ANNUAL REPORT 2001

Leading you to a brighter future

SOFTBANK CORP.

http://www.softbank.co.jp

Directors and Corporate Auditors

As of June 21, 2001

President & Chief Executive Officer

MASAYOSHI SON

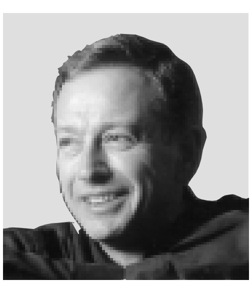
Directors

YOSHITAKA KITAO
President & CEO,
SOFTBANK FINANCE CORPORATION

KEN MIYAUCHI
President & CEO,
SOFTBANK EC HOLDINGS CORP.

KAZUHIKO KASAI

MASAHIRO INOUE
President & CEO,
Yahoo Japan Corporation



RONALD D. FISHER
Vice Chairman,
SOFTBANK Holdings Inc.

JUN MURAI, PH.D.
Professor, Faculty of Environmental Information,
KEIO University

TOSHIFUMI SUZUKI
President & CEO,
Ito-Yokado Co., Ltd.,
and Chairman & CEO,
Seven-Eleven Japan Co., Ltd.

TADASHI YANAI
President & CEO,
FAST RETAILING CO., LTD.

MARK SCHWARTZ
Chairman,
Goldman Sachs (Asia)

Corporate Auditors

MITSUO SANO
Full-time Corporate Auditor,
SOFTBANK CORP.

YASUHARU NAGASHIMA
Attorney

SABURO KOBAYASHI
Full-time Corporate Auditor,
HEIWA Corporation

HIDEKAZU KUBOKAWA
Certified Public Accountant,
Certified Tax Accountant

Note: Corporate auditors Yasuharu Nagashima, Saburo Kobayashi, and Hidekazu Kubokawa are outside corporate auditors appointed under Article 18, Section 1, of the Commercial Code of Japan.

Domestic

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Corporate Headquarters
SOFTBANK CORP.
24-1, Nihonbashi-Hakozakicho, Chuo-ku,
Tokyo 103-8501, Japan

Founded
September 3, 1981

Paid-in Capital
¥137,630,118,003
(As of March 31, 2001)

Common Stock Issued
336,678,179 shares
(As of March 31, 2001)

Number of Shareholders
237,204
(As of March 31, 2001)

Stock Exchange Registration
Tokyo Stock Exchange, First Section

Annual Meeting
June

Independent Auditors
ChuoAoyama Audit Corporation
Kasumigaseki Bldg. 32nd Floor
3-2-5, Kasumigaseki, Chiyoda-ku,
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Transfer Agent
THE TOYO TRUST & BANKING CO., LTD.

Printed in Japan

Make the 21st century more exciting

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SOFTBANK

SOFTBANK CORP.
24-1, Nihonbashi-Hakozakicho, Chuo-ku,
Tokyo 103-8501, Japan

Printed in Japan

Financial Information

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Six-Year Summary of Selected Financial Data

	1996	1997	1998	1999	2000	2001	2001
	For the years ended March 31						
	Millions of yen						Thousands of U.S. dollars
For the Year							
Revenues	¥171,101	¥ 359,742	¥ 513,364	¥528,159	¥ 423,221	**¥ 397,105**	**$3,205,047**
Operating income	15,822	33,670	31,938	12,130	8,378	**16,431**	**132,621**
Income before income taxes and minority interests	15,982	29,567	33,824	36,640	32,169	**87,010**	**702,259**
Net income	5,794	9,092	10,303	37,538	8,447	**36,631**	**295,652**
At Year-End							
Shareholders' equity	¥119,679	¥ 234,617	¥ 242,758	¥284,976	¥ 380,740	**¥ 424,261**	**$3,424,224**
Total assets	598,856	1,070,645	1,140,251	952,578	1,168,308	**1,146,083**	**9,250,068**

						Yen	U.S. dollars
Per Share							
Net income—primary	¥ 23.07	¥ 31.86	¥ 33.59	¥121.79	¥ 26.02	**¥ 110.47**	**$ 0.89**
Shareholders' equity	451.60	764.19	791.75	906.45	1,152.18	**1,260.14**	**10.17**
Cash dividends	15.00	20.00	40.00	20.00	20.00	**7.00**	**0.06**

Notes: 1. Yen figures have been translated into U.S. dollars, for convenience only, at the rate of ¥123.90=U.S.$1.00, the exchange rate prevailing at March 31, 2001.
2. The revenues category includes net sales from non-financing business and revenue from financing business.
3. The total fiscal 1998 dividend included a ¥20.00 commemorative dividend.

Operating Environment

In the spring of 2000, the overheated Nasdaq Stock Market U.S. entered a period of readjustment, which has influenced the valuation of Japan's Internet-related stocks and the general operating environment surrounding the IT industry. Furthermore, since the fall of 2000, the United States has been caught in a period of economic uncertainty, which has had a negative effect on the Japanese economy. This environment is forcing the weeding out of businesses launched in the past few years that do not have viable business models. On the other hand, promising Internet-related businesses are steadily strengthening their customer bases and striving to maintain profitability and achieve business development with a view to capitalizing on the market growth that will accompany the further proliferation of the Internet.

In November 2000, the Basic IT Law was enacted to better define Japan's commitment to IT. The government has implemented the e-Japan strategy, which calls for building ultrahigh-speed and high-speed access infrastructure to be connected to 40 million households within the next five years. Since the fall of 2000, large-scale communications companies have been offering high-speed access services. Thus, slow transmission speeds, high user fees, and other barriers impeding the proliferation of the Internet are rapidly crumbling. Japan is about to enter a period of full-scale Internet connectivity and Internet-related business expansion.

The SOFTBANK Group's Operating System

The SOFTBANK Group's three-tiered management system comprises SOFTBANK, a pure holding company; seven operation holding companies; and operating companies under the control of their respective operation holding companies. In Japan, six of the operation holding companies oversee operating companies in each field. SOFTBANK Holdings Inc. is in charge of the overall management of SOFTBANK's overseas businesses. Yahoo Japan Corporation is not an operation holding company proper, although its results comprise the majority of the Internet Culture segment's results.

Factors Underlying Fluctuations in Consolidated Results

On occasion, SOFTBANK's consolidated business results register substantial fluctuations. For the most part, this is due to changes in the number of consolidated subsidiaries, the impact of foreign exchange fluctuations, and gains or losses on sales of investment securities and other assets.

Change in the Number of Consolidated Subsidiaries

During the term under review, an additional 112 companies were included in and 39 excluded from consolidation. The inclusion and exclusion of subsidiaries sometimes make interperiod comparisons of performance and financial position complex. For example, in the fiscal year ended March 31, 2000, both UTStarcom, Inc., and Ziff-Davis Inc. had been consolidated and contributed revenues of ¥21.3 billion and ¥79.1 billion (excluding the portion falling under Key3Media Group, Inc.), respectively. However, due to ownership dilution during the term under review, UTStarcom was accounted for under the equity method, and Ziff-Davis was sold. Furthermore, a former equity-method affiliate, SOFTBANK Korea Co., Ltd., whose revenues amounted to ¥21.2 billion, was newly consolidated.

Foreign Exchange Fluctuations

As a result of loans to Group companies and a small number of foreign currency-denominated transactions, SOFTBANK is exposed to risks associated with foreign exchange fluctuations. SOFTBANK is not hedging its risks related to loans to Group companies. The majority of foreign currency-denominated transactions were U.S. dollar-denominated. The U.S. dollar/yen exchange rates as of the ends of fiscal 1999, 2000, and 2001, were U.S.$1.00 to ¥120.55, ¥106.15, and ¥123.90, respectively. Owing to these fluctuations, SOFTBANK recorded a ¥44.4 billion exchange loss for fiscal 2000 and a ¥28.1 billion exchange gain for fiscal 2001.

Sales of Investment Securities

One of SOFTBANK's operations is to establish new businesses through fund activities and joint ventures. As of the end of fiscal 2001, SOFTBANK had invested in 352 subsidiaries and affiliates. SOFTBANK encourages the Group's operating companies to go public. Also, the Company strategically makes additional investments and liquidates its equity holdings as part of its continual efforts to balance its business portfolio. As a result, the Company periodically recognizes gains or losses on sales of investment securities and dilution gains or losses from changes in equity interest. For example, during the term under review, SOFTBANK recognized gains of ¥95.3 billion on sales of marketable and investment securities and dilution gains of ¥48.2 billion from changes in equity interest.

Outline of Consolidated Results

	Millions of yen	
	2000	**2001**
Revenues	¥423,221	**¥397,105**
Operating income	8,378	**16,431**
Net income	8,447	**36,631**

Revenues

Consolidated revenues declined 6.2% year on year, to ¥397,105 million. There were two major factors contributing to revenues during the term, however. Businesses in such segments as e-Commerce and e-Finance performed well, and, during the year under review, SOFTBANK Korea, a former equity-method affiliate, became a consolidated subsidiary, and, therefore, its profits and losses have been reflected in SOFTBANK's performance. On the other hand, the decrease in revenues is largely attributable to the sale of the Group's consolidated subsidiary Ziff-Davis and the exclusion of UTStarcom from consolidation, reflecting the dilutive effect of the exercise of warrants following UTStarcom's IPO. UTStarcom and Ziff-Davis had accounted for approximately 24% of revenues in the previous fiscal year.

Operating Income

Consolidated operating income rose 96.1% year on year, to ¥16,431 million. The increase in operating expenses due to the establishment of domestic operating companies was absorbed by the favorable earnings performances of SOFTBANK INVESTMENT CORPORATION and SOFTBANK COMMERCE CORP. Other factors contributing to the increase in operating income included the sale of Ziff-Davis and the exclusion of DirecTouch Communications Ltd. from consolidation. Both companies had recorded operating losses in the previous fiscal year.

Net Income

Consolidated net income for fiscal 2001 skyrocketed 333.7%, to ¥36,631 million. Interest expenses decreased due to the sale of Ziff-Davis, which had approximately ¥112.7 billion in interest-bearing debts. SOFTBANK recognized equity in gains on its investments in Aozora Bank, Ltd., and Yahoo! Inc., of the United States, but these were offset by equity in losses recognized for the portfolio companies of SOFTBANK Capital Partners (SBCP), which operates overseas fund businesses. As a result, SOFTBANK recorded equity in losses of ¥19,766 million under the equity method.

At fiscal year-end, SOFTBANK held approximately ¥137.5 billion in yen-denominated receivables against wholly owned subsidiary SOFTBANK Holdings and approximately US$700 million in U.S. dollar-denominated receivables against its overseas subsidiaries. A foreign exchange gain of ¥28,116 million was recorded due to the yen's depreciation at fiscal year-end.

Sales of stock in companies making IPOs and the strategic restructuring of SOFTBANK's investment portfolio contributed to gains on sales of investment securities, and a capital increase contributed to dilution gains from changes in equity interest. However, a valuation loss on investment securities was also recorded as a result of the revaluation of investment securities amid falling stock prices on the Nasdaq Stock Market U.S. and protracted stagnation in the IPO market. BRAIN.COM, INC., @viso Limited (an investment business operating primarily in mainland Europe), eVentures (an investment business operating mainly in the United Kingdom), and SBCP's portfolio companies were the primary entities to which a valuation loss was applied.

Gains on sales of investment securities:	
Yahoo! Inc.	¥36.3 billion
Cisco Systems, K.K.	30.8 billion
Gains from the merger between CNET Networks, Inc., and ZDNet	19.8 billion
Sales of SKY Perfect Communication Inc.'s stock accompanying its IPO	11.4 billion
Loss on sales of investment securities:	
Able Corporation	¥19.1 billion
Dilution gains from changes in equity interest:	
Yahoo! Inc.	¥12.5 billion
SOFTBANK INVESTMENT CORPORATION	9.0 billion
Valuation loss on investment securities:	
SBCP's portfolio companies	¥24.0 billion
SOFTBANK America Inc.'s portfolio companies (direct investment)	17.6 billion
BRAIN.COM, INC.	7.0 billion

During the term under review, SOFTBANK's income taxes totaled ¥48,617 million, and its effective income tax rate, at 55.9%, was higher than the 42.1% statutory tax rate in Japan. This was mainly due to an increase in the valuation allowance for deferred tax assets resulting from a loss carryforward.

Outline of Consolidated Business Results by Segment

Millions of yen (except those otherwise specified)

2001

	e-Commerce	e-Finance	Media & Marketing	Broadmedia	Internet Culture	Technology Services	Internet Infrastructure	Overseas Funds	Others	Total	Elimination or Corporate Assets	Consolidated Total
Net sales	¥258,521	¥31,404	¥53,263	¥13,002	¥13,224	¥14,471	¥ —	¥1,741	¥22,477	¥408,103	¥(10,998)	¥397,105
Percentage of sales (%)	63.3	7.7	13.1	3.2	3.3	3.5	0.0	0.4	5.5	100.0		
Operating expenses	256,752	17,967	47,358	11,947	8,522	13,996	1,069	1,501	28,142	387,254	(6,580)	380,674
Operating income (losses)	1,769	13,437	5,905	1,055	4,702	475	(1,069)	240	(5,665)	20,849	(4,418)	16,431

Millions of yen (except those otherwise specified)

2000

	e-Commerce	e-Finance	Media & Marketing	Internet Culture	Overseas Funds	Others	Total	Elimination or Corporate Assets	Consolidated Total
Net sales	¥231,528	¥18,649	¥118,884	¥17,911	¥2,604	¥43,934	¥433,510	¥(10,289)	¥423,221
Percentage of sales (%)	53.4	4.3	27.4	4.1	0.6	10.2	100.0		
Operating expenses	224,430	9,278	120,807	15,672	590	53,898	424,675	(9,832)	414,843
Operating income (losses)	7,098	9,371	(1,923)	2,239	2,014	(9,964)	8,835	(457)	8,378

e-Commerce

(32 consolidated subsidiaries and 10 affiliates accounted for under the equity method)

Main revenue sources: marketing and retailing of PC software, hardware, and peripherals; enterprise solutions businesses; and e-commerce businesses.

Due to the steady sales growth of SOFTBANK COMMERCE, net sales for the e-Commerce segment grew 11.7% year on year, to ¥258,521 million. SOFTBANK COMMERCE's positive performance also contributed substantially to operating income. However, as many e-Commerce group businesses are still in the start-up phase, operating expenses increased and operating income decreased 75.1% year on year, to ¥1,769 million.

e-Finance

(82 consolidated subsidiaries and 21 affiliates accounted for under the equity method)

Main revenue sources: comprehensive on-line financial services, including on-line securities brokerages; domestic venture capital fund management; and the incubation of portfolio companies.

Backed by SOFTBANK INVESTMENT's substantial increase in fund success fees, revenue for the e-Finance segment grew 68.4% year on year, to ¥31,404 million. Operating expenses increased, owing to the large number of companies still in the start-up phase, but, as this was offset by SOFTBANK INVESTMENT's fund success fees, operating income rose 43.4%, to ¥13,437 million.

Media & Marketing

(19 consolidated subsidiaries and 7 affiliates accounted for under the equity method)

Main revenue sources: publishing of books and magazines regarding PCs and the Internet, IT-related exhibition business, and content provision business.

Through the completion of the sale of Ziff-Davis, this segment's overseas sales solely reflect the performance of Key3Media Group, a spin-off from Ziff-Davis that undertakes exhibition business. Net sales, which include domestic operations, amounted to ¥53,263 million. Owing to a rise in attendance at Key3Media Group's exhibitions and conferences, this company has seen a rise in sales from exhibitors and participants. Coupled with an increase in advertising revenues, the increase in operating expenses resulting from domestic start-ups was offset, and operating income of ¥5,905 million was recognized.

The domestic portion of this segment is heavily influenced by SOFTBANK Publishing Inc., which posted solid sales growth for mobile phone- and Internet-related magazines. However, the Japanese market for games was sluggish, which dented sales of game-related magazines. As a result, this company recorded a slight decrease in sales. By cutting costs, SOFTBANK Publishing succeeded in boosting operating income. However, SOFTBANK Media & Marketing Corp. increased its operating expenses through the establishment of numerous content-providing companies.

Broadmedia

(7 consolidated subsidiaries and 2 affiliates accounted for under the equity method)

Main revenue sources: businesses promoting communications satellite broadcasting and businesses providing broadband content and applications through such broadband infrastructure as broadcasting and communications.

Due to solid contributions from Digital Club Corporation, which runs a membership drive for SKY PerfecTV*!* and has more than 360,000 members, net sales for the Broadmedia segment climbed approximately ¥4 billion year on year, to ¥13,002 million. The establishment of new businesses exerted downward pressure on operating income, which, at ¥1,055 million, was virtually unchanged from the previous fiscal year.

Internet Culture

(4 consolidated subsidiaries and 7 affiliates accounted for under the equity method)

Main revenue sources: Internet directory services, Web-based advertising services, and information distribution businesses.

Net sales for the Internet Culture segment decreased year on year due to the sale of Ziff-Davis, whose ZDNet division had contributed to the segment's sales in previous fiscal years. However, due to a substantial increase in advertising revenues for Yahoo Japan Corporation, net sales fell only 26.2% year on year, to ¥13,224 million. Operating income was strong, jumping 110.0% year on year, to ¥4,702 million.

Technology Services

(7 consolidated subsidiaries and 6 affiliates accounted for under the equity method)

Main revenue sources: system integration, network integration, and e-commerce business operations.

Net sales for the Technology Services segment expanded approximately ¥4.1 billion year on year, to ¥14,471 million, mainly due to growth in SOFTBANK TECHNOLOGY CORP.'s network integration business. Owing to the establishment of new businesses and an increase in advance investments in business transaction platform technologies, operating income decreased approximately ¥400 million year on year, to ¥475 million.

Internet Infrastructure

(4 consolidated subsidiaries and 2 affiliates accounted for under the equity method)

Main revenue sources: ultrahigh-speed Internet access services and associated data centers.

SOFTBANK Networks Inc. is the operation holding company for the Internet Infrastructure segment. During the term under review, SOFTBANK Networks prepared for the launch of ultrahigh-speed Internet access services, associated data centers, and overseas access service operations. As a result, there were no sales recorded for this segment, and operating expenses resulted in operating losses of ¥1,069 million.

Overseas Funds

(39 consolidated subsidiaries and 49 affiliates accounted for under the equity method)

Main revenue sources: funds targeting Internet-related companies mainly in the United States and Asia.

In fiscal 2000, the primary source of revenue for the Overseas Funds segment comprised the valuation gains and losses of SBCP's portfolio companies, which had been calculated on a mark-to-market basis. During the term under review, SOFTBANK reorganized the legal structure related to its fund businesses to tighten its control over funds and ensure that its managerial decisions were reflected in fund management. Because of this reorganization, each portfolio company is now accounted for under either the equity method or the cost accounting method, and SOFTBANK recognizes only management fees for the revenue of SBCP and other overseas fund businesses during the term under review. Revenue for this segment amounted to ¥1,741 million, and operating income totaled ¥240 million.

Outline of Consolidated Business Results by Geographic Segment

Millions of yen — **2001**

	Japan	North America	Europe	Korea	Others	Total	Elimination or Corporate Assets	Consolidated Total
Net sales	**¥341,978**	**¥31,080**	**¥1,292**	**¥21,271**	**¥2,040**	**¥397,661**	**¥ (556)**	**¥397,105**
Operating expenses	**322,122**	**28,428**	**1,766**	**22,127**	**2,821**	**377,264**	**3,410**	**380,674**
Operating income (losses)	**19,856**	**2,652**	**(474)**	**(856)**	**(781)**	**20,397**	**(3,966)**	**16,431**

Millions of yen — 2000

	Japan	North America	Europe	Others	Total	Elimination or Corporate Assets	Consolidated Total
Net sales	¥289,531	¥111,230	¥11,126	¥23,051	¥434,938	¥(11,717)	¥423,221
Operating expenses	275,240	105,020	11,220	27,983	419,463	(4,620)	414,843
Operating income (losses)	14,291	6,210	(94)	(4,932)	15,475	(7,097)	8,378

Japan

Net sales in Japan rose 18.1% from the previous fiscal year, to ¥341,978 million, owing to contributions from the e-Commerce and e-Finance segments. Operating income surged 38.9% year on year, to ¥19,856 million.

