SOFTBANK

creating an eFuture

At SOFTBANK CORP., management is focused on developing, integrating, promoting and internationalizing leading Internet brands. We are actively positioning subsidiaries and affiliates as leaders in the emerging global Internet marketplace. SOFTBANK, a pioneer in the global Internet industry, manages an impressive network of operating companies, in addition to an unparalleled portfolio of Internet-related ventures. Our successful business model and experienced management continue to actively build value for shareholders today, while leveraging our current market positions, resources, and strategic alliances to grow more than just the company. We create the future - an eFuture.

• Eleven successful launches of leading Internet franchises in global markets.

• Successful IPO of a leading Internet franchise localized in an international market.

• Premiere market positions in almost every Internet space.

• Alliances in key global markets to facilitate further international expansion of key business partners.

• Commitment to building shareholder value over the long-term.

CONTENTS

CONSOLIDATED FINANCIAL HIGHLIGHTS

SOFTBANK CORP. and consolidated subsidiaries

Years ended March 31

For the Year:	Millions of yen		Thousands of U.S. dollars
	1999	1998	**1999**
Net sales	**¥ 528,159**	¥ 513,364	**$4,381,244**
Operating income	**12,130**	31,938	**100,622**
Income before income taxes	**36,640**	33,824	**303,940**
Net income	**37,538**	10,303	**311,389**

At Year-End:	Millions of yen		Thousands of U.S. dollars
Total assets	**¥ 952,578**	¥1,140,251	**$7,901,933**
Shareholders' equity	**284,976**	242,758	**2,363,965**

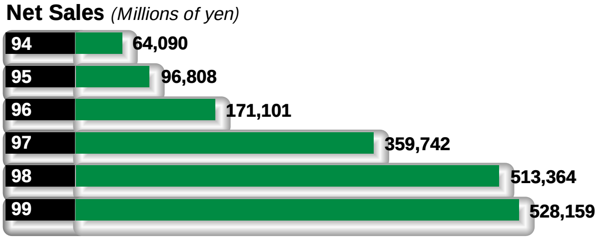
Per Share Data:	Yen		U.S. dollars
Earnings per share-Primary	**¥ 365.38**	¥ 100.77	**$3.03**
Earnings per share-Diluted	**342.11**	95.29	**2.84**

Number of Employees	**6,865**	7,743	

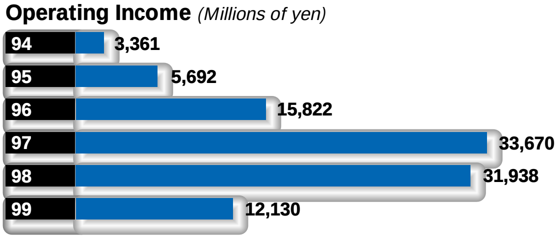
Note: 1. SOFTBANK CORP.'s fiscal year ends March 31.

2. Yen figures have been translated into U.S. dollars, for convenience only, at the rate of ¥120.55=$1.00, the closing Tokyo FOREX bid rate on March 31, 1999.

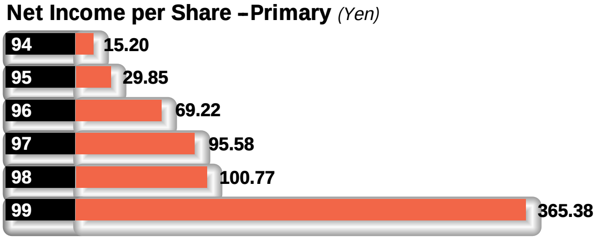
Net Sales *(Millions of yen)*



Operating Income *(Millions of yen)*



Net Income per Share –Primary *(Yen)*



DEAR SHAREHOLDERS

The fiscal year ended March 31, 1999 reflected a major turning point in SOFTBANK CORP.'s history, which was the result of an email a few years earlier. On January 1, 1996, I had sent an email to the other members of the board concerning a major shift in our corporate strategy.

The Email

The gist of the message to the board members was that revolutionary changes in the digital information industry would occur over the relative near-term, and that those changes would be delivered over the Internet. With that thought in mind, I had requested that the board members devote our resources solely to the pursuit of opportunities in the Internet space.

Upon receiving the board's consent to become an Internet-centric company, we collectively considered the most opportune way of maximizing our shareholder's value through strategic investments in the Internet. With the increasing volume of information becoming available, we felt that individuals would require the means to precisely locate the information that they desired. It was decided that we first had to capture the flow of this information.

The Flow of Information

The first time I visited Yahoo! Inc. was at their Santa Clara offices in January of 1996. At that time, Yahoo! consisted of only about 15 employees, had net sales of approximately $1.6 million, and a net loss of about $1 million. Interestingly, that very same day, one of their employees was busy painting the office walls. Regardless of these circumstances, we intuitively felt that their business, that of an Internet search engine, would be pivotal in the upcoming Internet revolution.

As the first stage of our Internet strategy, we made significant equity investments in Yahoo!, and then in GeoCities. This was followed by the formation of joint ventures with each of these companies. Yahoo! currently serves approximately 7 billion pages per month, and has become one of the top eye-ball aggregation sites in the world. Through these investments, the SOFTBANK Group has been able to entrench itself in the flow of information over the Internet.

After successfully positioning SOFTBANK in the flow of information over the Internet, we carefully considered our next step. We regard a portal, or an eye-ball aggregation site, as prime real estate, likening it to Fifth Avenue in New York City. That is, a place where literally millions of people gather to conduct commerce. Considering that commerce consists of the flow of goods and services, as well as money, we concluded that SOFTBANK should first expand into online financial services.

Financial services is a field well suited to the Internet since, unlike goods and services, it is data-base oriented and does not require physical handling or viewing prior to conducting a transaction. Having decided to aggressively enter the Internet financial space, in July of 1998 we invested $400 million in E*TRADE Group, Inc., for the largest minority holding in the company.

We then made similarly significant investments in InsWeb Corporation, which provides insurance information on the web, E-LOAN, Inc., which provides mortgages via the web, and Morningstar, Inc., which is one of the premiere mutual fund rating companies in the U.S. Also, we established joint ventures with these companies, as well as with others, creating E*TRADE Japan K.K., Morningstar Japan K.K., INSWEB Japan K.K., FOREXBANK Co., Ltd., E-Loan Japan K.K., E*Advisor Co., Ltd., and CyberCash K.K. In this way, SOFTBANK has been able to establish an Internet financial presence that is unsurpassed.

Given the respective positions that we have carved out for ourselves in the flow of information and financial services over the Internet, going forward we will endeavor to position ourselves similarly in the goods and services area. In other words, we expect to expand into all aspects of e-commerce.

ONSALE JAPAN K.K. was established and operations started in June of 1998. In March of 1999, our joint venture with Microsoft, CarPoint Japan was announced, and in August, e-Shopping! Books CORP., a joint venture with Japan's largest book wholesaler, TOHAN CO., LTD., was established. Also, we established e-Shopping! Toys CORP., in a joint venture with Japan's largest toy wholesaler, HAPPINET CORPORATION.

In the U.S., Internet companies such as Amazon.com have successfully developed and thrived in the e-commerce space. The joint ventures that we have established with the aforementioned companies are based on a different business model than those used in the U.S. Our model utilizes pre-existing inventory at wholesalers, thereby reducing our inventory risk. Further, we have formed a business relationship with Seven Eleven Japan Co., Ltd., whereby they act as our distribution agent. That is, the sale of either a book or toy is made on the respective joint venture's web site, but the actual retrieval and payment of the product can be done at the closest Seven-Eleven convenience store.

Going forward, we expect to develop many different Internet business models, which will allow us to expand into various business areas. The Internet revolution has just begun, and countless business opportunities will present themselves to us.

"SOFTBANK Strikes Gold on the Web"

A Wall Street Journal article on February 3, 1999 entitled "SOFTBANK Strikes Gold on the Web" alluded to the sizable unrealized gains in our Internet holdings. On a pre-tax basis, the unrealized gain on the SOFTBANK Group's equity holdings at the end of March 1998 was only ¥167 billion, but a year later at the end of March 1999 the unrealized gain was ¥1,665 billion. This reached a recent high of ¥2,334 billion on April 9, 1999.

These numbers affirm the Internet strategy that we embarked on three years ago, and in fact the market seems to have finally caught on to our early assessment of the latent potential of Internet companies. That is, once these companies' revenues surpass the relatively fixed costs of doing business on the Internet huge future cash flows can be expected.

The Internet will likely revolutionize the lives of individuals, as well as profoundly alter the way businesses conduct their operations. Put another way, a major factor in determining virtually every company's corporate value will be its Internet presence. SOFTBANK has positioned itself as a leading participant in this revolution, and is very well situated to further enhance shareholder value going forward.

Pure Holding Company

Cash Flow Management

At the shareholders' meeting this past June, SOFTBANK received approval to become a pure holding company, and a majority of external directors were elected to the Company's board. Having a majority of outside directors is unique and all but unheard of in Japan. The pure holding company structure will allow the management within each of the respective subsidiaries to respond more efficiently, speedily, and precisely to their respective business environments. Furthermore, the new composition of the board with a majority of outside directors will add greater objectivity to the decision-making process.

The Internet is said to move in dog years, owing to the speed with which change takes place in this space, especially when compared to the pace of change in other industries. To be totally immersed in the Internet and to maintain one's leadership position requires the managerial ability to respond more efficiently, precisely, and decisively to a wide variety of opportunities.

The pure holding company structure reflects the final stage in the development of management's free cash flow focus, which we have advocated for some time. The former divisions of the Company, which will now become wholly-owned subsidiaries, will be individually responsible and accountable for their own financial well-being. Even divisions that were previously considered cost centers must consciously utilize cash flow management to build shareholder value in their respective businesses.

SOFTBANK's corporate value should be based on the sum of its parts, which is the aggregate value of the various subsidiary companies and affiliates. Therefore, SOFTBANK's management is dedicated to enhancing the value of the various parts of the company.

In order to do so, we will consider many different alternatives available to enhance this value. However, our first order of business will be accurately assessing the current status of each subsidiary company on a real-time basis. This will enable management to efficiently allocate resources as it focuses on maximizing total corporate value.

Prior to receiving approval to become a pure holding company, SOFTBANK had embarked on a large scale Business Process Re-engineering program. We have developed a system that can gather pertinent information on a real-time basis so management can derive the key value drivers of each subsidiary company. This will enable the parent holding company's management to systematically evaluate various alternatives available to maximize the sum of SOFTBANK's parts, quickly reallocate assets to a more appropriate composition when necessary, as well as develop and exploit strategic and operational synergies.

An eFuture

There is no question that the Internet will revolutionize the digital information industry, as well as affect all corporations and individuals worldwide.

With an unwavering belief in the future of the Internet, the SOFTBANK Group is determined to position itself as the preeminent player in the Internet space.

The Nasdaq Japan project has already significantly impacted the existing Japanese financial system, having forced the modernization of the various exchanges, including the Tokyo Stock Exchange.

The recently announced High-Speed Internet Access Service, which is a joint project between Microsoft, Tokyo Electric Power, and SOFTBANK, will utilize an integrated combination of fiber optic cable, copper and wireless technologies. We expect this company to revolutionize the telecommunications service industry. The new service will reduce Internet connection costs dramatically, and increase access speeds. As a result, Internet usage will expand rapidly, and the growth and development of e-commerce will accelerate.

As we enter the 21st century, we believe that SOFTBANK and its shareholders are well positioned to benefit from the value creation that the Internet will bring.

Thank you for supporting our vision of the eFuture.

August 11,1999

Masayoshi Son
President and Chief Executive Officer

THE SOFTBANK GROUP AT A GLANCE

SOFTWARE & NETWORK PRODUCTS

The software & network products segment's net sales increased ¥22,954 million or 11.9% from ¥192,701 million for the year ended March 31, 1998 to ¥215,655 million for the year ended March 31, 1999. Operating income increased a slight 3.6% to ¥3,804 million from ¥3,673 million.

MEDIA

Net sales for the media segment decreased ¥12,958 million or 11.0% from ¥118,119 million for the year ended March 31, 1998 to ¥105,161 million for the year ended March 31, 1999. The division recorded an operating loss of ¥4,831 million compared with operating income of ¥13,931 million for the year ended March 31, 1998.

TECHNOLOGY EVENTS

The technology events segment's net sales increased ¥2,048 million or 5.6% from ¥36,758 million for the year ended March 31, 1998 to ¥38,806 million for the year ended March 31, 1999. Operating income decreased 3.3% to ¥9,291 million from ¥9,607 million.

TECHNOLOGY SERVICES

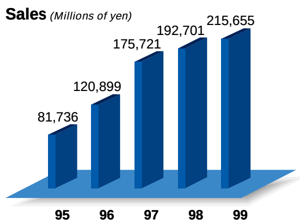
Net sales for the technology services segment fell ¥15,410 million or 9.3% from ¥165,771 million for the year ended March 31, 1998 to ¥150,361 million for the year ended March 31, 1999. Operating income fell 8.7% to ¥5,404 million from ¥5,916 million.

