

Financial Review

Key Financial Data

(Millions of Yen)

		1999/3	2000/3	2001/3	2002/3
FOR THE YEAR	Net Sales:				
	Advertising Business	¥ 1,604	¥ 5,710	¥ 13,420	¥ 12,298
	Yahoo! BB Business	—	—	—	13,286
	Auction Business	—	—	—	2,416
	Other Businesses	482	558	857	3,494
	Total Net Sales	2,087	6,271	14,277	31,497
	Operating Income	399	2,110	5,308	10,406
	Ordinary Income	391	2,031	5,208	10,318
	Net Income	183	1,153	2,972	5,868
	Operating Income Ratio to Net Sales (%)	19.1	33.7	37.2	33.0
	Net Income Ratio to Net Sales (%)	8.8	18.4	20.8	18.6
	Net Income per Share (Yen)	27,068	63,515	39,328	50,048
	Number of Shares Outstanding (Number of Shares)	6,785	18,163	75,586	117,249
	Return on Equity (ROE) (%)	8.6	20.3	22.2	30.2
	AT YEAR-END	Shareholders' Equity	¥ 3,263	¥ 8,106	¥ 18,673
Total Assets		3,919	10,475	27,972	29,218
Shareholders' Equity Ratio (%)		83.3	77.4	66.8	69.2
Number of Employees (Number of Persons)		82	196	339	414

Note: Net Income per share for the fiscal year ended March 31, 2002, deducts treasury stock.

Results of Operations

Net Sales

Net sales for the fiscal year ended March 31, 2002, soared ¥17,219 million, or 120.6%, reaching a record high of ¥31,497 million. This substantial jump in sales despite the decline in sales of advertising business can mainly be attributed to new revenues from Yahoo! BB and auction, businesses started in the first quarter as part of our diversification strategy. Segment sales for the fiscal year were ¥13,286 million for Yahoo! BB business, ¥12,298 million for advertising business, ¥2,416 million for auction business, and ¥3,494 million for other businesses. The contribution of advertising business to consolidated net sales fell to 39.0% from 94.0% a year earlier, while Yahoo! BB business generated 42.2% and auction business accounted for 7.7%. Other businesses contributed 11.1%.

Cost of Sales

Cost of sales amounted to ¥8,963 million, an increase of ¥8,900 million, or 142.3 times, over a year before. The main factor behind this jump was the inclusion of Yahoo! BB business' cost of sales in the overall figures.

Selling, General and Administrative Expenses

Personnel Expenses rose ¥1,013 million, or 45.4%, to ¥3,246 million. Compared with the previous fiscal year, the average number of employees increased 108.3 persons, or 37.2%, to 399.5 persons.

Advertising Costs decreased ¥351 million, or 30.8%, to ¥791 million. The decline results from our emphasis on less-costly marketing methods in response to the deterioration in business conditions.

Content Provider Fees increased ¥466 million, or 79.3%, to ¥1,054 million, year on year as we worked to boost our information services.

Sales Commissions shrank ¥260 million, or 14.8%, to ¥1,503 million. This decline can be attributed to a decrease in sales commissions paid to Yahoo! Inc., of the United States, because of the end of an advertising contract between it and a major client.

Depreciation Expenses expanded ¥584 million, or 86.9%, to ¥1,256 million, due to the acquisition of additional servers to handle growth in page views and upgrades to services, as well as to the introduction of basic office equipment in line with personnel expansion.

Communications Charges rose ¥594 million, or 114.4%, to ¥1,114 million. These charges increased because of additional connection contracts made with network providers in line with our expanded services and to improve the access environment for users.

Royalties paid to Yahoo! Inc. increased ¥248 million, or 66.7%, to ¥621 million, in accordance with the increase in net sales.

Lease and Utility Expenses for the fiscal year were up ¥160 million, or 35.5%, to ¥613 million in line with the expansion of Yahoo! Japan's headquarters.

During the fiscal year under review, we recorded ¥161 million in amortization of consolidated accounts.

