

Yahoo Japan Corporation

Results for the Fiscal Year and the Three Months Ended March 31, 2002

Non-consolidated Information

<Introduction>

In a Web audience survey conducted by Nippon Research Center Ltd., the number of Internet users in Japan was approximately 35 million as of March 2002, with Web users accounting for approximately 29 million of this total. According to a survey by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, the number of users of DSL-based high-speed Internet (broadband) service is rising sharply—the number of DSL subscribers at the end of March 2002 had jumped to approximately 2.4 million, up about 33 times from a year ago.

Not only does the spread of broadband service make it possible to smoothly deliver audio and moving picture content, it also substantially boosts the value of the Internet as a media. Because they are able to access the Internet continuously at low, fixed rates, Internet users have increased their frequency of access and the amount of time they spend. Moreover, Internet users who used to take advantage of late night discount rates now can afford to use the Internet during the so-called TV golden hours in the evening, making the Internet more of an indispensable lifestyle service and giving it an influence that ranks alongside the four major mass media formats. Within the current calendar year, the number of households that are DSL subscribers is estimated to reach 6.5 million. As broadband services continue to spread rapidly, it is expected that the value of the Internet as a media format will grow in leaps and bounds.

Amid these conditions, Yahoo Japan Corporation (“Yahoo! Japan” or “the Company”) achieved the following results for the fiscal year and the fourth (January to March) quarter ended March 31, 2002.

<Review of Operations>

Using its overwhelming superiority in page views and unique users in the market as a business resource, Yahoo! Japan is aggressively promoting businesses, such as Yahoo! BB and Auctions, that provide new sources of earnings in addition to its advertising business. To further build on this business resource, the following services were added or upgraded during the fourth quarter.

Information Providing Services

In information providing services, Yahoo! Sports covered the Salt Lake Olympics. The service also boosted its content for the much heralded 2002 FIFA World Cup™, sponsoring live talk shows and adding detailed reports on 20 of the most talked about international players. Leading up to the 2002 professional sports season, Yahoo! Sports again started up its information service on J League, F1 racing, professional Japanese baseball, and U.S. major league baseball. In professional Japanese baseball, Yahoo! Sports will provide improved coverage of all games, again offering its popular live data on all games, live video coverage of all the home games of the Seibu Lions, and other services. It also renewed its information services and expanded its database on the U.S. Major League, in which Japanese players are expected to play an even more important role than last year. In its coverage of the 74th National Invitational High School Baseball Tournament, Yahoo! Sports is listing the names of the players of all 32 of the participating teams as well as flash reports, daily schedules, and preliminary game results.

Yahoo! Finance started an information center on income tax returns, providing useful information on basic knowledge about income tax returns and case studies. It also added the Toyo Keizai Investment Club to its news service. In stock information services, Yahoo! Finance provided flash reports on the market on a morning and afternoon closing basis as well as detailed reports on spotlighted stocks.

Yahoo! Weather once again provided its Pollen Information service, supplying weekly forecasts of pollen concentrations in the air for 114 districts nationwide and improving presentation to make the page easier to view. It also offered its Cherry Blossom Information service, supplying information on the degree of blossoming of cherry trees and weather forecasts (the progress of blossoming changes significantly depending on air temperature) for the next week for about 450 famous locations nationwide.

In keeping with the start of the picnic and excursion season, Yahoo! Regional Information provided its Getting Out and Event Information services. It listed information on more than 3,000 items, including theme parks, amusement parks, zoos, aquariums, botanical gardens, museums, hot springs, pools, sea bathing spots, and camping locations by prefecture.

Yahoo! Maps launched its Mapion Town Information service, through which CyberMap Japan Corp. offers town information on gourmet spots, accommodations, lifestyle activities, and others.

Through a business alliance with Dip Corp., Yahoo! Employment commenced a Yahoo! Temporary Work Information service. There are approximately 7,500 job listings on the site and 78 temporary employment agencies, in both cases, the largest listings in Japan.

Through a business alliance with Hurricane Inc., which develops and distributes entertainment content, Yahoo! Music began offering information on tickets for concerts and events. Users of this service can view information on scheduled concerts and events and then reserve their tickets over the Internet.

Yahoo! Movie formed a business tie-up with SHORT STOP FILM, a label that specializes in short films, and began supplying a video streaming service for short films. As the first showing, Yahoo! Music offered a free preview of a short film starring Kyoka Suzuki. Yahoo! Movie also provided special features on the hit movies, Lord of the Rings and Monsters, Inc. This is a specially planned service that includes a variety of menus, such as a photo library, a message board and chat service where users can converse about movies or works, and wallpaper that can be downloaded. This year, Yahoo! Movie also offered a special feature on the Academy Awards. In addition to introducing the nominated movies, it also added articles on the expected outcome from PREMIERE magazine and allowed Yahoo! users to cast their own votes.

Through a business alliance with OG Capital Co., Ltd., of the Osaka Gas Group, Yahoo! Gourmet expanded its Gourmet Recipe Information service from the previous approximately 2,500 items to about 4,500 items in preparation for the arrival of the cherry blossom viewing picnic and excursion seasons. At the same time, it launched a healthy recipe service featuring beauty care and health themes.

Yahoo! Fortune Telling launched a White Day Fortune Telling horoscope service. In addition to offering a men's only version of this service, Yahoo! Fortune Telling also offered a Spring Love Fortune Telling service for both men and women.

Commerce Services

In commerce services, Aeon Co., Ltd., opened its Internet shopping site on Yahoo! Shopping as eJUSCO. Com Yahoo! Shopping Store. During the quarter, Yahoo! Shopping also offered special features on Valentine's Day and White Day and provided a careful selection of gifts for the occasion.

In connection with the "YUSAKU MATSUDA exhibition—Yusaku Matsuda and the Modern Creators," an exhibition on the actor, the late Yusaku Matsuda, held at Shibuya Parco Part 3, Yahoo! Auctions sponsored a charity auction of photo panels of the actor, including private life photos. At the same time, we offered an original screen photo for mobile phones with a Yusaku Matsuda motif.

Yahoo! Travel launched a reservation service for JTB's Accommodations Plan Select 3000 to aid people planning vacations in the spring and during Golden Week.

Community Services

In community services, Yahoo! Message Board added a thread function. A thread function indicates the hierarchy of messages that are related, making it easy to follow the thread of the conversation.

Yahoo! Mail and My Yahoo! underwent substantial upgrading of functions. Yahoo! Mail now allows users to change the color, size, and style of the type used in e-mail as well as adding background color. Moreover, the HTML format is now available, making it easy for users to add links to other documents. For My Yahoo!, we added a function that links it to Yahoo! Auctions, Yahoo! Mail, Yahoo! Calendar, and Yahoo! Notepad. In addition, we began a Yahoo! Companion service that expands the function of users' browsers, enabling them to easily access the services of Yahoo! Japan without inputting URLs or following links.

Yahoo! Photo added functions for slideshows and changing the lineup of photos. The slideshow function allows users to view the photos in their on-line albums in order on their

browsers. With the lineup change function, users can easily change the position of the photos in their albums.

Yahoo! Game launched its first single game, Broxy. It is a very simple game, with users fitting together two or more horizontally and vertically cut blocks, and trying to remove as many as possible. The blocks have special picture patterns, and the game has become a popular title worldwide with Yahoo! Game users.

During the quarter, we made a full-fledged start to Yahoo! Wallet, a secure registration service for details of a user's payment method for the fee-based services of Yahoo! Japan. In conjunction with the kick off of this service, we also launched our first pay content linked to Yahoo! Wallet by making Enix Corp's online network spy game ChaseChase, sales of which began on February 28, 2002, available on Yahoo! Game. Yahoo! Wallet provides a substantial leap in the convenience of online payments because once users have registered credit card, bank account or invoice address information with Yahoo! Wallet, they need not register such information again when purchasing Yahoo! Japan's pay services.

Yahoo! BB

During the quarter under review, Yahoo! BB held an online premium of Director David Lynch's movie, Mulholland Drive. It was Yahoo! Japan's first online premiere, showing the entire two-and-one-half hour film on broadband, and was provided to Yahoo! BB users free of charge for two days from February 9 to 10. Yahoo! BB also launched a promotion site for Yahoo! BB for Sony Computer Entertainment, Inc.'s "PlayStation 2", which will enable users to access Yahoo! BB services.

Yahoo! Mobile

Yahoo! Mobile added and expanded many functions during the quarter. A function was added to allow personal computer users to search mobile phone Internet sites and send the search results to a mobile phone. In addition, iAppli searches can now be done on personal computers. Through an alliance with LightSurf Technologies, Inc., which develops automatic picture conversion systems for mobile phones, we have added a function that makes it possible for mobile phone users to view photos of items listed on Yahoo! Auctions. New functions have also been added to Mobile Auctions: category and key word search function and watch list function are added on the i-mode service and photos of items can be viewed on the EZWeb and i-mode services. Moreover, category and key word searches on mobile phone sites provided by Yahoo! Mobile can now also be done using personal computers. During the quarter, we launched the official 2002 FIFA World Cup™ mobile phone site on the i-mode official menu. We also expand the functions of Yahoo! Messenger, the continually popular personal computer version of our personal chat tool (Instant Messenger), to allow to be accessed by the official EZweb service, Yahoo! EZ Search.

As a result of these efforts, daily page views topped 270 million for the first time during the fourth quarter, and monthly page views for March reached 7,684 million. This represents an increase of 1,617 million page views, or 26.7%, compared with December 2001, the last month of the previous quarter, and an increase of 3,215 million page views, or 71.9%, compared with the same month a year earlier. Looking at page views for the month of March 2002 by service, directory search services (including Yahoo! BB) accounted for 23.9%, information providing services for 16.6%, community services such as message boards for

25.6%, commerce services for 32.7%, and mobile services for 1.2% of monthly page views. Services other than directory search services accounted for 76.1% of total monthly page views. As of April 16, 2002, the record number of daily page views has exceeded 280 million.

In a Web audience survey of Japan conducted by Nippon Research Center Ltd. in March 2002, Yahoo! Japan was named most often by respondents as a site they access at least once every four weeks. Yahoo! Japan continues to hold the dominant position with 86.9% of the respondents, a wide margin over goo, which ranked second at 54.4%.

By multiplying the above percentage by the approximately 29 million Web users in Japan as of the end of March 2002, we estimate that there were 25 million unique users accessing Yahoo! Japan at least once every four weeks. This represented an increase of 2.7 million users, or 12.1%, over December 2001, and an increase of 6.0 million users, or 33.3%, over the same month in the previous year.

The following are the business results for the fiscal year and fourth quarter ended March 31, 2002.

Caution: Beginning with the first quarter of the fiscal year ended March 31, 2002, agency commissions have been included in net sales, which were previously disclosed net of these agency commissions. Consequently, Sales commissions included under SG&A expenses also contain agency commissions. To allow comparison with results in previous years, prior year advertising revenues have been recalculated to include agency commissions.

Advertising Business

Sales of advertising business in the fourth quarter of the fiscal year ended March 31, 2002 dropped ¥1,038 million, or 26.8%, to ¥2,839 million compared with the same quarter a year earlier. Advertising business sales accounted for 29.6% of total revenues. Compared with the third quarter, sales of advertising business rose ¥104 million, or 3.8%.

During the fourth quarter, the economy deteriorated further under the impact of successive bankruptcies of major corporations due to a step up in the clean up of bad debts and concern about the troubled financial system, and other factors. The general advertising market faced business conditions of a severity never encountered before. With advertising expenditures falling overall, it became increasingly difficult to sell advertising, as advertisers become more cautious about Internet advertising and the number of new advertisers declined. Despite these conditions, the Company strengthened its cooperative sales organization with advertising agencies, targeting National Clients by commencing sales of Yahoo! Billboard, the first reach index type of product to be based on the number of unique browsers that the ad is viewed on. We also expanded our practical testing of Yahoo! Research, which includes a program that measures advertising effectiveness. In addition, to increase the visual impact of our banner advertising, we actively introduced so-called rich media banners, such as flash banners.

As a result, although sales of advertising business for the fourth quarter substantially declined from the year earlier, sales were up compared with the previous quarter, rising ¥104 million, or 3.8%. This increase represents the first growth in four quarters.

For the fiscal year, sales of advertising business decreased ¥1,128 million, or 8.4% compared with the previous fiscal year, to ¥12,291 million, accounting for 40.6% of total revenues.

Specific results in the number of advertisers, advertisements, advertising agencies, advertisement rates per page view, and advertising products in fourth quarter and fiscal year ended March 31, 2002 were as follows:

Major Advertisers

Compared with the same period in the previous year, the average number of monthly advertisers for the fourth quarter was 841 companies, a decrease of 38 companies, or 4%. The number of new advertisers averaged 56 companies per month and repeater companies averaged 785 companies per month. The cumulative total number of advertisers was approximately 3,700 companies. By industry, in addition to the Company's traditional advertisers of financial and insurance, restaurants and other services, and information and telecommunications, advertisements by education and medical services, religions,

transportation and leisure, distribution and retail industries, real estate and housing fixtures, and household electronics and audiovisual equipment also increased.

Compared with the previous quarter, the average number of repeater companies per month increased by 7 companies, or 0.9%, and the average number of new companies per month declined by 9 companies, or 14%, resulting in the average number of monthly advertisers falling by 2 companies, or 0.2%. Thanks to the Company's shift to a sales structure that focuses basically on contracting with advertisers through advertising agencies in order to target National Clients, the number of advertisers contracted with through advertising agencies accounted for about 92% of the total advertiser client base in the fourth quarter. In addition, the repeater rate for the top 50 advertisers in the fourth quarter was 98%.