North America

Net sales in North America plunged 72.1%, to ¥31,080 million, owing to the exclusion of Ziff-Davis and UTStarcom from consolidation, with Key3Media Group as the main source of sales. The sale of Ziff-Davis, which had generated operating losses in the previous fiscal year, improved the operating income ratio. However, operating income, corresponding to the decline in sales, fell 57.3%, to ¥2,652 million.

Europe

Net sales in Europe, declining on the sale of Ziff-Davis, amounted to ¥1,292 million, with Key3Media Group the sole contributor to sales. While Key3Media Group posted operating income, due to operating expenses incurred in SOFTBANK's European fund business, operating losses totaled ¥474 million.

Korea

During the fiscal year under review, SOFTBANK Korea, which had been accounted for under the equity method, became a consolidated subsidiary, whose profits and losses have been reflected in the results of SOFTBANK's consolidated financial statements. South Korea is seeing the rapid expansion of broad-band communications. Accordingly, demand is high primarily for network-related products. The wholesale and marketing of IT-related products have been steadily expanding, and net sales amounted to ¥21,271 million. The business generated operating income, but, due to the amortization of goodwill, operating losses of ¥856 million were recorded.

Outline of Consolidated Cash Flows

	Millions of yen	
	2000	**2001**
Cash provided by (used for) operating activities	¥ 349	**¥ (91,599)**
Cash used for investing activities	(60,341)	**(42,612)**
Cash provided by financing activities	220,915	**24,548**
Effect of exchange rate changes	(308)	**33,462**
Net increase (decrease) in cash and cash equivalents	160,615	**(76,201)**
Net increase in cash and cash equivalents due to the companies newly consolidated	1,559	**518**
Decrease in cash and cash equivalents due to exclusion of consolidated entities	—	**(22,444)**
Decrease in cash and cash equivalents due to change in accounting policy applied for the silent investment association	—	**(10,828)**
Cash and cash equivalents at the beginning of the year	105,886	**268,060**
Cash and cash equivalents at the end of the year	268,060	**159,105**

Cash Flows from Operating Activities

Income before income taxes and minority interests surged to ¥87,010 million. Non-cash transactions and adjustments included ¥48,154 million net dilution gains from changes in equity interest and ¥95,405 million net gains on sales of marketable and investment securities. The payment of income taxes resulted in an outflow of ¥86,053 million, which was incurred primarily in the sales of marketable and investment securities. As a result, net cash used for operating activities amounted to ¥91,599 million.

Cash Flows from Investing Activities

An inflow of ¥104,224 million was logged resulting from proceeds from sales of marketable and investment securities, and another inflow of ¥82,906 million was recorded in proceeds from sales of assets held for sale, which were a consequence of the sale of the publishing division of Ziff-Davis. The purchase of marketable and investment securities accompanying the Company's investment in The Nippon Credit Bank, Ltd., and overseas funds resulted in an outflow of ¥233,131 million. This was the primary factor behind net cash used for investing activities amounting to ¥42,612 million.

Payments for the purchase of marketable and investment securities:	
The Nippon Credit Bank, Ltd.	¥50.7 billion
SOFTBANK US Ventures VI L.P. (SBTV VI)	31.0 billion
SOFTBANK Technology Ventures V L.P.	5.5 billion
Asia Global Crossing Ltd.	18.2 billion
Nihon Ariba K.K.	4.3 billion
Azami Life Insurance Co., Ltd.	3.0 billion

Proceeds from sales of marketable and investment securities:	
Yahoo! Inc.	¥37.7 billion
Cisco Systems, K.K.	32.4 billion
SKY Perfect Communications Inc.	13.6 billion

Cash Flows from Financing Activities

The repayments of long-term debts related to the sale of Ziff-Davis entailed an outflow of ¥142,103 million, while inflows included ¥63,491 million from proceeds from long-term debts involving Key3Media Group, a Ziff-Davis spin-off, and a net of ¥30,000 million generated from the issuance of commercial paper. Consequently, net cash provided by financing activities amounted to ¥24,548 million.

Proceeds from issuance of shares to minority shareholders:	
E*TRADE Japan K.K.	¥10.0 billion
SOFTBANK INVESTMENT CORPORATION	11.1 billion

Outline of Consolidated Balance Sheets

As of March 31, 2001 — Millions of yen

Assets		Liabilities, minority interests and shareholders' equity	
Current assets	**¥365,167**	Current liabilities	**¥379,309**
Property and equipment	**¥13,529**	Long-term liabilities	**¥283,059**
Intangible assets	**¥120,373**	Minority interests in consolidated subsidiaries	**¥59,454**
Investments and advances	**¥647,014**	Total shareholders' equity	**¥424,261**
Total assets	**¥1,146,083**	Total liabilities, minority interests and shareholders' equity	**¥1,146,083**

As of March 31, 2000 — Millions of yen

Assets		Liabilities, minority interests and shareholders' equity	
Current assets	¥516,459	Current liabilities	¥344,768
Property and equipment	¥8,243	Long-term liabilities	¥336,464
Intangible assets	¥132,221	Translation adjustments	¥2,051
Investments and advances	¥511,385	Minority interests in consolidated subsidiaries	¥104,285
		Total shareholders' equity	¥380,740
Total assets	¥1,168,308	Total liabilities, minority interests and shareholders' equity	¥1,168,308

	2000	**2001**
Current ratio	149.8%	**96.3%**
Debt/equity ratio	110.0	**97.4**
Equity ratio	32.6	**37.0**

Current Assets

Due to a decrease in cash and deposits and assets held for sale, current assets decreased ¥151,292 million, to ¥365,167 million. The current ratio was 96.3%.

Liquidity on hand in the form of cash and deposits and marketable securities, primarily consisting of MMF, amounted to ¥170,399 million, down ¥102,156 million from the end of the previous fiscal year. This was due to the pursuit of an increase in capital efficiency by establishing commitment lines as well as such special one-time factors as surplus funds generated in the previous fiscal year from the sale of Trend Micro Incorporated shares and the sale of Kingston Technology Company.

The decline in assets held for sale was due to the sale of Ziff-Davis's publishing division, which was completed in April 2000.

Investments and Advances

Due to an increase in investment securities and investments in partnership, investments and advances rose ¥135,629 million, to ¥647,014 million.

Increases or decreases in investment securities were as follows:

Investment in Aozora Bank, Ltd., and equity in earnings	¥64.6 billion
Change of UTStarcom, Inc., from a consolidated subsidiary to equity-method affiliate	24.4 billion
CNET Networks, Inc.: Stock acquisition and fiscal year-end valuations, etc.	44.5 billion
Additional investments in Asia Global Crossing Ltd. and fiscal year-end valuations	50.9 billion
Webvan Group, Inc.: Decline in fair market value from the previous year-end on a mark-to-market basis	(59.7) billion

Investments in partnerships increased for the following reasons:

Investment in SOFTBANK US Ventures VI L.P. (SBTV VI)	¥30.8 billion

Current Liabilities

Current liabilities, due to an increase in short-term borrowings and commercial paper, rose ¥34,541 million, to ¥379,309 million. The proportion of increase in short-term borrowings and commercial paper corresponds to appropriations for the Group's active operations and tax payments.

Long-Term Liabilities

Long-term liabilities declined ¥53,405 million, to ¥283,059 million, mainly due to a decrease in long-term debts. The Company's long-term debts decreased mainly due to the sale of Ziff-Davis, whose long-term debts had totaled approximately ¥112.7 billion. However, Key3Media Group, a Ziff-Davis spin-off, has undertaken new borrowings of approximately ¥34.2 billion.

Shareholders' Equity

Shareholders' equity, owing to an increase in common stock and retained earnings, expanded ¥43,521 million from the previous fiscal year-end, to ¥424,261 million. The equity ratio rose 4.4 percentage points, to 37.0%. Due to a third-party allotment of approximately ¥23.3 billion to Cisco Systems, Inc., of the United States, common stock and additional paid-in capital increased ¥25,415 million. In addition, net unrealized gains on other securities have decreased, owing to a decline in the fair market value of Webvan Group, Inc., during the term under review.

IPOs of Subsidiaries and Affiliates during Fiscal 2001

Each operating company in the SOFTBANK Group must act on its own initiative to increase enterprise value. To this end, each operating company must strive to go public, disclose material information, and subject itself to the direct evaluation of capital markets with the aim of identifying its enterprise value. In line with this policy, the following subsidiaries and affiliates made IPOs during the term under review.

Date of IPO	Company Name	Market	Billions of yen SOFTBANK's Portion of Market Capitalization as of the End of Fiscal 2001 (including indirect holdings)
June 23, 2000	Morningstar Japan K.K.	Nasdaq Japan	¥ 36.9
August 11, 2000	Vector Inc.	Nasdaq Japan	19.8
August 21, 2000	Key3Media Group, Inc.	NYSE	52.7
September 8, 2000	E*TRADE Japan K.K.	Nasdaq Japan	34.4
September 21, 2000	cyber communications inc.	Nasdaq Japan	51.9
December 15, 2000	SOFTBANK INVESTMENT CORPORATION	Nasdaq Japan	213.9

Notes: 1. Market capitalization was calculated based on the closing prices of stocks at March 30, 2001. The value of foreign stocks was translated into yen at the exchange rate prevailing at the same date.
2. The investees of venture capital funds managed by SOFTBANK subsidiaries are not included.

Market Capitalization at Fiscal 2001 Year-End

The market capitalization of main investment securities held directly by domestic and overseas Group holding companies is as follows. The list includes only companies for which enterprise value could be readily estimated.

Billions of yen

Company Name (publicly listed companies only)	Market	As of April 1, 2000 Market Capitalization (Note 1)	As of April 1, 2000 SOFTBANK's Ownership Ratio (including indirect holdings) (Note 2)	As of April 1, 2000 SOFTBANK's Portion of Market Capitalization (A)	As of March 31, 2001 Market Capitalization (Note 1)	As of March 31, 2001 SOFTBANK's Ownership Ratio (including indirect holdings) (Note 2)	As of March 31, 2001 SOFTBANK's Portion of Market Capitalization (B)	Increase/ Decrease (B–A)	Remarks
E*TRADE Japan K.K.	Nasdaq Japan: 8627	¥ —	—%	¥ —	¥ **74.5**	**46.2%**	¥ **34.4**	¥ **34.4**	Fiscal 2001 Public Offering
Internet Research Institute, Inc.	TSE Mothers: 4741	350.0	12.7	44.2	**58.6**	**18.7**	**10.9**	**(33.2)**	
CYBER AGENT, LTD.	TSE Mothers: 4751	62.4	1.7	1.1	**13.1**	**0.6**	**0.0**	**(1.0)**	
cyber communications inc.	Nasdaq Japan: 4788	—	—	—	**109.1**	**47.6**	**51.9**	**51.9**	Fiscal 2001 Public Offering
SKY Perfect Communications Inc.	TSE Mothers: 4795	—	—	—	**335.5**	**6.1**	**20.5**	**20.5**	Fiscal 2001 Public Offering
SOFTBANK INVESTMENT CORPORATION	Nasdaq Japan: 8473	—	—	—	**257.3**	**83.1**	**213.9**	**213.9**	Fiscal 2001 Public Offering
SOFTBANK TECHNOLOGY CORP.	OTC: 4726	455.2	62.9	286.5	**44.9**	**66.7**	**30.0**	**(256.4)**	
PASONA SOFTBANK, INC.	OTC: 4721	52.6	9.2	4.8	**13.3**	**9.2**	**1.2**	**(3.5)**	
Vector Inc.	Nasdaq Japan: 2656	—	—	—	**34.3**	**57.6**	**19.8**	**19.8**	Fiscal 2001 Public Offering
Morningstar Japan K.K.	Nasdaq Japan: 4765	—	—	—	**75.7**	**48.7**	**36.9**	**36.9**	Fiscal 2001 Public Offering
Yahoo Japan Corporation	OTC: 4689	3,607.6	51.3	1,850.3	**622.0**	**50.8**	**316.0**	**(1,534.2)**	
Asia Global Crossing Ltd.	Nasdaq: AGCX	—	—	—	**348.1**	**15.2**	**53.0**	**53.0**	Fiscal 2001 Public Offering
Buy.com, Inc.	Nasdaq: BUYX	136.2	8.1	11.1	**4.2**	**7.8**	**0.3**	**(10.7)**	
CNET Networks, Inc.	Nasdaq: CNET	—	—	—	**188.9**	**17.8**	**33.6**	**33.6**	Investment Made during Fiscal 2001
CyberCash, Inc.	Nasdaq: CYCHQ	35.5	0.0	0.0	**0.1**	**0.0**	**0.0**	**0.0**	
E-Loan, Inc.	Nasdaq: EELN	31.1	8.3	2.6	**12.4**	**6.5**	**0.8**	**(1.7)**	
E*TRADE Group, Inc.	NYSE: ET	926.4	21.6	200.1	**278.6**	**19.4**	**54.1**	**(145.9)**	
InsWeb Corporation	Nasdaq: INSW	35.8	22.0	7.8	**6.2**	**18.2**	**1.1**	**(6.6)**	
Key3Media Group, Inc.	NYSE: KME	—	—	—	**95.9**	**54.9**	**52.7**	**52.7**	Fiscal 2001 Public Offering
MessageMedia, Inc.	Nasdaq: MESG	74.9	19.5	14.5	**4.2**	**15.7**	**0.6**	**(13.8)**	
UTStarcom, Inc.	Nasdaq: UTSI	771.9	47.9	370.0	**197.4**	**46.5**	**91.9**	**(278.0)**	
WebMD Corporation	Nasdaq: HLTH	444.4	0.8	3.9	**—**	**—**	**—**	**(3.9)**	Sold during Fiscal 2001
Webvan Group, Inc.	Nasdaq: WBVN	269.3	10.8	29.2	**9.3**	**7.4**	**0.6**	**(28.5)**	
Yahoo! Inc.	Nasdaq: YHOO	9,879.0	22.5	2,220.6	**1,106.2**	**20.9**	**231.9**	**(1,988.6)**	
Ziff-Davis Inc.	NYSE: ZD	172.6	68.8	118.7	**—**	**—**	**—**	**(118.7)**	Merged with CNET Networks during Fiscal 2001
Total				5,165.7			**1,257.2**	**(3,908.4)**	
SOFTBANK's market capitalization (for reference)				10,078.8			1,525.1	(8,553.7)	

Notes: 1. Market capitalization was calculated based on the closing prices of stocks at March 30, 2001. The value of foreign stocks was translated into yen at the exchange rate prevailing at the same date.
2. In each case, SOFTBANK's ownership refers to the ratio of economic ownership (SOFTBANK's ownership ratio in the subsidiary x the subsidiary's ownership ratio in the investee). It excludes the ownership of venture capital funds managed by SOFTBANK subsidiaries.

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES
AS OF MARCH 31, 1999, 2000 AND 2001

	Millions of yen			Thousands of U.S. dollars (note 4)
	1999	2000	**2001**	**2001**
ASSETS				
Current assets:				
Cash and deposits	¥ 92,602	¥ 254,709	**¥ 141,057**	**$1,138,473**
Notes and accounts receivable—trade (note 8)	114,348	92,454	**81,286**	**656,063**
Marketable securities (notes 10 and 16)	15,477	17,849	**29,344**	**236,834**
Inventories (note 9)	28,310	16,954	**23,414**	**188,972**
Deferred tax assets (note 22)	4,852	6,341	**8,235**	**66,465**
Assets held for sale (note 6 (4))	—	79,872	**—**	**—**
Other current assets (note 16)	52,622	51,507	**83,075**	**670,504**
Less: Allowance for doubtful accounts	(8,873)	(3,227)	**(1,244)**	**(10,042)**
Total current assets	299,338	516,459	**365,167**	**2,947,269**
Property and equipment	16,120	8,243	**13,529**	**109,194**
Intangible assets:				
Goodwill	166,895	72,605	**56,760**	**458,108**
Advertiser lists (note 12)	94,538	2,515	**—**	**—**
Trade names (note 12)	155,662	38,439	**41,094**	**331,671**
Other intangibles	62,295	18,662	**22,519**	**181,752**
Total intangible assets	479,390	132,221	**120,373**	**971,531**
Investments and advances:				
Investments in and advances to non-consolidated subsidiaries and affiliates (note 11)	105,999	193,703	**334,870**	**2,702,742**
Investment securities (notes 10 and 16)	29,170	221,396	**218,064**	**1,760,000**
Long-term loans	2,915	2,634	**3,033**	**24,486**
Other investments	16,106	94,766	**92,490**	**746,489**
Less: Allowance for doubtful accounts	(1,069)	(1,114)	**(1,443)**	**(11,643)**
Total investments and advances	153,121	511,385	**647,014**	**5,222,074**
Translation adjustments (note 3 (2))	4,609	—	**—**	**—**
Total assets	¥952,578	¥1,168,308	**¥1,146,083**	**$9,250,068**

The accompanying notes are an integral part of these consolidated financial statements.

