

Yahoo Japan Corporation

Results for the Interim Period and the Three Months Ended September 30, 2002

Consolidated Information

<Introduction>

In a Web audience survey conducted by Nippon Research Center Ltd., the number of Internet users in Japan was approximately 36 million as of September 2002, with Web users accounting for approximately 30 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 continues to rise sharply—the number of DSL subscribers at the end of September 2002 had jumped to approximately 4.2 million, up about 6.5 times from a year ago. A think tank affiliated with a major securities firm predicts that the number of households using DSL-based broadband services will rocket to 19.94 million by the end of 2006 from just 1.52 million at the end of 2001.

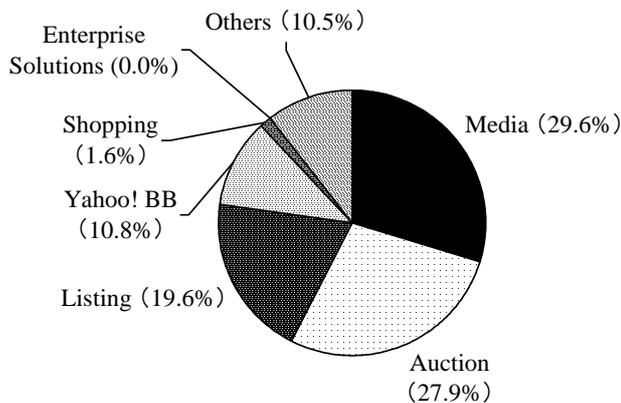
Not only does the spread of broadband service boost the value of the Internet as a media, it also has a substantial impact on people's lives. Because broadband allows people to access the Internet continuously at low, fixed rates, the number of people viewing Internet sites while watching or listening to TV, radio and other media, is on the rise. Moreover, the number of people using the Internet in conjunction with other media, such as viewing news that they missed on TV or searching information on topics that caught their eye on TV or in a magazine is increasing. People's reasons for using the Internet also have greatly diversified to include using IP telephone services and other communication tools, purchasing and booking a range of goods and services, participating in auctions, and using it for practical consumer activities, such as paying bills. The Internet has become an indispensable lifestyle service and along with the further spread of broadband services the influence of the Internet will grow in leaps and bounds.

Amid these conditions, Yahoo Japan Corporation and its consolidated subsidiaries ("Yahoo! Japan Group" or "the Group") achieved the following results for the interim period (April to September) and the second quarter (July to September) of the fiscal year ending March 31, 2003.

<Page Views>

Daily page views of Yahoo! Japan topped 360 million for the first time during the second quarter, and Yahoo! Japan Group monthly page views for September reached 9,746 million. This represents an increase of 479 million page views, or 5.2%, compared with June 2002, the last month of the previous quarter, and an increase of 3,838 million page views, or 65.0%, compared with the same month a year earlier. As of October 18, 2002, Yahoo! Japan's daily page views had exceeded 390 million. Looking at monthly page views of September 2002 by business division, Media (including eGroups KK and Y's Sports, Inc.) accounted for 29.6%, Auction for 27.9%, Listing (including BridalConcierge Corp.) for 19.6%, Yahoo! BB for 10.8%, Shopping (including e-Shopping! Books CORP.) for 1.6%, Enterprise Solutions for 0.0%, and Others (including top page) for 10.5%.

Page Views by Business Division



In a Web audience survey of Japan conducted by Nippon Research Center Ltd. in September 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 90.1% of the respondents. By multiplying the above percentage by the approximately 30 million Web users in Japan as of September 2002, we estimate that there were 27 million unique users accessing Yahoo! Japan at least once every four weeks.

Top Five Web Sites

	Domain	NAR (%)
1.	yahoo.co.jp	90.1
2.	nifty.com	72.0
3.	microsoft.com	66.2
4.	biglobe.ne.jp	64.8
5.	rakuten.co.jp	53.0

Notes: 1. Source: Nippon Research Center survey (Aug. 12-Sept. 8, 2002)

2. Net Access Rate (NAR) is the rate of access by respondents at least once every four weeks.

<Consolidated Statements of Income>

Note: As of the quarter under review, all nine subsidiaries are included in the scope of consolidation as are all two affiliated companies, which are accounted for by the equity method.