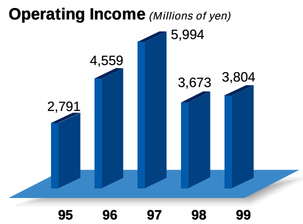
INTERNET

The Internet segment's net sales grew ¥9,068 million or 235.0% from ¥3,859 million for the year ended March 31, 1998 to ¥12,927 million for the year ended March 31, 1999. Operating losses declined 20.7% to ¥594 million from ¥749 million.

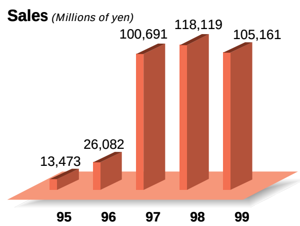
FINANCE

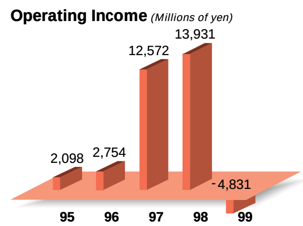
The finance segment, created this past fiscal year, is comprised of various Japanese finance-related service companies. The segment is aggressively building an online network of financial service companies, which aim to empower the individual with the tools and information to make informed financial decisions.



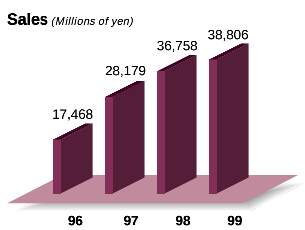


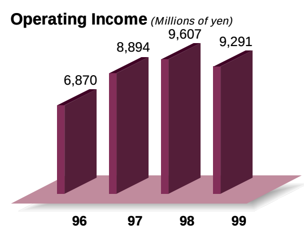
SOFTBANK CORP.'s software & network products division is the leading Japanese distributor of PCs, packaged software, network and other PC-related products. UTStarcom, Inc. is a leading marketer of advanced intelligent networks and telecommunications products in the People's Republic of China. An exciting new addition to the software & network products segment this past year was the online auction business, ONSALE JAPAN K.K.



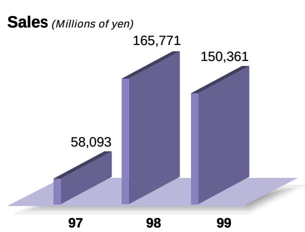


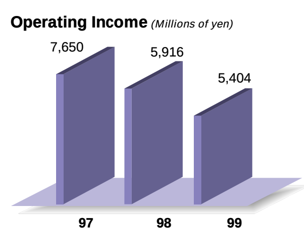
The publishing division of SOFTBANK CORP., currently Softbank Publishing Inc., is a premiere publisher of computer-related magazines and books as well as magazines for video game players in Japan. The publishing division of Ziff-Davis Inc. (NYSE: ZD), is a leading global publisher of computer-related magazines, including *PC Magazine,* which is the world's largest technology publication and the largest business magazine in the U.S.



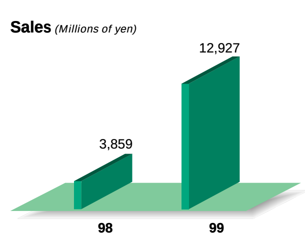


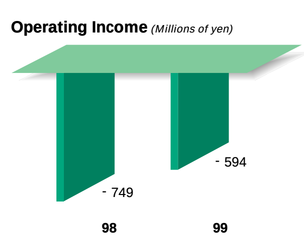
ZD Events Inc., the technology events division of Ziff-Davis Inc., manages and operates computer-related exhibitions and conferences worldwide. In 1998, ZD Events Inc. hosted more than 50 global events, which featured over 5,000 technology vendors and millions of attendees.





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. SOFTBANK TECHNOLOGY CORP. (JOTC: 4726), formerly SB Networks Corp., is a leading provider of electronic commerce related services.





Yahoo Japan Corporation (JOTC: 4689) is the premiere integrated media company in Japan. This past year, Yahoo! Inc. (NASDAQ: YHOO), in which the Company is a significant shareholder, announced that it would acquire GeoCities (NASDAQ: GCTY), an affiliate in which the Company was a primary shareholder. GeoCities Japan Corporation manages the largest Internet-based community service in Japan. ZDNet (NYSE: ZDZ) is the explosive Internet division of Ziff-Davis Inc. Additions to the Internet segment this past year include broadcast.com japan k.k., and E*TRADE Group, Inc. (NASDAQ:EGRP).

The segment includes SOFTBANK FINANCE CORPORATION, and its world renowned subsidiaries, E*TRADE Japan K.K., FOREXBANK Co., Ltd., INSWEB Japan K.K., Morningstar Japan K.K., SOFTBANK Ventures, Inc., SoftVenture Capital Co., Ltd. and various other finance-related ventures.

SOFTWARE & NETWORK

http://www.sol.ne.jp

The software & network products segment, comprising SOFTBANK's software & network products division, ONSALE JAPAN K.K., and UTStarcom, Inc. recorded an increase in net sales of ¥22,954 million or 11.9% from ¥192,701 million for the year ended March 31, 1998 to ¥215,655 million for the year ended March 31, 1999. Operating income increased a slight 3.6% or ¥131 million from ¥3,673 million to ¥3,804 million.

The software & network products division distributes more than 100,000 packaged software, PC-related hardware and peripheral products to more than 25,000 computer software and hardware retail outlets in Japan. The division acquires PC application software and hardware products from more than 2,000 vendors worldwide, including Microsoft, Compaq, and NEC. The acquisition of OMRON MICROCOMPUTER SYSTEMS CO., LTD., completed in January 1999, strengthened the division's position as a premiere distributor in Japan. This past year, the division announced that it had formed a strategic alliance with Ingram Micro Inc., the largest distributor of software, PC-related hardware and peripheral products in the world. Increasing competition caused by continued slowing of economic growth in Japan, as well as rising SG&A (Selling, General & Administrative) expenses continued to limit the growth potential of the division. In this market, net sales increased a slight ¥363 million from ¥184,186 million for the year ended March 31, 1998 to ¥184,549 million for the year ended March 31, 1999. Operating income declined during the period under review. The synergetic benefits attributable to the acquisition of OMRON MICROCOMPUTER, the strategic alliance with Ingram Micro, and the next phase of the strategic realignment scheduled tentatively for October 1, 1999, should positively affect future performance.

http://www.onsale.co.jp

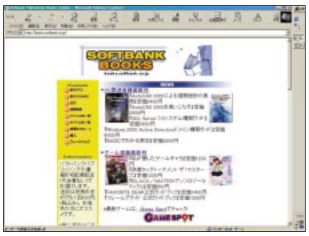
ONSALE JAPAN, established on July 1, 1998, as a joint venture between SOFTBANK and ONSALE, Inc., launched an online business-to-consumer auction service on June 15, 1999. ONSALE JAPAN lists more than 1,000 computer related products from companies such as Compaq, IBM, Microsoft, Hewlett-Packard, NEC and Hitachi. The new service manages auctions which, in addition to providing value-conscious customers with exceptional cost savings on an expanding selection of products, are designed to be fun and entertaining. This follows ONSALE JAPAN's successful launch of its online business-to-business auction service in November 1998. The combination of superior auction services and an expanding product line have positioned ONSALE JAPAN as a premier Japanese auction site. For the year ended March 31, 1999 ONSALE JAPAN recorded net sales of ¥59 million. Moving forward, ONSALE JAPAN aims to build a large loyal customer base, which it plans to leverage to expand its business and revenue.

http://www.utstar.com

UTStarcom designs, manufactures, markets and supports access network products and services in not only the People’s Republic of China, but also in other developing telecommunication markets. UTStarcom’s family of Access Node Network products provide telecommunications operators a complete switch-to-subscriber network solution over copper, fiber optic cable, and wireless transmission media. This past year, the Chinese telecommunications market was negatively affected as companies delayed purchasing decisions until after the central government finalized how resources would be reallocated between the postal and telecommunication ministries following their reorganization. Net sales increased ¥17,337 million or 400.7% from ¥4,327 million for the year ended March 31, 1998 to ¥21,664 million for the year ended March 31, 1999. This significant increase in net sales is primarily the result of the 12-month consolidation of net sales, as opposed to the 2.5-month consolidation in the previous fiscal period. UTStarcom recorded an operating loss for the year ended March 31, 1999. Looking forward, management plans to continue actively penetrating the access product markets in South America and Asia, as well as increasing sales to other telecommunications manufacturers, including NEC, Kyocera, Araycom, and Airspan.

In the coming year, recently established ventures such as CarPoint Japan, e-Shopping! Books, e-Shopping! Toys, and various other electronic commerce oriented ventures will begin launching commerce-related sites. The software & network products division will leverage the strengths of its various venture partners to produce commercial sites, which will not only utilize successful business models, but will also be localized to meet the needs of the Japanese market. The ultimate beneficiary of the electronic-commerce revolution will be customers, who will be given the information, tools, and convenience necessary to locate exactly what they desire, 24 hours a day, seven days a week. Companies that succeed at this task will create strong brand loyalty and dominate their respective Internet spaces.

MEDIA

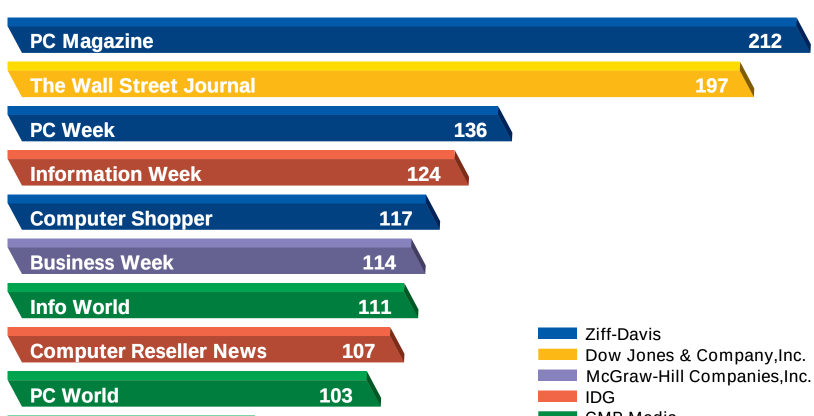


http://books.softbank.co.jp

The media segment, comprising the publishing division of SOFTBANK CORP., currently Softbank Publishing Inc., as well as the print publishing businesses of Ziff-Davis Inc. (NYSE: ZD), recorded a significant decrease in net sales of ¥12,958 million or 11.0% from ¥118,119 million for the year ended March 31, 1998 to ¥105,161 million for the year ended March 31, 1999. The division recorded an operating loss of ¥4,831 million for the year ended March 31, 1999, compared with operating income of ¥13,931 million for the year ended March 31, 1998. The decline in performance was primarily due to continued global softness in the technology advertising market, the exclusion of certain publications transferred to a joint venture, and the discontinuation of certain publications.

The publishing division of SOFTBANK, currently Softbank Publishing Inc., continued to operate in a very challenging Japanese technology publishing market. In addition to reducing production costs, SG&A (Selling, General and Administrative) expenses, and discontinuing unsuccessful publications, Softbank Publishing successfully expanded the rate base of its flagship PC-related titles, as well as its other Internet and amusement titles. However, net sales declined ¥1,983 million or 9.5% from ¥20,888 million for the year ended March 31, 1998 to ¥18,905 million for the year ended March 31, 1999, primarily due to a 28.9% reduction in advertising revenue resulting from the decrease in corporate advertising budgets this past year. Operating income during the year under review declined. The significant steps taken this past year have not only strengthened the publishing division's position as a premiere information technology publisher in Japan, but also significantly increased management's operating efficiency. These will be invaluable assets as the business environment improves.