	Millions of yen			Thousands of U.S. dollars (note 4)
	1999	2000	**2001**	**2001**
LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings (note 13)	¥ 22,559	¥ 86,354	**¥ 125,602**	**$1,013,736**
Commercial paper (note 13)	20,000	—	**30,000**	**242,131**
Current portion of long-term debts (note 13)	19,641	28,832	**30,894**	**249,349**
Accounts payable—trade	57,549	55,829	**63,936**	**516,028**
Accounts payable—other	6,134	7,349	**11,809**	**95,308**
Income taxes payable	3,666	57,744	**23,428**	**189,089**
Accrued expenses	18,846	23,681	**10,655**	**85,993**
Advances from customers	467	1,092	**3,072**	**24,798**
Allowance for sales returns	4,928	2,259	**1,471**	**11,874**
Deferred tax liabilities (note 22)	—	28,566	**299**	**2,412**
Other current liabilities (note 16)	30,806	53,062	**78,143**	**630,696**
Total current liabilities	184,596	344,768	**379,309**	**3,061,414**
Long-term liabilities:				
Long-term debts (note 13)	382,192	303,520	**226,946**	**1,831,691**
Deferred tax liabilities (note 22)	9,753	3,765	**32,373**	**261,281**
Other long-term liabilities (note 16)	28,829	29,179	**23,740**	**191,607**
Total long-term liabilities	420,774	336,464	**283,059**	**2,284,579**
Translation adjustments (note 3 (2))	—	2,051	**—**	**—**
Total liabilities	605,370	683,283	**662,368**	**5,345,993**
Minority interests in consolidated subsidiaries	62,232	104,285	**59,454**	**479,851**
Shareholders' equity:				
Common stock, ¥50 par value				
Authorized—1,200,000,000 shares (note 3 (11))				
Issued: 336,678,179 shares at 2001, 110,151,188 shares at 2000 and 104,806,839 shares at 1999	104,598	124,957	**137,630**	**1,110,816**
Additional paid-in capital	127,935	149,211	**161,953**	**1,307,128**
Retained earnings (note 21)	52,557	59,092	**94,804**	**765,162**
Net unrealized gains (losses) on other securities (notes 3 (3) and 10)	(9)	47,547	**18,435**	**148,791**
Translation adjustments (note 3 (2))	—	—	**11,441**	**92,344**
Treasury stock	(105)	(67)	**(2)**	**(17)**
Total shareholders' equity	284,976	380,740	**424,261**	**3,424,224**
Contingent liabilities (note 24)				
Total liabilities, minority interests and shareholders' equity	¥952,578	¥1,168,308	**¥1,146,083**	**$9,250,068**

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31, 1999, 2000 AND 2001

	Millions of yen			Thousands of U.S. dollars (note 4)
	1999	2000	**2001**	**2001**
Net sales from non-financing business (note 25)	¥524,715	¥404,635	**¥365,201**	**$2,947,549**
Cost of sales	352,342	280,780	**291,508**	**2,352,765**
Gross profit	172,373	123,855	**73,693**	**594,784**
Selling, general and administrative expenses (note 19)	161,945	125,202	**70,493**	**568,954**
Operating income (losses) from non-financing business (note 25)	10,428	(1,347)	**3,200**	**25,830**
Revenue from financing business (note 25)	3,444	18,586	**31,904**	**257,498**
Expenses of financing business (note 19)	1,742	8,861	**18,673**	**150,707**
Operating income from financing business (notes 23 and 25)	1,702	9,725	**13,231**	**106,791**
Total operating income	12,130	8,378	**16,431**	**132,621**
Non-operating income (expenses):				
Interest income	11,201	2,780	**4,364**	**35,217**
Interest expenses	(36,881)	(20,153)	**(12,264)**	**(98,983)**
Equity in gains (losses) under the equity method	(6,495)	4,744	**(19,766)**	**(159,531)**
Exchange gains (losses), net	4,268	(44,370)	**28,116**	**226,924**
Gains on sales of marketable and investment securities, net (note 6 (4))	47,281	217,605	**95,290**	**769,085**
Dilution gains from changes in equity interest, net (note 15)	10,757	36,835	**48,154**	**388,653**
Valuation loss on investment securities (note 20)	(5,568)	(3,663)	**(57,992)**	**(468,051)**
Valuation loss on intangible assets (note 6 (4))	—	(119,126)	**—**	**—**
Loss on discontinued operations (notes 6 (4), (5) and (6))	(3,399)	(48,042)	**(8,604)**	**(69,445)**
Other, net (note 3 (13))	3,346	(2,819)	**(6,719)**	**(54,231)**
Income before income taxes and minority interests	36,640	32,169	**87,010**	**702,259**
Income taxes (note 22):				
Current	(2,959)	(52,723)	**(69,044)**	**(557,252)**
Deferred	(376)	(62)	**20,427**	**164,870**
	(3,335)	(52,785)	**(48,617)**	**(392,382)**
Minority interests	4,233	29,063	**(1,762)**	**(14,225)**
Net income	¥ 37,538	¥ 8,447	**¥ 36,631**	**$ 295,652**

	Yen			U.S. dollars (note 4)
Net income per share:				
Primary	¥121.79	¥26.02	**¥110.47**	**$0.89**
Diluted	114.04	25.35	**109.38**	**0.88**

The accompanying notes are an integral part of these consolidated financial statements.

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31, 1999, 2000 AND 2001

		Millions of yen						
	Number of shares issued (Thousands)	Common stock	Additional paid-in capital	Net unrealized gains (losses) on other securities	Translation adjustments	Treasury stock	Retained earnings	Total
Balance at March 31, 1998:	102,419	¥101,884	¥120,762	¥ (1,996)	¥ —	¥(1,159)	¥23,267	¥242,758
Net income	—	—	—	—	—	—	37,538	37,538
Cash dividends	—	—	—	—	—	—	(4,088)	(4,088)
Bonuses to directors	—	—	—	—	—	—	(54)	(54)
Adjustment to investment in affiliates due to change in accounting from equity method to cost basis	—	—	—	—	—	—	1,105	1,105
Issuance of the shares due to the merger of MAC Inc. (note 6 (1))	48,629	2,431	119	—	—	—	18,700	21,250
Redemption of the shares held by MAC Inc. at time of merger (note 6 (1))	(47,446)	(2,371)	—	—	—	—	(10,558)	(12,929)
Cumulative accounting effect for the purchase of MAC assets (note 6 (2))	—	—	1,442	—	—	—	(13,353)	(11,911)
Conversion of convertible bonds	1,174	2,578	2,577	—	—	—	—	5,155
Exercise of warrants	30	76	91	—	—	—	—	167
Increase of net unrealized gains on other securities	—	—	—	1,987	—	—	—	1,987
Sales of treasury stock	—	—	—	—	—	1,054	—	1,054
Other movements	—	—	2,944	—	—	—	—	2,944
Balance at March 31, 1999:	104,806	104,598	127,935	(9)	—	(105)	52,557	284,976
Net income	—	—	—	—	—	—	8,447	8,447
Cash dividends	—	—	—	—	—	—	(2,096)	(2,096)
Bonuses to directors	—	—	—	—	—	—	(73)	(73)
Retained earnings of the companies merged	—	—	—	—	—	—	257	257
Conversion of convertible bonds	5,269	20,166	20,161	—	—	—	—	40,327
Exercise of warrants	76	193	230	—	—	—	—	423
Increase of net unrealized gains on other securities	—	—	—	47,556	—	—	—	47,556
Sales of treasury stock	—	—	—	—	—	38	—	38
Other movements	—	—	885	—	—	—	—	885
Balance at March 31, 2000:	110,151	124,957	149,211	47,547	—	(67)	59,092	380,740
Net income	—	—	—	—	—	—	**36,631**	**36,631**
Cash dividends	—	—	—	—	—	—	**(2,203)**	**(2,203)**
Bonuses to directors	—	—	—	—	—	—	**(117)**	**(117)**
Retained earnings of the companies merged	—	—	—	—	—	—	**46**	**46**
Adjustment to investment in affiliates due to change in accounting from equity method to cost basis	—	—	—	—	—	—	**1,384**	**1,384**
Decrease of retained earnings of the companies excluded from consolidation	—	—	—	—	—	—	**(29)**	**(29)**
Conversion of convertible bonds	**563**	**784**	**784**	—	—	—	—	**1,568**
Exercise of warrants	**81**	**206**	**281**	—	—	—	—	**487**
Issuance of the Company's shares to a third party (note 7)	**5,566**	**11,683**	**11,677**	—	—	—	—	**23,360**
Stock split	**220,317**	—	—	—	—	—	—	—
Decrease of net unrealized gains on other securities	—	—	—	**(29,112)**	—	—	—	**(29,112)**
Translation adjustments accounted for under the new Japanese accounting standard (note 3 (2))	—	—	—	—	**11,441**	—	—	**11,441**
Sales of treasury stock	—	—	—	—	—	**65**	—	**65**
Balance at March 31, 2001	**336,678**	**¥137,630**	**¥161,953**	**¥18,435**	**¥11,441**	**¥ (2)**	**¥94,804**	**¥424,261**

	Thousands of U.S. dollars (note 4)						
	Common stock	Additional paid-in capital	Net unrealized gains (losses) on other securities	Translation adjustments	Treasury stock	Retained earnings	Total
Balance at March 31, 2000:	$1,008,534	$1,204,287	$383,750	$ —	$(537)	$476,930	$3,072,964
Net income	—	—	—	—	—	**295,652**	**295,652**
Cash dividends	—	—	—	—	—	**(17,780)**	**(17,780)**
Bonuses to directors	—	—	—	—	—	**(949)**	**(949)**
Retained earnings of the companies merged	—	—	—	—	—	**373**	**373**
Adjustment to investment in affiliates due to change in accounting from equity method to cost basis	—	—	—	—	—	**11,172**	**11,172**
Decrease of retained earnings of the companies excluded from consolidation	—	—	—	—	—	**(236)**	**(236)**
Conversion of convertible bonds	**6,327**	**6,326**	—	—	—	—	**12,653**
Exercise of warrants	**1,662**	**2,267**	—	—	—	—	**3,929**
Issuance of the Company's shares to a third party (note 7)	**94,293**	**94,248**	—	—	—	—	**188,541**
Stock split	—	—	—	—	—	—	—
Decrease of net unrealized gains on other securities	—	—	**(234,959)**	—	—	—	**(234,959)**
Translation adjustments accounted for under the new Japanese accounting standard (note 3 (2))	—	—	—	**92,344**	—	—	**92,344**
Sales of treasury stock	—	—	—	—	**520**	—	**520**
Balance at March 31, 2001	**$1,110,816**	**$1,307,128**	**$148,791**	**$92,344**	**$ (17)**	**$765,162**	**$3,424,224**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31, 2000 and 2001

	Millions of yen		Thousands of U.S. dollars (note 4)
	2000	**2001**	**2001**
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 32,169	**¥ 87,010**	**$ 702,259**
Adjustments to reconcile income before income taxes and minority interests to cash provided by operating activities:			
Depreciation and amortization	151,786	**8,072**	**65,150**
Equity in (gains) losses under the equity method	(4,744)	**19,766**	**159,531**
Dilution gains from changes in equity interest, net	(36,835)	**(48,154)**	**(388,653)**
Valuation (gains) losses on investment securities	(3,028)	**57,992**	**468,051**
Gains on sales of marketable and investment securities, net	(218,678)	**(95,405)**	**(770,015)**
Exchange (gains) losses, net	44,370	**(28,220)**	**(227,760)**
Interest and dividend income	(2,779)	**(4,378)**	**(35,332)**
Interest expenses	20,153	**12,264**	**98,983**
Loss on discontinued operations	48,042	**16,246**	**131,126**
Increase in receivables—trade	(26,214)	**(4,259)**	**(34,375)**
Decrease in payables—trade	22,721	**10,902**	**87,990**
Increase in other receivables	(32,650)	**(48,645)**	**(392,614)**
Increase in other payables	38,523	**24,760**	**199,836**
Other, net	3,455	**(5,777)**	**(46,627)**
	36,291	**2,174**	**17,550**
Interest and dividends received	2,938	**4,103**	**33,119**
Interest paid	(20,882)	**(11,823)**	**(95,425)**
Payments for income taxes	(17,998)	**(86,053)**	**(694,537)**
Net cash provided by (used for) operating activities	349	**(91,599)**	**(739,293)**
Cash flows from investing activities:			
Purchases of property and equipment and intangibles	(11,638)	**(16,242)**	**(131,089)**
Purchases of marketable and investment securities	(299,092)	**(233,131)**	**(1,881,607)**
Proceeds from sales of marketable and investment securities	159,906	**104,224**	**841,195**
Proceeds from sales of interest in previously consolidated subsidiaries (note 17 (5))	104,725	**67**	**539**
Additional investments in newly consolidated entities	(11,611)	**(363)**	**(2,926)**
Proceeds from sales of interests in consolidated subsidiaries	—	**20,966**	**169,215**
Increases of loans	(8,172)	**(6,648)**	**(53,656)**
Collections of loans	7,609	**5,155**	**41,604**
Proceeds from sales of assets held for sale	—	**82,906**	**669,138**
Other, net	(2,068)	**454**	**3,662**
Net cash used for investing activities	(60,341)	**(42,612)**	**(343,925)**
Cash flows from financing activities:			
Proceeds from issuance of shares to minority shareholders	67,465	**38,503**	**310,759**
Proceeds from sale of shares to minority shareholders	83,439	**—**	**—**
Increase in short-term borrowings, net	68,199	**37,548**	**303,049**
Proceeds from commercial paper	—	**50,000**	**403,551**
Repayment of commercial paper	(20,000)	**(20,000)**	**(161,421)**
Proceeds from long-term debts	7,035	**63,491**	**512,437**
Repayment of long-term debts	(46,739)	**(142,103)**	**(1,146,916)**
Proceeds from issuance of bonds	61,844	**27,867**	**224,916**
Repayment of bonds	(35,333)	**(26,604)**	**(214,721)**
Proceeds from issuance of shares	—	**23,275**	**187,856**
Contributions from other silent partners of consolidated subsidiary	44,485	**—**	**—**
Cash dividends paid	(2,096)	**(2,201)**	**(17,764)**
Other, net	(7,384)	**(25,228)**	**(203,617)**
Net cash provided by financing activities	220,915	**24,548**	**198,129**
Effect of exchange rate changes	(308)	**33,462**	**270,070**
Net increase (decrease) in cash and cash equivalents	160,615	**(76,201)**	**(615,019)**
Net increase in cash and cash equivalents due to the companies newly consolidated (note 17 (4))	1,559	**518**	**4,179**
Decrease in cash and cash equivalents due to exclusion of consolidated entities (notes 3 (13) and 17 (5))	—	**(22,444)**	**(181,150)**
Decrease in cash and cash equivalents due to change in accounting policy applied for the silent investment association (note 3 (14))	—	**(10,828)**	**(87,390)**
Cash and cash equivalents at the beginning of the year	105,886	**268,060**	**2,163,522**
Cash and cash equivalents at the end of the year (note 17 (2))	¥268,060	**¥159,105**	**$1,284,142**

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization and Nature of Business

SOFTBANK CORP. (the "Company") was incorporated in September 1981 in Japan. The SOFTBANK Group is involved in the following businesses:

- e-Commerce: Distribution of software for PCs and of hardware including PCs and peripherals, enterprise business, business-to-business and business-to-consumer sales through the Internet (e-commerce);
- e-Finance: Comprehensive financial services through the Internet such as securities businesses, the operation and management of domestic venture capital funds, and business incubation;
- Media & Marketing: Publishing of books and magazines regarding PCs, the Internet and entertainment, event business and content business with a focus on information technology;
- Broadmedia: Businesses providing applications and content through such broadband infrastructure as broadcasting and telecommunications; promotion of said businesses;
- Internet Culture: Provision of Internet directory services, distribution of advertisements/information through the Internet;
- Technology Services: System integration, network integration and e-commerce business operations;
- Internet Infrastructure: Ultrahigh-speed Internet access services and related data-center business;
- Overseas Funds: Investment in Internet-related foreign businesses, mainly in the United States and Asia;
- Others: Holding company function in foreign countries, domestic back-office service business.

The Company and its subsidiaries have been operating principally in Japan and the United States and engaging in investments in the United States and internationally. At March 31, 2001, 2000 and 1999, the Company consolidated 216, 143 and 74 subsidiaries, respectively, including partnerships in the consolidated financial statements.

2. Basis of Presenting Consolidated Financial Statements

The Company and its subsidiaries in Japan maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, while its foreign subsidiaries maintain their records and prepare their financial statements in conformity with accounting principles generally accepted in their respective countries of domicile. The accompanying consolidated financial statements of the Company and its consolidated subsidiaries and affiliates (collectively "SOFTBANK") are an English translation of the Japanese consolidated financial statements of SOFTBANK, which have been prepared in accordance with accounting principles and practices generally accepted in Japan.

The statements of cash flows for the years ended March 31, 2000 and 2001 have been prepared based on the requirements of new Japanese accounting rules which became effective from the fiscal year beginning April 1, 1999.

The accompanying consolidated financial statements incorporate certain reclassifications and rearrangements in order to present them in a form that is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information that is not required under generally accepted accounting principles and practices in Japan but is provided herein as additional information. However, none of the reclassifications nor rearrangements have a material effect on the financial statements.

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

3. Summary of Significant Accounting Policies

(1) Consolidation and investments in affiliates

The accompanying consolidated financial statements include the accounts of the Company and those of subsidiaries that are controlled by SOFTBANK. On June 6, 1997, the Ministry of Finance of Japan (the "MOF," currently the Financial Services Agency) issued new accounting standards effective from the fiscal year beginning April 1, 1999 for the preparation of consolidated financial statements. In accordance with the new accounting standards, SOFTBANK has changed its criteria with regard to the identification of companies to be consolidated from the percentage-of-ownership approach to the effective control approach. However, the adoption of the new accounting standards did not have a material effect on the consolidated financial position of SOFTBANK and its results of operations.

All significant inter-company transactions and accounts and unrealized inter-company profits are eliminated upon consolidation, and the portion thereof attributable to minority shareholders is credited or charged to them.

Investments in affiliates in which SOFTBANK has significant influence are accounted for under the equity method. Consolidated income includes SOFTBANK's current equity in net income of affiliates after elimination of unrealized inter-company profits.

The excess of the cost over the underlying net equity of investments in subsidiaries and affiliates accounted for under the equity method is recognized as goodwill and is amortized on a straight-line basis over a period of five to seven years.

Certain consolidated subsidiaries use an accounting period of a fiscal year ending on December 31 of each year, while the Company uses an accounting period of the fiscal year ending on March 31. Upon consolidation, the accounting period of these subsidiaries is used with adjustments for significant transactions taking place during the intervening period.

(2) Translation of foreign currency transactions and accounts

Foreign currency transactions are generally translated using foreign exchange rates prevailing at the respective transaction dates. Receivables and payables in foreign currencies are translated at the foreign exchange rates prevailing at the respective balance sheet dates, except that, for the years ended March 31, 1999 and 2000, long-term receivables and payables in foreign currencies were translated at the foreign exchange rates prevailing at the respective transaction dates.

The translation of revenues and expenses in the financial statements of foreign consolidated subsidiaries into Japanese yen is performed by using the average exchange rate. The assets and liabilities of foreign consolidated subsidiaries are translated using the foreign exchange rates prevailing at the balance sheet dates, and capital stock is translated using the historical rates. Foreign currency financial statement translation differences are stated as a component of shareholders' equity, except that, for the years ended March 31, 1999 and 2000, they were recognized as either an asset or a liability in the consolidated balance sheets.

Effective from April 1, 2000, the Company and its subsidiaries adopted the new Japanese accounting standard for the translation of foreign currency transactions and foreign currency financial statements issued by the MOF. Under the new accounting standard, all assets and liabilities in foreign currencies are translated at the foreign exchange rates prevailing at the respective balance sheet dates, and foreign currency financial statement translation differences are recorded in the consolidated balance sheet as a separate component of shareholders' equity.

As a result of adopting the new Japanese accounting standard, foreign exchange gains and income before income taxes and minority interests for the year ended March 31, 2001 increased by ¥8,826 million ($71,235 thousand), as compared with the amount which would have been recognized if the previous standard had been applied consistently. In addition, foreign currency translation adjustments, which were reported as an asset of ¥4,609 million at March 31, 1999 and a liability of ¥2,051 million at March 31, 2000 were stated as a component of shareholders' equity in the amount of ¥11,441 million ($92,344 thousand) as of March 31, 2001 in accordance with the new accounting standard.

(3) Financial instruments

On January 22, 1999, the MOF issued new accounting standards for financial instruments. These standards cover accounting treatment for investments in debt and equity securities, derivative financial instruments and allowance for doubtful accounts, effective from the fiscal year beginning April 1, 2000. The Company and its Japanese subsidiaries have adopted these new accounting standards from the fiscal year beginning April 1, 2000 as follows:

Investments in debt and equity securities:

The new accounting standards relate to investments in debt and equity securities, which are to be classified into three categories: 1) trading securities; 2) held-to-maturity debt securities; and 3) other securities, which are substantially similar to available-for-sale securities as defined below. These categories are treated differently for the purpose of measuring and accounting for changes in fair value.

Trading securities held for the purpose of generating profits from changes in market value are recognized at their fair value in the consolidated balance sheets. Unrealized gains and losses are included in current income. Held-to-maturity debt securities are expected to be held to maturity and are recognized at historical or amortized cost in the consolidated balance sheets. Other securities classified as other than trading securities and held-to-maturity debt securities are recognized at fair value in the consolidated balance sheets. Unrealized gains and losses for these other securities are reported as a separate component of shareholders' equity, net of tax. Other than temporary declines in the value of other securities and unlisted securities are reflected in current income.

