SOFTBANK CORP.

ANNUAL REPORT 1998

YEAR ENDED MARCH 31,1998

http://www.softbank.co.jp

PROFILE

Having secured leading positions in the areas of software & network products, media, technology events, technology services, and the Internet, SOFTBANK is a preeminent global provider of branded information services and infrastructure in the digital information service industry. Renowned worldwide for its aggressive policy of acquisitions, mergers, joint ventures, and business tie-ups, SOFTBANK constantly seeks new business opportunities in emerging areas of the digital information service industry, which will further unlock synergy among the SOFTBANK Group companies and create long-term corporate value.

CONTENTS

CONSOLIDATED FINANCIAL HIGHLIGHTS

SOFTBANK CORP. and consolidated subsidiaries
Years ended March 31

For the Year:	Millions of yen		Thousands of U.S. dollars
	1998	1997	**1998**
Net sales	**¥ 513,364**	¥ 359,742	**$3,886,177**
Operating income	**31,938**	33,670	**241,771**
Income before income taxes	**33,824**	29,567	**256,049**
Net income	**10,303**	9,092	**77,994**

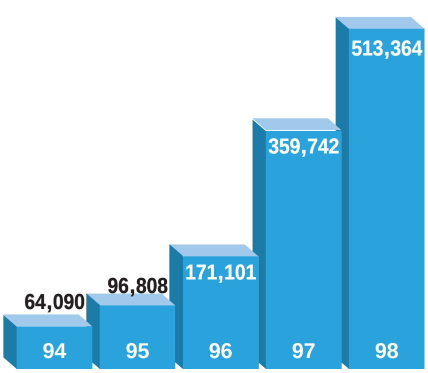
At Year-End:	Millions of yen		Thousands of U.S. dollars
Total assets	**¥1,140,251**	¥1,070,645	**$8,631,726**
Shareholders' equity	**242,758**	234,617	**1,837,683**

Per Share Data:	Yen		U.S. dollars
Net income — primary	**¥ 100.77**	¥ 95.58	**$ 0.76**
— fully diluted	**95.29**	90.86	**0.72**

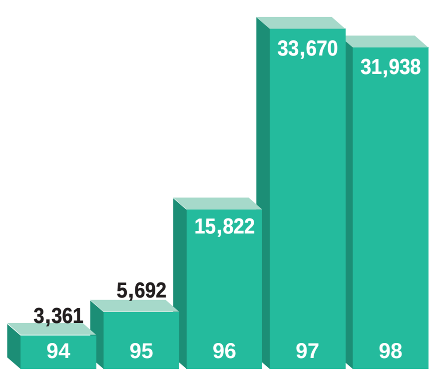
Number of Employees	**7,743**	5,600	

Note: 1. SOFTBANK Corp.'s fiscal year ends March 31.
2. Yen figures have been translated into U.S. dollars, for convenience only, at the rate of ¥132.10=$1.00, the closing Tokyo FOREX bid rate on March 31, 1998.
3. Earnings per share were adjusted for a 1:1.3 stock split on May 20, 1997.

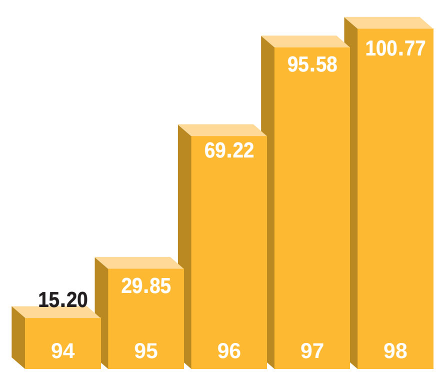
Net Sales
(Millions of yen)



Operating Income
(Millions of yen)



Net Income per Share—Primary
(Yen)



TO OUR SHAREHOLDERS,

the fiscal year ended March 31, 1998 was filled with many new opportunities and challenges that allowed your company to better focus on its corporate vision of becoming the preeminent global provider of digital information services.

In past years, I have explained how the Company has aggressively sought to realize this vision by focusing its resources and energy on the five different areas of the digital information service industry: software & network products, media, technology events, technology services, and the Internet.

I am pleased to announce that SOFTBANK Corp. has obtained leading positions in all five of these areas. We have made great strides in past years, but in this highly dynamic and rapidly changing business, this is no time to stand idle. We must continue to focus on maintaining our lead while creating added value for you, the shareholder.

The lingering unfavorable business environment in Japan, which was triggered by an increase of the consumption tax from 3% to 5% in April 1997 and the ongoing financial market crisis in Asia, caused the Japanese economy to be sluggish this past year. In spite of such circumstances, SOFTBANK's net sales increased from ¥359,742 million to ¥513,364 million, a sharp increase of 42.7% over the previous year. Net income increased moderately from ¥9,092 million to ¥10,303 million, an increase of 13.3%. I am not satisfied with these lackluster results and we are actively and aggressively trying to improve SOFTBANK's future performance.

This Annual Report will tell you much more about the actions we are taking today to build corporate value well into the foreseeable future. Now I would like to offer a few thoughts on *where SOFTBANK is now*, and *where SOFTBANK is going.*

Where SOFTBANK is Now

This past year SOFTBANK began to reap the rewards that management had strategically planned for over the past couple of years. After acquiring some of the industry's premier companies, entering into key joint ventures, and nurturing companies to profitability, the Company was able to add real shareholder value.

On November 4, 1997, only 21 months after it was established as a joint venture between SOFTBANK (60%) and Yahoo! Inc. (40%), Yahoo Japan Corporation made its highly publicized debut on the Japanese over-the-counter (OTC) market with an opening price of ¥2,000,000. This was nearly three times the initial public offering price of ¥700,000. Yahoo Japan's share price climbed to ¥4,500,000 and it had a market capitalization of ¥30,487 million on March

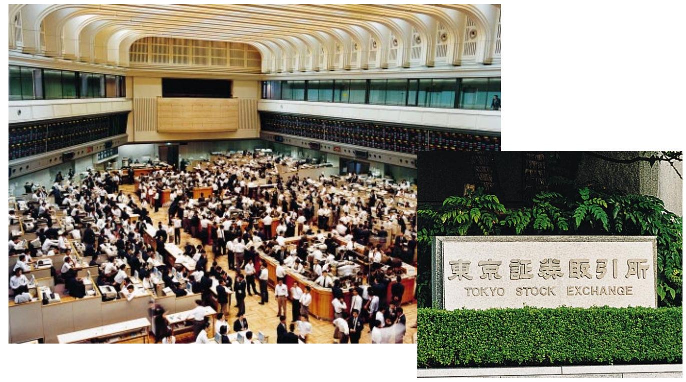
31, 1998, only five months after its initial listing. By July 8, 1998 this had increased to ¥6,300,000 and a market capitalization of ¥42,682 million. This is a reflection of the continued success of Yahoo! in which SOFTBANK had approximately a 31% equity stake on July 14, 1998.

On December 31, 1997, SOFTBANK COMDEX Inc. and SOFTBANK Forums Inc. were merged into a single company named ZD COMDEX and Forums Inc., which became an

operating company of Ziff-Davis Inc. This was done, not only to increase managerial efficiencies through economies of scale, but also in preparation for an initial public offering of Ziff-Davis.

Ziff-Davis was listed on the New York Stock Exchange on April 29, 1998 with an initial market capitalization of ¥233,917 million (calculated at ¥132.25=$1.00, the closing New York FOREX bid rate on April 29, 1998). Adding Ziff-Davis' outstanding debt of ¥198,375 million to this yields a corporate value of ¥432,292 million.

SOFTBANK's initial investment in Ziff-Davis and its associated operating companies (ZD COMDEX and Forums Inc.) was approximately



¥318,278 million. Adjusting for a 25% premium (the average premium is usually 20–30%) paid to take control of Ziff-Davis in the previous fiscal year reflects the true corporate value at the time of acquisition, approximately ¥254,500 million. Using this figure as a basis of comparison, Ziff-Davis' corporate value has increased by about 70% since being acquired by SOFTBANK.

The new Ziff-Davis consists of the existing Ziff-Davis publishing and ZD*Net* web site operations, the ZD COMDEX and Forums tradeshow and conference business, as well as leading businesses in the technology training, consulting, and market research fields. This has positioned Ziff-Davis as a preeminent integrated media and marketing company focused on computing and Internet-related technology, with principal platforms in print publishing, trade shows and conferences, online content, market research and education.

On January 16, 1998, SOFTBANK's shares began trading on the First Section of the Tokyo Stock Exchange (TSE). This is the first time in the history of the TSE that a company registered on the OTC market was listed on the First Section without first being traded on the Second Section. I feel that, due to the TSE's extremely rigorous listing requirements, this demonstrates the trust and confidence that the TSE has in SOFTBANK's financial strength, accounting and disclosure practices, and bright future.

In the past year, SOFTBANK restructured its digital communication satellite (CS) broadcast partnership in an effort to position itself as the premier platform. Japan Sky Broadcasting Co., Ltd. merged into Japan Digital Broadcasting Services on May 1, 1998. Although SOFTBANK's ownership in the new venture was reduced to 11.375%, I believe this new partnership, being much stronger and having far greater resources, will provide an excellent platform for further synergy between the Internet and television while leveraging the resources of the entire SOFTBANK Group. Toward this end, a computer channel is being developed with 20 hours of computer-related programming daily. This will further strengthen and emphasize SOFTBANK's position as one of the world's premier media companies with holdings in print, television, and the Internet.

There is More to Come

Since SOFTBANK was established 18 years ago, I have noticed three major trends in the information technology industry. The digital information industry is becoming a core industry; the continued dramatic downsizing of technology (mainframe to PC); and the size of the software market is greater than that of hardware.

This coming year, management intends to focus more on the Internet area of the digital information service industry. This is by no means a redefinition of our corporate strategy, but rather a refined focus on where the Company is now, and where we want to go from here to create stable returns and increase the long-term corporate value for our shareholders.

I believe that the information technology industry has gone through four stages of development. Examining these four stages reveals the value of refining our focus. The first two development stages of this industry were the analog information technology stage and the analog information service stage. The former is dominated by companies that create the technology for the analog information industry, whereas in the second stage, companies that provide contents or the means for content to be distributed tend to flourish. An example of these two stages are television manufacturers and broadcasting companies, respectively. The former manufacture the technology for a specific analog-based information medium, while the latter provide, create, and/or distribute content for that medium.

With advances in technology, information has moved from analog to digital. Accompanying this shift were two new stages that were analogous to the previous two. The third stage was the digital information technology stage, and the fourth was the digital information service stage. The third stage highlights companies that manufacture the technology for the digital information industry, while the fourth stage gives prominence to companies that provide contents or the means for content to be distributed. Examples of the third stage are manufacturers of PC hardware and PC software.

SOFTBANK aspires to become a leading company in the fourth stage. This is because I feel that the fourth stage's market will be much larger than that of the third stage. The current challenge for all companies in this industry is to acquire Internet companies that have the highest "eyeball traffic," the number of page views and unique visitors. Currently, SOFTBANK holds equity in four of the top 12 sites globally, based on page views and unique visitors. These include Yahoo!, GeoCities, ZD*Net*, and Yahoo Japan.

In the coming year you will see a further increase in SOFTBANK's presence in the Internet's service segment, especially in the area of electronic commerce. To this end, SOFTBANK has recently entered into joint ventures with E*TRADE Group, Inc. and ONSALE, Inc. to begin Japanese versions of these highly successful Internet companies. Although electronic commerce is currently only in its infancy, it appears poised to expand rapidly over the next several years and SOFTBANK is well positioned for this growth.

This strategic focus on the Internet is, however, not without risk. To minimize the risks involved with such an Internet-focused strategy, management plans to continue using its time machine management strategy, establishing Japanese versions of highly successful Internet companies that have become the global standard in their respective fields. This positions SOFTBANK for future growth in the Japanese Internet market due to the time lag in the development, use, and acceptance of the Internet between America and Japan. Examples of the effectiveness of this strategy can be seen in Yahoo Japan Corporation and GeoCities Japan Corporation, both very successful companies originally started in America and subsequently expanded into the Japanese market through joint ventures with SOFTBANK.

Currently, through venture capital funds managed by SOFTBANK subsidiaries, equity is indirectly held in over 60 Internet-related companies. SOFTBANK is able to take advantage of these venture funds to build relationships for future joint ventures in Japan. This strategy allows management to minimize the risk involved in investing in Internet-related companies, while maximizing added corporate value.

As the SOFTBANK Group companies continue to mature, they will be publicly listed in Japan and elsewhere. This will provide our shareholders with an immediate measure of the value created by past SOFTBANK policies and actions.

I believe that SOFTBANK is well positioned for the next millennium, both in terms of market and of management, to ensure a successful, stable, and prosperous future for all shareholders. I feel that the best is yet to come for SOFTBANK, for you the shareholder, and for the world.

We are very aware of your trust and of the assets you have entrusted us with, and we fully realize that it is our duty to use those assets to create added corporate value, increased shareholder value, and a brighter future for all. This is our mission, our vision, and our dream. Thank you for sharing this dream with us.

July 15, 1998

Masayoshi Son
President and Chief Executive Officer

THE SOFTBANK GROUP AT A GLANCE

SOFTWARE & NETWORK PRODUCTS

The software & network products segment's net sales grew a modest 9.7% from the previous year to ¥192,701 million, and operating income decreased 38.7% to ¥3,673 million.

MEDIA

The media segment's net sales grew a healthy 17.3% to ¥118,119 million from the prior year. Operating income increased 10.8% year-on-year to ¥13,931 million.

TECHNOLOGY EVENTS

The technology events segment's net sales climbed 30.4% to ¥36,758 million this past year. Operating income expanded a steady 8.0% to ¥9,607 million.

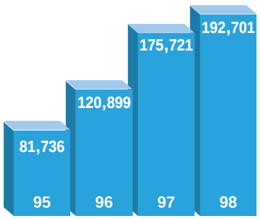
TECHNOLOGY SERVICES

The technology services segment's net sales increased a sharp 185.4% to ¥165,771 million due to the 12-month consolidation of Kingston Technology Company, compared with the four months in the previous fiscal year. However, operating income fell 22.7% to ¥5,916 million.

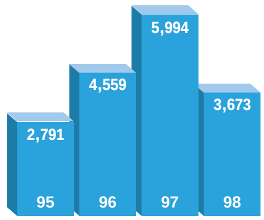
INTERNET

SOFTBANK continued to expand aggressively into the Internet segment. This reflects the continued trend of explosive growth associated with this industry and the seemingly limitless array of opportunities. Future growth will continue to be fueled by active investment in this segment and the continued commercial expansion and acceptance of the Internet.