Among advertisers, the SOFTBANK Group represented approximately 3% of net sales, and Yahoo! Inc. purchased no advertising. No individual client accounted for 10% or more of advertising sales.

(Note: The SOFTBANK Group comprises companies that have received more than 50% of their effective investment from SOFTBANK CORP.)

Compared with the previous year, the average number of monthly advertisers for the fiscal year ended March 31, 2002, was 832 companies, an increase of 40 companies, or 5%. The number of new advertisers averaged 58 companies per month, down 58 companies, or 50%, and repeater companies averaged 774 companies per month, an increase of 98 companies, or 14%.

Advertisements

The average number of monthly advertisements for the fourth quarter increased by 402, or 16%, to 2,891, compared with the same quarter a year earlier. Monthly advertisements grew by 81, or 3%, compared with the previous quarter.

The average number of monthly advertisements for the fiscal year increased 546, or 26%, to 2,653.

Advertising Agencies

For the fourth quarter, the monthly average of advertising agencies conducting business with the Company rose by 22, or 10%, to 239 companies compared with the same quarter a year earlier. There was no change in this figure compared with the third quarter.

For the fiscal year, the monthly average of advertising agencies conducting business with the Company increased by 30, or 15%, to 233 companies.

Advertisement Rates per Page View

For the fourth quarter, rates for high-volume "Branding-Type Banner" ads ranged from ¥0.25 to ¥6 per page view, rates for "Targeting-Type Banner" ads varied from ¥1.25 to ¥20 per page view, and rates for Skyscraper banners varied from ¥2.2 to ¥12 per page view. Rates for the group-specific e-mail advertising Yahoo! Deliver were ¥8 to ¥24 per mailing.

Rates for Yahoo! Billboard, which was newly introduced in the fourth quarter, varied from ¥4 million to ¥8.4 million, depending on the number of browsers to be reached and the length of the advertising period. In our Yahoo! Billboard Property Separate service, rates varied from ¥600 thousand to ¥10.5 million based on the services selected, the number of browsers to be reached, and the length of the advertising period.

Advertising Products

Sales of Run of Property and Buttons for stocks, real estate, and others continued to experience sales difficulties during the fourth quarter. On the other hand, sales of our core product Pilot Seat, the new product Yahoo! Billboard, Skyscraper banners, and group-specific e-mail advertising Yahoo! Deliver were favorable.

In particular, the new product Yahoo! Billboard was popular with its targeted customers, National Clients. With rates based for the first time on the number of browsers the ad is viewed on rather than a guaranteed number of page views, the product was easy for advertisers to understand. In addition, rates can be compared with those of the four major mass media.

One of the special features of the fourth quarter was the continued growth in the use of flash banners and other rich media advertising, which have a strong visual impact. This type of advertising was used widely in promotions of such companies as Nomura Securities Co., Ltd., eBank Corp., Japan Airlines Co., Ltd., MacDonald's Company (Japan), Ltd., and drew a great deal of attention. In addition, our experimental tie-up with Toyota Motor Corporation to promote their new WINDOM model using Yahoo! Full Service proved that banner advertising can achieve an increase in name brand recognition and is effective as a route of recognition. These results will have a positive effect on our future advertising sales activities. Yahoo! Full Service allows you to identify users' log data, estimate the effectiveness of the advertising, and verify banner creativeness.

Yahoo! BB Business

Sales of Yahoo! BB business in the fourth quarter totaled ¥4,902 million, generating 51.0% of overall net sales. This performance represented an increase of ¥293 million, or 6.4%, from the previous quarter.

Sales increased during the quarter despite a slowdown in the sales of the Yahoo! Starter Kit, because of increased sales of our ISP service and growth in the sales accompanied with the acquisition of BB Phone service users. As of the end of March 2002, Yahoo! BB had approximately 530 thousand formal applicants. A total of 1,512 central offices have been constructed and approximately 490 thousand lines have been connected (number of jumper installation completed).

During the quarter under review, Yahoo! Japan aimed to reduce installation time from subscriber application to completion of the jumper installation inside the NTT central office in Yahoo! BB, comprehensive broadband service. The Company requested that BB Technologies, Corp. (BBT) reviews and reforms its business processes to shorten the number of days required for the installation. On January 28, 2002, to promote subscriptions, the Company announced its "10 Business Days Connection Campaign," whereby subscribers applied after January 15, 2002, receive free use of Yahoo! BB services for the following month if the installation is not completed or the Yahoo! BB Starter Kit does not arrive within 10 business days. During March, over 90% of installations under this new campaign were completed on time.

"Yahoo! BB Friend Campaign" is another campaign under way, running from March 8 to April 30, 2002. All users who introduce a friend to the service during the campaign will receive, without exception, a ¥3,000 VISA gift certificate per new subscriber. Fifty of the new subscribers who are introduced will also win a ¥10,000 gift certificate based on a lottery. In February 2002, Yahoo! BB received a special prize for its provision of low-rate ADSL

services from the incorporated association, Association of Media in Digital (AMD) controlled by the Ministry of Public Management, Home Affairs, Posts and Telecommunications.

Also during the quarter, BB Phone, the broadband telephone service announced in December of last year, introduced a BB Phone Monitor campaign to attract subscribers to test the system in the lead up to the formal start of business. During March, the first 30 thousand applicants paid no registration fee as well as getting three months free of charge for basic fees and rental fees for connection terminals. Thirty thousand applicants were signed up within three weeks, but because of the high interest in the service and to test the system on a larger scale before the formal start up, the campaign was extended to another 50 thousand applicants.

Because BB Phone uses Yahoo! BB's dedicated lines and not the telephone lines of NTT, it can offer lower rates. Domestic calls are ¥7.5 for 3 minutes, calls between BB Phone users are free, and international calls between Continental U.S.A. and Japan are also ¥7.5 for three minutes (¥2.5 per minute).

Sales of Yahoo! BB business for the fiscal year ended March 31, 2002 totaled ¥13,286 million and generated 43.9% of overall sales.

Auction Business

Revenues from our auction business during the fourth quarter totaled ¥1,083 million, generating 11.3% of net sales. Auction business revenues were up ¥272 million, or 33.6%, from the previous quarter.

Revenues increased substantially from the third quarter because of the rise in user participation revenues along with Yahoo! Auctions' personal identification. At the end of March, the number of items open for bidding increased approximately 1.2 million, or 37.2%, compared with the previous quarter to approximately 4.2 million. In addition, the monthly cumulative total (March 1 to March 31) of new items put up for auction increased approximately 4.8 million, or 36.4%, compared with December 2002 to approximately 18 million. The number of users registered using our personal identification system at the end of March increased 280 thousand, or 20.4%, compared to the number at the end of December 2001 to 1.65 million. At the end of the fourth quarter, there were 95 auction merchant shops on Yahoo! Auctions, up 9 shops, or 10.5%, from the previous quarter.

During the quarter under review, we began offering Yahoo! Yu-Pack, a parcel delivery service using the Post Office's Yu-Pack parcel delivery service. The Yahoo! Yu-Pack service can be requested around the clock from any of Family Mart's Fami Port multimedia terminals at a discount rate of up to 10%. Yahoo! Yu-Pack is a highly convenient and affordable parcel delivery service and includes damage and loss insurance of up to ¥500,000. The service works in conjunction with Yahoo! Auctions to greatly increase the convenience of users, allowing them to arrange for the delivery of items auctioned simply over the Web. During the fourth quarter, Yahoo! Auctions also introduced REGILA, an escrow service for automobiles.

On February 28, 2002, the Company announced the introduction of a system-use fees for listing and selling items on Yahoo! Auctions. Because of the large volume of items posted on the system, Yahoo! Auctions has had to incur substantial costs to add new servers and communications lines, expand its network devices, and increase staff. Moreover, the large number of items with multiple listings that interfere with item searches and the many items that are really only advertisements have given rise to discontentment with the system among people participating in auctions. This situation has created a problem because it undercuts the appeal of the services offered by Yahoo! Auctions. Yahoo! Auctions considered this problem

from the point of view of benefit assessment, deciding to impose a Listing Fee of ¥10 per item on items put up for auction as of April 15, 2002, and a Cancellation Fee of ¥500 per item cancelled after it has been bided. Beginning May 15, 2002, persons selling items will be charged 3% of the auction proceeds as a Transaction Fee. For items in special categories, such as automobiles, motorcycles, and real estate, etc., the Listing Fee will be ¥500 per item and the Transaction Fee will be ¥3,000 regardless of the final auction price.

Revenues from the auction business for the fiscal year ended March 31, 2002, amounted to ¥2,416 million and accounted for 8.0% of overall sales.

Other Businesses

In the fourth quarter, other businesses generated revenues of ¥780 million, contributing 8.1% of net sales. Compared with the previous quarter, other businesses revenues were up ¥146 million, or 23.2%.

The principal contributors to this revenue were ¥210 million from the information publishing services of Yahoo! Employment, Yahoo! Autos, Yahoo! Real Estate, and others; ¥186 million from business services including the pay site-registration review service Business Express; ¥183 million from commerce services, including shopping tenant fees and sales commissions by Yahoo! Shopping; and ¥28 million in licensing fees.

At the end of March, the number of shops on Yahoo! Shopping reached 182, an increase of 48 stores, or 35.8% compared with the same period in the previous year. Tenant fees and sales commissions were ¥157 million, up ¥97 million, or 162.6%. Average total turnover was ¥4,033 million in this quarter, up ¥1,998 million, or 98.2%, and turnover per store was ¥22 million, up ¥6 million, or 45.9% compared with the same quarter a year earlier. Sales commissions by Yahoo! Shopping have previously been recorded as a three-month portion using only the months with finalized figures. However, starting with the quarter under review, the sales commissions will be recorded for each quarter using an estimate of the sales commissions for the final month. As a result, the sales commissions for the quarter under review only will include four months— December, January, February, and March (estimate).

For the fiscal year ended March 31, 2002, other businesses revenues totaled ¥2,268 million and generated 7.5% of overall sales.

Financial Accounts

<Statements of Income>

Net Sales

Net sales for the fourth quarter rose to ¥9,606 million, a gain of ¥5,383 million, or 127.5%, compared with the same period a year earlier. Compared with the third quarter, net sales increased ¥817 million, or 9.3%. This substantial growth can be mainly attributed to the increase in sales of Yahoo! BB and of the Auctions business, both of which began operations in the first quarter. Yahoo! BB revenues for the quarter under review amounted to ¥4,902 million, advertising revenues totaled ¥2,839 million, Auctions revenues were ¥1,083 million, and Others revenues were ¥780 million. Yahoo! BB's contribution to net sales declined to 51.0%, compared with 52.5% in the third quarter, while the proportion of advertising revenues in net sales also slid, falling from 31.1% to 29.6%. On the other hand, the contribution of Auctions revenues to net sales rose from 9.2% in the previous quarter to 11.3% and the contribution of Others revenues climbed from 7.2% to 8.1%.

Net sales for the fiscal year ended March 31, 2002 amounted to ¥15,985 million, up 112.0% from the previous fiscal year.

Cost of Sales

Cost of sales for the fourth quarter advanced ¥2,992 million, or 170.3 times, to ¥3,010 million, compared with the same period a year earlier. The main factor behind this jump was an increase in the cost of sales of our Yahoo! BB operations to ¥2,980 million.

Cost of sales for the fiscal year ended March 31, 2002, jumped ¥7,961 million, or 127.4 times, to ¥8,024 million compared with the previous fiscal year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the fourth quarter rose ¥618 million, or 24.7%, to ¥3,123 million compared with the same period in the previous fiscal year.

Selling, general and administrative expenses for the fiscal year ended March 31, 2002 grew ¥2,625 million, or 29.5%, to ¥11,530 million compared with the previous fiscal year. The primary factors behind these changes are as follows.

Personnel expenses in the fourth quarter expanded ¥192 million, or 31.0%, to ¥812 million compared with the same period a year earlier. This growth reflects 75 new staff, an increase of 22.1%, hired in response to our rapid business expansion, for a total of 414 employees.

Compared with the previous fiscal year, the average number of employees for the fiscal year ended March 31, 2002, increased by 101.6 people, or 34.9%, to 392.8 people. Personnel expenses rose ¥869 million, or 38.9%, to ¥3,102 million.

Advertising costs totaled ¥84 million in the fourth quarter, a decrease of ¥245 million, or 74.5%, from the same period in the previous year. This decline resulted from our emphasis on less costly marketing methods in response to the deterioration in business conditions.

Compared with the previous fiscal year, advertising costs for the fiscal year ended March 31, 2002, fell ¥353 million, or 30.9%, to ¥789 million.

Content provider fees in the fourth quarter grew ¥130 million, or 78.6%, to ¥295 million compared with the same period a year earlier, as the Company worked to boost its information providing services.

Compared with the previous fiscal year, content provider fees for the fiscal year ended March 31, 2002, rose ¥468 million, or 79.6%, to ¥1,056 million.

Fourth-quarter sales commissions increased ¥24 million, or 6.0%, to ¥434 million, compared with the same period a year earlier. A change in policy regarding sales channels was responsible for this increase.

Sales commission for the fiscal year ended March 31, 2002 fell ¥262 million, or 14.9%, to ¥1,501 million compared with the previous fiscal year. This decline could be attributed to a decrease in sales commissions paid to Yahoo! Inc. because of the end of an advertising contract between it and a major client.

Depreciation expenses in the fourth quarter rose ¥143 million, or 65.9%, to ¥361 million due to the acquisition of additional servers to handle growth in page views and upgrades to services, as well as the introduction of basic office equipment in line with personnel expansion.

Compared with the previous fiscal year, depreciation expenses increased ¥535 million, or 79.7%, to ¥1,207 million.