As a result of adopting the new accounting standard, investments in securities and other investments in the caption "Investments and advances" at March 31, 2001 increased by ¥19,090 million ($154,076 thousand) and by ¥2,782 million ($22,454 thousand), respectively, as compared with the amounts which would have been recognized if the previous standard had been applied consistently. Net unrealized gains on investment securities and other investments for the year ended March 31, 2001 were recorded at ¥11,755 million ($94,875 thousand) as a separate component of shareholders' equity, and the related deferred income tax liability thereon was ¥8,769 million ($70,775 thousand).

In the financial statements for fiscal years prior to April 1, 2000, under SOFTBANK's prior accounting policies, marketable securities were stated at the lower of cost or market, where cost was determined based on the moving-average cost method, and investment securities other than marketable securities were stated at their original purchase cost. Permanent and significant declines in the value of investment securities were reflected in current income. In addition, most of debt and equity securities held and classified as available-for-sale securities by subsidiaries in the United States were reported at fair value, with unrealized gains and losses included as a separate component of shareholders' equity in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

Allowance for doubtful accounts:

In accordance with the new accounting standards, the allowance for doubtful accounts is calculated based on the aggregate amount of estimated credit losses for doubtful receivables plus an amount for receivables other than doubtful receivables calculated using historical write-off experience from certain prior periods. Prior to April 1, 2000, the allowance for doubtful accounts with respect to the Company and its Japanese subsidiaries was provided based on the aggregate amount of estimated credit losses for doubtful receivables and amounts calculated based on the ratio stipulated under Japanese tax laws.

As a result of adopting the new accounting standards, operating income decreased by ¥386 million ($3,115 thousand), and income before income taxes and minority interests increased by ¥96 million ($775 thousand) for the year ended March 31, 2001.

(4) Inventories

Inventories held by the Company and its Japanese subsidiaries are stated at cost, where cost is primarily determined using the moving-average method. Inventories held by the foreign consolidated subsidiaries are stated at the lower of cost or market value, where cost is primarily determined using the first-in first-out method.

(5) Depreciation and amortization

Property and equipment are carried at cost less accumulated depreciation. Depreciation is computed primarily based on the declining-balance method.

Depreciation at the foreign consolidated subsidiaries is based on the estimated useful lives of the related assets using the straight-line method in accordance with the accounting principles generally accepted and applied in their respective countries of domicile.

Amortization of intangibles is based on the following range of estimated lives using the straight-line method:

• Goodwill	5 to 40 years
• Advertiser lists	28 to 34 years
• Trade names	30 to 40 years
• Others	2 to 15 years

(6) Allowance for sales returns

An allowance for sales returns is provided for the gross margin of future sales returns expected subsequent to the balance sheet date on an accrual basis. The allowance recorded by the foreign consolidated subsidiaries represents the estimated losses resulting from possible future returns.

(7) Income taxes

The provision for income taxes is computed based on income before income taxes and minority interests in the consolidated statements 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.

(8) Pension and severance costs

The Company and most of its Japanese subsidiaries maintain a tax qualified pension plan, which is a non-contributory defined benefit pension plan covering substantially all of the eligible employees who have three years or more of service. These companies contribute amounts required to maintain sufficient plan assets to provide for accrued benefits, subject to limitations on deductibility imposed by Japanese income tax laws.

Pension benefits under the tax qualified pension plan are determined based on years of service, basic rates of pay and conditions under which the termination occurs and are payable at the option of the retiring employee either in a lump-sum amount or as an annuity.

To supplement the above tax qualified pension plan, the Company and most of its Japanese subsidiaries participate in a multi-employers' contributory defined benefit welfare pension plan (as defined, the "welfare pension plan") covering substantially all of their employees. This welfare pension plan is funded in conformity with the funding requirements of the Japanese Welfare Pension Insurance Law and covers a portion of the governmental welfare pension program and an additional portion under which contributions are made by these companies and their employees.

On June 16, 1998, the MOF issued new accounting standards for pension obligations effective from the fiscal year beginning April 1, 2000. The new accounting standards require actuarial calculation for pension obligations. SOFTBANK has adopted these new accounting standards from the fiscal year beginning April 1, 2000.

For the tax qualified pension plan, transition obligations of ¥383 million ($3,091 thousand) as of April 1, 2000, an excess of projected obligations in connection with adoption of the new accounting standards over the funded assets at fair value, were charged to current expenses for the year ended March 31, 2001 at the time of implementing new accounting for pension.

Actuarial gains and losses are recognized in the consolidated statements of income for the immediately subsequent fiscal year.

Regarding the welfare pension plan, contributions made by the Company and most of its Japanese subsidiaries are expensed out when paid, as the pooled fund assets and the entire pension obligations for the welfare pension plan are not reasonably determined by each of the participants. The pooled fund assets at fair value at March 31, 2001 amounted to ¥58,513 million ($472,260 thousand), and the participation ratio of the Company and most of its Japanese subsidiaries was 4.74% in terms of the number of employees.

(9) Research and development costs

Research and development costs are expensed as incurred.

(10) Leases

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

The Company and its Japanese subsidiaries had no assets under capital leases under which ownership of the assets was to be transferred to the Company and its Japanese subsidiaries at the end of the lease term. Therefore, the Company and its Japanese subsidiaries recorded substantially all leases as operating leases in the manner described in the preceding paragraph.

Foreign subsidiaries record capital leases as assets and obligations at an amount equal to the present value of lease payments during the lease term.

(11) Net income per share

Net income per share is computed based on the weighted-average number of shares of common stock issued and outstanding during each fiscal period with an appropriate retroactive adjustment to reflect the effect of stock splits.

On June 23, 2000, SOFTBANK effected a three-for-one stock split, which increased the number of shares issued by 220,317,334. Net income per share of common stock for the year ended March 31, 2001 was calculated assuming the three-for-one stock split occurred as of the beginning of the year. Net income per share of common stock for the years ended March 31, 1999, 2000 and 2001, after adjusting for the stock split, would be ¥121.79, ¥26.02 and ¥110.47 ($0.89), respectively.

Effective June 23, 2000, total authorized common stock of the Company increased from 400 million shares to 1,200 million shares, as authorized at the 20th meeting of shareholders held on June 22, 2000.

The Company holds convertible debts and bonds with warrants, both of which are dilutive potential common stock equivalents. Net income per share of common stock for the year ended March 31, 1999, 2000 and 2001, after adjusting for the dilutive potential common stock equivalents and the stock split, would be ¥114.04, ¥25.35 and ¥109.38 ($0.88), respectively.

(12) Appropriation of retained earnings

Appropriation of retained earnings reflected in the accompanying consolidated financial statements has been recorded after approval by the shareholders as required under the Japanese Commercial Code.

(13) Reorganization of SOFTBANK Capital Partners

In the financial statements for fiscal years prior to April 1, 2000, the investment portfolios of SOFTBANK Capital Partners (the “Cap Fund”) had been stated at fair value pursuant to the accounting principles and practices generally accepted in the United States. Net unrealized gains or losses for these portfolios had been reported as “revenue from financing business” in the consolidated statements of income. However, from the fiscal year beginning April 1, 2000, to strengthen the control on SOFTBANK Group fund and also to exercise significant influence on the Cap Fund for the purpose of better decision making, the Company completed the legal reorganization of the Cap Fund, resulting in two funds: the SOFTBANK Side Fund (the “SB Side Fund”), which was invested by SOFTBANK Group, and non-SOFTBANK Side Fund, which was invested by external investors. Under the accounting principles and practices generally accepted in the United States, the SB Side Fund is either consolidated or accounted for under the equity method or at cost, depending on the ownership percentage of shares, in a manner as applied to a normal investment.

As a result, effective from the fiscal year beginning April 1, 2000, portfolios of the SB Side Fund were accounted for under the equity method or at cost. The effect of the change arising from the reorganization was to increase income before income taxes and minority interests for the year ended March 31, 2001 by ¥1,848 million ($14,915 thousand), as compared with the amount which would have been recognized if the previous method before the reorganization had been applied consistently. Additionally, retained earnings of

¥2,798 million ($22,583 thousand) at April 1, 2000 attributable to the non-SOFTBANK Side Fund were reported as other non-operating expenses for the year ended March 31, 2001.

In the consolidated statement of cash flows for the year ended March 31, 2001, cash and cash equivalents of ¥9,263 million ($74,762 thousand) as the opening balance of the non-SOFTBANK Side Fund were reported as "decrease in cash and cash equivalents due to exclusion of consolidated entities."

(14) Change in accounting for assets and liabilities of the silent investment association

In the financial statements for fiscal years prior to April 1, 2000, assets of the silent investment association (the "silent association") had been treated as assets of a consolidated subsidiary. Accordingly, it had been included in the consolidated balance sheets and footnotes. Effective from the fiscal year beginning April 1, 2000, due to the growth of assets and liabilities of the silent association and also due to the existence of assets and liabilities being substantially attributable to third-party members, the assets and liabilities of these members were excluded from consolidation by offsetting them against the deposits from the members.

As a result, consolidated total assets and liabilities as at March 31, 2001 decreased by ¥28,404 million ($229,247 thousand) as compared with the amount which would have been recognized if the previous method had been applied consistently.

Cash and cash equivalents of ¥10,828 million ($87,390 thousand) at April 1, 2000 attributable to the third-party members were stated as "decrease in cash and cash equivalents due to change in accounting policy applied for the silent investment association" in the consolidated statement of cash flows for the year ended March 31, 2001.

4. U.S. Dollar Amounts

The Company maintains its accounting records in Japanese yen. U.S. dollar amounts presented in the accompanying consolidated financial statements and notes thereto are included solely for the convenience of readers. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars. As the amounts shown in U.S. dollars are for convenience only, the rate of ¥123.9=US$1.00, the exchange rate prevailing at March 31, 2001, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements.

5. Changes in Scope of Consolidation

As of March 31, 2001, the Company consolidated 216 subsidiaries and excluded 20 subsidiaries from consolidation due to immateriality in terms of consolidated total assets, sales and revenues, net income and retained earnings of the SOFTBANK consolidated financial statements. Main changes in scope of consolidation for the year ended March 31, 2001 were as follows:

Newly consolidated subsidiaries (including partnerships):

Subsidiary	Description
Key3Media Group, Inc.	Newly established resulting from spin-off from Ziff-Davis Inc.
SB Life Science Pte Ltd.	Newly established
SOFTBANK Emerging Markets Ltd.	Newly established
SB Thrunet Fund, L.P.	Newly established
SOFTBANK TECHNOLOGY HOLDINGS CORP.	Newly established
Finance All Corporation	Newly established
IP REVOLUTION, INC.	Newly established
CreativeBank Inc.	Equity percentage increased due to share issuance
Other 104 companies	

Previously consolidated subsidiaries (including partnerships) no longer consolidated:

Subsidiary	Description
UTStarcom, Inc.	Affiliate accounted for under the equity method due to dilution of shareholding percentage from the new share issuance
ONSALE JAPAN K.K.	Affiliate accounted for under the equity method due to dilution of shareholding percentage from the new share issuance
Ziff-Davis Inc.	Sold off due to the merger
SOFTBANK Kingston Inc.	Merger
SOFTBANK ACCOUNTING Co., Ltd	Merger
Toment Co. Ltd.	Liquidation
Other 33 companies	

As of March 31, 2001, the Company held 7 non-consolidated subsidiaries and 110 affiliated companies including partnerships, all of which were accounted for under the equity method. The main non-consolidated subsidiary was DirecTouch Communications

Ltd. Main affiliated companies were: Aozora Bank, Ltd., Nihon Ariba K.K., Yahoo! Inc., E*TRADE Group, Inc. and InsWeb Corporation.

Other than above, 13 non-consolidated subsidiaries, such as Dennoutai Co., Ltd., and 6 affiliated companies, such as Ideacube, Inc., were not accounted for under the equity method due to immateriality in terms of net income and retained earnings. Investments in those companies were stated at cost.

Main changes in non-consolidated subsidiaries and affiliated companies accounted for under the equity method for the year ended March 31, 2001 were as follows:

Non-consolidated subsidiaries and affiliated companies newly accounted for under the equity method (including partnerships):

Name of subsidiary or affiliate	Description
Aozora Bank, Ltd. (formerly The Nippon Credit Bank, Ltd.)	Newly invested
Nihon Ariba K.K.	Newly invested
ONSALE JAPAN K.K.	Affiliate accounted for under the equity method due to dilution of shareholding percentage from the new share issuance
UTStarcom, Inc.	Affiliate accounted for under the equity method due to dilution of shareholding percentage from new share issuance
Other 75 companies	

Non-consolidated subsidiaries and affiliates no longer accounted for under the equity method (including partnerships):

Name of subsidiary or affiliate	Description
Able Corporation	Sold off
Other 14 companies	

6. Merger, Acquisition, Restructuring and Initial Public Offering ("IPO")

(1) Merger with MAC Inc.

MAC Inc., which directly owned 44.43% of the Company's shares as of March 31, 1998, merged with the Company on December 1, 1998. As a result of the merger, MAC Inc., a private company owned by Masayoshi Son, the President of the Company, was dissolved. The Company issued 48,629,360 shares of its common stock at par value to Masayoshi Son as consideration for his interest in MAC Inc. The increases in common stock, additional paid-in capital and retained earnings were presented in the consolidated statement of changes in shareholders' equity at March 31, 1999. At the same time, the Company redeemed 47,445,810 shares held by MAC Inc. through the merger.

(2) Reorganization and IPO of Ziff-Davis Inc. ("ZDI")

ZDI had maintained the right to purchase all or a part of the "MAC assets," which MAC Inc. had acquired at approximately $300 million in February 1996. In October 1997 and May 1998, ZDI exercised the right and purchased the MAC assets from MAC Inc. for the amounts of $100 million and $270 million, respectively.

On May 4, 1998, the Company, through its wholly owned subsidiary SOFTBANK Holdings Inc. ("SBH"), completed a reorganization of ZDI and ZDI completed an IPO of 25,800,000 shares at a price of $15.50 per share for an amount of $399,900 thousand, issued $250,000 thousand of 8.5% Subordinated Notes due 2008, entered into a $1,350,000 thousand credit facility with a group of banks under which $1,250,000 thousand was borrowed and converted $884,882 thousand of inter-company indebtedness into equity. Net proceeds from the IPO and funding transactions in the reorganization were used to complete the purchase of MAC assets, as described above, in total for $370,000 thousand and repay inter-company indebtedness.

(3) ZDNet stock offering

On April 6, 1999, ZDI completed the offering of a new series of common stock, designated as ZDNet Common Stock ("ZDNet stock"), with an intention to reflect the performance of ZDI's Internet business division ("ZDNet"). Through the offering, ZDI issued 11.5 million shares of ZDNet stock at $19.00 per share and received the proceeds of $218.5 million. As a result, an additional minority interest was recorded in the consolidated financial statements of ZDI.

(4) Restructuring of ZDI

In July 1999, ZDI announced that it was exploring strategic alternatives to maximize shareholder value. As a result, ZDI decided to release from the company its Market Intelligence division, Education division, ZDTV and the majority of its Publishing businesses. After the completion of these restructurings, ZDI held ZDNet, Computer Shopper, and a part of the Publishing properties.

In October 1999, ZDI sold its Market Intelligence division for $106 million and recorded a pre-tax gain of approximately $29 million on this sale. In the quarter ended March 31, 2000, ZDI also sold its Education division and ZDTV for $172 million and $205 million, respectively, and recorded a pre-tax gain of approximately $116 million and $109 million, respectively, on these sales.

The sales of these divisions, Market Intelligence, Education division, and ZDTV, were accounted for as sales of discontinued operations in the accompanying consolidated financial statements for the year ended March 31, 2000.

In April 2000, ZDI sold its Publishing division, with the exceptions of Computer Shopper and some other businesses. These assets of approximately ¥79,872 million were separated and presented as "Assets held for sale" in the accompanying consolidated balance sheet as at March 31, 2000.

In selling the Publishing division, the Company performed a revaluation of intangible assets relating to the assets to be sold based on the estimated selling price. As a result, the Company recorded a valuation loss of approximately $778 million (¥88,506 million) in the consolidated statements of income for the year ended March 31, 2000. Also, with respect to Computer Shopper, which ZDI continued to operate, the Company recorded a valuation loss of approximately $269 million (¥30,620 million) on the related intangibles pursuant to the expected decrease in future income and cash flows in the consolidated statement of income for the year ended March 31, 2000.

In connection with these restructurings, the Company recorded the labor-related expenses of approximately $57 million as a part of selling, general and administrative expenses in the statement of income for the quarter ended March 31, 2000.

After the sale of the Publishing division in April 2000, ZDI operated with two main businesses: ZDNet and ZD Events relating to the exhibition businesses. The exhibition businesses were spun off into Key3Media Group, Inc. ("Key3Media") and continued operations as a consolidated subsidiary of the Company. In August 2000, Key3Media completed an IPO. On the other hand, ZDNet and ZDI were merged into CNET Networks, Inc. ("CNET") in October 2000. As a result, operating losses of ¥4,832 million ($38,999 thousand) of ZDNet and ZDI (excluding the exhibition businesses spun-off) were recorded as loss on discontinued operations in the consolidated statements of income for the year ended March 31, 2001.

(5) Sale of Kingston Technology Company ("Kingston")

In July 1999, SOFTBANK Kingston Inc. (a subsidiary of SBH) sold its 80% shareholding interest in Kingston for $450 million. Total losses of approximately $677 million, composing of loss on the sale and operating loss of Kingston incurred for the period until July 31, 1999, were reported as "loss on discontinued operations" in the consolidated statement of income for the year ended March 31, 2000.

As a result of the settlement of Kingston-related receivables and payables of SOFTBANK Kingston Inc., the holding company of Kingston, and the sale of Kingston in July 1999 as mentioned in the preceding paragraph, settlement losses of ¥3,772 million ($30,444 thousand) were incurred and reported as loss on discontinued operations in the consolidated statement of income for the year ended March 31, 2001.

(6) Other discontinued operations

The Company discontinued the operations of SOFTBANK Content Services Inc. in December 1998 and the operations of SOFTBANK Services Group in September 1998 and recorded losses of ¥1,676 million on the sale of common stock and loss of ¥1,540 million on discontinued operations for the year ended March 31, 1999.

(7) IPO of UTStarcom, Inc. ("UTS")

In March 2000, UTS, a subsidiary of the Company, completed its IPO. In connection with the IPO, UTS issued 11.5 million shares of its common stock, with the gross proceeds of $192 million. As a result, the Company's shareholding percentage in UTS declined from approximately 56% to 49%. However, the Company treated UTS as a consolidated subsidiary in the consolidated financial statements for the year ended March 31, 2000 because it was able to exercise a control over UTS by having occupied the majority of UTS directors. From the year beginning April 1, 2000, UTS was excluded from consolidation and accounted for under the equity method as such controlling condition no longer existed in fiscal year 2001.

7. Significant Contract with Cisco Systems, Inc. ("Cisco")

On January 25, 2001, the Company signed a contract with Cisco to facilitate mutual cooperation in connection with the establishment of an investment fund in the total amount of $1,050,000 thousand (¥130,095 million). Simultaneously, Cisco acquired 5,565,900 shares of the Company in the amount of ¥23,360 million, and the Company entered into a contract to sell 1,760 shares of Cisco Systems K.K. to Cisco in the amount of $275,000 thousand (¥34,073 million).

8. Notes Receivable Matured at Year-End

Notes receivable are settled on the date of clearance. As the year-end date of March 31, 2001 was a Saturday, the notes receivable of ¥983 million ($7,934 thousand) maturing on that date were neither settled nor included in the ending balance of notes and accounts receivable—trade as at March 31, 2001.