Sales
(Millions of yen)

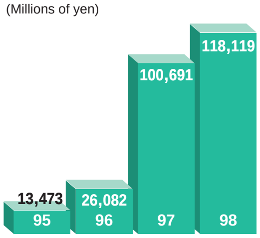


Operating Income
(Millions of yen)

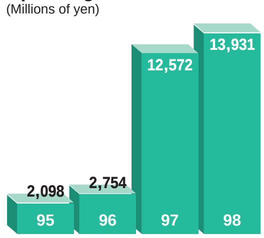


SOFTBANK Corp.'s software & network products division is a leading distributor of PCs, packaged software, networks and other PC-related products in the Japanese market. SB Networks Corp. is a consulting and integration company that provides education, product evaluation, and technical support. UTStarcom, Inc. markets advanced intelligent networks and telecommunications products in China, the world's fastest growing telecommunications market. Trend Micro Incorporated, an affiliated company, is a renowned developer of anti-virus software that is distributed worldwide.

Sales
(Millions of yen)

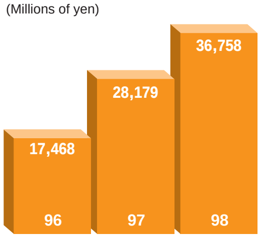


Operating Income
(Millions of yen)

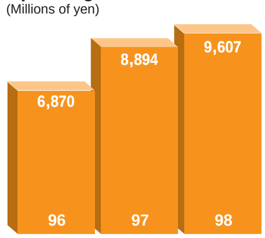


In Japan, SOFTBANK Corp. is a premier publisher of computer-related magazines and books as well as magazines for video game players. Ziff-Davis Inc. is a leading global publisher of computer-related magazines, including *PC Magazine*, which is published in over 100 countries. Japan Sky Broadcasting Co., Ltd., merged into Japan Digital Broadcasting Services on May 1, 1998, positioning itself as, by far, the largest company in the Japanese communication satellite broadcast market with television, interactive television, radio, and data transmission.

Sales
(Millions of yen)

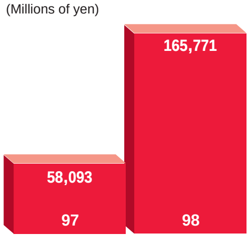


Operating Income
(Millions of yen)

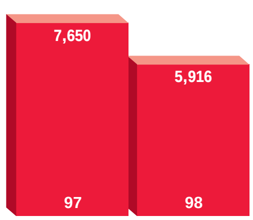


ZD COMDEX and Forums Inc. (formerly SOFTBANK Forums Inc. and SOFTBANK COMDEX Inc.) manages and operates computer-related exhibitions and conferences worldwide. In 1997, ZD COMDEX and Forums Inc. hosted more than 50 trade shows and conferences worldwide.

Sales
(Millions of yen)



Operating Income
(Millions of yen)



Kingston Technology Company is the world's largest independent provider of memory modules and is recognized for its design expertise, operational and logistics capabilities, and customer services. PASONA SOFTBANK, INC. is a leading dispatcher of temporary staff with computer-related skills.

Yahoo Japan Corporation, listed November 4, 1997 on the Japanese OTC market, provides Internet search and directory services. Yahoo Japan Corporation aims to become an integrated media company like Yahoo! Inc., in which the Company is a significant shareholder. GeoCities, Inc., an affiliated company, and GeoCities Japan Corporation, a subsidiary, manage Internet-based community web sites.

SOFTWARE & NETWORK PRODUCTS

In the fiscal year ended March 31, 1998, the software & network products segment, comprising SOFTBANK's software & network products division, SB Networks Corp., UTStarcom, Inc., and Trend Micro Incorporated, an affiliated company, recorded a modest increase in net sales of 9.7% to ¥192,701 million over the previous fiscal year. However, due to poor economic conditions in Japan, weakened Asian markets, and increases in selling, general and administrative (SG&A) expenses, operating income decreased by 38.7% to ¥3,673 million.

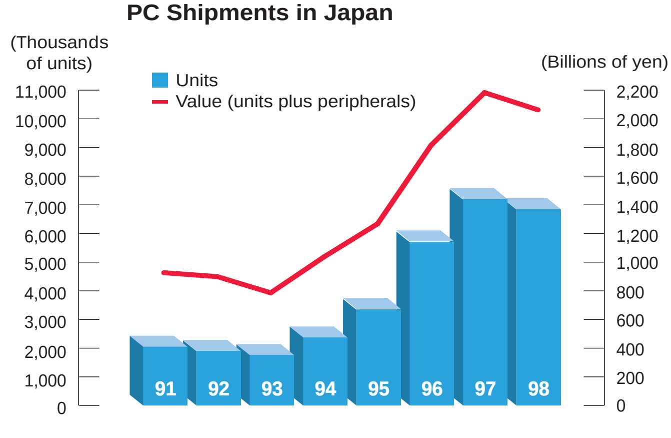
SOFTBANK's software & network products division distributes nearly 100,000 different software, hardware, and peripheral products, acquired from approximately 2,000 vendors worldwide, to over 25,000 retail outlets in Japan. The market was adversely affected by many external factors this past year, including a significant contraction in consumer spending and a lack of new key products. Competitors were forced out of the market and competition among the remaining companies increased significantly. In this market, the software & network products division was able to increase net sales by 5.3% from ¥175,580 million to ¥184,951 million. However, due to a decrease in the gross profit margin and an increase in SG&A expenses, operating income declined. Increases in the use of intranet and extranet sales systems and the joint marketing of products with manufacturers should reduce SG&A expenses in the future.

SB Networks Corp., established in August 1997 through the merger of SOFTBANK Network Center Corp. and SOFTBANK Technologies, Inc., is a computer network consulting company whose services include product evaluation, software localization, technical and customer support for networking products dealers and integrators, and training. SB Networks' marketing and technology divisions were able to expand their businesses and net sales this past year by 25.1% from ¥4,442 million to ¥5,561 million, due to continued corporate Internet and intranet investment. However, a significant increase in the number of personnel required to maintain and expand on this growth increased SG&A expenses, causing a reduction in operating income. The sales and finance systems, established this past year to promptly respond to market changes, have better positioned SB Networks for future success.

UTStarcom, Inc., an exciting recent addition to this segment, designs, develops, manufactures, markets and supports access network equipment, advanced intelligent network systems and systems integration services targeted at emerging telecommunications markets. UTStarcom targets the world's leading markets for telecommunications equipment. Its primary market focus, the People's Republic of China, represents approximately one-quarter of the world market for telecommunications expenditures. In addition to this, UTStarcom targets other rapidly emerging markets in Southeast Asia. Products are marketed through strategic alliances with distributors, agents, and OEM customers in Eastern Europe, the former Soviet Republics and Latin America. In October 1997, UTStarcom acquired Talent Holding Company (BVI) Ltd., which operates the third-largest paging company in Hong Kong and has a nationwide paging frequency in China. In the fiscal period under review, net sales were ¥4,330 million.

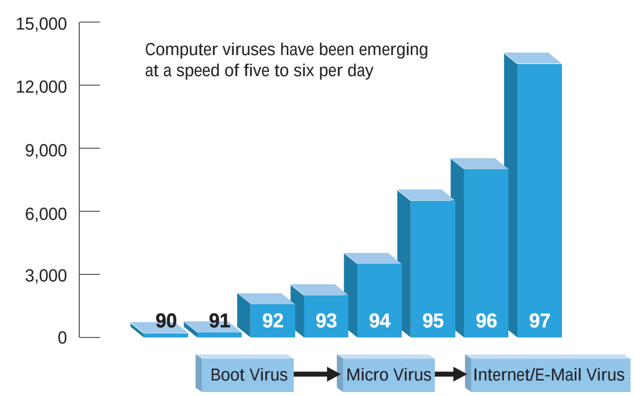
Trend Micro Incorporated, an affiliated leading global developer of virus protection software with products designed for file servers, Internet and intranet gateways, and e-mail servers, markets its products through a global network of authorized resellers and distributors, as well as through OEM and other strategic relationships. Trend Micro's virus protection software have been chosen as a key server security solutions component by such companies as Intel, Lotus, Netscape, Sun Microsystems, Microsoft, Hewlett-Packard, Oracle, and over 3,000 other companies.

PC Shipments in Japan



Source: JAPAN ELECTRONIC INDUSTPY DEVELOPMENT ASSOCIATION

Growth in Number of Viruses



Source: Information-Technology Promotion Agency,Japan

MEDIA

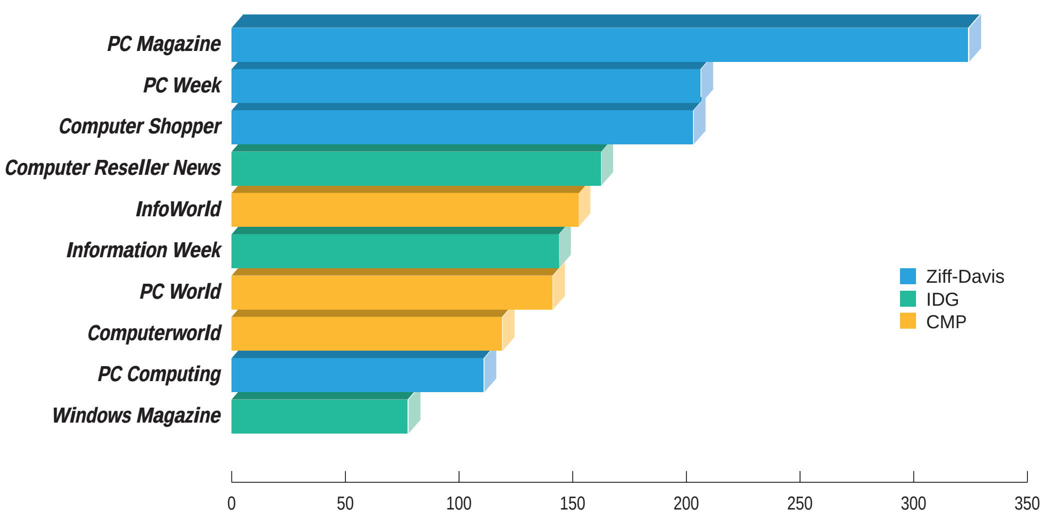
In the fiscal year ended March 31, 1998, the media segment, comprising SOFTBANK's publishing division, Ziff-Davis Inc., and the affiliated company Japan Sky Broadcasting Co., Ltd. (currently Japan Digital Broadcasting Services) recorded a healthy increase in net sales of 17.3% to ¥118,119 million. However, due to poor economic conditions which adversely affected SOFTBANK's publishing division and problems associated with its amusement magazines in the first half of the year, the media segment recorded only a modest increase in operating income of 10.8% to ¥13,931 million.

SOFTBANK's publishing division is a premier publisher of computer-related magazines and books as well as magazines for video game players. The publishing division publishes 19 magazines (three of which have on-line versions) with a total of almost three million magazine newsstand copies per month. In 1997, the Japanese publishing market recorded a decrease of 3.3% in the number of published copies, and a decrease in net sales of 7.1%. In this market environment, SOFTBANK's publishing division's magazine publishing department recorded a 1% drop in net sales and the book publishing department saw a 2% decrease in net sales. The division's flagship titles *DOS/V magazine* and *Hello! PC* continued to improve on past success, while publication of *Yahoo Internet Guide*, and Japanese versions of *Computer Shopper* and *PC Computing*, both licensed from Ziff-Davis, recorded promising results. However, net sales for the publishing division dropped 5.4% from ¥21,252 million to ¥20,123 million and operating income decreased significantly in the year under review, due to problems associated with its amusement magazines in the first half of the year. The popularity of web sites operated by the division, including ZD*Net Japan*, which generates 1.2 million page views daily, should continue to increase in popularity and positively impact future results.

Ziff-Davis is a preeminent integrated media and marketing company focused on computing and Internet-related technology, with principal platforms in print publishing, on-line content, market research and education. Currently, the publishing operations are managed by Ziff-Davis' subsidiary ZD Inc. ZD's *PC Magazine*, *PC Week*, and *Computer Shopper* magazines are the top three computer-related magazines in the United States and are among the top 25 U.S. magazines. Additionally, ZD Market Intelligence, Ziff-Davis' market research business, and ZD Education, Ziff-Davis' education business, reported slight gains in net sales this past year. Ziff-Davis, in association with the repurchase of European computer-related magazine assets from MAC Inc., recorded an increase in net sales of 49.5% from ¥62,576 million to ¥93,562 million. Accompanying this growth last year, operating income also increased. On April 29, 1998, Ziff-Davis completed an initial public offering of 25,800,000 shares of common stock (25.8% of the outstanding shares), which began trading on the New York Stock Exchange under the symbol 'ZD'. Concurrently with the initial public offering, Ziff-Davis raised capital in the U.S. public debt and bank markets, which was partly used to repay intercompany indebtedness and partly used to repurchase additional computer-related magazine assets.

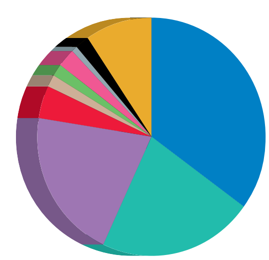
On May 1, 1998, Japan Sky Broadcasting Co., Ltd. merged into Japan Digital Broadcasting Services, creating the premier platform in Japan's digital communication satellite broadcast market with its planned 307 digital multi-channel satellite service, which will include 171 television channels, 135 radio channels and an interactive satellite broadcast channel. Currently, Japan Digital Broadcasting Services offers two broadcast services: PerfectTV! Service and SKY Service. PerfecTV! Service consists of the existing 209 digital multi-channel satellite service, which includes 103 television channels and 106 radio channels. SKY Service's phase in from July 1998 will result in a 98 digital multi-channel satellite service, which will include 68 television channels, 29 radio channels, and an interactive satellite broadcast channel by the end of 1998. Japan Digital Broadcasting Services aims to have 800,000 subscribers by March 31, 1999. Recently Japan Digital Broadcasting Services began testing digital satellite data transmission under its new SKY PerfecPC! Service with fee-based services expected to begin by the end of 1998. This combination of services lays the groundwork for the realization of interactive television where the audience is able to interact with the contents broadcast using a computer.

Top 10 Computer Magazines by AD Revenue for 1997
(Millions of dollars)



Source: Adscope

Advertising Revenue Share among U.S. Computer-Related Titles in 1997



ZD	35.2 %
CMP	21.9
IDG	20.4
MAC	4.6
Cahners	1.6
Imagine	1.5
McGraw-Hill	2.7
Mecklermedia	0.7
Miller Freeman	2.0
Other	9.3

Source: Adscope

TECHNOLOGY EVENTS

In the fiscal year ended March 31, 1998, the technology events segment, comprizing ZD COMDEX and Forums Inc. (formerly SOFBANK COMDEX Inc. and SOFTBANK Forums Inc.), recorded a strong increase in net sales of 30.4% from ¥28,179 million to ¥36,758 million. Operating income increased a modest 8.0% from ¥8,894 million to ¥9,607 million this past year.