Communications charges in the fourth quarter advanced ¥120 million, or 68.9%, to ¥296 million compared with the same period a year earlier, as the Company expanded network connection contracts to improve the user-access environment and bolster its services.

Compared with the previous fiscal year, communications charges were up ¥593 million, or 114.2%, to ¥1,113 million.

Royalties paid to Yahoo! Inc. of the United States, increased ¥70 million, or 62.0%, to ¥184 million in the fourth quarter compared with the same quarter in the previous fiscal year in accordance with the increase in net sales.

Compared with the previous fiscal year, royalties increased ¥248 million, or 66.7%, to ¥621 million.

Lease and utility expenses rose to ¥166 million in the fourth quarter, an increase of ¥47 million, or 39.9%, from the same period a year earlier, in line with the Company's expansion of its offices, rental fees for warehouse storage space for Yahoo! BB starter kits, and others.

Compared with the previous fiscal year, lease and utility expenses for the fiscal year ended March 31, 2002, rose ¥135 million, or 30.0%, to ¥588 million.

Operating Income

As a result of the above factors, operating income for the fourth quarter expanded ¥1,771 million, or 104.2%, to ¥3,472 million compared with the same period a year earlier.

Compared with the previous fiscal year, operating income for the fiscal year ended March 31, 2002, advanced ¥5,399 million, or 101.7%, to ¥10,708 million.

Non-Operating Income (Expenses)

Net non-operating expenses for the fourth quarter were ¥44 million. Loss on evaluation of investments was mainly responsible for the net expense.

Net non-operating expenses for the fiscal year ended March 31, 2002, were ¥82 million. Losses on evaluation of investments and on disposal of fixed assets, such as personal computers and servers, were mainly responsible for the net expense.

Ordinary Income

Ordinary income for the fourth quarter amounted to ¥3,427 million, an increase of ¥1,764 million, or 106.0%, from a year earlier.

Compared with the previous fiscal year, ordinary income for the fiscal year ended March 31, 2002, increased ¥5,417 million, or 104.0%, to ¥10,626 million.

Extraordinary Gain/Loss

During the quarter under review, the Company recorded a net extraordinary gain of ¥197 million. Extraordinary gain consisted of gain on sales of investment securities while extraordinary loss consisted of an evaluation loss taken as the result of the introduction of market value accounting for some investment securities.

On a net basis, the Company posted an extraordinary loss of ¥24 million for the fiscal year ended March 31, 2002.

Income, Inhabitant, and Enterprise Taxes

For the fiscal year ended March 31, 2002, income, inhabitant, and enterprise taxes totaled ¥4,929 million, an increase of ¥2,524 million, or 105.0% from the previous fiscal year.

Net Income

Net income for the fiscal year ended March 31, 2002 amounted to ¥6,123 million, a gain of ¥3,150 million, or 106.0%, from the previous fiscal year. Net income per share was ¥52,225.19, up ¥12,896.37, or 32.8%, from the previous fiscal year. Compared with the previous fiscal year, the average number of shares outstanding during the fiscal year rose from 75,586 shares to 117,249 shares, an increase of 41,663 shares, or 55.1%. On a fully diluted basis, net income per share for the fiscal year ended March 31, 2002 was ¥52,128.82

EBITDA

EBITDA for the fourth quarter rose ¥2,108 million, or 112.5%, to ¥3,983 million compared with the same period last year.

Compared with the previous fiscal year, EBITDA increased ¥5,980 million, or 102.0%, to ¥11,845 million.

<Balance Sheets>

Between December 31, 2001 and March 31, 2002, total assets expanded ¥1,817 million, or 6.7%, to ¥28,957 million and total shareholders' equity increased ¥1,022 million, or 5.3%, to ¥20,482 million. Total liabilities expanded ¥794 million, or 10.3%, to ¥8,475 million.

The primary factors behind the growth in total assets were increases in accounts receivable—trade and accounts receivable—other. By account, in current assets, accounts receivable—trade rose ¥2,268 million, or 86.0%, and accounts receivable—other increased

¥1,868 million. Products, however, fell ¥991 million, or 100.0%. The increases in accounts receivable—other can mainly be attributed 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). The decline in products is due to the sale of the previously mentioned modems. In fixed assets, investment securities declined ¥2,353 million, or 23.4% and tangible fixed assets edged down ¥178 million, or 5.3%.

In current liabilities, accrued income taxes increased ¥1,952 million, or 108.0% and accrued consumption taxes expanded ¥200 million, or 89.6% while accounts payable—trade contracted ¥278 million, or 22.8%. Among long-term liabilities, long-term deferred taxes decreased ¥1,070 million, or 36.4% compared with the previous quarter.

In shareholders' equity, the other securities evaluation adjustment declined ¥1,118 million, or 28.0% compared with the previous quarter.

<Statements of Cash Flows>

Thanks to an expansion in net income, net cash provided by operating activities totaled ¥1,358 million in the fourth quarter despite an increase in accounts receivable—trade and accounts receivable—other. Net cash used in investing activities totaled ¥363 million because of an increase in tangible fixed assets to expand and upgrade servers related to service expansion, an investment in YPC Co., Ltd., and the acquisition and conversion to a subsidiary of BridalConcierge Corp.

Net cash used in financing activities totaled ¥0.4 million due to repurchase and retirement of the 2nd unsecured bond issue with warrants and the exercise of warrants. As a result, cash and cash equivalents at end of term increased ¥994 million in the fourth quarter.

For the fiscal year ended March 31, 2002, net cash provided by operating activities totaled ¥6,186 million. Net cash used in investing activities totaled ¥4,854 million. Net cash provided by financing activities totaled ¥12 million. As a result, cash and cash equivalents at end of term increased ¥1,344 million.

Reference

1. Environmental Protection Activities

As a company in the service industry, we do not have any operations that produce industrial waste. However, we take environmental protection very seriously, and are contributing in terms of conserving natural resources. To reduce the burden on the environment, we are undertaking the following recycling activities for natural resources. We intend to remain actively involved in tackling the issue of environmental protection.

- Eco Mark (business cards, envelopes, paper shopping bags, notices to shareholders, etc.)
- Recycling resources (use of Mamoru-kun, distribution of eco paper plates to Eco League participating universities)

2. Charity Activities

As part of our social contribution efforts, we regularly host charity auctions through Yahoo! Auctions and donate the fund raised. Among our charity auctions in the fourth quarter, we auctioned baseball uniforms worn by Mark McGwire during his homerun battle with Sammy Sosa in 1998 and photo panels containing private life photos of the late actor Yusaku Matsuda. In total, we held 387 charity auctions, raising a total of approximately ¥29 million.

All of the funds raised for such charities are being donated to such funds as an educational support non-profit organization (NPO) and the Committee of Project “Mine-Free.”

For the fiscal year ended March 31, 2002, we held 618 charity auctions, raising a total of approximately ¥90 million.

Non-consolidated Balance Sheets (Three-Month Periods)

(Yen in millions)

	As of March 31, 2002		As of December 31, 2001		Increase (Decrease)
Assets					
Current assets					
Cash	¥7,210	24.9%	¥6,216	22.9%	16.0%
Accounts receivable—trade	4,906	16.9%	2,638	9.7%	86.0%
Marketable securities	99	0.3%	99	0.4%	0.2%
Products	—	—	991	3.6%	-100.0%
Prepaid expenses	154	0.5%	173	0.6%	-10.9%
Accounts receivable—other	1,868	6.5%	—	—	—
Deferred tax assets	373	1.3%	184	0.7%	102.8%
Other current assets	147	0.6%	134	0.5%	10.0%
Allowance for doubtful debt	-46	-0.2%	-38	-0.1%	22.3%
Total current assets	14,715	50.8%	10,400	38.3%	41.5%
Fixed assets					
Tangible fixed assets	3,212	11.1%	3,391	12.5%	-5.3%
Intangible fixed assets	225	0.8%	182	0.7%	23.6%
Investments and others					
Investment securities	7,689	26.6%	10,042	37.0%	-23.4%
Investment in affiliated companies	1,319	4.6%	1,270	4.7%	3.9%
Bonds of affiliated companies	400	1.4%	400	1.5%	0.0%
Equity funds	852	2.9%	898	3.3%	-5.1%
Prepaid expenses	57	0.2%	67	0.2%	-15.4%
Guarantee deposits	484	1.6%	485	1.8%	-0.1%
Others	1	0.0%	1	0.0%	-47.4%
Total investments and others	10,804	37.3%	13,166	48.5%	-17.9%
Total fixed assets	14,242	49.2%	16,739	61.7%	-14.9%
Total assets	¥28,957	100.0%	¥27,140	100.0%	6.7%

(Yen in millions)

	As of March 31, 2002		As of December 31, 2001		Increase (Decrease)
Liabilities					
Current liabilities					
Accounts payable—trade	¥939	3.3%	¥1,218	4.5%	-22.8%
Accounts payable—other	1,024	3.5%	1,044	3.8%	-2.0%
Current portion of long-term debt	117	0.4%	137	0.5%	-14.3%
Accrued income taxes	3,760	13.0%	1,807	6.7%	108.0%
Accrued consumption taxes	425	1.5%	224	0.8%	89.6%
Advance received profit	66	0.2%	34	0.1%	90.6%
Subscription warrants	6	0.0%	7	0.0%	-14.3%
Other current liabilities	251	0.9%	232	0.9%	8.1%
Total current liabilities	6,591	22.8%	4,707	17.3%	40.0%
Long-term liabilities					
Long-term deferred taxes	1,870	6.5%	2,941	10.9%	-36.4%
Retirement allowances	13	0.0%	31	0.1%	-57.1%
Total long-term liabilities	1,884	6.5%	2,973	11.0%	-36.6%
Total liabilities	8,475	29.3%	7,680	28.3%	10.3%
Shareholders' Equity					
Common stock	6,033	20.9%	6,023	22.2%	0.2%
Additional paid-in capital	1,110	3.9%	1,099	4.1%	1.0%
Legal reserve	5	0.0%	5	0.0%	0.0%
Other retained earnings					
Reserve for special depreciation	122	0.4%	122	0.5%	0.0%
Current retained earnings	10,347	35.7%	8,226	30.3%	25.8%
Other securities evaluation adjustment	2,828	9.9%	3,996	14.7%	-28.0%
Treasury stock	-15	-0.1%	-15	-0.1%	0.0%
Total shareholders' equity	20,482	70.7%	19,459	71.7%	5.3%
Total liabilities and shareholders' equity	¥28,957	100.0%	¥27,140	100.0%	6.7%

Non-consolidated Balance Sheets (Fiscal Year)

(Yen in millions)

	As of March 31, 2002		As of March 31, 2001		Increase (Decrease)
Assets					
Current assets					
Cash	¥7,210	24.9%	¥1,177	4.2%	512.4%
Accounts receivable—trade	4,906	16.9%	2,486	8.9%	97.4%
Marketable securities	99	0.3%	4,688	16.8%	-97.9%
Products	—	—	—	—	—
Prepaid expenses	154	0.5%	112	0.4%	37.5%
Accounts receivable—other	1,868	6.5%	—	—	—
Deferred tax assets	373	1.3%	195	0.7%	91.2%
Other current assets	147	0.6%	11	0.0%	1231.7%
Allowance for doubtful debt	-46	-0.2%	-6	0.0%	610.8%
Total current assets	14,715	50.8%	8,665	31.0%	69.8%
Fixed assets					
Tangible fixed assets	3,212	11.1%	2,354	8.4%	36.4%
Intangible fixed assets	225	0.8%	104	0.4%	114.5%
Investments and others					
Investment securities	7,689	26.6%	14,975	53.5%	-48.7%
Investment in affiliated companies	1,319	4.6%	60	0.2%	2099.3%
Bonds of affiliated companies	400	1.4%	400	1.4%	0.0%
Equity funds	852	2.9%	919	3.3%	-7.3%
Prepaid expenses	57	0.2%	51	0.2%	11.7%
Guarantee deposits	484	1.6%	431	1.6%	12.3%
Others	1	0.0%	5	0.0%	-81.4%
Total investments and others	10,804	37.3%	16,843	60.2%	-35.9%
Total fixed assets	14,242	49.2%	19,303	69.0%	-26.2%
Total assets	¥28,957	100.0%	¥27,968	100.0%	3.5%

(Yen in millions)

	As of March 31, 2002		As of March 31, 2001		Increase (Decrease)
Liabilities					
Current liabilities					
Accounts payable—trade	¥939	3.3%	¥8	0.0%	10464.8%
Accounts payable—other	1,024	3.5%	1,376	4.9%	-25.6%
Current portion of long-term debt	117	0.4%	—	—	—
Accrued income taxes	3,760	13.0%	2,000	7.1%	88.0%
Accrued consumption taxes	425	1.5%	240	0.9%	76.5%
Advance received profit	66	0.2%	70	0.3%	-5.2%
Subscription warrants	6	0.0%	7	0.0%	-14.3%
Other current liabilities	251	0.9%	159	0.6%	57.7%
Total current liabilities	6,591	22.8%	3,863	13.8%	70.6%
Long-term liabilities					
Bonds with warrants	—	—	137	0.5%	-100.0%
Long-term deferred taxes	1,870	6.5%	5,298	18.9%	-64.7%
Retirement allowances	13	0.0%	—	—	—
Total long-term liabilities	1,884	6.5%	5,435	19.4%	-65.3%
Total liabilities	8,475	29.3%	9,299	33.2%	-8.9%
Shareholders' Equity					
Common stock	6,033	20.9%	5,993	21.5%	0.7%
Additional paid-in capital	1,110	3.9%	1,099	3.9%	1.0%
Legal reserve	5	0.0%	3	0.0%	42.0%
Other retained earnings					
Reserve for special depreciation	122	0.4%	143	0.5%	-14.3%
Current retained earnings	10,347	35.7%	4,221	15.1%	145.1%
Other securities evaluation adjustment	2,828	9.9%	7,211	25.8%	-60.1%
Treasury stock	-15	-0.1%	-4	0.0%	266.2%
Total shareholders' equity	20,482	70.7%	18,669	66.8%	9.7%
Total liabilities and shareholders' equity	¥28,957	100.0%	¥27,968	100.0%	3.5%

