NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YAHOO JAPAN CORPORATION AND CONSOLIDATED SUBSIDIARIES

1. Organization and nature of business

Yahoo Japan Corporation (the "Company") was incorporated in January 1996 in Japan. Yahoo Japan Corporation and its consolidated subsidiaries and affiliates (the "Group") are involved in the following businesses:

- Auction business

The Auction business provides, for a charge, an Internet platform on which a number of individuals can freely sell or buy through an auction process. It also provides, for a fee, support services to entities in relation to corporate shops called Auction Stores.

- Listing business

The Listing business publishes various providers' information for users through the Company's Web site. It provides directory and search services on the Web site, information listing services, and regional information services. It also offers a paid search service, called a Sponsor Site, by cooperating with two commercial search services: Overture and Google.

- Yahoo! BB business

The Yahoo! BB business revolves around the Company's comprehensive broadband services, branded Yahoo! BB, which the Company offers jointly with SOFTBANK BB Corp., a wholly owned subsidiary of SOFTBANK CORP. The business provides an Internet service provider (ISP) service to individual subscribers that the Company has acquired through its Internet Web site and that SBB has gained through electronic wholesalers and by other means. The ISP service includes e-mail, home page creation, and other services.

- Shopping business

The Shopping business operates the Yahoo! Shopping site, a high-quality, online-based shopping venue whose stores offer a variety of products. The site's offerings include goods and services relating to travel, such as domestic or overseas accommodation, airline tickets, and the like, and provides various travel information for travel arrangements or preparation. Also included in this business is e-Shopping! Books CORP., an online book retailer and subsidiary of the Company.

- Media business

The Media business provides various content and services, with or without charges, to users to stimulate the number of page views and to increase the volume of advertising sales. The business comprises 4 services: information services, such as Yahoo! News, Yahoo! Finance, Yahoo! Sports, etc.; entertainment services, such as Yahoo! Movies, Yahoo! Music, etc.; community services, such as Yahoo! Message Boards and Yahoo! Avatar, etc.; and mailing services, such as Yahoo! Delivers, etc.

- Business Solutions (BS) business (formerly Enterprise Solutions Business Division)

The BS business provides the Company's solutions, know-how, and technologies to corporations and government bodies. It includes support services relating to the development of those entities' Web site portal and Internet-based inquiry services known as Yahoo! Research, among other offerings.

- Corporate Common business

The Corporate Common business represents the sales of advertisements on the Yahoo! JAPAN top pages, and the membership fees of Yahoo! Premium. These revenues are characterized as Corporate Common business, because they contribute to building the overall corporate brand of the Group and therefore are not allocated to any of the individual businesses named above. This business also includes revenues and expenses relating to the Company's headquarters.

The Company and its subsidiaries operate in Japan. The Company established Indival, Inc. and Y's Insurance Inc. through joint ventures during the year ended March 31, 2004. It also acquired a majority shareholding in BridalNet, Inc. and VACS Corporation.

At March 31, 2003 and 2004, the Company consolidated nine and thirteen subsidiaries, respectively.

2. Basis of presenting the consolidated financial statements

The accompanying consolidated financial statements of the Company and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

The accompanying consolidated financial statements incorporate certain reclassifications and rearrangements in order to present them in a form that is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information that is not required under generally accepted accounting principles and practices in Japan, but which is provided herein as additional information. None of the reclassifications or rearrangements had a material effect on the financial statements.

3. Summary of significant accounting policies

(1) Consolidation and investments in affiliates

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries that are controlled by the Group. Under the effective control approach, all majority-owned companies are to be consolidated. Additionally, companies in which share ownership equals 50% or less may be required to be consolidated in cases where such companies are effectively controlled by the Company through the interests held by a party who has a close relationship with the Company in accordance with Japanese accounting standards.

All significant inter-company transactions and accounts and unrealized inter-company profits are eliminated in consolidation, and the portion thereof attributable to minority shareholders is credited or charged to "Minority interest." All the assets and liabilities of subsidiaries are recorded at fair value as of the acquisition of control. All consolidated subsidiaries have a fiscal year ending on March 31.