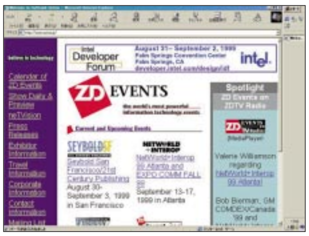
Top Ranking Publications by Ad Revenue for 1998
(Millions of dollars)



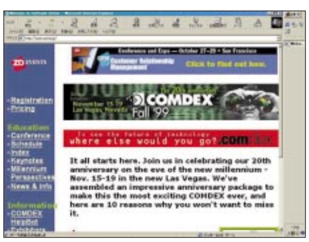
Source: Adscope

http://www.ziffdavis.com

Ziff-Davis produces more than 80 publications worldwide covering everything from the Internet economy to family computing and gaming. Ziff-Davis' mission continues to be to provide the most comprehensive Internet and computer related information for businesses and consumers, both in print form and on the web. Ziff-Davis publishes *PC Magazine,* which this past January increased its rate base to 1.225 million copies per month. *PC Magazine* is the world's largest technology magazine and the largest business magazine in the U.S. with circulation exceeding *Fortune* and *Forbes.* A newer print title of Ziff-Davis that reflects the mainstreaming of the Internet is *Yahoo! Internet Life,* which is one of the fastest growing magazines in the U.S. However, revenue dropped significantly year-over-year due to the exclusion of certain publications transferred to a joint venture, the discontinuation of three publications and lower advertising in certain business publications caused by continuing softness in the technology advertising market. Excluding these factors, the net sales of Ziff-Davis remained basically flat. Accompanying this decline in performance, operating income shrank primarily as a result of a one-time restructuring charge of approximately ¥6,800 million, incurred during this period. Following the close of this past fiscal year, Ziff-Davis announced that it had retained the services of Morgan Stanley Dean Witter to explore strategic alternatives to maximize shareholder value. Ziff-Davis expects to investigate a wide range of possibilities, including strategic alliances, mergers, and the sale or joint venture of all or some of the Company's businesses. Although no assurance can be given that any action will be taken by Ziff-Davis resulting from this exploration process, SOFTBANK announced that it fully supported this course of action as consistent with its revised strategy of focusing on companies that operate completely in the Internet space.



http://www.zdevents.com



http://www.zdevents.com/comdex/fall99

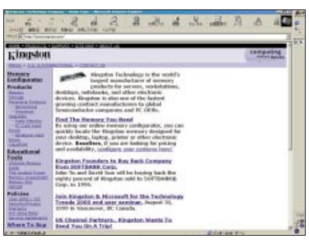
TECHNOLOGY EVENTS

The technology events segment is comprised of Ziff-Davis Inc.'s subsidiary ZD Events Inc., a leading producer of trade shows, conferences and customized marketing and educational programs for the computer industry. Its more than 50 expositions and conferences attract over two million attendees and more than 5,000 exhibiting vendors annually. ZD Events, in addition to managing the world-renowned COMDEX series of shows, also produces and manages the NetWorld+Interop brand of shows, as well as Seybold Seminars, and EXPO COMM. Other shows that ZD Events manages span the spectrum of Internet and IT solutions from customer relationship management to telecommunications and financial service technologies.

The technology events segment recorded an increase in net sales of ¥2,048 million or 5.6% from ¥36,758 million for the year ended March 31, 1998 to ¥38,806 million for the year ended March 31, 1999. Operating income contracted 3.3% or ¥316 million from ¥9,607 million to ¥9,291 million. The decline in operating income was primarily due to an increase in ZD Events' depreciation and amortization expenses.

The largest event managed by ZD Events is COMDEX/Fall, which is held annually in November. COMDEX/Fall 1998 featured exhibitions from more than 2,400 companies, over 10,000 new products, and more than 200,000 attendees, and was the most successful show in the nineteen-year history of the prestigious event. The Internet is driving technological innovation and creating waves of new product introductions. ZD Events strives to provide the best platform for face-to-face interaction between buyers and the latest technology, and between vendors and their customers.

http://www.tech.softbank.co.jp



http://www.kingston.com

TECHNOLOGY SERVICES

The technology services segment, comprising SOFTBANK TECHNOLOGY CORP. (JOTC: 4726), formerly SB Networks Corp., and Kingston Technology Company, recorded a decrease in net sales of ¥15,410 million or 9.3% from ¥165,771 million for the year ended March 31, 1998 to ¥150,361 million for the year ended March 31, 1999. Operating income declined 8.7% or ¥512 million from ¥5,916 million to ¥5,404 million.

SOFTBANK TECHNOLOGY, formerly SB Networks Corp., provides advanced technological and enhanced services related to electronic commerce. Although the Japanese economy continued to remain in a fragile state and corporations continued to curb capital expenditures, investment in information technology solutions remained at a very high level. In this market, net sales increased ¥575 million or 10.3% from ¥5,583 million for the year ended March 31, 1998 to ¥6,158 million for the year ended March 31, 1999. Accompanying this significant growth, operating income also increased during the past fiscal year. On July 23, 1999, SOFTBANK TECHNOLOGY completed an initial public offering of 500,000 shares of common stock (15.2% of the outstanding shares), that began trading on the Japanese over-the-counter market. Looking forward, SOFTBANK TECHNOLOGY will utilize the funds raised through the initial public offering to expand its position as a premiere provider of electronic commerce and information technology solutions.

Kingston Technology manufactures and designs over 2,000 different memory, processor, networking, and storage products for personal computers, workstations, and laser printers. The increasingly competitive channel memory market this past year resulted in higher levels of customer rebates, discounts and special pricing. In this market, net sales decreased ¥9,052 million or 6.4% from ¥141,555 million for the year ended March 31, 1998 to ¥132,503 million for the year ended March 31, 1999. Additionally, operating expenses increased significantly due to rising SG&A (Selling, General & Administrative) expenses attributable to start-up costs in Ireland and higher facility costs. Operating income declined in the period under review. Following the close of this past fiscal year, SOFTBANK announced the sale of its 80% stake to Kingston's founders for $450 million. This was a strategic decision to strengthen SOFTBANK's focus on Internet-related businesses, and to limit majority positions in companies that do not wholly operate in the Internet space. This decision gives Kingston the flexibility it needs to pursue its market objectives, and the independence to make investments in manufacturing infrastructure and distribution, which are outside SOFTBANK's core focus.

INTERNET

http://www.yahoo.co.jp

The Internet segment comprises direct holdings in companies such as Yahoo! Inc. (NASDAQ: YHOO), GeoCities (NASDAQ: GCTY), Yahoo Japan Corporation (JOTC: 4689), GeoCities Japan Corporation, E*TRADE Group, Inc. (NASDAQ: EGRP), and ZDNet (NYSE: ZDZ), a division of Ziff-Davis Inc. The Internet segment recorded an increase in net sales of ¥9,068 million or 235.0% from ¥3,859 million for the year ended March 31, 1998 to ¥12,927 million for the year ended March 31, 1999. The operating loss for the segment improved 20.7% or ¥155 million from ¥749 million to ¥594 million. The continued operating loss is attributable to the high amortization expenses incurred by the young dynamic companies that comprise this segment.

http://www.yahoo.com

On January 28, 1999, Yahoo! announced that it had signed an acquisition agreement with GeoCities, a company in which SOFTBANK was one of the largest investors. The acquisition of GeoCities, enables Yahoo! to offer and promote GeoCities personal publishing tools to Yahoo!'s growing base of over 47 million registered users. It also adds value to these tools through the use of Yahoo!'s growing array of platform services. Through GeoCities, Yahoo! will be able to integrate and distribute a powerful set of state-of-the-art editing tools and content published through personal homepages in an array of services, such as Yahoo! Clubs, Yahoo! Classifieds, Yahoo! Shopping, Yahoo! Auctions, and other areas of the network. Additionally, GeoCities provides a powerful platform for distributing Yahoo! services to GeoCities' extensive community of members, including shopping, communications, and personalized services. This powerful combination enhances Yahoo!'s position as one of the world's leading global-branded Web networks.

http://www.zdnet.com

With the launch of the new Destination E*TRADE site in September 1998, E*TRADE began an integrated marketing campaign designed to increase the value of the E*TRADE brand. Destination E*TRADE, while having established the premiere financial destination, offers more resources, greater ease of use and access to desired information. E*TRADE is well positioned as it executes on its mission to become the global brand of choice.

ZDNet, the dynamic Internet division of Ziff-Davis, focuses on content, community and commerce, enabling users to research topics of interest, interact with other users, download software, and evaluate and purchase a wide range of products and services at a single destination. ZDNet has actively built a leading destination site for individuals seeking computer-related information. On March 31, 1999, Ziff-Davis completed a successful initial public offering of ZDNet tracking shares (NYSE: ZDZ), which began trading on the New York Stock Exchange. This is a new series of Ziff-Davis Inc. common stock and is intended to track the performance of the ZDNet division. Following the IPO, Ziff-Davis retains 83% ownership of ZDNet.

http://www.etrade.ne.jp

http://www.morningstar.co.jp

FINANCE

This past fiscal year SOFTBANK CORP. established the finance segment, comprising SOFTBANK FINANCE CORPORATION and its subsidiaries E*TRADE Japan K.K., Osawa Securities Co., Ltd., currently E*TRADE Securities Co., LTD., Morningstar Japan K.K., FOREXBANK Co., Ltd., INSWEB Japan K.K., SoftVenture Capital Co., Ltd., and SOFTBANK Ventures, Inc., to develop and implement Internet-based financial services in Japan. SOFTBANK FINANCE is leading the way as it reshapes the boundaries of the financial service industry in Japan. The ultimate goal is to empower individuals with the information, the tools, and the ability to make informed financial decisions.

E*TRADE Japan, a joint venture between SOFTBANK FINANCE and E*TRADE Group, Inc., is positioned to redefine the limits of electronic financial services. E*TRADE Japan has invested heavily in developing its initial trading system and plans to continue expanding the content and functionality of the site as it strives to become the premiere destination of Japanese investors. Management has announced plans to aggressively invest in creating the brand of choice in the Japanese online financial market. Additionally, E*TRADE Japan intends to build a strong relationship with customers by providing state-of-the-art technology and financial tools developed by E*TRADE Group, Inc., the widest selection of investment trusts among online brokerages, 177 funds, and superior information provided by Morningstar Japan, Toyo Keizai, Jiji Press, and Reuters. This marketing strategy, coupled with E*TRADE Japan's state-of-the-art call center and Internet web site, will create strong brand loyalty and fuel E*TRADE Japan's development as a leading financial institution.

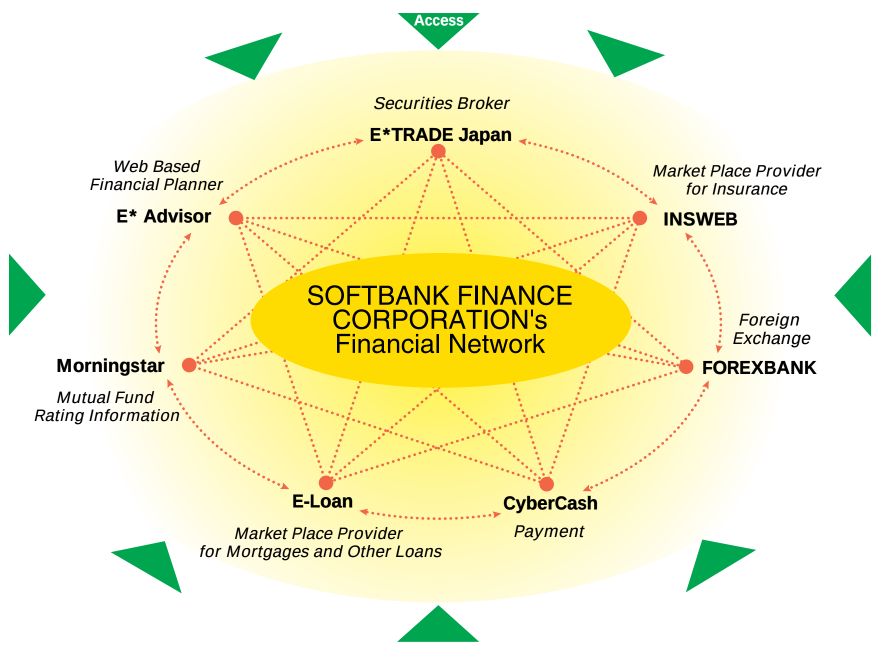
Morningstar Japan, a joint venture between SOFTBANK FINANCE and Morningstar, Inc., is a leading independent investment information and services company providing impartial data, research, and analysis on Japanese investment trusts. Morningstar Japan successfully launched its flagship *Monthly Fund Investor,* on October 26, 1998, which provides impartial analysis on more than 1,400 different Japanese investment trusts. On December 24, 1998, Morningstar Japan launched its interactive web site, which provides investors with detailed investment trust information and earnings reports, an investor education section, timely articles on various aspects of the U.S. and Japanese industries, as well as interviews with leading personalities in the Japanese investment trust industry. Morningstar Japan has expanded its online presence through strategic alliances with Yahoo Japan, GeoCities Japan, and other premiere Japanese sites and is quickly becoming the brand of choice in the online investment trust information and service industry. Following the close of this past fiscal year, SOFTBANK FINANCE acquired a 20% ownership interest in Morningstar, Inc., the privately

http://www.morningstar.com

held mutual fund rating agency, for $91 million. The funds will be used to accelerate Internet growth plans of Morningstar, and to launch a more aggressive marketing strategy.

The finance segment heads into the new fiscal year from a position of strength and a clear mission. In the coming 12-months, recently established ventures such as FOREXBANK Co., Ltd., INSWEB Japan K.K., E-Loan Japan K.K., and E*Advisor Co., Ltd., will begin operations and launch online financial sites. These will be critical in differentiating SOFTBANK FINANCE's services from those of competitors, as it will be able to provide Internet users with a complete line of financial services. The strong branding of the individual ventures will be leveraged to create a successful Japanese financial portal, which will provide exceptional service quality and a rewarding user experience. This unparalleled collection of online financial services will empower individuals with the tools, information, and services needed to make informed financial decisions.