Non-consolidated Statements of Income (Three-Month Periods)

(Yen in millions)

	Three months ended March 31, 2002		Three months ended March 31, 2001		Increase (Decrease)	Increase (Decrease)
	Total	%	Total	%		
Net sales	¥9,606	100.0%	¥4,223	100.0%	¥5,383	127.5%
Cost of sales	3,010	31.3%	17	0.4%	2,992	16929.6%
Gross profit	6,595	68.7%	4,205	99.6%	2,390	56.8%
SG&A expenses	3,123	32.5%	2,504	59.3%	618	24.7%
Operating income	3,472	36.2%	1,700	40.3%	1,771	104.2%
Net non-operating income (expenses)	-44	-0.5%	-36	-0.9%	-7	20.6%
Ordinary income	¥3,427	35.7%	¥1,663	39.4%	¥1,764	106.0%

(Yen in millions)

	Three months ended March 31, 2002		Three months ended December 31, 2001		Increase (Decrease)	Increase (Decrease)
	Total	%	Total	%		
Net sales	¥9,606	100.0%	¥8,788	100.0%	¥817	9.3%
Cost of sales	3,010	31.3%	2,824	32.1%	185	6.6%
Gross profit	6,595	68.7%	5,964	67.9%	631	10.6%
SG&A expenses	3,123	32.5%	2,889	32.9%	234	8.1%
Operating income	3,472	36.2%	3,074	35.0%	397	12.9%
Net non-operating income (expenses)	-44	-0.5%	-25	-0.3%	-18	71.3%
Ordinary income	¥3,427	35.7%	¥3,048	34.7%	¥378	12.4%

Breakdown of Fourth-Quarter Net Sales and SG&A Expenses

Three months ended March 31, 2002

(Yen in millions)

Net Sales	Total	%
Advertising Business	¥2,839	29.6%
Yahoo! BB Business	4,902	51.0%
Auction Business	1,083	11.3%
Other Businesses	780	8.1%
Total	¥9,606	100.0%

Three months ended March 31, 2002

(Yen in millions)

SG&A Expenses	Total	%
Personnel expenses	¥812	26.0%
Advertising costs	84	2.7%
Content provider fees	295	9.5%
Sales commissions	434	13.9%
Depreciation expenses	361	11.6%
Communication charges	296	9.5%
Royalties	184	5.9%
Lease and utility expenses	166	5.3%
Other	486	15.6%
Total	¥3,123	100.0%

Non-consolidated Statements of Income (Fiscal Years)

(Yen in millions)

	Fiscal year ended March 31, 2002		Fiscal year ended March 31, 2001		Increase (Decrease)	Increase (Decrease)
	Total	%	Total	%		%
Net sales	¥30,263	100.0%	¥14,277	100.0%	¥15,985	112.0%
Cost of sales	8,024	26.5%	63	0.4%	7,961	12635.2%
Gross profit	22,238	73.5%	14,214	99.6%	8,024	56.5%
SG&A expenses	11,530	38.1%	8,905	62.4%	2,625	29.5%
Operating income	10,708	35.4%	5,308	37.2%	5,399	101.7%
Net non-operating income (expenses)	-82	-0.3%	-100	-0.7%	18	-18.0%
Ordinary income	¥10,626	35.1%	¥5,208	36.5%	¥5,417	104.0%

Breakdown of Net Sales and SG&A Expenses

Fiscal year ended March 31, 2002

(Yen in millions)

Net Sales	Total	%
Advertising Business	¥12,291	40.6%
Yahoo! BB Business	13,286	43.9%
Auction Business	2,416	8.0%
Other Businesses	2,268	7.5%
Total	¥30,263	100.0%

Fiscal year ended March 31, 2002

(Yen in millions)

SG&A Expenses	Total	%
Personnel expenses	¥3,102	26.9%
Advertising costs	789	6.9%
Content provider fees	1,056	9.2%
Sales commissions	1,501	13.0%
Depreciation expenses	1,207	10.5%
Communication charges	1,113	9.7%
Royalties	621	5.4%
Lease and utility expenses	588	5.1%
Other	1,549	13.3%
Total	¥11,530	100.0%

Reference:**Non-consolidated Statements of Income (Three-Month Periods)****—Net of Agency Commissions**

(Yen in millions)

	Three months ended March 31, 2002		Three months ended March 31, 2001		Increase (Decrease)	Increase (Decrease)
	Total	%	Total	%		
Net sales	¥9,284	100.0%	¥3,932	100.0%	¥5,351	136.1%
Cost of sales	3,010	32.4%	17	0.5%	2,992	16929.6%
Gross profit	6,273	67.6%	3,914	99.5%	2,359	60.3%
SG&A expenses	2,801	30.2%	2,214	56.3%	587	26.5%
Operating income	3,472	37.4%	1,700	43.2%	1,771	104.2%
Net non-operating income (expenses)	-44	-0.5%	-36	-0.9%	-7	20.6%
Ordinary income	¥3,427	36.9%	¥1,663	42.3%	¥1,764	106.0%

(Yen in millions)

	Three months ended March 31, 2002		Three months ended December 31, 2001		Increase (Decrease)	Increase (Decrease)
	Total	%	Total	%		
Net sales	¥9,284	100.0%	¥8,509	100.0%	¥774	9.1%
Cost of sales	3,010	32.4%	2,824	33.2%	185	6.6%
Gross profit	6,273	67.6%	5,684	66.8%	588	10.4%
SG&A expenses	2,801	30.2%	2,609	30.7%	191	7.3%
Operating income	3,472	37.4%	3,074	36.1%	397	12.9%
Net non-operating income (expenses)	-44	-0.5%	-25	-0.3%	-18	71.3%
Ordinary income	¥3,427	36.9%	¥3,048	35.8%	¥378	12.4%

Breakdown of Fourth-Quarter Net Sales and SG&A Expenses —Net of Agency Commissions

Three months ended March 31, 2002

(Yen in millions)

Net Sales	Total	%
Advertising Business	¥2,517	27.1%
Yahoo! BB Business	4,902	52.8%
Auction Business	1,083	11.7%
Other Businesses	780	8.4%
Total	¥9,284	100.0%

Three months ended March 31, 2002

(Yen in millions)

SG&A Expenses	Total	%
Personnel expenses	¥812	29.0%
Advertising costs	84	3.0%
Content provider fees	295	10.6%
Sales commissions	112	4.0%
Depreciation expenses	361	12.9%
Communication charges	296	10.6%
Royalties	184	6.6%
Lease and utility expenses	166	6.0%
Other	486	17.3%
Total	¥2,801	100.0%

Reference:**Non-consolidated Statements of Income (Fiscal Years)****—Net of Agency Commissions**

(Yen in millions)

	Fiscal year ended March 31, 2002		Fiscal year ended March 31, 2001		Increase (Decrease)	Increase (Decrease)
	Total	%	Total	%		%
Net sales	¥29,145	100.0%	¥13,039	100.0%	¥16,106	123.5%
Cost of sales	8,024	27.5%	63	0.5%	7,961	12635.2%
Gross profit	21,120	72.5%	12,976	99.5%	8,144	62.8%
SG&A expenses	10,412	35.8%	7,667	58.8%	2,745	35.8%
Operating income	10,708	36.7%	5,308	40.7%	5,399	101.7%
Net non-operating income (expenses)	-82	-0.2%	-100	-0.8%	18	-18.0%
Ordinary income	¥10,626	36.5%	¥5,208	39.9%	¥5,417	104.0%

Breakdown of Net Sales and SG&A Expenses

Fiscal year ended March 31, 2002

(Yen in millions)

Net Sales	Total	%
Advertising Business	¥11,174	38.3%
Yahoo! BB Business	13,286	45.6%
Auction Business	2,416	8.3%
Other Businesses	2,267	7.8%
Total	¥29,145	100.0%

Fiscal year ended March 31, 2002

(Yen in millions)

SG&A Expenses	Total	%
Personnel expenses	¥3,102	29.8%
Advertising costs	789	7.6%
Content provider fees	1,056	10.1%
Sales commissions	383	3.7%
Depreciation expenses	1,207	11.6%
Communication charges	1,113	10.7%
Royalties	621	6.0%
Lease and utility expenses	588	5.7%
Other	1,549	14.8%
Total	¥10,412	100.0%

Non-consolidated Statements of Cash Flows

(Yen in millions)

	Three months ended March 31, 2002	Fiscal year ended March 31, 2002
Cash Flows from Operating Activities		
Income before income taxes	¥3,625	¥10,601
Depreciation and amortization	362	1,208
Increase in allowance for doubtful receivables	8	40
Increase/decrease in reserve for retirement allowances	-18	17
Loss on disposal of fixed assets	0	54
Loss on evaluation of investment securities	388	611
Loss on sale of investment securities	-586	-586
Loss on evaluation of equity funds	50	71
Exchange gain/loss	-1	-2
Proceeds from interest and dividends	-4	-28
Interest expense	1	5
Other profit and loss adjustments	0	0
Increase/decrease in inventory	991	0
Increase/decrease in accounts receivable—trade	-2,236	-2,424
Increase/decrease in accounts payable—trade	-278	931
Increase/decrease in accounts receivable—other	-1,199	-1,296
Increase/decrease in accounts payable—other	54	-16
Increase/decrease in consumption taxes payable	200	184
Payment of bonuses to directors	0	-16
Subtotal	1,360	9,355
Payment of income taxes and other taxes	-1	-3,169
Net cash provided by operating activities	1,358	6,186
Cash Flows from Investing Activities		
Purchases on marketable securities	0	-99
Expenditures on tangible fixed assets	-246	-2,350
Expenditures on intangible fixed assets	-36	-144
Proceeds from sale of tangible fixed assets	0	13
Expenditures on investment securities	0	-1,057
Proceeds from sale of investment securities	0	190
Purchases of investment securities	-49	-1,239
Expenditures on loans	-40	-141
Proceeds from recovery of lending	0	1
Expenditures on increases in guarantee deposit assets	0	-53
Proceeds from decreases in guarantee deposit assets	0	0
Proceeds from interest and dividends	8	27
Other cash used in investing activities	0	-1
Net cash used in investing activities	-363	-4,854
Cash Flows from Financing Activities		
Proceeds from issuance of bonds	-19	-19
Proceeds from issuance of new shares	19	49
Expenditures for acquisition of treasury stock	0	-11
Interest expenses	0	-5
Net cash used in/ provided by financing activities	0	12
Net Change in cash and cash equivalents	994	1,344
Cash and cash equivalents at beginning of term	6,216	5,866
Cash and cash equivalents at end of term	¥7,210	¥7,210

Consolidated Information

Having made eGroups KK into a subsidiary effective September 28, 2001, Yahoo! Japan has been reporting on a consolidated basis since the second quarter. With the conversion of e-Shopping! Books CORP., into a subsidiary effective December 26, 2001, the Company prepared consolidated balance sheets at September 30, 2001 for the third quarter. In the fourth quarter under review, the Company has added statements of income of e-Shopping! Books for the 6-month period from October 1, 2001 to March 31, 2002.

<Statements of Income>

Consolidated net sales for the fourth quarter amounted to ¥10,833 million, ¥1,227 million greater than non-consolidated net sales. The difference between consolidated and non-consolidated net sales can mainly be attributed to ¥1,263 million (before elimination of intercompany transactions) in sales of consolidated subsidiaries. Consolidated net sales for the fiscal year ended March 31, 2002 was also ¥1,233 million greater than non-consolidated net sales.

Consolidated selling, general and administrative expenses for the fourth quarter amounted to ¥3,617 million, ¥494 million greater than the non-consolidated SG&A expenses for the fourth quarter. The difference principally resulted from ¥97 million in amortization of consolidation accounts for the two consolidated subsidiaries. For the fiscal year ended March 31, 2002, consolidated SG&A expenses were ¥596 million greater than non-consolidated SG&A expenses.

Consolidated ordinary income for the fourth quarter amounted to ¥3,212 million, ¥215 million less than non-consolidated ordinary income for the fourth quarter. For the fiscal year under review, consolidated ordinary income was ¥307 million less than non-consolidated ordinary income.

<Consolidated Balance Sheets>

At the end of the fourth quarter, consolidated total assets amounted to ¥29,218 million, ¥260 million greater than non-consolidated total assets on the same date.

Comparing major consolidated accounts with non-consolidated accounts, consolidated total assets were ¥260 million greater than non-consolidated total assets principally because of ¥136 million in prepaid expenses, ¥114 million in accounts receivable—other, ¥253 million in software, and the ¥806 million consolidated accounts for the two consolidated subsidiaries. The major item causing consolidated assets to be less than non-consolidated assets was the elimination of ¥1,200 million in investments upon consolidation.

Minority interests in consolidated subsidiary and liabilities increased ¥515 million. Major reasons for the increase were the ¥177 million in accounts payable—trade and ¥145 million in accounts payable—other and ¥139 million in long-term accounts payable on lease assets of a consolidated subsidiary, and ¥56 million of minority interests of the two subsidiaries.