Investments in affiliates over which the Company and its consolidated subsidiaries have significant influence are accounted for under the equity method. Consolidated income includes the Company's and its consolidated subsidiaries' current equity in the net income of affiliates, after elimination of unrealized inter-company profits.

The excess of cost over the underlying net equity of investments in consolidated subsidiaries and affiliates accounted for under the equity method is recognized as goodwill and is amortized on a straight-line basis over a period of three years. Other-than-temporary declines in the value of the goodwill are reflected in current income.

(2) Translation of foreign currency transactions and accounts

Foreign currency transactions are generally translated using the foreign exchange rates prevailing at the respective transaction dates. All assets and liabilities in foreign currencies are translated at the foreign exchange rates prevailing at the balance sheet date.

(3) Inventories

Inventories are stated at cost, where cost is determined using the specific identification method.

(4) Allowance for doubtful accounts

The allowance for doubtful accounts is calculated based on the aggregate amount of estimated credit losses on doubtful receivables, plus an amount for receivables other than doubtful receivables calculated using a historical write-off experience ratio from certain prior periods.

(5) Accounting standard for impairment of fixed assets

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets." The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.

The standard shall be effective for fiscal years beginning April 1, 2005. However, an earlier adoption is permitted for fiscal years beginning April 1, 2004 and for fiscal years ending between March 31, 2004 and March 30, 2005.

The Company did not adopt the accounting standard for impairment of fixed assets for the fiscal year ended March 31, 2004 in accordance with the accounting standard as described in the previous paragraphs.

(6) Depreciation and amortization

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

Software used for sales purposes is amortized using the sales unit method over its estimated useful life of no more than three years.

Software for internal use is amortized using the straight-line method over its estimated useful life of five years.

(7) Investments in debt and equity securities

Investments in debt and equity securities are classified into three categories: 1) trading securities; 2) held-to-maturity debt securities; and 3) other securities, which are substantially similar to available-for-sale securities, as defined in Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," in the United States of America. These categories are treated differently for the purposes of measuring and accounting for changes in the fair value of the securities.

Trading securities held for the purpose of generating profits from changes in market value are recognized at their fair value in the consolidated balance sheets. Unrealized gain and loss are included in current income. Held-to-maturity debt securities are expected to be held to maturity and are recognized at historical or amortized cost in the consolidated balance sheets. Other securities, classified as other than trading securities and held-to-maturity debt securities, for which market quotations are available, are recognized at fair value in the consolidated balance sheets. Unrealized gain and loss on these other securities are reported as a separate component of "Shareholders' equity," net of tax. Other securities for which market quotations are unavailable are stated at cost based on the moving average cost method. Declines in the value of other securities and unlisted securities that are deemed to be other than temporary are reflected in current income.

(8) Retirement benefit plan

The Company and some of its subsidiaries primarily participate in defined contribution pension plans, after the transfer of the previous defined benefit pension plans in July 2000 following the enactment of the Act for Defined Contribution Pension. The impact of the transfer of previous projected benefit obligations and pension assets under the defined benefit plan to the defined contribution plan at March 31, 2003 was a loss of ¥1 million recorded as other non-operating expense for the year ended March 31, 2003. The total plan assets of ¥81 million were transferred to the defined contribution pension plan within the three years ended March 31, 2004.

To supplement the defined contribution pension plans as described in the first paragraph, the Company and its domestic consolidated subsidiaries participate in a multi-employer contributory defined benefit welfare pension plan (the "welfare pension plan") covering substantially all of their employees. The welfare pension plan is funded in conformity with the funding requirements of the Japanese Welfare Pension Insurance Law and includes a portion relating to the governmental welfare pension program and another portion into which contributions are made by the respective companies and their employees.

Contributions made by the Company and its domestic consolidated subsidiaries into the welfare pension plan are expensed when paid since the pooled fund assets and the entire pension obligation for the welfare pension plan cannot be reasonably determined by each of the participants. The pooled fund assets of the Company and most of its domestic subsidiaries at fair value at March 31, 2004 amounted to ¥85,507 million ($809,036 thousand), and the participation ratio of the Company and the relevant subsidiaries was 1.4% based on employee numbers.