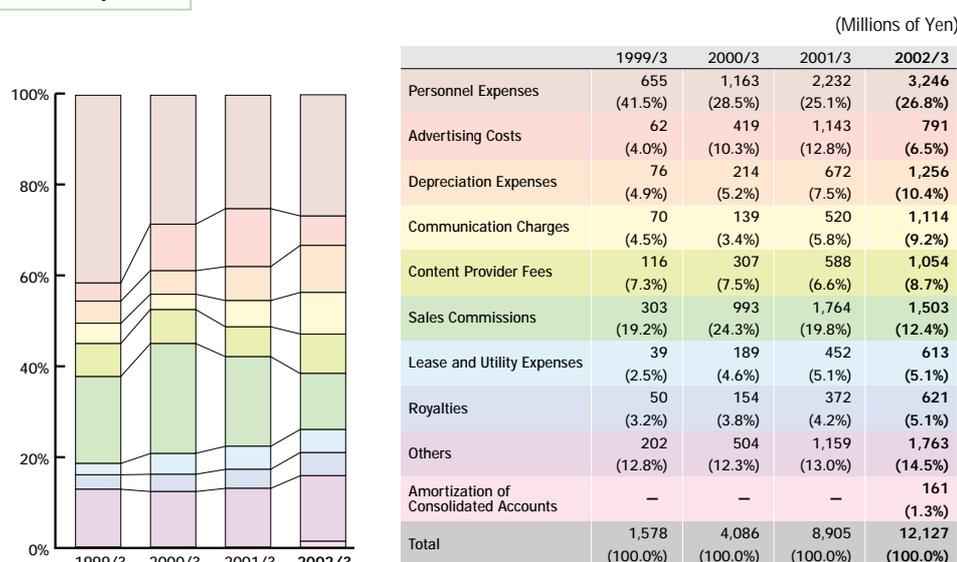
Operating Income

As a result of the above factors, operating income expanded ¥5,097 million, or 96.0%, to ¥10,406 million, compared with the previous fiscal year.

Non-operating Income (Expenses)

Net non-operating loss was ¥88 million. Loss on evaluation of equity investments was principally responsible for the loss.

SG&A Expenses



Ordinary Income

Ordinary income increased ¥5,109 million, or 98.1% year on year, to ¥10,318 million.

Income Tax, Inhabitants' Tax and Enterprise Tax

Compared with the previous fiscal year, income tax, inhabitants' tax and enterprise tax rose ¥2,202 million, or 99.1%, to ¥4,425 million.

Net Income

Net income advanced ¥2,895 million, or 97.4%, to ¥5,868 million. Net income per share amounted to ¥50,048.26, up 27.3%, or ¥10,719.44, from the previous fiscal year. The average number of shares outstanding increased 41,663 shares, or 55.1%, to 117,249 shares, compared with 75,586 shares in the previous fiscal year. Fully diluted net income per share was ¥49,955.90.

(Reference)

Earnings before Income Taxes, Depreciation and Amortization (EBITDA)

EBITDA increased ¥5,723 million, or 97.6%, to ¥11,588 million.

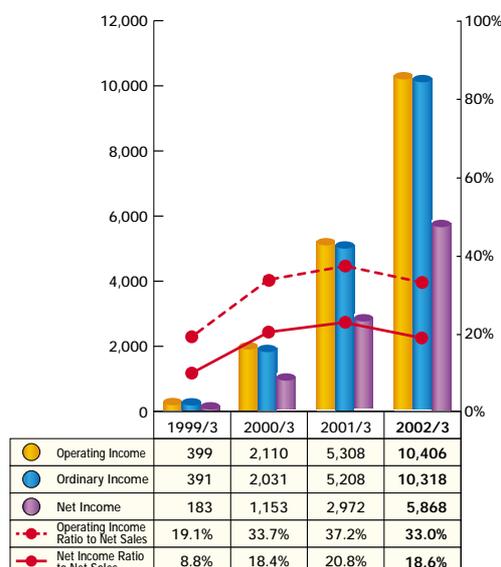
Financial Position

At March 31, 2002, total assets amounted to ¥29,218 million, up ¥1,249 million or 4.5% from the previous fiscal year. Total liabilities were ¥8,935 million, decreasing ¥363 million or 3.9%. Total shareholders' equity advanced ¥1,557 million or 8.3%, to ¥20,227 million.