<Consolidated Statements of Cash Flows>

In the consolidated statement of cash flows, net cash provided by operating activities totaled ¥1,314 million in the fourth quarter, ¥44 million less than the non-consolidated figure. This difference resulted from consolidated income before income taxes being ¥215 million less than non-consolidated income before income taxes. For the fiscal year ended March 31, 2002,

consolidated net cash provided by operating activities was ¥46 million less than the non-consolidated figure.

Consolidated net cash used in investing activities totaled ¥421 million for the fourth quarter, ¥57 million less than the non-consolidated figure. For the fiscal year ended March 31, 2002, consolidated net cash used in investing activities was ¥179 million greater than the non-consolidated figure. This difference is the result of the inclusion in the consolidation of ¥228 million in assets from the newly consolidated subsidiaries.

Consolidated net cash used in financing activities amounted to ¥2 million, ¥2 million greater than the non-consolidated figure. For the fiscal year ended March 31, 2002, consolidated net cash provided by financing activities was ¥2 million less than the non-consolidated figure.

As a result, for the fourth quarter, consolidated cash and cash equivalents at end of term increased ¥890 million, and for the fiscal year, increased ¥1,474 million. Cash and cash equivalents at end of term amounted to ¥7,341 million.

<Segment Information>

Although the Group discloses financial information on a business segment basis, based on the nature of its operations, there are many expenses that relate to the operations of all companies and expenses that cannot be clearly separated into business segments. The greater portion of operating expenses consists of eliminations or shared amounts.

Business Segment of Subsidiaries and Business Content

	Business Segment	Business Content
eGroups KK	Advertising	Groupware service operating and related advertising products sales
e-Shopping! Books CORP.	Others	Books and related services sales on the Internet

Consolidated statements of income, consolidated balance sheets and statements of cash flows are as follows.

Consolidated Statements of Income

(Yen in millions)

	Three months ended March 31, 2002		Three months ended December 31, 2001		Increase (Decrease)	Increase (Decrease)	Fiscal year ended March 31, 2002	
	Total	%	Total	%			Total	%
Net sales	¥10,833	100.0%	¥8,794	100.0%	¥2,039	23.2%	¥31,497	100.0%
Cost of sales	3,954	36.5%	2,819	32.1%	1,134	40.2%	8,963	28.5%
Gross profit	6,879	63.5%	5,975	67.9%	904	15.1%	22,534	71.5%
SG&A expenses	3,617	33.4%	2,991	34.0%	626	20.9%	12,127	38.5%
Operating income	3,261	30.1%	2,983	33.9%	278	9.3%	10,406	33.0%
Net non-operating income (expenses)	-49	-0.4%	-27	-0.3%	-22	81.1%	-88	-0.2%
Ordinary income	¥3,212	29.7%	¥2,956	33.6%	¥255	8.7%	¥10,318	32.8%

Reference: Segment Information

Three Months ended March 31, 2002

(Yen in millions)

	Advertising Business	Yahoo! BB Business	Auction Business	Other Businesses	Total	Eliminations or shred amounts	Consolidated
Sales							
(1) Outside sales	¥2,840	¥4,902	¥1,083	¥2,007	¥10,833	—	¥10,833
(2) Intersegment sales or transfers	26	—	—	9	35	-35	—
Total	2,867	4,902	1,083	2,016	10,869	-35	10,833
Operating Expenses	844	3,054	54	1,442	5,396	2,175	7,572
Operating Income	¥2,022	¥1,847	¥1,029	¥573	¥5,473	¥-2,211	¥3,261

Fiscal year ended March 31, 2002

(Yen in millions)

	Advertising Business	Yahoo! BB Business	Auction Business	Other Businesses	Total	Eliminations or shred amounts	Consolidated
Sales							
(1) Outside sales	¥12,298	¥13,286	¥2,416	¥3,494	¥31,497	—	¥31,497
(2) Intersegment sales or transfers	35	—	—	9	44	-44	—
Total	12,334	13,286	2,416	3,504	31,541	-44	31,497
Operating Expenses	2,992	8,127	94	1,590	12,805	8,285	21,090
Operating Income	¥9,341	¥5,158	¥2,322	¥1,914	¥18,736	¥-8,329	¥10,406

Note:

Segment	Main Services
Advertising Business	• Internet advertising
Yahoo! BB Business	• Yahoo! BB Starter Kit (modem, etc.) sales • ISP service, etc.
Auction Business	• Fees for personal identification of auction participants • Auction commissions, tenant fees, etc.
Other Businesses	• Information publishing services • Licensing, site registration • Shopping sales commissions, tenant fees, etc.

Consolidated Balance Sheets

(Yen in millions)

	As of March 31, 2002		As of December 31, 2001		Increase (Decrease)
Assets					
Current assets					
Cash	¥7,341	25.1%	¥6,450	23.3%	13.8%
Accounts receivable—trade	4,942	16.9%	2,654	9.6%	86.2%
Marketable securities	99	0.3%	99	0.4%	0.2%
Inventory	6	0.0%	998	3.6%	-99.3%
Deferred tax assets	373	1.3%	184	0.7%	102.8%
Accounts receivable—other	1,982	6.8%	94	0.3%	2007.7%
Other current assets	353	1.3%	373	1.3%	-5.2%
Allowance for doubtful debt	-46	-0.2%	-38	-0.1%	22.3%
Total current assets	15,053	51.5%	10,816	39.1%	39.2%
Fixed assets					
Tangible fixed assets	3,259	11.2%	3,448	12.5%	-5.5%
Intangible fixed assets					
Consolidation accounts	806	2.8%	903	3.3%	-10.8%
Others	479	1.6%	447	1.6%	7.1%
Total intangible fixed assets	1,285	4.4%	1,351	4.9%	-4.9%
Investments and others					
Investment securities	8,209	28.1%	10,512	38.0%	-21.9%
Others	1,410	4.8%	1,501	5.5%	-6.1%
Total investments and others	9,619	32.9%	12,014	43.5%	-19.9%
Total fixed assets	14,165	48.5%	16,814	60.9%	-15.8%
Total assets	¥29,218	100.0%	¥27,631	100.0%	5.7%

(Yen in millions)

	As of March 31, 2002		As of December 31, 2001		Increase (Decrease)
Liabilities					
Current liabilities					
Accounts payable—trade	¥1,111	3.8%	¥1,347	4.9%	-17.6%
Accounts payable—other	1,164	4.0%	1,209	4.4%	-3.7%
Current portion of long-term debt	117	0.4%	137	0.5%	-14.3%
Accrued income taxes	3,760	12.9%	1,808	6.5%	107.9%
Other current liabilities	757	2.6%	512	1.8%	47.9%
Total current liabilities	6,911	23.7%	5,014	18.1%	37.8%
Long-term liabilities					
Retirement allowances	14	0.0%	32	0.1%	-57.0%
Long-term deferred taxes	1,870	6.4%	2,941	10.6%	-36.4%
Other long-term liabilities	139	0.5%	165	0.7%	-16.0%
Total long-term liabilities	2,023	6.9%	3,139	11.4%	-35.5%
Total liabilities	8,935	30.6%	8,154	29.5%	9.6%
Minority Interests in Consolidated Subsidiaries					
Minority Interests in Consolidated Subsidiaries	56	0.2%	106	0.4%	-47.4%
Shareholders' Equity					
Common stock	6,033	20.6%	6,023	21.8%	0.2%
Additional paid-in capital	1,110	3.8%	1,099	4.0%	1.0%
Legal reserve	10,220	35.0%	8,265	29.9%	23.7%
Other retained earnings	2,878	9.9%	3,996	14.5%	-28.0%
Treasury stock	-15	-0.1%	-15	-0.1%	0.0%
Total shareholders' equity	20,227	69.2%	19,369	70.1%	4.4%
Total liabilities and shareholders' equity	¥29,218	100.0%	¥27,631	100.0%	5.7%

Consolidated Statements of Cash Flows

(Yen in millions)

	Three months ended March 31, 2002	Fiscal year ended March 31, 2002
Cash Flows from Operating Activities		
Income before income taxes	¥3,410	¥10,293
Depreciation and amortization	411	1,257
Amortization of consolidated accounts	97	161
Increase in allowance for doubtful debts	8	40
Increase/decrease in reserve for retirement allowances	-18	17
Loss on disposal of fixed assets	0	54
Loss on evaluation of investment securities	388	611
Gain on sale of investment securities	-586	-586
Loss on evaluation of equity funds	50	71
Exchange gain/loss	-1	-2
Proceeds from interest and dividends	-4	-27
Interest expense	3	7
Other profit and loss adjustments	0	0
Increase/decrease in inventory	991	-0
Increase/decrease in accounts receivable—trade	-2,256	-2,434
Increase/decrease in accounts payable—trade	-236	967
Increase/decrease in accounts receivable—other	-1,172	-1,236
Increase/decrease in accounts payable—other	29	-53
Increase/decrease in consumption taxes payable	201	185
Payment of bonuses to directors	—	-16
Subtotal	1,316	9,308
Payment of income taxes and other taxes	-2	-3,169
Net cash provided by operating activities	1,314	6,139
Cash Flows from Investing Activities		
Purchases of marketable securities	—	-99
Expenditures on tangible fixed assets	-277	-2,372
Expenditures on intangible fixed assets	-62	-170
Proceeds from sale of tangible fixed assets	—	13
Expenditures on investment securities	-49	-1,117
Proceeds from sale of investment securities	—	190
Investments in newly consolidated entity	—	-1,051
Expenditures on loans	-40	-41
Proceeds from recovery of lending	0	1
Expenditures on increases in guarantee deposit assets	—	-53
Proceeds from decreases in guarantee deposit assets	0	0
Proceeds from interest and dividends	7	26
Other cash used in investing activities	—	-1
Net cash used in investing activities	-421	-4,675
Cash Flows from Financing Activities		
Expenditures for repayment of bonds	-19	-19
Proceeds from issuance of new shares	19	49
Expenditures for acquisition of treasury stock	—	-11
Interest expenses	-2	-7
Net cash used in/provided by financing activities	-2	10
Net Change in cash and cash equivalents	890	1,474
Cash and cash equivalents at beginning of term	6,450	5,866
Cash and cash equivalents at end of term	¥7,341	¥7,341

(Appendix)

Risk Factors

Yahoo! Japan and its consolidated subsidiaries, hereinafter referred to as “ the Group”), has reported its results for the fiscal year and fourth quarter ended March 31, 2002 in the document "Results for the Fiscal Year and Three Months Ended March 31, 2002." However, a number of potential factors could substantially impact future performance.

Major factors contributing to business risk for the Group are discussed below. The Group proactively discloses those items it deems necessary for investors to consider in their investment decisions, including external factors beyond the control of the Group and business risks with a low probability of materializing. Cognizant of the potential risks, the Group makes every effort to prevent these risks from materializing and will respond rapidly should problems arise. Management recommends that shareholders and other investors consider the issues below before assessing the position of the Group and its future performance. However, it should be noted that the risks listed below do not represent complete coverage of risks that should be considered before investing in Yahoo! Japan shares.

1. Operations

(1) Business Content

The Group provides Internet directory-search services to Internet users through licensing agreements with Yahoo! Inc., of the United States (hereinafter referred to as "Yahoo! Inc."), and information services, such as stock quotes, up-to-the-minute news, sports updates and weather information, through agreements with various content providers. Yahoo! Japan also provides Websites for individual users and a variety of free-of-charge communications services, including paging and message-board services for communication among fellow users, as well as electronic commerce (EC) services (electronic commerce refers to exchange via the Internet of products, services, information and funds from seller to buyer and in the commercial transfer of wealth between economic entities), which allow users to purchase a variety of products via the Internet.

The principal components of the Group's business involve its Internet advertising business, through which the Group receives advertising revenue from companies in exchange for banners and other paid advertising posted on the pages of these services and targeting the users of these services, Yahoo! BB business, a comprehensive broadband service, and an auction business.

Segment information on sales performance and business content for the fiscal years ended March 2000, 2001, and 2002 is indicated below.

Segment information on sales performance

	FY ended March 2000 (April 1, 1999 to March 31, 2000)		FY ended March 2001 (April 1, 2000 to March 31, 2001)		FY ended March 2002 (April 1, 2001 to March 31, 2002)	
	Amount	%	Amount	%	Amount	%
Advertising	5,711	91.1%	13,420	94.0%	12,298	39.0%
Yahoo! BB	—	—	—	—	13,286	42.2%
Auctions	—	—	—	—	2,416	7.7%
Others	559	8.9%	857	6.0%	3,494	11.1%
Total	6,271	100.0%	14,277	100.0%	31,497	100.0%

Notes:

1. The figures for the fiscal years ended March 2000 and 2001 are non-consolidated figures. Yahoo! Japan began disclosing consolidated statements in the interim period ended September 2001, but only for the balance sheets. Consequently, figures for the first half of the fiscal year ended March 2002 are equivalent to non-consolidated figures while those for the second half are consolidated.
2. Beginning with the fiscal year ended March 2002, sales figures, including agency commissions, are being disclosed on a gross basis. For the purposes of comparison, the figures for the fiscal years ended March 2000 and 2001 have been adjusted accordingly.
3. Yahoo! BB operations began in June 2001.
4. Auctions have been included as a separate segment because revenues have increased significantly as a result of introducing pay services for corporations as of April 2001 and charging personal identification fees to individuals as of May 2001.