Total contributions, which the Company and its domestic consolidated subsidiaries paid for the defined contribution pension plans and the welfare pension plan, were ¥109 million and ¥180 million ($1,703 thousand), and were charged to the consolidated statements of income for the fiscal years ended March 31, 2003 and 2004.

Some domestic consolidated subsidiaries still maintain a defined benefit pension plan at March 31, 2004. The funded status of retirement benefit obligations at March 31, 2003 and 2004 was immaterial to the consolidated financial statements.

(9) Income taxes

Provision for income tax is computed based on income before income taxes and minority interest in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax base of assets and liabilities.

A valuation allowance is established against deferred tax assets to the extent that it is more likely than not that the deferred tax assets will not be realized within the foreseeable future.

(10) Net income per share

Net income per share is computed based on the weighted-average number of shares of common stock issued and outstanding during each fiscal period, with a retroactive adjustment being made to reflect the impact of stock splits.

The Group issued dilutive potential common stock equivalents, such as stock options or warrants, etc., during the relevant periods. Dilutive net income per share for the years ended March 31, 2003 and 2004, computed in accordance with the new standards as described below, has been disclosed in the accompanying consolidated statements of income.

On September 25, 2002, the Accounting Standards Board of Japan issued new accounting standards concerning accounting for net income per share effective for fiscal years beginning on or after April 1, 2002. The Company and its consolidated subsidiaries have adopted these new accounting standards from the fiscal year commencing on April 1, 2002. Under the new accounting standards, "bonuses to directors," which are determined through appropriation of retained earnings by resolution of a general shareholders' meeting subsequent to fiscal year-end and not reflected in the statements of income of the current fiscal year, should be reflected in the calculation of net income per share as if "bonuses to directors" were charged to income in the current fiscal year.

On May 20 and November 20, 2003, the Company effected two-for-one stock splits which increased the number of shares issued by 1,413,469.12 in total. Earnings per share data for the years ended March 31, 2003 and 2004 has therefore been restated to give retroactive effect to these stock splits.

(11) Appropriation of retained earnings

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

(12) Leases

Under Japanese accounting standards, capital leases, as defined therein, other than those whereby ownership of the assets is transferred to the lessee at the end of the lease term, are allowed to be accounted for as operating leases with footnote disclosure of the acquisition cost equivalent, the accumulated depreciation equivalent and future lease payments or receipts (see Note 14).

(13) Accounting change relating to revenue recognition on Yahoo! BB services

The Company is engaged in Yahoo! BB business, the comprehensive broadband services branded as "Yahoo! BB" jointly with SBB. Prior to April 1, 2003, the Company had booked the ¥1,290 monthly ISP fee per user as sales and the corresponding ISP cost of ¥1,090 as cost of sales at the time of service delivery. The Company had also recorded the net amount of ¥200 per user between ISP fee and ISP cost as sales and promotion expense in “selling, general and administrative expenses” during the free of charge campaign period of Yahoo! BB services.

Effective the fiscal year beginning April 1, 2003, the Company has changed its method of recognizing ISP fee and cost to a monthly ¥200 net revenue basis after the free campaign period from the gross revenue basis as described in the preceding paragraph in order to reflect the business of the Yahoo! BB Business Division more accurately. Yahoo! BB services during the free campaign period are no longer accounted for, accordingly.

For comparative purposes, the new accounting method has been applied retroactively to the prior consolidated statements of income as the Company launched its Yahoo! BB services in September 2001. Therefore, the restated figures, for “net sales,” “cost of sales” and “selling, general and administrative expenses,” were disclosed with those previously reported in the consolidated statements of income for the year ended March 31, 2003. The restated business segment information for the fiscal year ended March 31, 2003 is also disclosed in Note 16 (1).

4. U.S. dollar amounts

The Company and its domestic subsidiaries maintain their accounting records in Japanese yen, and the translated U.S. dollar amounts presented in the accompanying consolidated financial statements and notes thereto are included solely for the convenience of readers. These translations should therefore not be construed as representation that the original yen amounts have been or could be readily converted into U.S. dollars at the rate used (¥105.69 = US$1, the effective rate of exchange at March 31, 2004).

