest and a 2.1% non-controlling economic interest in Clearwire Corporation, as well as a 48.3% non-controlling economic interest in Clearwire Communications LLC (together, “Equity Interests”).

Under the Clearwire Equityholders' Agreement, Sprint can nominate seven of the thirteen directors to the Clearwire Board. Upon closing of the Eagle River purchase, Sprint is no longer subject to the requirement that one of its seven designees be independent of Sprint. In addition, upon closing, the composition of the remaining board seats was modified so that the number of independent directors the Nominating and Governance Committee of the Clearwire Board can nominate to the Clearwire Board increased from two to three, while the number of directors the remaining investors have the right to nominate to the Clearwire Board under the Clearwire Equityholders' Agreement was reduced from four to three directors. Sprint will continue to account for its ownership interests in Clearwire under the equity method of accounting given the substantive participative governance rights provided to the minority holders in Clearwire, which restrict Sprint from exerting control over Clearwire's operations.

The carrying value of our Equity Interests totaled $674 million as of December 31, 2012. In addition to our Equity Interests, Sprint held two notes receivable from Clearwire as of December 31, 2012. On January 2, 2012, in conjunction with new long-term pricing agreements within the mobile virtual network operator (MVNO) agreement reached between the two companies in the fourth quarter of 2011, Sprint provided $150 million to Clearwire in exchange for a promissory note. The note has a stated interest rate of 11.5% that matures in two installments of $75 million plus accrued interest in January 2013 and in January 2014. The difference between the fair value of the note and its face value at the date of issuance has been recorded as a prepaid expense, which will be amortized over the service period to cost of service. Sprint, at its sole discretion, can choose to offset any amounts payable by Clearwire under this promissory note against amounts owed by Sprint under the MVNO agreement, and this action was taken for the installment due in January 2013. Additionally, Sprint holds a note receivable from Clearwire issued in 2008 with a fixed interest rate of 12% and a maturity date of December 2015. The total carrying value of the notes receivable, which includes accretion related to premiums for both notes and fees associated with the 2009 replacement of the 2008 note, was $320 million and $178 million as of December 31, 2012 and 2011, respectively. The carrying value of Sprint's Equity Interests, together with the long-term portion of the carrying value of the notes receivable, are included in the line item "Investments" in Sprint's consolidated balance sheets. The current portion of the carrying value of the notes receivable is included in the line item "Prepaid expenses and other current assets" in Sprint's consolidated balance sheets.

Equity in Losses and Summarized Financial Information

Equity in losses from Clearwire were $1.1 billion, $1.7 billion and $1.3 billion for the years ended December 31, 2012, 2011 and 2010, respectively. Sprint's losses from its investment in Clearwire consist of Sprint's share of Clearwire's net loss and other adjustments, if any, such as non-cash impairment of Sprint's investment, gains or losses associated with the dilution of Sprint's ownership interest resulting from Clearwire's equity issuances, and other items recognized by Clearwire Corporation that do not affect Sprint's economic interest. Sprint's equity in losses from Clearwire for 2012, 2011 and 2010 include charges of approximately $41 million, $361 million and $97 million, respectively, which are associated with Clearwire's write-off of certain network and other assets that no longer meet its strategic plans. The years ended December 31, 2012 and 2011 also include a pre-tax impairment of $204 million and $135 million, respectively, reflecting Sprint's reduction in the carrying value of its investment in

Clearwire to an estimate of fair value and a pre-tax dilution loss of $27 million for the year ended December 31, 2011.

As of December 31, 2012, our proportionate share of the underlying net assets of Clearwire exceeds the carrying value of our equity investment by approximately $275 million, which is primarily related to our non-cash impairments recognized in current and prior periods.

Summarized financial information for Clearwire is as follows:

	December 31,	
	2012	2011
	(in millions)	
Current assets	$ 988	$ 1,287
Noncurrent assets	$ 6,678	$ 7,556
Current liabilities	$ 405	$ 280
Noncurrent liabilities	$ 5,379	$ 4,917

	Year Ended December 31,		
	2012	2011	2010
		(in millions)	
Revenues	$ 1,265	$ 1,254	$ 535
Operating expenses	(2,644)	(3,645)	(2,698)
Operating loss	$ (1,379)	$ (2,391)	$ (2,163)
Net loss from continuing operations before non-controlling interests	$ (1,744)	$ (2,856)	$ (2,251)
Net loss from discontinued operations before non-controlling interests	$ (168)	$ (82)	$ (52)

Sprint's Recoverability

At each financial reporting measurement date, we evaluate the excess, if any, of Sprint's carrying value over the estimated fair value of our investment in Clearwire to determine if such excess, an implied unrealized loss, is other-than-temporary. Our evaluation considers, among other things, both observable and unobservable inputs, including Clearwire's market capitalization, historical volatility associated with Clearwire's common stock, the duration of a decline in Clearwire's average trading stock price below Sprint's carrying value, potential tax benefits, governance rights associated with our non-controlling voting interest, and our expectation of the duration of our ongoing relationship, as well as other factors. The determination of an estimate of fair value for a non-public security, such as our non-controlling economic interest, is subject to significant judgment and uncertainty.

Clearwire Related-Party Transactions

Sprint's equity method investment in Clearwire includes agreements by which we resell wireless data services utilizing Clearwire's 4G network. In addition, Clearwire utilizes the third generation (3G) Sprint network to provide dual-mode service to its customers in those areas where access to a 4G WiMAX network is not available. Amounts included in our consolidated balance sheets related to our agreement to purchase 4G WiMAX services from Clearwire as of December 31, 2012 and 2011 totaled $78 million and $5 million, respectively, for prepaid expenses and other current assets and $79 million and $77 million, respectively, for accounts payable, accrued expense and other current liabilities. Cost of services and products included in our consolidated statements of comprehensive loss related to our agreement to purchase 4G WiMAX services from Clearwire totaled $417 million and $405 million for the year ended December 31, 2012 and 2011, respectively, and was immaterial for the year ended December 31, 2010.

Note 5. Financial Instruments

Cash and cash equivalents, accounts and notes receivable, and accounts payable are carried at cost, which approximates fair value. Our short-term investments (consisting primarily of time deposits, commercial paper, and Treasury securities), totaling $1.8 billion and $150 million as of December 31, 2012 and 2011, respectively, are recorded at amortized cost, and the respective carrying amounts approximate fair value. The fair value of our marketable equity securities, totaling $45 million and $43 million as of December 31, 2012 and 2011, respectively, is measured on a recurring basis using quoted prices in active markets.

The estimated fair value of current and long-term debt, excluding the convertible bond, is determined based on quoted prices in active markets or by using other observable inputs that are derived principally from or corroborated by observable market data. To estimate the fair value of our convertible bond, we used a convertible bond pricing model based on the relevant interest rates, conversion feature and other significant inputs not observable in the market. The significant unobservable inputs used in the fair value measurement of the Company's convertible bond are the credit condition of the Company, probability and timing of conversion, and discount for lack of marketability. Significant increases or decreases in any of those inputs in isolation would result in a significantly lower or higher fair value measurement of the bond. During 2012, we had $2.0 billion of long-term senior notes that were transferred out of estimated fair value using observable inputs and into estimated fair value using quoted prices in active markets as a result of publicly registering our private placement senior note offerings.

The following table presents carrying amounts and estimated fair values of our current and long-term debt:

		Estimated Fair Value Using Input Type			
	Carrying Amount	Quoted prices in active markets	Observable	Unobservable	Total estimated fair value
		(in millions)			
December 31, 2012	$ 23,570	$ 17,506	$ 6,118	$ 3,104	$ 26,728
December 31, 2011	$ 19,505	$ 12,567	$ 5,023	$ —	$ 17,590

Note 6. Property, Plant and Equipment

Property, plant and equipment consists primarily of network equipment and other long-lived assets used to provide service to our subscribers. In the first quarter 2012, we formalized our plans to take off-air roughly one-third, or 9,600 cell sites, of our total Nextel platform by the middle of 2012 with the remaining sites to be taken off-air by June 30, 2013. As a result, in the first quarter 2012, we revised our estimates to shorten the expected useful lives of Nextel platform assets through 2013, the expected benefit period of the underlying assets, and also revised the expected timing and amount of our asset retirement obligations. During the second quarter 2012, as a result of our progress in taking Nextel platform sites off-air and our progress toward notifying and transitioning customers off the Nextel platform, we further reduced our estimated benefit period for the remaining Nextel platform assets through the middle of 2013 resulting in incremental depreciation expense during the period. The amounts reflected as depreciation expense are dependent upon the expected useful lives of assets, which includes our expectation of the timing of assets to be phased out of service, and could result in further revision during the decommissioning period. In addition, increasing data usage driven by more subscribers on the Sprint platform and a continuing shift in our subscriber base to smartphones is expected to require additional legacy 3G Sprint platform equipment that will not be utilized beyond the final deployment of Network Vision's multi-mode technology, which began in 2011 and is expected to continue through the middle of 2014. As a result, the estimated useful lives of such equipment will be shortened, as compared to similar prior capital expenditures, through the date on which Network Vision equipment is deployed and in-service. The incremental effect of accelerated depreciation expense totaled approximately $2.1 billion for the year ended December 31, 2012, of which the majority related to shortened useful lives of Nextel platform assets.

In connection with Network Vision, a substantial portion of the value of certain spectrum licenses that were not previously placed in service are now ready for their intended use. As qualifying activities are performed related to Network Vision, interest expense primarily related to the carrying value of these spectrum licenses is being capitalized to construction in progress within property, plant and equipment, which ceases as the spectrum is ready for its intended use. Interest expense capitalized in connection with the construction of long-lived assets totaled $278 million, $413 million and $13 million for the years ended December 31, 2012, 2011 and 2010, respectively. Construction in progress (including any capitalized interest) associated with Network Vision is expected to be depreciated using the straight-line method over a weighted average useful life of approximately eight years, once the assets are placed in service.

The components of property, plant and equipment, and the related accumulated depreciation were as follows:

	December 31, 2012	December 31, 2011
	(in millions)	
Land	$ 330	$ 333
Network equipment, site costs and related software	37,692	37,600
Buildings and improvements	4,893	4,895
Non-network internal use software, office equipment and other	1,860	2,111
Construction in progress	3,123	1,752
Less accumulated depreciation	(34,291)	(32,682)
Property, plant and equipment, net	$ 13,607	$ 14,009

Network equipment, site costs and related software includes switching equipment, cell site towers, site development costs, radio frequency equipment, network software, digital fiber optic cable, transport facilities and transmission-related equipment. Buildings and improvements principally consists of owned general office facilities, retail stores and leasehold improvements. Non-network internal use software, office equipment and other primarily consists of furniture, information technology systems and equipment and vehicles. Construction in progress, which is not depreciated until placed in service, primarily includes materials, transmission and related equipment, labor, engineering, site development costs, interest and other costs relating to the construction and development of our network.

Note 7. Intangible Assets

Indefinite-Lived Intangible Assets

	December 31, 2010	Net Additions	December 31, 2011	Net Additions	December 31, 2012
			(in millions)		
FCC licenses	$ 19,927	$ 117	$ 20,044	$ 224	$ 20,268
Trademarks	409	—	409	—	409
Goodwill	359	—	359	—	359
	$ 20,695	$ 117	$ 20,812	$ 224	$ 21,036

We hold 1.9 gigahertz (GHz), 800 megahertz (MHz), and 900 MHz FCC licenses authorizing the use of radio frequency spectrum to deploy our wireless services. As long as the Company acts within the requirements and constraints of the regulatory authorities, the renewal and extension of these licenses is reasonably certain at minimal cost. We are not aware of any technology being developed that would render this spectrum obsolete and have concluded that these licenses are indefinite-lived intangible assets. Our Sprint and Boost Mobile trademarks have also been identified as indefinite-lived intangible assets. During 2012, we conducted our annual assessment of the estimated fair value of indefinite-lived intangible assets other than goodwill and determined that no adjustment was necessary.

Goodwill

Goodwill represents the excess of consideration paid over the estimated fair value of net tangible and identifiable intangible assets acquired in business combinations.

Goodwill Recoverability Assessment

The carrying value of Sprint's goodwill is included in the Wireless segment, which represents our wireless reporting unit. We estimate the fair value of the wireless reporting unit using both discounted cash flow and market-based valuation models. If the fair value of the wireless reporting unit exceeds its net book value, goodwill is not impaired, and no further testing is necessary. If the net book value of our wireless reporting unit exceeds its estimated fair value, we estimate the fair value of goodwill to determine the amount of impairment loss, if any.

The determination of the estimated fair value of the wireless reporting unit requires significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to, transactions within the wireless industry and related control premiums, discount rate, terminal growth rate, operating income before depreciation and amortization (OIBDA) and capital expenditure forecasts. Due to the inherent uncertainty involved in making those estimates, actual results could differ from those estimates. We evaluate the merits of each significant assumption, both individually and in the aggregate, used to determine the fair value of the wireless reporting unit for reasonableness. During 2012, we conducted our annual assessment of goodwill and determined that no adjustment was necessary.

Intangible Assets Subject to Amortization

Sprint's remaining customer relationships are amortized using the sum-of-the-months' digits method. We reduce the gross carrying value and associated accumulated amortization when specified intangible assets become fully amortized. During 2012, we reduced the gross carrying value and accumulated amortization by approximately $107 million associated with fully amortized intangible assets primarily related to customer relationships in connection with the 2007 acquisition of Northern PCS. Other intangible assets primarily include certain rights under affiliation agreements that were reacquired in connection with the acquisitions of Affiliates and Nextel Partners, Inc., which are being amortized over the remaining terms of those affiliation agreements on a straight-line basis, and the Nextel, Direct Connect and Virgin Mobile trade names, which are being amortized on a straight-line basis. During 2012, we conducted an assessment of the recoverability of intangible assets subject to amortization and determined that no adjustment was necessary.

		December 31, 2012			December 31, 2011		
	Useful Lives	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
				(in millions)			
Customer relationships	4 years	$ 234	$ (230)	$ 4	$ 341	$ (297)	$ 44
Other intangible assets							
Trademarks	10 to 37 years	1,168	(681)	487	1,169	(585)	584
Reacquired rights	9 to 14 years	1,571	(785)	786	1,571	(652)	919
Other	9 to 10 years	138	(80)	58	126	(57)	69
Total other intangible assets		2,877	(1,546)	1,331	2,866	(1,294)	1,572
Total definite-lived intangible assets		$ 3,111	$ (1,776)	$ 1,335	$ 3,207	$ (1,591)	$ 1,616

	2013	2014	2015	2016	2017
			(in millions)		
Estimated amortization expense	$ 250	$ 237	$ 196	$ 135	$ 134

Note 8. Long-Term Debt, Financing and Capital Lease Obligations

	Interest Rates	Maturities	December 31, 2012	December 31, 2011
			(in millions)	
Notes				
Senior notes				
Sprint Nextel Corporation	6.00 - 11.50%	2016 - 2022	$ 9,280	$ 4,500
Sprint Capital Corporation	6.88 - 8.75%	2019 - 2032	6,204	6,204
Serial redeemable senior notes				
Nextel Communications, Inc.	5.95 - 7.38%	2013 - 2015	—	4,780
Guaranteed notes				
Sprint Nextel Corporation	7.00 - 9.00%	2018 - 2020	4,000	3,000
Secured notes				
iPCS, Inc.	2.44 - 3.56%	2013 - 2014	481	481
Convertible bonds				
Sprint Nextel Corporation	1.00%	2019	3,100	—
Credit facilities				
Bank credit facility	4.31%	2013	—	—
Export Development Canada	5.39%	2015	500	500
Secured equipment credit facility	2.03%	2017	296	—
Financing obligation	9.50%	2030	698	698
Capital lease obligations and other	4.11 - 15.49%	2014 - 2022	74	71
Net discount from beneficial conversion feature on convertible bond			(247)	—
Net (discounts) premiums			(45)	40
			24,341	20,274
Less current portion			(379)	(8)
Long-term debt, financing and capital lease obligations			$ 23,962	$ 20,266

As of December 31, 2012, Sprint Nextel Corporation, the parent corporation, had $16.9 billion in principal amount of debt outstanding, including amounts drawn under the credit facilities. In addition, as of December 31, 2012, $7.0 billion in principal amount of our long-term debt issued by 100% owned subsidiaries was fully and unconditionally guaranteed by the parent. The indentures and financing arrangements governing certain subsidiaries' debt contain provisions that limit cash dividend payments on subsidiary common stock. The transfer of cash in the form of advances from the subsidiaries to the parent corporation generally is not restricted.

As of December 31, 2012, about $1.5 billion of our outstanding debt, comprised of certain notes, financing and capital lease obligations and mortgages, is secured by $995 million of property, plant and equipment and other assets, net (gross book value of $1.4 billion). Cash interest payments, net of amounts capitalized of $278 million, $413 million, and $13 million, totaled $1.4 billion, $1.0 billion, and $1.5 billion during each of the years ended December 31, 2012, 2011 and 2010, respectively. Our weighted average effective interest rate related to our notes and credit facilities was 7.5% in 2012 and 7.0% in 2011.

Notes

Notes consist of senior notes, serial redeemable senior notes, guaranteed notes, and convertible bonds, all of which are unsecured, as well as secured notes of iPCS, Inc. (iPCS), which are secured solely with the underlying assets of iPCS. Cash interest on all of the notes is generally payable semi-annually in arrears. As of December 31, 2012, approximately $19.8 billion of the notes were redeemable at the Company's discretion at the then-applicable redemption prices plus accrued interest.

As of December 31, 2012, approximately $11.1 billion of our senior notes and guaranteed notes provide holders with the right to require us to repurchase the notes if a change of control triggering event (as defined in our indentures and supplemental indentures governing applicable notes) occurs, which includes both a change of control and a ratings decline of the applicable notes by each of Moody's Investor Services and Standard & Poor's Rating Services. If we are required to make a change of control offer, we will offer a cash payment equal to 101% of the aggregate principal amount of notes repurchased plus accrued and unpaid interest. A change in control resulting from the Softbank Merger has been excluded as a triggering event for the $11.1 billion of our senior and guaranteed notes subject to both a change in control and ratings decline.

Debt Issuances

On November 9, 2011, the Company issued $1.0 billion in principal of 11.50% senior notes due 2021 and $3.0 billion in principal of 9.00% guaranteed notes due 2018. Interest is payable semi-annually on May 15 and November 15. The Company, at its option, may redeem some or all of either issue of the notes at any time prior to maturity. The 2018 Guaranteed Notes are guaranteed by the Company's subsidiaries that guarantee its revolving bank credit facility and its facility with EDC.

On March 1, 2012, the Company issued $1.0 billion aggregate principal amount of 9.125% senior notes due 2017 and $1.0 billion aggregate principal amount of 7.00% guaranteed notes due 2020. Interest is payable semi-annually on March 1 and September 1. The Company, at its option, may redeem some or all of either series of the notes at any time prior to maturity. The 2020 guaranteed notes are guaranteed by the Company's subsidiaries that guarantee its revolving bank credit facility and its facility with EDC.

On August 14, 2012, the Company issued $1.5 billion aggregate principal amount of 7.00% senior notes due 2020. Interest is payable semi-annually on February 15 and August 15. The Company, at its option, may redeem some or all of the notes at any time prior to maturity.

On October 22, 2012, the Company issued a convertible bond (Bond) to Starburst II, Inc., a Delaware corporation and a wholly-owned subsidiary of SoftBank, with a face amount of $3.1 billion, stated interest rate of 1%, and maturity date of October 15, 2019, which is convertible into 590,476,190 shares of Sprint common stock at $5.25 per share, or approximately 16.4% upon conversion of the Bond (based on Sprint common shares outstanding as of December 31, 2012), subject to adjustment in accordance with the terms of the Bond Agreement. The closing price of Sprint's common stock at the date of the bond issuance was $5.68, which was greater than the conversion price. This resulted in an initial beneficial conversion feature at an intrinsic value of $254 million which was recognized as a discount on the debt and additional paid-in capital. This discount will be accreted through the stated redemption date of the debt. If the bonds are converted prior to the bond redemption date, any unamortized discount will be recorded as interest expense immediately upon conversion. Interest on the Bond will be due and payable in cash semiannually in arrears on April 15 and October 15 of each year, commencing on April 15, 2013. Upon receipt of regulatory approval, the Bond will be converted into Sprint shares immediately prior to consummation of the merger and may not otherwise be converted prior to the termination of the Merger Agreement. Conversion of the Bond is subject in any case to receipt of any required approvals and, subject to certain exceptions, to receipt of waivers under the Company's existing credit facilities. Subject to certain exceptions, SoftBank may not transfer the Bond without Sprint's consent.

On November 14, 2012, the Company issued $2.28 billion aggregate principal amount of 6.00% senior notes due 2022. Interest is payable semi-annually on May 15 and November 15. The Company, at its option, may redeem some or all of the notes at any time prior to maturity.

Debt Redemptions

On January 31, 2011, the Company paid $1.65 billion in principal plus accrued and unpaid interest on its outstanding Sprint Capital Corporation 7.625% senior notes as scheduled. In addition, on December 29, 2011, we redeemed all of our outstanding $2.0 billion Sprint Capital Corporation 8.375% senior notes due March 2012 for principal plus accrued and unpaid interest in addition to a $33 million loss recognized as a result of the early retirement.

On June 8, 2012, the Company redeemed $1.0 billion of the $1.473 billion then outstanding Nextel Communications, Inc. 6.875% notes due 2013 plus accrued and unpaid interest. On August 24, 2012, the Company redeemed all $473 million of the then outstanding Nextel Communications, Inc. 6.875% notes due 2013 and $1.0 billion of the approximately $2.1 billion then outstanding Nextel Communications, Inc. 7.375% notes due 2015, plus accrued and unpaid interest on both series of notes.

On November 19, 2012, the Company redeemed all $1.1 billion of the then outstanding Nextel Communications, Inc. 7.375% notes due 2015 and the remaining $1.2 billion in principal on its outstanding Nextel Communications, Inc. 5.95% notes due 2014, plus accrued and unpaid interest on both series of the notes.

Credit Facilities

In May 2012, certain of our subsidiaries entered into a $1.0 billion secured equipment credit facility to finance equipment-related purchases from Ericsson for Network Vision. The cost of funds under this facility includes a fixed interest rate of 2.03%, and export credit agency premiums and other fees that, in total, equate to an expected effective interest rate of approximately 6% based on assumptions such as timing and amounts of drawdowns. The facility is secured by a lien on the equipment purchased and is fully and unconditionally guaranteed by the parent. The facility is equally divided into two consecutive tranches of $500 million, with drawdown availability contingent upon Sprint's equipment-related purchases from Ericsson, up to the maximum of each tranche. The first tranche of $500 million may be drawn upon through May 31, 2013, while the second tranche of $500 million may be drawn upon beginning April 1, 2013 through May 31, 2014. Interest and fully-amortizing principal payments are payable semi-annually on March 30 and September 30, with a final maturity date of March 2017 for both tranches. As of December 31, 2012, we had drawn approximately $296 million on the first tranche of the facility. The covenants under the secured equipment credit facility are similar to those of our revolving bank credit facility, our EDC facility, and those of our guaranteed notes due 2018 and 2020.

As of December 31, 2012, approximately $925 million in letters of credit were outstanding under our $2.2 billion revolving bank credit facility, including the letter of credit required by the 2004 FCC Report and Order to reconfigure the 800 MHz band (the "Report and Order"). As a result, the Company had $1.3 billion of borrowing capacity available under the revolving bank credit facility as of December 31, 2012. Our revolving bank credit facility expires in October 2013, although we expect to enter into a new facility prior to expiration. The terms of the revolving bank credit facility provide for an interest rate equal to the London Interbank Offered Rate (LIBOR) plus a spread that varies depending on the Company's credit ratings. Certain of our domestic subsidiaries have guaranteed the revolving bank credit facility. The Company's unsecured loan agreement with EDC has terms similar to those of the revolving bank credit facility, except that under the terms of the EDC loan, repayments of outstanding amounts cannot be re-drawn. As of December 31, 2012, the EDC loan was fully drawn. In addition, as of December 31, 2012, up to $204 million was available through May 31, 2013 under the first tranche of our secured equipment credit facility, although the use of such funds is limited to equipment-related purchases from Ericsson.

Under the terms of Sprint's and its consolidated subsidiaries' existing credit facilities, if a change of control occurs, including the SoftBank Merger, we will be required to repay all outstanding balances in the amount of $796 million as of December 31, 2012, under the EDC facility, the secured equipment credit facility, and our revolving bank credit facility, as well as letters of credit issued of approximately $925 million under our revolving bank credit facility. Sprint intends to amend these facilities to, among other things, exclude the SoftBank Merger from the change of control provisions.

Financing, Capital Lease and Other Obligations

We have approximately 3,000 cell sites that we sold and subsequently leased back. Terms extend through 2021, with renewal options for an additional 20 years. These cell sites continue to be reported as part of our property, plant and equipment due to our continued involvement with the property sold and the transaction is accounted for as a financing. Our capital lease and other obligations are primarily for the use of wireless network equipment.

Covenants

As of December 31, 2012, the Company was in compliance with all restrictive and financial covenants associated with its borrowings. A default under any of our borrowings could trigger defaults under our other debt obligations, which in turn could result in the maturities being accelerated. Certain indentures that govern our outstanding notes require compliance with various covenants, including covenants that limit the Company's ability to sell all or substantially all of its assets, covenants that limit the ability of the Company and its subsidiaries to incur indebtedness, and covenants that limit the ability of the Company and its subsidiaries to incur liens, as defined by the terms of the indentures.

We are currently restricted from paying cash dividends because our ratio of total indebtedness to trailing four quarters earnings before interest, taxes, depreciation and amortization and certain other non-recurring items, as defined in the credit facilities (adjusted EBITDA), exceeds 2.5 to 1.0.

Future Maturities of Long-Term Debt, Financing Obligation and Capital Lease Obligations

Aggregate amount of maturities for long-term debt, financing obligation and capital lease obligations outstanding as of December 31, 2012, were as follows:

	(in millions)
2013	$ 379
2014	264
2015	581
2016	2,085
2017	2,354
2018 and thereafter	18,970
	24,633
Net discount from beneficial conversion feature on convertible bond	(247)
Net discounts	(45)
	$ 24,341

Note 9. Severance, Exit Costs and Asset Impairments

Severance and Exit Costs Activity

During 2012, we recognized costs of $196 million solely attributable to our Wireless segment, primarily related to lease exit costs associated with taking certain Nextel platform sites off-air in 2012, for which we no longer expect to receive any economic benefit. We also recognized costs of $44 million ($21 million Wireless; $23 million Wireline) in "Cost of services and products" related to payments that will continue to be made under our backhaul access contracts for which we will no longer be receiving any economic benefit. Based on management's network modernization plan, and subject to change based upon completion of proposed business transactions and acquisitions (see Note 3), we expect to incur significant additional exit costs in the future as we continue to take Nextel platform sites off-air and transition our existing backhaul architecture to a replacement technology for our remaining network sites. We estimate the amount of lease exit costs to be recognized in future periods for sites estimated to be taken off-air during 2013 to be approximately $300 to $400 million, depending upon the timing and remaining expected contractual payments. The amount of exit costs expected to be recognized with backhaul access contracts cannot be estimated at this time.

During 2011, we recognized $28 million ($25 million Wireless; $3 million Wireline) in severance costs associated with actions in the fourth quarter of 2011. During 2010, we recognized costs of $8 million ($11 million Wireless; offset by a benefit of $3 million Wireline) primarily related to an increase in exit costs incurred in the second and fourth quarter 2010 associated with vacating certain office space which was no longer being utilized, partially offset by a reduction in the estimate of total severance costs associated with our workforce reduction announced in November 2009.