9. Inventories

Inventories at March 31, 1999, 2000 and 2001 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	1999	2000	**2001**	**2001**
Merchandise	¥10,525	¥ 7,996	**¥14,286**	**$115,302**
Finished goods	4,949	2,615	**573**	**4,624**
Work in process	1,474	889	**366**	**2,951**
Raw materials	11,311	3,344	**75**	**605**
Securities for trade	47	148	**2,251**	**18,166**
Other inventories	4	1,962	**5,863**	**47,324**
Total	¥28,310	¥16,954	**¥23,414**	**$188,972**

10. Investments in Debt and Equity Securities

As described in note 3 (3), the Company and its Japanese consolidated subsidiaries have adopted new accounting standards for investments in debt and equity securities from the fiscal year beginning April 1, 2000.

The aggregate cost and market value (carrying value) of other securities at March 31, 2001 were as follows:

	Millions of yen			
		Gross unrealized		Market value
	Cost	Gains	(Losses)	(carrying value)
Equity securities	**¥126,492**	**¥44,567**	**¥(15,984)**	**¥155,075**
Debt securities	**4,490**	**2,688**	**(38)**	**7,140**
Total	**¥130,982**	**¥47,255**	**¥(16,022)**	**¥162,215**

	Thousands of U.S. dollars			
		Gross unrealized		Market value
	Cost	Gains	(Losses)	(carrying value)
Equity securities	**$1,020,920**	**$359,701**	**$(129,007)**	**$1,251,614**
Debt securities	**36,239**	**21,695**	**(307)**	**57,627**
Total	**$1,057,159**	**$381,396**	**$(129,314)**	**$1,309,241**

Other securities sold during the year ended March 31, 2001 were as follows:

	Millions of yen		
	Sales amount	Total gains on sale	Total losses on sale
Equity securities	**¥51,982**	**¥42,360**	**¥(3,346)**
Debt securities	**25,448**	**1,683**	**(1,124)**
Other	**1,000**	**—**	**—**
Total	**¥78,430**	**¥44,043**	**¥(4,470)**

	Thousands of U.S. dollars		
	Sales amount	Total gains on sale	Total losses on sale
Equity securities	**$419,548**	**$341,889**	**$(27,006)**
Debt securities	**205,391**	**13,583**	**(9,072)**
Other	**8,071**	**—**	**—**
Total	**$633,010**	**$355,472**	**$(36,078)**

Unlisted investment securities at March 31, 2001 had carrying amounts as follows:

	Millions of yen	Thousands of U.S. dollars
(1) Unlisted held-to-maturity securities:		
Debt securities	**¥ 0**	**$ 0**
(2) Unlisted other securities and available-for-sale securities:		
Equity securities	**45,063**	**363,705**
Foreign debt securities	**9,009**	**72,712**
Domestic debt securities	**1,777**	**14,342**
MMF	**25,878**	**208,862**
Mid-term government bond fund	**2,365**	**19,088**
Others	**1,100**	**8,878**
(3) Investment in subsidiaries and affiliates:		
Subsidiaries (non-consolidated)	**214**	**1,727**
Affiliates	**274,575**	**2,216,102**
Total	**¥359,981**	**$2,905,416**

As mentioned in note 3 (3), SOFTBANK applied the previous accounting method for marketable securities at March 31, 2000 and stated these securities at the lower of cost or market, accordingly.

The aggregate cost and market value of marketable securities at March 31, 2000, which were included in short-term investments and investment securities, were as follows:

	Millions of yen		
	Cost (carrying value)	Estimated market value	Gains (losses)
Marketable securities included in "marketable securities":			
Equity securities	¥ 5,030	¥ 56,720	¥ 51,690
Debt securities	—	—	—
Sub-total	5,030	56,720	51,690
Marketable securities included in "investment securities":			
Equity securities	255,392	3,115,211	2,859,819
Debt securities	3,984	3,790	(194)
Sub-total	259,376	3,119,001	2,859,625
Total	¥264,406	¥3,175,721	¥2,911,315

11. Investments in and Advances to Non-Consolidated Subsidiaries and Affiliates Accounted for under the Equity Method

The balances of investments in and advances to non-consolidated subsidiaries and affiliates (including partnerships) accounted for under the equity method as of March 31, 1999, 2000 and 2001 are shown in the table below:

	%		Millions of yen			Thousands of U.S. dollars
					March 31	March 31
	Ownership percentage(*A)	Interest percentage(*A)	1999	2000	**2001**	**2001**
E*Trade Group, Inc.	19.43%	19.43%	¥ 46,452	¥ 53,955	**¥ 55,463**	**$ 447,643**
Yahoo! Inc.	20.97	20.97	37,905	45,690	**60,284**	**486,554**
Able Corporation	—	—	—	23,812	**—**	**—**
BRAIN.COM, INC. (formerly, BUNKA HOSO BRAIN)	33.30	33.30	—	10,807	**2,423**	**19,556**
InsWeb Corporation	18.24	18.24	—	9,304	**2,611**	**21,074**
Morningstar, Inc.	19.67	19.67	—	8,807	**8,886**	**71,719**
Cognotec Limited	14.04	13.50	—	4,232	**—**(*B)	**—**(*B)
Internet Research Institute, Inc.	18.75	12.60	—	2,213	**2,196**	**17,724**
PASONA SOFTBANK, INC.	9.21	9.21	1,053	395	**428**	**3,454**
Trend Micro Incorporated	—	—	7,254	—	**—**	**—**
Kinesoft Development Corporation	—	—	1,976	—	**—**	**—**
INSWEB Japan K.K.	—	—	360	—	**—**	**—**
SOFTBANK Korea Co., Ltd.	—	—	217	—	**—**	**—**
UTStarcom, Inc.	46.57	46.57	—	—	**24,434**	**197,207**
Law.com, Inc.	10.42	10.42	—	—	**3,002**	**24,229**
@viso Limited	50.00	50.00	—	—	**3,124**	**25,214**
Global Sports, Inc.	13.32	13.32	—	—	**2,960**	**23,890**
Aozora Bank, Ltd. (formerly, The Nippon Credit Bank, Ltd.)	48.88	48.88	—	—	**64,676**	**522,002**
Nihon Ariba K.K.	42.10	42.10	—	—	**4,163**	**33,600**
E*TRADE eCommerce Fund, L.P.	25.00(*C)	—	—	640	**2,287**	**18,458**
SOFTBANK Technology Ventures IV L.P.	3.90(*C)	—	—	10,276	**5,727**	**46,223**
ePartners 2	31.00(*C)	—	—	—	**3,428**	**27,667**
SOFTBANK US Ventures VI L.P.	52.00(*C)	—	—	—	**33,504**	**270,412**
eVentures II	50.00(*C)	—	—	—	**1,345**	**10,856**
SOFTBANK Ventures Fund 1	48.00(*C)	—	—	—	**2,756**	**22,244**
Other			10,782	23,572	**51,173**	**413,016**
Total			¥105,999	¥193,703(*D)	**¥334,870**	**$2,702,742**

Notes: (*A) Ownership and interest percentages above represent the percentages as of March 31, 2001.
(*B) For the year ended March 31, 2001, investment in Cognotec Limited was stated at cost due to the shareholding percentage being less than 20 percent.
(*C) The percentage was calculated by the commitments of SOFTBANK Group over the fund size, since a single ownership percentage was not determinable due to the structure of funds and differing allocation of expense/income.
(*D) Of which ¥16,829 million was reported in "Other investments" in the March 31, 2000 annual report

12. Advertiser Lists and Trade Names

At the date of the acquisition of ZDI in the United States, "Advertiser lists" were valued at the amount of the present value of the expected future advertising net cash flow generated by the publishing businesses. As described in note 6 (4), with the decision to sell the publishing businesses of ZDI in April 2000, a majority of the "Advertiser lists" was classified to the current account, "Assets held for sale," in the consolidated balance sheet at March 31, 2000. There was no remaining balance due to the conclusion of the sale of ZDI (excluding exhibition business spun-off as Key3Media) in October 2000.

"Trade names" were capitalized in connection with the purchases of the exhibition division of The Interface Group (COMDEX), the Publishing division of ZDI and Kingston in the United States, and represent the economic value of the brand names of these entities.

"Trade names" decreased because:

(1) Majority of "Trade names" was sold as part of the sale of Kingston in July 1999;

(2) Another major portion of "Trade names" was classified into "Assets held for sale" in connection with the sale of the Publishing businesses of ZDI as of the year ended March 31, 2000;

(3) The remaining balance of "Trade names" related to the Events business, the exhibition business which Key3Media operates presently.

13. Short-Term Loans and Long-Term Debts

Short-term loans at March 31, 1999, 2000 and 2001 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	1999	2000	**2001**	**2001**
Short-term loans with interest rates ranging from 0.22% to 11.50%	¥22,559	¥86,354	**¥125,602**	**$1,013,736**
Commercial paper	20,000	—	**30,000**	**242,131**

Long-term bank loans and corporate bonds outstanding at March 31, 1999, 2000 and 2001 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	1999	2000	**2001**	**2001**
Loans from financial institutions with interest rates ranging from 1.4% to 10.77%	¥182,910	¥128,780	**¥ 54,459**	**$ 439,540**
Unsecured straight bonds with interest rates ranging from 2.1% to 3.9%, due 2001 to 2007	166,900	193,689	**167,403**	**1,351,114**
Warrant bonds with interest rates ranging from 3.0% to 12.0%, due 2001 to 2008	3,500	1,701	**23,979**	**193,538**
Convertible bonds with an interest rate of 0.5%, due 2002	48,523	8,182	**6,614**	**53,384**
Exchangeable bonds with an interest rate of 1.5%, due 2002	—	—	**5,385**	**43,464**
	401,833	332,352	**257,840**	**2,081,040**
Less: Portion due within one year	(19,641)	(28,832)	**(30,894)**	**(249,349)**
	¥382,192	¥303,520	**¥226,946**	**$1,831,691**

The conversion prices of convertible bonds listed above are ¥2,711.20 per share for the Company's common stock and ¥50,000 per share for the common stock of E*Advisor Co., Ltd.

The aggregate annual maturities of loans from financial institutions outstanding at March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
2002	¥ 2,880	$ 23,245
2003	8,818	71,170
2004	5,042	40,694
2005	5,123	41,348
2006 and thereafter	32,596	263,083
Total	¥54,459	$439,540

The aggregate annual maturities of corporate bonds outstanding at March 31, 2001 were as follows:

	Millions of yen	Thousands of U.S. dollars
2002	¥ 28,014	$ 226,104
2003	50,769	409,757
2004	57,500	464,083
2005	9,800	79,095
2006 and thereafter	57,298	462,461
Total	¥203,381	$1,641,500

14. Pledged Assets as Collateral for Secured Liabilities

Pledged assets as collateral for short-term loans, long-term debts and lease contracts at March 31, 2001 were as follows:

(1) Pledged assets as collateral for future lease liabilities

The collateral for future lease liabilities of ¥11,226 million as described in note 23, of which ¥401 million ($3,236 thousand) was accounts payable, was provided by mortgaging credits that certain consolidated subsidiaries held for future cash flows from customers and a consigned broadcasting company based on marketing agreements, etc. The balances of these credits as of March 31, 2001 were ¥964 million ($7,780 thousand) in accounts receivable and ¥12 million ($97 thousand) in other current assets.

(2) Pledged assets as collateral against deposits received for securities loaned

Pledged assets as collateral

As of March 31, 2001	Carrying amount: Millions of yen	Carrying amount: Thousands of U.S. dollars	Type of collateral
Other current assets (Marketable securities in custody)	**¥2,351**	**$18,975**	Mortgage

Secured liabilities

As of March 31, 2001	Carrying amount: Millions of yen	Carrying amount: Thousands of U.S. dollars
Other current liabilities (Deposits received for securities loaned)	**¥13,514**	**$109,072**

In addition, securities of ¥3,733 million ($30,129 thousand) received from customers on margin transactions were provided to Japan Securities Finance Co., Ltd. as collateral for securities borrowed at March 31, 2001.

(3) Pledged assets as collateral for borrowings

Pledged assets as collateral

As of March 31, 2001	Millions of yen	Thousands of U.S. dollars	Type of collateral
Cash and deposits (Time deposits)	**¥ 48**	**$ 387**	Mortgage
Tangible assets	**1,027**	**8,289**	Mortgage
Investment securities	**69,520**	**561,098**	Mortgage

Secured liabilities

	Carrying amount	
As of March 31, 2001	Millions of yen	Thousands of U.S. dollars
Short-term borrowings	**¥20,565**	**$165,981**
Long-term debts	**124**	**1,001**

In addition to the above, the assets of Key3Media, a U.S. consolidated subsidiary of the Company, and the common stock of Key3Media's subsidiaries were provided as collateral for long-term debts of $298,416 thousand (¥34,243 million) and short-term borrowings of $1,584 thousand (¥181 million) at March 31, 2001.

15. Dilution Gains from Changes in Equity Interest

Due to capital transactions including an IPO by investees, the Company's shareholding percentage of these investees was diluted. As a result, dilution gains/losses were recognized. The major dilution gains/losses for the years ended March 31, 2001, 2000 and 1999 consisted of the following:

	Dilution for the year ended March 31, 2001			
	Gains		(Losses)	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Yahoo! Inc.	**¥12,554**	**$101,324**	**¥ —**	**$ —**
SOFTBANK INVESTMENT CORPORATION	**9,087**	**73,341**	**(333)**	**(2,688)**
E*TRADE Group, Inc.	**6,897**	**55,666**	**—**	**—**
E*TRADE Japan K.K.	**5,052**	**40,775**	**(85)**	**(686)**
UTStarcom, Inc.	**2,535**	**20,460**	**(60)**	**(484)**
Nasdaq Japan, Inc.	**2,341**	**18,894**	**—**	**—**
Yahoo! Korea Corporation	**2,114**	**17,062**	**—**	**—**
Ziff-Davis Inc.	**1,469**	**11,856**	**—**	**—**
Morningstar Japan K.K.	**1,355**	**10,936**	**(21)**	**(169)**
cyber communications inc.	**1,079**	**8,709**	**—**	**—**

	Dilution for the years ended March 31,			
	1999		2000	
	Millions of yen		Millions of yen	
	Net gains	(Net losses)	Gains	(Losses)
Yahoo! Inc.	¥2,925	¥—	¥ 5,897	¥(2,313)
Ziff-Davis Inc.	1,338	—	7,297	—
E*TRADE Group, Inc.	2,007	—	7,706	(729)
GeoCities	1,915	—	—	—
UTStarcom, Inc.	—	—	12,262	—
Trend Micro Incorporated	1,810	—	—	—
MessageMedia, Inc.	—	—	2,520	—
Internet Research Institute, Inc.	—	—	2,032	—
SOFTBANK TECHNOLOGY CORP.	—	—	883	—

16. Accounting for Assets and Liabilities of the Silent Investment Association

As described in note 3 (14), SOFTBANK has adopted a new accounting method for assets and liabilities of the silent investment association from the fiscal year beginning April 1, 2000. Therefore, SOFTBANK excluded the following assets and liabilities of the silent investment association from the consolidated balance sheet as of March 31, 2001.

As at March 31, 2001	Millions of yen	Thousands of U.S. dollars
Cash and deposits	**¥ 5,689**	**$ 45,916**
Marketable securities	**236**	**1,904**
Other current assets—investments held by the silent association	**15,490**	**125,020**
Other current assets—other	**306**	**2,469**
Investment securities	**5,291**	**42,703**
Investments in partnership	**1,392**	**11,235**
Other current liabilities	**(482)**	**(3,890)**
Other long-term liabilities	**(27,921)**	**(225,351)**

As described in note 3 (14), in the financial statements for fiscal years prior to April 1, 2000, assets of the silent investment association had been treated as assets of a consolidated subsidiary and included in the consolidated balance sheets with footnotes. The consolidated balance sheets as of March 31, 2000 and 1999 include the following assets and liabilities of the silent investment association managed by SOFTBANK Ventures, Inc. and SOFTBANK Contents Partners Corporation.

	Millions of yen	
	1999	2000
Cash and deposits	¥ 2,032	¥ 2,025
Marketable securities	1,057	8,802
Other current assets—investments held by the silent association	22,963	16,151
Other current assets—other	67	362
Investment securities	—	1,491
Other current liabilities	(41)	(1,417)
Other long-term liabilities	(24,610)	(24,681)

17. Cash Flow Information

(1) Cash and cash equivalents included in the consolidated financial statements are composed of cash on hand, bank deposits withdrawable on demand and highly liquid investments purchased with initial maturities of three months or less and which represent low risk of fluctuation in value.

(2) Cash and cash equivalents at March 31, 2000 and 2001 were composed of as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Cash and deposits	¥254,709	**¥141,057**	**$1,138,473**
Marketable securities	17,849	**29,344**	**236,834**
Time deposits with original maturity over three months	(4,411)	**(2,010)**	**(16,222)**
Stocks and bonds with original maturity over three months	(87)	**(95)**	**(771)**
Cash equivalents in inventories, net of cash deposits from customers, of consolidated subsidiaries engaged in securities business	—	**(9,191)**	**(74,172)**
Cash and cash equivalents	¥268,060	**¥159,105**	**$1,284,142**

(3) Significant non-cash transactions for the years ended March 31, 2000 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	2001	2001
Increase of common stock due to conversion of convertible bonds	¥20,166	**¥ 784**	**$ 6,327**
Increase of additional paid-in capital due to conversion of convertible bonds	20,161	**784**	**6,326**
	¥40,327	**¥1,568**	**$12,653**

(4) Acquisition of CHEUNG WAH DEVELOPMENT COMPANY LIMITED (renamed to SOFTBANK INVESTMENT INTERNATIONAL (STRATEGIC) LIMITED—"SBIIS")

SOFTBANK acquired shares of SBIIS for ¥2,993 million and consolidated SBIIS in the consolidated financial statements for the year ended March 31, 2000. Upon consolidation, net cash flow of ¥274 million, an excess of cash and cash equivalents of ¥3,267 million held by SBIIS as at the date of acquisition against the cash consideration of ¥2,993 million paid for the acquisition, was disclosed as "Net increase in cash and cash equivalents due to the companies newly consolidated" in the consolidated statement of cash flows for the year ended March 31, 2000.

The cash consideration of ¥2,993 million paid for the acquisition was allocated as follows:

As of March 31, 2000	Millions of yen
Current assets	¥4,075
Non-current assets	2,612
Translation adjustments	87
Current liabilities	(930)
Non-current liabilities	(146)
Goodwill	(216)
Minority interests in consolidated subsidiaries	(2,489)
Consideration for acquisition	¥2,993

(5) Exclusion of consolidated subsidiaries from consolidation due to sale of their shares

The Company excluded assets and liabilities as of January 1, 2000 of ZDI from consolidation at March 31, 2001 due to the sale of ZDI stocks as follows:

As of January 1, 2000	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 92,965	$ 750,323
Non-current assets	38,030	306,941
Total assets	¥130,995	$1,057,264
Current liabilities	¥ 11,696	$ 94,399
Non-current liabilities	87,286	704,487
Total liabilities	¥ 98,982	$ 798,886

The Company excluded assets and liabilities as of June 30, 1999 of Kingston from consolidation at March 31, 2000 due to the sale of stocks as follows:

As of June 30, 1999	Millions of yen
Current assets	¥36,809
Non-current assets	45,075
Total assets	¥81,884
Current liabilities	¥23,323
Non-current liabilities	206
Total liabilities	¥23,529

Upon the sale of Kingston, the net aggregate cash inflow of ¥49,642 million, an excess of the cash receipt of ¥54,646 million for the sales, in aggregate, against the cash and cash equivalents of ¥5,004 million held by Kingston as at the date of sale, was disclosed as "Proceeds from sales of interest in previously consolidated subsidiaries" in the consolidated statements of cash flows for the year ended March 31, 2000.