5. Mergers, acquisitions and restructuring

(1) Acquisition of BridalNet, Inc. and VACS Corporation

In October and December 2003, the Company acquired shares of BridalNet, Inc. ("BridalNet") and VACS Corporation ("VACS") for ¥230 million ($2,176 thousand) and ¥240 million ($2,271 thousand), respectively, and consolidated them in the consolidated financial statements for the year ended March 31, 2004.

(2) Acquisition of Netrust, Ltd.

In August 2002, the Company acquired shares of Netrust, Ltd. ("Netrust") for ¥120 million and consolidated Netrust in the consolidated financial statements for the year ended March 31, 2003.

6. Inventories

Inventories at March 31, 2003 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31, 2004
	2003	2004	
Raw material	¥ —	¥ 3	$ 28
Work-in-process	4	1	9
Merchandise	10	13	123
Finished goods	—	9	85
Supplies	—	22	209
Total	¥14	¥48	$454

7. Investments in debt and equity securities

Investments in debt and equity securities at March 31, 2003 and 2004 consisted of "Marketable securities" and "Investment securities," most of which were classified as other securities as described in Note 3 (7).

(1) The aggregate cost and market value of held-to-maturity debt securities and other securities with a market quotation at March 31, 2003 and 2004 were as follows:

	Millions of yen			
	March 31, 2004			
	Cost	Gross unrealized		Market value
		Gains	(Losses)	
Held-to-maturity securities	¥ —	¥ —	¥ —	¥ —
Other securities—				
Equity securities	584	8,172	—	8,756
Others	10	—	—	10
Total	¥594	¥8,172	¥ —	¥8,766

	Thousands of U.S. dollars			
	March 31, 2004			
	Cost	Gross unrealized		Market value
		Gains	(Losses)	
Held-to-maturity securities	$ —	$ —	$ —	$ —
Other securities—				
Equity securities	5,526	77,320	—	82,846
Others	95	—	—	95
Total	$5,621	$77,320	$ —	$82,941

	Millions of yen			
	March 31, 2003			
	Cost	Gross unrealized		Market value
		Gains	(Losses)	
Held-to-maturity securities	¥400	¥ 0	¥ —	¥ 400
Other securities—				
Equity securities	586	1,647	(11)	2,222
Total	¥986	¥1,647	¥(11)	¥2,622

(2) Details of other securities sold during the years ended March 31, 2003 and 2004 were as follows:

	Millions of yen		
	For the year ended March 31, 2004		
	Amount sold	Total gain on sale	Total loss on sale
Equity securities	¥159	¥140	¥ —

	Thousands of U.S. dollars		
	For the year ended March 31, 2004		
	Amount sold	Total gain on sale	Total loss on sale
Equity securities	$1,504	$1,352	$ —

	Millions of yen		
	For the year ended March 31, 2003		
	Amount sold	Total gain on sale	Total loss on sale
Equity securities	¥301	¥ —	¥41

(3) Unlisted investment securities at March 31, 2003 and 2004 had the following carrying amounts:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31, 2004
	2003	2004	
Unlisted equity securities (excluding over-the-counter stocks)	¥416	¥242	$2,290

8. Investments in affiliates

Investments in affiliates at March 31, 2003 and 2004 consisted of the following:

	March 31, 2004		Millions of yen		Thousands of U.S. dollars
	Ownership percentage (%)	Interest percentage (%)	March 31		March 31, 2004
			2003	2004	
Affiliates					
Tavigator, Inc.	30	30	¥ 94	¥131	$1,240
ValuMore Corporation	—	—	37	—	—
INTAGE Interactive Inc.	49	49	27	55	520
Total			¥158	¥186	$1,760

Note: ValuMore Corporation was excluded from affiliates due to the sale of its shares on December 19, 2003.