The following provides the activity in the severance and exit costs liability included in “Accounts Payable”, “Accrued expenses and other current liabilities” and “Other liabilities” within the consolidated balance sheets:

	December 31, 2011	2012 Activity: Net Expense	2012 Activity: Cash Payments and Other	December 31, 2012
	(in millions)			
Lease exit costs	$ 58	$ 196	$ (64)	$ 190
Severance costs	21	—	(10)	11
Access exit costs	—	44	(1)	43
	$ 79	$ 240	$ (75)	$ 244

	December 31, 2010	2011 Activity: Net Expense	2011 Activity: Cash Payments and Other	December 31, 2011
	(in millions)			
Lease exit costs	$ 87	$ —	$ (29)	$ 58
Severance costs	7	28	(14)	21
	$ 94	$ 28	$ (43)	$ 79

	December 31, 2009	2010 Activity: Net Expense (Benefit)	2010 Activity: Cash Payments and Other	December 31, 2010
	(in millions)			
Lease exit costs	$ 89	$ 25	$ (27)	$ 87
Severance costs	110	(17)	(86)	7
	$ 199	$ 8	$ (113)	$ 94

Asset Impairments

In 2012, 2011, and 2010, we recorded asset impairments of $102 million, $78 million, and $125 million, respectively. Asset impairments in 2012 consisted of $18 million of assets associated with a decision to utilize fiber backhaul, which we expect to be more cost effective, rather than microwave backhaul, $66 million of capitalized assets that we no longer intend to deploy as a result of the termination of the spectrum hosting arrangement with LightSquared in the first quarter 2012, and $18 million related to network asset equipment ($13 million Wireless; $5 million Wireline) that is no longer necessary for management's strategic plans. Asset impairments in 2011 and 2010 primarily related to network asset equipment in our Wireless segment, no longer necessary for management's strategic plans.

Note 10. Supplemental Financial Information

	December 31, 2012	December 31, 2011
	(in millions)	
Accounts and notes receivable, net		
Trade	$ 3,239	$ 3,099
Unbilled trade and other	602	326
Less allowance for doubtful accounts	(183)	(219)
	$ 3,658	$ 3,206
Prepaid expenses and other current assets		
Prepaid expenses	$ 370	$ 321
Deferred charges and other	330	170
	$ 700	$ 491
Accounts payable(1)		
Trade	$ 2,521	$ 1,887
Accrued interconnection costs	393	369
Capital expenditures and other	573	92
	$ 3,487	$ 2,348
Accrued expenses and other current liabilities		
Deferred revenues	$ 1,540	$ 1,770
Accrued taxes	303	334
Payroll and related	512	418
Accrued interest	328	331
Accrued capital expenditures	1,149	147
Other	1,176	1,143
	$ 5,008	$ 4,143
Other liabilities		
Deferred rental income-communications towers	$ 700	$ 740
Deferred rent	1,431	1,347
Accrued taxes-unrecognized tax benefits	72	112
Deferred revenue	298	255
Post-retirement benefits and other non-current employee related liabilities	1,141	881
Other	958	870
	$ 4,600	$ 4,205

(1) *Includes liabilities in the amounts of $117 million and $121 million as of December 31, 2012 and 2011, respectively, for checks issued in excess of associated bank balances but not yet presented for collection.*

SPRINT NEXTEL CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 11. Income Taxes

Income tax expense consists of the following:

	Year Ended December 31, 2012	2011	2010
	(in millions)		
Current income tax benefit (expense)			
Federal	$ 34	$ (1)	$ 48
State	22	(20)	15
Total current income tax benefit (expense)	56	(21)	63
Deferred income tax (expense) benefit			
Federal	(199)	(136)	(270)
State	(10)	(95)	40
Total deferred income tax expense	(209)	(231)	(230)
Foreign income tax (expense) benefit	(1)	(2)	1
Total income tax expense	$ (154)	$ (254)	$ (166)

The differences that caused our effective income tax rates to vary from the 35% federal statutory rate for income taxes were as follows:

	Year Ended December 31, 2012	2011	2010
	(in millions)		
Income tax benefit at the federal statutory rate	$ 1,460	$ 923	$ 1,155
Effect of:			
State income taxes, net of federal income tax effect	137	80	118
State law changes, net of federal income tax effect	(5)	(38)	—
Reduction (increase) in liability for unrecognized tax benefits	38	(1)	18
Tax expense related to equity awards	(15)	(13)	(42)
Change in valuation allowance	(1,756)	(1,221)	(1,418)
Other, net	(13)	16	3
Income tax expense	$ (154)	$ (254)	$ (166)
Effective income tax rate	(3.7)%	(9.6)%	(5.0)%

Income tax (expense) benefit allocated to other items was as follows:

	Year Ended December 31, 2012	2011	2010
	(in millions)		
Unrecognized net periodic pension and other postretirement benefit cost[(1)]	$ —	$ —	$ 5
Unrealized holding gains/losses on securities[(1)]	$ —	$ (1)	$ 1

(1) These amounts have been recognized in accumulated other comprehensive loss.

Deferred income taxes are recognized for the temporary differences between the carrying amounts of our assets and liabilities for financial statement purposes and their tax bases. Deferred tax assets are also recorded for operating loss, capital loss and tax credit carryforwards. The sources of the differences that give rise to the deferred income tax assets and liabilities as of December 31, 2012 and 2011, along with the income tax effect of each, were as follows:

	December 31, 2012		December 31, 2011	
	Current	Long-Term	Current	Long-Term
	(in millions)			
Deferred tax assets				
Net operating loss carryforwards	$ —	$ 4,398	$ —	$ 3,873
Capital loss carryforwards	—	126	—	52
Accruals and other liabilities	577	1,061	461	1,094
Tax credit carryforwards	—	431	—	471
Pension and other postretirement benefits	—	430	—	324
	577	6,446	461	5,814
Valuation allowance	(472)	(5,183)	(284)	(3,580)
	105	1,263	177	2,234
Deferred tax liabilities				
Property, plant and equipment	—	420	—	1,527
Intangibles	—	6,855	—	6,720
Investments	—	802	—	855
Other	104	233	47	118
	104	8,310	47	9,220
Current deferred tax asset	$ 1		$ 130	
Long-term deferred tax liability		$ 7,047		$ 6,986

The realization of deferred tax assets, including net operating loss carryforwards, is dependent on the generation of future taxable income sufficient to realize the tax deductions, carryforwards and credits. However, our history of consecutive annual losses reduces our ability to rely on expectations of future income in evaluating the ability to realize our deferred tax assets. Valuation allowances on deferred tax assets are recognized if it is determined that it is more likely than not that the asset will not be realized. As a result, the Company recognized an increase in the valuation allowance of $1.8 billion and $1.3 billion for the years ended December 31, 2012 and 2011, respectively, on deferred tax assets primarily related to federal and state net operating loss carryforwards generated during the period. The increase in the carrying amount of Sprint's valuation allowance for the years ended December 31, 2012 and 2011 in excess of amounts recognized as a change in the valuation allowance in the current period income tax expense is primarily associated with the tax effect of items reflected in other comprehensive income, other accounts, and the expiration of net operating loss and tax credit carryforwards. We do not expect to record significant tax benefits on future net operating losses until our circumstances justify the recognition of such benefits.

We believe it is more likely than not that our remaining deferred income tax assets, net of the valuation allowance, will be realized based on current income tax laws and expectations of future taxable income stemming from the reversal of existing deferred tax liabilities. Uncertainties surrounding income tax law changes, shifts in operations between state taxing jurisdictions and future operating income levels may, however, affect the ultimate realization of all or some of these deferred income tax assets.

Income tax expense of $154 million, $254 million, and $166 million for the years ended December 31, 2012, 2011, and 2010, respectively, is primarily attributable to taxable temporary differences from amortization of FCC licenses. FCC licenses are amortized over 15 years for income tax purposes but, because these licenses have an indefinite life, they are not amortized for financial statement reporting purposes. This difference results in net deferred income tax expense since the taxable temporary difference cannot be scheduled to reverse during the loss carryforward period. In addition, during 2012, a $69 million tax benefit was recorded as a result of the successful resolution of various federal and state income tax uncertainties. During 2011, a $59 million expense was recorded as a result of the effect of changes in corporate state income tax laws.

During 2012, 2011 and 2010, we generated $319 million, $194 million, and $210 million, respectively, of foreign income, which is included in loss before income taxes. We have no material unremitted earnings of foreign subsidiaries. Cash was paid for income taxes, net, of $28 million and $35 million in 2012 and 2011, respectively. Cash refunds for income taxes were received, net, of $139 million in 2010.

As of December 31, 2012, we had federal operating loss carryforwards of $10.8 billion and state operating loss carryforwards of $14.9 billion. Related to these loss carryforwards, we have recorded federal tax benefits of $3.7 billion and net state tax benefits of $709 million before consideration of the valuation allowances. Approximately $971 million of the federal net operating loss carryforwards expire between 2016 and 2020. The remaining $9.8 billion expire in varying amounts between 2021 and 2032. The state operating loss carryforwards expire in varying amounts through 2032.

In addition, we had available, for income tax purposes, federal alternative minimum tax net operating loss carryforwards of $11.2 billion and state alternative minimum tax net operating loss carryforwards of $3.0 billion. The loss carryforwards expire in varying amounts through 2032. We also had available capital loss carryforwards of $342 million. Related to these capital loss carryforwards are tax benefits of $126 million. Capital loss carryforwards of $112 million expire in 2013 and the remaining $230 million expires between 2014 and 2017.

We also had available $431 million of federal and state income tax credit carryforwards as of December 31, 2012. Included in this amount are $7 million of income tax credits which expire prior to 2016 and $294 million which expire in varying amounts between 2016 and 2032. The remaining $130 million do not expire.

Unrecognized tax benefits are established for uncertain tax positions based upon estimates regarding potential future challenges to those positions at the largest amount that is greater than fifty percent likely of being realized upon ultimate settlement. These estimates are updated at each reporting date based on the facts, circumstances and information available. Interest related to these unrecognized tax benefits is recognized in interest expense. Penalties are recognized as additional income tax expense. The total unrecognized tax benefits attributable to uncertain tax positions as of December 31, 2012 and 2011 were $171 million and $225 million, respectively. At December 31, 2012, the total unrecognized tax benefits included items that would favorably affect the income tax provision by $151 million, if recognized without an offsetting valuation allowance adjustment. As of December 31, 2012 and 2011, the accrued liability for income tax related interest and penalties was $5 million and $26 million, respectively.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2012	2011
	(in millions)	
Balance at January 1	$ 225	$ 228
Additions based on current year tax positions	1	4
Additions based on prior year tax positions	1	4
Reductions for prior year tax positions	(1)	(1)
Reductions for settlements	(52)	(2)
Reductions for lapse of statute of limitations	(3)	(8)
Balance at December 31	$ 171	$ 225

We file income tax returns in the U.S. federal jurisdiction and each state jurisdiction which imposes an income tax. We also file income tax returns in a number of foreign jurisdictions. However, our foreign income tax activity has been immaterial.

The Internal Revenue Service (IRS) has completed the examination of our 2007, 2008 and 2009 consolidated income tax returns. Settlement agreements were reached with the Appeals or Exam division of the IRS for examination issues in dispute for years prior to 2010. The issues were immaterial to our consolidated financial statements.

We are involved in multiple state income tax examinations related to various years beginning with 1996, which are in various stages of the examination, administrative review or appellate process. Based on our current knowledge of the examinations, administrative reviews and appellate processes, we believe it is reasonably possible a number of our uncertain tax positions may be resolved during the next twelve months which could result in a reduction of up to $25 million in our unrecognized tax benefits.

Note 12. Spectrum Hosting

Our Network Vision multi-mode network technology is designed to utilize a single base station capable of handling various spectrum bands, including Sprint's 800 MHz and 1.9 GHz spectrum as well as spectrum bands owned or accessed by other parties. In June 2011, we entered into a 15-year arrangement with LightSquared LP and LightSquared Inc. (collectively, “LightSquared”). Under the terms of the arrangement, and in conjunction with our Network Vision deployment, we agreed to deploy and operate an LTE network capable of utilizing the 1.6 GHz spectrum licensed to or available to LightSquared during the term of the arrangement, a service we refer to as “spectrum hosting.” The arrangement contained contingencies related to possible interference issues with LightSquared's spectrum, including the right of Sprint to terminate the arrangement if certain conditions were not met by LightSquared. As of December 31, 2011, we had received $310 million of advanced payments from LightSquared for future services to be performed under the spectrum hosting arrangement.

On March 16, 2012, because certain conditions were not met by LightSquared, we elected to terminate the arrangement. Because we have no future performance obligations with respect to the arrangement, we recognized $236 million of the advanced payments as other operating income within "Other, net" during 2012. We also refunded $67 million in prepayments LightSquared made to cover costs that were not ultimately incurred by Sprint and recognized the remaining $7 million within operating income as finalization of all remaining outstanding items subject to the termination and unwind provisions of the original arrangement. In addition, during 2012 we impaired approximately $66 million of capitalized assets that the Company no longer intends to deploy as a result of the termination of the spectrum hosting arrangement with LightSquared. The net gain of $170 million recorded in 2012 will be substantially offset in future periods by operating expenses related to non-cancellable executory contracts with vendors that the Company entered into in contemplation of providing the spectrum hosting services.

Note 13. Commitments and Contingencies

Litigation, Claims and Assessments

In March 2009, a shareholder brought suit, *Bennett v. Sprint Nextel Corp.*, in the U.S. District Court for the District of Kansas alleging that the Company and three of our former officers violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 by failing adequately to disclose certain alleged operational difficulties subsequent to the Sprint-Nextel merger, and by purportedly issuing false and misleading statements regarding the write-down of goodwill. The plaintiff seeks class action status for purchasers of our common stock from October 26, 2006 to February 27, 2008. On January 6, 2011, the Court denied our motion to dismiss. Subsequently, our motion to certify the January 6, 2011 order for an interlocutory appeal was denied, and discovery has begun. The plaintiff moved to certify a class of bondholders as well as owners of common stock, and we have opposed that motion. We believe the complaint is without merit and intend to defend the matter vigorously. We do not expect the resolution of this matter to have a material adverse effect on our financial position or results of operations.

In addition, five related shareholder derivative suits were filed against the Company and certain of our present and/or former officers and directors. The first, *Murphy v. Forsee*, was filed in state court in Kansas on April 8, 2009, was removed to federal court, and was stayed by the court pending resolution of the motion to dismiss the *Bennett* case; the second, *Randolph v. Forsee*, was filed on July 15, 2010 in state court in Kansas, was removed to federal court, and was remanded back to state court; the third, *Ross-Williams v. Bennett, et al.*, was filed in state court in Kansas on February 1, 2011; the fourth, *Price v. Forsee, et al.,* was filed in state court in Kansas on April 15, 2011; and the fifth, *Hartleib v. Forsee, et. al*., was filed in federal court in Kansas on July 14, 2011. These cases are essentially stayed while we proceed with discovery in the *Bennett* case. We do not expect the resolution of these matters to have a material adverse effect on our financial position or results of operations.

On April 19, 2012, the New York Attorney General filed a complaint alleging that Sprint has fraudulently failed to collect and pay more than $100 million in New York sales taxes on receipts from its sale of wireless telephone services since July 2005. The complaint seeks recovery of triple damages as well as penalties and interest. We moved to dismiss the complaint on June 14, 2012; that motion is fully briefed and we are awaiting a decision by the court. We believe the complaint is without merit and intend to defend this matter vigorously. On July 23, 2012, the SEC issued a formal order of investigation relating to the Company's sales tax collection. The Company is cooperating with the staff of the SEC in connection with the investigation. The Company cannot predict the outcome of, or the time-frame for, the conclusion of the SEC investigation. We do not expect the resolution of these matters to have a material adverse effect on our financial position or results of operations.

In addition, seven related shareholder derivative suits were filed against the Company and certain of its current and former officers and directors. Each suit alleges generally that the individual defendants breached their fiduciary duties to the Company and its shareholders by allegedly permitting, and failing to disclose, the actions alleged in the suit filed by the New York Attorney General. One suit, filed by the Louisiana Municipal Police Employees Retirement System, is pending in federal court in New York; one suit is pending in state court in Johnson County, Kansas; and five suits are pending in federal court in Kansas. The six Kansas suits have been stayed by agreement among the parties. The defendants filed a motion to dismiss the New York suit on September 19, 2012, and the motion is fully briefed; we are awaiting a ruling by the court. We do not expect the resolution of these matters to have a material adverse effect on our financial position or results of operations.

In addition, the Company has received several complaints purporting to assert claims on behalf of Sprint shareholders, alleging that members of the board of directors breached their fiduciary duties in agreeing to the SoftBank Merger, and otherwise challenging that transaction. There are five cases pending in state court in Johnson County, Kansas: *UFCW Local 23 and Employers Pension Fund, et al. v. Bennett, et al*., filed on October 25, 2012; *Iron Workers Mid-South Pension Fund, et al. v. Hesse, et al*., filed on October 25, 2012; *City of Dearborn Heights Act 345 Police and Fire Retirement System v. Sprint Nextel Corp*., *et al*., filed on October 12, 2012; *Testani, et al. v. Sprint Nextel Corp., et al*., filed on November 1, 2012; and *Patten, et al. v. Sprint Nextel Corp., et al*., filed on November 1, 2012. There is one case filed in federal court in the District of Kansas, entitled *Gerbino, et al. v. Sprint Nextel Corp., et al*., filed on November 15, 2012. The Company intends to defend these cases vigorously, and, because these cases are still in the preliminary stages, has not yet determined what effect the lawsuits will have, if any, on its financial position, results of operations, or cash flows.

The Company is also a defendant in several complaints filed by shareholders of Clearwire Corporation, asserting claims for breach of fiduciary duty by Sprint, and related claims and otherwise challenging the Clearwire Acquisition. There are four suits pending in Chancery Court in Delaware: *Crest Financial Limited v. Sprint Nextel Corp., et al.*, filed on December 12, 2012; *Katsman v. Prusch, et al*., filed December 20, 2012; *Feigeles, et al. v. Clearwire Corp., et al*., filed December 28, 2012; and *Litwin, et al. v. Sprint Nextel Corp., et al*., filed January 2, 2013. There is one case filed in state court in King County, Washington, in which Sprint is a party, and that case and two other cases in which Sprint is not a party have been stayed in favor of the Delaware proceedings: *Rowe, et al. v. Clearwire Corp., et al*., filed December 31, 2012. The Company intends to defend these cases vigorously, and, because these cases are still in the preliminary stages, has not yet determined what effect the lawsuits will have, if any, on its financial position, results of operations, or cash flows.

Sprint is currently involved in numerous court actions alleging that Sprint is infringing various patents. Most of these cases effectively seek only monetary damages. A small number of these cases are brought by companies that sell products and seek injunctive relief as well. These cases have progressed to various degrees and a small number may go to trial if they are not otherwise resolved. Adverse resolution of these cases could require us to pay significant damages, cease certain activities, or cease selling the relevant products and services. In many circumstances, we would be indemnified for monetary losses that we incur with respect to the actions of our suppliers or service providers. We do not expect the resolution of these cases to have a material adverse effect on our financial position or results of operations.

Various other suits, inquiries, proceedings and claims, either asserted or unasserted, including purported class actions typical for a large business enterprise and intellectual property matters, are possible or pending against us or our subsidiaries. If our interpretation of certain laws or regulations, including those related to various federal or state matters such as sales, use or property taxes, or other charges were found to be mistaken, it could result in payments by us. While it is not possible to determine the ultimate disposition of each of these proceedings and whether they will be resolved consistent with our beliefs, we expect that the outcome of such proceedings, individually or in the aggregate, will not have a material adverse effect on our financial position or results of operations.

Spectrum Reconfiguration Obligations

In 2004, the FCC adopted a Report and Order that included new rules regarding interference in the 800 MHz band and a comprehensive plan to reconfigure the 800 MHz band (the “Report and Order”). The Report and Order provides for the exchange of a portion of our 800 MHz FCC spectrum licenses, and requires us to fund the cost incurred by public safety systems and other incumbent licensees to reconfigure the 800 MHz spectrum band. Also, in exchange, we received licenses for 10 MHz of nationwide spectrum in the 1.9 GHz band; however, we were required to relocate and reimburse the incumbent licensees in this band for their costs of relocation to another band designated by the FCC. We completed all of our 1.9 GHz incumbent relocation and reimbursement obligations in the second half of 2010.

The minimum cash obligation is $2.8 billion under the Report and Order. We are, however, obligated to pay the full amount of the costs relating to the reconfiguration plan, even if those costs exceed $2.8 billion. As required under the terms of the Report and Order, a letter of credit has been secured to provide assurance that funds will be available to pay the relocation costs of the incumbent users of the 800 MHz spectrum. We submit the qualified 800 MHz relocation costs to the FCC for review for potential letter of credit reductions on a periodic basis. As a result of these reviews, our letter of credit was reduced from $2.5 billion at the start of the project to $859 million as of December 31, 2012, as approved by the FCC.

Total payments directly attributable to our performance under the Report and Order, from the inception of the program, are approximately $3.2 billion, of which $196 million was incurred related to FCC licenses during 2012. When incurred, these costs are generally accounted for either as property, plant and equipment or as additions to FCC licenses. Although costs incurred to date have exceeded $2.8 billion, not all of those costs have been reviewed and accepted as eligible by the transition administrator. Regardless, we continue to estimate that total eligible direct costs attributable to the spectrum reconfigurations will exceed the minimum cash obligation of $2.8 billion. This estimate is dependent on significant assumptions including the final licensee costs and costs associated with relocating licensees in the Mexican border region for which there is currently no approved border plan. As required by the Report and Order, the letter of credit had a minimum of $850 million, which was largely intended to protect both the relocating licensees as well as the United States Treasury should an anti-windfall payment be necessary. Given the significant progress that has been made, the total amounts spent to date, and the remaining forecasted amounts to be spent by the licensees, Sprint believes it is reasonable to allow the letter of credit to be reduced below $850 million. Accordingly, in January 2013, we submitted a Request for Declaratory Ruling to the FCC requesting two items: (i) that it declare that Sprint will not owe any anti-windfall payment to the US Treasury, because we have exceeded the $2.8 billion of required expenditures, and (ii) that the FCC remove the $850 million minimum for the letter of credit and allow further reductions based on quarterly estimates of remaining obligations. This Request for Declaratory Ruling is pending before the FCC.

Completion of the 800 MHz band reconfiguration was initially required by June 26, 2008. The FCC continues to grant 800 MHz public safety licensees additional time to complete their band reconfigurations which, in turn, delays Sprint's access to some of our 800 MHz replacement channels. Accordingly, we will continue to transition to our 800 MHz replacement channels consistent with public safety licensees' reconfiguration progress. On May 24, 2012, the FCC revised its rules to authorize Sprint to deploy wireless broadband services, such as CDMA and LTE, on its 800 MHz spectrum, including channels that become available to Sprint upon completion of the 800 MHz band reconfiguration program. We anticipate that the continuing reconfiguration progress will be sufficient to support the 800 MHz portion of Sprint’s Network Vision rollout.

Operating Leases

We lease various equipment, office facilities, retail outlets and kiosks, switching facilities and cell sites under operating leases. The non-cancelable portion of these leases generally ranges from monthly up to 15 years. These leases, with few exceptions, provide for automatic renewal options and escalations that are either fixed or based on the consumer price index. Any rent abatements, along with rent escalations, are included in the computation of rent expense calculated on a straight-line basis over the lease term. Our lease term for most leases includes the initial non-cancelable term plus at least one renewal period, if the non-cancelable term is less than ten years, as the exercise of the related renewal option or options is reasonably assured. Our cell site leases generally provide for an initial non-cancelable term of five to twelve years with up to five renewal options for five years each.

During 2011 and 2012, we renegotiated cell site leases in connection with Network Vision. As a result, future operating lease payments related to cell sites that were disclosed in 2011 decreased slightly in 2012. The decrease is primarily due to having fewer sites as a result of the shut-down of certain Nextel network cell sites in conjunction with Network Vision. Our rental commitments for operating leases, including lease renewals that are reasonably assured, consisted mainly of leases for cell and switch sites, real estate, information technology and network equipment and office space.

As of December 31, 2012, operating lease commitments in future years were as follows:

	(in millions)
2013	$ 1,880
2014	1,863
2015	1,668
2016	1,542
2017	1,437
2018 and thereafter	7,276
	$ 15,666

Total rental expense was $2.0 billion in 2012, $1.9 billion in 2011, and $1.8 billion in 2010. Total rent expense increased in 2012 as compared to 2011 primarily as a result of rent leveling charges associated with renegotiated cell site leases in 2011 and 2012.

Commitments

We are a party to other commitments, which includes, among other things, service, spectrum, network capacity and other executory contracts in connection with conducting our business. As of December 31, 2012, the minimum estimated amounts due under other commitments were as follows:

	(in millions)
2013	$ 17,464
2014	5,357
2015	4,798
2016	1,046
2017	643
2018 and thereafter	1,156
	$ 30,464

Amounts actually paid under some of these agreements will likely be higher due to variable components of these agreements. The more significant variable components that determine the ultimate obligation owed include such items as hours contracted, subscribers and other factors. In addition, we are a party to various arrangements that are conditional in nature and obligate us to make payments only upon the occurrence of certain events, such as the delivery of functioning software or a product.

Note 14. Shareholders' Equity and Per Share Data

Our articles of incorporation authorize 6,620,000,000 shares of capital stock as follows:

- 6,000,000,000 shares of Series 1 voting common stock, par value $2.00 per share;
- 500,000,000 shares of Series 2 voting common stock, par value $2.00 per share;
- 100,000,000 shares of non-voting common stock, par value $0.01 per share; and
- 20,000,000 shares of preferred stock, no par value per share.

Classes of Common Stock

Series 1 Common Stock

The holders of our Series 1 common stock are entitled to one vote per share on all matters submitted for action by the shareholders. There were about 3.0 billion shares of Series 1 common stock outstanding as of December 31, 2012.

Series 2 Common Stock

The holders of our Series 2 common stock are entitled to 10% of one vote per share, but otherwise have rights that are substantially identical to those of the Series 1 common stock. In 2011, the remaining 35 million Series 2 shares were converted to 35 million Series 1 shares, resulting in a $38 million and $168 million reduction in common shares and paid-in capital, respectively, and a corresponding $206 million reduction in treasury shares. As a result, there were no shares of Series 2 common stock outstanding as of December 31, 2012.

Treasury Shares

Shares of common stock repurchased by us are recorded at cost as treasury shares and result in a reduction of shareholders' equity. We reissue treasury shares as part of our shareholder approved stock-based compensation programs, as well as upon conversion of outstanding securities that are convertible into common stock. When shares are reissued, we determine the cost using the FIFO method.

Dividends

We did not declare any dividends on our common shares in 2012, 2011, or 2010. We are currently restricted from paying cash dividends by the terms of our revolving bank credit facility as described in note 8.

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss, net of tax are as follows:

	As of December 31,	
	2012	2011
	(in millions)	
Unrecognized net periodic pension and postretirement benefit cost	$ (1,169)	$ (830)
Unrealized net gains related to investments	9	7
Foreign currency translation adjustments	27	31
Accumulated other comprehensive loss	$ (1,133)	$ (792)

Per Share Data

Basic loss per common share is calculated by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per common share adjusts basic earnings (loss) per common share, computed using the treasury stock method, for the effects of potentially dilutive common shares, if the effect is not antidilutive. Potentially dilutive common shares issuable under our equity-based compensation plans where the average market price exceeded the exercise price were 44 million, 27 million, and 30 million shares as of December 31, 2012, 2011, and 2010, respectively. In addition, all approximately 590 million shares issuable upon the conversion of our convertible bond would also be dilutive to earnings per common share. However, all such potentially dilutive shares were antidilutive for 2012, 2011 and 2010 and, therefore, have no effect on our determination of dilutive weighted average number of shares outstanding.