Business Content By Segment

Segment	Business
Advertising	<p>Yahoo! Japan's advertising services utilize the services and other functions that the Company provides to users on the Internet's World Wide Web (www). The Company get paid by advertisers for placing advertising banners, sending e-mail advertising to registered users, and providing a range of marketing services that integrate these advertising activities.</p>
Yahoo! BB	<p>Yahoo! BB is a integrated broadband service provided jointly with BB Technologies Corporation (BBT). The service includes ADSL services, Internet connection (ISP) services, a broadband portal site and content providing services, and other services.</p> <p>Yahoo! Japan's role in this joint business includes promoting the service and signing up users, customer services, operating a broadband portal site, and providing fee collecting platforms. BBT's responsibilities lie in supplying and maintaining an ASDL infrastructure and connections to the Internet, technological development and providing technical support. For its services, Yahoo! Japan receives monthly fees and viewing fees for pay content from users, and incentive commissions based on the number of new subscribers signed up and maintenance fees for charging deputy from BBT.</p>
Auctions	<p>Yahoo! Auctions is a service provided by the Company over the Internet that allows users to buy and sell items. The potion of the service that results directly in revenues for the Company is termed the Auctions operations. Auctions revenues include personal identification fees from individual users, system-use fees from enterprise sellers, and other fees.</p>
Others	<p>In addition to the business segments mentioned above, Yahoo! Japan carries out several other businesses related to the services the Company offers on the World Wide Web. Specifically, the Company has an information publishing business whereby it receives revenues for publishing information supplied by other companies on its site, a shopping business that is paid tenant and sales commission fees by stores operating on its site, a licensing business that receives revenues from the use of its name and logo on magazine and books, and a business services business that receives revenues from providing companies with information and marketing and information dissemination support.</p>

(2) Risks Affecting Individual Operations

1) Advertising Business

a. Use of the Internet as an Advertising Medium

The Internet advertising business in Japan emerged almost simultaneously with the Group's establishment, and is therefore still in its infancy. As the future of the Internet remains uncertain, as is discussed in Section 5 "Influence of the Internet Markets and Environment," its value as an advertising medium has not been established with advertisers, consumers and

advertising agencies.

Up to this point, with limited experience in Internet advertising, most advertisers still consider it a trial medium, and many advertisers allocate only small portions of their advertising budgets to Internet advertising. Considering the Group's major advertisers by industry, national clients that usually advertise more than other companies and on a national basis, such as food products, cosmetics, toiletries, beverages, drugs and health-care goods, do not spend as much on Internet advertising as they do on other media. If this condition continues, it may be difficult for the Group to achieve a stable flow of advertising revenue.

The Group believes that to further the spread of Internet advertising, a standard method for evaluating its effectiveness must be established, preferably carried out by a third-party institution. Although some institutions are beginning to accept roles in this area, none has progressed far enough to be capable of full-scale evaluation. Despite recognition from Internet-related companies, it remains unclear whether the Internet can establish itself as an advertising medium on a par with such traditional media as newspapers, magazines, radio or television.

b. Characteristics of Internet Advertising

Advertising business is highly susceptible to trends in the overall economy. During downward cycles advertising expenditures are among the first expenses to be reduced by companies. Moreover, Internet advertising has a short history, and changes in more developed markets, such as the United States, could affect the Japanese market.

Contract periods for Internet advertising are relatively short. In addition, Internet usage and demand among advertisers tend to be seasonal. These factors produce underlying short-term fluctuations in the Group's advertising revenue. Further, as the Group's cost structure includes a high proportion of fixed costs, such as personnel and leasing expenses, expenditures cannot easily be adjusted according to revenues, contributing to underlying volatility in the Group's earnings stream.

In addition, although advertising contract periods and page views ('hits') are guaranteed for most products, failure to obtain the number of required hits during problems with the Internet connection environment and similar problems could force the Group to extend advertising contract periods or devise some other type of compensation that could negatively impact advertising revenues.

c. Dependence on Business Contracts with Certain Advertising Agencies, and Large-Scale Business Contracts with Certain Advertisers

As stated later in "Advertising Sales Structure," along with its direct sales efforts, the Group also sells through advertising agencies. Advertising agent Cyber Communications Inc., contributes a particularly high proportion of advertising revenues and any change in the level of revenues received from this agency could have substantial impact on Group performance.

The Group has entered into advertising contracts with certain advertisers, whereby the parties concerned have agreed to advertising with yearly payments in the ¥100 million range. Sales revenue from these advertisers accounts for a comparatively large portion of the Group's net sales, and in the fourth quarter of fiscal year ended March 31, 2002, there were three major advertisers that each accounted for 3% or more of advertising revenues. The Group cannot rule

out the possibility of these contracts being broken for certain reasons. Consequently, the outcome of these contracts could affect the Group's business results.

d. Advertising Sales Structure

In the future the Group will need to increase its sales force and strengthen its sales-management system to suit market expansion. However, these measures alone will not be sufficient to guarantee increased advertising revenues.

Based on changes made to the advertising sales structure to strengthen its capability to attract major advertising clients, the Group expects that sales by advertising agencies and the proportion of these sales within overall sales will rise. However, it is possible that in the short-term commissions to these advertising agencies will rise significantly, resulting in a decline in overall sales.

e. The Competitive Environment

As of March 31, 2002, the major providers of Japanese-language Internet navigational services, or similar services directed to Japanese Internet users, earning advertising income through comprehensive information sites for those services, were as follows (in no particular order):

SITE	PROVIDER	BUSINESS DESCRIPTION
Goo	NTT X	Comprehensive information site
Lycos	Lycos Japan Inc.	Comprehensive information site
MSN	Microsoft Corp.	Comprehensive information site
Infoseek	Infoseek Japan K.K.	Comprehensive information site
Excite	Excite Japan Co., Ltd.	Comprehensive information site
ISIZE	Recruit Co., Ltd.	Comprehensive information site

Included among these companies are service providers in the highly competitive U.S. Internet industry and corporations affiliated with competitors of Yahoo! Inc., the Company's major shareholder. With competition from these service providers expected to increase, it remains unclear whether the Group can attain a superior position and sustain its position in the industry. In addition to falling advertising rates, competition could increase costs through higher content fees and commissions paid to advertising agencies and information providers, which would cause substantial negative impact on the Group's operating results.

2) Yahoo! BB Business

The Group operates the Yahoo! BB service, a comprehensive broadband service offering fast Internet-access service for individuals using Asymmetric Digital Subscriber Lines (ADSL) and a portal for broadband content. The Group announced the service in June 2001, and began selling starter kits that month. Trial services were initiated in July, followed by the start up of

the broadband portal site and content services in August. The service was fully commercialized in September and began distributing pay content in October 2001.

The service is provided jointly by BB Technologies Corporation (BBT), a joint venture founded by Softbank Corp., other group companies and Yahoo! Japan. Yahoo! Japan is responsible for promotion and subscriber signup, customer service, broadband portal management, provision of the payment platform, and sales of the Yahoo! BB Starter Kit, while BBT will offer and manage the ADSL infrastructure and Internet access service, develop new technology and provide technology support. Each is taking its share of responsibilities for operating the service.

a. Subscriber Signup Promotion Business and Incentive Commission

Beginning with the fiscal year ending March 2003, sales of the Yahoo! BB Starter Kit, which provides subscribers with essential equipment for using the service, will no longer be included in Yahoo! BB's revenues of the Group. The Group will newly receive an incentive commission from BBT based on the number of new subscribers signed up as a result of its promotional efforts. This step has been taken because the subscription route has been expanded to signups through consumer electronics outlets and other stores route as well as the Internet route and because it has become necessary to actively develop subscriptions from corporations as a result for the start up of BB Phone service, a broadband telephone service offered by Yahoo! Japan and BBT and other companies in the Softbank Group that was announced in December 2001.

One of the risks the Group may face will be failure to gather the anticipated number of subscribers despite promotion efforts using various campaigns and price-competitiveness backed by overwhelming brand strength. This may prevent the Group from making anticipated sales or demand that it bear much higher costs than expected, with subsequent significant impact on earnings.

In addition, if the Group does not reach subscriber signup targets or if subscribers sign up only to cancel their subscriptions within a fixed period of time, there is the possibility that the Group will have to pay a portion of the facility charge or return commissions to BBT, and this could negatively impact on Group performance.

Since the Group is no longer selling the Yahoo! BB Starter Kit as of the fiscal year ending March 2003, it is assumed that, in principle, the Group will be able to avoid the risks associated with the kit's sales. However, the Company will continue to bear the liability risks associated with the starter kits that it has sold in the past.

b. ADSL Infrastructure and Internet access service

The Group has begun offering versions of some of its regular services, such as e-mail and homepage creation services, as special services for Yahoo! BB service subscribers, and it is

possible that the development and operating costs for these services could exceed original estimates.

It is possible that the work contributed by BBT could indirectly but significantly influence the Group's performance. Specifically, there is risk of extended construction periods and related delays in offering services to users who signed up for them resulting in delayed accounting for the sales as well as lost sales opportunities due to cancellations. Another risk is failure to build infrastructure and problems with service quality, leading to subscriber service cancellations and damage to the Yahoo! Japan brand image and subsequent negative effect on the Group's business. In addition, service delays and technical upgrade problems could result in demands for compensation from subscribers.

It is BBT's responsibility to build infrastructure for the services. The Group therefore does not bear the risk of equipment investment, construction and obsolescence of facilities due to technological progress. The Group's share of investment is influenced by the initial investment by BBT. If BBT has cash-flow difficulty due to substantial expansion of investment beyond projections or the number of subscribers not growing as planned, the Group may have to make additional investment.

c. Broadband Portal Service

The Group plans to offer subscribers broadband content, such as films and music, in cooperation with companies offering various high-quality content. It is possible, however, that expected sales will not be made due to insufficient assemblage of content or content costing far more than expected. This may impact sales and profit.

The Group plans to act as the platform for consigned billing and settlements for said pay contents providing and access services to effect collections. There is the possibility of failure in making the intended sales and profit for reasons such as system taking much longer to build or development costs rising much higher than intended. Focusing investments on the development of these services may negatively affect the development and operations of other services of the Group. In addition, technical and operating problems related to these consigned billing and settlements could result in demands for compensation from subscribers.

d. The Competitive Environment

As of March 31, 2002, the major providers in Japan of services similar to those the Group plans to offer were as follows (in no particular order):

SITE	PROVIDER	BUSINESS DESCRIPTION
@nifty	Nifty Corp.	ISP business and comprehensive information site
So-net	Sony Communication Network Corp.	ISP business and comprehensive information site
BIGLOBE	NEC Corp.	ISP business and comprehensive information site
AOL	DoCoMo AOL, Inc.	ISP business and comprehensive information site
NTT	NTT East and West Corp.	Regional telecommunication and ADSL business
Eaccess	EAccess Ltd.	ADSL business
Usen	Usen Corp.	Broadcasting and optical IP communications business
ITSCOM	its Communications Inc.	Cable television and Internet business
J-com	Jupiter Telecommunications Co., Ltd.	Cable television and Internet business

With competition from these service providers expected to grow, it remains unclear whether the Group can attain a superior position and sustain its hold in the industry. In addition to cutting access revenues, competition could increase advertising costs, which would have negative impact on the Group's operating results. As a result, in the worst case, the Group and BBT could no longer afford to continue providing services and would be forced to withdraw from the business. In this way competition could have significant impact on the Group's business.

e. Dependence on Certain Distributor

For the fiscal year ended March 2002, the Group's revenue showed a high level of dependence on BBT for sales in terms of the sales composition of the business among the Group's revenues. This can be attributed to Yahoo! BB's operations still being in the start up phase and to the related large volume of starter kits being supplied to new subscribers.

In the future, along with the change in the Yahoo! BB business structure, it is expected that the contribution of monthly ISP and other fees will increase along with the growth in the number of subscribers, reducing Yahoo! BB's dependence on BBT for sales. Nevertheless, in the short term, this dependence will remain high.

For this reason, any change in the business relationship with BBT could have an influence

on Group performance.

3) Auction Business

a. Switching to Fee-Based Services

As of May 2001, the Group began charging fees for services, mainly for personal identification and damage compensation. More services are being switched to a fee basis. From April 2002, the Group introduced system-use fees for listing items on Yahoo! Auctions and for canceling items after they have been bid. And, from May 2002, system-use fees for selling items are being introduced. There is a possibility that these new fees may result in a decline in the numbers of users, items auctioned and bid, and page views, resulting in the Group becoming unable to continue the fee-based services, or in the worse case, becoming unable to continue the entire auction service.

b. Damage Compensation

Yahoo! Japan delegates all responsibility to the user and accepts no responsibility for Yahoo! Auctions, making no guarantees as to the selection, display or bidding of goods or services on exhibit, or the formation or honoring of contracts agreed to while using this service. However, the possibility exists that users of these services or other related parties may take legal action against the Company for claims or compensation related to the content of its services.

c. Illegal Acts

There have been recent reports of illegal or fraudulent merchandise bought and sold via Yahoo! Auctions services. If this were to come under the scrutiny of regulators, operations could become difficult. Developing a system to prevent criminal activity and upgrading our capabilities to allow proper management could lead to increased costs and subsequent impact on earnings. A proposal to reform the law regarding the sale of used goods on the Internet is currently being debated in the 154th Diet session, which, depending on its content when passed, could influence the Group's auction business. Among other risks, we cannot rule out the possibility of legal action being taken against Yahoo! Japan for claims or compensation related to these criminal activities.

Effective September, 2000, the Group began an escrow service for its online auctions for the purpose of avoiding fraud and other illegal activities, but not all users take advantage of this service. Therefore we cannot say for certain that illegal actions will not occur in future.

The previously mentioned damage-compensation system has the Group pay compensation up to a certain amount to users who fall victim to illegal activities. This could increase expenses by the Group.