9. Common stock and treasury stock

On February 19 and August 26, 2003, the board of directors of the Company resolved a two-for-one stock split of common stock, which was effected on May 20 and November 20, 2003 for shareholders on the register at March 31 and September 30, 2003, and issued 471,059.04 and 942,410.08 shares, respectively. There was no increase in the common stock account since the new shares were distributed from the portion of previously issued shares in accordance with the Commercial Code of Japan.

The Commercial Code of Japan allows companies to acquire their own shares called treasury stock to the extent that the aggregate acquisition cost of the treasury stock falls within the maximum amount available for dividends. Upon resolution at the shareholders' meeting held on June 20, 2003, the Company established a maximum limit for the acquisition of treasury stock of 8,000 issued shares of common stock for a consideration not exceeding ¥10,000 million in total. This resolution is effective until the conclusion of the general shareholders' meeting to be held for the year ending March 31, 2005.

At March 31, 2004, the number of shares of treasury stock held by the Company was 56.92 shares.

10. Retained earnings

Bonuses to directors of ¥127 million ($1,202 thousand) in the proposed appropriation of "Retained earnings" of the Company for the year ended March 31, 2004 were approved at the general shareholders' meeting on June 17, 2004.

The Company paid no cash dividends in accordance with its dividend policy.

11. Income taxes

The Company and its consolidated subsidiaries are subject to a number of different income taxes which, in aggregate, resulted in a statutory income tax rate in Japan of approximately 42.05% for each of the two years ended March 31, 2003 and 2004.

(1) The significant components of deferred tax assets and liabilities at March 31, 2003 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31, 2004
	2003	2004	
Deferred tax assets:			
Enterprise tax payable	¥ 768	¥ 1,090	$ 10,313
Impairment charges on investment securities	797	1,007	9,528
Loss carryforwards	576	477	4,513
Allowance for doubtful accounts	121	315	2,981
Amortization of long-term prepaid expenses	44	74	700
Accounts payable	23	42	397
Business office tax payable	6	11	104
Others	101	168	1,590
Gross deferred tax assets	2,436	3,184	30,126
Less: valuation allowance	(576)	(477)	(4,513)
Total deferred tax assets	1,860	2,707	25,613
Deferred tax liabilities:			
Valuation gain on investment securities	(666)	(3,348)	(31,678)
Reserve for special depreciation	(58)	(43)	(407)
Total deferred tax liabilities	(724)	(3,391)	(32,085)
Net amount of deferred tax assets (liabilities)	¥1,136	¥ (684)	$ (6,472)

The valuation allowance was provided primarily against the deferred tax assets relating to operating tax loss carryforwards of certain consolidated subsidiaries, as it is more likely than not that these deferred tax assets will not be realized within the foreseeable future. The net change in the total valuation allowance for the year ended March 31, 2004 was a decrease of ¥99 million ($937 thousand).

(2) The difference between the statutory income tax rate and the income tax rate reflected in the consolidated statements of income can be reconciled as follows:

	For the yeas ended March 31	
	2003	2004
Statutory income tax rate	42.05%	42.05 %
Reconciliation—		
Goodwill amortization	1.34	0.12
Change in valuation allowance	0.74	0.05
Change in statutory tax rate	0.18	0.13
Tax credits	—	(1.89)
Tax benefit on expected liquidation loss of subsidiary	—	(0.91)
Other	0.37	(0.16)
Income tax rate per statements of income	44.68%	39.39 %

The enterprise tax rate, which is a component of the statutory income tax rate, has been lowered from 10.08% to 7.56% effective from the year commencing on April 1, 2004 upon approval of the national Diet in March 2003. Accordingly, deferred tax assets and liabilities at March 31, 2003, which were expected to be realized in the following year, were calculated using a 42.05% tax rate while those expected to be realized after April 1, 2004 were calculated using a 40.69% tax rate.

The effect of this change for the year ended March 31, 2003 was a decrease in net deferred tax assets, net of deferred tax liabilities, of ¥17 million, and an increase in income tax expense of ¥39 million.