SOFTBANK FINANCE CORPORATION's Financial Network



FINANCIAL INFORMATION

CONTENTS

SIX-YEAR SUMMARY OF SELECTED FINANCIAL DATA

	Millions of yen						Thousands of U.S. Dollars
	1999	1998	1997	1996	1995	1994	1999
FOR THE YEAR ENDED MARCH 31							
Net sales	¥ 528,159	¥ 513,364	¥ 359,742	¥171,101	¥96,808	¥64,090	$4,381,244
Operating income	12,130	31,938	33,670	15,822	5,692	3,361	100,622
Income before income taxes	36,640	33,824	29,567	15,982	5,379	3,060	303,940
Income taxes	3,335	17,176	17,610	9,794	3,481	2,122	27,665
Net income	¥ 37,538	¥ 10,303	¥ 9,092	¥ 5,794	¥ 2,052	¥ 938	$ 311,389
AT YEAR-END							
Net working capital	¥ 176,942	¥ 115,937	¥ 70,308	¥ 27,996	¥44,114	¥ 8,594	$1,467,780
Shareholders' equity	284,976	242,758	234,617	119,679	47,709	5,958	2,363,965
Total assets	952,578	1,140,251	1,070,645	598,856	98,640	31,571	7,901,933
PER SHARE	Yen						U.S. Dollars
Net income	¥ 365.38	¥ 100.77	¥ 95.58	¥ 69.22	¥ 29.85	¥ 15.20	$ 3.03
Shareholders' equity per share	2,719.35	2,375.24	2,292.56	1,354.81	587.88	96.2	22.56
Cash dividends	20	40	20	15	15	15	0.16
Number of shares outstanding At year-end (thousands of shares)	104,806	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 ¥120.55=$1.00, the closing Tokyo FOREX bid rate on March 31, 1999.
2. Figures for 1994 are on a parent basis.
3. Per share figures were adjusted for stock splits.
4. The total fiscal 1998 dividend included a ¥20 commemorative dividend.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

Japan is currently experiencing one of the worst recessions ever due to the continued long-term deterioration of the Japanese economy and the decline in the health of corporate Japan. The injection of public funds into large financial institutions, and other strategic measures taken by the Japanese government appear to have had measurable positive economic effects. However, the current stability of the Japanese economy remains precarious. In this extremely challenging business environment, the number of personal computers sold to consumers, a leading indicator in the digital information service industry, significantly surpassed that of the previous year. However, capital expenditures by corporations for information technology solutions remained sluggish this past year. The U.S. economy remained strong with high levels of consumption, and investment supporting continued economic expansion. The Internet economy grew rapidly with increasing consumer acceptance of electronic commerce as a viable marketing channel. The continued high level of investment by corporations for information technology solutions was driven by the increase in the number of companies moving into the electronic commerce space. These companies are moving to electronic commerce business models as they seek methods to increase efficiency, reach new consumers, and reduce expenses during this time of increasing competition.

The development and growth of the digital information service industry is proceeding unabated, as acceptance of the Internet increases worldwide. In Japan, the number of Internet users surpassed 14 million this past year and we believe it is poised to grow rapidly for the foreseeable future. This past year, managerial resources were redistributed to gain as large a market share as possible and increase responsiveness in this dynamic environment, while leveraging the growth potential of this rapidly expanding market. In September 1998, the Company announced plans, now completed, to strategically realign the corporate structure to better meet the needs of the various markets it operates in, increase decision making speed, and improve corporate accountability. To address concerns surrounding corporate transparency and disclosure this past year, MAC Inc., SOFTBANK's significant shareholder, merged into the Company, and management began a proactive disclosure policy across all areas of the business.

Under the conditions described above, net sales increased ¥14,795 million or 2.9% from ¥513,364 million for the year ended March 31, 1998 to ¥528,159 million for the year ended March 31, 1999. Net income increased ¥27,235 million or 264.3% from ¥10,303 million for the year ended March 31, 1998 to ¥37,538 million for the year ended March 31,1999. The increase was primarily the result of capital gains, ¥46,678 million, on the partial sale of Yahoo! Inc. shares, which management plans to reinvest in other Internet-related business opportunities.

RESULTS OF OPERATIONS

	(Millions of yen)		
	1999	1998	1997
Net sales	¥528,159	¥513,364	¥359,742
Cost of sales	352,412	350,047	246,118
Gross profit	¥175,747	¥163,317	¥113,624
Gross profit margin	33.2%	31.8%	31.5%
Total expense	139,107	129,493	84,057
Net income before taxes	¥ 36,640	¥ 33,824	¥ 29,567
Net income	¥ 37,538	¥ 10,303	¥ 9,092

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

	1999	1998	1997
Software & Network Products	41	37	48
Media	20	23	28
Technology Events	7	7	8
Technology Services	28	32	16
Internet	2	1	—
Finance & Other	2	—	—
Total	100	100	100

SOFTWARE & NETWORK PRODUCTS

	(Millions of yen)		
	1999	1998	1997
Net sales	¥215,655	¥192,701	¥175,721
Operating expenses	¥211,851	¥189,028	¥169,727
Operating income	¥ 3,804	¥ 3,673	¥ 5,994

The software & network products division of SOFTBANK CORP., despite a very challenging business climate, recorded a small increase in net sales due to improved second half performance resulting from strong peripheral sales and an increase in sales volume. Despite improvements in the purchasing and management practices as well as operating efficiencies achieved through a decrease in inventory and a re-location of warehousing facilities, fierce competition decreased margins leading to a decline in operating profit. UTStarcom, Inc. operating primarily in the Chinese telecommunications market, contributed significantly to the increase in net sales due to its 12-month consolidation in the year ended March 31, 1999, compared with the 2.5-month consolidation in the year ended March 31, 1998. In this environment, net sales for the segment increased 11.9% or ¥22,954 million from ¥192,701 million for the year ended March 31, 1998 to ¥215,655 million for the year ended March 31, 1999. Operating income for the same period increased 3.6% or ¥131 million from ¥3,673 million to ¥3,804 million. However, on a pro forma basis, correcting for accounting changes in the manner enterprise tax is recorded, operating profit would have decreased by ¥556 million.

MEDIA

	(Millions of yen)		
	1999	1998	1997
Net sales	¥105,161	¥118,119	¥100,691
Operating expenses	¥109,992	¥104,188	¥ 88,119
Operating income	¥ -4,831	¥ 13,931	¥ 12,572

The publishing division of SOFTBANK CORP., currently Softbank Publishing Inc., was adversely affected by the industry-wide reduction in advertising expenditures this past year. In addition to reducing production costs, SG&A (Selling, General & Administrative) expenses and discontinuing unsuccessful publications, Softbank Publishing successfully expanded the rate base of its flagship PC-related titles as well as its other Internet and amusement titles. However, a 28.9% decline in advertising revenue resulted in a year-over-year decrease in net sales. Operating income declined during the year under review. Ziff-Davis Inc.'s publishing division was negatively affected by the global downturn in advertising revenue, the transfer of certain publications to a joint venture and one time charges associated with its corporate restructuring plan. As part of the above-mentioned corporate restructuring, Ziff-Davis reduced its workforce by 10% and closed three publications, which resulted in a one-time charge of approximately ¥6,800 million. In this environment, net sales for the segment decreased 11.0% or ¥12,958 million from ¥118,119 million for the year ended March 31, 1998 to ¥105,161 million for the year ended March 31, 1999. Due to the above mentioned one-time charge and the decline in net sales, the division recorded an operating loss of ¥4,831 million for the year ended March 31, 1999. Following the close of the past fiscal year, Ziff-Davis completed a successful initial public offering of tracking shares in its explosive ZDNet division. The capital raised through the IPO was used to partially repay certain Ziff-Davis liabilities, reducing the amount of outstanding interest-bearing debt. Additionally, Ziff-Davis announced that it would retain Morgan Stanley Dean Witter to explore various options available to maximize shareholder value.

TECHNOLOGY EVENTS

	(Millions of yen)		
	1999	1998	1997
Net sales	¥38,806	¥36,758	¥28,179
Operating expenses	¥29,515	¥27,151	¥19,284
Operating income	¥ 9,291	¥ 9,607	¥ 8,894

In the year under review, the technology events segment hosted the most successful COMDEX/Fall show in its prestigious 19-year history. The show featured over 10,000 new products from roughly 2,400 vendors and was attended by over 200,000 individuals. However, despite the poor market environment, which included a decline in ancillary revenue at COMDEX/Fall and lower square footage sold at COMDEX/Spring, net sales increased 5.6% or ¥2,048 million from ¥36,758 million for the year ended March 31, 1998 to ¥38,806 million for the year ended March 31, 1999. However, due to an increase in amortization and depreciation expenses, operating income decreased 3.3% or ¥316 million from ¥9,607 million for the year ended March 31, 1998 to ¥9,291 million for the year ended March 31, 1999.

TECHNOLOGY SERVICES

	(Millions of yen)		
	1999	1998	1997
Net sales	¥150,361	¥165,771	¥58,093
Operating expenses	¥144,957	¥159,855	¥50,443
Operating income	¥ 5,404	¥ 5,916	¥ 7,650

SOFTBANK TECHNOLOGY CORP. saw strong demand for electronic commerce related services this past year and recorded strong increases in both net sales and operating profit. Following the close of the past fiscal year, SOFTBANK TECHNOLOGY completed a successful initial public offering of 500,000 shares of common stock, which began trading on the Japanese over-the-counter market. Kingston Technology Company continued to operate in a very difficult market, in which DRAM prices continued to fall through the first half of the year. This negatively impacted net sales and operating profit for the year ended March 31, 1999. In this environment, the technology services segment saw a decrease in net sales of 9.3% or ¥15,410 million from ¥165,771 million for the year ended March 31, 1998 to ¥150,361 million for the year ended March 31, 1999. Operating income for the technology services segment declined 8.7% or ¥512 million to ¥5,404 million. Following the close of this past fiscal year, SOFTBANK announced that it would sell its 80% stake to Kingston's founders for $450 million.

INTERNET

	(Millions of yen)		
	1999	1998	1997
Net Sales	¥12,927	¥3,859	—
Operating Expenses	¥13,521	¥4,608	—
Operating Income	¥ -594	¥ -749	—

The Internet segment experienced exceptional growth this past year in net sales of 235.0% or ¥9,068 million from ¥3,859 million for the year ended March 31, 1998 to ¥12,927 for the year ended March 31, 1999. The operating loss of the Internet segment decreased 20.7% or ¥155 million from ¥749 million for the year ended March 31, 1998 to ¥594 million for the year ended March 31, 1999. The dramatic increase in net sales is the direct result of the increased global acceptance of the Internet as well as the Company's favorable positioning in this rapidly expanding segment. The segment continued to record an operating loss due to the high amortization expenses incurred by these young, high growth companies.

SELLING, GENERAL AND ADMINISTRATIVE

	(Millions of yen)		
	1999	1998	1997
Selling, General and Administrative	¥163,617	¥131,379	¥79,954
Percentage of net sales	31.0%	25.6%	22.2%

Selling, General and Administrative expenses increased 24.5% for the year ended March 31, 1999. SG&A expenses as a percentage of net sales increased 5.4% in the year under review. The increase in SG&A expenses is due to the full year consolidation of UTStarcom, Inc. and Ziff-Davis Inc.'s repurchase of U.S. computer-related magazine assets from MAC Inc.

NON-OPERATING INCOME (EXPENSES)

Interest income decreased significantly from ¥26,669 million for the year ended March 31, 1998 to ¥11,201 million for the year ended March 31, 1999, primarily as a result of the repayment of outstanding intercompany indebtedness by Ziff-Davis.

Gain on sale of investments in securities of ¥47,281 million includes a gain of ¥46,678 million from the partial sale of Yahoo! Inc. shares, a gain of ¥3,961 million from the partial sale of Trend Micro Incorporated shares and the loss of ¥3,449 million on the sale of GT Interactive Software Corp. shares.

Loss on discontinued operations consists mainly of a loss on the sale of SOFTBANK Content Services Incorporated and SOFTBANK Services Group of ¥1,676 million and the loss on discontinued operations of SOFTBANK Content Services Incorporated and SOFTBANK Services Group of ¥1,540 million.

Equity in losses of affiliates of ¥6,495 million consists of the following:

	(Millions of yen)		
	1999	1998	1997
Yahoo! Inc.	¥ -646	¥-2,098	¥ -975
GeoCities	-1,421	—	—
E*TRADE Group, Inc.	-1,813	—	—
SKY Entertainment Corp.	-2,012	—	—
UTStarcom, Inc.	—-	-2,554	-316
Japan Sky Broadcasting Co., Ltd.	—-	1,870	-222
Other	-603	-610	-563
Total	¥-6,495	¥-7,132	¥-2,076

Equity in losses was mainly due to the losses associated with SKY Entertainment Corp., and the amortization of goodwill associated with investments in Yahoo! Inc., GeoCities, and E*TRADE Group, Inc., upon these companies being accounted for using the equity method. Goodwill associated with these investments is amortized over 5 to 20 years.

PROVISIONS FOR INCOME TAXES

Taxes as a percentage of income before income taxes declined from 50.8% to 9.1% mainly because the effective tax was favorably impacted by the sale of subsidiary stock which resulted in a tax loss that was not recognized for financial statement purposes.