ZD COMDEX and Forums is the leading producer of trade shows, conferences and customized marketing and educational programs for the computer industry. In 1997, ZD COMDEX and Forums produced over 50 trade shows and conferences, 18 of which were held in North America.

COMDEX trade shows cover a broad range of new technologies at every stage in their development and evolution—from introduction to commercial maturity. Many of the most significant computer product launches over the past 18 years occurred at *COMDEX*, including the launch of the IBM PC, Lotus 1-2-3, Windows 3.1 and the digital videodisk (DVD).

COMDEX/Fall is the world's largest and most prominent information technology trade show. It is held annually in November in Las Vegas over five days. In 1997, *COMDEX/Fall* had over 1,750 exhibiting companies occupying more than 1,350,000 net square feet of exhibit space and more than 200,000 attendees from every corner of the globe. *COMDEX/Spring*, which was launched in 1981, is a smaller version of the fall event. In 1997, it was held in Atlanta and had more than 600 exhibiting companies and over 100,000 attendees. For the last six years, ZD COMDEX and Forums, in cooperation with

Microsoft Corporation, has produced a *WINDOWS WORLD* trade show concurrently with *COMDEX/Spring*.

In 1993, ZD COMDEX and Forums began launching additional *COMDEX* events in order to capitalize on the international recognition of the *COMDEX* brand image. The 1998 schedule includes other *COMDEX* events in Miami, Toronto, Vancouver, Montreal, Mexico City, Monterrey (Mexico), Buenos Aires, São Paulo, Rio de Janeiro, London, Paris, Tokyo, Seoul, New Delhi, Beijing, Singapore and Cairo.

ZD COMDEX and Forums, in addition to the various *COMDEX* events, runs *NetWorld + Interop*, *Seybold Seminars*, *and EXPO COMM*. These events are expanding into new markets worldwide, reaching more information technology specialists and decision makers in every corner of the globe.

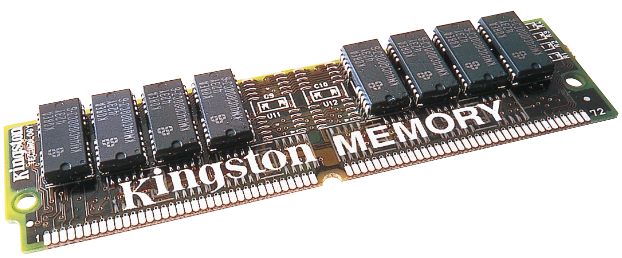
Planned ZD COMDEX & FORUMS Worldwide Technology Events Spring 1998 — Spring 1999

TECHNOLOGY SERVICES

The technology services segment, primarily composed of Kingston Technology Company and the affiliated company PASONA SOFTBANK, INC., recorded an increase in net sales of 185.4% from ¥58,092 million to ¥165,771 million in the fiscal year under review. This primarily reflects the 12-month consolidation of Kingston, compared with the four-month consolidation in the previous fiscal period. Operating income decreased a significant 22.7% from ¥7,650 million to ¥5,916 million, due to a decline in Kingston's gross profit margin as compared with the four-month consolidation in the previous fiscal period, as well as increases in SG&A and amortization expenses associated with the 12-month consolidation of Kingston.

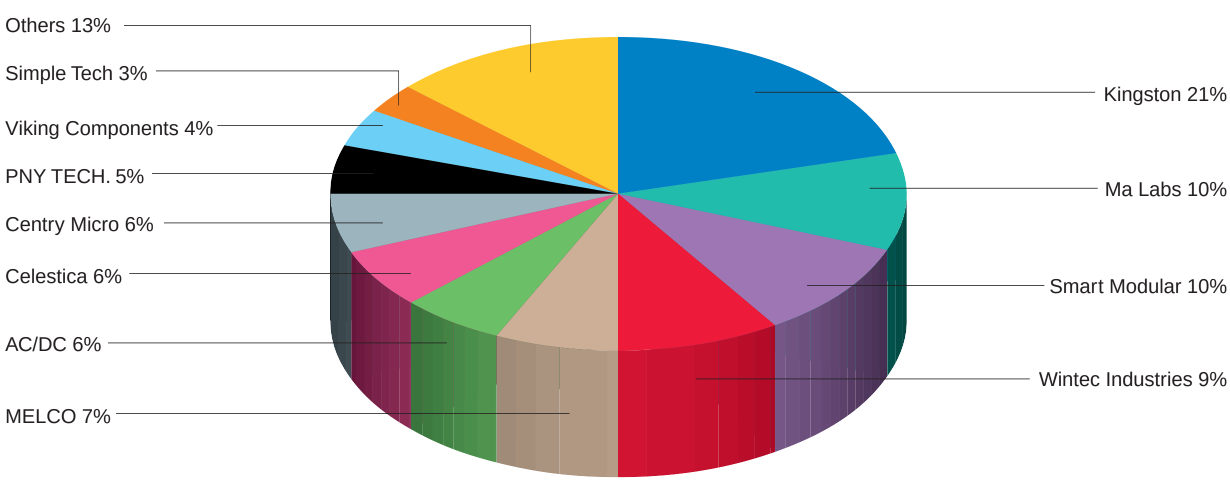
Kingston Technology Company, the largest designer and manufacturer of memory, processor, networking, and storage products for personal computers, workstations and laser printers, markets over 2,000 products through a worldwide network of distributors, major reseller chains and independent dealers. The continued excess in dynamic random access memory (DRAM) supply resulted in a 65% decline in DRAM prices from January to December 1997. The steady decrease in DRAM prices and a continued decline in upgrade memory prices, stemming from the forces of competition, increased the pressure on

component manufacturers. In this market, Kingston made great effort to increase market share worldwide and recorded ¥141,555 million in net sales due to an increase in unit volume. Increases in Kingston's U.S. market share, a return of DRAM demand, and a firming of DRAM prices, should contribute positive results in the future.



PASONA SOFTBANK, INC., an affilated company with 26 branch offices throughout Japan, is a leading dispatcher of temporary staff with computer-related skills. Japanese companies continue to outsource staffing needs in an effort to reduce personnel expenses in the weakened Japanese market and fulfill their needs for staff with computer-related skills. Additionally, many individuals are opting to utilize the service in an effort to increase their work experience, while they search for suitable jobs that are both personally and financially rewarding. This past year, PASONA SOFTBANK had 14,700 client companies and 90,000 registered staff throughout Japan. Financially, both net sales and operating income increased significantly over the past year.

Worldwide Third Party Single In-Line Memory Module (SIMM) Market—1997



Source: International Data Communication 1998

INTERNET

The Internet segment comprises over 60 direct or indirect holdings in companies spanning the seven different areas of the Internet: access, software infrastructure, hardware infrastructure, service, media, electronic commerce, and intranet. Most of SOFTBANK's Internet holdings are focused in the service, media, and electronic commerce areas.

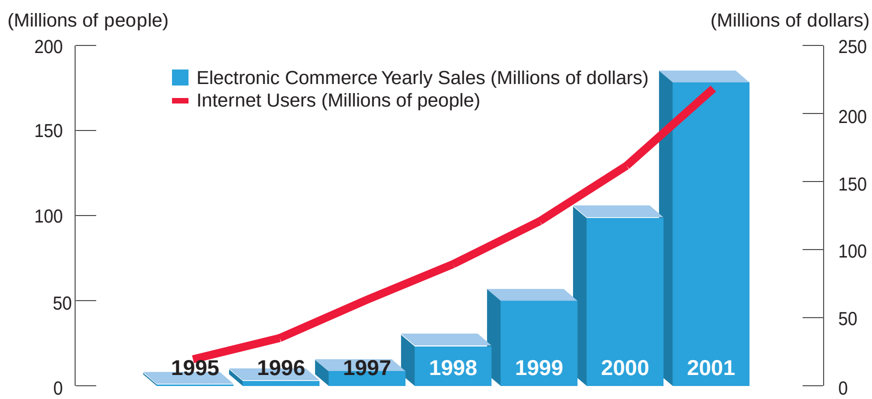
The service area of the Internet segment is composed of companies that provide Internet-based or Internet-related services, such as Yahoo! Inc., Yahoo Japan Corporation, Cyber Communications Inc, CyberCash, Inc., CyberCash K.K., USWeb Corporation, and Verisign, Inc. These service sites include search engines, web site construction and outsourcing, user and content verification, secure electronic commerce payment clearing, and Internet advertising. The various companies in this Internet area have enjoyed phenomenal growth and success as the service area has matured and as the number of users has increased. SOFTBANK's holdings in the service area have also continued to grow at remarkable pace.

The media area of the Internet segment comprises companies that provide content to users over the Internet, such as Yahoo!, Yahoo Japan, GeoCities, GeoCities Japan, ZD*Net*, ZD*Net Japan*, Morningstar Japan K.K., and Ziff-Davis's magazine sites. These media sites include news sources, home pages, mutual fund rating and securities information, Internet communities, and computer-related information sites. Companies in this Internet area are currently enjoying significant growth as the number of Internet users expands and as these users increasingly turn toward Internet-based information providers for their information needs.

The electronic commerce area of the Internet segment is composed of companies, such as the recently established E*TRADE Japan K.K., and ONSALE Japan K.K., that provide users with platforms to buy or sell goods over the Internet. These electronic commerce sites include securities brokerages, Internet auction houses, bookstores, and other retail web sites. Although in the early stages of development, this area is growing at a rapid rate and is changing the way the world shops and conducts business. Due to the potential future returns from this area, SOFTBANK is aggressively entering this area through joint ventures in Japan, and through direct investment in America and Europe.

In 1997 the number of Internet users in America grew at breathtaking speed, increasing to more than 54 million users, while in Japan the number of Internet users was about eight million and growing at a rate of 66% per year. SOFTBANK has positioned itself strategically so that among the top 12 worldwide destinations of these users, four are affiliated directly or indirectly with SOFTBANK. This allows SOFTBANK the ability to leverage its position, affiliates, and viewership when launching new ventures to ensure success. This will be an important asset as SOFTBANK aggressively enters the electronic commerce market and expands its position in other Internet-related areas. SOFTBANK continues to position itself as a leading Internet company and will continue to support the creation of the technology and companies of the future.

Global Market Forecast for Internet Usage and Commerce



Source: IDC The Global Market Forecast for Internet Usage and Commerce 1997

FINANCIAL INFORMATION

CONTENTS

SIX-YEAR SUMMARY OF SELECTED FINANCIAL DATA

	Millions of yen except per share amounts						Thousands of U.S. dollars (Note 1)
	1998	1997	1996	1995	1994	1993	**1998**
For the Year:							
Net sales	**¥ 513,364**	¥ 359,742	¥ 171,101	¥ 96,808	¥64,090	¥51,627	**$3,886,177**
Operating income	**31,938**	33,670	15,822	5,692	3,361	2,304	**241,771**
Income before income taxes	**33,824**	29,567	15,982	5,379	3,060	1,426	**256,049**
Income taxes	**17,176**	17,610	9,794	3,481	2,122	819	**130,023**
Net income	**¥ 10,303**	¥ 9,092	¥ 5,794	¥ 2,052	¥ 938	¥ 607	**$ 77,994**
At Year-End:							
Net working capital	**¥ 115,937**	¥ 70,308	¥ 27,996	¥ 44,114	¥ 8,594	¥ 8,075	**$ 877,645**
Shareholders' equity	**242,758**	234,617	119,679	47,709	5,958	5,206	**1,837,683**
Total assets	**1,140,251**	1,070,645	598,856	98,640	31,571	24,502	**8,631,726**
Per Share:							
Net income	**¥ 100.77**	¥ 95.58	¥ 69.22	¥ 29.85	¥ 15.20	¥ 9.80	**$ 0.76**
Shareholders' equity per share	**2,375.24**	2,292.56	1,354.81	587.88	96.20	84.05	**17.98**
Cash dividends	**40**	20	15	15	15	15	**0.30**
Number of shares outstanding at year-end (thousand of shares)	**102,419**	78,766	34,703	16,250	12,400	—	

Note: 1. Yen figures have been translated into U.S. dollars, for convenience only, at the rate of ¥132.10=US$1.00, the closing Tokyo FOREX bid rate on March 31, 1998.
2. Figures for 1993 and 1994 are on a parent company basis.
3. Per share figures were adjusted for stock splits.
4. The total fiscal 1998 dividend includes a ¥20 commemorative dividend.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

In addition to facing a declining Japanese economy this past year, which included the adverse effect of a long-term drop in consumption and declining corporate results, the Company continued to face strong downward market pressure stemming from the economic uncertainty surrounding large-scale bankruptcies in the second half of the year. Even in the Company's market, the digital information industry, computer shipments declined slightly in Japan as did consumer sales. The U.S. economy, having weathered the negative impacts of the Asian market crisis, continued to expand and grow. Also, due to the increasing popularity of the Internet and a decline in computer prices, information technology investment continued at high levels. In this market environment, the Company made substantial progress, through its aggressive investment in SOFTBANK Group's Internet-related companies, joint ventures, and new businesses, toward positioning itself as a leader in this field. The Company secured revenue from its current holdings and was able to create significant added corporate value. Under the conditions described above, net sales increased 42.7%, ¥153,622 million, to ¥513,364 million, and net income increased 13.3%, ¥1,211 million, to ¥10,303 million.

RESULTS OF OPERATION

	(Millions of yen)		
	1998	1997	1996
Net sales	**¥513,364**	¥359,742	¥171,101
Cost of sales	**350,047**	246,118	133,299
Gross profit	**¥163,317**	¥113,624	¥ 37,802
Gross profit margin	**31.8%**	31.5%	22.0%
Total expenses	**129,493**	84,057	21,820
Income before income taxes	**33,824**	¥ 29,567	¥ 15,982
Net income	**¥ 10,303**	¥ 9,092	¥ 5,794

The following table provides the Company's net sales breakdown (%):

	1998	1997	1996
Software & network products	**37**	48	71
Media	**23**	28	15
Technology events	**7**	8	10
Technology services	**32**	16	4
Internet	**1**	0	0
Total	**100%**	100%	100%

SOFTWARE & NETWORK PRODUCTS

	(Millions of yen)		
	1998	1997	1996
Net sales	**¥192,701**	¥175,721	¥120,899
Operating expenses	**189,028**	169,726	116,340
Operating income	**¥ 3,673**	¥ 5,994	¥ 4,559

The software & network products segment's market, due to negative market forces which affected the entire industry, saw earnings shrink over the previous year. In this market climate, having strengthened and streamlined its sales channel by combining the products procurement department with the sales department, and through the use of fast, efficient intranet and extranet order systems, the software & network products division continued to increase market share. This resulted in a 9.7% increase, ¥16,980 million, in net sales to ¥192,701 million. However, increases in SG&A and other expenses led to a 38.7% decrease, ¥2,321 million, to ¥3,673 million in operating income.