Note: The escrow service consists of a company acting as a intermediate between the sell and

buy sides of the transaction to ensure the smooth transfer of the item and the payment. Because this service is provided by third parties and not Yahoo! Japan, the service varies according to the company used. However, in general, the escrow company receives payment from the purchaser and transfers it to the seller upon confirming the delivery of the correct item in good condition. This service simplifies the transfer of the auctioned item to the purchaser and eliminates the concern that items will not be delivered or payments not made.

d. The Competitive Environment

As of March 31, 2002, the major providers of Japanese-language online mall and auction business directed to Japanese Internet users were as follows (in no particular order):

SITE	PROVIDER	BUSINESS DESCRIPTION
Rakuten Ichiba	Rakuten Inc.	Online mall and auction site
Bidders	DeNA Co.	Online auction site

With competition from these service providers expected to increase, it remains unclear whether the Group can attain a superior position and sustain its hold in the industry. In addition to impacting sales via the Yahoo! Japan's auction site, competition could decrease commission income by cutting participation and increase advertising costs, which would have a negatively impact on the Group's operating results.

2. Increased Risk from Diversification and New Business

(1) Business Diversification

To achieve long-term growth, the Group started diversify into businesses that will expand the revenues of existing businesses and developing new businesses that will provide new sources of revenue in addition to the advertising revenues. Specific examples include the introduction of fee-based services for Yahoo! Auctions and the start of the Yahoo! BB business.

As a result, the Group's business mix has changed already shown in the table. In addition to diversification, deterioration in the Internet advertising market due to the weak Japanese economy has contributed to the decline in the proportion of advertising in sales.

(2) Increased Risk from Diversification and New Business

The Group plans to further diversify and enter new businesses. For example, in December 2001, the Group made a full-fledged entrance into the retail market by increasing its stake in e-Shopping! Books Corp. and turning it into a subsidiary. Also in December 2001, Yahoo! Japan announced its entrance to broadband telephone services through the establishment of a BB Phone service jointly with BBT and other companies in the Softbank Group. In addition, the Group is pursuing expansion and diversification of electronic commerce transactions through Yahoo! Shopping and Yahoo! Auctions and supplying paid services to support the various types

of information-transmission needs of corporations.

The Group believes that these types of diversification and new business will strengthen its operating base. To realize this goal, it is possible that the Group will have to incur additional expenses to employ new staff, expand and upgrade its facilities, and to carry out research and development. Moreover, it is anticipated that some time will be needed for these businesses to begin contributing stable revenues. Consequently, the Group 's profitability may decline temporarily. In addition, there is no guarantee that these businesses will develop exactly as the Group has planned. It is possible that the Group will not recover its investment expenses, and that this will impact significantly on performance.

3. Relationship with Softbank Corporation

(1) Positioning within the Softbank Group

At March 31, 2002, Softbank Corporation was the parent company of Yahoo! Japan, holding 50.5% of the Company's shares. As a holding company, Softbank Corporation has a variety of affiliated companies operating under its umbrella that are active in a variety of fields and regions, concentrated mainly on Internet business. Their businesses include e-commerce, e-finance, media and marketing services and an overseas fund investment service. Yahoo! Japan and its subsidiaries belong to the Internet Culture Segment of the Softbank Corporation.

(2) Joint Directorships

At March 31, 2002, two of the five directors of Yahoo! Japan also held directorships on the board of the parent company, Softbank Corporation as follows.

Yahoo! Japan President and CEO, Masahiro Inoue
(Part-time director, Softbank Corporation)

Yahoo! Japan Chairman, Masayoshi Son
(President, Softbank Corporation)

Yahoo! Japan's president and CEO Masahiro Inoue has been a part-time director of Softbank Corporation since June 2001. In addition, he sits on the boards of 13 other companies in the Softbank Group (excluding subsidiaries and affiliates of Yahoo! Japan) as part-time directors. Mr. Inoue has been engaged to sit on these boards to offer advice on the strategic direction of their businesses, not to be involved in the business activities of these companies. Consequently, the influence of his other directorships on the business activities of Yahoo! Japan is limited.

Yahoo! Japan's chairman Masayoshi Son was the president and CEO of the Company at its founding, and acts in the capacity of offering valuable overall advice from his perspectives as a

founder of the Company and a representative of the parent company.

4. Business Relationship with Yahoo! Inc.

(1) Licensing Agreements with Yahoo! Inc.

Yahoo! Japan's operations are based on a licensing agreement with Yahoo! Inc., the founder of the Company and owner of 33.7% of voting shares as of March 31, 2002. The Yahoo! trademark, software and tools (hereinafter referred to as "the trademark") used in the operation of the Group's Internet directory-search services are the property of Yahoo! Inc. The Group conducts business operations through a license obtained for the use of the trademark. As such, the agreement with Yahoo! Inc. is critical to the Group's core operations. License Name: Yahoo! Japan Licensing Agreement

Date of Contract: April 1, 1996
Contract Term: From April 1, 1996, termination date unspecified (Note) The license agreement may be terminated in the following cases: mutual decision by the companies to terminate the agreement; cancellation of the agreement after bankruptcy or loan default by one of the companies; purchase of one-third or more of the Company's outstanding shares by a competitor of Yahoo! Inc.; merger or acquisition rendering Yahoo! Inc. and SOFTBANK Corporation incapable of maintaining over 50% of the shareholder voting rights of the ongoing company (may be waived by agreement of Yahoo! Inc.). Contracted Party: Yahoo! Inc.
Main Conditions: 1. Licensing rights granted by Yahoo! Inc. to the Company: * Non-exclusive rights granted to the Company for reproduction and use of Yahoo! Inc.'s Internet directory-search and other services customized and localized for the Japanese market (hereinafter referred to as "the Japanese version of the Yahoo! directory-search services"). * Non-exclusive rights granted to the Company for use in Japan of the Yahoo! trademark * Exclusive rights granted to the Company for publishing of the Yahoo! trademark in Japan * Exclusive rights granted to the Company worldwide for development, commercial use and promotion of the Japanese version of Yahoo! directory-search services 2. Non-exclusive licensing rights granted (gratis) to Yahoo! Inc. worldwide for use of Japanese content added by the Company 3. Royalties to be paid by the Company to Yahoo! Inc. (see Note) Note: 3% of gross profit after deducting sales commissions, paid quarterly

(2) The Yahoo! Brand and Cooperation Overseas

The establishment and proliferation of the Yahoo! brand are considered extremely important by the Group both for attracting users and advertisers and expanding its business. The importance of brand recognition is increasing rapidly, given the explosive increase in Internet sites and low barriers to entry in the Internet business. Especially given the intensifying competition among Internet companies, expenditures for establishing the Yahoo! brand and boosting brand-recognition could increase substantially.

Although efforts are under way to promote the Yahoo! brand with cooperation from Yahoo! Group companies overseas, the Group is unable to provide assurances as to the outcome of these efforts. Failure on the part of Group companies overseas to effectively establish and proliferate the Yahoo! brand could impact the Group in the form of weaker brand presence. In addition, some agreements with overseas Group companies contain exclusionary provisions. The Group is not able to place certain advertisements while these agreements are valid. Although, Yahoo! Inc. is making efforts around the world to protect trademarks that are core to its brand rights through applications, registrations and presence, there is the possibility that the Group has not registered trademarks necessary to its business in Japan.

It is also possible that third parties may have acquired domain names that the Group finds necessary to its business or may use domain names that resemble Yahoo! or the services offered by the Group to carry out unfair competition with or harass the Group. These actions could affect the Group's brand strategy and damage its brand image.

(3) Other Joint Directorships

Yahoo! Japan part-time director Jerry Yang is also a director of Yahoo! Inc. He has been engaged because, as previously stated, Yahoo! Inc. is one of the founding partners of Yahoo! Japan as well as a major business partner in Yahoo! Japan's core business. For these reasons, it has been necessary to have him on the board to support Yahoo! Japan's start up and expansion.

5. Influence of the Internet Markets and Environment

(1) Dependence on Internet Usage Rates

Internet usage in Japan has grown steadily since its emergence as a recognizable force in 1995. As the Group is dependent on the Internet both indirectly and directly, the most basic requirements for its operations are the continued expansion of communication and commercial activity via the Internet and a stable and secure environment for Internet users.

However, a number of factors can contribute to uncertainty in the outlook for Internet usage, including the availability of necessary infrastructure, such as reliable backbones and high-speed modem capabilities; the need for development and application of technological standards and new protocols to respond to growing Internet traffic and increasingly advanced applications; and the possibility of new regulation or charges related to Internet use.

(2) Dependence on the Environment for Internet Connection

As the entire catalog of Group services is dependent on the Internet, business operations require a stable environment for Internet connection, which includes the operations of the Group's own servers and equipment as well as telecommunications equipment owned and operated by third parties.

If for any reason the connecting environment should deteriorate and prevent users from easily using the Internet, usage could decline, reducing site traffic and negatively impacting advertising revenue.

Operations are vulnerable to impact from such phenomena as fires, power outages and damage to telephone lines. The Group's main network infrastructure is concentrated in Tokyo,

an area particularly susceptible to earthquakes, and the Group does not presently have multiple site capacity to offset any of these events.

Despite the implementation of network security measures, the possibility of damage by computer viruses or hackers cannot be completely ruled out, and the Group does not hold sufficient insurance to compensate for losses due to these events. Any of these events could incur serious negative impact on the Group's business, operating results and financial condition.

6. Other Overall Business Risks

(1) Keeping Up with Technology

The computer industry is well known for technological innovation. The Internet industry is continuously developing new multimedia protocols and technologies. The Group's services are based on Internet technologies produced in an industry noted for rapid technological innovation, constant change in standards and customer needs, and continuous development of new technologies and services.

Responding to these conditions and sustaining a strong competitive position requires close cooperation with Yahoo! Inc., which operates almost identical services in the United States. With this, the Group is constantly developing new technology to improve its services. Failure of Yahoo! Inc. or the Group to keep up with technological advances could render their services outdated and erode their competitive positions. The Group will also bear an increasing load from original development, including a rising level of expenditures for localizing operation of the services.

The Group's small-scale capabilities in research and development could also impede competitiveness due to such factors as more time needed for development. Either of these contingencies could severely impact operating results.

Although the Group has responded to this increase by adapting its services for use with mobile terminals, we can provide no guarantee that our services will achieve ratings in this medium on a par with their use with personal computers. User share could fall as a result, and that could compress the Group's sales and profit in favor of larger expenditures for development and other uses.

(2) Dependence on Third Parties

Although the Group works continuously to build the value it supplies its users by providing such information services as up-to-the-minute news, weather and stock quotes, the Group purchases content from third parties on contract. Failure to consistently provide high-quality content that appeals to users could lower traffic and subsequently impact advertising revenue.

The Group is dependent on several Internet service providers for its server connections. If access were interrupted or broken, or these providers were unable to continue handling large volumes of access, the Group's business and operating results could suffer substantial negative effects. In addition, the Group depends on hardware suppliers for rapid delivery, installation and servicing of servers and other equipment necessary for providing information services. Error or delay on the part of these companies could damage the Group's relationship with users, hurt its brand image or impair operations.

The Group does not only rely on the previously mentioned Internet providers, but many of its services rely on outside third parties that the Group has commissioned operations to or receives information or support from. It is possible that the operations of the Group could be hindered because of worsening of the business conditions of these third parties, resulting in negative impact on performance.

(3) User Information

In July 1998 the Group added a service enabling users to customize Yahoo! Japan categories to match their individual tastes and personalize a variety of information sources by inputting individual information. In addition, with acquisition of GeoCities on March, 2000, the Group began services providing space for registered users to create their own Websites free of charge.

Yahoo! Japan uses this information internally to better match advertisements to the appropriate users. This information is not disclosed to advertisers or other outside parties.

As a result of personal identification for Yahoo! Auctions, the start of the Yahoo! BB service and recruiting of Yahoo! Research collaborators, the Group now owns much more detailed personal information than ever to help identify individual users.

Although the Group exercises the utmost care in protecting the privacy and individual information of each user and takes extraordinary measures to ensure the security of each service, it also deals with information access rights within the Group with extreme care by assigning specific persons to control it.

Nevertheless, the Group cannot completely eliminate the possibility that this information will be obtained and abused by third parties. As a result, we could be involved in legal disputes.

(4) Collection of Sales Credit Claims

In sales of advertising products and others, the Group carefully examines the credit standing of the sellers, following a set of internal rules. It also undertakes sufficient precautions so the collection of sales credit claims will not be delayed in cases of credit-card settlements via sales agents. Nevertheless, economic fluctuation and deterioration of customer business could increase delays in collections and the occurrence of defaults. With the expansion of business, the Group expects a surge in transactions, including those made by individuals in Yahoo! Auctions and Yahoo! BB. Enhancing systems within the Group and increasing personnel to respond to the situation could increase costs and negatively influence the Group's sales and profit.

(5) Continued Support from Senior Management, etc.

The Group depends on continued support from senior management and key technical personnel. These include the President, Directors and other representatives of various departments serving on the Management Committee who possess specialized knowledge and technological expertise concerning the Group and its business. Consequently, if key personnel were to leave and the Group fails to replace them, that would negatively influence the continuation and development of the business.

In addition, some senior managers participate in one of the Company's personnel incentive measures, the stock option plan. Depending on the fortunes of the stock market, it is possible that these stock options may not motivate the participants in the plan, and indeed may reduce motivation and cause them to leave the Company.

(6) Internal Control System and Human Resources

In addition to the enhancement of personnel and organization for greater advertising sales and technology development, the Group must increase staff to support the large number of new Websites created by the recent surge in Internet use, to carry out operation and management of its community services and shopping services, and to control billing and offer user support concerning paid services related to Yahoo! BB.