CASH FLOWS

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)		
	1999	1998	1997
Net cash provided from (used in):			
Operating activities	¥-28,668	¥19,248	¥43,422
Investing activities	281,005	-33,677	-323,817
Financing activitie	-205,562	21,591	343,278
Effect of exchange rate changes on cash and cash equivalents	7,213	2,747	-46,207
Net change in cash and cash equivalents	¥ 53,988	¥ 9,909	¥16,676

WORKING CAPITAL

	(Millions of yen)		
	1999	1998	1997
Current assets	¥299,338	¥239,877	¥204,012
Current liabilities	¥184,596	¥215,229	¥184,009
Working capital	114,742	24,648	20,003
Current ratio (%)	162	111	110

Current assets grew by 24.8% or ¥59,461 million to ¥299,338 million for the year ended March 31, 1999. Current liabilities decreased by 14.2% or ¥30,633 million to ¥184,596 million for the year ended March 31, 1999. The current ratio improved 51% to 162%, building on the historically strong current ratio.

DEBT AND EQUITY

	(Millions of yen)		
	1999	1998	1997
Debt	¥444,392	¥681,651	¥645,334
Shareholders' equity	¥284,976	¥242,758	¥234,617
Debt/equity (%)	156	281	275

Debt decreased ¥237,259 million from the previous year, resulting primarily from the elimination of the double accounting of long-term assets and liabilities between SOFTBANK Corp./MAC Inc. and MAC Inc./SOFTBANK Holdings, Inc. This double accounting resulted because MAC Inc. was not part of the consolidated SOFTBANK Group. During the fiscal year ended March 31, 1999, MAC Inc. merged into SOFTBANK, eliminating the double accounting of long-term assets and liabilities. However, on an adjusted basis, debt increased by ¥48,249 million during the year ended March 31, 1999, due primarily to Ziff-Davis' issuance of debt and their subsequent entrance into a long-term credit facility following the repayment of intercompany indebtedness.

On an adjusted basis debt would be as follows:

	(Millions of yen)		
	1999	1998	1997
Debt (Adjusted)	¥444,392	¥396,143	¥365,578
Debt/equity (Adjusted) (%)	156	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 exchange rate prevailing at the balance sheet date strengthened versus the U.S. dollar this past year, which resulted in a decrease in total assets of ¥88,500 million. However, the average Japanese exchange rate for the past fiscal year weakened versus the U.S. dollar, which resulted in an increase in net sales of ¥22,400 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 31,1999 AND 1998

	Millions of yen		Thousands of U.S. dollars (Note 4)
	1999	1998	**1999**
ASSETS			
Current assets:			
Cash and cash equivalents (Note 18)	**¥ 105,886**	¥ 51,898	**$ 878,358**
Notes and accounts receivable	**114,348**	109,465	**948,552**
Less: Allowance for bad debts	**(8,873)**	(1,894)	**(73,604)**
	105,475	107,571	**874,948**
Inventories (Note 6)	**28,310**	29,193	**234,840**
Marketable securities (Notes 7 and 18)	**1,331**	105	**11,041**
Deferred tax assets (Note 14)	**4,852**	3,885	**40,249**
Other current assets (Notes 17 and 18)	**53,484**	47,225	**443,666**
Total current assets	**299,338**	239,877	**2,483,102**
Investments and advances:			
Investments in and advances to non-consolidated subsidiaries and affiliates (Note 8)	**105,999**	26,984	**879,295**
Investment securities (Note 7)	**29,170**	35,073	**241,974**
Long-term loans	**2,915**	1,070	**24,181**
Long-term loans to related company (Note 17)	**—**	273,497	**—**
Other investments	**16,106**	12,618	**133,604**
Less: Allowance for bad debts	**(1,069)**	(3,266)	**(8,867)**
Total investments and advances	**153,121**	345,976	**1,270,187**
Property and Equipment, net of accumulated depreciation (Note 9)	**16,120**	14,104	**133,720**
Intangibles:			
Goodwill	**166,895**	176,101	**1,384,446**
Advertiser lists (Note 10)	**94,538**	110,911	**784,222**
Trade names (Note 10)	**155,662**	181,728	**1,291,265**
Other	**62,295**	71,554	**516,758**
Total intangibles	**479,390**	540,294	**3,976,691**
Translation adjustments (Note 3(3))	**4,609**	—	**38,233**
	¥952,578	¥1,140,251	**$7,901,933**

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

	Millions of yen		Thousands of U.S. dollars (Note4)
	1999	1998	**1999**
LIABILITIES AND SHAREHOLDERS'EQUITY			
Current liabilities:			
Short-term loans (Note 11)	**¥ 22,559**	¥ 45,740	**$ 187,134**
Commercial paper (Note 11)	**20,000**	10,000	**165,906**
Current portion of long-term debt (Note 11)	**19,641**	35,549	**162,928**
Accounts payable-trade	**57,549**	48,774	**477,387**
Accounts payable-other	**6,134**	16,141	**50,883**
Income taxes payable (Note 14)	**3,666**	10,361	**30,411**
Accrued expenses	**18,846**	17,766	**156,334**
Advance received (Note 17)	**467**	412	**3,874**
Allowance for sales returns	**4,928**	9,122	**40,879**
Other current liabilities (Note 18)	**30,806**	21,364	**255,546**
Total current liabilities	**184,596**	215,229	**1,531,282**
Long-term debt (Note 11)	**382,192**	590,362	**3,170,402**
Deferred tax liabilities (Note 14)	**9,753**	19,446	**80,904**
Other long-term liabilities (Note 18)	**28,829**	25,595	**239,146**
Translation adjustments (Note 3(3))	**—**	35,646	**—**
Total liabilities	**605,370**	886,278	**5,021,734**
Minority interest in consolidated subsidiaries	**62,232**	11,215	**516,234**
Commitments and contingencies (Notes 15 and 16)			
Shareholders' equity:			
Common stock: par value ¥50 per share:			
Authorized: 400,000,000 shares at March 31, 1999 and 1998			
Issued: 104,806,839 shares at March 31, 1999 and 102,419,805 shares at March 31, 1998	**104,598**	101,884	**867,673**
Additional paid-in capital	**127,935**	120,762	**1,061,261**
Retained earnings (Note 3(16))	**52,557**	23,267	**435,977**
Net unrealized losses on securities available-for-sale (Note 3(6))	**(9)**	(1,996)	**(75)**
Less: Treasury stock:11,317 shares at March 31, 1999 and 215,896 shares at March 31, 1998	**(105)**	(1,159)	**(871)**
Total shareholders'equity	**284,976**	242,758	**2,363,965**
	¥952,578	¥1,140,251	**$7,901,933**

CONSOLIDATED STATEMENTS OF INCOME

SOFTBANK CORP. AND CONSOLIDATED SUBSIDIARIES
FOR THE YEARS ENDED MARCH 31,1999 AND 1998

	Millions of yen		Thousands of U.S. dollars (Note 4)
	1999	1998	**1999**
Net sales (Note 20)	**¥ 528,159**	¥ 513,364	**$ 4,381,244**
Cost of sales	**352,412**	350,047	**2,923,368**
Gross profit	**175,747**	163,317	**1,457,876**
Selling, general and administrative expenses	**163,617**	131,379	**1,357,254**
Operating income (Note 20))	**12,130**	31,938	**100,622**
Non-operation income (expenses):			
Interest income (Note 17)	**11,201**	26,669	**92,916**
Interest expense	**(36,881)**	(36,573)	**(305,939)**
Equity in losses of affiliates (Note 3(16))	**(6,495)**	—	**(53,878)**
Exchange gain (Note 13)	**4,268**	6,698	**35,404**
Gains on sales of marketable and investment securities (Note 12)	**47,281**	8,926	**392,211**
Gains on sales of stock by investees (Note 12)	**10,757**	—	**89,232**
Evaluation loss on investment securities	**(5,568)**	—	**(46,188)**
Loss on discontinued operations (Note 5 (4))	**(3,399)**	(2,071)	**(28,196)**
Other, net	**3,346**	(1,763)	**27,756**
Income before income taxes	**36,640**	33,824	**303,940**
Income taxes (Note 3(4) and 14)	**(3,335)**	(17,176)	**(27,665)**
Cumulative effect of accounting changes (Note 3 (4))	**—**	2,986	**—**
Minority interest in losses (earnings) of consolidated subsidiaries	**4,233**	(2,172)	**35,114**
Amortization of excess of investment cost over net assets of subsidiaries (Note 3(16))	**—**	(27)	**—**
Equity in losses of affiliates (Note 3(16))	**—**	(7,132)	**—**
Net income	**¥ 37,538**	¥ 10,303	**$ 311,389**

	Yen		U.S.dollars (Note 4)
Per share:			
Net income-primary	**¥ 365.38**	¥ 100.77	**$ 3.03**
-diluted	**342.11**	95.29	**2.84**

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 31,1999 AND 1998

	Number of shares issued and outstanding (thousand)	Millions of yen					
		Common stock	Additional paid-in capital	Consolidated retained earnings	Net umrealized losses on securities available-for-sale	Treasury stock	Total shareholders' equity
Balance at March 31, 1997	78,766	¥101,809	¥115,761	¥18,505	¥(986)	¥(472)	¥234,617
Net income for the year ended March 31, 1998	—	—	—	10,303	—	—	10,303
Cash dividends	—	—	—	(1,574)	—	—	(1,574)
Directors' bonuses	—	—	—	(55)	—	—	(55)
Cumulative effect of accounting for the purchase of MAC Assets by the pooling of interests method (Note 5 (1))	—	—	4,421	(3,912)	—	—	509
Stock split (1.3 for 1) on May 20,1997 (Note 3 (13))	23,629	—	—	—	—	—	—
Conversion of convertible bonds	24	75	74	—	—	—	149
Additional contributions	—	—	506	—	—	—	506
Adjustments for the year	—	—	—	—	(1,010)	(687)	(1,697)
Balance at March 31, 1998	102,419	101,884	120,762	23,267	(1,996)	(1,159)	242,758
Net income for the year ended March 31, 1999	—	—	—	37,538	—	—	37,538
Cash dividends	—	—	—	(4,088)	—	—	(4,088)
Directors' bonuses	—	—	—	(54)	—	—	(54)
Decrease in number of companies under equity method	—	—	—	1,105	—	—	1,105
Shares issued and related increase due to merger of MAC (Note 5(3))	48,629	2,431	119	18,700	—	—	21,250
Shares retired and related decrease due to merger of MAC (Note 5(3))	(47,446)	(2,371)	—	(10,558)	—	—	(12,929)
Cumulative effect of accounting for the purchase of MAC Assets by the pooling of interests method (Note 5(1))	—	—	1,442	(13,353)	—	—	(11,911)
Conversion of convertible bonds	1,174	2,578	2,577	—	—	—	5,155
Exercise of warrants	30	76	91	—	—	—	167
Additional contributions	—	—	2,944	—	—	—	2,944
Adjustments for the year	—	—	—	—	1,987	1,054	3,041
Balance at March 31, 1999	104,806	¥104,598	¥127,935	¥52,557	¥ (9)	¥(105)	¥284,976

	Number of shares issued and outstanding (thousand)	(Thousands of U.S.dollars) (Note 4)					
Balance at March 31, 1998	102,419	$845,160	$1,001,758	$193,008	$(16,558)	$(9,614)	$2,013,754
Net income for the year ended March 31, 1999	—	—	—	311,389	—	—	311,389
Cash dividends	—	—	—	(33,911)	—	—	(33,911)
Directors' bonuses	—	—	—	(448)	—	—	(448)
Decrease in number of companies under equity method	—	—	—	9,166	—	—	9,166
Shares issued and related increase due to merger of MAC (Note 5(3))	48,629	20,166	987	155,122	—	—	176,275
Shares retired and related decrease due to merger of MAC (Note 5(3))	(47,446)	(19,668)	—	(87,582)	—	—	(107,250)
Cumulative effect of accounting for the purchase of MAC Assets by the pooling of interests method (Note 5(1))	—	—	11,962	(110,767)	—	—	(98,805)
Conversion of convertible bonds	1,174	21,385	21,377	—	—	—	42,762
Exercise of warrants	30	630	755	—	—	—	1,385
Additional contributions	—	—	24,422	—	—	—	24,422
Adjustments for the year	—	—	—	—	16,483	8,743	25,226
Balance at March 31, 1999	104,806	$867,673	$1,061,261	$435,977	$ (75)	$ (871)	$2,363,965