12. Selling, general and administrative expenses

The main components of “Selling, general and administrative expenses” for the two years ended March 31, 2003 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	For the years ended March 31		For the year ended March 31,
	2003	2004	2004
Payroll and bonuses	¥4,051	¥5,825	$55,114
Business commissions	1,813	3,366	31,848
Sales commissions	2,236	3,038	28,744
Depreciation and amortization	1,765	3,003	28,413
Communications charges	1,496	2,861	27,070
Royalty charge	1,207	1,963	18,573
Content provider fees	1,502	1,725	16,321
Allowance for doubtful accounts	253	421	3,983
Pension costs	118	180	1,703

In connection with the accounting change as mentioned in Note 3 (13), Yahoo! BB services during the free campaign period are no longer accounted for and, therefore, promotion expense in “Selling, general and administrative expenses” for the fiscal year ended March 31, 2004 decreased by ¥871 million ($8,241 thousand) compared with what would have been reported if the previous method had been applied.

13. Cash flow information

(1) “Cash and cash equivalents” comprised cash on hand, bank deposits withdrawable on demand and highly liquid investments with initial maturities of three months or less and a low risk of fluctuation in value.

(2) “Cash and cash equivalents” at March 31, 2003 and 2004 represented cash on hand and bank deposits of ¥23,216 million and ¥39,643 million ($375,088 thousand), respectively.

(3) Acquisition

As described in Note 5, the Company acquired shares of BridalNet and VACS during the fiscal year ended March 31, 2004. Upon consolidation, total net cash outflows of ¥241 million ($2,281 thousand), consisting of ¥190 million ($1,798 thousand) for BridalNet and ¥51 million ($483 thousand) for VACS, were disclosed as “Acquisitions of shares of entities newly consolidated” in the consolidated statement of cash flows for the year ended March 31, 2004.

The net cash outflow by acquiree was as follows:

	Millions of yen	Thousands of U.S. dollars
BridalNet—		
Current assets	¥ 64	$ 605
Non-current assets	10	95
Current liabilities	(11)	(104)
Goodwill	167	1,580
Cash paid for consideration	230	2,176
Less:		
Cash and cash equivalents held by BridalNet at acquisition	40	378
Net cash outflow	¥190	$1,798
VACS—		
Current assets	¥124	$1,173
Non-current assets	89	842
Current liabilities	(5)	(47)
Non-current liabilities	(164)	(1,552)
Goodwill	196	1,855
Consideration for acquisition	240	2,271
Less:		
Accounts payable — other	109	1,031
Cash and cash equivalents held by VACS at acquisition	80	757
Net cash outflow	¥ 51	$ 483
Total net cash outflow	¥241	$2,281

As described in Note 5, the Company acquired shares of Netrust during the fiscal year ended March 31, 2003. Upon consolidation, a net cash outflow of ¥6 million was disclosed as "Acquisitions of shares of entities newly consolidated" in the consolidated statement of cash flows for the year ended March 31, 2003.

The net cash outflow for Netrust was composed of the following:

	Millions of yen
Current assets	¥114
Non-current assets	109
Current liabilities	(1)
Goodwill	(13)
Minority interest	(89)
Cash paid for consideration	120
Less:	
Cash and cash equivalents held by Netrust at acquisition	114
Net cash outflow	¥ 6

14. Leases

As described in Note 3 (12), the Group, as a lessee, charges periodic capital lease payments to expenses when paid. Such payments for the years ended March 31, 2003 and 2004 amounted to ¥2.3 million and ¥2.4 million ($23 thousand), respectively.

If capital leases that do not transfer the ownership of the assets to the lessee at the end of the lease term had been capitalized, capital lease assets at March 31, 2003 and 2004 would have been as follows:

Capital lease assets	Millions of yen		Thousands of U.S. dollars
	March 31		March 31, 2004
	2003	2004	
Equivalent to acquisition cost:			
Property and equipment	¥ 6	¥ 9	$ 85
Less: accumulated depreciation	(4)	(8)	(76)
Net book value	¥ 2	¥ 1	$ 9

The depreciation and amortization expense for these leased assets for the years ended March 31, 2003 and 2004 would have been ¥2.1 million and ¥2.2 million ($21 thousand), respectively, if it had been computed using the straight-line method over the period of the leases, assuming no residual value except in cases where the residual value is guaranteed in the lease contract.