(6) Exclusion of previously consolidated subsidiary from consolidation due to the decrease in shareholding percentage

At March 31, 2001, UTS, a formerly consolidated subsidiary of the Company, was accounted for under the equity method due to a decrease in ownership percentage. The main assets and liabilities as of January 1, 2000 of UTS were as follows:

As of January 1, 2000	Millions of yen
Current assets	¥24,726
Non-current assets	4,613
Total assets	¥29,339
Current liabilities	¥11,056
Non-current liabilities	—
Total liabilities	¥11,056

18. Pension and Severance Costs

The funded status of retirement benefit obligations at March 31, 2001 was as follows:

	Millions of yen	Thousands of U.S. dollars
Projected benefit obligations (PBO)	**¥1,079**	**$8,709**
Plan assets at fair value	**782**	**6,312**
Unfunded PBO	**297**	**2,397**
Unrecognized actuarial losses	**144**	**1,162**
Accrued pension and severance costs	**¥ 153**	**$1,235**

The composition of net pension and severance costs for the year ended March 31, 2001 was as follows:

	Millions of yen	Thousands of U.S. dollars
Service costs	**¥572**	**$4,617**
Interest costs	**28**	**226**
Expected return on plan assets	**(11)**	**(89)**
Expenses of transition obligations	**383**	**3,091**
Net pension and severance costs	**¥972**	**$7,845**

The assumptions used for the actuarial computation of the retirement benefit obligations for the year ended March 31, 2001 were as follows:

Allocation of projected benefit obligations .....Projected unit-credit method
Discount rate...3.0%
Expected return on plan assets 2.2%
Transition obligations.....................................Expensed out at the time of implementing the new standard
Actuarial gains/losses ....Expensed out in the year subsequent to the fiscal year of occurrence

19. Selling, General and Administrative Expenses and Expenses of Financing Business

Main items of selling, general and administrative expenses and financing business-related expenses for the three years ended March 31, 1999, 2000 and 2001 were as follows:

	Millions of yen			Thousands of U.S. dollars
	1999	2000	**2001**	**2001**
Payroll and bonuses	¥42,224	¥40,949	**¥24,249**	**$195,714**
Depreciation expenses	30,802	20,085	**6,767**	**54,617**
Allowance for doubtful accounts	5,628	971	**655**	**5,287**
Rental expenses	6,171	—(*A)	—(*A)	—(*A)
Sales promotion expenses	—(*A)	14,880	—(*A)	—(*A)
Pension and severance costs	—(*A)	—(*A)	**211**	**1,703**

Note: (*A) These expenses were immaterial and not disclosed.

20. Valuation Losses on Investments in Subsidiaries and Affiliates

The Company recognized valuation losses of ¥28,593 million ($230,775 thousand) on investments in affiliates and ¥168 million ($1,356 thousand) on investments in subsidiaries in the consolidated statement of income for the year ended March 31, 2001.

21. Retained Earnings

On April 12, 2000, the Board of Directors approved a three-for-one stock split on the Company's common stock, which was effected on June 23, 2000 for the shareholders of record at April 30, 2000. The number of shares issued was 220,317,334. There was no increase in the common stock account because the new shares were distributed from the portion of previously issued shares accounted for as excess of par value in the common stock account in accordance with the Japanese Commercial Code.

Under the Japanese Commercial Code, the appropriation of retained earnings for a fiscal year is made by resolution of shareholders at a general meeting to be held within three months after the balance sheet date, and the accounts for the year do not reflect such appropriations.

For the years ended March 31, 1999 and 2000, the Company paid a year-end cash dividend of ¥20 per share to the shareholders of record as at the respective period end.

The proposed appropriation of retained earnings of SOFTBANK CORP. for the year ended March 31, 2001 that was approved on June 21, 2001 at the general shareholders' meeting was as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends at ¥7 per share	¥2,357	$19,023

22. Income Taxes

SOFTBANK is subject to a number of different income taxes which, in aggregate, resulted in a statutory income tax rate in Japan of approximately 47.7 percent for the year ended March 31, 1999 and approximately 42.05 percent for the years ended March 31, 2000 and 2001.

The differences between SOFTBANK's statutory income tax rate and the income tax rate reflected in the consolidated statements of income were reconciled as follows:

For the years ended March 31	2000	**2001**
Statutory income tax rate	42.05%	**42.05%**
Reconciliation:		
Entertainment expenses, etc., permanently non-tax deductible	7.62	**1.76**
Non-deductible goodwill	48.56	**—**
State tax	—	**8.56**
Change in valuation allowance	74.88	**7.94**
Tax rate difference	(2.17)	**(8.13)**
Equity in net gains (losses) under the equity method	(4.91)	**2.64**
Other	(1.94)	**1.05**
Income tax rate per statements of income	164.09%	**55.87%**

The significant components of deferred tax assets and liabilities at March 31, 2000 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Deferred tax assets:			
Loss carryforward	¥ 10,875	**¥ 28,250**	**$ 228,008**
Valuation loss on investment securities	3,348	**16,767**	**135,329**
Unrealized foreign exchange losses	15,505	**2,667**	**21,526**
Enterprise tax payable	4,487	**2,079**	**16,781**
Interests payable	1,603	**1,602**	**12,927**
Allowance for doubtful accounts	446	**1,021**	**8,241**
Valuation losses on stock options to officers/employees	3,646	**516**	**4,161**
Depreciation	1,544	**369**	**2,980**
Dilution loss on investment securities	10,164	**—**	**—**
Others	2,602	**4,818**	**38,886**
Gross deferred tax assets	54,220	**58,089**	**468,839**
Less: Valuation allowance	(20,981)	**(30,623)**	**(247,159)**
Total deferred tax assets	33,239	**27,466**	**221,680**
Deferred tax liabilities:			
Unrealized gains on other securities	(25,599)	**(21,161)**	**(170,790)**
Amortization on intangibles	(1,890)	**(10,550)**	**(85,153)**
Dilution gain on investment securities	(717)	**(6,198)**	**(50,023)**
Exchange gains on long-term receivables	(806)	**(3,685)**	**(29,745)**
Gains on sales of investment securities	(21,467)	**—**	**—**
Gains on restructuring of foreign subsidiaries	(6,285)	**—**	**—**
Others	(200)	**(482)**	**(3,888)**
Total deferred tax liabilities	(56,964)	**(42,076)**	**(339,599)**
Net amount of deferred tax liabilities	¥(23,725)	**¥(14,610)**	**$(117,919)**

The valuation allowance was established mainly due to deferred tax assets on future tax-deductible temporary differences and operating tax loss carry-forward of certain subsidiaries as it is more likely than not that these deferred tax assets will not be realized within the foreseeable future. The net change in the total valuation allowance for the year ended March 31, 2001 was an increase of ¥9,642 million ($77,821 thousand).

23. Leases

As described in note 3 (10), SOFTBANK, as a lessee, charges periodic capital lease payments to expense when paid. Such payments for the years ended March 31, 1999, 2000 and 2001 amounted to ¥284 million, ¥1,407 million and ¥4,221 million ($34,068 thousand), respectively.

If capital leases that do not transfer the ownership of the assets to the lessee at the end of the lease term were capitalized, the capital lease assets at March 31, 2000 and 2001 would be as follows:

Capital lease assets

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Equivalent to acquisition cost:			
Property and equipment	¥12,401	**¥15,187**	**$122,575**
Less: Accumulated depreciation	(1,596)	**(4,464)**	**(36,029)**
	10,805	**10,723**	**86,546**
Software	406	**257**	**2,074**
Less: Accumulated amortization	(65)	**(47)**	**(379)**
	341	**210**	**1,695**
Net book value	¥11,146	**¥10,933**	**$ 88,241**

Depreciation and amortization expenses of these leased assets for the years ended March 31, 1999, 2000 and 2001 would be ¥263 million, ¥1,203 million and ¥4,256 million ($34,350 thousand), respectively, if they were computed in accordance with the straight-line method over the periods of these capital leases, assuming no remaining value.

Interest expenses in lease payments under these capital leases for the years ended March 31, 1999, 2000 and 2001 would be ¥19 million, ¥385 million and ¥1,029 million ($8,305 thousand), respectively.

The future lease payments for capital leases at March 31, 2000 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Due within one year	¥ 2,405	**¥ 3,137**	**$25,319**
Due after one year	8,939	**8,552**	**69,023**
Total	¥11,344	**¥11,689**	**$94,342**

The future lease payments for non-cancelable operating leases at March 31, 2000 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2000	**2001**	**2001**
Due within one year	¥ 57,629	**¥1,000**	**$ 8,071**
Due after one year	355,179	**3,246**	**26,199**
Total	¥412,808	**¥4,246**	**$34,270**

SOFTBANK, as a lessor, recognizes periodic capital lease payments as revenue from financing business when received from a lessee. The assets under the capital lease contracts at March 31, 2001 would be as follows:

Assets leased to third parties

	Millions of yen	Thousands of U.S. dollars
Acquisition cost:		
Property and equipment	**¥478**	**$3,858**
Less: Accumulated depreciation	**(41)**	**(331)**
	437	**3,527**
Software	**441**	**3,559**
Less: Accumulated amortization	**(62)**	**(500)**
	379	**3,059**
Net book value	**¥816**	**$6,586**

Interest income included in revenue from financing business under these capital leases for the year ended March 31, 2001 amounted to ¥39 million ($315 thousand).

The future lease receivables for capital leases at March 31, 2001 would be as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	**¥ 249**	**$2,010**
Due after one year	**959**	**7,740**
Total	**¥1,208**	**$9,750**

24. Contingent Liabilities

There were no material contingent liabilities for the year ended March 31, 2001.

25. Segment Information

(1) Business segment information

The Company operates principally in the following business segments:

- e-Commerce: Distribution of software for PCs and of hardware including PCs and peripherals, enterprise business, business-to-business and business-to-consumer sales through the Internet (e-commerce);
- e-Finance: Comprehensive financial services through the Internet such as securities businesses, the operation and management of domestic venture capital funds, and business incubation;
- Media & Marketing: Publishing of books and magazines regarding PCs, the Internet and entertainment, event business and content business with a focus on information technology;
- Broadmedia: Businesses providing applications and content through such broadband infrastructure as broadcasting and telecommunications; promotion of said businesses;
- Internet Culture: Provision of Internet directory services, distribution of advertisements/information through the Internet;
- Technology Services: System integration, network integration and e-commerce business operations;
- Internet Infrastructure: Ultrahigh-speed Internet access services and related data-center business;
- Overseas Funds: Investment in Internet-related foreign businesses, mainly in the United States and Asia;
- Others: Holding company function in foreign countries, domestic back-office service business.

Categorization of business segments for the year ended March 31, 2001:

Three segments, “Broadmedia,” “Technology Services” and “Internet Infrastructure,” included in “Others” for the years prior to April 1, 2000 were isolated as new categories due to development of the businesses. The business operations of these three new segments for the fiscal years prior to April 1, 2000 were immaterial and had no significant impact on segment information.

A re-categorization of business segments was also performed for the fiscal year ended March 31, 2000. For the fiscal years prior to April 1999, the business segments had been categorized on the basis of management segments that had been put in place for group internal control purpose. However, from the year ended March 31, 2000, the business segments have been re-categorized in order to clarify the responsibility of each operating officer of the segment controlling company, which supports the Company as a pure holding company.

The table below summarizes the business segment information of SOFTBANK for the years ended March 31, 1999, 2000 and 2001.

Millions of yen

For the year ended March 31, 2001	e-Commerce	e-Finance	Media & Marketing	Broadmedia	Internet Culture	Technology Services	Internet Infrastructure	Overseas Funds	Others	Total	Elimination or corporate assets	Consolidated
Net sales:												
Customers	¥253,943	¥ 30,626	¥ 52,415	¥12,998	¥ 12,481	¥11,728	¥ —	¥ 1,278	¥ 21,636	¥ 397,105	¥ —	¥ 397,105
Inter-segment	4,578	778	848	4	743	2,743	—	463	841	10,998	(10,998)	—
Total	258,521	31,404	53,263	13,002	13,224	14,471	—	1,741	22,477	408,103	(10,998)	397,105
Operating expenses	256,752	17,967	47,358	11,947	8,522	13,996	1,069	1,501	28,142	387,254	(6,580)	380,674
Operating income (losses)	¥ 1,769	¥ 13,437	¥ 5,905	¥ 1,055	¥ 4,702	¥ 475	¥(1,069)	¥ 240	¥ (5,665)	¥ 20,849	¥ (4,418)	¥ 16,431
Identifiable assets	¥ 97,822	¥308,829	¥140,523	¥33,417	¥129,772	¥ 9,282	¥ 7,588	¥140,886	¥210,839	¥1,078,958	¥67,125	¥1,146,083
Depreciation and amortization	1,571	1,314	4,314	18	1,318	132	14	14	1,858	10,553	150	10,703
Capital expenditures	4,473	10,198	1,625	165	1,911	443	116	127	1,070	20,128	2,617	22,745

Thousands of U.S. dollars

For the year ended March 31, 2001	e-Commerce	e-Finance	Media & Marketing	Broadmedia	Internet Culture	Technology Services	Internet Infrastructure	Overseas Funds	Others	Total	Elimination or corporate assets	Consolidated
Net sales:												
Customers	$2,049,584	$ 247,185	$ 423,039	$104,908	$ 100,735	$ 94,660	$ —	$ 10,313	$ 174,623	$3,205,047	$ —	$3,205,047
Inter-segment	36,947	6,279	6,842	29	5,994	22,143	—	3,739	6,787	88,760	(88,760)	—
Total	2,086,531	253,464	429,881	104,937	106,729	116,803	—	14,052	181,410	3,293,807	(88,760)	3,205,047
Operating expenses	2,072,252	145,010	382,228	96,418	68,779	112,966	8,626	12,116	227,128	3,125,523	(53,097)	3,072,426
Operating income (losses)	$ 14,279	$ 108,454	$ 47,653	$ 8,519	$ 37,950	$ 3,837	$ (8,626)	$ 1,936	$ (45,718)	$ 168,284	$ (35,663)	$ 132,621
Identifiable assets	$ 789,522	$2,492,562	$1,134,165	$269,713	$1,047,390	$ 74,919	$61,242	$1,137,097	$1,701,688	$8,708,298	$541,770	$9,250,068
Depreciation and amortization	12,686	10,602	34,814	149	10,634	1,066	113	114	14,997	85,175	1,213	86,388
Capital expenditures	36,098	82,301	13,116	1,335	15,425	3,581	934	1,025	8,636	162,451	21,132	183,583

For the year ended March 31, 2000	e-Commerce	e-Finance	Media & Marketing	Internet Culture	Overseas Funds	Others	Total	Elimination or corporate assets	Consolidated
									Millions of yen
Net sales:									
Customers	¥227,898	¥ 15,981	¥118,441	¥17,256	¥ 2,604	¥ 41,041	¥ 423,221	¥ —	¥ 423,221
Inter-segment	3,630	2,668	443	655	—	2,893	10,289	(10,289)	—
Total	231,528	18,649	118,884	17,911	2,604	43,934	433,510	(10,289)	423,221
Operating expenses	224,430	9,278	120,807	15,672	590	53,898	424,675	(9,832)	414,843
Operating income (losses)	¥ 7,098	¥ 9,371	¥ (1,923)	¥ 2,239	¥ 2,014	¥ (9,964)	¥ 8,835	¥ (457)	¥ 8,378
Identifiable assets	¥ 86,573	¥345,957	¥239,288	¥85,580	¥117,451	¥239,300	¥1,114,149	¥54,159	¥1,168,308
Depreciation and amortization	458	191	143,493	1,724	—	5,905	151,771	15	151,786
Capital expenditures	1,684	1,253	5,514	1,503	—	2,106	12,060	15	12,075

For the year ended March 31, 1999	Software and Network	Media	Technology Events	Service	Internet	Others	Total	Elimination or corporate assets	Consolidated
									Millions of yen
Net sales:									
Customers	¥214,077	¥104,994	¥38,806	¥146,547	¥ 12,462	¥ 11,273	¥528,159	¥ —	¥528,159
Inter-segment	1,578	167	0	3,814	465	2,380	8,404	(8,404)	—
Total	215,655	105,161	38,806	150,361	12,927	13,653	536,563	(8,404)	528,159
Operating expenses	211,851	109,992	29,515	144,957	13,521	14,633	524,469	(8,440)	516,029
Operating income (losses)	¥ 3,804	¥ (4,831)	¥ 9,291	¥ 5,404	¥ (594)	¥ (980)	¥ 12,094	¥ 36	¥ 12,130
Identifiable assets	¥ 95,943	¥386,916	¥25,830	¥171,302	¥115,775	¥175,912	¥971,678	¥(19,100)	¥952,578
Depreciation and amortization	1,330	13,792	4,983	7,759	1,006	2,029	30,899	421	31,320
Capital expenditures	1,088	5,190	1,251	1,438	1,453	551	10,971	95	11,066

The amount of unallocated operating expenses in the column as “Elimination or corporate assets,” which mainly represents the expenses of the corporate division of the Company, was ¥4,466 million ($36,053 thousand) for the year ended March 31, 2001.

The amounts of corporate assets included in the column as “Elimination or corporate assets” for the years ended March 31, 1999, 2000 and 2001 were ¥86,746 million, ¥78,670 million and ¥75,102 million ($606,150 thousand), respectively. The main constituents of the corporate assets are surplus operating funds (cash and marketable securities), long-term investment securities of the Company and assets held by the corporate division of the Company.

“Capital expenditures” included acquisition of long-term prepaid expenses and deferred assets. “Depreciation and amortization” included the amortization of long-term prepaid expenses and deferred assets. Depreciation and amortization of Media & Marketing operations for the year ended March 31, 2000 included valuation losses on intangible assets of ZDI amounting to ¥119,126 million.

As described in note 3 (14), due to the change of accounting policy for the assets and liabilities of the silent investment association, effective from April 1, 2000, assets and liabilities belonging to members of the silent investment association were offset against the deposits from the members of the association. As a result of the accounting change, the assets of the e-Finance segment at March 31, 2001 decreased by ¥28,404 million ($229,247 thousand), smaller than that under the previous accounting policy. There was no impact on the segment information for net sales, operating expenses and operating income.

As described in note 3 (3), effective from April 1, 2000, the Company and its subsidiaries adopted the new Japanese accounting standard for financial instruments issued by the MOF. As a result of adopting the new accounting standard, the assets of the e-Finance segment, Broadmedia segment and corporate assets of SOFTBANK at March 31, 2001 increased by ¥4,084 million ($32,962 thousand), ¥13,700 million ($110,573 thousand) and ¥3,432 million ($27,700 thousand), respectively. There was no impact on the segment information of net sales, operating expenses and operating income.

The categorization of business segments changed in the year ended March 31, 2000:

- A significant part of the "Software and Network" segment was changed to the "e-Commerce" segment. PC software distribution through the Internet, which had previously been categorized as a part of the "Internet Culture" segment, was re-categorized into the "e-Commerce" segment. The provision of infrastructure relating to international telecommunications and the distribution of PC software and network-related products in Asia, which had previously been categorized as a part of the "Software and Network" segment, was re-categorized into the "Others" segment.
- A significant part of the "Media" segment and the "Technology Events" segment was integrated into the "Media & Marketing" segment. Publishing IT-related news through the Internet, which had previously been categorized as a part of the "Internet Culture" segment, was re-categorized into the "Media & Marketing" segment.
- A significant part of the financing services business was changed to the "e-Finance" segment. On-line banking services through the Internet, which had previously been categorized as a part of the "Internet Culture" segment was re-categorized into the "e-Finance" segment.
- The "Overseas Funds" segment, which had previously been categorized as a part of the "Internet" segment and the "Others" segment, was established into the stand-alone segment from the year ended March 31, 2000.
- A significant part of the "Internet" segment was subdivided to the "Internet Culture" segment and the "Internet Infrastructure" segment. Advertising agency on the Internet, which had previously been categorized as a part of the "Media" segment, was re-categorized into the "Internet Culture" segment. Retailer of consumer products, which had previously been categorized as a part of the "Internet Culture" segment, was re-categorized into the "Others" segment.