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 31,1999 AND1998

	Millions of yen		Thousands of U.S. dollars (Note4)
	1999	1998	**1999**
Cash Flows from Operating Activities:			
Net income	**¥ 37,538**	¥ 10,303	**$ 311,389**
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation and amortization	**29,477**	29,477	**244,521**
Minority interest	**(4,233)**	2,172	**(35,114)**
Restructuring expense	**6,958**	—	**57,719**
Deferred income tax	**(10,389)**	(4,038)	**(86,180)**
Equity in losses of affiliates	**6,495**	7,132	**53,878**
Loss on discontinued operations	**3,399**	2,071	**28,195**
Gains on sales of marketable and investment securities	**(47,281)**	(8,926)	**(392,211)**
Gains on sales of stock by investees	**(10,757)**	—	**(89,232)**
Loss on revaluation of marketable and investment securities	**5,568**	—	**46,188**
Exchange gain	**(2,281)**	(6,698)	**(18,921)**
Change in assets and liabilities:			
Receivables	**4,516**	8,912	**37,462**
Inventories	**2,736**	474	**22,696**
Prepaid expenses and other	**(6,541)**	(5,285)	**(54,259)**
Payables	**(38,976)**	(9,079)	**(323,319)**
Accrued expenses and other	**(6,213)**	(4,364)	**(51,539)**
Other, net	**1,316**	(2,903)	**10,917**
Net cash (used in) provided by operating activities	**(28,668)**	19,248	**(237,810)**
Cash Flows from Investing Activities:			
Capital expenditures / purchase of property and equipment	**(10,935)**	(7,110)	**(90,709)**
Payment for purchase of marketable and investment securities	**(110,009)**	(30,115)	**(912,559)**
Proceeds from sales of marketable and investment securities	**73,492**	22,052	**609,639**
Purchase of UTStarcom Inc.,net of cash acquired	**—**	(5,009)	**—**
Initial public offering of ZD	**49,651**	—	**411,871**
Sale of stock of ZD	**3,970**	—	**32,932**
Investment in partnership	**—**	(5,674)	**—**
Capital contribution to subsidiaries	**(9,354)**	—	**(77,594)**
Proceeds from sales of subsidiaries' discontinued operation	**2,964**	—	**24,587**
Payment on lending	**(2,720)**	(11,572)	**(22,563)**
Proceeds from repayment of lending	**285,836**	5,820	**2,371,099**
Other,net	**(1,890)**	(2,069)	**(15,678)**
Net cash provided by (used in) investing activities	**281,005**	(33,677)	**2,331,025**

Cash Flows from Financing Activities:			
Issuance of shares/capital contribution	**45,860**	—	**380,423**
Proceeds from issuance of long-term debt	**205,355**	13,358	**1,703,484**
Repayments of long-term debt	**(370,604)**	(26,055)	**(3,074,276)**
Proceeds from issuance of warrant bonds and excercise of warrants	**3,425**	—	**28,411**
Proceeds from silent partners of consolidated subsidiary	**—**	5,674	—
Payment on debt redemption	**(36,000)**	—	**(298,631)**
(Decrease)increase in short-term loans and commercial paper	**(15,148)**	39,824	**(125,657)**
Return of capital (purchase of MAC Assets and other affiliates,net of cash acquired)	**(35,416)**	(9,437)	**(293,787)**
Dividends paid	**(4,088)**	(1,574)	**(33,911)**
Other, net	**1,054**	(199)	**8,743**
Net cash (used in) provided by financing activities	**(205,562)**	21,591	**(1,705,201)**
Effect of Exchange Rate Changes	**7,213**	2,747	**59,834**
Net Increase in Cash and Cash Equivalents	**53,988**	9,909	**447,848**
Cash and Cash Equivalents at Beginning of Year	**51,898**	41,989	**430,510**
Cash and Cash Equivalents at End of Year	**¥ 105,886**	¥ 51,898	**$ 878,358**

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 or through its subsidiaries, in the business of publishing computer-related magazines and books, management of computer industry trade shows, 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.

2. Basis of Consolidation:

Certain consolidated subsidiaries, including SOFTBANK Holdings Inc. (“SBH”), SOFTBANK America Inc. (“SBA”), UTStarcom, Inc., Ziff-Davis Inc., ZD Events Inc. (formerly ZD COMDEX and Forums Inc.) and SOFTBANK Kingston Inc., use a fiscal year ending December 31 of each year while the Company uses a fiscal year ending March 31. The consolidation of these subsidiaries has been made by using the financial statements as of and for the year ended December 31. All significant transactions that took place during the intervening period have been adjusted for the consolidation purpose.

All material intercompany transactions, account balances and unrealized profits have been eliminated, and the portion thereof attributable to minority interest has been credited/charged to minority interest. Regarding the elimination of investments in the consolidated subsidiaries and together with the underlying interest in net assets of these subsidiaries, the Company follows the step-by-step acquisition method to include the Company’s interest in earnings of the subsidiaries subsequent to the date of initial acquisition. At March 31, 1999 and 1998, the Company consolidated 71 and 63 subsidiaries, respectively, in the consolidated financial statements. Major subsidiaries at March 31, 1999, other than those noted above, are SOFTBANK TECHNOLOGY CORP. and Yahoo Japan Corporation.

3. Summary of Significant Accounting Policies:

(1)Accounting Principles -

The accompanying consolidated financial statements have been prepared based on the accounts maintained by the Company and its domestic subsidiaries in accordance with the provisions set forth in the Japanese Commercial Code and the Japanese Securities and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards. The accompanying consolidated financial statements also include the accounts maintained by the foreign subsidiaries in conformity with accounting principles and practices generally accepted in the respective countries in which the subsidiaries have been incorporated. In general, no adjustments to the accounts of foreign consolidated subsidiaries have been reflected in the accompanying consolidated financial statements to present them in compliance with the accounting principles and practices generally accepted in Japan.

Certain items presented in the consolidated financial statements filed with the Ministry of Finance (the“MOF”) in Japan have been reclassified for the convenience of readers outside Japan. In addition, the consolidated statements of cash flows and certain relevant notes to the consolidated financial statements are not required to be filed with the MOF, but have been prepared and included in the consolidated financial statements.

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

(2) Reclassification of Accounts -

Prior-year amounts have been reclassified to conform to the current-year presentation.

(3) Translation of Foreign Currency Financial Statements -

The translation of revenue and expenses in the financial statements of foreign consolidated subsidiaries and foreign affiliates accounted for by the equity method into Japanese yen has been made by using the average exchange rate. The translation of their assets and liabilities has been made by using the current exchange rate prevailing at the balance sheet date, and the translation of the capital stock has been made by using the historical rate.

(4) Income Taxes -
Income taxes are determined using the asset and liability approach, where deferred tax assets and liabilities are recognized for temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. Such deferred taxes had been recognized only at the foreign subsidiaries until March 31, 1997; however, the Company adopted the deferred tax accounting for all of the consolidated companies effective as of April 1, 1997. The cumulative effect of this accounting change was to increase net income by ¥2,986 million.

(5) Cash and Cash Equivalents -
Cash and cash equivalents are comprised of cash on hand, demand deposits in banks, and highly liquid investments which are principally the investments in Money Management Funds, time deposits and bonds bought with reverse repurchase agreements with an original maturity of three months or less.

(6) Marketable and Investment Securities -
Marketable securities held by the Company and its domestic consolidated subsidiaries are valued at the lower of cost, as determined by the moving-average method, or market. All other securities held by the Company and its domestic consolidated subsidiaries are valued at cost, as determined by the moving-average method. The consolidated subsidiaries in the United States of America adopted the provisions of Statement of Financial Accounting Standards No.115, "Accounting for Certain Investments in Debt and Equity Securities."

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

(8) Depreciation and Amortization -
Depreciation of property and equipment held by the Company and its domestic consolidated subsidiaries is computed at the declining-balance method prescribed by the Japanese Income Tax Law. The depreciation of the foreign consolidated subsidiaries is based on the estimated useful lives of the related assets using the straight-line method in accordance with the accounting principles of generally accepted and applied in each country where the subsidiaries are located. In accordance with tax legislation in Japan, which was enacted on March 31, 1998, the Company and the domestic subsidiaries made certain changes in the estimated useful lives of the buildings, excluding leasehold improvements. The Company does not believe that an effect of this change had a material impact on the consolidated financial statements and the segment information.
Amortization of intangibles is based on the following range of the estimated lives using the straight-line method:

•Goodwill	5 to 40 years
•Advertiser lists	28 to 34 years
•Trade names	30 to 40 years
•Other	2 to15 years

(9) Allowance for Bad Debts -
An allowance for bad debts is provided in an amount equivalent to the maximum limit deductible for tax purposes, plus an amount deemed necessary to cover possible losses.

(10) Leases -
Finance leases, of the Company and its domestic consolidated subsidiaries, other than those which are deemed to transfer the ownership of the leased assets are accounted for by a method similar to that applicable to operating leases.

(11) Allowance for Sales Returns -
An allowance for sales returns has been provided for future sales returns subsequent to the balance sheet date on an accrual basis. The amount of the allowance recorded by the Company and its domestic consolidated subsidiaries is based on the gross margins of possible future returns. The allowance recorded by the foreign consolidated subsidiaries represents the estimated losses resulting from the possible future returns.

(12) Reserve for Employees'Severance Indemnities -

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

The Company maintains a funded pension plan which covers the entire amount of these retirement benefits. The ¥158 million (US$1,311 thousand) is the remaining balance of prior service cost at February 28, 1999 (the most recent valuation date) is being amortized over a period of 13 years and 10 months. Accrued retirement benefits outstanding at the transition date are being amortized over the same period.

(13) 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 by increasing the number of shares of common stock issued from 78,766 thousand to 102,395 thousand.

(14) Net Income Per Share -

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

(15) 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 stock dividends) proposed by the Board of Directors needs to be approved at the shareholders' meeting which must be held within three months after year-end. The appropriation of retained earnings reflected in the accompanying financial statements represented that of 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.

(16)Change in Presentation of Accounts -

Due to the amendments of the Consolidated Financial Statements Regulation, the following presentations of the accounts in the consolidated financial statements have been changed effective the fiscal year ended March 31, 1999:

(a) Legal reserve, which was previously reported as a separate account in the section of Shareholders' equity, is included in Retained earnings. Corresponding presentations in prior years have been retroactively changed.

(b) Amortization of excess of investment cost over net assets of subsidiaries, which was previously reported as a separate account (a deduction item) after Income before income taxes, is included in Selling, general and administrative expenses.

(c) Equity in losses of affiliates, which was previously reported as a separate account after Income before income taxes, is presented under the section of Non-operating income (expenses).

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 ¥120.55 = U.S.$1, the approximate rate of exchange prevailing at March 31, 1999. 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 ¥120.55 = U.S.$1 or at any other rate.

5. Merger, Acquisition and Discontinned Operation:

(1) Purchase of MAC Assets -

Ziff-Davis Inc. had maintained the right to purchase any or all of certain assets owned by MAC Inc. ("MAC Assets") that MAC Inc. had acquired in February 1996 with a purchase price of approximately $300 million. On October 31, 1997, Ziff-Davis Inc. had exercised the right and purchased the following MAC Assets from MAC Inc. for $100 million subject to certain price adjustments. The assets purchased on October 31, 1997 are primarily summarized of (a) PC Related

Magazines Publishing Company in Europe and (b) assets related to magazines of “INTER@CTIVE WEEK”, “Computer Gaming World” and “Family PC.” In addition, Ziff-Davis Inc. purchased the other MAC assets related to the publishing operation in the United States from MAC Inc. for $270 million in May, 1998.

As all entities involved were under common control at the time of purchase, the above two tranches of purchase of MAC Assets have been accounted for in a manner similar to a pooling-of-interest under the accounting principles generally accepted in the United States. However, since retroactive adjustments are not allowed under the accounting principles generally accepted in Japan, the cumulative effect of income and losses through December 31, 1996 and such effect for the year ended December, 1997 were adjusted as “Cumulative effect of accounting for the purchase of the MAC Assets by the pooling-of-interest method” in the accompanying consolidated statements of shareholders’ equity for the Comany's fiscal years ended March 31, 1998 and 1999, respectively. The income and losses which occurred after each purchase transaction in 1998 and 1997 were included in the accompanying consolidated statements of income for the years ended March 31, 1999 and 1998, respectively.

(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”) (“ZDCF” is currently named ZD Event Inc.) 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-Dvis 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 8.5% Subordinated Notes due 2008, entered into a $1,350,000 thousand credit facility with a group of banks under which $1,250,000 thousand was borrowed, and converted $884,882 thousand of intercompany indebtedness into equity. Net proceeds from the initial public offering and funding transactions in the reorganization were used to complete the purchase of MAC Assets, as described in (1) above in total for $370,000 thousand, and repay intercompany indebtedness.

(3) Merger with MAC Inc. -

MAC Inc., which directly owned 44.43% of the shares of the Company as of March 31, 1998, was merged with the Company on December 1, 1998. MAC Inc. had been privately owned by Masayoshi Son, the President of the Company. The method of merger was a takeover by the Company of MAC Inc., therefore, MAC Inc. was then dissolved. The Company newly issued 48,629,360 shares of common stock at par value to Masayoshi Son. As a result of the merger, common stock, additional paid-in capital, and retained earnings increased as presented in the consolidated statements of shareholders’ equity. The Company also retired its 47,445,810 shares formerly owned by MAC Inc. on December 1, 1998. Significant transactions of the Company with MAC Inc. are described in Note 17.

(4) Discontinued operation -

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). During the current year, the Company discontinued SOFTBANK Content Services Inc. and SOFTBANK Services Group of its operations in December and September 1999, respectively, and the above discontinuance resulted in losses on sale of stock (¥1,676 million) and losses from discontinued operation (¥1,540 million).