The interest expense on lease payments under these capital leases for the years ended March 31, 2003 and 2004 would have been ¥0.2 million and ¥0.1 million ($1 thousand), respectively.

The future lease payments for capital leases at March 31, 2003 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31, 2004
	2003	2004	
Due within one year	¥2	¥1	$8
Due after one year	0	0	1
Total	¥2	¥1	$9

15. Contingent liabilities

There were no material contingent liabilities at March 31, 2004.

16. Segment information

(1) Business segment information

The Company categorizes its businesses into seven segments, as described in the following table, based on the nature of business operation and the type of services provided, for the purpose of disclosure of business segment information.

The operations of the Company include the following business segments:

Business	Main service
Auction	Provides platform for sales of goods between individuals and for auctions by enterprises
Listing	Publishes information, mainly on the request of information providers
Yahoo! BB	Acquires customers of Yahoo! BB, provides ISP service, and offers Yahoo! Mail, etc.
Shopping	Provides shopping mall with quality stores
Media	Provides useful information, both free of charge and for fees
BS (Business Solutions)	Provides services to enterprises based on the technology and experience of Yahoo! JAPAN
Corporate Common business	Sells advertisements on Yahoo! JAPAN Top Page and charges membership fees of "Yahoo! Premium"

As described in Note 3 (13), the Company changed its accounting method for recognizing revenues and related cost of sales on Yahoo! BB services. As a result of this change, net sales and operating expenses of the Yahoo! BB business segment decreased by ¥38,289 million, respectively, compared with the amount which would have been reported if the previous method had been applied consistently. In order to provide the segment information on a consistent and comparable basis, the restated business segment information based on the new accounting method for the fiscal year ended March 31, 2003 is also disclosed below.

The following tables summarize the business segment information of the Company for the years ended March 31, 2003 and 2004:

	Millions of yen									
	For the year ended March 31, 2004									
	Business								Elimination or corporate	Consolidated
	Auction	Listing	Yahoo! BB	Shopping	Media	BS	Corporate Common	Total		
Net sales—										
External customers	¥20,828	¥13,615	¥12,760	¥6,585	¥6,408	¥1,093	¥14,487	¥75,776	¥ —	¥75,776
Inter-segment	11	—	0	4	4	3	48	70	(70)	—
Total	20,839	13,615	12,760	6,589	6,412	1,096	14,535	75,846	(70)	75,776
Operating expenses (a)	5,359	3,817	4,795	5,718	4,635	1,039	3,342	28,705	5,859	34,564
Operating income (loss)	¥15,480	¥ 9,798	¥ 7,965	¥ 871	¥1,777	¥57	¥11,193	¥47,141	¥ (5,929)	¥41,212
Assets (b)	¥16,699	¥ 14,244	¥14,568	¥6,268	¥2,465	¥ 432	¥16,998	¥71,674	¥10,736	¥82,410
Depreciation and amortization	505	132	419	129	189	62	74	1,510	1,530	3,040
Capital expenditures	1,443	205	432	188	275	82	232	2,857	2,942	5,799

	Thousands of U.S. dollars									
	For the year ended March 31, 2004									
	Business								Elimination or corporate	Consolidated
	Auction	Listing	Yahoo! BB	Shopping	Media	BS	Corporate Common	Total		
Net sales—										
External customers	$197,067	$128,820	$120,730	$62,305	$60,630	$10,342	$137,071	$716,965	$ —	$716,965
Inter-segment	104	—	0	38	38	28	454	662	(662)	—
Total	197,171	128,820	120,730	62,343	60,668	10,370	137,525	717,627	(662)	716,965
Operating expenses (a)	50,705	36,115	45,369	54,101	43,855	9,831	31,620	271,596	55,436	327,032
Operating income (loss)	$146,466	$ 92,705	$ 75,361	$ 8,242	$16,813	$ 539	$105,905	$446,031	$ (56,098)	$389,933
Assets (b)	$158,000	$134,771	$137,837	$59,306	$23,323	$ 4,087	$160,829	$678,153	$101,580	$779,733
Depreciation and amortization	4,778	1,249	3,964	1,221	1,788	587	700	14,287	14,476	28,763
Capital expenditures	13,653	1,940	4,087	1,779	2,602	776	2,195	27,032	27,836	54,868