Note 15. Segments

Sprint operates two reportable segments: Wireless and Wireline.

- Wireless primarily includes retail, wholesale and affiliate revenue from a wide array of wireless voice and data transmission services and equipment revenue from the sale of wireless devices and accessories in the U.S., Puerto Rico and the U.S. Virgin Islands.
- Wireline primarily includes revenue from domestic and international wireline voice and data communication services, including services to the cable multiple systems operators that resell our local and long distance services and use our back office systems and network assets in support of their telephone service provided over cable facilities primarily to residential end-use subscribers.

We define segment earnings as wireless or wireline operating (loss) income before other segment expenses such as depreciation, amortization, severance, exit costs, goodwill impairments, asset impairments, and other items, if any, solely and directly attributable to the segment representing items of a non-recurring or unusual nature. Expense and income items excluded from segment earnings are managed at the corporate level. Transactions between segments are generally accounted for based on market rates, which we believe approximate fair value. The Company generally re-establishes these rates at the beginning of each fiscal year. Over the past several years, there has been an industry-wide trend of lower rates due to increased competition from other wireline and wireless communications companies as well as cable and Internet service providers.

Segment financial information is as follows:

Statement of Operations Information	Wireless	Wireline	Corporate, Other and Eliminations	Consolidated
		(in millions)		
2012				
Net operating revenues[3]	$ 32,355	$ 2,999	$ 12	$ 35,366
Inter-segment revenues[1]	—	882	(882)	—
Total segment operating expenses[3]	(28,208)	(3,232)	877	(30,563)
Segment earnings	$ 4,147	$ 649	$ 7	4,803
Less:				
Depreciation and amortization				(6,543)
Business combination and hurricane-related charges[3]				(64)
Other, net[2]				(16)
Operating loss				(1,820)
Interest expense				(1,428)
Equity in losses of unconsolidated investments, net			$ (1,114)	(1,114)
Other income, net				190
Loss before income taxes				$ (4,172)

Statement of Operations Information	Wireless	Wireline	Corporate, Other and Eliminations	Consolidated
		(in millions)		
2011				
Net operating revenues	$ 30,301	$ 3,370	$ 8	$ 33,679
Inter-segment revenues[1]	—	956	(956)	—
Total segment operating expenses	(26,034)	(3,526)	953	(28,607)
Segment earnings	$ 4,267	$ 800	$ 5	5,072
Less:				
Depreciation and amortization				(4,858)
Other, net[2]				(106)
Operating income				108
Interest expense				(1,011)
Equity in losses of unconsolidated investments, net			$ (1,730)	(1,730)
Other expense, net				(3)
Loss before income taxes				$ (2,636)

Statement of Operations Information	Wireless	Wireline	Corporate, Other and Eliminations	Consolidated
			(in millions)	
2010				
Net operating revenues	$ 28,597	$ 3,959	$ 7	$ 32,563
Inter-segment revenues[1]	—	1,081	(1,081)	—
Total segment operating expenses	(24,066)	(3,950)	1,086	(26,930)
Segment earnings	$ 4,531	$ 1,090	$ 12	5,633
Less:				
Depreciation and amortization				(6,248)
Other, net[2]				20
Operating loss				(595)
Interest expense				(1,464)
Equity in losses of unconsolidated investments, net			$ (1,286)	(1,286)
Other income, net				46
Loss before income taxes				$ (3,299)

Other Information	Wireless	Wireline	Corporate, Other and Eliminations[4]	Consolidated
			(in millions)	
2012				
Capital expenditures	$ 3,753	$ 240	$ 268	$ 4,261
Total assets	$ 38,297	$ 2,195	$ 11,078	$ 51,570
2011				
Capital expenditures	$ 2,702	$ 168	$ 260	$ 3,130
Total assets	$ 37,606	$ 2,355	$ 9,422	$ 49,383
2010				
Capital expenditures	$ 1,455	$ 223	$ 257	$ 1,935
Total assets	$ 38,445	$ 2,655	$ 10,554	$ 51,654

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(1) Inter-segment revenues consist primarily of wireline services provided to the Wireless segment for resale to or use by wireless subscribers.

(2) For 2012, other, net consists of $196 million of lease exit costs and $102 million of asset impairment charges, partially offset by net operating income of $236 million associated with the termination of the spectrum hosting arrangement with LightSquared (see Note 12), a gain of $29 million on spectrum swap transactions, and a benefit of $17 million resulting from favorable developments relating to access cost disputes associated with prior periods. For 2011 and 2010, other, net consists primarily of severance, exit costs and asset impairments offset by gains from other asset dispositions and exchanges (See note 9).

(3) Includes $45 million of hurricane-related charges for 2012, which are classified in our consolidated statements of comprehensive loss as follows: $21 million as contra-revenue in net operating revenues of Wireless, $20 million as cost of services and products ($17 million Wireless; $3 million Wireline), and $4 million as selling, general and administrative expenses of Wireless. Also includes $19 million of business combination charges for fees paid to unrelated parties necessary for the proposed transactions with SoftBank and Clearwire, which is included in our corporate segment and is classified in our consolidated statements of comprehensive loss as selling, general and administrative expenses.

(4) Corporate assets are not allocated to the operating segments and consist primarily of cash and cash equivalents, the corporate headquarters campus, our equity method investment in Clearwire, other assets managed at a corporate level. Corporate capital expenditures include various administrative assets.

Operating Revenues by Service and Products	Wireless	Wireline	Corporate, Other and Eliminations[1]	Consolidated
		(in millions)		
2012				
Wireless services[2]	$ 28,624	$ —	$ —	$ 28,624
Wireless equipment	3,248	—	—	3,248
Voice	—	1,627	(515)	1,112
Data	—	398	(176)	222
Internet	—	1,781	(190)	1,591
Other	483	75	11	569
Total net operating revenues	$ 32,355	$ 3,881	$ (870)	$ 35,366
2011				
Wireless services	$ 27,129	$ —	$ —	$ 27,129
Wireless equipment	2,911	—	—	2,911
Voice	—	1,915	(643)	1,272
Data	—	460	(163)	297
Internet	—	1,878	(151)	1,727
Other	261	73	9	343
Total net operating revenues	$ 30,301	$ 4,326	$ (948)	$ 33,679
2010				
Wireless services	$ 25,677	$ —	$ —	$ 25,677
Wireless equipment	2,703	—	—	2,703
Voice	—	2,249	(732)	1,517
Data	—	519	(140)	379
Internet	—	2,175	(209)	1,966
Other	217	97	7	321
Total net operating revenues	$ 28,597	$ 5,040	$ (1,074)	$ 32,563

(1) Revenues eliminated in consolidation consist primarily of wireline services provided to the Wireless segment for resale to or use by wireless subscribers.

(2) Wireless services related to the Wireless segment in 2012 excludes $21 million of hurricane-related contra-revenue charges reflected in net operating revenues in our consolidated statement of comprehensive loss.

Note 16. Quarterly Financial Data (Unaudited)

	Quarter 1st	2nd	3rd	4th
	(in millions, except per share amounts)			
2012				
Net operating revenues	$ 8,734	$ 8,843	$ 8,763	$ 9,005
Operating loss	$ (255)	$ (629)	$ (231)	$ (705)
Net loss	$ (863)	$ (1,374)	$ (767)	$ (1,322)
Basic and diluted loss per common share[(1)]	$ (0.29)	$ (0.46)	$ (0.26)	$ (0.44)

	Quarter 1st	2nd	3rd	4th
	(in millions, except per share amounts)			
2011				
Net operating revenues	$ 8,313	$ 8,311	$ 8,333	$ 8,722
Operating income (loss)	$ 259	$ 79	$ 208	$ (438)
Net loss	$ (439)	$ (847)	$ (301)	$ (1,303)
Basic and diluted loss per common share[(1)]	$ (0.15)	$ (0.28)	$ (0.10)	$ (0.43)

(1) The sum of the quarterly earnings per share amounts may not equal the annual amounts because of the changes in the weighted average number of shares outstanding during the year.

Note 17. Subsequent Events

On February 28, 2013 we entered into a new $2.8 billion unsecured revolving credit facility that expires in February 2018 with an interest rate equal to the LIBOR plus a spread that varies depending on the Company's credit ratings. This new credit facility replaced the $2.2 billion revolving credit facility that was due to expire in October 2013.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Clearwire Corporation
Bellevue, Washington

We have audited the accompanying consolidated balance sheets of Clearwire Corporation and subsidiaries (the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of operations, cash flows, stockholders' equity, and comprehensive loss for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Clearwire Corporation and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, on December 17, 2012, the Company entered into a merger agreement with Sprint Nextel Corporation ("Sprint"), pursuant to which Sprint agreed to acquire all of the outstanding shares of the Company's common stock not currently owned by Sprint. In connection with the merger agreement, on December 17, 2012, the Company entered into a financing arrangement with Sprint. See Note 1 to the consolidated financial statements for a summary of the terms and conditions of the merger agreement and financing arrangement with Sprint, the uncertainties associated with the funding available under the financing arrangement, and the related potential impact of such uncertainties on the Company's need for liquidity in the next twelve months.

/s/ Deloitte & Touche LLP

Seattle, Washington
February 13, 2013

CLEARWIRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2012	December 31, 2011
	(In thousands, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 193,445	$ 891,929
Short-term investments	675,112	215,655
Restricted cash	1,653	1,000
Accounts receivable, net of allowance of $3,145 and $5,542	22,769	83,660
Inventory	10,940	23,832
Prepaids and other assets	83,769	71,083
Total current assets	987,688	1,287,159
Property, plant and equipment, net	2,259,004	3,014,277
Restricted cash	3,709	7,619
Spectrum licenses, net	4,249,621	4,298,254
Other intangible assets, net	24,660	40,850
Other assets	141,107	157,797
Assets of discontinued operations (Note 18)	—	36,696
Total assets	$ 7,665,789	$ 8,842,652
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 177,855	$ 157,172
Other current liabilities	227,610	122,756
Total current liabilities	405,465	279,928
Long-term debt, net	4,271,357	4,019,605
Deferred tax liabilities, net	143,992	152,182
Other long-term liabilities	963,353	719,703
Liabilities of discontinued operations (Note 18)	—	25,196
Total liabilities	5,784,167	5,196,614
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Class A common stock, par value $0.0001, 2,000,000 shares authorized; 691,315 and 452,215 shares outstanding	69	45
Class B common stock, par value $0.0001, 1,400,000 shares authorized; 773,733 and 839,703 shares outstanding	77	83
Additional paid-in capital	3,158,244	2,714,634
Accumulated other comprehensive (loss) income	(6)	2,793
Accumulated deficit	(2,346,393)	(1,617,826)
Total Clearwire Corporation stockholders' equity	811,991	1,099,729
Non-controlling interests	1,069,631	2,546,309
Total stockholders' equity	1,881,622	3,646,038
Total liabilities and stockholders' equity	$ 7,665,789	$ 8,842,652

See notes to consolidated financial statements

CLEARWIRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2012	2011	2010
	(In thousands, except per share data)		
Revenues	$ 1,264,694	$ 1,253,466	$ 535,103
Operating expenses:			
Cost of goods and services and network costs (exclusive of items shown separately below)	908,078	1,249,966	912,776
Selling, general and administrative expense	558,202	698,067	870,980
Depreciation and amortization	768,193	687,636	454,003
Spectrum lease expense	326,798	308,693	279,993
Loss from abandonment of network and other assets	82,206	700,341	180,001
Total operating expenses	2,643,477	3,644,703	2,697,753
Operating loss	(1,378,783)	(2,391,237)	(2,162,650)
Other income (expense):			
Interest income	1,895	2,335	4,950
Interest expense	(553,459)	(505,992)	(152,868)
Gain on derivative instruments	1,356	145,308	63,255
Other income (expense), net	(12,153)	681	(2,671)
Total other expense, net	(562,361)	(357,668)	(87,334)
Loss from continuing operations before income taxes	(1,941,144)	(2,748,905)	(2,249,984)
Income tax benefit (provision)	197,399	(106,828)	(1,218)
Net loss from continuing operations	(1,743,745)	(2,855,733)	(2,251,202)
Less: non-controlling interests in net loss from continuing operations of consolidated subsidiaries	1,182,183	2,158,831	1,775,840
Net loss from continuing operations attributable to Clearwire Corporation	(561,562)	(696,902)	(475,362)
Net loss from discontinued operations attributable to Clearwire Corporation, net of tax (Note 18)	(167,005)	(20,431)	(12,075)
Net loss attributable to Clearwire Corporation	$ (728,567)	$ (717,333)	$ (487,437)
Net loss from continuing operations attributable to Clearwire Corporation per Class A Common Share:			
Basic	$ (1.01)	$ (2.70)	$ (2.14)
Diluted	$ (1.27)	$ (2.99)	$ (2.41)
Net loss attributable to Clearwire Corporation per Class A Common Share:			
Basic	$ (1.31)	$ (2.78)	$ (2.19)
Diluted	$ (1.39)	$ (3.07)	$ (2.46)

See notes to consolidated financial statements

CLEARWIRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Year ended December 31,		
	2012	2011	2010
		(In thousands)	
Net loss:			
Net loss from continuing operations	$ (1,743,745)	$ (2,855,733)	$ (2,251,202)
Less: non-controlling interests in net loss from continuing operations of consolidated subsidiaries	1,182,183	2,158,831	1,775,840
Net loss from continuing operations attributable to Clearwire Corporation	(561,562)	(696,902)	(475,362)
Net loss from discontinued operations	(168,361)	(81,810)	(51,892)
Less: non-controlling interests in net loss from discontinued operations of consolidated subsidiaries	1,356	61,379	39,817
Net loss from discontinued operations attributable to Clearwire Corporation, net of tax	(167,005)	(20,431)	(12,075)
Net loss attributable to Clearwire Corporation	(728,567)	(717,333)	(487,437)
Other comprehensive income (loss):			
Unrealized foreign currency gains (losses) during the period	(699)	3,913	(7,047)
Less: reclassification adjustment of cumulative foreign currency (gains) losses to net loss from continuing operations	(8,739)	—	825
Unrealized investment holding gains (losses) during the period	56	(1,185)	2,354
Less: reclassification adjustment of investment holding gains to net loss	—	(4,945)	—
Other comprehensive loss	(9,382)	(2,217)	(3,868)
Less: non-controlling interests in other comprehensive loss of consolidated subsidiaries	6,056	1,851	3,125
Other comprehensive loss attributable to Clearwire Corporation	(3,326)	(366)	(743)
Comprehensive loss:			
Comprehensive loss	(1,921,488)	(2,939,760)	(2,306,962)
Less: non-controlling interests in comprehensive loss of consolidated subsidiaries	1,189,595	2,222,061	1,818,782
Comprehensive loss attributable to Clearwire Corporation	$ (731,893)	$ (717,699)	$ (488,180)

See notes to consolidated financial statements

CLEARWIRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2012	2011	2010
		(In thousands)	
Cash flows from operating activities:			
Net loss from continuing operations	$ (1,743,745)	$ (2,855,733)	$ (2,251,202)
Adjustments to reconcile net loss to net cash used in operating activities:			
Deferred income taxes	(199,199)	105,308	—
Non-cash gain on derivative instruments	(1,356)	(145,308)	(63,255)
Accretion of discount on debt	41,386	40,216	6,113
Depreciation and amortization	768,193	687,636	454,003
Amortization of spectrum leases	54,328	53,674	57,433
Non-cash rent expense	197,169	342,962	200,901
Loss on property, plant and equipment (Note 5)	171,780	966,441	345,727
Other operating activities	42,740	27,745	49,506
Changes in assets and liabilities:			
Inventory	11,200	15,697	(11,697)
Accounts receivable	50,401	(54,212)	(20,550)
Prepaids and other assets	326	22,447	(73,767)
Prepaid spectrum licenses	1,904	(4,360)	(3,294)
Deferred revenue	170,455	16,497	8,447
Accounts payable and other liabilities	(17,090)	(152,180)	136,233
Net cash used in operating activities of continuing operations	(451,508)	(933,170)	(1,165,402)
Net cash provided by (used in) operating activities of discontinued operations	(3,000)	2,381	(3,311)
Net cash used in operating activities	(454,508)	(930,789)	(1,168,713)
Cash flows from investing activities:			
Capital expenditures	(112,997)	(405,655)	(2,646,365)
Purchases of available-for-sale investments	(1,797,787)	(957,883)	(2,098,705)
Disposition of available-for-sale investments	1,339,078	1,255,176	3,776,805
Other investing activities	(655)	20,229	(44,119)
Net cash used in investing activities of continuing operations	(572,361)	(88,133)	(1,012,384)
Net cash provided by (used in) investing activities of discontinued operations	1,185	(3,886)	(834)
Net cash used in investing activities	(571,176)	(92,019)	(1,013,218)
Cash flows from financing activities:			
Principal payments on long-term debt	(26,985)	(29,957)	(876)
Proceeds from issuance of long-term debt	300,000	—	1,413,319
Debt financing fees	(6,205)	(1,159)	(53,285)
Equity investment by strategic investors	8	331,400	54,828
Proceeds from issuance of common stock	58,460	387,279	304,015
Net cash provided by financing activities of continuing operations	325,278	687,563	1,718,001
Net cash provided by financing activities of discontinued operations	—	—	—
Net cash provided by financing activities	325,278	687,563	1,718,001
Effect of foreign currency exchange rates on cash and cash equivalents	107	(4,573)	(525)
Net decrease in cash and cash equivalents	(700,299)	(339,818)	(464,455)
Cash and cash equivalents:			
Beginning of period	893,744	1,233,562	1,698,017
End of period	193,445	893,744	1,233,562
Less: cash and cash equivalents of discontinued operations at end of period	—	1,815	3,320
Cash and cash equivalents of continuing operations at end of period	$ 193,445	$ 891,929	$ 1,230,242
Supplemental cash flow disclosures:			
Cash paid for interest including capitalized interest paid	$ 505,913	$ 474,849	$ 336,314
Non-cash investing activities:			
Fixed asset purchases in accounts payable and accrued expenses	$ 20,795	$ 14,144	$ 120,025
Fixed asset purchases financed by long-term debt	$ 36,229	$ 11,514	$ 133,288
Non-cash financing activities:			
Vendor financing obligations	$ (4,644)	$ (3,332)	$ (60,251)
Capital lease obligations	$ (31,585)	$ (8,182)	$ (73,037)
Class A common stock issued for repayment of long-term debt	$ 88,456	$ —	$ —
Repayment of long-term debt through issuances of Class A common stock	$ (88,456)	$ —	$ —

See notes to consolidated financial statements

CLEARWIRE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2012, 2011 and 2010

	Class A Common Stock		Class B Common Stock						
	Shares	Amounts	Shares	Amounts	Additional Paid In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Non-controlling Interests	Total Stockholders' Equity
					(In thousands)				
Balances at December 31, 2009	196,767	$ 20	734,239	$ 73	$ 2,000,061	$ 3,745	$ (413,056)	$ 6,181,525	$ 7,772,368
Net loss from continuing operations	—	—	—	—	—	—	(475,362)	(1,775,840)	(2,251,202)
Net loss from discontinued operations	—	—	—	—	—	—	(12,075)	(39,817)	(51,892)
Foreign currency translation adjustment	—	—	—	—	—	(1,180)	—	(5,042)	(6,222)
Unrealized gain on investments	—	—	—	—	—	437	—	1,917	2,354
Issuance of common stock, net of issuance costs, and other capital transactions	46,777	4	9,242	1	208,385	(507)	—	150,123	358,006
Share-based compensation and other transactions	—	—	—	—	12,664	—	—	33,922	46,586
Balances at December 31, 2010	243,544	24	743,481	74	2,221,110	2,495	(900,493)	4,546,788	5,869,998
Net loss from continuing operations	—	—	—	—	—	—	(696,902)	(2,158,831)	(2,855,733)
Net loss from discontinued operations	—	—	—	—	—	—	(20,431)	(61,379)	(81,810)
Foreign currency translation adjustment	—	—	—	—	—	1,149	—	2,764	3,913
Unrealized gain on investments	—	—	—	—	—	(1,515)	—	(4,615)	(6,130)
Issuance of common stock, net of issuance costs, and other capital transactions	208,671	21	96,222	9	478,394	664	—	210,088	689,176
Share-based compensation and other transactions	—	—	—	—	15,130	—	—	11,494	26,624
Balances at December 31, 2011	452,215	45	839,703	83	2,714,634	2,793	(1,617,826)	2,546,309	3,646,038
Net loss from continuing operations	—	—	—	—	—	—	(561,562)	(1,182,183)	(1,743,745)
Net loss from discontinued operations	—	—	—	—	—	—	(167,005)	(1,356)	(168,361)
Foreign currency translation adjustment	—	—	—	—	—	(3,354)	—	(6,084)	(9,438)
Unrealized loss on investments	—	—	—	—	—	28	—	28	56
Issuance of common stock, net of issuance costs, and other capital transactions (Note 15)	239,100	24	(65,970)	(6)	415,467	527	—	(287,806)	128,206
Share-based compensation and other transactions	—	—	—	—	28,143	—	—	723	28,866
Balances at December 31, 2012	691,315	$ 69	773,733	$ 77	$ 3,158,244	$ (6)	$ (2,346,393)	$ 1,069,631	$ 1,881,622

See notes to consolidated financial statements

1. Description of Business

We are a leading provider of fourth generation, or 4G, wireless broadband services. We build and operate next generation mobile broadband networks that provide high-speed mobile Internet and residential Internet access services in communities throughout the country. Our current 4G mobile broadband network operates on the Worldwide Interoperability of Microwave Access technology 802.16e standard, which we refer to as mobile WiMAX. In our current 4G mobile broadband markets in the United States, we offer our services through retail channels and through our wholesale partners. Sprint Nextel Corporation, which we refer to as Sprint, accounts for substantially all of our wholesale sales to date, and offers services in each of our 4G markets.

As of December 31, 2012, we offered our services in 88 markets in the United States. Internationally, as of December 31, 2012, we completed the sale of our operations in Belgium, Germany and Spain. The results of operations of these international entities prior to their sale are separately disclosed as discontinued operations.

We need to greatly expand our revenue base by increasing sales to our existing wholesale partners, primarily Sprint, and bring on additional wholesale partners with substantial requirements for additional data capacity to supplement their own services. To be successful with either, we believe it is necessary that we deploy Long Term Evolution, or LTE, technology, which is currently being adopted by most wireless operators globally including Sprint, as their next generation wireless technology, on our network.

We have begun deployment of our LTE network and have 1,000 sites on air as of December 31, 2012. We expect to have approximately 2,000 LTE sites on air by the end of June 2013, which will satisfy the initial LTE prepayment milestone under the terms of our recently amended wholesale agreements with Sprint. Subject to the availability of funding, including proceeds of the interim financing arrangement provided by Sprint (see below), we plan to have approximately 5,000 sites on air by the end of the year. Under the amended wholesale agreements with Sprint, we are required to expand our LTE network to 5,000 sites by no later than June 30, 2014 and 8,000 by the end of 2014.

Proposed Sprint Merger

Merger Agreement

On December 17, 2012, we entered into an agreement and plan of merger with Sprint, which we refer to as the Merger Agreement, pursuant to which Sprint agreed to acquire all of the outstanding shares of Clearwire Corporation Class A and Class B common stock, which we refer to as Class A Common Stock and Class B Common Stock, respectively, not currently owned by Sprint, SOFTBANK CORP., which we refer to as Softbank, or their affiliates. At the closing, the outstanding shares of common stock will be canceled and converted automatically into the right to receive $2.97 per share in cash, without interest. Our stockholders will be asked to vote on the adoption of the Merger Agreement at a special meeting that will be held on a date to be announced. Consummation of the transactions under the Merger Agreement, which we refer to as the Proposed Merger, is subject to a number of conditions precedent, including, among others: (i) the adoption of the Merger Agreement by the holders of at least 75% of the outstanding shares of our common stock entitled to vote on the Proposed Merger, voting as a single class, and at least a majority of the outstanding shares of our common stock not held by Sprint, SoftBank and their respective affiliates, voting as a single class, at a duly called stockholders' meeting, which we refer to as the Clearwire Stockholder Approval, (ii) the receipt of the Federal Communications Commission, which we refer to as the FCC, approvals required to consummate the Proposed Merger, (iii) the absence of any order enjoining the consummation of, or prohibiting, the Proposed Merger; (iv) the non-occurrence of any event having a material adverse effect from the date of the Merger Agreement to the closing of the Proposed Merger, and (v) the consummation by Sprint of the pending merger between Sprint and SoftBank and certain affiliates thereof, which we refer to as the SoftBank Transaction, or an alternate transaction thereto.

The Merger Agreement contains termination rights for the benefit of Sprint and Clearwire and further provides that Sprint will be required to pay us a termination fee of $120.0 million under certain specified circumstances of termination of the Merger Agreement. Any obligation to pay such termination fee will be satisfied by the cancellation of $120.0 million of Notes, which we refer to as the Sprint Termination Fee, which are described below. In the event we are entitled to receive the termination fee, in certain instances, we may also be entitled to receive from Sprint a supplemental prepayment for LTE services on January 15, 2014 in the amount of $100.0 million, conditioned upon the completion of site build-out targets pursuant to a commercial agreement currently in effect between Sprint and Clearwire. Any such prepayment will be credited against certain of Sprint's obligations under such agreement.

Note Purchase Agreement

In connection with the Merger Agreement, on December 17, 2012, we entered into a Note Purchase Agreement, which we refer to as the Note Purchase Agreement, with Clearwire Communications LLC, which we refer to as Clearwire Communications, Clearwire Finance Inc., which we refer to as Clearwire Finance, and together with Clearwire Communications, which we refer to as the Issuers, and Sprint, in which Sprint agreed to purchase from us at our election up to an aggregate principal amount of $800.0 million of 1.00% Exchangeable Notes due 2018, which we refer to as the Notes, in ten monthly installments of $80.0 million each on the first business day of each month, which we refer to as the Draw Date, beginning January 2013 and through the pendency of the Proposed Merger. The Notes accrue interest at 1.00% per annum and are exchangeable into shares of Class A Common Stock at an exchange rate of 666.67 shares per $1,000 aggregate principal amount of the Notes, which is equivalent to a price of $1.50 per share, subject to anti-dilution protections. Additionally, on the last three Draw Dates (in August, September and October 2013), we can only request that Sprint purchase notes if (i) an agreement has been reached between the parties on the accelerated build out of our wireless broadband network, which we refer to as the Build-Out Agreement, by February 28, 2013, (ii) the Build-Out Agreement is in full force and effect and (iii) we have not breached any of our obligations under the Build-Out Agreement.

Under the terms of the Note Purchase Agreement, the terms of the Notes will be governed by an indenture, which the Issuers expect to enter into on the first Draw Date, which we refer to as the New Indenture. The terms of the New Indenture are substantially similar to the indenture dated as of December 8, 2010, by and among the Issuers, the guarantors named therein and the trustee named therein, governing the Issuers' existing 8.25% Exchangeable Notes due 2040, which we refer to as the Existing Indenture, which were issued in December 2010. However, under the New Indenture, the Notes will be exchangeable by Sprint and certain of our other equityholders into either our Class A Common Stock, or Class B Common Stock, and Class B units of Clearwire Communications LLC (such Class B units together with the corresponding Class B Common Stock, which we refer to as the Class B Interests) at their election. The Notes will become exchangeable if (a) the Merger Agreement is terminated for any reason (except under circumstances where we would receive, and do not reject, the Sprint Termination Fee), or (b) the Proposed Merger is consummated, at an exchange rate of 666.67 shares per $1,000 aggregate principal amount of Notes (equivalent to a price of $1.50 per share), subject to anti-dilution protections, which we refer to as the Exchange Rate.If the Merger Agreement is terminated under circumstances where we would receive, and do not reject, the Sprint Termination Fee, then $120.0 million principal amount of the Notes will be automatically canceled. In addition, if the Merger Agreement is terminated because the SoftBank Transaction is not consummated, we will have the option to exchange the Notes that remain outstanding at the Exchange Rate for 15 business days following the termination of the SoftBank Transaction. Unlike the terms of the Existing Indenture, the terms of the New Indenture do not include an option to call or redeem the Notes, and Sprint does not have the right to put Notes at specified dates.