Failure on the part of the organization or staff to respond adequately to these expanded administrative duties could undermine competitiveness, create possible trouble with users and tenants, and affect the efficiency of operations.

To respond to personnel increases and business diversification, the Group must further improve its administrative control systems. Although the Group will work to minimize the effects of increased staff on operating results, personnel expenses, lease expenses and other fixed costs will likely rise, resulting in lower profit margins.

(7) International Conflicts, Terrorist Attacks, and Large-Scale Natural Disasters

As illustrated by the multiple terrorist attacks on the United States in September 2001 and the resultant military retaliation, the Group expects that in the event of international conflicts, terrorist attacks, and large-scale natural disasters causing substantial changes in international political conditions or in the economic framework, the Group's business will also be substantially affected.

Specifically, under the impact of such an event, the Group's advertising revenues could decline or the Group could incur extraordinary costs. This might occur because of a temporary limitation in the operation of the Group's site causing a disruption in planned advertising business. Or, for its own reasons, the advertising company might stop, reduce, or postpone advertising. Also, the access infrastructure for Yahoo! BB might be interrupted. In addition, there is the risk that operations and earnings could be affected by damage to communications or transportation lines in the United States or other countries or regions that impeded the support structure that Yahoo! Inc. provides for the Group and links to business alliances. In the worst-case scenario, the Group's offices could be physically disabled. If other companies closely related to the Group's business, such as Yahoo! Inc. and related companies and BBT and other access service providers, were hit by the same conditions, it is possible that the Group could become unable to continue operations.

(8) Legal Restrictions, Lawsuits and Intellectual Property Rights

1) Government Regulations

Distribution of information over the Internet and electronic commerce are currently under review by the Japanese government. Although no regulations governing the advertising

operations of the Group exist at present, a number of other countries are now considering regulating Internet use and publicizing legal opinions on the subject.

“The Law Regarding Limitations on the Liability of Providers of Specified Electronics Communications Services and Regarding Privacy of User Information”, was passed during the 153rd Session of the Diet. However, this law only clarifies the scope of liability for illegal behavior previously provided by civil law, and does not increase the liability of businesses that act as intermediaries in distributing information over the Internet. Nevertheless, the passing of the new law may start a social movement toward requiring greater responsibility of information distribution intermediates. There is a possibility that the Group 's business may be restricted through the introduction of new laws or the implementation of rules for self-regulation.

Yahoo! BB, as a Class 2 Telecommunications Operator, is required to follow Telecommunication Business Law and related ordinances issued by related government divisions. Changes in the law or ordinances could influence the Group 's business.

2) Potential Litigation

Moves are being made to regulate the flow of information via the Internet, both to ban the distribution of illegal or harmful content and to protect the privacy of individuals.

To avoid conflict with Japanese legal restrictions, the Group established a "Banner Advertisement Presentation Standard" that internally regulates advertising content and the content of Websites accessed through advertising links. As expressed in a written contract with the advertiser, the advertiser takes full responsibility for the content of the advertisement. The Group also maintains the right to list Websites and remove Websites listed on its Internet directory-search services at any time. In addition, the Group completely discloses its legal obligations in written contracts with the creators of these Websites with clauses indicating the full responsibility of creators for the content of their sites. For such services as auctions and bulletin boards where users can transmit information freely, the Group indicates clearly in its contracts with users that illegal or harmful content is prohibited and that full responsibility lies with the user. The Group maintains the right to remove content and will do so any time it discovers content in violation of its contracts with users.

Through such internal regulations, the Group prohibits illegal and slanderous content on its site and protects the privacy of users. In addition, the Group publishes a disclaimer stating clearly that the user takes full responsibility for Web-browsing and that the Group accepts no responsibility for damage caused to users during Web-browsing. To protect minors from accessing harmful content, the Group is implementing such programs as Yahoo! Kids. However, no guarantees can be provided that these measures will be sufficient to avoid litigation. The Group could be subject to claims, damage suits or reprimands from users, related parties or government agencies in regard to the content of advertisements, Websites accessed through links on its site, content contributed to community message boards and trading on its auction business. The resulting decline in user confidence could lead to a drop in hits or suspension of services.

Similar to the case of the previously mentioned Yahoo! Auctions, the Group publishes a disclaimer on its Yahoo! Shopping site stating that the Group assumes no responsibility for the activities, products, services or Website content of the many retailers using these services. Nor

does the Group guarantee that users of these services will purchase goods or services listed by these retailers. In addition, the Group does not accept responsibility for damage, loss or difficulty in the delivery of said items. However, the possibility exists that users of these services or other related parties may take legal action against the Group for claims or compensation related to the content of its services. Furthermore, if the current proposed treaty regarding the jurisdiction of international courts is approved as is, it is possible that the Group may become embroiled in legal disputes with users of these services outside Japan.

3) Patents for Internet Technology and Business Plans

The Japanese Patent Office (JPO) recently began approving patents for Internet technologies and business plans. Numerous patent applications have been filed at the JPO claiming rights particularly to Internet technologies based on computer and telecommunication technologies that facilitate electronic commerce. Some recent patents and patent applications cover not only technology but also business models. As such, the possibility exists that third parties in possession of these patents will make claims or file suit against the Group, and that the Group will be prohibited from using such technology or forced to pay large royalties to acquire said patents.

In addition, the extent to which patent rights can be applied remains unclear. As such, to avoid potential conflicts the Group may be forced to substantially increase expenditures related to patent management, which could impact its earnings. The geographical boundaries for application of patent rights also remain unclear. Consequently, the Group cannot rule out the possibility of patent issues arising overseas, in addition to Japan.

7. Risks Concerning Investment and Capital Investment Programs

(1) Investment

The Group has invested in 42 companies and 1 co-op as stated below in the List of Companies Invested by Yahoo Japan Corporation. These investments have been made to form ties with the companies invested in and their businesses, or to form business ties in the future. The Group cannot guarantee that these investments will be recovered.

Although as of March 31, 2002 four of these companies had been publicly listed and the value of the Company's investment has increased, this value could decline in the future.

Moreover, with some of the companies that the Group has invested in, depending on the direction of the performance of the companies it has invested in, the Group may have to write down the value of its marketable securities based on the application of compulsory evaluation accounting, and this could influence the Group's fiscal profit or loss.

(2) Capital Investment Programs and Investment Plans

To support expected business expansion and continue launching new services, such as video and audio transmission, the Group is launching a capital investment program and an investment plan of comparatively large scale considering its current operations. Since the Internet industry is characterized by constant technological innovation and rapidly changing customer needs, the useful life of the planned facilities may be relatively short. As a result,

depreciation terms are expected to be shorter and depreciation costs higher compared with previous terms because of changes in accounting methods. In addition, greater than normal losses may be recorded because of extraordinary losses on disposal of current facilities.

Although the Group believes business expansion will result in earnings growth sufficient to cover these increased costs, ineffective capital investments and delayed effect could substantially impact future earnings performance by companies in which the Group has invested could impact the Group's financial structure and operating results. In addition, unfavorable performance by companies in which Yahoo! Japan has invested could impact the Company's financial structure and operating results.

List of Companies Invested by Yahoo Japan Corporation (See Note 1)

(As of March 31, 2002)

	Investment targets	Listing	Date of investment	Stake (%)	BS accounting amount (¥ MM)	Line of business	Relationship with the Company	Directors on loan
Investment securities								
1	Yahoo Korea		97/10/06	4.12	4	Comprehensive Internet information-portal business in Korea	Yahoo! Japan offered technical services at startup	Yes
2	CyberMap Japan Corp.		98/04/01	8.33	50	Internet-based map information service ("Mapion")	Alliance for Yahoo! Map	Yes
3	Internet Research Institute, Inc.	TSE Mothers	98/08/01	12.20	1,960	Internet technical-support service		Yes
4	Vector Inc.	NASDAQ Japan	99/03/25	10.77	2,664	Sales of download licenses for personal-computer software	Alliance for Yahoo! Computer	Yes
5	Weathernews Inc.	NASDAQ Japan	99/05/28	5.07	780	Weather observation, data collection/analysis, weather forecast and related information services	Alliance for Yahoo! Weather	
6	e-Shopping! Toys CORP.		99/08/31	10.00	20	eS! Toys Website	Yahoo Shopping tenant	Yes
7	CarPoint K.K.		99/10/06	6.54	89	Offering car-related information, quotes and dealer introductions		
8	SpeedNet. Inc.		99/12/10	1.67	125	Fiber-optic and high-speed wireless Internet service		
9	e-Shopping! CarGoods CORP.		00/02/28	10.00	0	(See Note 2)		Yes
10	Oricon Global Entertainment Inc.	NASDAQ Japan	00/03/28	1.53	144	Construction and supply of music-related databases	Alliance for Yahoo! Music/Music Shopping	
11	e-Shopping! Wine CORP.		00/05/26	10.00	15	eS! Wine Website	Yahoo! Shopping tenant	Yes
12	SOFTBANK ZDNet Inc.		00/08/28	8.33	30	Comprehensive site for IT-related information	Alliance for Yahoo! News	Yes
13	BB Factory Corp.		00/11/13	10.00	31	Consigned satellite broadcasting, program production and sales, and commercial production	Alliance for Yahoo! BB	Yes
14	e-Net Japan Co., Ltd.		00/12/14	6.00	75	Sales of personal commuters, audio/visual and home equipment via the Internet	Yahoo! Shopping/Auctions tenant	
15	J-Yado Co., Ltd.		00/12/22	7.98	30	J-Yado.com hotel reservation website		
16	DBJ Co., Ltd.		00/12/26	2.27	15	E-commerce and supply of contents related to motorcycles	Yahoo! Auctions tenant	
17	Power Print Inc.		00/12/27	15.00	30	Online order-taking, printing and delivery of various printed materials		
18	Naturum Corp.		00/12/29	10.01	79	Sales of fishing and outdoor products via the Internet	Yahoo! Shopping/Auctions tenant	
19	Archinet, Inc.		01/01/19	13.85	50	Consulting on real estate and online sales of gardening equipment	Yahoo! Shopping/Auctions tenant	
20	Golf Do Co., Ltd.		01/01/24	4.90	199	An online shop for used golf equipment		
21	Axiv.com, Inc.		01/01/30	5.44	50	MyID promotion/gift campaign website		
22	CafeGlobe.com		01/01/30	11.44	100	Cafeglobe.com information site for women	Alliance for Yahoo! Gourmet	
23	EBANK Corporation		01/03/12	2.07	299	e-bank operations	Alliance for Yahoo! Auctions/Research	
24	GameBox, Inc.		01/03/16	9.38	99	GAMEBOX game-related Website		

	Investment Targets	Listing	Date of investment	Stake (%)	BS accounting amount (¥ MM)	Line of business	Relationship with The Company	Directors on loan
25	Digipri Corporation		01/03/27	0.82	100	Internet storage and output services for digital imaging		
26	Bitwave Corporation		01/03/29	1.21	25	Operating sales system for concert/sporting tickets		
27	Net Protections, Inc.		01/04/10	14.14	100	Online commercial settlement service	Alliance for Yahoo! Auctions	
28	Istyle Inc.		01/04/20	8.87	50	@cosme information site for cosmetics and beauty care		
29	Digital Check Co. Ltd.		01/04/24	1.23	24	EC settlements, content supply and networking business	Alliance for Yahoo! Auctions	
30	CarHoo Inc.		01/04/26	13.02	50	Car Hoo driver-support site	Yahoo! Auctions tenant	
31	E-NEWS Inc.		01/06/26	13.33	50	Internet-based broadcasting and video production		
32	Hurricane Inc.		01/07/23	12.49	47	Planning, producing, referral and agency services for concerts and other events		
33	BB Technologies Corporation		01/08/24	10.00	300	Installing, supplying and managing ASDL infrastructure	Installing and operating Yahoo! BB infrastructure	Yes
Shares in subsidiaries								
1	GeoCities		00/08/03	100.00	10	(Maintaining the Company's services)	Maintaining www.geocities.co.jp domain	Yes
2	Broadcast.com		00/08/03	100.00	10	(Maintaining the Company's services)	Maintaining www.bcast.co.jp domain	Yes
3	Dennotai Co., Ltd.		00/09/01	100.00	10	(Maintaining the Company's services)		Yes
4	Y's Agencies Inc.		01/08/02	100.00	10	Planning and sales of advertising		Yes
5	Egroups KK		01/09/28	90.50	900	eGroup groupware service, mainly e-mail	Alliance for Yahoo! eGroups	Yes
6	e-Shopping! Books CORP.		01/12/26	51.28	300	eS! Books Website	Yahoo! Shopping tenant	Yes
7	BridalConcierge Corp.		02/02/27	80.00	9	Provision of useful information for weddings and newly wed life as well as other services	Alliance for Yahoo! Wedding	Yes
Shares in affiliated companies								
1	Tavogator, Inc.		00/03/03	30.00	30	Sales of travel gear via the Internet	Alliance for Yahoo! Travel and Yahoo! Shopping tenant	Yes
1	YPC Co., Ltd.		02/01/28	40.00	40	Sales of computers and related equipment via the Internet	Yahoo! Shopping tenant	Yes
Investment								
1	SOFTBANK Internet Technology Fund No. 1		00/02/21		852			

Notes:

1. In principle, the date of investment is the date of the first investment made by Yahoo! Japan in the company. In the case of e-Shopping! Books, the date of investment is the date on which the company became a subsidiary of Yahoo! Japan as a result of additional investment.
2. On April 12, 2002, the decision was taken to dissolve e-Shopping! CarGoods CORP. Consequently, the investment is already shown on the balance sheets at its remaining value, but there is the possibility that additional losses may be booked in future accounting periods.