Consolidated Statements of Income (April 1 ~ September 30, 2002)

(Yen in Millions)

	Amount	% share	Compared to the interim period ended September 30, 2001	
			Increase/decrease	%
Net Sales	23,369	100.0%	11,501	96.9%
Cost of Sales	5,401	23.1%	3,211	146.7%
Gross Profit	17,968	76.9%	8,289	85.6%
SG&A Expenses	8,491	36.3%	2,973	53.9%
Personnel Expenses	2,171	9.3%	710	48.6%
Sales Commission	983	4.2%	291	42.1%
Content Provider Fees	758	3.2%	269	55.2%
Depreciation Expenses	737	3.2%	240	48.3%
Business Commissions	660	2.8%	373	130.6%
Communication Charges	634	2.7%	114	22.0%
Royalties	497	2.1%	228	84.7%
Lease and Utility Expenses	360	1.5%	93	35.2%
Sales Promotion Costs	299	1.3%	221	281.9%
Advertising Costs	182	0.8%	-439	-70.7%
Amortization of Consolidated Accounts	148	0.6%	148	-
Doubtful Debt Accounts	132	0.6%	100	319.6%
Others	925	4.0%	621	204.5%
Operating Income	9,476	40.6%	5,315	127.7%
Non-Operating Income (Expenses)	-117	-0.6%	-105	877.4%
Ordinary Income	9,358	40.0%	5,209	125.6%
Extraordinary Gains (Losses)	-552	-2.3%	-552	-
Income before Income Taxes	8,806	37.7%	4,656	112.2%
Income Taxes, Inhabitants' Taxes and Enterprise Taxes	4,231	18.1%	2,471	140.5%
Adjustment to Income Taxes	-358	-1.5%	-356	153 times
Minority Interests in Loss of Consolidated Subsidiaries	43	0.2%	43	-
Net Income	4,977	21.3%	2,585	108.1%
EBITDA	9,615	-	4,948	106.0%

Composition of Consolidated Net Sales by Business Division (Interim Period)

(Yen in millions)

	Sales	Contribution (%)
Yahoo! BB	¥8,311	35.5
Auction	3,952	16.9
Listing (including BridalConcierge)	3,528	15.1
Shopping (including e-Shopping! Books)	2,238	9.6
Media (including eGroups and Y's Sports)	1,396	6.0
Enterprise Solutions	117	0.5
Inter-Divisional Businesses	3,825	16.4
Total	¥23,369	100.0

Note: The sales of Y's Agencies Inc. have been allocated among the above business divisions. GeoCities Japan Corporation and broadcast.com japan k.k. do not actually conduct any business. In addition, UniCept, Inc. and Netrust, Ltd. have only recently been established and did not contribute any sales during the interim period.

Consolidated Statements of Income (July 1 ~ September 30, 2002)

(Yen in Millions)

	Amount	% share	Compared to the three month period ended September 30, 2001		Compared to the three month period ended June 30, 2002	
			Increase/ decrease	% change	Increase/ decrease	% change
Net Sales	13,275	100.0%	6,275	89.7%	3,180	31.5%
Cost of Sales	3,069	23.1%	1,332	76.7%	736	31.6%
Gross Profit	10,206	76.9%	4,943	93.9%	2,444	31.5%
SG&A Expenses	4,824	36.3%	1,801	59.6%	1,156	31.5%
Personnel Expenses	1,225	9.2%	468	62.0%	279	29.5%
Sales Commission	512	3.9%	141	38.0%	41	8.8%
Content Provider Fees	444	3.4%	187	72.6%	131	41.8%
Depreciation Expenses	395	3.0%	118	42.8%	52	15.4%
Business Commissions	376	2.8%	188	99.8%	92	32.7%
Communication Charges	336	2.5%	47	16.4%	39	13.2%
Royalties	284	2.1%	137	93.8%	71	33.3%
Sales Promotion Costs	199	1.5%	164	471.7%	98	98.5%
Lease and Utility Expenses	194	1.5%	56	40.8%	28	16.9%
Doubtful Debt Accounts	138	1.0%	106	339.1%	144	-
Advertising Costs	115	0.9%	-228	-66.4%	48	72.7%
Amortization of Consolidated Accounts	67	0.5%	67	-	-12	-16.0%
Others	533	4.0%	345	184.3%	141	36.0%
Operating Income	5,382	40.6%	3,142	140.3%	1,287	31.5%
Non-Operating Income (Expenses)	-130	-1.0%	-93	247.4%	-143	-
Ordinary Income	5,251	39.6%	3,049	138.4%	1,144	27.9%
Extraordinary Gains (Losses)	-288	-2.2%	-288	-	-23	9.1%
Income before Income Taxes	4,963	37.4%	2,760	125.3%	1,120	29.2%
Income Taxes, Inhabitants' Taxes and Enterprise Taxes	2,544	19.2%	1,621	175.8%	857	50.9%
Adjustment to Income Taxes	-358	-2.7%	-356	153 times	-358	-
Minority Interests in loss of consolidated subsidiaries	23	0.2%	23	-	2	13.8%
Net Income	2,800	21.1%	1,518	118.4%	624	28.7%
EBITDA	5,429	-	2,924	116.7%	1,243	29.7%

Composition of Consolidated Net Sales by Business Division (Second Quarter)

(Yen in millions)

	Sales	Contribution (%)
Yahoo! BB	¥4,722	35.6
Auction	2,686	20.2
Listing (including BridalConcierge)	1,806	13.6
Shopping (including e-Shopping! Books)	1,178	8.9
Media (including eGroups and Y's Sports)	712	5.4
Enterprise Solutions	66	0.5
Inter-Divisional Businesses	2,102	15.8
Total	¥13,275	100.0

Note: The sales of Y's Agencies Inc. have been allocated among the above business divisions. GeoCities Japan Corporation and broadcast.com japan k.k. do not actually conduct any business. In addition, UniCept, Inc. and Netrust, Ltd. have only recently been established and did not contribute any sales during the second quarter.