The Note Purchase Agreement can be terminated, among other things, by mutual consent, automatically if the required vote to approve the Proposed Merger is not obtained at our stockholders meeting, or if the Merger Agreement is terminated due to a failure of the SoftBank Transaction or a breach of Sprint's representations, warranties, covenants or agreements thereunder (subject to certain conditions), provided that if the Note Purchase Agreement is terminated due to the Merger Agreement being terminated by reason of a failure of the SoftBank Transaction or because of a breach of any representation, warranty, covenant or agreement by Sprint, then the Note Purchase Agreement will terminate upon the earlier of (i) our exercising our option to exchange the Notes upon such termination and (ii) July 2, 2013; however the Note Purchase Agreement will not terminate on July 2, 2013 if the Build-Out Agreement was reached by February 28, 2013, the Build-Out Agreement is in full force and effect and we have not breached any of our obligations under the Build-Out Agreement.

On December 26, 2012, we notified Sprint of our intention to take the first draw for January 2013 under the Note Purchase Agreement. Following receipt of a proposal from DISH Network Corporation, which we refer to as DISH, we elected on December 28, 2012, to revoke our draw notice prior to receiving any proceeds from the draw to allow us to evaluate DISH's proposal. Sprint subsequently asserted that it believes that the draw notice is irrevocable and has reserved its rights with respect thereto. We also decided to forego the second draw for February 2013 as the Special Committee continues to evaluate DISH's proposal. Our election to forego the first two draws under the Note Purchase Agreement has reduced the aggregate principal amount available to $640 million. The Special Committee has not made any determination with respect to any future draws under the Note Purchase Agreement.

DISH Proposal

After signing the Merger Agreement, Clearwire received an unsolicited, non-binding proposal, which we refer to as the DISH Proposal, from DISH. The DISH Proposal provides for DISH to purchase certain spectrum assets from Clearwire, enter into a commercial agreement with Clearwire and acquire up to all of Clearwire's common stock for $3.30 per share (subject to minimum ownership of at least 25% and granting of certain governance rights) and provide Clearwire with financing on specified terms. The DISH Proposal is only a preliminary indication of interest and is subject to numerous, material uncertainties and conditions, including the negotiation of multiple contractual arrangements being requested by DISH as well as regulatory approvals. The DISH Proposal provides that it would be withdrawn if we draw any of funds available under the Note Purchase Agreement. Some of the terms in the DISH Proposal, as currently proposed, may not be permitted under the terms of Clearwire's current legal and contractual obligations. Additionally, our ability to enter into strategic transactions is significantly limited by our current contractual arrangements, including the agreements with Sprint executed on December 17, 2012, which we refer to as the Sprint Agreement, and our existing equityholders' agreement dated November 28, 2008 as amended on December 8, 2010, which we refer to as the Equityholders' Agreement.

The Special Committee is currently evaluating the DISH Proposal and engaging in discussions with each of DISH and Sprint, as appropriate. The Special Committee has not made any determination to change its recommendation of the current Sprint transaction. Consistent with our obligations under the Sprint Agreement, we provided Sprint with notice, and the material terms, of the DISH Proposal, and received a response from Sprint that stated, among other things, that Sprint has reviewed the DISH Proposal and believes that it is illusory, inferior to the Sprint transaction and not viable because it cannot be implemented in light of our current legal and contractual obligations. Sprint has stated that the Sprint Agreement would prohibit us from entering into agreements for much of the DISH Proposal.

Liquidity

To date, we have invested heavily in building and maintaining our networks. We have a history of operating losses, and we expect to have significant losses in the future. We do not expect our operations to generate cumulative positive cash flows during the next twelve months.

As of December 31, 2012, we had available cash and short-term investments of approximately $868.6 million. Our current LTE build plan is to have approximately 2,000 LTE sites on air by the end of June 2013, which will satisfy the initial LTE prepayment milestone under the terms of our recently amended agreements with Sprint. Under the amended wholesale agreements with Sprint, we are required to expand our LTE network to 5,000 sites by June 30, 2014. Subject to the availability of funding under the Note Purchase Agreement, our current LTE build plans is to expand our LTE network to 5,000 sites by the end of 2013.

Under our current LTE build plan, we currently expect to satisfy our operating, financing and capital spending needs for the next twelve months using the available cash and short-term investments on hand together with a portion of the remaining borrowing capacity available under the Note Purchase Agreement and with the proceeds of additional vendor financing. As discussed previously, our election to forego the first two draws under the Note Purchase Agreement has reduced the aggregate principal amount available to $640 million and our ability to draw a portion of the funds under the Note Purchase Agreement is subject to certain conditions. Additionally, on the last three Draw Dates (in August, September and October 2013), we can only request that Sprint purchase notes if (i) the Build-Out Agreement has been reached by February 28, 2013, (ii) the Build-Out Agreement is in full force and effect and (iii) we have not breached any of our obligations under the Build-Out Agreement.

By electing to draw on at least three months of borrowing capacity under the Note Purchase Agreement, we would have sufficient cash and borrowing capacity to satisfy the initial LTE prepayment milestone and meet out operating and financing needs for the next twelve months. If the Merger Agreement were to terminate and funding beyond three draws under the Note Purchase Agreement would no longer be available to the Company, without alternative sources of additional capital, we would have to significantly curtail our LTE network build plan as currently contemplated to conserve cash and meet our operating and financing obligations during 2013. If we do not draw on at least three months of borrowing capacity under the Note Purchase Agreement and do not obtain a similar amount of additional financing from alternative sources, we forecast that our cash and short-term investments would be depleted sometime in the fourth quarter of 2013.

Further, if the Proposed Merger fails to close for any reason or the closing takes longer than we expect, we will need to raise substantial additional capital and to secure commitments from additional wholesale partners with significant data capacity needs that generate substantial revenues for us in a timely manner to fully implement our business plans and to be able to meet our financial obligations and continue to operate beyond the next twelve months. The amount of additional capital needed by us if the Proposed Merger fails to close will depend on a number of factors, many of which are outside of our control and subject to a number of uncertainties.

Whether we would be able to successfully fulfill our additional capital needs in a timely manner is uncertain. If the Merger Agreement terminates, we will likely pursue various alternatives for securing additional capital. These alternatives include, among other things, obtaining additional equity and debt financing from a number of possible sources such as new and existing strategic investors, private or public offerings and vendors. However, we face a number of challenges. Our recent equity financings were dilutive to our shareholders and, with the current trading price of our Class A Common Stock, any additional equity financings could result in significant additional dilution for our stockholders and may not generate the proceeds we need. Further, unless we are able to secure the required shareholder approvals to increase the number of authorized shares under our Certificate of Incorporation, we may not have enough authorized, but unissued shares available to raise sufficient additional capital through an equity financing. With our existing level of indebtedness, including the amount of any financing drawn by us under the Note Purchase Agreement, if any, and our inability to issue additional secured indebtedness under our existing indentures, additional debt financings may not be available on acceptable terms or at all. Even if additional debt financings are available, they could increase our future financial commitments, including aggregate interest payments on our existing and new indebtedness, to levels that we find difficult to support. Other sources of additional capital could include, among other things, a sale of certain of our assets that we believe are not essential for our business, such as excess spectrum. However, our ability to consummate a sale of assets that would generate sufficient proceeds to meet our capital needs on acceptable terms in a timely manner or at all is uncertain.

If the Merger Agreement terminates and we are unable to raise sufficient additional capital to fulfill our funding needs in a timely manner, or we fail to generate sufficient additional revenue from our wholesale and retail businesses to meet our obligations beyond the next twelve months, our business prospects, financial condition and results of operations will likely be materially and adversely affected, substantial doubt may arise about our ability to continue as a going concern and we will be forced to consider all available alternatives, including a financial restructuring, which could include seeking protection under the provisions of the United States Bankruptcy Code.

2. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which we refer to as U.S. GAAP, and pursuant to the rules and regulations of the Securities and Exchange Commission, which we refer to as the SEC. The following is a summary of our significant accounting policies:

Principles of Consolidation — The consolidated financial statements include all of the assets, liabilities and results of operations of our wholly-owned subsidiaries, and subsidiaries we control or in which we have a controlling financial interest. Investments in entities that we do not control and are not the primary beneficiary, but for which we have the ability to exercise significant influence over operating and financial policies, are accounted for under the equity method. All intercompany transactions are eliminated in consolidation.

Non-controlling interests on the consolidated balance sheets include third-party investments in entities that we consolidate, but do not wholly own. We classify our non-controlling interests as part of equity and we allocate net loss, other comprehensive income (loss) and other equity transactions to our non-controlling interests in accordance with their applicable ownership percentages. We also continue to attribute our non-controlling interests their share of losses even if that attribution results in a deficit non-controlling interest balance. See Note 15, Stockholders' Equity, for further information.

Financial Statement Presentation —

We have reclassified certain prior period amounts to conform with the current period presentation.

Information about operating segments is based on our internal organization and reporting of revenue and operating loss based upon internal accounting methods. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. Our chief operating decision maker is our Chief Executive Officer.

We operate with a single reportable segment as a provider of 4G wireless broadband services in the United States.

As of December 31, 2012, the dispositions of the assets and liabilities related to our discontinued operations had been completed. See Note 18, Discontinued Operations, for further discussion. Unless otherwise indicated, information in these notes to consolidated financial statements relates to continuing operations.

Use of Estimates — Preparing financial statements in conformity with U.S. GAAP requires management to make complex and subjective judgments. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, terms of existing contracts, observance of trends in the industry, information provided by our subscribers and information available from other outside sources, as appropriate. Additionally, changes in accounting estimates are reasonably likely to occur from period to period. These factors could have a material impact on our financial statements, the presentation of our financial condition, changes in financial condition or results of operations.

Significant estimates inherent in the preparation of the accompanying financial statements include: impairment analysis of spectrum licenses with indefinite lives, including judgments about when an impairment indicator may or may not have occurred and estimates of the fair value of our spectrum licenses, the recoverability and determination of useful lives for long-lived assets, which include property, plant and equipment and other intangible assets, tax valuation allowances and valuation of derivatives.

Cash and Cash Equivalents — Cash equivalents consist of money market mutual funds and highly liquid short-term investments, with original maturities of three months or less. Cash equivalents are stated at cost, which approximates market value. Cash and cash equivalents exclude cash that is contractually restricted for operational purposes. We maintain cash and cash equivalent balances with financial institutions that exceed federally insured limits. We have not experienced any losses related to these balances, and management believes the credit risk related to these balances to be minimal.

Restricted Cash — Restricted cash consists primarily of amounts we have set aside to satisfy certain contractual obligations and is classified as a current or non-current asset based on its designated purpose. The majority of this restricted cash has been designated to satisfy certain lease obligations.

Investments — We have an investment portfolio comprised primarily of U.S. Government and Agency marketable debt securities. We classify marketable debt securities as available-for-sale investments and these securities are stated at their estimated fair value. Our investments are recorded as short-term investments when the original maturities are greater than three months but remaining maturities are less than one year. Our investments with maturities of more than one year are recorded as long-term investments. Unrealized gains and losses are recorded within accumulated other comprehensive income (loss). Realized gains and losses are measured and reclassified from accumulated other comprehensive income (loss) on the basis of the specific identification method.

We account for certain of our investments using the equity method based on our ownership interest and our ability to exercise significant influence. Accordingly, we record our investment initially at cost and we adjust the carrying amount of the investment to recognize our share of the earnings or losses of the investee each reporting period. We cease to recognize investee losses when our investment basis is zero. At December 31, 2012 and 2011, our balance in equity method investees was $0 and $8.3 million, respectively, and was recorded in Other assets on the consolidated balance sheets.

We recognize realized losses when declines in the fair value of our investments below their cost basis are judged to be other-than-temporary. In determining whether a decline in fair value is other-than-temporary, we consider various factors including market price, investment ratings, the financial condition and near-term prospects of the issuer, the length of time and the extent to which the fair value has been less than the cost basis, and our intent and ability to hold the investment until maturity or for a period of time sufficient to allow for any anticipated recovery in market value. If it is judged that a decline in fair value is other-than-temporary, a realized loss equal to the decline is reflected in the consolidated statement of operations, and a new cost basis in the investment is established.

Fair Value Measurements — Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, we consider the principal or most advantageous market in which the asset or liability would transact, and if necessary, consider assumptions that market participants would use when pricing the asset or liability.

The accounting guidance for fair value measurement requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. Financial assets and financial liabilities are classified in the hierarchy based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The three-tier hierarchy for inputs used in measuring fair value, which prioritizes the inputs used in the methodologies of measuring fair value for assets and liabilities, is as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in less active markets; or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3: Unobservable inputs that are significant to the fair value measurement and cannot be corroborated by market data.

If listed prices or quotes are not available, fair value is based upon internally developed or other available models that primarily use, as inputs, market-based or independently sourced market parameters, including but not limited to interest rate curves, volatilities, equity prices, and credit curves. We use judgment in determining certain assumptions that market participants would use in pricing the financial instrument, including assumptions about discount rates and credit spreads. The degree of management judgment involved in determining fair value is dependent upon the availability of observable market parameters. For assets or liabilities that trade actively and have quoted market prices or observable market parameters, there is minimal judgment involved in measuring fair value. When observable market prices and parameters are not fully available, management judgment is necessary to estimate fair value. In addition, changes in market conditions may reduce the availability and reliability of quoted prices or observable data. See Note 12, Fair Value, for further information.

Accounts Receivable — Accounts receivables are stated at amounts due from subscribers and our wholesale partners net of an allowance for doubtful accounts. See Note 17, Related Party Transactions, for further information regarding accounts receivable balances with related parties.

Inventory — Inventory primarily consists of customer premise equipment, which we refer to as CPE, and other accessories sold to retail subscribers and is stated at the lower of cost or net realizable value. Cost is determined under the average cost method. We record inventory write-downs for obsolete and slow-moving items based on inventory turnover trends and historical experience.

Property, Plant and Equipment — Property, plant and equipment, excluding construction in progress, is stated at cost, net of accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets once the assets are placed in service. Our network construction expenditures are recorded as construction in progress until the network or other asset is placed in service, at which time the asset is transferred to the appropriate property, plant and equipment, which we refer to as PP&E, category. We capitalize costs of additions and improvements, including salaries, benefits and related overhead costs associated with constructing PP&E and interest costs related to construction. The estimated useful life of PP&E is determined based on historical usage of identical or similar equipment, with consideration given to technological changes and industry trends that could impact the network architecture and asset utilization. Leasehold improvements are recorded at cost and amortized over the lesser of their estimated useful lives or the related lease term, including renewals that are reasonably assured. Included within Network and base station equipment is equipment recorded under capital leases which is generally being amortized over the lease term. Maintenance and repairs are expensed as incurred.

PP&E is assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When such events or circumstances exist, we determine the recoverability of the asset's carrying value by estimating the expected undiscounted future cash flows that are directly associated with and that are expected to arise as a direct result of the use and disposal of the asset. If the expected undiscounted future cash flows are less than the carrying amount of the asset, a loss is recognized for the difference between the fair value of the asset and its carrying value. For purposes of testing impairment, our long-lived assets, including PP&E and intangible assets with definite useful lives, and our spectrum license assets are combined into a single asset group. This represents the lowest level for which there are identifiable cash flows which are largely independent of other assets and liabilities, and management believes that utilizing these assets as a group represents the highest and best use of the assets and is consistent with management's strategy of utilizing our spectrum licenses on an integrated basis as part of our nationwide network. For PP&E, there were no impairment losses recorded in the years ended December 31, 2012, 2011 and 2010.

In addition to the analyses described above, we periodically assess certain assets that have not yet been deployed in our networks, including equipment and cell site development costs, classified as construction in progress. This assessment includes the provision for differences between recorded amounts and the results of physical counts and the provision for excessive and obsolete equipment. See Note 5, Property, Plant and Equipment, for further information.

Internally Developed Software — We capitalize costs related to computer software developed or obtained for internal use, and interest costs incurred during the period of development. Software obtained for internal use has generally been enterprise-level business and finance software customized to meet specific operational needs. Costs incurred in the application development phase are capitalized and amortized over the useful life of the software once the software has been placed in service, which is generally three years. We periodically assess capitalized software costs that have not been placed in service to determine whether any projects are no longer expected to be completed. The capitalized cost associated with any projects that are not expected to be completed are written down. Costs recognized in the preliminary project phase and the post-implementation phase, as well as maintenance and training costs, are expensed as incurred.

Spectrum Licenses — Spectrum licenses primarily include owned spectrum licenses with indefinite lives and favorable spectrum leases. Indefinite lived spectrum licenses acquired are stated at cost and are not amortized. While owned spectrum licenses in the United States are issued for a fixed time, renewals of these licenses have occurred routinely and at nominal cost. Moreover, we have determined that there are currently no legal, regulatory, contractual, competitive, economic or other factors that limit the useful lives of our owned spectrum licenses and therefore, the licenses are accounted for as intangible assets with indefinite lives. The impairment test for intangible assets with indefinite useful lives consists of a comparison of the fair value of an intangible asset with its carrying amount. If the carrying amount of an intangible asset exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess. The fair value is determined by estimating the discounted future cash flows that are directly associated with, and that are expected to arise as a direct result of the use and eventual disposition of, the asset. Spectrum licenses with indefinite useful lives are assessed for impairment annually, or more frequently, if an event indicates that the asset might be impaired. We had no impairments for any of the periods presented for indefinite lived intangible assets.

Favorable spectrum leases are stated at cost, net of accumulated amortization, and are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying value of spectrum leases are amortized on a straight-line basis over their estimated useful lives or lease term, including expected renewal periods, as applicable. There were no impairment losses for favorable spectrum leases in the years ended December 31, 2012, 2011 and 2010.

Other Intangible Assets — Other intangible assets consist of subscriber relationships, trademarks, patents and other, and are stated at cost net of accumulated amortization. Amortization is calculated using either the straight-line method or an accelerated method over the assets' estimated remaining useful lives. Other intangible assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. There were no impairment losses for our other intangible assets in the years ended December 31, 2012, 2011 and 2010.

Derivative Instruments and Hedging Activities — It is our policy that hedging activities are executed only to manage exposures arising in the normal course of business and not for the purpose of creating speculative positions or trading. We record all derivatives on the balance sheet at fair value as either assets or liabilities. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and whether it qualifies for hedge accounting.

During 2010, we issued exchangeable notes that included embedded exchange options, which we refer to as the Exchange Options, which qualified as derivative instruments and are required to be accounted for separately from the host debt instruments and recorded as derivative financial instruments at fair value. The embedded Exchange Options do not qualify for hedge accounting, and as such, all future changes in the fair value of these derivative instruments will be recognized currently in earnings until such time as the Exchange Options are exercised or expire. See Note 11, Derivative Instruments, for further information.

In addition, in the event of an issuance of new equity securities or securities exchangeable or convertible into capital stock, which we refer to as New Securities, certain existing equityholders are entitled to pre-emptive rights which allow them to purchase their pro-rata share of the New Securities at the issuance price less any underwriting discounts. This right is considered a derivative that is required to be recorded at fair value. See Note 11, Derivative Instruments, for further information.

Debt Issuance Costs — Debt issuance costs are initially capitalized as a deferred cost and amortized to interest expense under the effective interest method over the expected term of the related debt. Unamortized debt issuance costs related to extinguishment of debt are expensed at the time the debt is extinguished and recorded in other income (expenses), net in the consolidated statements of operations. Unamortized debt issuance costs are considered long-term and recorded in Other assets in the consolidated balance sheets.

Interest Capitalization — We capitalize interest related to the construction of our network infrastructure assets, as well as the development of software for internal use. Capitalization of interest commences with pre-construction period administrative and technical activities, which includes obtaining leases, zoning approvals and building permits, and ceases when the construction is substantially complete and available for use or when we suspend substantially all construction activity. Interest is capitalized on construction in progress and software under development. Interest capitalization is based on rates applicable to borrowings outstanding during the period and the balance of qualified assets under construction during the period. Capitalized interest is reported as a cost of the network assets or software assets and depreciated over the useful lives of those assets. See Note 5, Property, Plant and Equipment.

Income Taxes — We record deferred income taxes based on the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities using the tax rates expected to be in effect when the temporary differences reverse. Deferred tax assets are also recorded for net operating loss, capital loss, and tax credit carryforwards. Valuation allowances, if any, are recorded to reduce deferred tax assets to the amount considered more likely than not to be realized. We also apply a recognition threshold that a tax position is required to meet before being recognized in the financial statements. Our policy is to recognize any interest related to unrecognized tax benefits in interest expense or interest income. We recognize penalties as additional income tax expense.

Revenue Recognition — We primarily earn revenue by providing access to our high-speed wireless networks. Also included in revenue are sales of CPE and additional add-on services. In our 4G mobile broadband markets, we offer our services through retail channels and through our wholesale partners. We believe that the geographic diversity of our retail subscriber base minimizes the risk of incurring material losses due to concentration of credit risk. Sprint, our major wholesale customer, accounts for substantially all of our wholesale revenues to date, and comprise approximately 36% of total revenues during the year ended December 31, 2012.

Revenue consisted of the following (in thousands):

	For the Year Ended December 31,		
	2012	**2011**	**2010**
Retail revenue	$ 795,632	$ 758,254	$ 480,761
Wholesale revenue	468,469	493,661	50,593
Other revenue	593	1,551	3,749
Total revenues	$ 1,264,694	$ 1,253,466	$ 535,103

Revenue from retail subscribers is billed one month in advance and recognized ratably over the service period. Revenues associated with the sale of CPE and other equipment is recognized when title and risk of loss is transferred. Billed shipping and handling costs are classified as revenue.

Revenue arrangements with multiple deliverables are divided into separate units and, where available, revenue is allocated using vendor-specific objective evidence or third-party evidence of the selling prices; otherwise estimated selling prices are utilized. Any revenue attributable to the delivered elements is recognized currently in revenue and any revenue attributable to the undelivered elements is deferred and will be recognized as the undelivered elements are expected to be delivered over the remaining term of the agreements.

With the exception of the Universal Service Fee, which we refer to as USF, a regulatory surcharge, taxes and other fees collected from customers are excluded from revenues. USF is recorded on a gross basis and included in revenues when billed to customers. USF recorded to revenue for the years ended December 31, 2012, 2011 and 2010 were $2.8 million, $3.9 million and $2.7 million, respectively.

For 2012, substantially all of our wholesale revenues were derived from our agreements with Sprint. In November 2011, we entered into the November 2011 4G MVNO Amendment. As a result, the minimum payments under the previous amendment to the 4G MVNO agreement entered into with Sprint in April 2011 were replaced with the provisions of the November 2011 4G MVNO Amendment. Under the November 2011 4G MVNO Amendment, Sprint is paying us $925.9 million for unlimited 4G mobile WiMAX services for resale to its retail subscribers in 2012 and 2013, approximately two-thirds of which was paid for service provided in 2012, and the remainder will be paid for service provided in 2013. Of the $925.9 million, $175.9 million will be paid as an offset to principal and interest due under a $150.0 million promissory note (see Note 17, Related Party Transactions) issued by us to Sprint. Of the amount due, $900.0 million will be recognized on a straight-line basis over 2012 and 2013 and the remaining $25.9 million will be recorded as an offset to the interest cost associated with the promissory note. As part of the November 2011 4G MVNO Amendment, we also agreed to: the elimination of device minimum fees after 2011; and usage based pricing for WiMAX services after 2013 and for LTE service beginning in 2012.

In 2011, revenues from wholesale subscribers were billed one month in arrears and were generally recognized as they are earned, based on terms defined in our commercial agreements with our wholesale partners. For 2011, substantially all of our wholesale revenues were derived from our agreement with Sprint. Under that agreement, revenues were earned as Sprint utilized our network, with usage-based pricing that included volume discounts.

Advertising Costs —Advertising costs are expensed as incurred or the first time the advertising occurs. Advertising expense was $69.7 million, $76.4 million and $213.9 million for the years ended December 31, 2012, 2011 and 2010, respectively.

Net Loss per Share — Basic net loss per Class A common share is computed by dividing Net loss attributable to Clearwire Corporation by the weighted-average number of Class A Common Stock outstanding during the period. Diluted net loss per Class A common share is computed by dividing Net loss attributable to Clearwire Corporation by the weighted-average number of Class A Common Stock and dilutive Class A Common Stock equivalents outstanding during the period. Class A Common Stock equivalents generally consist of the Class A Common Stock issuable upon the exercise of outstanding stock options, warrants and restricted stock using the treasury stock method. The effects of potentially dilutive Class A Common Stock equivalents are excluded from the calculation of Diluted net loss per Class A common share if their effect is antidilutive. We have two classes of common stock, Class A and Class B. The potential exchange of Clearwire Communications LLC Class B common interests, which we refer to as Class B Common Interests, together with Class B Common Stock, for Class A Common Stock may have a dilutive effect due to certain tax effects. On an "if converted" basis, shares issuable upon the conversion of the exchangeable notes may also have a dilutive effect. See Note 16, Net Loss Per Share, for further information.

Operating Leases — We have operating leases for spectrum licenses, towers and certain facilities, and equipment for use in our operations. Certain of our spectrum licenses are leased from third-party holders of Educational Broadband Service, which we refer to as EBS, spectrum licenses granted by the FCC. EBS licenses authorize the provision of certain communications services on the EBS channels in certain markets throughout the United States. We account for these spectrum leases as executory contracts which are similar to operating leases. Signed leases which have unmet conditions required to become effective are not amortized until such conditions are met and are included in spectrum licenses in the accompanying consolidated balance sheets, if such leases require upfront payments. For leases containing scheduled rent escalation clauses, we record minimum rental payments on a straight-line basis over the term of the lease, including the expected renewal periods as appropriate. For leases containing tenant improvement allowances and rent incentives, we record deferred rent, which is a liability, and that deferred rent is amortized over the term of the lease, including the expected renewal periods as appropriate, as a reduction to rent expense.

We periodically terminate unutilized tower leases, or when early termination is not available under the terms of the lease, we advise our landlords of our intention not to renew. At the time we notify our landlords of our intention not to renew, we recognize a cease-to-use tower lease liability based on the remaining lease rentals adjusted for any prepaid or deferred rent recognized under the lease, reduced by estimated sublease rentals, if any, that could be reasonably obtained for the property. See Note 3, Charges Related to Cost Savings Initiatives, for further discussion.

Recent Accounting Pronouncements

The following accounting pronouncements were adopted during the year ended December 31, 2012:

In May 2011, the Financial Accounting Standards Board, which we refer to as the FASB, issued new accounting guidance amending fair value measurement to achieve common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards. We adopted the new accounting guidance on January 1, 2012. As the new accounting guidance primarily amended the disclosure requirements related to fair value measurement, the adoption did not have any impact on our financial condition or results of operations.

In June 2011, the FASB issued new accounting guidance on the presentation of other comprehensive income, which was subsequently revised in December 2011. The new guidance eliminates the current option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. Instead, an entity has the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. We adopted the new accounting guidance on January 1, 2012 which resulted in reporting the components of comprehensive loss in the consolidated statements of comprehensive loss, rather than in the consolidated statements of stockholders' equity, as previously reported, including retrospective presentation for all periods presented.