MEDIA

	(Millions of yen)		
	1998	1997	1996
Net sales	**¥118,119**	¥100,691	¥29,082
Operating expenses	**104,188**	88,119	23,328
Operating income	**¥ 13,931**	¥ 12,572	¥ 2,754

SOFTBANK's publishing division, due to the strength of its computer-related magazines, recorded a modest increase over the previous year, but due to the poor performance of amusement magazines in the first half of the year, the operating income was adversely affected. On the other hand, Ziff-Davis Inc.'s flagship magazines, such as *PC Magazine*, *PC Week*, and *Computer Shopper*, continued to increase advertising sales, compared with the previous year. Additionally, due to the contribution of repurchased European magazine assets by Ziff-Davis from MAC Inc., the media segment recorded a 17.3% increase, ¥17,428 million, in net sales to ¥118,119 million. Operating income increased 10.8%, ¥1,359 million, to ¥13,931 million over the previous year.

TECHNOLOGY EVENTS

	(Millions of yen)		
	1998	1997	1996
Net sales	**¥36,758**	¥28,179	¥17,468
Operating expenses	**27,151**	19,284	10,598
Operating income	**¥ 9,607**	¥ 8,894	¥ 6,870

In the year under review, the technology events segment, in addition to securing revenue from currently held technology events, expanded the number of events held. This past year, through the launch of *COMDEX* events in Japan, China, and France, as well as a new *NetWorld + Interop* event in Singapore, the technology events segment was able to expand its market and increase sales. Additionally, the world's largest and most prominent information technology trade show, *COMDEX/Fall '97*, continued its success over the previous year and recorded its best results in terms of exhibition space, and revenue.

Net sales increased a significant 30.4%, ¥8,579 million, to ¥36,758 million and operating income increased 8.0%, ¥713 million, to ¥9,607 million.

TECHNOLOGY SERVICES

(Millions of yen)

	1998	1997	1996
Net sales	**¥165,771**	¥58,093	¥10,122
Operating expenses	**159,855**	50,442	10,088
Operating income	**¥ 5,916**	¥ 7,650	¥ 34

The technology services segment, mainly comprising Kingston Technology Company, was able to increase net sales a significant 185.4%, ¥107,678 million, to ¥165,771 million primarily due to the 12-month consolidation of Kingston, compared with the four-month consolidation the previous year. Operating income decreased, due to a decrease in the gross profit margin decline associated with the poor semiconductor market and SG&A expenses associated with increasing global market share. The 12-month amortization expense related to the acquisition of Kingston Technology Company, compared with the four-month expenses in the previous year, was also a factor. The technology services segment recorded a 22.7%, ¥1,735 million, decrease in operating income to ¥5,916 million over the previous year. Additionally, due to the change in the acquisition price on October 23, 1997, the Company was released from its obligation to pay Kingston's founders $333 million.

INTERNET AND OTHER

(Millions of yen)

	1998	1997	1996
Net sales	**¥ 6,869**	¥ 2,420	N/A
Operating expenses	**11,545**	6,949	N/A
Operating income	**¥-4,676**	¥-4,529	N/A

The exceptional growth this past year in net sales, 183.8%, is directly related to the increase in acceptance and use of the Internet as a medium for commerce, communication, and community. The operating losses are primarily due to taxes on interest received from U.S.-based subsidiaries of ¥3,500 million this past year.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

(Millions of yen)

	1998	1997	1996
Selling, general and administrative expenses	**¥131,379**	¥79,954	¥21,980
Percentage of net sales	**25.5%**	22.2%	12.8%

Selling, general and administrative expenses increased 64.3% in the year ending March 31, 1998. SG&A expenses as a percentage of net sales increased 3.3% in the year under review. The increase in SG&A expenses is due to the full-year consolidation of both Kingston Technology Company and Ziff-Davis Inc.'s repurchase of European computer-related magazine assets.

NON-OPERATING INCOME (EXPENSES)

Interest income climbed, from ¥19,688 million to ¥26,669 million, primarily as a result of higher interest on loans to MAC Inc., the Company's significant shareholder. Interest income received from MAC totaled ¥25,248 million compared with ¥18,673 in the previous fiscal year. On the other hand, interest payment on loans from MAC totaled ¥27,210 million, compared with ¥15,858 million in the previous year. This is primarily the result of an increase in interest expense, which rose from ¥24,515 million to ¥36,573 million.

Gain on sale of investments in securities of ¥8,926 million includes a gain of ¥5,779 million from the sale and exchange of Yahoo! Inc. stock for equity interest in GeoCities, Inc. as well as a gain of ¥2,598 million from the sale of Global Center, Inc. for common shares of Frontier Corp.

Loss on discontinued operation consists of a loss on the sale of SOFTBANK Interactive Marketing Inc. (SIM) to ZULU Media Inc. of ¥499 million and the loss on discontinued operation of SIM of ¥1,571 million.

PROVISIONS FOR INCOME TAXES

Taxes as a percentage of income before income taxes declined 8.8%, from 59.6% to 50.8%. Adoption of an interperiod tax allocation method using an asset and liability approach for all consolidated subsidiaries starting April 1, 1997 provided better matching of income taxes with consolidated net income and the presentation of the annual operating results more fairly. The cumulative effect of this accounting change was ¥2,986 million.

EQUITY LOSSES

(Millions of yen)

	1998	1997
Yahoo! Inc.	**¥-2,098**	¥ -975
UTStarcom, Inc.	**-2,554**	-316
Japan Sky Broadcasting Co., Ltd.	**-1,870**	-222
Other	**-610**	-563
Total	**¥-7,132**	¥-2,076

The major reason for the decrease in earnings of affiliates was associated with costs associated with Japan Sky Broadcasting Co., Ltd, and the amortization of goodwill associated with investments in Yahoo! Inc. and UTStarcom, Inc., upon these companies being accounted for by the equity method. Goodwill associated with these investments is amortized over five to seven years.

CASH FLOW

The Company's cash flows from operating, investing and financing activities as prescribed by generally accepted accounting principles and reflected in the consolidated statement of cash flows, are summarized in the following table:

	(Millions of yen)		
	1998	1997	1996
Net cash provided by (used in):			
Operating activities	**¥19,248**	¥ 43,422	¥ 5,269
Investing activities	**-44,293**	-323,817	-446,459
Financing activities	**21,591**	343,278	434,605
Effect of exchange rate changes on cash and cash equivalents	**2,747**	-46,207	-11,529
Net change in cash and cash equivalents	**¥ -707**	¥ 16,676	¥ -18,114

WORKING CAPITAL

	(Millions of yen)	
	1998	1997
Current assets	**¥239,877**	¥204,012
Current liabilities	**215,229**	184,009
Working capital	**24,648**	20,003
Current ratio (%)	**111**	110

Current assets increased by 17.5% to ¥239,877 million in the year ending March 31, 1998. Current liabilities increased by 16.9% to ¥215,229 million in the year under review. The Company continued to maintain a strong current ratio of 111%.

DEBT AND EQUITY

	(Millions of yen)	
	1998	1997
Debt	**¥681,651**	¥645,334
Shareholders' equity	**242,758**	234,617
Debt/equity (%)	**281**	275

Debt increased ¥36,317 million from the previous year, resulting primarily from differences in the spot rate on March 31, 1998 and March 31, 1997. The debt/equity ratio was inflated due to the double accounting of the long-term debt assets and liabilities between SOFTBANK Corp./MAC Inc. and MAC Inc./SOFTBANK Holdings, Inc. This double accounting resulted because MAC Inc. is not part of the consolidated SOFTBANK Group, under which these sums would be adjusted for.

Adjusting for the double accounting of debt results in the following table:

	(Millions of yen)	
	1998	1997
Debt (Adjusted)	**¥396,193**	¥365,578
Debt/equity (Adjusted) (%)	**163**	156

CURRENCY RATE FLUCTUATIONS

Since approximately 57% of the Company's net sales was derived from affiliates operating in local currency environments, the Company's results are affected by changes in the relative values of non-Japanese currencies to Japanese yen. The Japanese yen weakened versus the U.S. dollar this past year, which resulted in an increase in total assets of ¥73,753 million and in net sales of ¥14,980 million.

The Company uses a variety of financial hedging instruments to minimize currency risks related to investment transactions and the repatriation of dividends, interest and royalties.

CONSOLIDATED BALANCE SHEETS

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES
AS OF MARCH 31, 1998 AND 1997

	Millions of yen		Thousands of U.S. dollars (Note 4)
	1998	1997	**1998**
ASSETS			
Current Assets:			
Cash and cash equivalents (Note 18)	**¥ 34,542**	¥ 35,249	**$ 261,484**
Notes and accounts receivable	**109,465**	107,422	**828,653**
Less: Allowance for bad debts	**(1,894)**	(1,140)	**(14,338)**
	107,571	106,282	**814,315**
Inventories (Note 5)	**29,193**	25,351	**220,992**
Marketable securities (Note 6)	**17,461**	6,769	**132,180**
Deferred tax assets	**3,885**	—	**29,410**
Other current assets (Notes 17 and 18)	**47,225**	30,361	**357,494**
Total current assets	**239,877**	204,012	**1,815,875**
Investments and Advances:			
Investments in and advances to non-consolidated subsidiaries and affiliates (Note 7)	**26,984**	38,047	**204,269**
Investment securities (Note 6)	**35,073**	18,641	**265,503**
Long-term loans	**1,070**	5	**8,100**
Long-term loans to related company (Note 17)	**273,497**	273,936	**2,070,379**
Other investments	**12,618**	5,920	**95,518**
Less: Allowance for bad debts	**(3,266)**	(3,190)	**(24,724)**
	345,976	333,359	**2,619,045**
Property and Equipment, Net of Accumulated Depreciation (Note 8)	**14,104**	9,753	**106,768**
Deferred Charges and Intangibles:			
Goodwill	**176,101**	190,706	**1,333,089**
Deferred charges	**318**	1,415	**2,407**
Advertiser lists (Note 9)	**110,911**	92,254	**839,599**
Trade names (Note 9)	**181,728**	170,870	**1,375,685**
Other intangible assets	**71,236**	68,276	**539,258**
	540,294	523,521	**4,090,038**
Total assets	**¥1,140,251**	¥1,070,645	**$8,631,726**

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

	Millions of yen		Thousands of U.S. dollars (Note 4)
	1998	1997	**1998**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities:			
Short-term loans (Notes 10 and 17)	**¥ 81,289**	¥ 47,305	**$ 615,359**
Commercial paper (Note 10)	**10,000**	3,000	**75,700**
Accounts payable—trade	**48,774**	60,785	**369,220**
Accounts payable—other	**16,141**	17,124	**122,188**
Income taxes payable (Note 15)	**10,361**	11,148	**78,433**
Accrued expenses	**17,766**	18,920	**134,489**
Advance received	**412**	693	**3,119**
Allowance for sales returns	**9,122**	6,300	**69,054**
Other current liabilities (Notes 17 and 18)	**21,364**	18,734	**161,726**
Total current liabilities	**215,229**	184,009	**1,629,288**
Long-Term Debts (Note 10)	**590,362**	595,029	**4,469,054**
Deferred Tax Liabilities	**19,446**	17,293	**147,207**
Other Long-Term Liabilities (Note 18)	**25,595**	19,653	**193,755**
Adjustments on Foreign Currency Translation (Note 3(4))	**35,646**	18,326	**269,841**
Minority Interest in Consolidated Subsidiaries	**11,215**	1,718	**84,898**
Shareholders' Equity:			
Common stock: par value ¥50 per share:			
Authorized: 400,000,000 shares at March 31, 1998 and 190,000,000 shares at March 31, 1997			
Issued: 102,419,805 shares at March 31, 1998 and 78,766,266 shares at March 31, 1997	**101,884**	101,809	**771,264**
Additional paid-in capital	**120,762**	115,761	**914,171**
Legal reserve	**322**	159	**2,438**
Retained earnings (Note 19)	**22,945**	18,346	**173,694**
	245,913	236,075	**1,861,567**
Less: Valuation allowance for securities available for sale	**(1,996)**	(986)	**(15,110)**
Less: Treasury stock: 215,800 shares at March 31, 1998 and 44,600 shares at March 31, 1997	**(1,159)**	(472)	**(8,774)**
Total shareholders' equity	**242,758**	234,617	**1,837,683**
Total liabilities and shareholders' equity	**¥1,140,251**	¥1,070,645	**$8,631,726**

CONSOLIDATED STATEMENTS OF INCOME

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31, 1998 AND 1997

	Millions of yen		Thousands of U.S. dollars (Note 4)
	1998	1997	**1998**
Net Sales (Note 20)	**¥513,364**	¥359,742	**$3,886,177**
Cost of Sales	**350,047**	246,118	**2,649,864**
Gross profit	**163,317**	113,624	**1,236,313**
Selling, General and Administrative Expenses	**131,379**	79,954	**994,542**
Operating income (Note 20)	**31,938**	33,670	**241,771**
Non-Operating Income (Expenses):			
Interest income (Note 17)	**26,669**	19,688	**201,885**
Interest expense	**(36,573)**	(24,515)	**(276,858)**
Amortization of share and bond issue expenses	**(1,096)**	(1,375)	**(8,297)**
Exchange gain (Note 12)	**6,698**	4,248	**50,704**
Gain on sale of investment securities (Note 11)	**8,926**	252	**67,570**
Write-off of prepaid royalty	**(919)**	(1,388)	**(6,957)**
Loss on discontinued operations (Note 13)	**(2,071)**	—	**(15,677)**
Other, net	**252**	(1,013)	**1,908**
Income before income taxes	**33,824**	29,567	**256,049**
Income Taxes (Notes 3(5) and 15)	**17,176**	17,610	**130,023**
Cumulative Effect of Accounting Change (Note 3(5))	**2,986**	—	**22,604**
Minority Interests	**(2,172)**	(764)	**(16,442)**
Amortization of Excess of Investment Cost over Net Assets of Subsidiaries	**(27)**	(25)	**(204)**
Equity losses, net	**(7,132)**	(2,076)	**(53,990)**
Net income	**¥ 10,303**	¥ 9,092	**$ 77,994**

	Yen		U.S. dollars (Note 4)
Per Share:			
Net income —primary	**¥ 100.77**	¥ 95.58	**$ 0.76**
—fully diluted	**95.29**	90.86	**0.72**