The impact of the above changes in categorization of business segments is summarized as follows:

- Net sales to outside customers in Media & Marketing, Overseas Funds, Others, e-Commerce and Internet Culture for the year ended March 31, 2000 increased/(decreased) by ¥82 million, ¥2,604 million, ¥23,764 million, (¥22,615 million) and (¥3,835 million), respectively, as compared with the previous business segmentation.
- Inter-segment net sales in e-Commerce, Media & Marketing and Internet Culture for the year ended March 31, 2000 increased/(decreased) by ¥17 million, ¥1 million and (¥18 million), respectively, as compared with the previous business segmentation.
- Operating expenses in Media & Marketing, Overseas Funds, Others, e-Commerce and Internet Culture for the year ended March 31, 2000 increased/(decreased) by ¥136 million, ¥590 million, ¥26,260 million, (¥24,738 million) and (¥2,248 million), respectively, as compared with the previous business segmentation.
- Operating income in e-Commerce, Overseas Funds, Media & Marketing and Internet Culture for the year ended March 31, 2000 increased/(decreased) by ¥2,140 million, ¥2,014 million, (¥52 million) and (¥1,606 million), respectively, as compared with the previous business segmentation.
- Identifiable assets in e-Finance, Overseas Funds, Others, e-Commerce, Media & Marketing and Internet Culture for the year ended March 31, 2000 increased/(decreased) by ¥78,010 million, ¥117,451 million, ¥161,347 million, (¥113,141 million), (¥151 million) and (¥243,516 million), respectively, as compared with the previous business segmentation.
- Depreciation and amortization in Others and e-Commerce for the year ended March 31, 2000 increased/(decreased) by ¥733 million and (¥733 million), respectively, as compared with the previous business segmentation.

- Capital expenditures in Media & Marketing, Others, e-Commerce and Internet Culture for the year ended March 31, 2000 increased/(decreased) by ¥4 million, ¥438 million, (¥436 million) and (¥6 million), respectively, as compared with the previous business segmentation.

(2) Geographic segment information

A new geographic segment, "Korea," which had previously been categorized as a part of the "Others" segment, was disclosed in the geographic segment information for the year ended March 31, 2001 due to significant business development in Korea. The business operation of Korea for the fiscal years prior to April 1, 2000 was immaterial and no significant impact on geographic segment information disclosure was assessed due to the change of categorization.

The table below summarizes the geographic segment information of SOFTBANK for the years ended March 31, 1999, 2000 and 2001:

	Millions of yen							
For the year ended March 31, 2001	Japan	North America	Europe	Korea	Others	Total	Elimination or corporate assets	Consolidated
Net sales:								
Customers	¥341,978	¥ 30,524	¥ 1,292	¥21,271	¥ 2,040	¥ 397,105	¥ —	¥ 397,105
Inter-segment	—	556	—	—	—	556	(556)	—
Total	341,978	31,080	1,292	21,271	2,040	397,661	(556)	397,105
Operating expenses	322,122	28,428	1,766	22,127	2,821	377,264	3,410	380,674
Operating income (losses)	¥ 19,856	¥ 2,652	¥ (474)	¥ (856)	¥ (781)	¥ 20,397	¥ (3,966)	¥ 16,431
Identifiable assets	¥491,552	¥385,018	¥41,282	¥26,557	¥128,068	¥1,072,477	¥73,606	¥1,146,083

	Thousands of U.S. dollars							
For the year ended March 31, 2001	Japan	North America	Europe	Korea	Others	Total	Elimination or corporate assets	Consolidated
Net sales:								
Customers	$2,760,119	$ 246,359	$ 10,424	$171,679	$ 16,466	$3,205,047	$ —	$3,205,047
Inter-segment	—	4,485	—	—	—	4,485	(4,485)	—
Total	2,760,119	250,844	10,424	171,679	16,466	3,209,532	(4,485)	3,205,047
Operating expenses	2,599,863	229,443	14,248	178,592	22,766	3,044,912	27,514	3,072,426
Operating income (losses)	$ 160,256	$ 21,401	$ (3,824)	$ (6,913)	$ (6,300)	$ 164,620	$ (31,999)	$ 132,621
Identifiable assets	$3,967,328	$3,107,487	$333,190	$214,341	$1,033,643	$8,655,989	$594,079	$9,250,068

For the year ended March 31, 2000	Japan	North America	Europe	Others	Total	Elimination or corporate assets	Consolidated
							Millions of yen
Net sales:							
Customers	¥289,458	¥111,230	¥11,126	¥11,407	¥ 423,221	¥ —	¥ 423,221
Inter-segment	73	—	—	11,644	11,717	(11,717)	—
Total	289,531	111,230	11,126	23,051	434,938	(11,717)	423,221
Operating expenses	275,240	105,020	11,220	27,983	419,463	(4,620)	414,843
Operating income (losses)	¥ 14,291	¥ 6,210	¥ (94)	¥ (4,932)	¥ 15,475	¥ (7,097)	¥ 8,378
Identifiable assets	¥377,263	¥553,332	¥84,097	¥83,185	¥1,097,877	¥70,431	¥1,168,308

For the year ended March 31, 1999	Japan	North America	Europe	Others	Total	Elimination or corporate assets	Consolidated
							Millions of yen
Net sales:							
Customers	¥226,815	¥235,823	¥43,076	¥22,445	¥528,159	¥ —	¥528,159
Inter-segment	16	2,747	2,380	—	5,143	(5,143)	—
Total	226,831	238,570	45,456	22,445	533,302	(5,143)	528,159
Operating expenses	217,789	240,914	41,938	20,574	521,215	(5,186)	516,029
Operating income (losses)	¥ 9,042	¥ (2,344)	¥ 3,518	¥ 1,871	¥ 12,087	¥ 43	¥ 12,130
Identifiable assets	¥136,294	¥802,964	¥17,221	¥10,902	¥967,381	¥(14,803)	¥952,578

Segmentation policy of net sales in overseas countries and significant countries belonging to each area are as follows:

- Segmentation policy of net sales in overseas countries was based on geographic location.
- Significant countries in each area are summarized below:

  North America: U.S.A. and Canada

  Europe: U.K., Germany and France

  Others: China, Hong Kong, Singapore and Australia

The amount of unallocated operating expenses in the column "Elimination or corporate assets," which mainly represents the expenses of the corporate division of the Company, was ¥4,466 million ($36,053 thousand) for the year ended March 31, 2001.

The amounts of corporate assets included in the column "Elimination or corporate assets" for the years ended March 31, 1999, 2000 and 2001 were ¥86,746 million, ¥78,670 million and ¥75,102 million ($606,150 thousand), respectively. The main constituents of the corporate assets are surplus operating funds (cash and marketable securities), long-term investment securities of the Company and assets held by the corporate division of the Company.

As described in note 3 (14), due to the change in accounting policy for assets and liabilities of the silent investment association, effective from April 1, 2000, assets and liabilities belonging to members of the silent investment association are offset against the deposits from the members of the association. As a result of the accounting change, the assets of Japan at March 31, 2001 decreased by ¥28,404 million ($229,247 thousand), smaller than that under the previous accounting policy. There was no impact on the segment information for net sales, operating expenses and operating income.

As described in note 3 (3), effective from April 1, 2000, the Company and its subsidiaries adopted the new Japanese accounting standard issued by the MOF for financial instruments. As a result of adopting the new accounting standard, the assets of Japan, and corporate assets of SOFTBANK at March 31, 2001 increased by ¥19,160 million ($154,641 thousand) and ¥3,432 million ($27,700 thousand), respectively.

There was no impact on the segment information for net sales, operating expenses and operating income.

(3) Sales to overseas customers

A new geographic segment, "Korea," which had previously been categorized as a part of the "Others" segment, was disclosed in the sales to overseas customers information for the year ended March 31, 2001 due to significant business development in Korea. The business operation of Korea for the fiscal years prior to April 1, 2000 was immaterial and no significant impact on geographic segment information disclosure was assessed due to the change in categorization.

The tables below show sales to overseas customers by geographic region and a percentage of consolidated sales for the years ended March 31, 1999, 2000 and 2001:

Overseas sales

		Millions of yen		Thousands of U.S. dollars
	1999	2000	**2001**	**2001**
North America	¥224,971	¥ 96,774	**¥ 31,400**	**$ 253,427**
Europe	47,121	12,330	**1,376**	**11,108**
Korea	—	—	**21,287**	**171,807**
Others	30,544	26,276	**2,582**	**20,839**
Total	¥302,636	¥135,380	**¥ 56,645**	**$ 457,181**
Consolidated sales	¥528,159	¥423,221	**¥397,105**	**$3,205,047**

Percentage of sales

	1999	2000	**2001**
North America	42%	23%	**8%**
Europe	9	3	**0**
Korea	—	—	**5**
Others	6	6	**1**
Total	57%	32%	**14%**

Segmentation policy of net sales in overseas countries and significant countries belonging to each area are as follows:

- Net sales in overseas countries included the sales of the Company and its overseas consolidated subsidiaries outside of Japan.
- Segmentation policy of net sales in overseas countries was based on geographic location.
- Significant countries in each area are summarized below:

  North America: U.S.A. and Canada

  Europe: U.K., Germany and France

  Others: China, Hong Kong, Singapore and Australia

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
SOFTBANK CORP.

We have audited the accompanying consolidated balance sheets of SOFTBANK CORP. and its subsidiaries as of March 31, 2001, 2000 and 1999, and the related consolidated statements of income and changes in shareholders' equity for each of the three years, and cash flows for each of the two years in the period ended March 31, 2001, all expressed in Japanese yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of SOFTBANK CORP. and its subsidiaries as of March 31, 2001, 2000 and 1999, and the consolidated results of their operations for each of the three years in the period ended March 31, 2001, and their cash flows for each of the two years in the period ended March 31, 2001 in conformity with accounting principles and practices generally accepted in Japan (see Note 2) applied on a consistent basis, except for the changes described in the next two paragraphs.

As described in Note 25, certain business segments were re-categorized during the year ended March 31, 2000. Previously the business segments had been categorized on the basis of management segments that had been put in place for group internal control purposes. Effective from the year ended March 31, 2000, the business segments have been re-categorized in order to clarify the responsibility of each operating officer of the segment controlling company, which supports the parent company as a pure holding company.

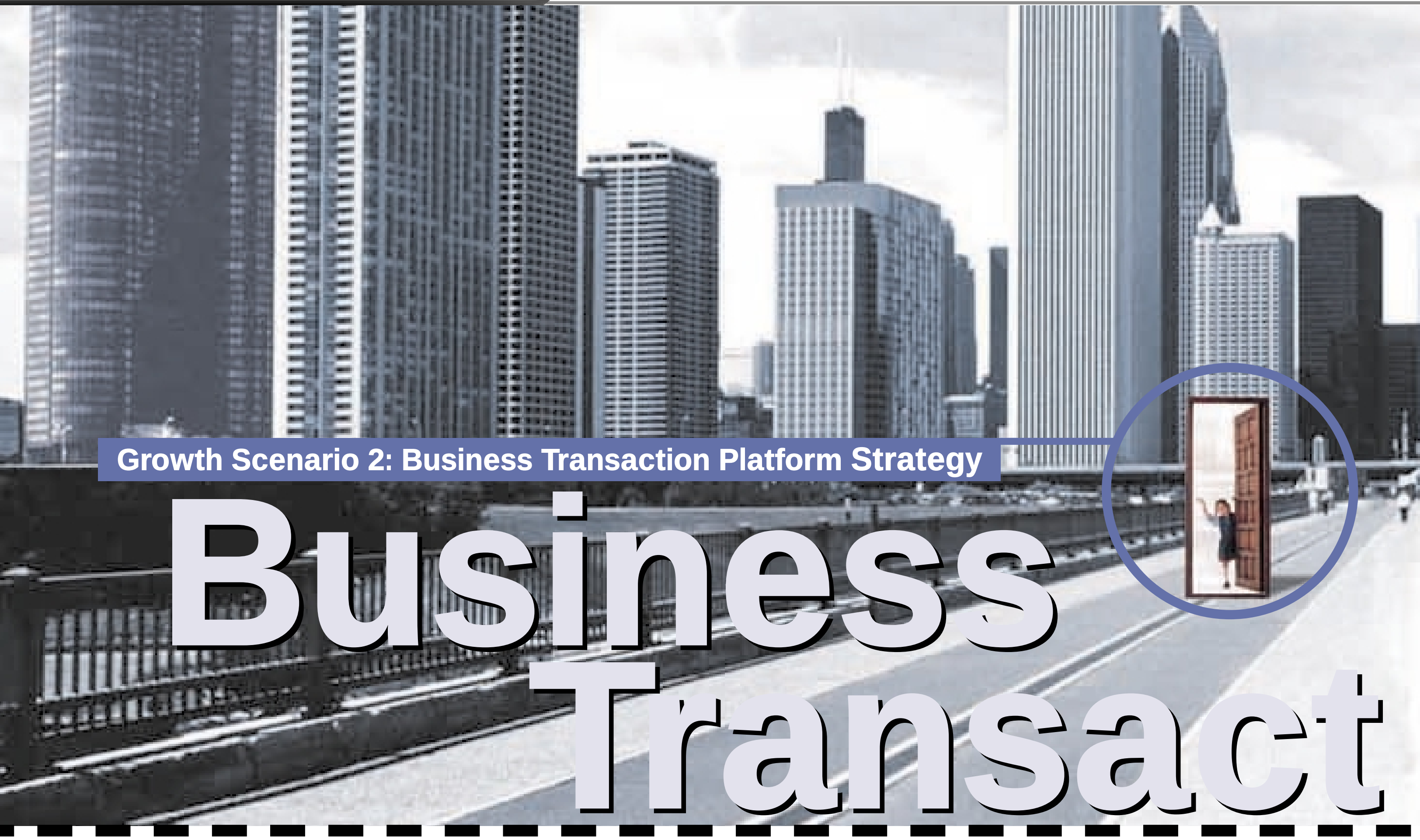
As described in Note 3 (14), assets of the silent investment association (the "silent association") had been treated as assets of a consolidated subsidiary, and as a result, had been included in the consolidated balance sheets and footnotes in the financial statements for fiscal years prior to April 1, 2000. Effective from the fiscal year beginning April 1, 2000, due to growth in assets and liabilities of the silent association and also due to the existence of assets and liabilities substantially attributable to third party members, assets and liabilities of third party members were excluded from consolidation by offsetting against the deposits from these members.

As described in Notes 3 (2), (3) and (8), effective for the year ended March 31, 2001, SOFTBANK CORP. and its domestic subsidiaries have adopted new Japanese accounting standards for translation of foreign currency transactions and accounts, for financial instruments and for pension and severance costs.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 4 to the accompanying consolidated financial statements.

ChuoAoyama Audit Corporation

ChuoAoyama Audit Corporation
Tokyo, Japan
June 21, 2001



Growth Scenario 2: Business Transaction Platform Strategy

Business Transact

Due to the slow spread of the Internet in Japan, e-commerce activities have remained flat, in contrast to vigorous e-commerce activities observed in the United States. However, this situation is expected to improve rapidly, as Japanese businesses, which have been troubled by low earnings, turn to the Internet to reduce procurement costs. The growth that is predicted for consumer-related e-commerce will depend upon the establishment of business transaction platforms. With these platforms in place, manufacturers, wholesalers, and retailers will be linked together into a seamless supply chain, which will, in turn, enable efficient consumer-related e-commerce.

SOFTBANK has made business transaction platform-related businesses into another one of its focus areas. In particular, the Company is concentrating on building business transaction platforms for indirect materials, which, compared with direct material procurement, account for a larger share of overall expenses but have yet to be targeted by companies looking to reduce costs.

In October 2000, the SOFTBANK Group announced that it would take a stake of approximately 40% in Nihon Ariba K.K., a subsidiary of Ariba Inc., the largest supplier of procurement software for indirect materials in the United States. Since then, SOFTBANK and Nihon Ariba K.K. have jointly undertaken vigorous sales activities. By the end of July 2001, more than 50 companies had been researched to determine the return on investment of Ariba Buyer e-procurement software, and many of them had already adopted Ariba's Solutions.

There are three major benefits to be gained for companies introducing Ariba Buyer Solutions. First, companies can achieve improved business process integration in such areas as ordering, approval, delivery, and settlement. Second, information will be unified by the introduction of Ariba Buyer Solutions, which enables companies to grasp the total quantity of and anticipated cost for orders when making purchases and helps expedite management decision making by enabling companies to access financial data on a real-time basis.

ion Platforms

Finally, as Ariba Buyer Solutions clarify purchasing patterns for each product within specific time frames, companies can enter into effective price negotiations with suppliers to reduce purchasing costs.

However, because individual companies only purchase a limited quantity of goods, their power of negotiation is also limited. In addition, each company is burdened with the management of a large number of goods and suppliers. Dee Corp., an outsourcing business specializing in indirect materials, complements Ariba Solutions by purchasing a large quantity of goods that would be impossible for individual companies to purchase on their own.

By making purchases on behalf of a large number of companies, Dee Corp. will gain increased purchasing power, and this, in turn, will enable Dee Corp. to negotiate price reductions more effectively. Each customer using Dee Corp.'s services will save money in direct proportion to the scale of its business as reflected in the size of its orders. By drawing on Dee Corp.'s services, a large corporation looking to improve the management of its group companies will be able to pool the orders of numerous companies in its group and cut costs accordingly.

Dee Corp.'s strength lies in the depth of its relationship with Ariba, which has a platform for a suppliers' network that facilitates the free participation of suppliers and is capable of serving as the industry standard.

SOFTBANK is also making a gradual entry into the market for direct materials. To test the market, SOFTBANK established VerticalNet Japan Corp., which was already operating nine industry-specific community sites at the end of July 2001. Furthermore, CMnet corporation, which was formed through a partnership with MORI BUILDING Co., Ltd., is running a construction-related e-marketplace with steady growth in trading activity.

SOFTBANK will continue its efforts to identify the distinctive characteristics of products and materials suitable for each marketplace and will strive for the expansion of its business transaction platform-related businesses.

DISCOVERING

GLOBALIZING

DIVERSIFYING

COMMUNICATING

ENABLING

INTERACTING

LEARNING

NETWORKING

Broadband

Based on the belief that Japan is uniquely positioned to drive future Internet development, SOFTBANK has begun providing unlimited high-speed Internet access services to households to capitalize on its strategic position gained in broadband Internet-related businesses thus far.

Japan possesses an educated population and the world's second largest economy, comprising an attractive market where individuals have relatively high purchasing power. It is also a country in which, unlike the United States, such broadband services as CATV-delivered near-video-on-demand services are not widespread. Given these conditions, Japan is expected to generate content and services that will make maximum use of broadband Internet infrastructure. In conjunction with engineers, creators, and entrepreneurs who believe in the Internet's infinite potential, SOFTBANK will work to pave the way for new broadband Internet businesses.

SOFTBANK has accumulated substantial expertise in the broadband content and infrastructure domains. For example, in 1996 SOFTBANK formed a tie-up with The News Corporation Limited to launch JSkyB, the precursor of SKY PerfecTV*!* In 1999, the Company established Asia Global Crossing Ltd., a submarine fiber optic cable service provider, through a partnership with Global Crossing Ltd. and Microsoft Corporation. In 2000, SOFTBANK invested in Korea Thrunet Co., Ltd., which provides unlimited high-speed Internet access services using cable modems and operates Korea.com, the largest broadband portal in South Korea.