In July 2012, the FASB issued new accounting guidance amending impairment testing for indefinite-lived intangible assets. The objective of these amendments is to reduce the cost and complexity of performing impairment tests for indefinite-lived intangible assets by simplifying how an entity tests those assets for impairment and to improve consistency in impairment testing guidance among long-lived asset categories. The amendments permit an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test. The new accounting guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. We elected early adoption of the new accounting guidance as permitted and it had no impact on our financial condition or results of operations.

The following accounting pronouncements were issued by the FASB during the year ended December 31, 2012:

In October 2012, the FASB issued accounting guidance containing technical corrections and improvements to the Accounting Standards Codification, which we refer to as the Codification. The technical corrections are relatively minor corrections and clarifications. These corrections, which affect various Codification topics and apply to all reporting entities within the scope of those topics, are divided into three main categories: (1) Source literature amendments which carry forward the original intent of certain pre-Codification authoritative literature that was inadvertently altered during the Codification process; (2) Guidance clarification and reference corrections which resulted in changes to wording and references to avoid misapplication or misinterpretation of guidance; and (3) Relocated guidance which moved guidance from one part of the Codification to another to correct instances in which the scope of pre-Codification guidance may have been unintentionally narrowed or broadened during the Codification process. The guidance also made conforming changes for the use of the term "fair value" in certain pre-Codification standards. The FASB did not provide transition guidance for Codification amendments that are not expected to change current practice. However, it did for those amendments that are more substantive and these will be effective for fiscal periods beginning after December 15, 2012. We are still evaluating the impact these technical corrections will have, if any, on our financial condition or results of operations.

3. Charges Resulting from Cost Savings Initiatives

In connection with our cost savings initiatives, since the beginning of 2011, a total of approximately 5,800 unutilized tower leases have either been terminated or when early termination was not available under the terms of the lease, we advised our landlords of our intention not to renew. In connection with this lease termination initiative, we incurred lease termination costs and recognized a cease-to-use tower lease liability based on the remaining lease rentals (including contractual rent escalations) for leases subject to termination actions, reduced by estimated sublease rentals, if any. The charge for lease termination activities is net of previously recorded deferred rent liabilities associated with these leases and includes cancellation fees. In addition, where our current contract requires us to continue payments for certain executory costs for the remaining terms of these leases, we have accrued a liability for such costs. See Note 5, Property, Plant and Equipment for a description of the write down of costs for projects classified as construction in progress related to the above leases.

Charges by type of cost and reconciliation of the associated accrued liability were as follows (in thousands):

	Lease and Other Contract Termination Costs(1)	Employee Termination Costs	Other Exit Costs	Total
Costs incurred and charged to expense during:				
Year ended December 31, 2010	$ 1,209	$ 10,494	$ —	$ 11,703
Year ended December 31, 2011	155,643	9,404	420	165,467
Year ended December 31, 2012	59,874	505	—	60,379
Cumulative cost incurred to date(2)	$ 216,726	$ 20,403	$ 420	$ 237,549
Accrued liability as of December 31, 2011	$ 164,403	$ 1,597	$ —	$ 166,000
Costs incurred, excluding non-cash credits	59,874	505	—	60,379
Cash and share payments	(59,885)	(2,043)	—	(61,928)
Accrued liability as of December 31, 2012(3)	$ 164,392	$ 59	$ —	$ 164,451

(1) Lease and other contract termination costs for the year ended December 31, 2011 include non-cash credits of $43.2 million representing the reversal of deferred rent balances at the cease-use date and $37.8 million of accrued executory costs relating to unused tower sites where our current contract requires us to continue payments for the remaining term. The costs for the year ended December 31, 2012 include accrued executory costs of $5.5 million. Costs for the year ended December 31, 2012 also included $25.0 million for the elimination of the remaining estimated sublease rental income from the liability computation and fully incorporated contractual rent escalations.

(2) Total costs for these activities are not expected to be significantly different from those incurred to date.

(3) $1.7 million is recorded within Accounts payable and accrued expenses, $48.4 million is recorded as Other current liabilities and $114.3 million is recorded as Other long-term liabilities on the consolidated balance sheets. With the exception of the elimination of remaining estimated sublease rental income from the liability computation and fully incorporating contractual rent escalations, there were no other significant adjustments to the liability during the year.

For the year ended December 31, 2012, $55.2 million was recorded as Cost of goods and services and network costs and $5.2 million was recorded as Selling, general and administrative expenses. For the year ended December 31, 2011, $145.9 million was recorded as Cost of goods and services and network costs and $19.6 million was recorded as Selling, general and administrative expenses. For the year ended December 31, 2010, the entire expense of $11.7 million was recorded as Selling, general and administrative expenses.

4. Investments

Investments as of December 31, 2012 and 2011 consisted of the following (in thousands):

	December 31, 2012				December 31, 2011			
		Gross Unrealized				Gross Unrealized		
	Cost	Gains	Losses	Fair Value	Cost	Gains	Losses	Fair Value
Short-term								
U.S. Government and Agency Issues..	$ 675,024	$ 88	$ —	$ 675,112	$ 215,627	$ 36	$ (8)	$ 215,655

We owned Auction Market Preferred securities issued by a monoline insurance company which were perpetual and did not have a final stated maturity. Our Auction Market Preferred securities were fully written down and had no carrying value at December 31, 2011. During the first quarter of 2012, we sold the Auction Market Preferred securities and recorded a gain of $3.3 million to Other income (expense), net on the consolidated statements of operations representing the total proceeds received. We no longer own any collateralized debt obligations or Auction Market Preferred securities.

No other-than-temporary impairment losses were recorded for the years ended December 31, 2012, 2011 or 2010.

5. Property, Plant and Equipment

Property, plant and equipment as of December 31, 2012 and 2011 consisted of the following (in thousands):

	Useful Lives (Years)	December 31, 2012	December 31, 2011
Network and base station equipment	5-15	$ 3,396,376	$ 3,350,696
Customer premise equipment	2	45,376	82,545
Furniture, fixtures and equipment	3-5	480,160	450,254
Leasehold improvements	Lesser of useful life or lease term	30,142	46,435
Construction in progress	N/A	156,630	262,761
		4,108,684	4,192,691
Less: accumulated depreciation and amortization		(1,849,680)	(1,178,414)
		$ 2,259,004	$ 3,014,277

	Year Ended December 31, 2012	2011	2010
Supplemental information (in thousands):			
Capitalized interest	$ 6,598	$ 18,823	$ 208,595
Depreciation expense	$ 749,765	$ 665,344	$ 427,850

We have entered into lease arrangements related to our network construction and equipment that meet the criteria for capital leases. At December 31, 2012 and 2011, we have recorded capital lease assets with an original cost of $112.8 million and $81.2 million, respectively, within network and base station equipment.

Construction in progress is primarily composed of costs incurred during the process of completing network projects not yet placed in service. The balance at December 31, 2012 included $93.3 million of costs related to completing network projects not yet place in service, $60.8 million of network and base station equipment not yet assigned to a project and $2.5 million of costs related to information technology, which we refer to as IT, and other corporate projects.

Charges associated with Property, plant and equipment

We periodically assess assets that have not yet been deployed in our networks, including equipment and cell site development costs, classified as construction in progress. We evaluate for losses related to (1) shortage, or loss incurred in deploying such equipment, (2) reserve for excessive and obsolete equipment not yet deployed in the network, and (3) abandonment of network and corporate projects no longer expected to be deployed. In addition to charges incurred in the normal course of business, this assessment includes evaluating the impact of changes in our business plans and strategic network plans on those assets.

During the year ended December 31, 2012, we solidified our LTE network architecture, including identifying the sites at which we expect to overlay LTE technology in the first phase of our deployment. Any projects that are not required to deploy LTE technology at those sites, or that are no longer viable due to the development of the LTE network architecture, were abandoned and the related costs written down. In addition, any network equipment not required to support our network deployment plans or sparing requirements were written down to estimated salvage value.

During the year ended December 31, 2011, in connection with our plan to deploy LTE alongside our existing WiMAX network and the shift in management's strategic network deployment plans to focus on areas with high usage concentration, any projects that no longer fit within the deployment plans were abandoned and the related costs were written down to salvage value. Additionally, in connection with our savings initiatives, we continually review our tower leases and evaluate whether such towers fit within management's deployment plans. In connection therewith, certain tower leases have been terminated, and when early termination was not available under the terms of the lease, we advised our landlords of our intention not to renew. The costs for projects included in construction in progress related to leases for which we have initiated such terminations were written down. See Note 3, Charges Resulting from Cost Savings Initiatives, for a discussion of the costs associated with lease terminations.

We incurred the following charges associated with PP&E for the years ended December 31, 2012, 2011 and 2010 (in thousands):

	Year Ended December 31,		
	2012	2011	2010
Abandonment of network projects no longer meeting strategic network plans	$ 81,642	$ 397,204	$ 180,001
Abandonment of network projects associated with terminated leases	—	233,468	—
Abandonment of corporate projects	564	69,669	—
Total loss from abandonment of network and other assets	82,206	700,341	180,001
Charges for disposal and differences between recorded amounts and results of physical counts[1][2]	30,961	56,188	100,110
Charges for excessive and obsolete equipment[1]	58,613	209,912	65,616
Total losses on property, plant and equipment	$ 171,780	$ 966,441	$ 345,727

(1) Included in Cost of goods and services and network costs on the consolidated statements of operations.

(2) For the year ended December 31, 2012, $14.0 million related to retail operations is included in Selling, general and administrative expense on the consolidated statements of operations.

During the third quarter of 2012, based on the LTE equipment vendor selection process and compatibility of existing network equipment, we identified a portion of WiMAX network equipment that we are planning to change or upgrade during our deployment of LTE technology. We concluded that the useful lives of certain WiMAX equipment should be accelerated beginning in the third quarter of 2012. This resulted in the weighted-average remaining useful life of WiMAX network assets to decrease from approximately four years to approximately three years based on the expected date of equipment removal. We will continue to monitor the estimated useful lives of our network assets as our plans evolve.

6. Spectrum Licenses

Owned and leased spectrum licenses as of December 31, 2012 and 2011 consisted of the following (in thousands):

	December 31, 2012			December 31, 2011		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Indefinite-lived owned spectrum	$ 3,104,129	$ —	$ 3,104,129	$ 3,098,983	$ —	$ 3,098,983
Spectrum leases and prepaid spectrum	1,370,317	(237,317)	1,133,000	1,364,907	(181,033)	1,183,874
Pending spectrum and transition costs	12,492	—	12,492	15,397	—	15,397
Total spectrum licenses	$ 4,486,938	$ (237,317)	$ 4,249,621	$ 4,479,287	$ (181,033)	$ 4,298,254

Indefinite-lived Owned Spectrum Licenses — Spectrum licenses, which are issued on both a site-specific and a wide-area basis, authorize wireless carriers to use radio frequency spectrum to provide service to certain geographical areas in the United States. These licenses are generally acquired as an asset purchase or through a business combination. In some cases, we acquire licenses directly from the governmental authority.

Spectrum Leases and Prepaid Spectrum — We also lease spectrum from third parties who hold the spectrum licenses. These leases are accounted for as executory contracts, which are treated like operating leases. Upfront consideration paid to third-party holders of these leased licenses at the inception of a lease agreement is capitalized as prepaid spectrum lease costs and is expensed over the term of the lease agreement, including expected renewal terms, as applicable. Favorable spectrum leases of $1.0 billion were recorded as an asset as a result of purchase accounting in November 2008 and are amortized over the lease term.

	Year Ended December 31,		
	2012	2011	2010
Supplemental Information (in thousands):			
Amortization of prepaid and other spectrum licenses	$ 56,554	$ 55,870	$ 59,653

As of December 31, 2012, future amortization of spectrum licenses, spectrum leases and prepaid lease costs (excluding pending spectrum and spectrum transition costs) is expected to be as follows (in thousands):

	Total
2013	$ 54,401
2014	54,108
2015	53,351
2016	52,805
2017	51,385
Thereafter	866,950
Total	$ 1,133,000

7. Other Intangible Assets

Other intangible assets as of December 31, 2012 and 2011 consisted of the following (in thousands):

		December 31, 2012			December 31, 2011		
	Useful lives	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Subscriber relationships	7 years	$ 108,275	$ (86,040)	$ 22,235	$ 108,275	$ (70,894)	$ 37,381
Trade names and trademarks	5 years	3,804	(3,106)	698	3,804	(2,346)	1,458
Patents and other	10 years	3,270	(1,543)	1,727	3,228	(1,217)	2,011
Total other intangibles		$ 115,349	$ (90,689)	$ 24,660	$ 115,307	$ (74,457)	$ 40,850

As of December 31, 2012, the future amortization of other intangible assets is expected to be as follows (in thousands):

2013	$ 12,302
2014	7,737
2015	3,871
2016	326
2017	326
Thereafter	98
Total	$ 24,660

	Year Ended December 31,		
	2012	2011	2010
Supplemental Information (in thousands):			
Amortization expense	$ 16,232	$ 20,096	$ 23,933

We evaluate all of our patent renewals on a case by case basis, based on renewal costs.

8. Supplemental Information on Liabilities

Current liabilities

Current liabilities consisted of the following (in thousands):

	December 31, 2012	December 31, 2011
Accounts payable and accrued expenses:		
Accounts payable	$ 83,701	$ 65,285
Accrued interest	42,786	39,980
Salaries and benefits	22,010	29,075
Business and income taxes payable	20,363	15,304
Other accrued expenses	8,995	7,528
Total accounts payable and accrued expenses	177,855	157,172
Other current liabilities:		
Derivative instruments	5,333	8,240
Deferred revenues[1]	124,466	36,691
Current portion of long-term debt	36,080	26,474
Cease-to-use lease liability[1][2]	48,425	45,645
Other[1]	13,306	5,706
Total other current liabilities	227,610	122,756
Total	$ 405,465	$ 279,928

Other long-term liabilities

Other long-term liabilities consisted of the following (in thousands):

	December 31, 2012	December 31, 2011
Deferred rents associated with tower and spectrum leases[1]	$ 717,741	$ 555,838
Cease-to-use liability[1][2]	114,284	117,000
Deferred revenue[1]	83,887	1,207
Other[1]	47,441	45,658
Total	$ 963,353	$ 719,703

(1) See Note 17, Related Party Transactions, for further detail regarding balances with related parties.
(2) See Note 3, Charges Resulting from Cost Savings Initiatives, for further information.

9. Income Taxes

The income tax provision consists of the following for the years ended December 31, 2012, 2011 and 2010 (in thousands):

	Year Ended December 31,		
	2012	2011	2010
Current taxes:			
Federal	$ —	$ —	$ —
International	—	(59)	161
State	1,800	1,579	700
Total current taxes	1,800	1,520	861
Deferred taxes:			
Federal	(182,520)	96,292	—
International	—	—	357
State	(16,679)	9,016	—
Total deferred taxes	(199,199)	105,308	357
Income tax (benefit) provision	$ (197,399)	$ 106,828	$ 1,218

The income tax rate computed using the federal statutory rates is reconciled to the reported effective income tax rate as follows:

	Year Ended December 31,		
	2012	2011	2010
Federal statutory income tax rate	35.0%	35.0 %	35.0 %
State income taxes (net of federal benefit)	0.7	0.7	1.0
Non-controlling interest	(21.3)	(27.5)	(27.6)
Other, net	0.1	(1.4)	0.1
Allocation to items of equity other than other comprehensive income	(1.2)	1.7	—
Valuation allowance	(3.1)	(12.4)	(8.6)
Effective income tax rate	10.2%	(3.9)%	(0.1)%

Components of deferred tax assets and liabilities as of December 31, 2012 and 2011 were as follows (in thousands):

	December 31, 2012	December 31, 2011
Noncurrent deferred tax assets:		
Net operating loss carryforward	$ 553,195	$ 1,157,983
Capital loss carryforward	221,453	5,818
Other assets	625	2,381
Total deferred tax assets	775,273	1,166,182
Valuation allowance	(458,935)	(1,003,633)
Net deferred tax assets	316,338	162,549
Noncurrent deferred tax liabilities:		
Investment in Clearwire Communications	460,834	314,609
Other	(504)	122
Total deferred tax liabilities	460,330	314,731
Net deferred tax liabilities	$ 143,992	$ 152,182

We determine deferred income taxes based on the estimated future tax effects of differences between the financial statement and tax bases of assets and liabilities using the tax rates expected to be in effect when any temporary differences reverse or when the net operating loss, which we refer to as NOL, capital loss or tax credit carry-forwards are utilized.

As of December 31, 2012, excluding NOL carry-forwards that we permanently will be unable to use (as discussed below), we had United States federal tax NOL carry-forwards of approximately $1.26 billion of which $1.12 billion is subject to certain annual limitations imposed under Section 382 of the Internal Revenue Code. The NOL carry-forwards begin to expire in 2021. We had $255.2 million of tax NOL carry-forwards in foreign jurisdictions; $243.9 million have no statutory expiration date, and $11.3 million begins to expire in 2015. We also have federal capital loss carry-forwards of $583.5 million which is also subject to certain annual limitations imposed under Section 382 of the Internal Revenue Code. The capital loss carry-forwards begin to expire between 2015 and 2017. Our U.S. federal NOL carry-forwards and capital loss carry-forwards in total are subject to the annual limitations imposed under Section 382 of the Internal Revenue Code. We currently do not project that the Company will generate capital gain income to utilize the capital loss carry-forwards. However, if the Company generates sufficient capital gain income to enable utilization of capital loss carry-forwards in excess of $382.4 million, then NOL carry-forwards of up to $201.1 million may no longer be available to offset future taxable income.

We have recorded a valuation allowance against our deferred tax assets to the extent that we determined that it is more likely than not that these items will either expire before we are able to realize their benefits or that future deductibility is uncertain. As it relates to the United States tax jurisdiction, we determined that our temporary taxable difference associated with our investment in Clearwire Communications LLC, which we refer to as Clearwire Communications, will not fully reverse within the carry-forward period of the NOLs and accordingly does not represent relevant future taxable income.

Time Warner Cable Inc., which we refer to as Time Warner Cable, exchanged 46.4 million Class B Common Interests, and a corresponding number of shares of Class B Common Stock, for an equal number of shares of Class A Common Stock, and which we refer to as the Time Warner Exchange, on September 13, 2012. Comcast Corporation, which we refer to as Comcast, exchanged 88.5 million Class B Common Interests and a corresponding number of shares of Class B Common Stock for an equal number of shares of Class A Common Stock, which we refer to as the Comcast Exchange, on September 27, 2012, BHN Spectrum Investments, LLC, which we refer to as Bright House, exchanged 8.5 million Class B Common Interests and a corresponding number of shares of Class B Common Stock for an equal number of shares of Class A Common Stock, which we refer to as the Bright House Exchange, on October 17, 2012. The Time Warner Exchange, Comcast Exchange and Bright House Exchange resulted in significant changes to the financial statement and tax basis, respectively, that Clearwire has in its interest in Clearwire Communications, as well as, an increase in the amount of temporary differences which will reverse within the NOL carryforward period (see discussion below).

Our deferred tax assets primarily represent NOL carry-forwards associated with Clearwire's operations prior to the formation of the Company on November 28, 2008 and the portion of the partnership losses allocated to Clearwire after the formation of the Company. The Company is subject to a change in control test under Section 382 of the Internal Revenue Code, that if met, would limit the annual utilization of any pre-change in control NOL carryforward as well as the ability to use certain unrealized built in losses as future tax deductions. We believe that the Comcast Exchange, which occurred on September 27, 2012, when combined with other issuances of our Class A Common Stock and certain third party investor transactions involving our Class A Common Stock since December 13, 2011, resulted in a change in control under Section 382 of the Internal Revenue Code. As a result of this change in control and the change in control that occurred on December 13, 2011, we believe that we permanently will be unable to use a significant portion of our NOL carry-forwards and credit carry-forwards, which are collectively referred to as tax attributes, that arose before the change in control to offset future taxable income. As a result of the annual limitations under Sections 382 and 383 of the Internal Revenue Code on the utilization of tax attributes following an ownership change, it was determined that approximately $2.11 billion of United States NOL carry-forwards will expire unutilized. The United States tax attributes are presented net of these limitations. In addition, subsequent changes of ownership for purposes of Sections 382 and 383 of the Internal Revenue Code could further diminish our use of remaining United States tax attributes.

We have recognized a deferred tax liability for the difference between the financial statement carrying value and the tax basis of the partnership interest. As it relates to the United States tax jurisdiction, we determined that our temporary taxable difference associated with our investment in the partnership will not completely reverse within the carry-forward period of the NOLs. The portion of such temporary difference that will reverse within the carry-forward period of the NOLs represents relevant future taxable income. Management has reviewed the facts and circumstances, including the history of NOLs, projected future tax losses, and determined that it is appropriate to record a valuation allowance against the portion of our deferred tax assets that are not deemed realizable. As a result of the Time Warner Exchange, the Comcast Exchange and the Bright House Exchange, there was an increase in the amount of temporary difference which will reverse within the NOL carry-forward period. Therefore, management determined that it was appropriate to reduce the valuation allowance recorded against our deferred tax assets, along with recording a corresponding deferred tax benefit for our continuing operations. The income tax benefit reflected in our condensed consolidated statements of operations for continuing operations primarily reflects United States deferred taxes net of certain state taxes.

We file income tax returns for Clearwire and our subsidiaries in the United States federal jurisdiction and various state and foreign jurisdictions. As of December 31, 2012, the tax returns for Clearwire for the years 2003 through 2011 remain open to examination by the Internal Revenue Service and various state tax authorities.

During 2012, we completed the sale of our operations in Spain, Germany and Belgium (See Note 18, Discontinued Operations, for further information). As a result, certain intercompany loans related to our international operations are considered uncollectible for United States federal income tax purposes and, as a result, there was an increase to our deferred tax liability of approximately $167.2 million along with a corresponding deferred tax expense for our discontinued operations. The increase to deferred tax assets as a result of the additional tax losses was fully offset by a corresponding increase to the valuation allowance recorded against our deferred tax assets.

Our policy is to recognize any interest related to unrecognized tax benefits in interest expense or interest income. We recognize penalties as additional income tax expense. As of December 31, 2012, we had no material uncertain tax positions and therefore accrued no interest or penalties related to uncertain tax positions.

10. Long-term Debt, Net

Long-term debt at December 31, 2012 and 2011 consisted of the following (in thousands):

	December 31, 2012					
	Interest Rates	Effective Rate[(1)]	Maturities	Par Amount	Net Discount	Carrying Value
Notes:						
2015 Senior Secured Notes	12.00%	12.92%	2015	$ 2,947,494	$ (27,900)	$ 2,919,594
2016 Senior Secured Notes	14.75%	15.36%	2016	300,000	—	300,000
Second-Priority Secured Notes	12.00%	12.42%	2017	500,000	—	500,000
Exchangeable Notes	8.25%	16.93%	2040	629,250	(165,050)	464,200
Vendor Financing Notes[(3)]	LIBOR based[(2)]	6.37%	2014/2015	32,056	(51)	32,005
Capital lease obligations and other[(3)]				91,638	—	91,638
Total debt, net				$ 4,500,438	$ (193,001)	4,307,437
Less: Current portion of Vendor Financing Notes and capital lease obligations and other[(4)]						(36,080)
Total long-term debt, net						$ 4,271,357

(1) Represents weighted average effective interest rate based on year-end balances.

(2) Coupon rate based on 3-month LIBOR plus a spread of 5.50% (secured) and 7.00% (unsecured). Included in the balance are unsecured notes with par amount of $4.6 million at December 31, 2012.

(3) As of December 31, 2012, par amount of approximately $118.8 million is secured by assets classified as Network and base station equipment. The remaining par amount is unsecured.

(4) Included in Other current liabilities on the consolidated balance sheet.

	December 31, 2011					
	Interest Rates	Effective Rate[(1)]	Maturities	Par Amount	Net Discount	Carrying Value
Notes:						
2015 Senior Secured Notes	12.00%	12.92%	2015	$ 2,947,494	$ (35,272)	$ 2,912,222
Second-Priority Secured Notes	12.00%	12.42%	2017	500,000	—	500,000
Exchangeable Notes	8.25%	16.66%	2040	729,250	(209,259)	519,991
Vendor Financing Notes[(3)]	LIBOR based[(2)]	6.19%	2014/2015	48,379	(103)	48,276
Capital lease obligations[(3)]				65,590	—	65,590
Total debt, net				$ 4,290,713	$ (244,634)	4,046,079
Less: Current portion of Vendor Financing Notes and capital lease obligations[(4)]						(26,474)
Total long-term debt, net						$ 4,019,605

(1) Represents weighted average effective interest rate based on year-end balances.

(2) Coupon rate based on 3-month LIBOR plus a spread of 5.50%.

(3) As of December 31, 2011, par amount of approximately $114.0 million is secured by assets classified as Network and base station equipment.

(4) Included in Other current liabilities on the consolidated balance sheet.

Notes

2015 Senior Secured Notes — During the fourth quarter of 2009, Clearwire Communications completed offerings of $2.52 billion 12% senior secured notes due 2015, which we refer to as the 2015 Senior Secured Notes. The 2015 Senior Secured Notes provide for bi-annual payments of interest in June and December. In connection with the issuance of the 2015 Senior Secured Notes, we also issued $252.5 million of notes to Sprint and Comcast with identical terms as the 2015 Senior Secured Notes in replacement of equal amounts of indebtedness under the senior term loan facility.

During December 2010, Clearwire Communications issued an additional $175.0 million of 2015 Senior Secured Notes with substantially the same terms.

The holders of the 2015 Senior Secured Notes have the right to require us to repurchase all of the notes upon the occurrence of certain change of control events or a sale of certain assets, at a price of 101% of the principal amount or 100% of the principal amount, respectively, plus any unpaid accrued interest to the repurchase date. Change of control excludes a change of control by permitted holders including, but not limited to, Sprint, any of its successors and its respective affiliates. As of December 1, 2012, we may redeem all or a part of the 2015 Senior Secured Notes by paying a make-whole premium as stated in the terms, plus any unpaid accrued interest to the repurchase date.

Our payment obligations under the 2015 Senior Secured Notes are guaranteed by certain domestic subsidiaries on a senior basis and secured by certain assets of such subsidiaries on a first-priority lien basis. The 2015 Senior Secured Notes contain limitations on our activities, which among other things include incurring additional indebtedness and guarantee indebtedness; making distributions or payment of dividends or certain other restricted payments or investments; making certain payments on indebtedness; entering into agreements that restrict distributions from restricted subsidiaries; selling or otherwise disposing of assets; merger, consolidation or sales of substantially all of our assets; entering transactions with affiliates; creating liens; issuing certain preferred stock or similar equity securities and making investments and acquiring assets.

2016 Senior Secured Notes — In January 2012, Clearwire Communications completed an offering of senior secured notes with a par value of $300.0 million, due 2016 and bearing interest at 14.75%, which we refer to as the 2016 Senior Secured Notes. Clearwire Communications received proceeds of $293.8 million, net of debt issuance costs, from the offering. The 2016 Senior Secured Notes provide for bi-annual payments of interest in June and December.

The holders of the 2016 Senior Secured Notes have the right to require us to repurchase all of the notes upon the occurrence of specific kinds of changes of control at a price of 101% of the principal plus any unpaid accrued interest to the repurchase date. Change of control excludes a change of control by permitted holders including, but not limited to, Sprint, any of its successors and its respective affiliates. Under certain circumstances, Clearwire Communications will be required to use the net proceeds from the sale of assets to make an offer to purchase the 2016 Senior Secured Notes at an offer price equal to 100% of the principal amount plus any unpaid accrued interest.