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31, 1998 AND 1997

	Thousands	Millions of yen			
	Number of shares issued and outstanding	Common stock	Additional paid-in capital	Legal reserve	Retained earnings
Balance at March 31, 1996	34,704	¥ 48,326	¥ 62,159	¥ 103	¥ 10,264
Net income for the year ended March 31, 1997	—	—	—	—	9,092
Cash dividends	—	—	—	—	(520)
Transfer to legal reserve	—	—	—	56	(56)
Directors' bonuses	—	—	—	—	(42)
Stock split (1.4 for 1) on May 20, 1996	13,881	—	—	—	—
Common stock issued on September 6, 1996	2,622	22,949	22,950	—	—
Stock split (1.4 for 1) on November 20, 1996	21,101	—	—	—	—
Common stock issued on December 25, 1996	4,700	18,006	18,001	—	—
Conversion of convertible bonds	1,758	12,528	12,525	—	—
Equity in earnings of an affiliate which was excluded from the list of companies accounted for with the equity method in 1996	—	—	—	—	(392)
Additional contributions	—	—	126	—	—
Balance at March 31, 1997	78,766	¥101,809	¥115,761	¥159	¥18,346
Net income for the year ended March 31, 1998	**—**	**—**	**—**	**—**	**10,303**
Cash dividends	**—**	**—**	**—**	**—**	**(1,574)**
Transfer to legal reserve	**—**	**—**	**—**	**163**	**(163)**
Directors' bonuses	**—**	**—**	**—**	**—**	**(55)**
Cumulative effect of accounting for the purchase of MAC Assets by the pooling of interests method (Note 2(3))	**—**	**—**	**4,421**	**—**	**(3,912)**
Stock split (1.3 for 1) on May 20, 1997 (Note 3(17))	**23,629**	**—**	**—**	**—**	**—**
Conversion of convertible bonds	**24**	**75**	**74**	**—**	**—**
Additional contributions	**—**	**—**	**506**	**—**	**—**
Balance at March 31, 1998	**102,419**	**¥101,884**	**¥120,762**	**¥ 322**	**¥ 22,945**

	(Thousands of U.S. dollars) (Note 4)				
Balance at March 31, 1997	78,766	$770,696	$876,313	$1,204	$138,880
Net income for the year ended March 31, 1998	**—**	**—**	**—**	**—**	**77,994**
Cash dividends	**—**	**—**	**—**	**—**	**(11,915)**
Transfer to legal reserve	**—**	**—**	**—**	**1,234**	**(1,234)**
Directors' bonuses	**—**	**—**	**—**	**—**	**(417)**
Cumulative effect of accounting for the purchase of MAC Assets by the pooling of interests method (Note 2(3))	**—**	**—**	**33,467**	**—**	**(29,614)**
Stock split (1.3 for 1) on May 20, 1997 (Note 3(17))	**23,629**	**—**	**—**	**—**	**—**
Conversion of convertible bonds	**24**	**568**	**560**	**—**	**—**
Additional contributions	**—**	**—**	**3,831**	**—**	**—**
Balance at March 31, 1998	**102,419**	**$771,264**	**$914,171**	**$2,438**	**$173,694**

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, 1998 AND 1997

	Millions of yen		Thousands of U.S. dollars (Note 4)
	1998	1997	**1998**
Cash Flows from Operating Activities:			
Net income	**¥10,303**	¥ 9,092	**$ 77,994**
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**29,477**	18,564	**223,142**
Deferred income tax	**(4,038)**	5,950	**(30,568)**
Equity earnings of affiliated companies, less dividends	**7,131**	—	**53,982**
Loss on discontinued operations	**499**	—	**3,777**
Gain on sale of investment securities	**(8,926)**	—	**(67,570)**
Exchange gain	**(6,698)**	—	**(50,704)**
Change in assets and liabilities:			
Receivables	**8,912**	(39,428)	**67,464**
Inventories	**474**	(11,040)	**3,588**
Prepaid expenses and other	**(5,285)**	(2,336)	**(40,008)**
Payables	**(9,079)**	39,192	**(68,728)**
Income taxes payable	**(905)**	4,536	**(6,850)**
Accrued expenses and other	**(3,459)**	13,412	**(26,185)**
Other (net)	**842**	5,480	**6,374**
Net cash provided by operating activities	**19,248**	43,422	**145,708**
Cash Flows from Investing Activities:			
Capital expenditures	**(7,110)**	(6,272)	**(53,823)**
Payment for purchase of investment securities	**(10,693)**	(71,482)	**(80,946)**
Purchase of UTStarcom Inc., net of cash acquired	**(5,009)**	—	**(37,918)**
Proceeds from sales of investment securities	**22,052**	22,544	**166,934**
Investment in silent partnership	**(5,674)**	—	**(42,952)**
Disbursement of loans to MAC Inc.	**(11,572)**	—	**(87,600)**
Increase in loans to MAC Inc.	**—**	(121,518)	**—**
Increase in investment securities	**(19,422)**	—	**(147,025)**
Increase in other investments	**(6,764)**	—	**(51,204)**
Purchase of business of Kingston Technology Company, net of cash acquired	**—**	(136,658)	**—**
Collection of loans to MAC Inc.	**5,820**	—	**44,057**
Other (net)	**(5,921)**	(10,431)	**(44,822)**
Net cash used in investing activities	**(44,293)**	(323,817)	**(335,299)**
Cash Flows from Financing Activities:			
Proceeds from issuance of long-term debt	**13,358**	243,430	**101,120**
Proceeds from issuance of common stock	**—**	81,906	**—**
Proceeds from silent partners of consolidated subsidiary	**5,674**	17,079	**42,952**
Repayments of long-term debt	**(26,055)**	—	**(197,237)**
Increase in short-term loans	**39,824**	1,971	**301,469**
Return of capital (Purchase of MAC assets and other affiliated companies, net of cash acquired)	**(9,437)**	—	**(71,438)**
Dividends paid	**(1,574)**	(520)	**(11,915)**
Other (net)	**(199)**	(588)	**(1,507)**
Net cash provided by financing activities	**21,591**	343,278	**163,444**
Effect of Exchange Rate Changes	**2,747**	(46,207)	**20,795**
Net (Decrease) Increase in Cash and Cash Equivalents	**(707)**	16,676	**(5,352)**
Cash and Cash Equivalents at Beginning of Year	**35,249**	18,573	**266,836**
Cash and Cash Equivalents at End of Year	**¥34,542**	¥ 35,249	**$261,484**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES

1. ORGANIZATION AND NATURE OF BUSINESS:

SOFTBANK CORP. (the "Company") was incorporated in September 1981. The Company is a provider of information infrastructure and distribution services to the computer industry. The Company is principally engaged in the wholesale distribution of computer software and other computer-related products in Japan. The Company is also engaged, directly and through its subsidiaries, in the business of publishing computer-related magazines and books, management of computer industry trade shows and the design and manufacture of memory, networking and storage products for personal computers, workstations and printers. The Company and its subsidiaries have been operating principally in Japan and the United States, and are expanding in the United States and internationally through acquisitions.

The Company has a significant shareholder, MAC Inc., who at March 31, 1998 directly owned 44.43% of the shares of common stock of the Company. MAC Inc. is a company privately owned by Masayoshi Son, the president of the Company. Significant transactions of the Company with MAC Inc. are described in Note 17 of the Notes to the Consolidated Financial Statements.

2. BASIS OF PRESENTING THE CONSOLIDATED FINANCIAL STATEMENTS:

(1) Accounting Principles -

The accompanying consolidated financial statements of SOFTBANK CORP. and its subsidiaries were prepared from the accounting records maintained in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange regulations of Japan and in conformity with generally accepted accounting principles prevailing in Japan.

The accounts of consolidated subsidiaries as listed in Note 3(1) of the Notes to the Consolidated Financial Statements are based on their financial statements prepared in conformity with generally accepted accounting principles and practices prevailing in the respective countries in which the subsidiaries have been incorporated. In general, no adjustments to the accounts of overseas consolidated subsidiaries have been reflected in the accompanying consolidated financial statements to present them in compliance with Japanese accounting principles and practices followed by the Company.

The accompanying consolidated financial statements have been prepared from the consolidated financial statements filed with the Ministry of Finance of Japan as required by the Securities and Exchange Law in Japan and in accordance with accounting principles and practices generally accepted in Japan.

Relevant notes have been added and certain reclassifications have been made to the consolidated financial statements filed in Japan so as to present them in a form which is more familiar to readers outside Japan.

(2) Acquisition of Kingston Technology Company -

On September 4, 1996, the Company, through its wholly owned subsidiaries SOFTBANK Holdings Inc. ("SBH") and SOFTBANK Kingston Inc., acquired an 80% interest in Kingston Technology Company ("KTC"), a partnership, for an aggregate purchase price of $1,508,000 thousand, consisting of $875,000 thousand in cash, a promissory note for $633,000 thousand, plus transaction costs. The excess of the purchase price over the fair value of the assets acquired and liabilities assumed was $1,592,125 thousand and is included in intangible assets. The remaining 20% interest is owned by Kingston Technology LLC ("KT LLC").

On October 23, 1997, the Company and KT LLC agreed to amend the terms of the acquisition agreement and exchange the remaining principal and accrued interest on the promissory note, totaling approximately $389,000 thousand, for a contingent note of $450,000 thousand. In conjunction with the replacement of the promissory note with the contingent obligation, the Company adjusted the purchase price of KTC by reducing intangible assets recorded in connection with the KTC acquistion. The contingent note, if paid, will result in an adjustment to intangible assets when paid.

The contingent note is due and payable upon either (a) KTC achieving a cumulative annual average earnings before interest and taxes, commencing January 1, 1997, of $300,000 thousand or (b) the closing of an initial public offering or sale of KTC at a valuation of at least $1,800,000 thousand (together, the "Trigger Events"). The contingent obligation is payable within one year, and bears interest at 7% per annum, from the date of occurrence of one of the Trigger Events. The obligation of the Company under the $450,000 thousand contingent note will terminate should one of the Trigger Events not occur by December 31, 2004.

(3) Purchase of MAC Assets and Other Affiliated Companies -

Concurrent with the Company's acquisition of Ziff-Davis Publishing Company (currently ZD Inc., "ZD") in 1996, MAC Inc., directly or through wholly owned affiliates, acquired certain assets and assumed certain liabilities of ZD (the "MAC Assets") for an aggregate purchase price of approximately $300,000 thousand. The Company and its subsidiaries maintained the right to repurchase any or all of the MAC Assets at any time up to five years following its acquisition of ZD. On October 31, 1997, the Company exercised its right to purchase certain of the MAC Assets from MAC Inc. for $100,000 thousand subject to certain price adjustments.

On January 1, 1997, the Company, through SBH, acquired certain limited partnership interests of SOFTBANK Forums Co., L.P. from Son Kosan Inc., the parent company of MAC Inc., for $10,000 thousand. During the year ended March 31, 1998, SBH also acquired certain other subsidiaries in transactions with Son Kosan Inc. and the Company at net cost of approximately $1,600 thousand.

As required under generally accepted accounting principles in the United States, the acquisitions described above have been accounted for in a manner similar to a pooling of interests as all entities involved are under common control. The financial statements include the result of operations and financial position of the entities acquired for the current period presented. Accordingly, the cumulative effect of the pooling of interests transactions is included in the accompanying consolidated statements of shareholders' equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(1) Scope of Consolidation -

At March 31, 1998 and 1997, the Company consolidated 63 and 32 subsidiaries, respectively, in the consolidated financial statements. Major subsidiaries at March 31, 1998 are listed below.

	Ownership percentage (direct and indirect) at March 31, 1998
SOFTBANK Holdings Inc.	100%
SBH Delaware Inc.	100
Ziff-Davis Inc.	100
ZD COMDEX and Forums Inc.	100
SOFTBANK Kingston Inc.	100
SOFTBANK Ventures Inc.	100
Others (57 subsidiaries)*1	—

*(*1) 36 of the other 57 subsidiaries were newly consolidated in the year ended March 31, 1998, as they were either established or acquired during the year.*

(2) Consolidation Principles -

A total of 48 consolidated subsidiaries, including SOFTBANK Holdings Inc., SBH Delaware Inc., Ziff-Davis Inc., ZD COMDEX and Forums Inc. and SOFTBANK Kingston Inc., use a fiscal year ending December 31 of each year while the Company and other subsidiaries use a fiscal year ending March 31 of each year. The consolidation of these subsidiaries has been made by using the financial statements as of December 31, and for the 12 months then ended. Necessary adjustments for consolidation have been made with regard to significant transactions which have taken place during the period between the closing dates of the fiscal years of the consolidated subsidiaries and of the Company. One consolidated subsidiary also uses a fiscal year ending September 30. The financial statements of this subsidiary used for consolidation were as of March 31 and the 12 months period then ended.

For the purposes of preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits among the Company and its subsidiaries have been eliminated, and the portion thereof attributable to minority interests is credited/charged to minority interests.

Regarding the elimination of investments in shares of consolidated subsidiaries, together with the underlying equity in net assets of such subsidiaries, the Company follows the step-by-step acquisition method to include equity in net income of subsidiaries subsequent to the date of acquisition in the consolidated financial statements. Any differences between cost of an investment and the amount of underlying equity in net assets of the subsidiary is treated as an asset or a liability, as the case may be, and amortized over a period of five years on a straight-line basis.

Goodwill recognized at the time of investments in affiliated companies is amortized on a straight-line basis over the estimated periods of benefit.

(3) Accounting for Investments in Affiliates -

Investments in affiliated companies in which the ability to exercise significant influence exists are stated at cost plus equity in undistributed earnings. Net consolidated income includes the Company's equity in the current net earnings (losses) of such companies, after elimination of unrealized intercompany profits.

The affiliates accounted for by the equity method are listed below:

	Ownership percentage at March 31, 1998
SOFTBANK Korea Co., Ltd.	46%
Kinesoft Development Corporation	41
Trend Micro Incorporated	35
Yahoo! Inc.	29
PASONA SOFTBANK, Inc.	27
Japan Sky Broadcasting Co., Ltd.	25
Other (9 affiliates)	—

(4) Translation of Foreign Currency Financial Statements

Until the year ended March 31, 1997, the translation of assets, liabilities, revenues and expenses of overseas consolidated subsidiaries and overseas affiliates accounted for the equity method into Japanese yen for consolidation purposes had been made by using the current exchange rate prevailing at the balance sheet dates. The translation of capital stock of those subsidiaries and affiliates had been made by using the historical rates.

With effect from the year ended March 31, 1998, the translation of foreign currency financial statements has been changed, so that the translation of assets and liabilities of overseas consolidated subsidiaries and overseas affiliates accounted for by the equity method into Japanese yen for consolidation purposes has been made by using the current exchange rate prevailing at the balance sheet date. The translation of capital stock of those subsidiaries and affiliates has been made by using the historical rates and the translation of revenue and expenses of those subsidiaries and affiliates has been made by using the average exchange rate during the year. The change was made, in the light of increased materiality of the overseas consolidated subsidiaries and affiliates, in order to achieve the more appropriate translation of foreign currency financial statements which reflected the actual condition and operating results better, because the revenue and expenses of subsidiaries and affiliates are derived and incurred through the year.