6. Inventories:

Inventories as of March 31,1999 and 1998 consisted of the following:

	(Millions of yen)		(Thousands of U.S.dollars) (Note 4)
	1999	1998	1999
Merchandise	¥ 10,525	¥ 11,274	$ 87,308
Finished goods	4,949	5,847	41,054
Work in process	1,474	1,358	12,227
Raw materials	11,311	10,714	93,828
Securities in comodity	47	—	390
Other inventories	4	—	33
	28,310	29,193	234,840

7. Marketable and Investment Securities:

The following table sets forth the cost and estimated market values of marketable and investment securities, of which the market values are readily determinable, as of March 31, 1999 and 1998:

	(Millions of yen)		(Thousands of U.S.dollars) (Note 4)
	1999	1998	1999
Marketable securities (current portfolio):			
At cost	¥ 1,307	¥ 82	$ 10,842
At estimated market value	1,753	269	14,542
Investment securities (non-current portfolio):			
At cost	¥ 4,275	¥ 12,805	$ 35,462
At estimated market value	4,736	29,047	39,287

8. Investments in and Advances to Non-consolidated Subsidiaries and Affiliates:

Investments in and advances to non-consolidated subsidiaries and affiliates as of March 31, 1999 and 1998 are listed at the following table. Investments in affiliated companies, which the Company can influence, are stated at cost plus equity in undistributed earnings (the "equity method"). Net consolidated income includes the Company's equity in the current net earnings (losses) of such companies, after elimination of unrealized intercompany profits.

	Ownership percentage (%)	(Millions of yen)		(Thousands of U.S.dollars) (Note 4)
		1999	1998	1999
E*Trade Group, Inc.	27	¥ 46,452	¥ —	$ 385,334
Yahoo! Inc.	28	37,905	10,120	314,434
Trend Micro Incorporated	26	7,254	8,369	60,174
Japan Sky Broadcasting Co., Ltd.	–	–	3,018	–
Kinesoft Development Corporation	41	1,976	1,722	16,392
Pasona Softbank, Inc.	27	1,053	926	8,735
InsWeb Japan K.K.	60	360	–	2,986
SOFTBANK Korea Co., Ltd.	46	217	291	1,800
Other	–	10,782	2,538	89,440
		¥ 105,999	¥ 26,984	$ 879,295

9. Property and Equipment:

Property and equipment as of March 31, 1999 and 1998 were as follows:

	(Millions of yen)		(Thousands of U.S.dollars) (Note 4)
	1999	1998	1999
Buildings	¥ 2,957	¥ 6,461	$ 24,529
Machinery	2,469	3,441	20,481
Furniture and tools	11,986	5,446	99,428
Other	6,752	9,692	56,010
Construction in progress	2,250	420	18,664
	26,414	25,460	219,112
Less:Accumulated depreciation-	(11,212)	(11,844)	(93,007)
	15,202	13,616	126,105
Land	918	488	7,615
	¥ 16,120	¥ 14,104	$ 133,720

10. Advertiser Lists and Trade Names:

"Advertiser lists" were capitalized at the date of purchase of ZD Inc. in the United States, and represent the present value of the expected future advertising income cash flow from the publication business. "Trade names" were capitalized in connection with the purchases of the exhibition division of The Interface Group (COMDEX), ZD Inc. and Kingston Technology Company in the United States, and represent the economic value of the brand names of these entities.

11. Short-term Loans and Long-Term Debt:

Short-term loans outstanding comprised primarily contracted debts maturing within one year. The weighted-average interest rate for commercial paper at March 31, 1999 and 1998 was 0.92% and 0.83%, respectively.

Long-term debt at March 31, 1999 and 1998 consisted of the following:

	(Millions of yen)		(Thousands of U.S.dollars) (Note 4)
	1999	1998	1999
Unsecured loans from financial institutions with interest rates ranging from 2.125% to 7.0%, at March 31, 1999 and 1998:	¥ 182,910	¥ 13,849	$ 1,517,295
Loans from MAC Inc.	—	354,783	—
Unsecured straight bonds with interest rates ranging from 2.30% to 3.9%, due 1999 to 2007	166,900	203,600	1,384,488
Warrant bonds with interest rates ranging from 3.0% to 3.9% due 2001 to 2003	3,500	—	29,034
Convertible bonds with interest rates ranging from 0% to 0.5% due 2000 to 2002	48,523	53,679	402,513
	401,833	625,911	3,333,330
Less:Portion due within one year	(19,641)	(35,549)	(162,928)
	¥ 382,192	¥ 590,362	$ 3,170,402

Interest expense incurred on loans from MAC Inc. were ¥17,922 million and ¥27,211 million for the years ended March 31, 1999 and 1998, 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, as long as the bonds remain, accumulated cash dividends, including interim dividends, cannot exceed accumulated net income of the Company for 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 bondholders at current conversion prices ranging from ¥4,389 to ¥8,141 per share.

The aggregate annual maturities of long-term debt outstanding at March 31, 1999 were as follows:

For the years ending March 31	(Millions of yen)	(Thousands of U.S.dollars) (Note 4)
2000	¥ 19,641	$ 162,928
2001	33,543	278,250
2002	78,533	651,456
2003	42,635	353,670
2004 and thereafter	227,481	1,887,026
	¥ 401,833	$ 3,333,330

12. Gains on Sales of Investment Securities / Gains on Sales of Stock by Affiliates:

All significant transactions that took place during the intervening period of SBH's year-end (December 31, 1998) and of the Company's year-end (March 31, 1999), have been adjusted for the consolidation purpose. The expected taxes on the capital gain amounted ¥46,678 million on the sales of Yahoo! Inc. shares with a proceed of ¥49,075, which occurred during the intervening period, was not recognized because that gain would be offset against other losses on SBH on the tax return purpose.

During the current year, as a result of capital transactions at the investee level, the Company's interest in certain investments was diluted. The major gains on such dilution consisted of the following:

Yahoo! Inc.	$22.3 million (¥2,925 million)
Ziff-Davis Inc.	$10.2 million (¥1,338 million)
E*Trade Group, Inc.	$15.3 million (¥2,007 million)
GeoCities	$14.6 million (¥1,915 million)
Trend Micro Incorporated	$13.8 million (¥1,810 million)

13. Exchange gain:

Exchange gain as shown in the accompanying consolidated statements of income for the year ended March 31, 1999 and 1998 includes, net exchange gain resulting from a return of capital of SBH of ¥308 million and ¥2,881 million, respectively.

14. Income Taxes:

Tax legislation enacted on March 31, 1998 reduced the income tax rate in Japan, which resulted in an effective statutory rate change from 51.4% to 47.7%. The new tax rate is effective for fiscal years beginning on or after April 1, 1998. In addition, tax legislation enacted on March 24, 1999, further reduced the income tax rate in Japan, which resulted in an effective statutory rate change from 47.7% to 42.1%. The new tax rate is effective for fiscal years beginning on or after April 1, 1999.

15. Lease commitments and rental expenses:

The Company leases its facilities under finance or operating leases. Future minimum payments for finance leases and non-cancelable operating leases as of March 31, 1999 are as follows:

For the years ending March 31	(Millions of yen)	(Thousands of U.S.dollars) (Note 4)
2000	¥ 4,816	$ 39,950
2001	4,610	38,241
2002	4,047	33,571
2003	3,666	30,411
2004	3,389	28,113
Thereafter	26,995	223,932
Total minimum lease payments	¥ 47,523	$ 394,218

16. Contingency with Kingston Technology Company:

In September 1996, SBH, a wholly owned subsidiary of the Company, acquired an 80% interest in Kingston Technology Company ("KTC"), through SBH's wholly owned subsidiary SOFTBANK Kingston Inc. ("SBK"). KTC is a partnership and its remaining 20% interest is owned by Kingston Technology LLC ("KT LLC"). The terms of the KTC Partnership Agreements (the "Agreement") include certain reciprocal put and call rights. KT LLC has a put option to require SBK to purchase its 20% interest for $377 million plus interest at 7% per annum from September 4, 1996; the put price is payable in installments over four years. SBK has a call option to purchase KT LLC's 20% interest at a purchase price equal to the greater of such put price or 1.2 times earnings before interest and taxes of KTC for the fiscal year ending immediately prior to the date of exercise. The put and call options are excercisable at any time after March 31, 2004. The put option is also excercisable prior to March 31, 2004, in the event of a change in control of KTC or SBK, as defined in the Agreement, and is also excercisable at any time upon termination of employment of the founders of KTC under certain ciscumstances.

SBK has a contingent note of $450 million which is payable to Kingston Technology Corp. 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 million or (b) the closing of an initial public offering or sale of KTC at a valuation of at least $1,800 million (collectively, 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 under the $450 million contingent note will terminate should one of the Trigger Events not occur by December 31, 2004.

17. Transactions with the former majority shareholder, MAC Inc. :

MAC Inc. was merged to the Company on December 1, 1998. The Company's material transactions and balances with MAC Inc. other than those indicated in Notes above were as follows:

	For the years ended March 31		
	1999	1998	1999
Description of transactions	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
Increase in long-term loans receivable	¥ —	¥ 23,946	$ —
Decrease in long-term loans receivable due to merger	273,497	—	2,268,743
Decrease in short-term loans receivable due to merger	12,011	—	99,635
Decrease in other current assets due to merger	254	—	2,107
Interest received	9,620	25,247	79,801
Increase in advance received	—	39	—
Decrease in advance received	39	—	324

	As of March 31		
	1999	1998	1999
Balance	(Millions of yen)		(Thousands of U.S. dollars) (Note 4)
Long-term loans to related company	¥ —	¥ 273,497	$ —
Short-term loans receivable	—	12,011	—
Other current assets	—	254	—

18. Assets and liabilities of anonymous investment association:

The consolidated balance sheets as of March 31, 1999 and 1998 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)
	1999	1998	1999
Cash and cash equivalents	¥ 2,032	¥ 1,500	$ 16,856
Marketable securities	1,057	—	8,768
Other current assets-investment held by the association	22,963	17,487	190,485
Other current assets-other	67	5,374	556
Other current liabilities	41	1	340
Other long-term liabilities	24,610	22,753	204,148

19. Subsequent Events:

(1) Appropriation of Retained Earnings -

On June 22, 1999, the following was authorized at the shareholders' meeting for the current year:

(a) payment of cash dividend to shareholders on the record as of March 31, 1999 with ¥20 per share (¥2,095 million in total); and

(b) payment of bonuses to directors aggregating ¥53 million.

(2) ZDNet Stock Issuance -

In April 1999, Ziff-Davis Inc. completed a public offering for a tracking stock based upon the performance of its ZDNet division ("ZDNet"). Approximately 11.5 million shares of ZDNet stock ($19 per share) were sold to the public with the net proceeds received of ¥218.5 million. The change in the Company`s interest as a result of the transaction has resulted in a gain of approximately $36.3 million to be recognized for the Company's next fiscal year ending March 31, 2000. The voting and liquidation rights of the new ZDNet stockholders and the remaining rights of shaves held by Ziff-Davis Inc. are entitled on a pro rata basis in accordance with the average market value of a share of Ziff-Davis Inc. divided by the average market value of a share of ZDNet. As to the subsequent accounting, the minority shareholders' claim to net assets will fluctuate corresponding to fluctuations in the market value of the Ziff-Davis Inc. and ZDNet stock.

(3) Issuance of bonds

On June 21, 1999, the Company's board of directors approved an issuance of the following unsecured straight bonds expected to be issued on July 22, 1999:

1. Unsecured straight bond due July 22, 2002 with principal amount of ¥20,000 million, and
2. Unsecured straight bond due July 22, 2003 with principal amount of ¥40,000 million.

(4) Sale of Stock of TrendMicro Co., Ltd.

On June 21, 1999, the board of directors of the Company approved to sell a part of TrendMicro shares, held through SBH, at U.S., domestic and foreign markets. The book value of TrendMicro shares was an $11.83 per share as of December 31, 1998.

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 manufacturing of memory and computer telemarketing;

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

(f) Other: Financing services, holding company function in foreign countries and educational business, etc;

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

(Thousands of U.S. dollars) For the year ended March 31,1999	Software and Network	Media	Technology Events	Service	Internet	Other	Total	Elimination or Corporate Assets	Consolidated Total
I. Net Sales and Operating Income (Loss):									
Net sales									
(1) Net sales to outside customers	$1,775,836	$ 870,958	$321,908	$1,215,653	$103,376	$ 93,513	$4,381,244	$ —	$4,381,244
(2) Inter-segment net sales	13,090	1,385	0	31,638	3,857	19,744	69,714	(69,714)	—
Total.............................	1,788,926	872,343	321,908	1,247,291	107,233	113,257	4,450,958	(69,714)	4,381,244
Operating Expenses......	1,757,370	912,418	244,836	1,202,464	112,161	121,385	4,350,634	(70,012)	4,280,622
Operating Income (Loss)	$ 31,556	$ (40,075)	$ 77,072	$ 44,827	$ (4,928)	$ (8,128)	$ 100,324	$ 298	$ 100,622
II. Identifiable Assets, Depreciation and Capital Expenditures:									
Identifiable Assets........	$ 795,877	$3,209,589	$214,268	$1,421,004	$960,390	$1,459,245	$8,060,373	$(158,440)	$7,901,933
Depreciation..................	11,033	114,409	41,336	64,363	8,345	16,831	256,317	3,492	259,809
Capital Expenditures......	9,025	43,053	10,377	11,929	12,053	4,571	91,008	788	91,796

	(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)	0
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

(Note 1) The amount of unallocated operating expenses included in Operating Expenses in the column "Elimination or Corporate Assets" was ¥421 million for 1999 and ¥217 million for 1998, which included mainly amortization expenses for deferred assets held by the Company.