Our payment obligations under the 2016 Senior Secured Notes are guaranteed by certain domestic subsidiaries on a senior basis and secured by certain assets of such subsidiaries on a first-priority lien basis. The 2016 Senior Secured Notes contain the same limitations on our activities as those of the 2015 Senior Secured Notes.

Second-Priority Secured Notes — During December 2010, Clearwire Communications completed an offering of $500.0 million 12% second-priority secured notes due 2017, which we refer to as the Second-Priority Secured Notes. The Second-Priority Secured Notes provide for bi-annual payments of interest in June and December.

The holders of the Second-Priority Secured Notes have the right to require us to repurchase all of the notes upon the occurrence of certain change of control events or a sale of certain assets at a price of 101% of the principal amount or 100% of the principal amount, respectively, plus any unpaid accrued interest to the repurchase date. Change of control excludes a change of control by permitted holders including, but not limited to, Sprint, any of its successors and its respective affiliates. Prior to December 1, 2013, we may redeem up to 35% of the aggregate principal amount of the Second-Priority Secured Notes at a redemption price of 112% of the aggregate principal amount, plus any unpaid accrued interest to the repurchase date. After December 1, 2014, we may redeem all or a part of the Second-Priority Secured Notes by paying a make-whole premium as stated in the terms, plus any unpaid accrued interest to the repurchase date.

Our payment obligations under the Second-Priority Secured Notes are guaranteed by certain domestic subsidiaries on a senior basis and secured by certain assets of such subsidiaries on a second-priority lien basis. The Second-Priority Secured Notes contain the same limitations on our activities as those of the 2015 Senior Secured Notes.

Exchangeable Notes — During December 2010, Clearwire Communications completed offerings of $729.2 million 8.25% exchangeable notes due 2040, which we refer to as the Exchangeable Notes. The Exchangeable Notes provide for bi-annual payments of interest in June and December. The Exchangeable Notes are subordinated to the 2015 Senior Secured Notes and 2016 Senior Secured Notes and rank equally in right of payment with the Second-Priority Secured Notes.

The holders of the Exchangeable Notes have the right to exchange their notes for Class A Common Stock, at any time, prior to the maturity date. We have the right to settle the exchange by delivering cash or shares of Class A Common Stock, subject to certain conditions. The initial exchange rate for each note is 141.2429 shares per $1,000 note, equivalent to an initial exchange price of approximately $7.08 per share, subject to adjustments upon the occurrence of certain corporate events, which we refer to as the Exchangeable Notes Exchange Rate. Upon exchange, we will not make additional cash payment or provide additional shares for accrued or unpaid interest, make-whole premium or additional interest.

The holders of the Exchangeable Notes have the right to require us to repurchase all of the notes upon the occurrence of a fundamental change, including a change of control, event at a price of 100% of the principal amount plus any unpaid accrued interest to the repurchase date. The holders who elect to exchange the Exchangeable Notes in connection with the occurrence of a fundamental change will be entitled to additional shares that are specified based on the date on which such event occurs and the price paid per share of Class A Common Stock in the fundamental change, with a maximum number of shares issuable per note not to exceed 169.4915 shares per $1,000 note. If our stock price is less than $5.90 per share, subject to certain adjustments, no additional shares shall be added to the exchange rate. In the event the Proposed Merger is consummated, in accordance with the Merger Agreement the right to exchange each $1,000 note shall be changed to the right to exchange such principal amount of Exchangeable Notes into cash equal to the product of the $2.97 per share, which we refer to as the Merger Consideration, multiplied by the Exchangeable Notes Exchange Rate.

The holders of the Exchangeable Notes have the option to require us to repurchase for cash the Exchangeable Notes on December 1, 2017, 2025, 2030 and 2035 at a price equal to 100% of the principal amount of the notes plus any unpaid accrued interest to the repurchase date. On or after December 1, 2017, we may, at our option, redeem all or part of the Exchangeable Notes at a price equal to 100% of the principal amount of the notes plus any unpaid accrued interest to the redemption date.

Our payment obligations under the Exchangeable Notes are guaranteed by certain domestic subsidiaries in the same priority as the Second-Priority Secured Notes.

Upon issuance of the Exchangeable Notes, we recognized a derivative liability representing the embedded exchange feature with an estimated fair value of $231.5 million and an associated debt discount on the Exchangeable Notes. The discount is accreted over the expected life, approximately 7 years, of the Exchangeable Notes using the effective interest rate method. See Note 11, Derivative Instruments, for additional discussion of the derivative liability.

During the first quarter of 2012, Clearwire and Clearwire Communications entered into securities purchase agreements with certain institutional investors, which we refer to as the Exchange Transaction, pursuant to which Clearwire issued 38.0 million shares of Class A Common Stock for an aggregate price of $83.5 million, which we refer to as the Purchase Price, and Clearwire Communications repurchased $100.0 million in aggregate principal amount, plus accrued but unpaid interest, of its Exchangeable Notes for a total price equal to the Purchase Price. Due to the significant discount resulting from the recognition of the exchange options as a separate derivative liability upon the issuance of the Exchange Notes, extinguishment of the Exchangeable Notes in the Exchange Transaction resulted in a loss of $10.1 million recorded in Other income (expense), net of the consolidated statements of operations.

At December 31, 2012, we were in compliance with our debt covenants.

Vendor Financing Notes

We have a vendor financing facility, which we refer to as the Vendor Financing Facility, which allows us to obtain financing by entering into notes, which we refer to as Vendor Financing Notes. The Vendor Financing Notes mature during 2014 and 2015 and the coupon rates are based on 3-month LIBOR plus a spread of 5.50% and 7.00% for secured and unsecured notes, respectively.

Capital Lease Obligations

Certain of our network equipment have been acquired under capital lease facilities. At the inception of the capital lease, the lower of either the present value of the minimum lease payments required by the lease or the fair value of the equipment, is recorded as a capital lease obligation. The initial non-cancelable term of these capital leases are three to twelve years and may include one or more renewal options at the end of the initial lease term that may be exercised at our discretion. Lease payments for the initial lease term and any fixed renewal periods are established at the inception of the lease and interest expense is recognized using the effective interest rate method based on the rate imputed using the contractual terms of the lease.

Our lease agreements may contain change of control provisions. In certain agreements, a change of control may exclude a change of control by permitted holders including, but not limited to, Sprint, any of its successors and its respective affiliates. Other agreements may reference circumstances involving a change of control resulting in Clearwire's credit rating falling below "Caa1" as rated by Moody's Investors Service. Upon the occurrence of a change of control, the lessor may require payment of a predetermined casualty value of the leased equipment

Future Payments — For future payments on our long-term debt see Note 13, Commitments and Contingencies.

Interest Expense — Interest expense included in our consolidated statements of operations for the years ended December 31, 2012, 2011 and 2010, consisted of the following (in thousands):

	Year Ended December 31,		
	2012	**2011**	**2010**
Interest coupon [(1)]	$ 518,671	$ 484,599	$ 346,984
Accretion of debt discount and amortization of debt premium, net[(2)]	41,386	40,216	14,479
Capitalized interest	(6,598)	(18,823)	(208,595)
Total interest expense	$ 553,459	$ 505,992	$ 152,868

(1) The year ended December 31, 2012 included $2.5 million of coupon interest relating to the Exchangeable Notes, which was settled in the non-cash Exchange Transaction.

(2) Includes non-cash amortization of deferred financing fees which are classified as Other assets on the consolidated balance sheets.

11. Derivative Instruments

The holders' exchange rights contained in the Exchangeable Notes constitute embedded derivative instruments that are required to be accounted for separately from the debt host instrument at fair value. As a result, upon the issuance of the Exchangeable Notes, we recognized Exchange Options, with an estimated fair value of $231.5 million as a derivative liability. As a result of the Exchange Transaction, $100.0 million in par value of the Exchangeable Notes were retired and the related Exchange Options, with a notional amount of 14.1 million shares, were settled at fair value. The Exchange Options are indexed to Class A Common Stock, have a notional amount of 88.9 million and 103.0 million shares at December 31, 2012 and 2011, respectively, and mature in 2040.

We do not apply hedge accounting to the Exchange Options. Therefore, gains and losses due to changes in fair value are reported in our consolidated statements of operations. At December 31, 2012 and 2011, the Exchange Options' estimated fair value of $5.3 million and $8.2 million, respectively, was reported in Other current liabilities on our consolidated balance sheets. For the years ended December 31, 2012, 2011 and 2010, we recognized gains of $1.4 million, $159.7 million and $63.6 million, respectively, from the changes in the estimated fair value in Gains on derivative instruments in our consolidated statements of operations. See Note 12, Fair Value, for information regarding valuation of the Exchange Options.

In addition, in the event of an issuance of New Securities, certain existing equityholders are entitled to the pre-emptive rights which allow them to purchase their pro-rata share of the New Securities at the issuance price less any underwriting discounts. This right is considered a derivative that is required to be recorded at fair value and has a payment provision based on the existing equityholders' pro-rata ownership interest in Clearwire. We do not apply hedge accounting to this derivative. A portion of the derivative was settled on December 13, 2011 with the issuance of Class B Common Stock and Class B Common Interests to Sprint and we recorded a charge of $15.9 million for the year ended December 31, 2011 in Gains on derivative instruments in our consolidated statements of operations representing the value of the derivative. The fair value of this derivative is determined by, among other things, the probability of a New Securities issuance, the probability that existing equityholders will participate in any new issuance and the extent of their participation, if any.

12. Fair Value

The following is a description of the valuation methodologies and pricing assumptions we used for financial instruments measured and recorded at fair value on a recurring basis in our financial statements and the classification of such instruments pursuant to the valuation hierarchy.

Cash Equivalents and Investments

Where quoted prices for identical securities are available in an active market, we use quoted market prices to determine the fair value of investment securities and cash equivalents, and they are classified in Level 1 of the valuation hierarchy. Level 1 securities include U.S. Government Treasury Bills, actively traded U.S. Government Treasury Notes and money market mutual funds for which there are quoted prices in active markets or quoted net asset values published by the money market mutual fund and supported in an active market.

Investments are classified in Level 2 of the valuation hierarchy for securities where quoted prices are available for similar investments in active markets or for identical or similar investments in markets that are not active and we use "consensus pricing" from independent external valuation sources. Level 2 securities include U.S. Government Agency Discount Notes and U.S. Government Agency Notes.

Derivatives

The Exchange Options are classified in Level 3 of the valuation hierarchy. To estimate the fair value of the Exchange Options, we use an income approach based on valuation models, including option pricing models and discounted cash flow models. We maximize the use of market-based observable inputs in the models and develop our own assumptions for unobservable inputs based on management estimates of market participants' assumptions in pricing the instruments.

We use a trinomial option pricing model to estimate the fair value of the Exchange Options. The inputs include the contractual terms of the instrument and market-based parameters such as interest rate forward curves, stock price and dividend yield. A level of subjectivity is applied to estimate our stock price volatility input. The stock price volatility used in computing fair value of the Exchange Options at December 31, 2012 of 25% is based on our historical stock price volatility giving consideration to our estimates of market participant adjustments for general market conditions as well as company-specific factors such as market trading volume and our expected future performance. Holding all other pricing assumption constant, an increase or decrease of 10% in our estimated stock volatility at December 31, 2012 could result in a loss of $13.3 million, or a gain of $5.3 million, respectively.

The following table summarizes our financial assets and liabilities by level within the valuation hierarchy at December 31, 2012 (in thousands):

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Financial assets:				
Cash and cash equivalents	$ 193,455	$ —	$ —	$ 193,455
Short-term investments	$ 375,743	$ 299,369	$ —	$ 675,112
Other assets — derivative warrant assets	$ —	$ —	$ 211	$ 211
Financial liabilities:				
Other current liabilities — derivative liabilities (Exchange Options)	$ —	$ —	$ (5,333)	$ (5,333)

The following table summarizes our financial assets and liabilities by level within the valuation hierarchy at December 31, 2011 (in thousands):

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Financial assets:				
Cash and cash equivalents	$ 891,929	$ —	$ —	$ 891,929
Short-term investments	$ 215,655	$ —	$ —	$ 215,655
Other assets — derivative warrant assets	$ —	$ —	$ 209	$ 209
Financial liabilities:				
Other current liabilities — derivative liabilities (Exchange Options)	$ —	$ —	$ (8,240)	$ (8,240)

The following table presents the change in Level 3 financial assets and liabilities measured on a recurring basis for the year ended December 31, 2012 (in thousands):

	January 1, 2012	Acquisitions, Issuances and Settlements	Net Realized/ Unrealized Gains Included in Earnings	Net Realized/ Unrealized Gains (Losses) Included in Accumulated Other Comprehensive Income	December 31, 2012	Net Unrealized Gains (Losses) Included in 2012 Earnings Relating to Instruments Held at December 31, 2012
Other assets:						
Derivatives	209	—	2 (1)	—	211	2
Other current liabilities:						
Derivatives	(8,240)	1,553	1,354 (1)	—	(5,333)	1,778

(1) Included in Gain on derivative instruments in the consolidated statements of operations.

The following table presents the change in Level 3 financial assets and liabilities measured on a recurring basis for the year ended December 31, 2011 (in thousands):

	January 1, 2011	Acquisitions, Issuances and Settlements	Net Unrealized Gains (Losses) Included in Earnings	Net Unrealized Gains (Losses) Included in Accumulated Other Comprehensive Income	December 31, 2011	Net Unrealized Gains (Losses) Included in 2011 Earnings Relating to Instruments Held at December 31, 2011
Long-term investments:						
Other debt securities	$ 15,251	$ (13,904)	$ 4,945 (1)	$ (6,292)	$ —	$ —
Other assets:						
Derivatives	292	(1,609)	1,526 (2)	—	209	(84)
Other current liabilities:						
Derivatives	(167,892)	15,870	143,782 (2)	—	(8,240)	159,652

(1) Included in Other income (expense), net in the consolidated statements of operations.

(2) Included in Gain on derivative instruments in the consolidated statements of operations.

The following is the description of the fair value for financial instruments we hold that are not subject to fair value recognition.

Debt Instruments

The 2015 Senior Secured Notes, the 2016 Senior Secured Notes, the Second-Priority Secured Notes and the Exchangeable Notes are classified as Level 2 of the valuation hierarchy. To estimate the fair value of the 2015 Senior Secured Notes, the 2016 Senior Secured Notes, the Second-Priority Secured Notes and the Exchangeable Notes, we used the average indicative price from several market makers.

To estimate the fair value of the Vendor Financing Notes, we used an income approach based on the contractual terms of the notes and market-based parameters such as interest rates. As a result, they are classified as Level 3 of the valuation hierarchy. A level of subjectivity is applied to estimate the discount rate used to calculate the present value of the estimated cash flows.

The following table presents the carrying value and the approximate fair value of our outstanding debt instruments at December 31, 2012 and 2011 (in thousands):

	December 31, 2012		December 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Notes:				
2015 Senior Secured Notes	$ 2,919,594	$ 3,180,238	$ 2,912,222	$ 2,799,820
2016 Senior Secured Notes	$ 300,000	$ 414,375	$ —	$ —
Second-Priority Secured Notes	$ 500,000	$ 591,565	$ 500,000	$ 425,000
Exchangeable Notes(1)	$ 464,200	$ 689,598	$ 519,991	$ 446,134
Vendor Financing Notes	$ 32,005	$ 31,802	$ 48,276	$ 44,133

(1) Carrying value as of December 31, 2012 and 2011 is net of $165.1 million and $209.3 million discount, respectively, arising from the separation of the Exchange Options from the debt host instrument. The fair value of the Exchangeable Notes incorporates the value of the exchange feature which we have recognized separately as a derivative on our consolidated balance sheets.

13. Commitments and Contingencies

Future minimum cash payments under obligations for our continuing operations listed below (including all optional expected renewal periods on operating leases) as of December 31, 2012, are as follows (in thousands):

	Total	2013	2014	2015	2016	2017	Thereafter, including all renewal periods
Long-term debt obligations(1)	$ 4,408,800	$ 21,710	$ 8,052	$2,949,788	$ 300,000	$ 500,000	$ 629,250
Interest payments on long-term debt obligations(1)	2,993,616	511,353	510,234	509,951	156,163	111,913	1,194,002
Operating lease obligations(2)	1,608,258	359,897	355,660	279,144	187,579	119,753	306,225
Operating lease payments for assumed renewal periods(2)	7,873,690	2,414	31,521	110,132	197,886	263,397	7,268,340
Spectrum lease obligations	6,630,476	178,796	181,291	181,810	188,394	203,786	5,696,399
Spectrum service credits and signed spectrum agreements	102,799	4,853	3,896	3,896	3,896	3,896	82,362
Capital lease obligations(3)	135,874	24,771	24,737	23,299	12,418	8,239	42,410
Purchase agreements	148,116	115,292	17,871	6,301	1,899	1,884	4,869
Total	$ 23,901,629	$1,219,086	$1,133,262	$4,064,321	$ 1,048,235	$1,212,868	$15,223,857

(1) Principal and interest payments beyond 2017 represent potential principal and interest payments on the Exchangeable Notes beyond the expected repayment in 2017.

(2) Includes executory costs of $51.5 million.

(3) Payments include $44.2 million representing interest.

Expense recorded related to spectrum and operating leases was as follows (in thousands):

	Year ended December 31,		
	2012	2011	2010
Spectrum lease payments	$ 181,949	$ 169,353	$ 179,741
Non-cash spectrum lease expense	90,521	85,666	42,819
Amortization of spectrum leases	54,328	53,674	57,433
Total spectrum lease expense	$ 326,798	$ 308,693	$ 279,993
Operating lease expense	$ 502,701	$ 637,688	$ 473,410

Operating lease obligations — Our commitments for non-cancelable operating leases consist mainly of leased sites, including towers and rooftop locations, and office space. Certain of the leases provide for minimum lease payments, additional charges and escalation clauses. Operating leases generally have initial terms of five to seven years with multiple renewal options for additional five-year terms totaling between 20 and 25 years. Operating lease obligations in the table above include all lease payments for the contractual lease term including any remaining future lease payments for leases where notice of intent not to renew has been sent as a result of the lease termination initiatives describe in Note 3, Charges Resulting from Cost Savings Initiatives. Operating lease payments for assumed renewal periods include the expected renewal periods for those leases where renewal is likely. The effect of this change in estimate will be reflected in Cost of goods and services and network costs prospectively over the remaining expected term of the commitment.

Certain of the tower leases specify a minimum number of new leases to commence under a master agreement. Charges are incurred for the minimum commitment and are included in the table above.

Spectrum lease obligations - Certain of the leases provide for minimum lease payments, additional charges and escalation clauses. Leased spectrum agreements have terms of up to 30 years and the weighted average remaining lease term at December 31, 2012 was approximately 23 years, including renewal terms. We expect that all renewal periods in our spectrum leases will be renewed by us.

Spectrum service credits - We have commitments to provide Clearwire services to certain lessors in launched markets, and to reimburse lessors for certain capital equipment and third-party service expenditures, over the term of the lease. We accrue a monthly obligation for the services and equipment based on the total estimated available service credits divided by the term of the lease. The obligation is reduced as actual invoices are presented and paid to the lessors. During the years ended December 31, 2012, 2011 and 2010 we satisfied $3.3 million, $4.5 million and $1.0 million, respectively, related to these commitments. The maximum remaining commitment at December 31, 2012 is $101.8 million and is expected to be incurred over the term of the related lease agreements, which generally range from 15-30 years.

Purchase agreements - Included in the table above are purchase commitments with take-or-pay obligations and/or volume commitments for equipment that are non-cancelable. The table above also includes other obligations we have that include minimum purchase commitments with certain suppliers over time for goods and services regardless of whether suppliers fully deliver them. They include, among other things, agreements for backhaul, subscriber devices and IT related and other services.

In addition, we are party to various arrangements that are conditional in nature and create an obligation to make payments only upon the occurrence of certain events, such as the actual delivery and acceptance of products or services. Because it is not possible to predict the timing or amounts that may be due under these conditional arrangements, no such amounts have been included in the table above. The table above also excludes blanket purchase order amounts where the orders are subject to cancellation or termination at our discretion or where the quantity of goods or services to be purchased or the payment terms are unknown because such purchase orders are not firm commitments.

Legal proceedings - As more fully described below, we are involved in a variety of lawsuits, claims, investigations and proceedings concerning intellectual property, business practices, commercial and other matters. We determine whether we should accrue an estimated loss for a contingency in a particular legal proceeding by assessing whether a loss is deemed probable and can be reasonably estimated. We reassess our views on estimated losses on a quarterly basis to reflect the impact of any developments in the matters in which we are involved. Legal proceedings are inherently unpredictable, and the matters in which we are involved often present complex legal and factual issues. We vigorously pursue defenses in legal proceedings and engage in discussions where possible to resolve these matters on terms favorable to us, including pursuing settlements where we believe it may be the most cost effective result for the Company. It is possible, however, that our business, financial condition and results of operations in future periods could be materially and adversely affected by increased litigation expense, significant settlement costs and/or unfavorable damage awards.

Consumer Purported Class Actions and Investigation(s)

In April 2009, a purported class action lawsuit was filed against Clearwire U.S. LLC in Superior Court in King County, Washington by a group of five plaintiffs (Chad Minnick, et al.). The lawsuit generally alleges that we disseminated false advertising about the quality and reliability of our services; imposed an unlawful early termination fee, which we refer to as ETF; and invoked allegedly unconscionable provisions of our Terms of Service to the detriment of subscribers. Among other things, the lawsuit seeks a determination that the alleged claims may be asserted on a class-wide basis; an order declaring certain provisions of our Terms of Service, including the ETF provision, void and unenforceable; an injunction prohibiting us from collecting ETFs and further false advertising; restitution of any ETFs paid by our subscribers; equitable relief; and an award of unspecified damages and attorneys' fees. Plaintiffs subsequently amended their complaint adding seven additional plaintiffs. We removed the case to the United States District Court for the Western District of Washington. On July 23, 2009, we filed a motion to dismiss the amended complaint. The Court stayed discovery pending its ruling on the motion, and on February 2, 2010, granted our motion to dismiss in its entirety. Plaintiffs appealed to the Ninth Circuit Court of Appeals. On March 29, 2011 the Court of Appeals entered an Order Certifying Question to the Supreme Court of Washington requesting guidance on a question of Washington state law. On May 23, 2012, the Washington Supreme Court issued a decision holding that an ETF is a permissible alternative performance provision. The Court of Appeals has stayed the matter. The parties have agreed to settle the lawsuit. On December 19, 2012, the Court granted final approval of the settlement and entered final judgment. On January 18, 2013, objectors appealed the Court's final judgment and settlement order to the Ninth Circuit Court of Appeals. We have accrued an estimated amount we anticipate to pay for the settlement in Other current liabilities. The amount accrued is considered immaterial to the financial statements.

In September 2009, a purported class action lawsuit was filed against Clearwire in King County Superior Court, brought by representative plaintiff Rosa Kwan. The complaint alleges we placed unlawful telephone calls using automatic dialing and announcing devices and engaged in unlawful collection practices. It seeks declaratory, injunctive, and/or equitable relief and actual and statutory damages under federal and state law. On October 1, 2009, we removed the case to the United States District Court for the Western District of Washington. The parties stipulated to allow a Second Amended Complaint, which plaintiffs filed on December 23, 2009. We then filed a motion to dismiss the amended complaint. On February 22, 2010, the Court granted our motion to dismiss in part, dismissing certain claims with prejudice and granting plaintiff leave to further amend the complaint. Plaintiff filed a Third Amended Complaint adding additional state law claims and joining Bureau of Recovery, a purported collection agency, as a co-defendant. On January 27, 2011, the court granted the parties' stipulation allowing plaintiff to file a Fourth Amended Complaint adding two new class representatives. We then filed motions to compel the newly-added customer plaintiffs to arbitrate their individual claims. On January 3, 2012, the Court denied without prejudice our motions to compel arbitration because of factual issues to be resolved at an evidentiary hearing. The parties stipulated to allow a Fifth Amended Complaint. The parties agreed to settle the lawsuit. On December 27, 2012, the Court granted preliminary approval of the settlement. We have accrued an estimated amount we anticipate to pay for the settlement in Other current liabilities. The amount accrued is considered immaterial to the financial statements. If the Court does not grant final approval of the settlement, this case will remain in the early stages of litigation and its outcome is unknown.

In November 2010, a purported class action lawsuit was filed against Clearwire by Angelo Dennings in the U.S. District Court for the Western District of Washington. The complaint generally alleges we slow network speeds when network demand is highest and that such network management violates our agreements with subscribers and is contrary to the Company's advertising and marketing claims. Plaintiffs also allege that subscribers do not review the Terms of Service prior to subscribing, and when subscribers cancel service due to network management, we charge an ETF or restocking fee that they claim is unconscionable under the circumstances. The claims asserted include breach of contract, breach of the covenant of good faith and fair dealing and unjust enrichment. Plaintiffs seek class certification; unspecified damages and restitution; a declaratory judgment that Clearwire's ETF and restocking fee are unconscionable under the alleged circumstances; an injunction prohibiting Clearwire from engaging in alleged deceptive marketing and from charging ETFs; interest; and attorneys' fees and costs. On January 13, 2011, we filed concurrent motions to compel arbitration and in the alternative, to dismiss the complaint for failure to state a claim upon which relief may be granted. In response to Clearwire's motions, plaintiff abandoned its fraud claim and amended its complaint with fourteen additional plaintiffs in eight separate jurisdictions. Plaintiff further added new claims of violation of Consumer Protection statutes under various state laws. On March 31, 2011, Clearwire filed concurrent motions to (1) compel the newly-added plaintiffs to arbitrate their individual claims, (2) alternatively, to stay this case pending the United States Supreme Court's decision in AT&T Mobility LLC v. Concepcion, No. 09-893, which we refer to as Concepcion, and (3) to dismiss the complaint for failure to state a claim upon which relief may be granted. Plaintiffs did not oppose Clearwire's motion to stay the litigation pending Concepcion, and the parties stipulated to stay the litigation. The parties agreed to settle the lawsuit. On December 19, 2012, the Court granted final approval of the settlement and entered final judgment. On January 18, 2013, objectors appealed the Court's final judgment and settlement order to the Ninth Circuit Court of Appeals. We have accrued an estimated amount we anticipate to pay for the settlement in Other current liabilities. The amount accrued is considered immaterial to the financial statements.

In March 2011, a purported class action was filed against Clearwire in the U.S. District Court for the Eastern District of California. The case, Newton v. Clearwire, Inc. [sic], alleges Clearwire's network management and advertising practices constitute breach of contract, unjust enrichment, unfair competition under California's Business and Professions Code Sections 17200 et seq., and violation of California's Consumers' Legal Remedies Act. Plaintiff contends Clearwire's advertisements of “no speed cap” and “unlimited data” are false and misleading. Plaintiff alleges Clearwire has breached its contracts with customers by not delivering the Internet service as advertised. Plaintiff also claims slow data speeds are due to Clearwire's network management practices. Plaintiff seeks class certification; declaratory and injunctive relief; unspecified restitution and/or disgorgement of fees paid for Clearwire service; and unspecified damages, interest, fees and costs. On June 9, 2011, Clearwire filed a motion to compel arbitration. The parties agreed to settle the lawsuit. On December 19, 2012, the Court granted final approval of the settlement and entered final judgment. On January 18, 2013, objectors appealed the Court's final judgment and settlement order to the Ninth Circuit Court of Appeals. We have accrued an estimated amount we anticipate to pay for the settlement in Other current liabilities. The amount accrued is considered immaterial to the financial statements.