As a result of the change, net sales for the year ended March 31, 1998 was decreased by ¥21,981 million and income before income taxes and net income for the year ended March 31, 1998 were increased by ¥365 million and ¥812 million, respectively, as compared with the previous method. Also, the effect of the change to the segment information has been described in Note 20 of the Notes to the Consolidated Financial Statements.

(5) Income Taxes

Until the year ended March 31, 1997, income taxes applicable to certain consolidated overseas subsidiaries under the jurisdiction of their respective countries (principally subsidiaries in the United States) had been accounted for by the interperiod income taxes allocation method which had been a common practice in those countries.

With effect from the year ended March 31, 1998, income taxes applicable to the Company and its consolidated subsidiaries has been changed, so that it has been accounted for by the interperiod income taxes allocation method. The change was made in order to achieve the better matching of periodic cost against revenue, because the materiality of overseas consolidated subsidiaries having been accounted for by the interperiod income taxes allocation has increased, and it has become necessary to unify the accounting principles among the Company and its consolidated subsidiaries, since the interperiod income taxes allocation method has been getting more general accounting practice in Japan.

As a result of the change, income before income taxes and net income for the year ended March 31, 1998 were increased by ¥485 million and ¥2,298 million, respectively, as compared with the previous method. Also, the effect of the change to the segment information has been described in Note 20 of the Notes to the Consolidated Financial Statements.

(6) Cash and Cash Equivalents -

Cash and cash equivalents include time deposits with original maturities of three months or less.

(7) Valuation of Securities -

Quoted marketable securities are valued at the lower of cost or market, cost being determined by the moving-average method. All other securities are valued at cost determined by the moving-average method. Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities, has been applied to those securities held by the consolidated subsidiaries in the United States.

(8) Valuation of Inventories -

Inventories of the Company and its domestic consolidated subsidiaries are stated at cost determined by the moving-average method. Inventories held by overseas consolidated subsidiaries are valued at the lower of cost or market, cost determined by the first-in first-out method.

(9) Property and Equipment -

Depreciation of property and equipment of the Company and its domestic consolidated subsidiaries is computed by the declining balance method which is prescribed by the Japanese income tax laws. Depreciation of property and equipment held by foreign consolidated subsidiaries is computed by the straight-line method in accordance with the accounting principles of each country in which the subsidiaries are located.

(10) Intangible Assets -

Amortization of intangibles is computed on the straight-line method over periods according to each class of intangibles as follows:

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

(11) New Share Issue Expenses and Bond Issue Expenses -

New share issue expenses are deferred and amortized in equal installments over a three year period. Bond issue expenses are also deferred and amortized in equal installments over a three year period.

(12) Allowance for Bad Debts -

An allowance for bad debts is provided in an amount equivalent to the maximum limit deductible for tax purposes which is determined by Japanese tax laws (a certain percentage is applied to the balance of receivables) plus an amount deemed necessary to cover possible losses.

(13) Accounting for Leases -

Finance leases other than those which are deemed to transfer the ownership of the leased assets to the Company are accounted for by a method similar to that applicable to operating leases.

(14) Allowance for Sales Returns -

Allowance for sales returns has been provided in order to account for future sales returns on an accrual basis. The amount of the allowance recorded by the Company and its domestic consolidated subsidiaries is based on the gross profit of sold merchandise and finished goods which are estimated to be returned subsequent to the balance sheet dates. The allowance recorded by overseas consolidated subsidiaries represents the loss resulting from the expected return of sold goods.

(15) Reserve for Employees' Severance Indemnities -

All employees, with certain minor exceptions, of the Company and its subsidiaries (excluding directors and corporate auditors of the Company and its domestic subsidiaries) with more than three years of service are generally entitled to receive a lump-sum payment upon their retirement, the amount of which is determined by reference to the basic rate of pay, length of service and conditions under which the termination occurs.

The Company maintains a funded pension plan which covers the entire amount of these retirement benefits. The ¥87 million (US$659 thousand) remaining balance of prior service cost at February 28, 1998 (the most recent valuation date) is being amortized over a period of 13 years and 10 months. Accrued retirement benefits outstanding at the date of adoption of the funded pension plan are being amortized over the same period.

(16) Stock Split -

The Company has issued new shares to shareholders by means of stock splits of common stock without any change in the common stock account, in accordance with the provisions of the Japanese Commercial Code. In Japan, such stock splits of common stock are distinguished from stock dividends paid out of profit.

A 1.3 for 1 stock split was distributed on May 20, 1997, increasing the number of shares of common stock issued from 78,766 thousand to 102,395 thousand.

(17) Net Income Per Share -

Net income per share of common stock is based upon the weighted average number of shares outstanding during each year, after an appropriate retroactive adjustment to reflect the effect of the stock splits.

(18) Appropriation of Retained Earnings -

Under the Japanese Commercial Code and the Articles of Incorporation of the Company, the plan for appropriation of retained earnings (including cash dividends) proposed by the Board of Directors should be approved by the shareholders' meeting which must be held within three months after the end of each fiscal year. The appropriation of retained earnings reflected in the accompanying financial statements represented the result of such appropriations applicable to the immediately preceding fiscal year which was approved by the shareholders' meeting and disposed of during that year. Dividends are paid to shareholders listed in the shareholders' register at the end of each fiscal year. As is customary practice in Japan, the payment of bonuses to directors is made out of retained earnings instead of being charged to net income and constitutes a part of the appropriations cited above.

4. UNITED STATES DOLLAR AMOUNTS:

The Company maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the consolidated financial statements and notes thereto represent the arithmetical results of translating yen to dollars on a basis of ¥132.1 = U.S.$1, the approximate rate of exchange prevailing at March 31, 1998. The inclusion of such dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in dollars at ¥132.1 = U.S.$1 or at any other rate.

5. INVENTORIES:

Inventories as of March 31, 1998 and 1997 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
	1998	1997	**1998**
Merchandise	**¥11,274**	¥13,990	**$ 85,345**
Finished goods	**5,847**	3,496	**44,262**
Work in process	**1,358**	1,321	**10,280**
Raw materials	**10,714**	6,544	**81,105**
	¥29,193	¥25,351	**$220,992**

6. MARKETABLE SECURITIES AND INVESTMENT SECURITIES:

Marketable Securities and Investment Securities as of March 31, 1998 and 1997 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
	1998	1997	**1998**
Marketable Securities (Current portfolio):			
Quoted shares	**¥ 82**	¥ 29	**$ 621**
Market value of quoted shares with market quotations	**¥ 269**	¥ 95	**$ 2,036**
Investment Securities:			
Quoted shares	**¥12,805**	¥ 9,066	**$ 96,934**
Unquoted shares	**22,268**	9,575	**168,569**
	¥35,073	¥18,641	**$265,503**
Market value of quoted corporate shares and bonds with market quotations	**¥29,047**	¥ 9,654	**$219,886**

7. INVESTMENTS IN AND ADVANCES TO NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES:

Investments in and advances to non-consolidated subsidiaries and affiliates as of March 31, 1998 and 1997 were as follows:

	1998		1997	1998
	Ownership (percentage)	Amount (Millions of yen)	Amount (Millions of yen)	Amount (Thousands of U.S. dollars) (Note 4)
SOFTBANK Korea Co., Ltd.	**46%**	**¥ 291**	¥ 278	**$ 2,203**
Kinesoft Development Corporation	**41**	**1,722**	1,137	**13,035**
Trend Micro Incorporated	**35**	**8,369**	3,500	**63,353**
Yahoo! Inc.	**29**	**10,120**	11,593	**76,609**
PASONA SOFTBANK, Inc.	**27**	**926**	1,398	**7,010**
Japan Sky Broadcasting Co., Ltd.	**25**	**3,018**	9,777	**22,846**
UTStarcom, Inc.	**—**	**—**	7,229	**—**
Others		**2,538**	3,135	**19,213**
		¥26,984	¥38,047	**$204,269**

8. PROPERTY AND EQUIPMENT:

Property and equipment as of March 31, 1998 and 1997 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
	1998	1997	1998
Buildings	**¥ 6,461**	¥4,347	**$ 48,910**
Machinery	**3,441**	1,078	**26,048**
Furniture and tools	**5,446**	8,212	**41,226**
Other	**9,692**	1,146	**73,369**
Construction in progress	**420**	14	**3,180**
	25,460	14,797	**192,733**
Less: Accumulated depreciation	**(11,844)**	(5,532)	**(89,659)**
	13,616	9,265	**103,074**
Land	**488**	488	**3,694**
	¥14,104	¥9,753	**$106,768**

9. ADVERTISER LISTS AND TRADE NAMES:

"Advertiser lists" were capitalized at the date of purchase of Ziff-Davis Publishing Company in the United States, and represents the present value of assets which are expected to generate future advertising income from the publication business. "Trade names" were capitalized in connection with the purchases of the exhibition division of The Interface Group (COMDEX), Ziff-Davis Publishing Company and Kingston Technology Company in the United States, and represent the economic value of the brand names of these entities.

10. SHORT-TERM LOANS AND LONG-TERM DEBTS:

Short-term loans outstanding comprised primarily contracted debts maturing within one year. The weighted-average interest rate for commercial paper at March 31, 1998 and 1997 was 0.83% and 0.72%, respectively.

Long-term debts at March 31, 1998 and 1997 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
	1998	1997	1998
Loans from financial institutions with interest rates ranging from 2.125% to 7.0%, at March 31, 1998 and 1997:			
Secured	**¥ —**	¥ 372	**$ —**
Unsecured	**13,849**	13,082	**104,838**
Loans from MAC Inc.	**354,783**	308,181	**2,685,715**
Loans from related companies	**—**	46,834	**—**
Unsecured straight bonds with interest rates ranging from 1.65% to 3.9%, due 1998 to 2007	**203,600**	220,000	**1,541,257**
Convertible bonds with interest rates ranging from 0% to 0.5%, due 2000 to 2002	**53,679**	53,829	**406,351**
	625,911	642,298	**4,738,161**
Less: Portion due within one year	**(35,549)**	(47,269)	**(269,107)**
	¥590,362	¥595,029	**$4,469,054**

Interest expense incurred on loans from MAC Inc. was ¥27,211 million and ¥15,859 million for the years ended March 31, 1998 and 1997, respectively.

Under the terms of the administration contracts relating to the unsecured straight bonds, the Company's ability to declare cash dividends is restricted. The most severe restriction stipulates that, during the period that the bonds are outstanding, accumulated cash dividends, including interim dividends, cannot exceed accumulated net income of the Company stand alone from the fiscal year ended March 31, 1996 and thereafter plus ¥429 million.

The convertible bonds are convertible into common stock at any time at the option of the holders at current conversion prices ranging from ¥4,389 to ¥8,141 per share.

The aggregate annual maturities of long-term debts outstanding at March 31, 1998 were as follows:

For the years ending March 31	(Millions of yen)	(Thousands of U.S. dollars) (Note 4)
1999	¥ 35,549	$ 269,107
2000	44,449	336,480
2001	51,546	390,204
2002	86,564	655,292
2003 and thereafter	407,803	3,087,078

11. GAIN ON SALES OF INVESTMENT SECURITIES:

Adjustments for consolidation have been made with regard to the following transactions which have taken place during the period between the closing dates of the fiscal years of the consolidated SBH (December 31, 1997) and of the Company (March 31, 1998).

The expected tax on the capital gain on the sales of Yahoo! Inc. and Global Center Inc. which occurred during the aforementioned period was not recognized due to the offsetting of capital gain and capital loss on SBH in 1998, on a taxable income basis.

(1) Sale of a Part of Yahoo! Inc. and Acquisition of GeoCities -

On December 31, 1997, the Company, Yahoo! Inc. and GeoCities entered into an agreement whereby Yahoo! Inc. agreed to invest in GeoCities and commit to a business relationship with GeoCities, and the Company agreed to purchase an equity interest in GeoCities. As provided by the agreement, the transaction was structured for multiple closings in December 1997 and January 1998.

As part of the December 1997 closing, the Company exchanged cash and shares of Yahoo! Inc. common stock for stock of GeoCities. The first closing occurred on December 31, 1997. A gain of ¥2,524 million from the sale and exchange of Yahoo! Inc. common stock is reported as gain on sale of investments in securities in the accompanying consolidated statements of income.

In connection with the GeoCities closing in January 1998, the Company sold an aggregate of 470,000 shares of Yahoo! Inc. common stock, the proceeds of which were used to satisfy the remaining obligations under the agreement. The resulting gain of approximately ¥3,256 million was reported as gain on sale of investments in securities in the accompanying consolidated statements of income.

(2) Sale of Global Center, Inc. -

On February 25, 1998, the shareholders of Global Center, Inc. voted to approve a proposed merger agreement with Frontier Corp. to sell the stock of Global Center, Inc. for common shares of Frontier Corp. The gain resulting from this transaction, amounting to ¥2,598 million, is based on the fair market value of the stock of Frontier Corp. on the date of approval of the transaction by the shareholders of Global Center, Inc. and was reported as gain on sale of investments in securities in the accompanying consolidated statements of income.

12. EXCHANGE GAIN:

Exchange gain as shown in the accompanying consolidated statements of income for the year ended March 31, 1998 included ¥2,881 million of exchange gain, resulting from a return of capital of SBH.

13. DISCONTINUED OPERATIONS:

On December 31, 1997, the Company sold its interest in SOFTBANK Interactive Marketing Inc. ("SIM") to Zulu Media Inc., a subsidiary of Zulutek Inc.

The Company recorded loss on discontinued operations of ¥2,071 million for the year ended March 31, 1998, which comprised of loss on sale of SIM (¥499 million) and loss from operations of SIM (¥1,572 million).

14. CUMULATIVE EFFECT OF ACCOUNTING FOR THE PURCHASE OF THE MAC ASSETS BY THE POOLING OF INTERESTS METHOD:

On October 31, 1997, Ziff-Davis Inc., which is a consolidated subsidiary located in the United States of America, acquired the following assets from MAC Inc., which is a majority shareholder of, for an estimated purchase price of $100 million. The acquired assets consist of the assets of Ziff-Davis Publishing Company (effective April 7, 1997, the name of this company was changed to Ziff-Davis Inc.), which were itself acquired by MAC Inc. on February 1996, for an approximate purchase price of $300 million.

The descriptions of acquired assets are summarized below:

(1) PC Related Magazines Publishing Company in Europe

(2) Assets of Related Magazines of "INTER@CTIVE WEEK", "Computer Gaming World" and "Family PC"

Necessary adjustments, which had retroactive cumulative effect of accounting for the purchase of the MAC Assets by the pooling of interests method, as ZD owned assets at the beginning, for consolidation have been made with these transactions in conformity with accounting principles generally accepted in the United States of America.