(Note 2) The amount of assets included in the column "Elimination or Corporate Assets" was ¥86,746million for 1999 and ¥34,655 million for 1998, which included the Company's surplus funds (cash and marketable securities), investment securities and assets held by the administration departments.

(Note 3) Depreciation and Capital expenditures include long-term prepayments and deferred charges, and their amortization.

(Note 4) Operating Expenses for the fiscal year ended March 31, 1998 include enterprise tax, which has been reclassified as "Income Taxes" in the accompanying consolidated statements of income.

(Note 5) The effects of changes in business segments

From this fiscal year, the categorization of business segments have been changed as follows;

- Software version-up service, which had previously been categorized as a part of "Software and Network" segment, has been categorized into the "Service" segment.
- Distribution center management, which had previously been categorized as a part of "Service" segment, has been categorized into the "Software and Network" segment.
- Investment business related to media, which had previously been categorized as a part of "Media" segment, has been categorized into the "Other" segment.

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

- Net Sales to outside customers in Service, Other, Software and Network and Media were increased/ (decreased) by ¥4,479 million, ¥280 million, (¥4,479 million) and (¥280 million), respectively, as compared with the previous business segmentation.
- Inter-segment net sales in Software and Network, Service and Other were increased/ (decreased) by ¥1,533million, (¥1,930 million) and (¥27 million), respectively, as compared with the previous business segmentation.
- Operating expenses in Service, Other, Software and Network and Media were increased/ (decreased) by ¥2,323million, ¥168 million, (¥2,720 million) and (¥195 million), respectively, as compared with the previous business segmentation.
- Operating income in Service, Other, Software and Network and Media were increased/ (decreased) by ¥225 million, ¥85 million, (¥225 million) and (¥85 million), respectively, as compared with the previous business segmentation.
- Identifiable assets in Service, Other, Software and Network, Media and Internet were increased/ (decreased) by ¥522million, ¥7,739 million, (¥459 million), (¥7,728 million), and (¥57 million), respectively, as compared with the previous business segmentation.
- Depreciation in Service, Other, Software and Network and Media were increased/ (decreased) by ¥14 million, ¥1 million, (¥14 million) and (¥1 million), respectively, as compared with the previous business segmentation.
- Capital expenditures in Software and Network, Other, Media and Service were increased/ (decreased) by ¥35 million, ¥3 million, (¥3 million) and (¥35 million), respectively,as compared with the previous business segmentation.

(Note 6) Due to the amendments of the Consolidated Financial Statements Regulation, the enterprise tax has been reclassified as Income Taxes. As a result of the reclassification, Operating Income in Software and Network, Media, Technology Events, Service, Other and Internet were increased/ (decreased) by ¥429 million, ¥114 million, ¥36 million, ¥46 million, ¥1,410 million and (¥1 million), respectively.

The following represents the business segment information for the prior fiscal year based on the segmentation for the current fiscal year.

(Millions of yen) For the year ended March 31,1998	Software and Network	Media	Technology Events	Service	Internet	Other	Total	Elimination or Corporate Assets	Consolidated Total
I. Net Sales and Operating Income (Loss):									
Net sales									
(1) Net sales to outside customers	¥189,000	¥117,829	¥ 36,741	¥163,320	¥ 3,844	¥ 2,630	¥ 513,364	¥ 0	¥ 513,364
(2) Inter-segment net sales	3,717	153	17	2,427	15	471	6,800	(6,800)	0
Total	192,717	117,982	36,758	165,747	3,859	3,101	520,164	(6,800)	513,364
Operating Expenses	189,316	104,226	27,152	159,612	4,608	6,943	491,857	(6,387)	485,470
Operating Income (Loss)	¥ 3,401	¥ 13,756	¥ 9,606	¥ 6,135	¥ (749)	¥(3,842)	¥ 28,307	¥ (413)	¥ 27,894
II. Identifiable Assets, Depreciation and Capital Expenditures:									
Identifiable Assets	¥103,501	¥466,398	¥193,544	¥238,979	¥31,228	¥81,077	¥1,114,727	¥25,524	¥1,140,251
Depreciation	689	13,012	4,488	10,061	55	955	29,260	217	29,477
Capital Expenditures	650	2,705	1,095	2,302	130	77	6,959	151	7,110

(2) Geographic Areas -

(Millions of yen) For the year ended March 31,1999	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	¥226,815	¥235,823	¥43,076	¥ 22,445	¥528,159	¥ —	¥528,159
(2) Inter-segment net sales	16	2,747	2,380	—	5,143	(5,143)	—
Total	226,831	238,570	45,456	22,445	533,302	(5,143)	528,159
Operating Expenses	217,789	240,914	41,938	20,574	521,215	(5,186)	516,029
Operating Income (Loss)	¥ 9,042	¥ (2,344)	¥ 3,518	¥ 1,871	¥ 12,087	¥ 43	¥ 12,130
II. Identifiable Assets	¥136,294	¥802,964	¥17,221	¥ 10,902	¥967,381	¥(14,803)	¥952,578

(Thousands of U.S. dollars) For the year ended March 31,1999	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	$1,881,501	$1,956,226	$ 357,329	$ 186,188	$4,381,244	$ —	$4,381,244
(2) Inter-segment net sales	133	22,787	19,743	—	42,663	(42,663)	—
Total	1,881,634	1,979,013	377,072	186,188	4,423,907	(42,663)	4,381,244
Operating Expenses	1,806,628	1,998,457	347,889	170,668	4,323,642	(43,020)	4,280,622
Operating Income (Loss)	$ 75,006	$ (19,444)	$ 29,183	$ 15,520	$ 100,265	$ 357	$ 100,622
II. Identifiable Assets	$1,130,601	$6,660,838	$ 142,854	$ 90,435	$8,024,728	$(122,795)	$ 7,901,933

	Japan	North America	Europe	Other Overseas Countries	Total	Elimination or Corporate Assets	Consolidated Total
	(Millions of yen)						
	For the year ended March 31,1998						
I. Net Sales and Operating In come:							
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

(Note 1) The amount of assets included in the column “Elimination or Corporate Assets” was ¥86,746 million for1999 and ¥32,852 million for 1998, 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 for the fiscal year ended March 31, 1998 include enterprise tax which has been reclassified as “Income Taxes” in the accompanying consolidated statements of income.

(Note 3) The effects of accounting changes: Due to the amendments of the Consolidated Financial Statements Regulation, the enterprise tax has been reclassified as Income Taxes. As a result of the reclassification, Operating Income in Japan was increased by ¥2,036 million, as compared with the amount under the previous business segmentation.

(3) Net Sales in Overseas Countries -

	To North America	To Europe	To Other	Total
	(Millions of yen)			
	For the year ended March 31,1999			
I. Net sales in overseas countries	¥224,971	¥47,121	¥30,544	¥302,636
II. Consolidated net sales	—	—	—	528,159
III. Percentage of net sales in each area to consolidated net sales	42%	9%	6%	57%

	To North America	To Europe	To Other	Total
	(Thousands of U.S. dollars)			
	For the year ended March 31,1999			
I. Net sales in overseas countries	$1,866,205	$390,883	$253,372	$2,510,460
II. Consolidated net sales	—	—	—	4,381,244
III. Percentage of net sales in each area to consolidated net sales	42%	9%	6%	57%

	(Millions of yen)			
	For the year ended March 31,1998			
I. Net sales in overseas countries	¥228,165	¥43,150	¥18,906	¥290,221
II. Consolidated net sales	—	—	—	513,364
III. Percentage of net sales in each area to consolidated net sales	45%	8%	4%	57%

(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: China, Hong-Kong, Singapore, and Australia

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 controls 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 consolidated financial 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 three 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.

August 11,1999

Masayoshi Son
President & Chief Executive Officer

Yoshitaka Kitao
Executive Vice President &
Chief Financial Officer

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
SOFTBANK CORP.

We have audited the accompanying consolidated balance sheets of SOFTBANK CORP. and its consolidated subsidiaries as of March 31, 1999 and 1998, and the related consolidated statements of income, shareholders' equity and cash flows for the years then ended, all expressed in Japanese Yen.

Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the consolidated financial position of SOFTBANK CORP. and its consolidated subsidiaries as of March 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan (see Note 3(1)) applied on a consistent basis except for the following paragraph.

As described in Note 20, SOFTBANK CORP. made certain recategorization of business segments during the year ended March 31, 1999. The version-up service of software, which had previously been included in the Software and Network segment, has been recategorized in the Service segment. The distribution center management, which had previously been included in the Service segment, has been recategorized in the Software and Network segment. The investment business related to media, which had previously been included in the Media segment, has been recategorized in the Other segment. The change was made in connection with the separation of business to achieve a better management of each segment operation, and therefore we concur with the change as appropriate.

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

Chuo Audit Corporation

Chuo Audit Corporation

Tokyo, Japan
June 22, 1999

SOFTBANK CORPORATE DIRECTORY

Japan

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broadcast.com japan k.k.
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http://www.bcast.co.jp

E*Advisor Co., Ltd.
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http://www.eloan.co.jp

e-Shopping Books CORP.
24-1, Nihonbashi-Hakozakicho,
Chuo-ku, Tokyo 103-0015 Japan
Tel: +81-3-5642-8060
Fax: +81-3-5641-3417
http://www.esbooks.co.jp

e-Shopping Toys CORP.
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Tel: +81-3-5642-8090
Fax: +81-3-5642-3417
http://www.estoys.co.jp

E*TRADE Japan K.K.
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Chiyoda-ku, Tokyo 101-0051 Japan
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Fax: +81-3-5211-3077
http://www.etrade.ne.jp

FOREXBANK Co., Ltd.
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GeoCities Japan Corporation
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Fax: +81-3-5469-6984
http://www.geocities.co.jp

INSWEB Japan K.K.
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Morningstar Japan K.K.
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Fax: +81-3-5259-2765
http://www.morningstar.co.jp

Nasdaq Japan Planning Company, Inc.
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Chuo-ku, Tokyo 103-0015 Japan
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Fax: +81-3-5623-2031
http://www.softbank.co.jp/nasdaq-japan

ONSALE JAPAN K.K.
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Fax: +81-3-5641-3403
http://www.onsale.co.jp

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SOFTBANK Forums Japan, Inc.
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Fax: +81-3-5641-4617
http://www.sbforums.co.jp

SOFTBANK INVESTMENT CORP.
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Tel: +81-3-5259-2710
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SOFTBANK TECHONOLOGY CORP.
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http://www.tech.softbank.co.jp

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Yahoo Japan Corporation
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http://www.sbvc.com

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Ziff-Davis Inc.
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New York, NY 10016 USA
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BOARD OF DIRECTORS

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President &
Chief Executive Officer
SOFTBANK CORP.

YOSHITAKA KITAO
Executive Vice President &
Chief Financial Officer
SOFTBANK CORP.
President &
Chief Executive Officer
SOFTBANK FINANCE CORPORATION

KEN MIYAUCHI
Executive Vice President
SOFTBANK CORP.

RONALD FISHER
Vice-Chairman of the Board
SOFTBANK Holdings Inc.

DEN FUJITA
President &
Chief Executive Officer
McDonald's Company (Japan), Ltd.
Vice-Chairman of the Board
Toys"R"Us-Japan Ltd.

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Former Chairman of the Board
McKinsey & Company, Inc., Japan

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President &
Group Chief Executive Officer
ORIX CORPORATION

JUN MURAI
Professor,
Faculty of Environmental Information
KEIO University

YASUMITSU SHIGETA
President
HIKARI TSUSHIN, INC.

CORPORATE AUDITORS

KATSURA SATO
Full-Time Corporate Auditor

YASUHARU NAGASHIMA
Of Counsel
Nagashima & Ohno

SABURO KOBAYASHI
Advisor
Price Waterhouse Japan

HIDEKAZU KUBOKAWA
Founder
Kubokawa CPA & Co.

SHAREHOLDER INFORMATION AND SERVICES

http://www.softbank.co.jp/

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Founded
September 3, 1981

Paid-in Capital
¥104,598 million
(As of March 31, 1999)

Common Stock Issued
104,806,839 shares

Number of Shareholders
49,867
(As of March 31, 1999)

Stock Exchange Registration
Tokyo Stock Exchange First Section

Annual Meeting
Tokyo, Japan

Independent Auditors
Chuo Audit Corporation
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