In August 2012, Richard Wuest filed a purported class action against Clearwire in the California Superior Court, San Francisco County. Plaintiff alleges that Clearwire violated California's Invasion of Privacy Act, Penal Code 630, notably §632.7, which prohibits the recording of communications made from a cellular or cordless telephone without the consent of all parties to the communication. Plaintiff seeks statutory damages and injunctive relief, costs, attorney fees, pre and post judgment interest. Clearwire removed the matter to federal court. On November 2, 2012, Clearwire filed an answer to the complaint. The litigation is in the early stages, its outcome is unknown and an estimate of any potential loss cannot be made at this time.

On September 6, 2012, the Washington State Attorney General's Office served on Clearwire Corporation a Civil Investigative Demand pursuant to RCW 19.86.110. The demand seeks information and documents in furtherance of the Attorney General Office's investigation of possible unfair trade practices, failure to properly disclose contractual terms, and misleading advertising. On October 22, 2012, Clearwire responded to the demand.

Purported Shareholder Class Actions: Delaware Actions

On December 12, 2012, stockholder Crest Financial Limited, which we refer to as Crest, filed a putative class action lawsuit in Delaware Court of Chancery against the Company, its directors, Sprint, Sprint Holdco LLC and Eagle River, purportedly brought on behalf of the public stockholders of the Company. On December 14, 2012, plaintiff filed an amended complaint, and on January 2, 2013, plaintiff filed a second amended complaint. Also, on December 12, 2012, the plaintiff filed a motion seeking an expedited trial. Following a hearing on January 10, 2013, the Court denied the motion to expedite without prejudice. The Court also directed the parties to consolidate this lawsuit with the other Delaware actions described below. The lawsuit alleges that the directors of the Company breached their fiduciary duties in connection with the proposed transaction between Sprint and the Company, that Sprint and Eagle River breached duties owed to the Company's public stockholders by virtue of their alleged status as controlling stockholders, including with respect to the SoftBank Transaction, and that the Company aided and abetted the alleged breaches of fiduciary duty by Sprint and Eagle River. The lawsuit also alleges that the Merger Consideration undervalues the Company, and that the controlling stockholders acted to enrich themselves at the expense of the minority stockholders. The lawsuit seeks to permanently enjoin the SoftBank Transaction, permanently enjoin the Proposed Merger, permanently enjoin Sprint from allegedly interfering with the Company's plans to raise capital or sell its spectrum and to recover compensatory damages. This litigation is in the early stages, its outcome is unknown and an estimate of any potential losses cannot be made at this time.

On December 20, 2012, stockholder Abraham Katsman filed a putative class action lawsuit in Delaware Court of Chancery against the Company, its directors, Sprint and SoftBank, purportedly bought on behalf of the public stockholders of the Company. The lawsuit alleges that the directors of the Company breached their fiduciary duties in connection with the Proposed Merger, that Sprint breached duties owed to the Company's public stockholders by virtue of its alleged status as controlling stockholder, and that SoftBank aided and abetted the alleged breaches of fiduciary duty by Sprint and the directors of the Company. The lawsuit also alleges that the Merger Consideration undervalues the Company and that the Proposed Merger was negotiated pursuant to an unfair process. The lawsuit seeks to enjoin the Proposed Merger and, should the Proposed Merger be consummated, rescission of the Proposed Merger, and to recover unspecified rescissory and compensatory damages. This litigation is in the early stages, its outcome is unknown and an estimate of any potential losses cannot be made at this time.

On December 28, 2012, stockholder Kenneth L. Feigeles filed a putative class action lawsuit in Delaware Court of Chancery against the Company, its directors, Sprint, Merger Sub and Eagle River, purportedly brought on behalf of the public stockholders of the Company. The lawsuit alleges that the directors of the Company breached their fiduciary duties in connection with the Proposed Merger, that Sprint breached duties owed to the Company's public stockholders by virtue of its alleged status as controlling stockholder, and that the Company, Sprint, Merger Sub and Eagle River aided and abetted the alleged breaches of fiduciary duty by Sprint and the directors of the Company. The lawsuit also alleges that the Merger Consideration undervalues the Company, and that the Proposed Merger was negotiated pursuant to an unfair process. The lawsuit seeks to enjoin the Proposed Merger and, should the Proposed Merger be consummated, to rescind the Proposed Merger, and it seeks unspecified rescissory and compensatory damages. This litigation is in the early stages, its outcome is unknown and an estimate of any potential losses cannot be made at this time.

On December 28, 2012, stockholder Joan Litwin filed a putative class action lawsuit in Delaware Court of Chancery against the Company, its directors, Sprint, Sprint Holdco and Eagle River, purportedly brought on behalf of the public stockholders of the Company. The lawsuit alleges that the directors of the Company breached their fiduciary duties in connection with the Proposed Merger, that Sprint and Eagle River breached duties owed to the Company's public stockholders by virtue of their alleged status as controlling stockholders, and that the Company aided and abetted the alleged breaches of fiduciary duty by Sprint, Eagle River and the directors of the Company. The lawsuit also alleges that the Merger Consideration undervalues the Company, that Sprint is using its position as controlling stockholder to obtain the Company's spectrum for itself to the detriment of the public stockholders, and that the directors of the Company allowed the Company to stagnate to benefit Sprint and Eagle River. The lawsuit seeks to enjoin the Proposed Merger and, should the Proposed Merger be consummated, to rescind the Proposed Merger. The lawsuit also seeks to enjoin Sprint from interfering with the Company's build-out plans or any future sale of spectrum, and seeks unspecified compensatory damages. This litigation is in the early stages, its outcome is unknown and an estimate of any potential losses cannot be made at this time.

On or about January 3, 2013, stockholder David DeLeo filed a putative class action lawsuit in Delaware Court of Chancery against the Company, its directors, Sprint and Merger Sub, purportedly brought on behalf of our public stockholders of the Company. The lawsuit alleges that the directors of the Company breached their fiduciary duties in connection with the Proposed Merger, that Sprint breached duties owed to the Company's public stockholders by virtue of its alleged status as controlling stockholder, and that the Company and Merger Sub aided and abetted the alleged breaches of fiduciary duty by Sprint and the directors of the Company. The lawsuit also alleges that the Merger Consideration undervalues the Company, that Sprint and the directors of the Company misappropriated non-public information that was not disclosed to the plaintiffs, and that the Proposed Merger was negotiated pursuant to an unfair process. The lawsuit seeks a declaratory judgment that the proposed transaction between Sprint and the Company was entered into in breach of Sprint's fiduciary duties, an injunction preventing the proposed transaction between Sprint and the Company and, should the Proposed Merger be consummated, to rescind the Proposed Merger, and it seeks unspecified rescissory and compensatory damages. This litigation is in the early stages, its outcome is unknown and an estimate of any potential losses cannot be made at this time.

Purported Shareholder Class Actions: Washington Actions

On December 20, 2012 stockholder Joe Kuhnle filed a putative class action lawsuit in the Superior Court of Washington, King County, against the Company and its directors, purportedly brought on behalf of the public stockholders of the Company, which action we refer to as the Kuhnle Action. The Kuhnle Action alleges that the directors of the Company breached their fiduciary duties in connection with the Proposed Merger, and that the Company aided and abetted the alleged breaches of fiduciary duty by the directors of the Company. The Kuhnle Action also alleges that the Merger Consideration undervalues the Company, that the Proposed Merger was negotiated pursuant to an unfair process, that the deal protection devices favor Sprint to the detriment of the public stockholders, and that the directors of the Company failed to make necessary disclosures in their public filings. The Kuhnle Action seeks a declaratory judgment that the Proposed Merger was entered into in breach of defendants' fiduciary duties, a preliminary injunction preventing the Proposed Merger and, should the Proposed Merger be consummated, rescission of the Proposed Merger, and to recover unspecified rescissory and compensatory damages. On January 18, 2013, we and the other defendants collectively filed a motion to dismiss or stay the Kuhnle Action in favor of the prior-filed Delaware Actions. On January 18, 2013, we and the other defendants opposed plaintiff's motion to expedite discovery. On February 11, 2013, the court granted the motion to stay. On January 22, 2013, the parties stipulated to consolidate the three King County lawsuits--the Kuhnle Action, along with both the Millen Action and the Rowe Action (each discussed further below)--into one matter: *In Re Clearwire Corporation Shareholder Litigation.* This litigation is in the early stages, its outcome is unknown and an estimate of any potential losses cannot be made at this time.

On December 20, 2012, stockholder Doug Millen filed a putative class action lawsuit in the Superior Court of Washington, King County against the Company and its directors, purportedly brought on behalf of the public stockholders of the Company, which action we refer to as the Millen Action. The lawsuit alleges that the directors of the Company breached their fiduciary duties owed to the Company's public stockholders in connection with the Proposed Merger, and that the Company aided and abetted the alleged breaches of fiduciary duty by the directors of the Company. The lawsuit also alleges that the Merger Consideration undervalues the Company, that the Proposed Merger was negotiated pursuant to an unfair process, that the deal protection devices favor Sprint to the detriment of the public stockholders, and that the directors of the Company failed to make necessary disclosures in connection with the announcement of the transaction. The lawsuit seeks a declaratory judgment that the Proposed Merger was entered into in breach of defendants' fiduciary duties, an injunction preventing the Proposed Merger, and rescission of the Proposed Merger to the extent it has already been consummated. (See the related discussion above under the Kuhnle Action regarding the proposed consolidation of the Millen Action.) This litigation is in the early stages, its outcome is unknown and an estimate of any potential losses cannot be made at this time.

On December 31, 2012, stockholder Clinton Rowe filed a putative class action lawsuit in the Superior Court of Washington, King County against the Company, its directors, Sprint and Merger Sub, purportedly brought on behalf of the public stockholders of the Company, which action we refer to as the Rowe Action. The lawsuit alleges that Sprint and the directors of the Company breached their fiduciary duties in connection with the Proposed Merger, and that the Company, Sprint and Merger Sub aided and abetted the alleged breaches of fiduciary duty by the directors of the Company. The lawsuit also alleges that the Merger Consideration undervalues the Company, that the Proposed Merger was negotiated pursuant to an unfair process, and that the directors of the Company did not protect the Company against numerous conflicts of interest. The lawsuit seeks a declaratory judgment that the Proposed Merger was entered into in breach of defendants' fiduciary duties, an injunction preventing the Proposed Merger, rescission of the transaction to the extent it has already been implemented, and the imposition of a constructive trust in favor of the plaintiff class upon any benefits improperly received by defendants. (See the related discussion above under the Kuhnle Action regarding the proposed consolidation of the Rowe Action.) This litigation is in the early stages, its outcome is unknown and an estimate of any potential losses cannot be made at this time.

In addition to the matters described above, we are often involved in certain other proceedings which seek monetary damages and other relief. Based upon information currently available to us, none of these other claims are expected to have a material effect on our business, financial condition or results of operations.

Indemnification agreements - We are currently a party to indemnification agreements with certain officers and each of the members of our Board of Directors. No liabilities have been recorded in the condensed consolidated balance sheets for any indemnification agreements, because they are neither probable nor estimable.

14. Share-Based Payments

As of December 31, 2012, there were 34,661,769 shares available for grant under the Clearwire Corporation 2008 Stock Compensation Plan, which we refer to as the 2008 Plan, which authorizes us to grant incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, which we refer to as RSUs, performance based RSUs and other stock awards to our employees, directors and consultants. Grants to be awarded under the 2008 Plan will be made available at the discretion of the Compensation Committee of the Board of Directors from authorized but unissued shares, authorized and issued shares reacquired, or a combination thereof. With the adoption of the 2008 Plan, no additional share grants will be granted under the Clearwire Corporation 2007 Stock Compensation Plan or the Clearwire Corporation 2003 Stock Option Plan.

Restricted Stock Units

We grant RSUs and performance based RSUs to certain officers and employees under the 2008 Plan. All RSUs generally have performance and service requirements or service requirements only, with vesting periods ranging from two to four years. The fair value of our RSUs is based on the grant-date fair market value of the common stock, which equals the grant date market price. Performance RSUs awarded in 2012 have one to two years performance periods and were granted once the performance objectives were established in the first quarter of 2012.

A summary of the RSU activity for the years ended December 31, 2012, 2011 and 2010 is presented below:

	Restricted Stock Units		Weighted-Average Grant Price		Fair Value (In Millions)	
	Future Performance and Service Required	Future Service Required	Future Performance and Service Required	Future Service Required	Future Performance and Service Required	Future Service Required
Restricted stock units outstanding — January 1, 2010	—	11,853,194	$ —	$ 4.60		
Granted	—	10,523,277	—	6.71	$ —	$ 70.6
Forfeited	—	(3,613,124)	—	5.55		
Vested	—	(4,087,694)	—	4.22	$ —	$ 29.5
Restricted stock units outstanding — December 31, 2010	—	14,675,653	$ —	$ 5.99		
Granted	—	10,300,239	—	4.06	$ —	$ 44.9
Forfeited	—	(7,985,495)	—	5.46		
Vested	—	(6,240,674)	—	5.54	$ —	$ 24.1
Restricted stock units outstanding — December 31, 2011	—	10,749,723	$ —	$ 4.79		
Granted	6,619,937	17,857,468	1.96	2.25	$ 13.0	$ 40.2
Forfeited	(208,102)	(2,141,799)	1.99	3.32		
Vested	—	(4,501,785)	—	4.45	$ —	$ 8.4
Restricted stock units outstanding — December 31, 2012	6,411,835	21,963,607	$ 1.96	$ 2.83		

As of December 31, 2012, there were 21,963,607 RSUs outstanding and total unrecognized compensation cost of approximately $27.8 million, which is expected to be recognized over a weighted-average period of approximately 1.1 years.

Stock Options

We granted options to certain officers and employees under the 2008 Plan. All options generally vest over a four-year period and expire no later than ten years after the date of grant. The fair value of option grants was estimated on the date of grant using the Black-Scholes option pricing model.

A summary of option activity from January 1, 2010 through December 31, 2012 is presented below:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)
Options outstanding — January 1, 2010	21,537,731	$ 11.09	6.39
Granted	996,648	7.37	
Forfeited	(3,007,895)	12.79	
Exercised	(3,083,243)	4.44	
Options outstanding — December 31, 2010	16,443,241	$ 11.80	5.69
Granted	—	—	
Forfeited	(10,701,871)	11.86	
Exercised	(1,180,619)	3.07	
Options outstanding — December 31, 2011	4,560,751	$ 13.98	4.24
Granted	—	—	
Forfeited	(1,310,146)	12.94	
Exercised	—	—	
Options outstanding — December 31, 2012	3,250,605	$ 14.39	4.36
Vested and expected to vest — December 31, 2012	3,239,887	$ 14.42	4.35
Exercisable outstanding — December 31, 2012	3,012,166	$ 15.14	4.18

The intrinsic value of options exercised during the years ended December 31, 2011 and 2010 was $2.3 million and $10.5 million, respectively. There were no option exercises during the period ended December 31, 2012. At December 31, 2012, there was no aggregate intrinsic value for any options outstanding as the price of our Class A Common Stock was less than the option exercise prices.

Information regarding stock options outstanding and exercisable as of December 31, 2012 is as follows:

	Options Outstanding			Options Exercisable	
Exercise Prices	Number of Options	Weighted Average Contractual Life Remaining (Years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$3.00	6,666	1.30	$ 3.00	6,666	$ 3.00
$3.03	673,250	6.19	3.03	573,250	3.03
3.53 - 6.77	402,867	5.44	5.90	283,178	5.74
7.41 - 7.87	62,000	6.45	7.56	43,250	7.52
$11.03	116,200	2.63	11.03	116,200	11.03
$15.00	200,665	3.03	15.00	200,665	15.00
$17.11	363,600	1.90	17.11	363,600	17.11
$18.00	526,229	3.56	18.00	526,229	18.00
$23.30	339,900	4.70	23.30	339,900	23.30
$25.00	559,228	4.16	25.00	559,228	25.00
Total	3,250,605	4.36	$ 14.39	3,012,166	$ 15.14

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model using the following assumptions for the years ended December 31, 2010:

	Year Ended December 31,
	2010
Expected volatility	58.80%-62.22%
Expected dividend yield	—
Expected life (in years)	6.25
Risk-free interest rate	2.00%-3.15%
Weighted average fair value per option at grant date	$4.27

The fair value of option grants in 2010 was $4.3 million. There were no options granted in 2012 and 2011. The total fair value of options vested during the years ended December 31, 2012, 2011 and 2010 was $0.7 million, $6.6 million and $9.8 million, respectively. The total unrecognized share-based compensation costs related to non-vested stock options outstanding at December 31, 2012 was approximately $0.1 million and is expected to be recognized over a weighted average period of approximately four months.

Share-based compensation expense is based on the estimated grant-date fair value of the award and is recognized net of estimated forfeitures on those shares expected to vest, over a graded vesting schedule on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards. Share-based compensation expense recognized for all plans for the years ended December 31, 2012, 2011 and 2010 is as follows (in thousands):

	Year Ended December 31.		
	2012	2011	2010
Options	$ 250	$ 1,016	$ 16,749
RSUs	28,616	25,535	30,582
Sprint Equity Compensation Plans	—	73	204
Total	$ 28,866	$ 26,624	$ 47,535

During the years ended December 31, 2012, 2011 and 2010 we reversed $3.4 million, $23.9 million, and $9.8 million, respectively, of share-based compensation expense related to the forfeiture of RSUs and options that had been recognized but not yet earned. During the year ended December 31, 2012 we had no additional share-based compensation expense related to the acceleration of vesting or the extension of the exercise period for certain RSUs and options. During the years ended December 31, 2011 and 2010, we recorded $3.7 million and $10.9 million, respectively, of additional share-based compensation expense related to the acceleration of vesting and the extension of the exercise period for certain RSUs and options.

15. Stockholders' Equity

Class A Common Stock

The Class A Common Stock represents the common equity of Clearwire. The holders of the Class A Common Stock are entitled to one vote per share and, as a class, are entitled to 100% of any dividends or distributions made by Clearwire, with the exception of certain minimal liquidation rights provided to the Class B Common Stockholders, which are described below. Each share of Class A Common Stock participates ratably in proportion to the total number of shares of Class A Common Stock issued by Clearwire. Holders of Class A Common Stock have 100% of the economic interest in Clearwire and are considered the controlling interest for the purposes of financial reporting.

Upon liquidation, dissolution or winding up, the Class A Common Stock will be entitled to any assets remaining after payment of all debts and liabilities of Clearwire, with the exception of certain minimal liquidation rights provided to the Class B Common Stockholders, which are described below.

During the fourth quarter 2012, Eagle River delivered a right of first offer notice pursuant to the Equityholders' Agreement, to the other equityholders of its intent to sell 30.9 million shares of Class A Common Stock and 2.7 million shares of Class B Common Stock and a corresponding number of Class B Common Interests, which we refer to collectively as the Interests. On October 17, 2012, Sprint delivered a response to the notice notifying Eagle River that they intend to purchase 100% of the Interests. On December 7, 2012, all of the conditions to the closing were met and on December 11, 2012, the transaction was completed. As a result, Eagle River no longer owns any shares of our Class A Common Stock, Class B Common Stock, or Class B Common Interests and is no longer a party to the Equityholders' Agreement.

During the second quarter of 2012 we also entered into a sales agreement, which we refer to as the Sales Agreement, with Cantor Fitzgerald & Co., which we refer to as CF&Co, pursuant to which we offered and sold shares of our Class A Common Stock having an aggregate offering price of up to $300.0 million from time to time through CF&Co, as sales agent. Subject to the terms and conditions of the Sales Agreement, CF&Co used its commercially reasonable efforts to sell shares of Class A Common Stock on our behalf on a daily basis or as otherwise agreed by us and CF&Co. We designated the parameters by which CF&Co would sell shares of Class A Common Stock on our behalf, including the total number of shares of Class A Common Stock to be issued, the time period during which sales were requested to be made, any limitation on the number of shares of Class A Common Stock that could be sold in any one trading day and any minimum price below which sales would not be made. We and CF&Co each had the right, by giving written notice as specified in the Sales Agreement, to terminate the Sales Agreement in each party's sole discretion at any time. We paid CF&Co a commission equal to 2.0% of the gross sales price per share of Class A Common Stock sold under the Sales Agreement. We also agreed to reimburse CF&Co for certain of its expenses as set forth in the Sales Agreement and to indemnify CF&Co against certain liabilities. We sold 48.4 million shares of Class A Common Stock under the Sales Agreement for net proceeds of $58.5 million. On July 26, 2012, we announced that we elected to cease further sales under the Sales Agreement.

During the first quarter of 2012, Clearwire and Clearwire Communications entered into securities purchase agreements with certain institutional investors, pursuant to which Clearwire issued shares of Class A Common Stock for an aggregate price of $83.5 million, the proceeds of which was used to repurchase $100.0 million in aggregate principal amount of its Exchangeable Notes, plus accrued but unpaid interest held by the institutional investors. The price per share was determined based upon the daily volume weighted average price of our Class A Common Stock on the NASDAQ Global Select Market for the five trading days commencing March 15, 2012, subject to a minimum price and a maximum price per share. The total number of shares issued was equal to the quotient obtained by dividing the Purchase Price by the price per share, and was 38.0 million shares.

During the first quarter of 2012, Google Inc., which we refer to as Google, sold 29.4 million shares of Class A Common Stock.

Class B Common Stock

The Class B Common Stock represents non-economic voting interests in Clearwire. Identical to the Class A Common Stock, the holders of Class B Common Stock are entitled to one vote per share. However, they do not have any rights to receive distributions other than stock dividends paid proportionally to each outstanding Class A and Class B Common Stockholder or upon liquidation of Clearwire, an amount equal to the par value per share, which is $0.0001 per share.

The holders, which include Intel Corporation, which we refer to as Intel, who, along with Sprint, we collectively refer to as the Participating Equityholders, of Class B Common Stock hold, or are entitled to hold, an equivalent number of Class B Common Interests, which, in substance, reflects their economic stake in Clearwire. This is accomplished through an exchange feature that provides the holder the right, at any time, to exchange one share of Class B Common Stock plus one Class B Common Interest for one share of Class A Common Stock.

On October 11, 2012, Bright House, provided us with notice of its intent to exchange 8.5 million shares of Class B Common Stock together with all of the Class B Common Interests held by Bright House into an equal number of shares of Class A Common Stock. The exchange was completed on October 18, 2012.

On September 4, 2012, Time Warner Cable provided us with notice of its intent to exchange 46.4 million Class B Common Interests and a corresponding number of shares of Class B Common Stock for an equal number of shares of Class A Common Stock pursuant to the Amended and Restated Operating Agreement dated as of November 28, 2008 governing Clearwire Communications, which we refer to as the Operating Agreement. The exchange was completed on September 13, 2012.

On September 27, 2012, we entered into an underwriting agreement, which we refer to as the Underwriting Agreement, with Credit Suisse Securities (USA) LLC, which we refer to as the Underwriter and Time Warner Cable. On October 3, 2012, under the terms and subject to the conditions contained in the Underwriting Agreement, Time Warner Cable sold to the Underwriter all of its 46.4 million shares of our Class A Common Stock. We did not receive any proceeds from the sale of our Class A Common Stock by Time Warner Cable.

On September 24, 2012, Comcast provided us with notice of its intent to exchange 88.5 million Class B Common Interests and a corresponding number of shares of Class B Common Stock for an equal number of shares of Class A Common Stock pursuant to the Operating Agreement. The exchange was completed on September 27, 2012.

During the second quarter of 2011, Sprint surrendered 77.4 million shares of Class B Common Stock to reduce its voting interest in Clearwire. Subsequently, during the second quarter of 2012, Sprint exercised its right to revoke the surrender of the 77.4 million shares of Class B Common Stock relinquished in June 2011. The Class B Common Stock was reissued to Sprint on June 8, 2012. This transaction did not impact Sprint's economic interest in the Company, which it holds through its ownership of Class B Common Interests. At December 31, 2012, Sprint's economic interest in Clearwire and its subsidiaries is equal to its voting interest and was approximately 50.4%.

The following table lists the voting interests in Clearwire as of December 31, 2012:

Investor	Class A Common Stock	Class A Common Stock Voting % Outstanding	Class B Common Stock[(1)]	Class B Common Stock % Voting Outstanding	Total	Total % Voting Outstanding
Sprint	30,922,958	4.5%	708,087,860	91.5%	739,010,818	50.4%
Comcast	88,504,132	12.8%	—	—%	88,504,132	6.0%
Bright House	8,474,440	1.2%	—	—%	8,474,440	0.6%
Intel	28,432,066	4.1%	65,644,812	8.5%	94,076,878	6.4%
Other Shareholders	534,980,999	77.4%	—	—	534,980,999	36.5%
	691,314,595	100%	773,732,672	100%	1,465,047,267	100%

(1) The holders of Class B Common Stock hold an equivalent number of Class B Common Interests.

Clearwire Communications Interests

Clearwire is the sole holder of voting interests in Clearwire Communications. As such, Clearwire controls 100% of the decision making of Clearwire Communications and consolidates 100% of its operations. Clearwire also holds all of the outstanding Clearwire Communications Class A common interests representing 47.2% of the economics of Clearwire Communications as of December 31, 2012. The holders of the Class B Common Interests own the remaining 52.8% of the economic interests. It is intended that at all times, the number of Clearwire Communications Class A common interests held by Clearwire will equal the number of shares of Class A Common Stock issued by Clearwire.

The non-voting Clearwire Communication units are designated as either Clearwire Communications Class A common interests, all of which are held by Clearwire, or Class B Common Interests, which are held by Sprint and Intel. Both classes of non-voting Clearwire Communication units participate in distributions of Clearwire Communications on an equal and proportionate basis.

The following shows the effects of the changes in Clearwire's ownership interests in Clearwire Communications (in thousands):

	Year ended December 31,		
	2012	2011	2010
Clearwire's loss from equity investees (note 20)	$ (758,705)	$ (612,214)	$ (496,875)
Increase/(decrease) in Clearwire's additional paid-in capital for issuance or conversion of Class B Common Stock	379,048	137,353	(64,569)
Increase in Clearwire's additional paid-in capital for issuance of Class A Common Stock	58,460	384,106	301,849
Other effects of changes in Clearwire's additional paid-in capital for issuance of Class A and Class B Common Stock	28,143	18,870	145,785
Net transfers from non-controlling interests	465,651	540,329	383,065
Change from net loss attributable to Clearwire and transfers to non-controlling interests	$ (293,054)	$ (71,885)	$ (113,810)

Dividend Policy

We have not declared or paid any cash dividends on Class A or Class B Common Stock. We currently expect to retain future earnings, if any, for use in the operations and expansion of our business. We do not anticipate paying any cash dividends in the foreseeable future. In addition, covenants in the indentures governing our Senior Secured Notes impose significant restrictions on our ability to pay cash dividends to our stockholders.

Non-controlling Interests in Clearwire Communications

Clearwire Communications is consolidated into Clearwire because we hold 100% of the voting interest in Clearwire Communications. Therefore, the holders of the Class B Common Interests represent non-controlling interests in a consolidated subsidiary. As a result, the income (loss) consolidated by Clearwire is decreased in proportion to the outstanding non-controlling interests. The conversion of Class B Common Interests and the corresponding number of Class B Common Stock to Class A Common Stock is recorded in Issuance of common stock, net of issuance costs, and other capital transactions on our consolidated statement of stockholders' equity.

Warrants

As of December 31, 2012, there were 375,000 warrants outstanding with an expiration date of November 13, 2013. Holders may exercise their warrants at any time, with an exercise price of $3.00.