The cumulative effect in income and loss before December 31, 1996 was adjusted as "cumulative effect of accounting for the purchase of the MAC Assets by the pooling of interests method" in the "consolidated statements of shareholders' equity". The cumulative effect in income and loss after January 1, 1997 was included in the current income statements.

15. INCOME TAXES:

Income taxes in Japan applicable to the Company for the years ended March 31, 1998 and 1997 consisted of corporate income tax (national), enterprise tax (local) and resident income taxes (local) at the approximate rates indicated below:

	Rates on taxable income	
	1998	1997
Corporate income tax	37.5%	37.5%
Enterprise tax	12.7	12.7
Resident income taxes	7.7	7.7
	57.9%	57.9%
Effective statutory tax rate reflecting the deductibility of enterprise tax when paid	51.4%	51.4%

Although the enterprise tax is presented as selling, general and administrative expenses in the basic financial statements disclosed in Japan, a reclassification has been made to present income taxes in their entirety in the income taxes line item in the accompanying consolidated statements of income.

Effective April 1, 1998, the effective statutory tax rate was reduced to approximately 47.7%.

16. LEASE COMMITMENTS AND RENTAL EXPENSES:

The Company leases its facilities under non-cancelable leases. The total future minimum payments under these leases are as follows:

	For the years ending March 31	
	(Millions of yen)	(Thousands of U.S. dollars) (Note 4)
1999	¥ 5,379	$ 40,719
2000	4,226	31,991
2001	3,112	23,557
2002	2,359	17,858
2003	2,054	15,549
Thereafter	4,861	36,798
Total minimum lease payments	¥21,991	$166,472

Rental expense for the years ended March 31, 1998 and 1997 were ¥279 million and ¥294 million, respectively.

17. TRANSACTIONS WITH MAJORITY SHAREHOLDER:

Material transactions and balances with MAC Inc. other than those transactions and balances indicated in Notes 2(3), 10, 19(2) and 19(3) in the accompanying consolidated financial statements were as follows.

Transactions			
	For the years ended March 31,		
	1998	1997	**1998**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
Description of transactions			
Increase in			
long-term loans receivable	**¥23,946**	¥121,518	**$181,272**
Interest received	**25,247**	18,673	**191,120**
Transfer of royalty advance	**—**	23	**—**
Increase in advance receivable	**39**	—	**295**

Outstanding balances			
	March 31,		
	1998	1997	**1998**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
Account balance			
Long-term loans to			
related company	**¥273,497**	¥273,936	**$2,070,379**
Short-term loans receivable	**12,011**	5,820	**90,924**
Other current assets	**254**	296	**1,923**
Other current liabilities	**—**	24	**—**

18. ASSETS AND LIABILITIES OF ANONYMOUS INVESTMENT ASSOCIATION:

The consolidated financial statements at March 31, 1998 and 1997 include the following assets and liabilities of an anonymous investment associations managed by SOFTBANK Ventures, Inc. and SOFTBANK Contents Partners Corporation.

	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
	1998	1997	**1998**
Cash and cash equivalents	**¥ 1,500**	¥ 335	**$ 11,355**
Other current assets—investment securities	**17,487**	15,212	**132,377**
Other current assets—other	**5,374**	2,320	**40,681**
Other current liabilities	**1**	340	**8**
Other long-term liabilities	**22,753**	17,531	**172,240**

19. SUBSEQUENT EVENTS:

(1) Appropriation of Retained Earnings -

On June 19, 1998, the shareholders authorized the following: (a) payment of cash dividend to shareholders of record on March 31, 1998 at the rate of ¥40 per share or a total of ¥4,088 million, (b) transfer from retained earnings to legal reserve of ¥414 million and (c) payment of bonuses to directors aggregating ¥50 million.

(2) Reorganization and Initial Public Offering of Ziff-Davis Inc. -

Effective December 31, 1997, two of the Company's wholly owned subsidiaries, SOFTBANK COMDEX Inc. and SOFTBANK Forums Inc. merged and the surviving company was renamed ZD COMDEX and Forums Inc. ("ZDCF").

On May 4, 1998, the Company, through its wholly-owned subsidiary SBH, completed a reorganization whereby the common stock of ZD Inc. and ZDCF were contributed to Ziff-Davis Inc. in exchange for 73,619,355 common shares of Ziff-Davis Inc.. Concurrently with the reorganization, Ziff-Davis Inc. completed an initial public offering 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 1/2% 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 intercompany indebtedness into equity.

Net proceeds from the initial public offering and funding transactions in the reorganization were used to complete the purchase of certain assets from MAC Inc. for $370,000 thousand and repay intercompany indebtedness.

In this connection, MAC Inc. repaid loans from the Company in the amount of ¥152,418 million in cash on May 6, 1998. After the repayment, the balances of the Company's loans to MAC Inc. and of SBH's borrowings from MAC Inc. to date are as follows:

Company's loans to MAC Inc.

Contract date	Loan amounts (Millions of yen)	Interest rate %	Maturity date
September 4, 1996	¥ 40,333	8.3	December 31, 2011
September 5, 1996	46,323	8.3	December 31, 2011
November 7, 1996	34,862	8.3	March 31, 2007
June 12, 1997	11,572	7.5	June 30, 2007
Total	¥133,090		

SBH's borrowings from MAC Inc.

Contract date	Borrowing amounts (Millions of U.S. dollars)	Interest rate %	Maturity date
September 5, 1996	$ 795	8.8	December 31, 2011
November 7, 1996	304	8.8	March 31, 2007
June 12, 1997	100	8.0	June 30, 2007
Total	$1,199		

(3) Merger with MAC Inc. -

On May 7, 1998, the Company entered into a merger agreement with MAC Inc. which was approved by the shareholders' meeting of the Company on June 19, 1998. The merger with MAC Inc. is to take effect as of December 1, 1998.

The outline of the merger is as follows:

(a) Method of merger:

The method of merger is a takeover by the Company of MAC Inc. MAC Inc. will be dissolved at the same time.

(b) New share issue:

The Company will issue 48,629,360 new shares of common stock at par value to the shareholder of MAC Inc. Masayoshi Son.

(c) Change in shareholders' equity:

As a result of the merger, common stock, additional paid-in capital, legal reserves and retained earnings will increase by the following amounts:

Common stock	¥2,431,468,000
Additional paid-in capital	Amount as designated by Article 288-2 1st No.5 of Japanese Commercial Code less amounts provided as Earned legal reserve and Retained earnings as below.
Earned legal reserve	¥6,000,000 plus any amount reserved by MAC Inc. in connection with the appropriation of the year ended March 31, 1998.
Retained earnings	MAC Inc.'s amount less ¥219,911,760 of net income as of March 31, 1998.

(d) Retirement of shares of the Company owned by MAC Inc. and reduction of capital:

Once the merger is effective, the Company will retire its 47,445,810 shares formerly owned by MAC Inc. and implement a reduction of capital at the same time.

(e) Date of merger:

The merger will become effective on December 1, 1998.

(f) Assumed assets and liabilities:

The Company will assume MAC Inc.'s assets, liabilities, rights and obligations as estimated based on the balance sheet as of March 31, 1998 including any fluctuations up to the day before the date of merger.

(g) The summarized balance sheet of MAC Inc. as of March 31, 1998 was as follows:

Accounts	(Millions of yen) Amounts
Current assets	¥ 67,336
Fixed assets	298,782
Total assets	¥366,118
Current liabilities	80,470
Non-current liabilities	285,508
Total quotaholders' equity	140
Total liabilities and quotaholders' equity	¥366,118

(h) Other:

Effective May 31, 1998 MAC Inc. merged with Son Kosan Inc. and Ventures Guaranty Inc.

The summarized balance sheets of Son Kosan Inc. and Ventures Guaranty Inc. were as follows:

Son Kosan Inc.
As of March 31, 1998

Accounts	(Millions of yen) Amounts
Current assets	¥2,407
Fixed assets	1,645
Total assets	¥4,052
Total liabilities	1,455
Total quotaholders' equity	2,597
Total liabilities and quotaholders' equity	¥4,052

Ventures Guaranty Inc.
As of December 31, 1997

Accounts	(Millions of yen) Amounts
Current assets	¥ 169
Fixed assets	931
Total assets	¥1,100
Total liabilities	589
Total quotaholders' equity	511
Total liabilities and quotaholders' equity	¥1,100

The Company and MAC Inc. also agreed that MAC Inc. would transfer all of its assets and liabilities, except for the shares of the Company, loans to SBH, borrowings from the Company, tax assets and liabilities, and cash to Masayoshi Son or Son Asset Management Inc., wholly owned by Mr. Son.

20. SEGMENT INFORMATION:

(1) Business Segments -

The Company operates principally in the following business segments:

(a) Software and Network: Distribution of PC software, PC hardware and network related products;

(b) Media: PC related books and magazines, game multimedia titles, magazines used as medium for advertising, manuals and catalogues produced on consignment and related satellite broadcasting;

(c) Technology Events: Computer trade show operations;

(d) Service: Design and manufacture of memories and computer telemarketing;

(e) Other: Investment in Internet-related business, provision of internet directory services, etc;

	(Millions of yen)							
	For the year ended March 31, 1998							
	Software and Network	Media	Technology Events	Service	Other	Total	Elimination or Corporate Assets	Consolidated Total
I. Net Sales and Operating Income (Loss):								
Net Sales								
(1)Net sales to outside customers	¥192,616	¥117,966	¥36,742	¥159,657	¥ 6,383	¥513,364	¥ —	¥513,364
(2)Inter-segment net sales	85	153	16	6,114	486	6,854	(6,854)	—
Total	192,701	118,119	36,758	165,771	6,869	520,218	(6,854)	513,364
Operating Expenses	189,028	104,188	27,151	159,855	11,545	491,767	(6,297)	485,470
Operating Income (Loss)	¥ 3,673	¥ 13,931	¥ 9,607	¥ 5,916	¥(4,676)	¥ 28,451	¥ (557)	¥ 27,894
II. Identifiable Assets, Depreciation and Capital Expenditures:								
Identifiable Assets	¥103,564	¥473,102	¥193,543	¥238,916	¥97,780	¥1,106,905	¥33,346	¥1,140,251
Depreciation	689	13,013	4,488	10,061	1,009	29,260	217	29,477
Capital Expenditures	562	2,707	1,096	2,389	205	6,959	151	7,110

	(Thousands of U.S. dollars)							
	For the year ended March 31, 1998							
I. Net Sales and Operating Income (Loss):								
Net Sales								
(1)Net sales to outside customers	$1,458,108	$893,005	$278,138	$1,208,607	$ 48,319	$3,886,177	$ —	$3,886,177
(2)Inter-segment net sales	643	1,159	121	46,283	3,679	51,885	(51,885)	—
Total	1,458,751	894,164	278,259	1,254,890	51,998	3,938,062	(51,885)	3,886,177
Operating Expenses	1,430,946	788,705	205,534	1,210,106	87,396	3,722,687	(47,668)	3,675,019
Operating Income (Loss)	$ 27,805	$105,459	$ 72,725	$ 44,784	$(35,398)	$ 215,375	$ (4,217)	$ 211,158
II. Identifiable Assets, Depreciation and Capital Expenditures:								
Identifiable Assets	$ 783,982	$3,581,393	$1,465,125	$1,808,599	$740,197	$8,379,296	$252,430	$8,631,726
Depreciation	5,216	98,509	33,974	76,162	7,638	221,499	1,643	223,142
Capital Expenditures	4,254	20,492	8,297	18,085	1,552	52,680	1,143	53,823

	(Millions of yen)							
	For the year ended March 31, 1997							
	Software and Network	Media	Technology Events	Service	Other	Total	Elimination or Corporate Assets	Consolidated Total
I. Net Sales and Operating Income (Loss):								
Net Sales								
(1) Net sales to outside customers	¥175,243	¥100,509	¥28,175	¥53,494	¥ 2,321	¥359,742	¥ —	¥359,742
(2) Inter-segment net sales	478	182	4	4,599	99	5,362	(5,362)	—
Total	175,721	100,691	28,179	58,093	2,420	365,104	(5,362)	359,742
Operating Expenses	169,727	88,119	19,285	50,443	6,949	334,523	(5,362)	329,161
Operating Income (Loss)	¥ 5,994	¥ 12,572	¥ 8,894	¥ 7,650	¥(4,529)	¥ 30,581	¥ —	¥ 30,581
II. Identifiable Assets, Depreciation and Capital Expenditures:								
Identifiable Assets	¥65,837	¥381,705	¥150,541	¥133,000	¥311,113	¥1,042,196	¥28,449	¥1,070,645
Depreciation	200	9,998	3,927	3,770	550	18,445	119	18,564
Capital Expenditures	383	1,885	1,351	2,225	196	6,040	232	6,272

(Note 1) The amount of assets included in the column "Elimination or Corporate Assets" was ¥34,655 million for 1998 and ¥31,506 million for 1997, which included surplus funds (cash and securities), investments in securities and assets held by the administration department of the Company.

(Note 2) Depreciation and Capital expenditures include long-term prepayments and deferred charges and their amortization.

(Note 3) Operating Expenses include enterprise tax which has been reclassified as "Income Taxes" in the accompanying consolidated statements of income.

(Note 4) The effects of accounting changes are as follows:

1) Change in translation of revenue and expenses of foreign currency financial statements of overseas subsidiaries and affiliates into Japanese yen

As described in Note 3(4) of the Notes to the Consolidated Financial Statements, the translation of revenue and expenses of foreign currency financial statements of overseas subsidiaries and affiliates, during the year ended March 31, 1998, has been changed into the method using the average exchange rate during the year.

The effect of the above change on business segments information was summarized as follows:

- Net Sales to outside customers in Software and Network, Media, Technology Events, Service and Other were decreased by ¥420 million, ¥6,824 million, ¥2,466 million, ¥11,561 million and ¥30 million, respectively, as compared with the previous translation method.
- Inter-segment Net Sales in Software and Network, Media, Technology Events and Service were decreased by ¥7 million, ¥21 million, ¥8 million and ¥122 million, respectively, as compared with the previous translation method.
- Operating Expenses in Software and Network, Media, Technology Events, Service and Other were decreased by ¥490 million, ¥5,981 million, ¥1,856 million, ¥11,242 million and ¥250 million, respectively, as compared with the previous translation method.
- Operating Income in Software and Network, Other, Media, Technology Events and Service were increased/(decreased) by ¥62 million, ¥219 million, (¥864 million), (¥617 million) and (¥441 million), respectively, as compared with the previous translation method.
- Depreciation in Software and Network, Media, Technology Events, Service and Other were decreased by ¥9 million, ¥916 million, ¥308 million, ¥669 million and ¥69 million, respectively, as compared with the previous translation method.