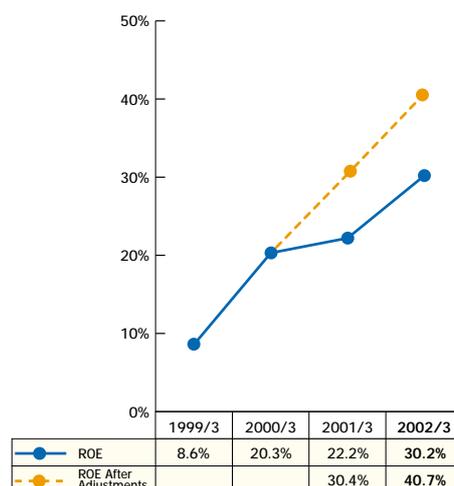
The primary causes behind the growth in total assets were increases in cash, accounts receivable—trade, and accounts receivable—other. Comparing major items year on year, among current assets, cash grew ¥6,163 million or 523.4%; accounts receivable—trade rose ¥2,456 million or 98.8%; and accounts receivable—other increased ¥1,982 million. Marketable securities decreased ¥4,589 million or 97.9%. The increase in cash and the decrease in marketable securities were primarily due to the redemption of a money management fund (MMF) and Chuki Kokusai (medium-term domestic notes)

Profits/Net Sales Ratios

(Millions of Yen)



Return on Equity (ROE)



Note: Yahoo! Japan introduced mark-to-market accounting for the valuation of other securities from the fiscal year ended March 31, 2001. As a result, shareholders' equity (average of beginning and ending balance for the year) after the fiscal year ended March 31, 2001 contains other securities evaluation adjustment in its ending balance.

For comparison with past trends, ROE calculated without taking such evaluation adjustment into account is also displayed as ROE after adjustment.

funds. Accounts receivable—other rose due to inventories, imports and sales of modems that are transferred to BBT under a wholesale agreement (¥1,231 million) and to the sale of a portion of investment securities (¥615 million). Among fixed assets, tangible fixed assets rose ¥904 million or 38.4% and intangible fixed assets increased ¥1,180 million or 12.2 times. Investment securities fell ¥7,226 million or 46.8%.

Among current liabilities, accounts payable—trade jumped ¥1,102 million or 124.9 times while accrued income taxes increased ¥1,760 million or 88.0%. Among long-term liabilities, long-term deferred taxes decreased ¥3,427 million or 64.7%.

Minority interests in consolidated subsidiaries amounted to ¥56 million.

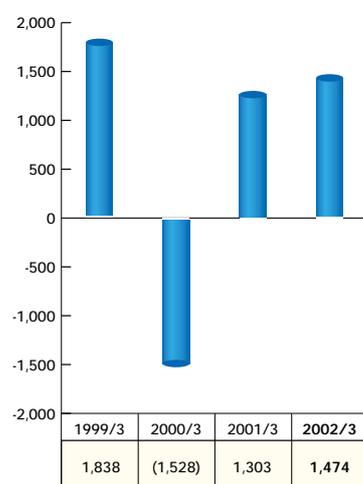
In shareholders' equity, common stock advanced ¥39 million or 0.7% while additional paid-in capital increased ¥10 million or 1.0%. Retained earnings expanded ¥5,851 million or 133.9% while other securities evaluation adjustment decreased ¥4,333 million or 60.1%.

Note: Treasury stock has been eliminated from the figures used to compare items in shareholders' equity for the fiscal year under review and the previous fiscal year.

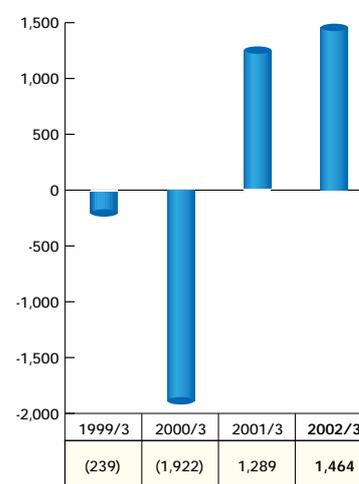
Cash Flows

Net cash provided by operating activities totaled ¥6,139 million for the fiscal year. Although accounts receivable—trade expanded along with the growth in income taxes paid and net sales, this was offset by an increase in income before income taxes. Net cash used in investing activities totaled ¥4,675 million because of an increase in fixed assets to expand and upgrade servers related to service expansion and because of investments in eGroups KK and e-Shopping! Books Corp. Net cash provided by financing activities amounted to ¥10 million despite a bond redemption because of the issue of new shares. As a result, the net change in cash and cash equivalents for the fiscal year totaled ¥1,474 million.

Cash Flows (Millions of Yen)



Free Cash Flows (Millions of Yen)



Note: Free cash flows = Cash flows from operating activities + Cash flows from investing activities