16. Net Loss Per Share

Basic Net Loss Per Share

The net loss per share attributable to holders of Class A Common Stock is calculated based on the following information (in thousands, except per share amounts):

	Year Ended December 31,		
	2012	2011	2010
Net loss from continuing operations	$ (1,743,745)	$ (2,855,733)	$ (2,251,202)
Non-controlling interests in net loss from continuing operations of consolidated subsidiaries	1,182,183	2,158,831	1,775,840
Net loss from continuing operations attributable to Class A Common Stockholders	(561,562)	(696,902)	(475,362)
Net loss from discontinued operations attributable to Class A Common Stockholders	(167,005)	(20,431)	(12,075)
Net loss attributable to Class A Common Stockholders	$ (728,567)	$ (717,333)	$ (487,437)
Weighted average shares Class A Common Stock outstanding	554,015	257,967	222,527
Net loss per share from continuing operations	$ (1.01)	$ (2.70)	$ (2.14)
Net loss per share from discontinued operations	(0.30)	(0.08)	(0.05)
Net loss per share	$ (1.31)	$ (2.78)	$ (2.19)

Diluted Net Loss Per Share

The potential exchange of Class B Common Interests together with Class B Common Stock for Class A Common Stock will have a dilutive effect on diluted net loss per share due to certain tax effects. That exchange would result in both an increase in the number of Class A Common Stock outstanding and a corresponding increase in the net loss attributable to the Class A Common Stockholders through the elimination of the non-controlling interests' allocation. Further, to the extent that all of the Class B Common Interests and Class B Common Stock are converted to Class A Common Stock, the Clearwire Communications partnership structure would no longer exist and Clearwire would be required to recognize a tax provision related to indefinite lived intangible assets.

Shares issuable upon the conversion of the Exchangeable Notes were included in the computation of diluted net loss per share for the year ended December 31, 2010 on an "if converted" basis since the result was dilutive. For purpose of this computation, the change in fair value of the Exchange Options and interest expense on the Exchangeable Notes were reversed for the period. For the years ended December 31, 2012 and 2011, shares issuable upon the conversion of the Exchangeable Notes were excluded in the computation of diluted net loss per share as their inclusion would have been antidilutive.

Net loss per share attributable to holders of Class A Common Stock on a diluted basis, assuming conversion of the Class B Common Interests and Class B Common Stock and, where applicable, conversion of the Exchangeable Notes, is calculated based on the following information (in thousands, except per share amounts):

	Year Ended December 31,		
	2012	2011	2010
Net loss from continuing operations attributable to Class A Common Stockholders	$ (561,562)	$ (696,902)	$ (475,362)
Non-controlling interests in net loss from continuing operations of consolidated subsidiaries	(1,182,183)	(2,158,831)	(1,775,840)
Tax adjustment resulting from dissolution of Clearwire Communications	(27,611)	(27,945)	(27,117)
Reversal of gain on Exchange Options and Exchangeable Notes interest expense, upon exchange of notes	—	—	(58,296)
Net loss from continuing operations available to Class A Common Stockholders, assuming the exchange of Class B to Class A Common Stock and conversion of the Exchangeable Notes	(1,771,356)	(2,883,678)	(2,336,615)
Net loss from discontinued operations available to Class A Common Stockholders	(167,005)	(20,431)	(12,075)
Non-controlling interest in net loss from discontinued operations of consolidated subsidiaries	(1,356)	(61,379)	(39,817)
Net loss from discontinued operations available to Class A Common Stockholders, assuming the exchange of Class B to Class A Common Stock	(168,361)	(81,810)	(51,892)
Net loss available to Class A Common Stockholders, assuming the exchange of Class B to Class A Common Stock and conversion of the Exchangeable Notes	$ (1,939,717)	$ (2,965,488)	$ (2,388,507)
Weighted average shares Class A Common Stock outstanding	554,015	257,967	222,527
Weighted average shares converted from Class B Common Stock outstanding	844,588	707,132	741,962
Weighted average shares converted from the Exchangeable Notes	—	—	6,276
Total weighted average shares Class A Common Stock outstanding (diluted)	1,398,603	965,099	970,765
Net loss per share from continuing operations	$ (1.27)	$ (2.99)	$ (2.41)
Net loss per share from discontinued operations	(0.12)	(0.08)	(0.05)
Net loss per share	$ (1.39)	$ (3.07)	$ (2.46)

The diluted weighted average shares did not include the effects of the following potential common shares as their inclusion would have been antidilutive (in thousands):

	Year Ended December 31,		
	2012	2011	2010
Exchangeable Notes conversion shares	91,733	103,001	—
Stock options	4,214	8,920	18,380
Restricted stock units	26,905	13,820	12,414
Warrants	647	7,748	17,806
Subscription rights	—	—	22,657
Contingent shares	—	—	1,519
	123,499	133,489	72,776

We have calculated and presented basic and diluted net loss per share of Class A Common Stock. Class B Common Stock net loss per share is not calculated since it does not contractually participate in distributions of Clearwire.

17. Related Party Transactions

We have a number of strategic and commercial relationships with third parties that have had a significant impact on our business, operations and financial results. These relationships have been with Sprint, Intel, Comcast, Time Warner Cable, Bright House, Google, Eagle River, and Ericsson, all of which are or have been related parties. Some of these relationships include agreements pursuant to which we sell wireless broadband services to certain of these related parties on a wholesale basis, which such related parties then resell to each of their respective end user subscribers. We sell these services at terms defined in our contractual agreements.

The following amounts for related party transactions are included in our consolidated financial statements (in thousands):

	December 31,	
	2012	2011
Accounts receivable	$ 17,227	$ 78,282
Prepaid assets and other assets	$ 5,943	$ 2,229
Accounts payable and accrued expenses	$ 8,223	$ 4,736
Other current liabilities:		
Cease-to-use	$ 5,497	$ 4,652
Deferred revenue	$ 96,161	$ 9,301
Other	$ 5,642	$ —
Other long-term liabilities:		
Cease-to-use	$ 36,793	$ 33,940
Deferred revenue	$ 83,887	$ 1,207
Deferred rent	$ 32,213	$ 52,663
Other	$ 2,821	$ —

	Year Ended December 31,		
	2012	2011	2010
Revenue	$ 465,295	$ 493,350	$ 50,808
Cost of goods and services and network costs (inclusive of capitalized costs)(1)	$ 152,669	$ 182,671	$ 104,883
Selling, general and administrative (inclusive of capitalized costs)	$ 50,193	$ 31,453	$ 7,150

(1) The amounts presented for the year ended December 31, 2011 have been adjusted to reflect the inclusion of $20.0 million of non-cash rents related to leases with Sprint.

Proposed Sprint Merger Agreement — On December 17, 2012, we entered into a Merger Agreement, pursuant to which Sprint agreed to acquire all of the outstanding shares of Class A and Class B Common Stock not currently owned by Sprint. See Note 1, Description of Business for further information.

Note Purchase Agreement —In connection with the Merger Agreement, on December 17, 2012, we and certain of our subsidiaries also entered into the Note Purchase Agreement, in which Sprint agreed to purchase from us at our election up to an aggregate principal amount of $800.0 million of 1.00% Exchangeable Notes due 2018, in ten monthly installments of $80.0 million each. See Note 1, Description of Business for further information.

Rollover Notes — In connection with the issuance of the 2015 Senior Secured Notes, on November 24, 2009, we issued notes to Sprint and Comcast with identical terms as the 2015 Senior Secured Notes. From time to time, other related parties may hold portions of our long-term debts, and as debtholders, would be entitled to receive interest payments from us.

Relationships among Certain Stockholders, Directors, and Officers of Clearwire — Sprint, through two wholly-owned subsidiaries, Sprint HoldCo and SN UHC 1, Inc., owns the largest interest in Clearwire with an effective voting and economic interest of approximately 50.44% and Intel owns voting and economic interest in Clearwire of 6.4%. After the conversion of their Class B Common Interests and corresponding number of Class B Common Stock into Class A Common Stock, Comcast and Bright House together own voting interest in Clearwire of approximately 6.6% at December 31, 2012.

As of December 31, 2012, Eagle River held warrants to purchase 375,000 shares of Class A Common Stock at an exercise price of $3.00 per share with an expiration date of November 13, 2013.

Clearwire, Sprint, Intel, Comcast and Bright House are party to the Equityholders' Agreement, which sets forth certain rights and obligations of the equityholders with respect to governance of Clearwire, transfer restrictions on our common stock, rights of first refusal and pre-emptive rights, among other things. In addition, we have also entered into a number of commercial agreements with Sprint, Google and Intel, which are outlined below.

4G MVNO Agreement — We have a non-exclusive 4G MVNO agreement, which we refer to as the 4G MVNO Agreement, with Comcast MVNO II, LLC, TWC Wireless, LLC, Bright House and Sprint Spectrum L.P.,which we refer to as Sprint Spectrum. We sell wireless broadband services to the other parties to the 4G MVNO Agreement for the purposes of the purchasers' marketing and reselling our wireless broadband services to their respective end user subscribers. The wireless broadband services to be provided under the 4G MVNO Agreement include standard network services, and, at the request of any of the parties, certain non-standard network services. We sell these services at prices defined in the 4G MVNO Agreement.

S***print Wholesale relationship***

In November 2011 we entered into the November 2011 4G MVNO Amendment. As a result, the minimum payments under the amendment to the 4G MVNO agreement entered into with Sprint in April 2011 were replaced with the provisions of the November 2011 4G MVNO Amendment. Under the November 2011 4G MVNO Amendment, Sprint Spectrum is paying us $925.9 million for unlimited 4G mobile WiMAX services for resale to its retail subscribers in 2012 and 2013, approximately two-thirds of which was paid for service provided in 2012, and the remainder will be paid for service provided in 2013. Of the $925.9 million, $175.9 million will be paid as an offset to principal and interest due under a $150.0 million promissory note (as described in the Sprint Commitment Agreement section below) issued by us to Sprint. As part of the November 2011 4G MVNO Amendment, we also agreed to: the elimination of device minimum fees after 2011; and usage based pricing for WiMAX services after 2013 and for LTE service beginning in 2012. We also agreed that Sprint Spectrum may re-wholesale wireless broadband services, subject to certain conditions and we agreed to operate our WiMAX network through calendar year 2015.

Subject to the satisfaction of certain network build-out conditions, Sprint agreed to prepay us up to another $350.0 million in installments once certain milestones are achieved for future services to be provided to Sprint over our LTE network. The amount and nature of the prepayment is subject to reduction in certain circumstances, including in the event that we fail to meet initial LTE deployment build targets by June 30, 2013, or if we fail to meet certain network specifications. We also agreed to collaborate with Sprint on LTE network design, architecture and deployment, including site selection, and Sprint committed to use commercially reasonable efforts to support certain specified chipset ecosystems and to launch devices to roam on our LTE network, including laptop cards and smartphones, in 2013. The November 2011 4G MVNO Amendment also provides for additional conditions on any sale of core spectrum assets necessary to operate our WiMAX and LTE networks, including agreeing to allow Sprint Spectrum an opportunity to make offers to purchase our excess spectrum in the event that we propose to sell such spectrum.

In addition to the $150.0 million received from Sprint relating to the Sprint Promissory Note in January 2012, for the twelve months ended December 31, 2012 and 2011, we received $537.3 million and $434.3 million respectively from Sprint for 4G broadband wireless services. The amounts received from Sprint for 4G broadband wireless services for the year ended December 31, 2012 includes $76.6 million for services provided in 2011 and $10.8 million representing the final portion of the prepayment for future services beyond the minimum commitment provided for in the amendment to the 4G MVNO Agreement entered into in April 2011.

During the twelve months ended December 31, 2012, wholesale revenue recorded attributable to Sprint comprised approximately 36% of total revenues and substantially all of our wholesale revenues.

Sprint Commitment Agreement - In November 2011, we entered into a commitment agreement with Sprint and Sprint HoldCo, which we refer to as the Commitment Agreement. As part of the agreement, should we consummate an equity offering which generates gross proceeds of at least $400.0 million, Sprint HoldCo agreed to exercise its pre-emptive rights under the Equityholders' Agreement to purchase securities representing Sprint HoldCo's pro rata share of the securities issued in such an offering up to$700.0 million. On December 13, 2011, we closed an offering of 201,250,000 shares of Class A Common Stock for $402.5 million in an underwritten public offering. Pursuant to the Commitment Agreement, on December 13, 2011, Sprint Holdco exercised its pre-emptive rights and purchased 173,635,000 shares of Class B Common Stock and a corresponding number of Class B Common Interests for proceeds of approximately $331.4 million.

Under the terms of the Commitment Agreement, Sprint provided us an aggregate principal amount of $150.0 million on January 3, 2012, pursuant to a promissory note issued by Clearwire Communications, which we refer to as the Sprint Promissory Note. The Sprint Promissory Note bears interest of 11.5% per annum with an aggregate principal amount of $75.0 million maturing on January 2, 2013, and the remaining $75.0 million principal amount maturing on January 2, 2014. If not previously paid, Sprint may offset the amounts payable by us under the Sprint Promissory Note, including interest, against payments then due by Sprint to Clearwire Communications under the November 2011 4G MVNO Amendment. Because the Sprint Promissory Note was entered into in conjunction with the November 2011 4G MVNO Amendment, and amounts due may be offset against payments due under the November 2011 4G MVNO Amendment, it will be treated as deferred revenue for accounting purposes, and associated interest costs will be recorded as a reduction to the $925.9 million payable by Sprint for unlimited WiMAX service in calendar years 2012 and 2013. On January 2, 2013, we offset $83.6 million to principal and related accrued interest to reduce the principal amount we owe to Sprint under the promissory note to $75.0 million. The Sprint Promissory Note provides for certain events of default including, among other things, default in the payment of principal or interest; any material breach by Clearwire Communications in respect of its obligations to Sprint Spectrum under the November 2011 4G MVNO Amendment; termination or cancellation of the November 2011 4G MVNO Amendment at any time prior to January 2, 2014; and certain customary bankruptcy-related events. Upon the occurrence of any event of default, Sprint may offset and apply the Sprint Promissory Note against any and all deposits and any other credits, indebtedness payment obligations, property, or claims owing to Clearwire Communications or affiliates by Sprint.

In addition, under the terms of the Commitment Agreement, if we successfully consummated an equity offering, we agreed to use commercially reasonable best efforts to consummate an offering of first-priority senior secured debt in an amount equal to approximately 50% of the net cash proceeds of any such equity offering, at the earliest practicable time thereafter. In January 2012, Clearwire Communications completed an offering of 2016 Senior Secured Notes with a par value of $300.0 million. See Note 10, Long-term Debt, Net, for a discussion of the issuance of debt.

3G MVNO Agreement — We entered into a non-exclusive 3G MVNO agreement with Sprint Spectrum, which we refer to as the 3G MVNO Agreement, whereby Sprint agrees to sell its code division multiple access and mobile voice and data communications service for the purpose of resale to our retail customers. The data communications service includes Sprint’s existing core network services, other network elements and information that enable a third party to provide services over the network, or core network enablers, and subject to certain limitations and exceptions, new core network services, core network enablers and certain customized services. For the years ended December 31, 2012, 2011 and 2010, we paid $4.4 million, $17.8 million, and $9.7 million, respectively to Sprint for 3G wireless services provided by Sprint to us.

Sprint Master Site Agreement — In November 2008, we entered into a master site agreement with Sprint, which we refer to as the Master Site Agreement, pursuant to which Sprint and we established the contractual framework and procedures for the leasing of tower and antenna collocation sites to each other. Leases for specific sites will be negotiated by Sprint and us on request by the lessee. The leased premises may be used by the lessee for any activity in connection with the provision of wireless communications services, including attachment of antennas to the towers at the sites. The term of the Master Site Agreement is ten years from the date the agreement was signed. The term of each lease for each specific site will be five years, but the lessee has the right to extend the term for up to an additional 20 years. The monthly fee will increase 3% per year. The lessee is also responsible for the utility costs and for certain additional fees. During the years ended December 31, 2012, 2011 and 2010, we made rent payments under this agreement of $59.6 million, $55.8 million and $53.1 million, respectively.

Master Agreement for Network Services — In November 2008, we entered into a master agreement for network services, which we refer to as the Master Agreement for Network Services, with various Sprint affiliated entities, which we refer to as the Sprint Entities, pursuant to which the Sprint Entities and we established the contractual framework and procedures for us to purchase network services from Sprint Entities. We may order various services from the Sprint Entities, including IP network transport services, data center co-location, toll-free services and access to the following business platforms: voicemail, instant messaging services, location-based systems and media server services. The Sprint Entities will provide a service level agreement that is consistent with the service levels provided to similarly situated subscribers. Pricing is specified in separate product attachments for each type of service; in general, the pricing is based on the mid-point between fair market value of the service and the Sprint Entities' fully allocated cost for providing the service. The term of the Master Agreement for Network Services is five years, but we will have the right to extend the term for an additional five years. Additionally, in accordance with the Master Agreement for Network Services with the Sprint Entities, we assumed certain agreements for backhaul services that contain commitments that extend up to five years.

Ericsson, Inc — Ericsson, provides network deployment services to us, including site acquisition and construction management services. In addition, during the second quarter of 2011, we entered into a managed services agreement with Ericsson to operate, maintain and support our network. Dr. Hossein Eslambolchi, who currently sits on our board of directors, had a consulting agreement with Ericsson. As part of his consulting agreement, Dr. Eslambolchi received payments for his services from Ericsson. He has not received any compensation directly from us related to his relationship with Ericsson. For the years ended December 31, 2012 and 2011, we paid $76.9 million and $41.1 million, respectively to Ericsson for network management services.

IT Master Services Agreement — In November 2008, we entered into an IT master services agreement with the Sprint Entities pursuant to which the Sprint Entities and we established the contractual framework and procedures for us to purchase IT application services from the Sprint Entities. The term of the IT master services agreement is five years, but we have the right to extend the term for an additional five years.

Intel Market Development Agreement — We entered into a market development agreement with Intel, which we refer to as the Intel Market Development Agreement, pursuant to which we committed to deploy mobile WiMAX on our networks and to promote the use of certain notebook computers and mobile Internet devices on our networks, and Intel would develop, market, sell and support WiMAX embedded chipsets for use in certain notebook computers and mobile Internet devices that may be used on our networks. The Intel Market Development Agreement will last for a term of seven years from the date of the agreement, with Intel having the option to renew the agreement for successive one year terms up to a maximum of 13 additional years provided that Intel meets certain requirements.

18. Discontinued Operations

As a result of a strategic decision to focus investment in the United States market, during the second quarter of 2011, we committed to sell our operations in Belgium, Germany and Spain. These businesses comprised substantially all of the remaining operations previously reported in our International segment. Associated results of operations and financial position are separately reported as discontinued operations for all periods presented. Results of operations and financial position presented for periods prior to the second quarter of 2011 include other businesses that were reported in our International segment. The sale of our businesses in Ireland, Poland, and Romania were individually immaterial for separate disclosure in prior periods.

During the year ended December 31, 2012, we completed the sale of the operations in Germany, Belgium and Spain for total expected proceeds of approximately $18.9 million. We have received approximately half of the expected proceeds and expect to receive the remainder by March 2013. In connection, with the Belgium sale transaction, we have also extended a loan of approximately $0.9 million to the purchaser and obtained an option to utilize the proceeds from repayment of the loan to obtain a 10% equity interest in the purchaser at the maturity of the loan in April 2019. We recognized a gain on the sale of these operations of approximately $22.3 million, net of tax benefits of $5.1 million and the reclassification of cumulative translation adjustments of $8.7 million, in Net loss from discontinued operations.

During the third quarter of 2012, we made an insolvency filing with respect to our operations in Spain followed by its disposition in a sale. As a result, certain intercompany loans related to our international operations were considered to be uncollectible for federal income tax purposes and, as a result, there was an increase to the deferred tax liability of our discontinued operations of approximately $167.2 million along with a corresponding deferred tax expense for our discontinued operations. See Note 9, Income taxes for further discussion.

Summarized financial information for discontinued operations is shown below (in thousands):

	Year Ended December 31, 2012	2011	2010
Total revenues	$ 8,473	$ 20,767	$ 21,723
Loss from discontinued operations before income taxes	$ (1,185)	$ (86,749)	$ (53,266)
Income tax benefit (provision)	(167,176)	4,939	1,374
Net loss from discontinued operations	(168,361)	(81,810)	(51,892)
Less: non-controlling interests in net loss from discontinued operations of consolidated subsidiaries	1,356	61,379	39,817
Net loss from discontinued operations attributable to Clearwire Corporation	$ (167,005)	$ (20,431)	$ (12,075)

	December 31, 2012	2011
Assets		
Current assets:		
Cash and cash equivalents	$ —	$ 1,815
Prepaid and other assets	—	1,739
Total current assets	—	3,554
Property, plant and equipment, net	—	10,351
Spectrum licenses, net	—	19,313
Other assets	—	3,478
Total assets of discontinued operations	$ —	$ 36,696
Liabilities		
Other current liabilities	$ —	$ 8,930
Other long-term liabilities	—	16,266
Total liabilities of discontinued operations	$ —	$ 25,196

19. Quarterly Financial Information (unaudited)

Summarized quarterly financial information for the years ended December 31, 2012 and 2011 is as follows (in thousands, except per share data):

	First	Second	Third	Fourth	Total
2012 quarter:					
Total revenues	$ 322,639	$ 316,932	$ 313,882	$ 311,241	$ 1,264,694
Operating loss	$ (421,887)	$ (311,260)	$ (332,905)	$ (312,731)	$ (1,378,783)
Net loss from continuing operations	$ (561,026)	$ (431,027)	$ (320,410)	$ (431,282)	$ (1,743,745)
Net loss from continuing operations attributable to Clearwire Corporation	$ (182,054)	$ (143,179)	$ (41,344)	$ (194,985)	$ (561,562)
Net loss attributable to Clearwire Corporation	$ (181,823)	$ (145,809)	$ (213,781)	$ (187,154)	$ (728,567)
Net loss from continuing operations attributable to Clearwire Corporation per Class A Common Share:					
Basic	$ (0.40)	$ (0.28)	$ (0.07)	$ (0.28)	$ (1.01)
Diluted	$ (0.44)	$ (0.32)	$ (0.22)	$ (0.30)	$ (1.27)
Net loss attributable to Clearwire Corporation per Class A Common Share:					
Basic	$ (0.40)	$ (0.29)	$ (0.38)	$ (0.27)	$ (1.31)
Diluted	$ (0.44)	$ (0.33)	$ (0.34)	$ (0.29)	$ (1.39)
2011 quarter:					
Total revenues	$ 236,808	$ 322,611	$ 332,177	$ 361,870	$ 1,253,466
Operating loss	$ (647,358)	$ (911,594)	$ (399,136)	$ (433,149)	$ (2,391,237)
Net loss from continuing operations	$ (793,160)	$ (939,770)	$ (479,457)	$ (643,346)	$ (2,855,733)
Net loss from continuing operations attributable to Clearwire Corporation	$ (216,877)	$ (160,525)	$ (83,502)	$ (235,998)	$ (696,902)
Net loss attributable to Clearwire Corporation	$ (226,955)	$ (168,738)	$ (84,791)	$ (236,849)	$ (717,333)
Net loss from continuing operations attributable to Clearwire Corporation per Class A Common Share:					
Basic	$ (0.89)	$ (0.65)	$ (0.34)	$ (0.81)	$ (2.70)
Diluted	$ (0.89)	$ (0.98)	$ (0.53)	$ (0.81)	$ (2.99)
Net loss attributable to Clearwire Corporation per Class A Common Share:					
Basic	$ (0.93)	$ (0.68)	$ (0.35)	$ (0.81)	$ (2.78)
Diluted	$ (0.93)	$ (1.01)	$ (0.54)	$ (0.81)	$ (3.07)

20. Parent Company Only Condensed Financial Statements

Under the terms of agreements governing the indebtedness of Clearwire Communications, which is a subsidiary of Clearwire and comprises substantially all of the net assets of the Company, such subsidiary is restricted from making dividend payments, loans or advances, other than mandatory tax payments and reimbursement of costs, to Clearwire. The restrictions have resulted in the restricted net assets (as defined in Securities and Exchange Commission Rule 4-08(e)(3) of Regulation S-X) of Clearwire's subsidiary exceeding 25% of the consolidated net assets of Clearwire and its subsidiaries.

The following condensed parent-only financial statements of Clearwire account for the investment in Clearwire Communications under the equity method of accounting. The financial statements should be read in conjunction with the consolidated financial statements of Clearwire and subsidiaries and notes thereto.

CLEARWIRE CORPORATION
CONDENSED BALANCE SHEETS

	December 31, 2012	December 31, 2011
	(In thousands)	
ASSETS		
Cash and cash equivalent	$ 2	$ —
Other assets	1,186	3,319
Investments in equity method investees	1,187,993	1,481,047
Total assets	$ 1,189,181	$ 1,484,366
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deferred tax liabilities, net	$ 143,992	$ 152,182
Other liabilities	3,250	953
Total liabilities	147,242	153,135
Stockholders' equity	1,041,939	1,331,231
Total liabilities and stockholders' equity	$ 1,189,181	$ 1,484,366

CLEARWIRE CORPORATION
CONDENSED STATEMENTS OF OPERATIONS

	Year Ended December 31, 2012	2011	2010
		(In thousands)	
Revenues	$ —	$ —	$ —
Operating expenses	16,315	8,982	7,283
Operating loss	(16,315)	(8,982)	(7,283)
Other income (expense):			
Loss from equity investees	(758,705)	(612,214)	(496,875)
Other income	12,877	9,171	16,784
Total other expense, net	(745,828)	(603,043)	(480,091)
Loss before income taxes	(762,143)	(612,025)	(487,374)
Income tax benefit (provision)	199,199	(105,308)	—
Net loss from continuing operations	$ (562,944)	$ (717,333)	$ (487,374)
Net loss from discontinued operations	(167,176)	—	—
Net loss	$ (730,120)	$ (717,333)	$ (487,374)

CLEARWIRE CORPORATION
CONDENSED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2012	2011	2010
		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss from continuing operations	$ (562,944)	$ (717,333)	$ (487,374)
Adjustments to reconcile net loss to net cash used in operating activities:			
Deferred income taxes	(199,199)	105,308	—
Loss from equity investees	758,705	612,214	496,875
Changes in assets and liabilities, net:			
Prepaids and other assets	2,133	2	1,256
Other liabilities	1,299	244	(10,469)
Net cash provided by (used in) operating activities	(6)	435	288
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in equity investees	(58,460)	(387,742)	(304,015)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	58,468	387,296	303,738
Net (decrease) increase in cash and cash equivalents	2	(11)	11
Cash and cash equivalents:			
Beginning of period	—	11	—
End of period	$ 2	$ —	$ 11

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Dollar Notes Registrar, Paying Agent and Transfer Agent

Deutsche Bank Trust Company Americas
60 Wall Street, 27th Floor
New York, NY 10005
United State of America

We have not authorized any dealer, salesperson or other person to give any information or represent anything to you other than the information contained in this offering memorandum. You must not rely on unauthorized information or representations.

This offering memorandum does not offer to sell or ask for offers to buy any of the securities in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the Notes.

The information in this offering memorandum is current only as of the date on its cover page, and may change after that date. For any time after the cover date of this offering memorandum, we do not represent that our affairs are the same as described or that the information in this offering memorandum is correct—nor do we imply those things by delivering this offering memorandum or selling Notes to you.

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OFFERING MEMORANDUM

SoftBank

SoftBank Corp.

$2,485,000,000
4½% Senior Notes due 2020

€625,000,000
4⅝% Senior Notes due 2020

Sole Global Coordinator

Deutsche Bank

Joint Bookrunners for the Dollar Notes

Deutsche Bank **BofA Merrill Lynch**

Crédit Agricole CIB **Mizuho Securities** **Morgan Stanley** **Nomura**

Joint Bookrunners for the Euro Notes

Deutsche Bank **Crédit Agricole CIB** **Mizuho Securities** **Nomura**

April 18, 2013