2) Change in interperiod income tax allocation method

As described in Note 3(5) of the Notes to the Consolidated Financial Statements, income taxes applicable to the Company and its consolidated subsidiaries, during the year ended March 31, 1998, has been changed into being entirely accounted for by the interperiod income taxes allocation. As a result of the change, operating expenses in Software and Network, Media, Other and Service for the year ended March 31, 1998 were increased/(decreased) by ¥49 million, ¥91 million, ¥25 million and (¥2 million), respectively, as compared with the previous method. Assets in Software and Network, Media, Technology Events, Service and Other were also increased by ¥909 million, ¥410 million, ¥69 million, ¥13 million and ¥832 million, respectively, as compared with the previous method.

(2) Geographic Areas -

(Millions of yen) For the year ended March 31, 1998

	Japan	North America	Europe	Other Overseas Countries	Total	Elimination or Corporate Assets	Consolidated Total
I. Net Sales and Operating Income:							
Net Sales							
(1)Net sales to outside customers	¥218,337	¥274,362	¥15,377	¥ 5,288	¥ 513,364	¥ —	¥ 513,364
(2)Inter-segment net sales	77	2,914	44	—	3,035	(3,035)	—
Total	218,414	277,276	15,421	5,288	516,399	(3,035)	513,364
Operating Expenses	213,305	254,232	15,225	5,984	488,746	(3,276)	485,470
Operating Income (Loss)	¥ 5,109	¥ 23,044	¥ 196	¥ (696)	¥ 27,653	¥241	¥27,894
II. Identifiable Assets	¥562,570	¥523,548	¥10,898	¥23,357	¥1,120,373	¥19,878	¥1,140,251

(Thousands of U.S. dollars) For the year ended March 31, 1998

	Japan	North America	Europe	Other Overseas Countries	Total	Elimination or Corporate Assets	Consolidated Total
I. Net Sales and Operating Income:							
Net Sales							
(1) Net sales to outside customers	$1,652,816	$2,076,927	$116,404	$ 40,030	$3,886,177	$ —	$3,886,177
(2) Inter-segment net sales	583	22,059	333	—	22,975	(22,975)	—
Total	1,653,399	2,098,986	116,737	40,030	3,909,152	(22,975)	3,886,177
Operating Expenses	1,614,724	1,924,542	115,253	45,299	3,699,818	(24,799)	3,675,019
Operating Income (Loss)	$ 38,675	$ 174,444	$ 1,484	$ (5,269)	$ 209,334	$ 1,824	$ 211,158
II. Identifiable Assets	$4,258,668	$3,963,270	$ 82,498	$176,813	$8,481,249	$150,477	$8,631,726

(Millions of yen) For the year ended March 31, 1997

	Japan	Overseas Countries	Total	Elimination or Corporate Assets	Consolidated Total
I. Net Sales and Operating Income:					
Net Sales					
(1) Net sales to outside customers	¥200,228	¥159,514	¥ 359,742	¥ —	¥ 359,742
(2) Inter-segment net sales	99	73	172	(172)	—
Total	200,327	159,587	359,914	(172)	359,742
Operating Expenses	192,663	136,670	329,333	(172)	329,161
Operating Income	¥ 7,664	¥ 22,917	¥ 30,581	¥ —	¥30,581
II. Identifiable Assets	¥400,397	¥647,560	¥1,047,957	¥22,688	¥1,070,645

(Note 1) The amount of assets included in the column “Elimination or Corporate Assets” was ¥32,852 million for 1998 and ¥31,506 million for 1997, which included surplus funds (cash and securities), investments in securities and assets held by in the administration department of the Company.

(Note 2) Operating Expenses include enterprise tax which has been reclassified as "Income Taxes" in the accompanying consolidated statements of income.

(Note 3) The effects of accounting changes were as follows:

1) Change in translation of revenue and expenses of foreign currency financial statements of overseas subsidiaries and affiliates into Japanese yen

As described in Note 3(4) of the Notes to the Consolidated Financial Statements, the translation of revenue and expenses of foreign currency financial statements of overseas subsidiaries and affiliates, during the year ended March 31, 1998, has been changed into the method using the average exchange rate during the year.

The effect of the above change on geographic areas information was summarized as follows:

- Net Sales to outside customers in North America, Europe and Other were decreased by ¥20,531 million, ¥395 million and ¥374 million, respectively, as compared with the previous translation method.
- Inter-segment Net Sales in North America was decreased by ¥159 million as compared with the previous translation method.
- Operating Expenses in North America, Europe and Other were decreased by ¥18,986 million, ¥409 million and ¥426 million, respectively, as compared with the previous translation method.
- Operating Income in North America, Europe and Other was increased/(decreased) by ¥(1,707 million), ¥14 million and ¥51 million, respectively, as compared with the previous translation method.

2) Change in interperiod income tax allocation method

As described in Note 3(5) of the Notes to the Consolidated Financial Statements, income taxes applicable to the Company and its consolidated subsidiaries, during the year ended March 31, 1998, has been changed into being entirely accounted for by the interperiod income taxes allocation. As a result of the change, operating expenses in Japan for the year ended March 31, 1998 were increased by ¥162 million, and also assets in Japan were increased by ¥2,235 million as compared with the previous method.

(Note 4) With effect from the year ended March 31, 1998, segment information classified by geographic area to separate Overseas Countries into North America, Europe and Other Overseas countries has been required to be disclosed.

(3) Net Sales in Overseas Countries -

	(Millions of yen)			
	For the year ended March 31, 1998			
	To North America	To Europe	To Other	Total
I. Net sales in overseas countries	¥228,165	¥43,150	¥18,906	¥290,221
II. Consolidated net sales	—	—	—	513,364
III. %	45%	8%	4%	57%

	(Millions of yen)		
	For the year ended March 31, 1997		
	Net sales in overseas countries	Consolidated net sales	%
	¥159,513	¥359,742	44%

(Note 1) Net sales in overseas countries included the sales of the Company and its overseas consolidated subsidiaries outside of Japan.

(Note 2) Segmentation policy of net sales in overseas countries and significant countries belonging in each area.

1) Segmentation policy of net sales in overseas countries was based on geographical location.

2) Significant countries in each area were summarized below:

North America:	U.S.A., Canada
Europe:	U.K., Germany, France
Other:	Singapore, Australia

(Note 3) Effective April 1, 1997, net sales in overseas countries by area is required to be presented.

MANAGEMENT'S FINANCIAL POLICY

It is our belief that corporate management should be based on an established, clear corporate philosophy that guides management and maximizes corporate value. SOFTBANK Corp.'s philosophy is to "improve the lifestyles of consumers worldwide by providing the essential infrastructure for the digital information service industry."

To maximize SOFTBANK's corporate value within this context, we are committed to being an organization that is capable of generating free cash flow (the measure of the real inflows and outflows of cash) that significantly exceeds the cost of capital on a consistent and long-term basis. However, in Japan, corporate performance is still commonly evaluated by examining accounting profits and their accompanying ratios. We feel that such financial analysis may not accurately reflect the true financial health of a company due to its reliance on accounting methods that do not measure the true economic value, but rather the accounting value. This can lead to the inflation of reported figures when compared with the underlying financial health of the company. Moreover, since accounting standards differ from country to country, only free cash flow neutralizes these differences and clearly reveals the true economic value of global organizations such as SOFTBANK.

Therefore, free cash flow is clearly a more appropriate measure of a company's ability to create corporate value. Consequently, it is incumbent on management to create positive free cash flow in which not only capital costs are covered, but real economic value is created. It is this economic value added that represents the creation of long-term corporate value for shareholders and stakeholders.

At SOFTBANK, we believe that a scientific management approach is essential for the implementation of strategic value creation. This ensures that revenue growth does not occur at the expense of corporate value or operating efficiency. In other words, unless the free cash flow concept is clearly understood and utilized throughout all business units, it is not possible to truly evaluate the contribution of any particular business unit. Even if increases in revenue or operating income are recorded due to increases in working capital or capital expenditures, a particular business unit may not be creating the free cash flow necessary to cover the cost of the capital invested in the unit.

Also, we believe it is more important to pay particular attention to the analysis of long-term free cash flow rather than short-term financial gains.

In the case of SOFTBANK, when analyzing potential acquisitions as well as formulating strategies for existing businesses, the analysis of long-term free cash flow is carried out using a variety of potential scenarios to determine the various micro-drivers of growth. This allows management to better manage the risks involved in future value creation endeavors. This further ensures that management acts only when it is in the best interest of the company from the perspective of value creation.

Across the broad spectrum of SOFTBANK's businesses, we are utilizing low capital costs to generate long-term free cash flow which ensures stable growth in corporate value. In the case of our acquisitions, we believe that the present values of their long-term cash flow have added and will continue to add significant value to our enterprise. We are using the same free cash flow measures within all our operating companies to identify and pursue global operating synergies between operating units as well as maximize stand-alone values. SOFTBANK's value-added management provides business units with free cash flow targets that ensure each of these units provides an acceptable economic return to shareholders.

This year, SOFTBANK began a Business Process Re-engineering (BPR) program, which will better equip management with the information they need to make even better decisions concerning the creation of long-term free cash flow. Moreover, through the BPR program we expect to be able to lower our capital cost, which will increase our free cash flow from all our businesses even further. Additional results we expect from this program include a high turnover at inventory, lower rate of returned publications, and reduced corporate taxes. The benefits of these changes on the Company's ability to better create, evaluate, and reward free cash flow growth and clearly communicate this growth to the market will be invaluable to management.

REPORT OF MANAGEMENT

Responsibility for the consolidated financial statements presented in this Annual Report rests with SOFTBANK Corp.'s management. The preparation of financial statements in conformity with accounting principles generally accepted in Japan requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period.

SOFTBANK maintains a system of internal control over financial reporting, which management believes is adequate to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and financial records are reliable for preparing consolidated financial statements. This system is supported by the Company's policy of corporate ethics. This policy sets forth management's commitment to conduct business worldwide with the highest ethical standards and in conformity with applicable laws. These controls are monitored by an extensive and ongoing program of internal audits.

The financial consolidated statements have been audited by the Company's independent accountants, Chuo Audit Corporation. The purpose of their audit is to independently affirm the fairness of management's reporting of financial position, results of operations and cash flows. To express the opinion set forth in their report, they study and evaluate the internal controls to the extent they deem necessary.

The Corporate Auditors Board, composed of four corporate auditors, including two outside corporate auditors, provides oversight to our financial reporting system and approves the nomination of the independent accounting firm to be retained. The Corporate Auditors Board periodically meets privately with the independent accountants, internal auditors and management to review various auditing and financial reporting matters.

July 15, 1998

Masayoshi Son
President and Chief Executive Officer

Yoshitaka Kitao
Executive Vice President and
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of
SOFTBANK Corp.

We have audited the consolidated balance sheets of SOFTBANK Corp. and its subsidiaries as of March 31, 1998 and 1997, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SOFTBANK Corp. and its subsidiaries as of March 31, 1998 and 1997, the results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

As described in Note 3(4) of the Notes to the Consolidated Financial Statements, the Company, during the year ended March 31, 1998, changed the method of the translation of revenue and expenses of foreign currency financial statements of overseas consolidated subsidiaries and affiliates accounted for by the equity method, from that using the current exchange rates prevailing at the balance sheet date into that using the average exchange rate during the year. The change was made, in the light of increased materiality of the overseas consolidated subsidiaries and affiliates, in order to achieve the more appropriate translation of foreign currency financial statements which reflect the actual condition and operating results better, because the revenue and expenses of the subsidiaries and affiliates are derived and incurred through the year and therefore we concur with the change as appropriate.

As a result of the change, net sales for the year ended March 31, 1998 was decreased by ¥21,981 million and income before income taxes and net income for the year ended March 31, 1998 were increased by ¥365 million and ¥812 million, respectively, as compared with the previous method. Also, the effect of the change to the segment information has been described in Note 20 of the Notes to the Consolidated Financial Statements.

As described in Note 3(5) of the Notes to the Consolidated Financial Statements, the Company and its consolidated subsidiaries, during the year ended March 31, 1998, changed the method of accounting for income taxes from that applicable to certain consolidated overseas subsidiaries by the intraperiod income taxes allocation method into that applicable to the Company and its consolidated subsidiaries by the intraperiod income taxes allocation method. The change was made in order to achieve the better matching of periodic cost against revenue, because the materiality of overseas consolidated subsidiaries having been accounted for by the intraperiod income taxes allocation, has increased. Therefore, it has become necessary to unify the accounting principles among the Company and its consolidated subsidiaries since the intraperiod income taxes allocation method has been applied more generally in Japan and therefore we concur with the change as appropriate.

As a result of the change, income before income taxes and net income for the year ended March 31, 1998 were increased by ¥485 million and ¥2,298 million, respectively, as compared with the previous method. Also, the effect of the change to the segment information has been described in Note 20 of the Notes to the Consolidated Financial Statements.

Chuo Audit Corporation

Chuo Audit Corporation

June 19, 1998
Tokyo, Japan

MAJOR SUBSIDIARIES

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BOARD OF DIRECTORS

Masayoshi Son
President & Chief Executive Officer

Ken Miyauchi
Executive Vice President Software & Network Products Division

Norikazu Ishikawa
Executive Vice President Human Resources & General Affairs Division

Yoshitaka Kitao
Executive Vice President & Chief Financial Officer

Makoto Okazaki
Executive Vice President Publishing Division

Takashi Eguchi
Director

Masahiro Inoue
Director

Ronald D. Fisher
Director

Eric Hippeau
Director

Mitsuo Sano
Full-Time Corporate Auditor

Katsura Sato
Full-Time Corporate Auditor

Saburo Kobayashi
Corporate Auditor

Hidekazu Kubokawa
Corporate Auditor

DIRECTORS OF SUBSIDIARIES*

Kingston Technology Company
John Tu
Chief Executive Officer

SOFTBANK Content Services Incorporated
Tim May
President & Chief Executive Officer

SOFTBANK Holdings Inc.
Masayoshi Son
Chairman & Chief Executive Officer

SOFTBANK Services Group
Mark Briggs
President & Chief Executive Officer

UTStarcom, Inc.
Hong Liang Lu
Chief Executive Officer

Ziff-Davis Inc.
Eric Hippeau
Chief Executive Officer

*Listed alphabetically by company

SHAREHOLDER INFORMATION AND SERVICES

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Founded
September 3, 1981

Paid-in Capital
¥101,884 million
(As of March 31, 1998)

Common Stock Issued
102,419,805 shares

Number of Shareholders
62,160
(As of March 31, 1998)

Stock Exchange Registration
Tokyo Stock Exchange First Section

Annual Meeting
Tokyo, Japan

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Transfer Agent
The Toyo Trust & Banking Co., Ltd.

Financial And Other Information
Securities analysts, portfolio managers, representatives of financial institutions and other individuals with questions about SOFTBANK's performance are invited to contact SOFTBANK Corp.

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