As restated due to the accounting change mentioned in Note 3 (13):

	Millions of yen									
	For the year ended March 31, 2003									
	Business								Elimination or corporate	Consolidated
	Auction	Listing	Yahoo! BB	Shopping	Media	BS	Corporate Common	Total		
Net sales—										
External customers	¥11,062	¥7,923	¥ 9,862	¥5,033	¥3,592	¥451	¥8,770	¥46,693	¥ —	¥46,693
Inter-segment	—	—	—	2	1	0	0	3	(3)	—
Total	11,062	7,923	9,862	5,035	3,593	451	8,770	46,696	(3)	46,693
Operating expenses (a)	2,711	3,538	3,008	4,361	3,235	399	1,478	18,730	3,890	22,620
Operating income (loss)	¥ 8,351	¥4,385	¥ 6,854	¥ 674	¥ 358	¥ 52	¥7,292	¥27,966	¥(3,893)	¥24,073
Assets (b)	¥ 9,660	¥6,583	¥12,697	¥1,380	¥1,551	¥300	¥8,653	¥40,824	¥ 6,950	¥47,774
Depreciation and amortization	206	161	326	112	106	54	11	976	828	1,804
Capital expenditures	460	232	527	41	189	23	27	1,499	2,783	4,282

As previously reported:

	Millions of yen									
	For the year ended March 31, 2003									
	Business								Elimination or corporate	Consolidated
	Auction	Listing	Yahoo! BB	Shopping	Media	BS	Corporate Common	Total		
Net sales—										
External customers	¥11,081	¥7,923	¥22,245	¥5,033	¥3,592	¥451	¥8,770	¥59,095	¥ —	¥59,095
Inter-segment	—	—	—	2	1	0	0	3	(3)	—
Total	11,081	7,923	22,245	5,035	3,593	451	8,770	59,098	(3)	59,095
Operating expenses (a)	2,730	3,538	15,391	4,361	3,235	399	1,478	31,132	3,890	35,022
Operating income (loss)	¥ 8,351	¥4,385	¥ 6,854	¥ 674	¥ 358	¥ 52	¥7,292	¥27,966	¥(3,893)	¥24,073
Assets (b)	¥ 9,660	¥6,583	¥12,697	¥1,380	¥ 1,551	¥300	¥8,653	¥40,824	¥ 6,950	¥47,774
Depreciation and amortization	206	161	326	112	106	54	11	976	828	1,804
Capital expenditures	460	232	527	41	189	23	27	1,499	2,783	4,282

(a) The amount of unallocated operating expenses in the column "Elimination or corporate," which mainly represents the expenses of the human resources and accounting divisions of the Company, was ¥3,890 million and ¥ 5,859 million ($55,436 thousand) for the years ended March 31, 2003 and 2004, respectively.

(b) The amount of corporate assets included in the column "Elimination or corporate" at March 31, 2003 and 2004 was ¥6,950 million and ¥10,736 million ($101,580 thousand), respectively. Corporate assets are mainly investment securities of the Company, guaranteed deposits of the headquarters' building and common assets of the Company.

(2) Geographic segment information

Segment information by geographic area has been omitted because all operations were performed in Japan.

(3) Sales to overseas customers

Information on sales to overseas customers has been omitted since the sales amount to overseas customers is less than 10% of total sales.

17. Subsequent events

On February 17, 2004, the board of directors of the Company resolved a two-for-one stock split of common stock, which was effected at May 20, 2004 for shareholders on the register at March 31, 2004, and issued 1,886,073.16 shares. Giving the effect of the stock split, net income per share for the two fiscal years ended March 31, 2003 and 2004 would be retroactively restated as follows:

	Yen		U.S. dollars
	For the years ended March 31		For the year ended March 31,
	2003	2004	2004
Net income per share:			
Primary	¥3,196.05	¥6,552.10	$61.99
Diluted	¥3,191.15	¥6,530.57	$61.79