So far, slow transmission speeds, high user fees, and insufficient unlimited access services have impeded the spread of the Internet in Japan. Furthermore, the environment for narrowband communications has placed significant constraints on Internet-based business potential. Content quality and the range of services

Growth Scenario 1: Broadband Strategy

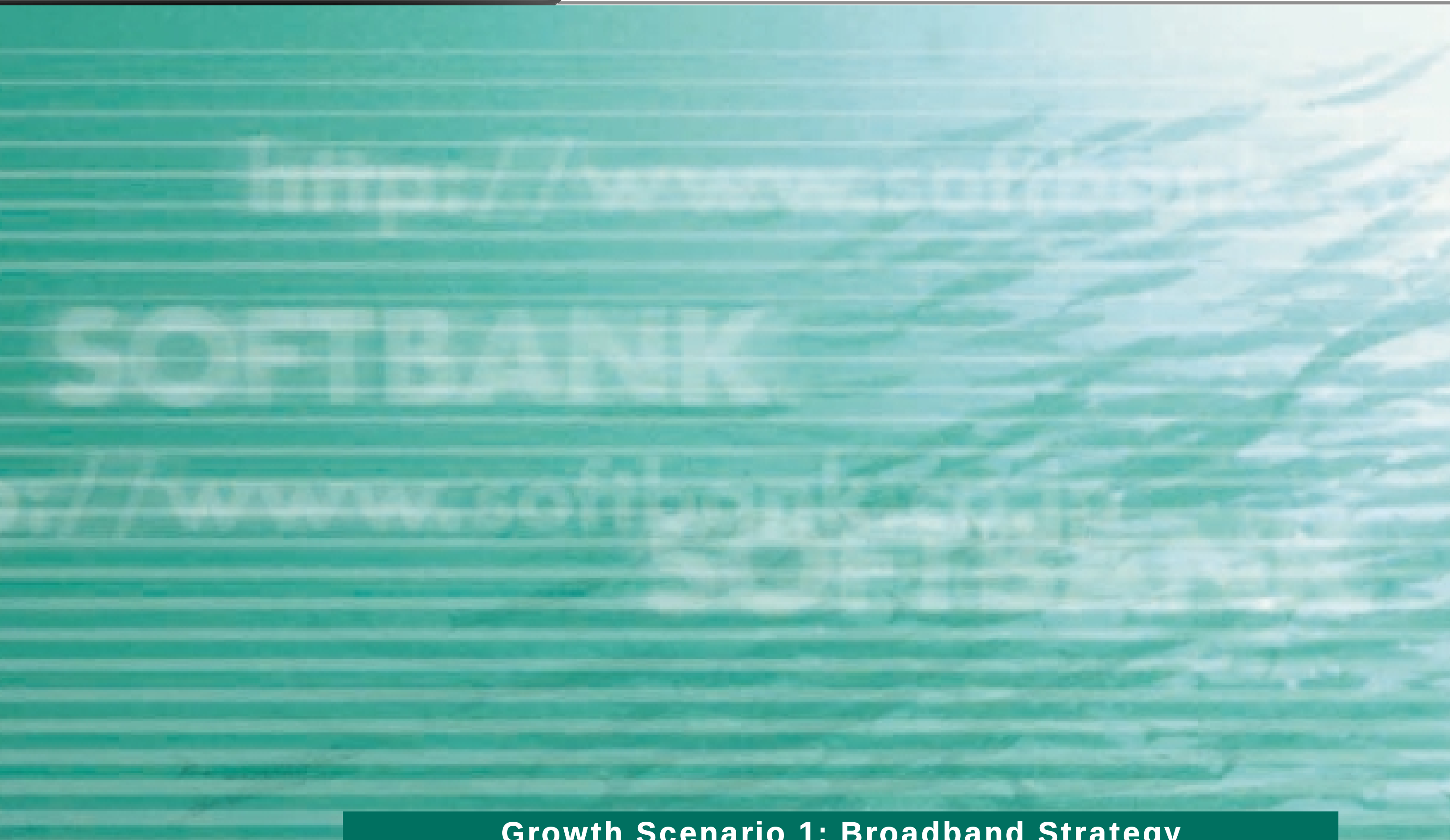
Connectivity

offered have been limited to those realized in the environment for narrowband communications. However, rapid changes are under way. In November 2000, the Basic IT Law was enacted with a view to defining the country's commitment to IT. The Japanese government has implemented the e-Japan strategy, which calls for building broadband infrastructure to connect 40 million households by 2005. Along with progress in deregulating the communications industry, a firm foundation has been laid to promote the proliferation of broadband infrastructure.

Capitalizing on this opportunity, in June 2001 SOFTBANK announced that the Company would partner with Yahoo Japan Corporation to introduce Yahoo! BB, a bundled service combining ADSL-based unlimited Internet access with a broadband portal. Backed by the entire SOFTBANK Group, BB Technologies Corporation is responsible for the construction, provision, and management of the ADSL infrastructure, while Yahoo Japan Corporation is managing the broadband portal, providing customer service, and handling membership- and payment-related activities.

SOFTBANK will employ ADSL technology to provide Internet access services that are cheaper than currently available narrowband services and run at maximum downstream speeds of 8Mbps and maximum upstream speeds of 900kbps. Presently, the average narrowband Internet user in Japan pays between ¥6,000 and ¥8,000 per month including local phone charges. At ¥2,280 per month (as of August 2001, the ADSL access fee was ¥990, and the broadband Internet service provider (ISP) service fee was ¥1,290), Yahoo! BB's ADSL service is probably the least expensive in the world and has already attracted a significant number of customers.

Furthermore, the value of Yahoo! BB will be enhanced by the partnership with Yahoo Japan Corporation, which has a dominant position in the portal



Growth Scenario 1: Broadband Strategy

service domain and will aggregate broadband content exclusively for Yahoo! BB subscribers. Many content providers in such areas as audio and visual content, on-line games, and on-line education have expressed interest in supplying content to the portal. Backed by the value of its brand, Yahoo Japan Corporation intends to alleviate customers' concerns regarding on-line credit-card settlement by providing a secure payment and settlement platform. It is predicted that this will, in turn, lead to a general increase in Internet use.

Expectations for the Yahoo! BB service are enormous. On the first day of the prelaunch application period alone, the number of applications received exceeded 180,000, the approximate number of all ADSL subscribers in Japan as of the end of May 2001. As of August 1, 2001, several hundred thousand applications had been filed officially.

By the end of 2001, BB Technologies Corporation will build a gigabit ethernet backbone that will connect Nippon Telegraph and Telephone Corporation's telephone switching centers and cover more than 70% of Japan's households. Yahoo! BB aims to provide ADSL access services to approximately one million subscribers, thereby securing the means to further expand its customer base well into the future. Moreover, a large number of subscribers will generate a virtuous circle of enhancing the value of the infrastructure and fueling the development of content and services.

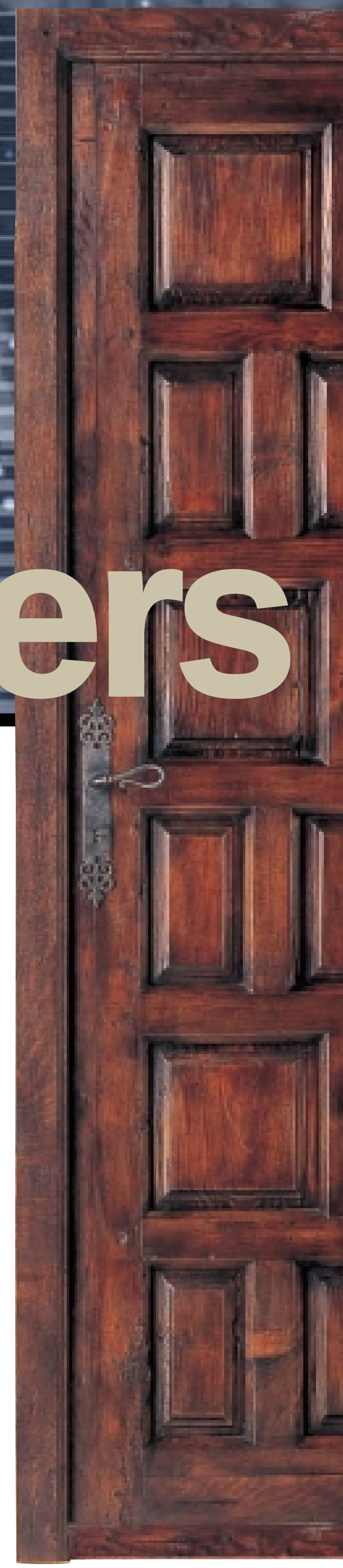
In the SOFTBANK Group, Yahoo! BB provides broadband Internet infrastructure for households, while IP REVOLUTION, INC., provides fiber optic and wireless ultrahigh-speed unlimited Internet access services for medium-to-large businesses as well as universities, hotels, and visual content providers. The Group's infrastructure providers are operating based on the distinctive characteristics and cost structures of their respective technologies and also creating a shared backbone to reduce costs.

In the coming era, greater importance will be attached to increasing bandwidth for the efficient delivery of high-volume broadband content. Established

in April 2001, Akamai Technologies Japan K.K. draws on the technologies of Akamai Technologies, Inc., of the United States, which provides highly efficient content delivery services. In addition, SOFTBANK is pursuing synergies between such broadband-related businesses as Xdrive Japan K.K., which provides on-line data storage services; GlobalCenter Japan Corp., which runs large-scale data centers; and Internet Facilities Inc., which draws on these data centers to provide convenient, well-structured Web and e-mail hosting and housing services.

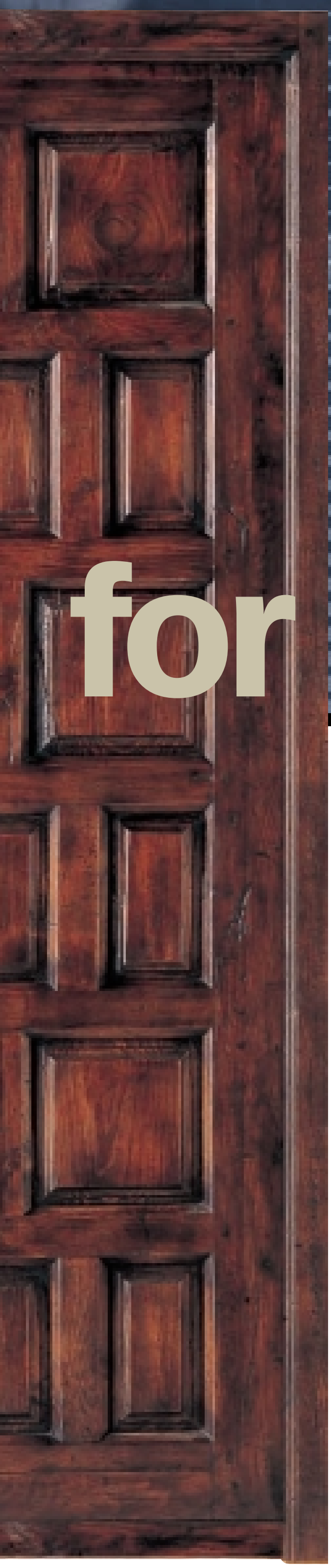
The SOFTBANK Group comprises a multitude of Internet-related businesses. The proliferation of the broadband Internet is certain to fuel the development of these businesses.

New Frontiers



Broadband Strategy

Opening a new chapter of the Internet story with Yahoo! BB



for the Internet

Business Transaction Platform Strategy

Stimulating the Japanese economy by revolutionizing the procurement process

A bit of curiosity and courage

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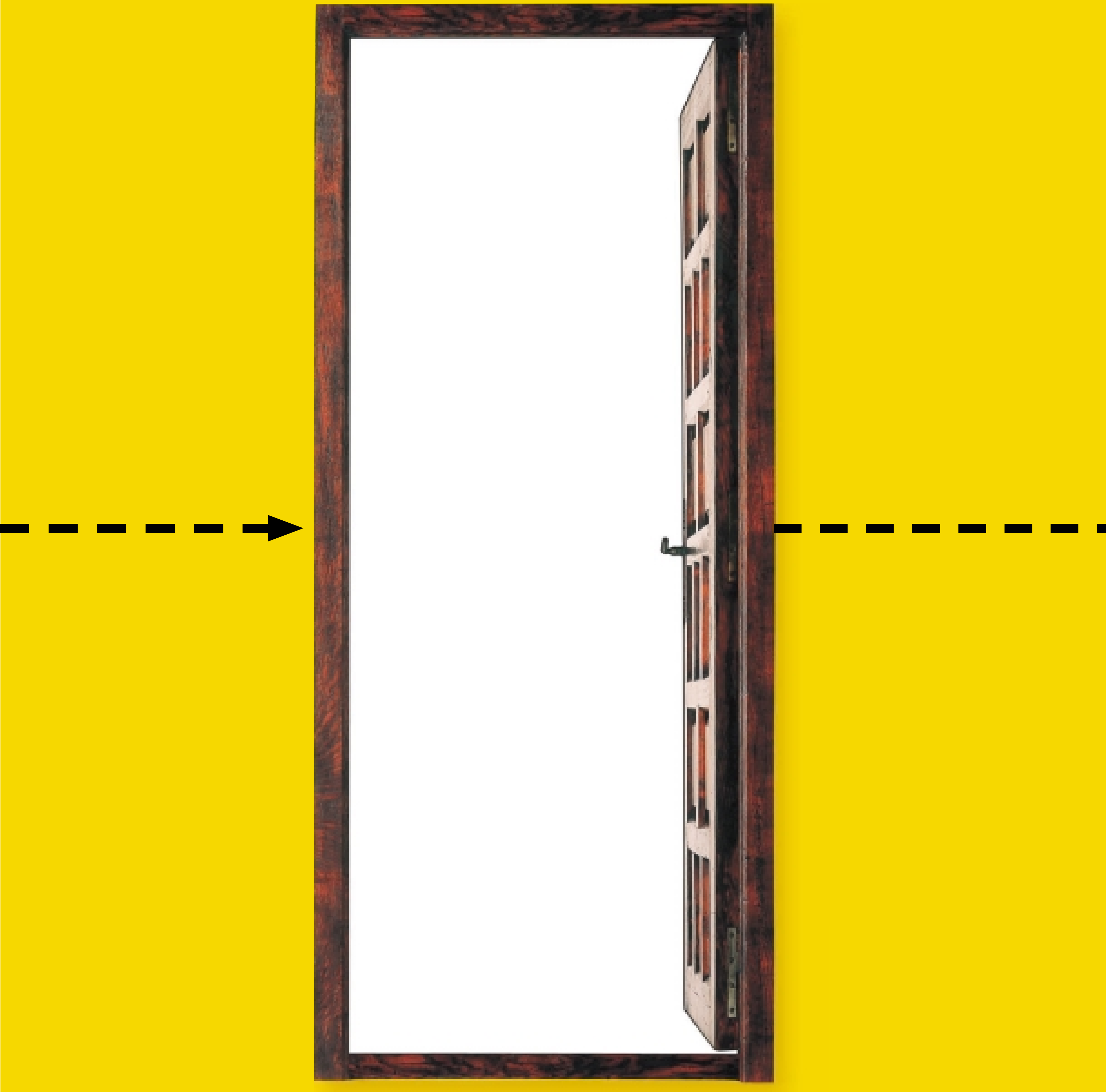

An Exciting

President and Chief Executive Officer **Masayoshi Son**

Children are free to travel the world via the Internet. With a bit of curiosity and courage, adults too can transcend time, space, and language barriers to open the door to an unknown world full of encounters, discoveries, excitement, happiness, and inspiration. The Internet makes all of this possible.

The Internet was born into the late 20th century to high expectations. Presently, it is continuing to make the value of its presence felt and sinking its roots ever deeper into the societies and economies of the 21st century. As the front-runner of the Internet revolution, SOFTBANK will continue to drive and lead technological and business development.

Fascinated by the potential of Internet technology, SOFTBANK endeavors to enhance the value of this technology and wants to share its benefits with all the people of the world. The Internet has been a vital part of SOFTBANK's operations for five years, a span during which the Company tirelessly developed Yahoo!; started numerous businesses in such domains as e-finance, e-commerce, and content provision; and

Century Starts

accumulated vast know-how in the technological foundations of these domains.

Furthermore, to strengthen the societal supports for new Internet venture businesses, SOFTBANK helped launch the Nasdaq Japan Market, a source of direct capital market funding, and invested in Aozora Bank, Ltd., a provider of loans and other forms of financing. In these ways, SOFTBANK has continued to spark innovation in each and every Internet-related domain.

While the valuation of Internet-related businesses on the stock market has been volatile, progress in Internet technology, which has drawn the attention of engineers worldwide, continues unabated, and fundamental technological improvements have added value to the Internet industry as a whole. Testifying to this, the number of Internet users totaled less than 100 million just a few years ago but now exceeds 300 million with use centering around Europe and North America. Within the next few years, the number of users is predicted to exceed one billion with the expectation of a sharp rise of use in Asia. As the number of users

We will continue to lead the IT revolution...

grows, so will the range of Internet services, products, and applications, and this is also likely to fuel an increase in Internet use by companies that are providing these goods and services.

The Internet, which had its genesis in the United States, has developed in unique, region-specific ways as it has spread throughout the world. One key to its further development lies in the proliferation of high-speed, high-capacity broadband communications, an area in which South Korea has, in a short period of time, overtaken the United States on a per capita basis.

There is a great possibility that Japan will overtake South Korea and assume the industry's leadership role. Granted, Japan has gotten off to a slow start with respect to the Internet, due to slow transmission speeds, high user fees, and insufficient unlimited access services. However, in 2000 the Japanese government took steps to deregulate the communications industry and set a target of connecting 40 million households to broadband infrastructure by 2005. Through these and other measures, the operating environment for Internet-related businesses has improved in Japan.

In June 2001, SOFTBANK capitalized on this opportunity by forming a partnership with Yahoo Japan Corporation to enter the market for asymmetric digital subscriber line (ADSL) high-speed unlimited Internet access services. The Company's objective is to foster Japan's broadband connectivity by providing ADSL-based services at rates that compare favorably with those of conventional narrowband Internet services.

It is impossible not to feel the significant potential waiting to be unleashed by the explosive diffusion of broadband Internet infrastructure to each and every household. We have entered an era in which producers, creators, and entrepreneurs, released from the constraints of a narrowband operating environment, can provide the world with content and services. The door has opened to an exciting age in which creators are free to create.

As the Internet becomes increasingly essential to the very fabric of society, businesses will also expand the range of their applications from Web sites and

...with a clear focus on broadband and business transaction platforms.

e-mail to include Internet-based commercial transactions. SOFTBANK has made promising business transaction platform-related businesses into another one of its focus areas. Of all the distinctive products and services enabled by the Internet, SOFTBANK is attaching particular importance to the development of businesses dealing with the procurement of indirect materials. The SOFTBANK Group has taken a stake of approximately 40% in Nihon Ariba K.K., a subsidiary of Ariba Inc., the largest supplier of procurement software for indirect materials in the United States, and, in collaboration with Nihon Ariba K.K., the Company is undertaking vigorous sales activities. In addition, the Company established Dee Corp., which, as an outsourcing business specializing in the bulk purchasing of indirect materials, will complement Ariba's Solutions. SOFTBANK has high expectations for Dee Corp., which has the potential to bring major changes to the procurement market for indirect materials.

SOFTBANK has the power to realize the future of business. This power stems not only from its operations but also its ability to serve as a locus for diffusing ideas, enabling relationships, conducting business, and spreading joy globally. As the Internet business leader, SOFTBANK will see that burgeoning broadband- and business transaction platform-related businesses come to blossom with the human resources and know-how it cultivated in the 20th century. As these come to fruition, reaping the benefits will be SOFTBANK and its stakeholders, who, ultimately, are all the peoples of the world.

August 2001

Masayoshi Son
President and Chief Executive Officer