Main Points Regarding Statements of Income

Net Sales

The significant jump in quarterly sales year-on-year can mainly be attributed to the sharp growth in sales of Yahoo! BB, which began operations in the first quarter of the previous fiscal year and Auction, which started charging system-use fees in April 2002. Sales of consolidated subsidiaries for the second quarter of the fiscal year under review, on a gross total basis, were ¥910 million. For the interim period, these sales amounted to ¥1,719 million.

Cost of Sales

The main factors behind the large expansion of the cost of sales in the second quarter in comparison with the same period in the previous fiscal year were an increase in the ISP costs and costs related to acquiring new customers of Yahoo! BB in conjunction with the increase in the number of subscribers using the service. An increase in business commissions along with the sponsorship of the FIFA World Cup™ also contributed to growth in cost of sales for the interim period.

Selling, General and Administrative Expenses

• Personnel expenses

At the end of the second quarter, after eliminating overlap, the total number of employees of the Group amounted to 566, up 156, or 38.0%, from the end of same quarter in the previous fiscal year. Growth in personnel expenses was greater than growth in the number of employees because expanded sales in the second quarter and interim period were reflected in higher compensation under the quarterly employee compensation system, which is linked to company performance.

• Sales commissions

Sales commissions increased from the same quarter in the previous fiscal year primarily because the Group further increased its emphasis on fundamentally marketing advertising through advertising agencies. There was, however, a slight increase in advertising-related

revenues. Sales commissions expanded year-on-year for the interim period, despite a decline in advertising revenues, for the same reason.

- Content provider fees

The substantial rise in content provider fees compared with the same quarter in the prior fiscal year can be mainly attributed to such new services as Yahoo! Phone Book, expanded Yahoo! News services, and increased access of directory search services.

- Business commissions

The main business commissions for the second quarter were ¥131 million in expenses for the settlement operations of Yahoo! Wallet and ¥90 million in expenses for temporary employees.

Primary business commissions for the interim period were ¥210 million in expenses for the settlement operations of Yahoo! Wallet and ¥163 million in expenses for temporary employees.

- Sales Promotion Costs

Sales promotion costs increased sharply from a year earlier for the quarter and interim period primarily because the Group conducted campaigns to acquire Yahoo! BB users.

- Doubtful Debt Accounts

The large increase in the provision to doubtful debt accounts for the second quarter and the interim period can mainly be attributed to the jump in receivables, including Yahoo! Auctions system-use fees and an upward revision in the actual rate of payment default.

- Advertising costs

Advertising costs declined sharply from a year earlier for the quarter and interim period because of our focus on marketing methods that cost less in light of the deterioration in the business climate.

- Amortization of consolidated accounts

Amortization is being made on consolidated accounts for eGroups, e-Shopping! Books and Netrust.

- Others

The major component of others was equipment and supplies.

Non-Operating Income (Expenses)

The main components of non-operating expenses were evaluation losses on investments and losses on retirement of PCs, servers and other fixed assets.

Extraordinary Gains (Losses)

We recorded extraordinary losses during the second quarter and the interim period as the result of the application of depletion accounting to a portion of our investment securities.

Income Taxes, etc.

The income tax rate for the interim period under review was 44.0%.

Minority Interests in Loss of Consolidated Subsidiaries

Minority interest losses booked during the second quarter and the interim period came from eGroups, e-Shopping! Books, and BridalConcierge.

Net Income

Net income per share for the interim period under review amounted to ¥21,166.76.

<Consolidated Balance Sheets>

As of September 30, 2002, total assets amounted to ¥34,323 million, up ¥4,857 million or 16.5% from the same period in the previous fiscal year. Total liabilities were ¥10,133 million, rising ¥2,802 million or 38.2%. Total shareholders' equity advanced ¥1,989 million or 9.0%, to ¥24,088 million. Minority interests in consolidated subsidiaries amounted to ¥101 million, increasing ¥65 million or 179.9%.

Consolidated Balance Sheets (As of September 30, 2002)

	Amount	(Yen in Millions)			
		Compared to the three month period-end ended June 30, 2002		Compared to the three month period-end ended September 30, 2001	
		Increase/ decrease	% change	Increase/ decrease	% change
Assets					
Current Assets					
Cash	14,535	6,403	78.8%	13,826	20.5 times
Accounts Receivable Trade	7,043	324	4.8%	3,607	105.0%
Marketable Securities	99	0	0.2%	-4,592	-97.9%
Inventory	10	2	33.8%	-823	-98.8%
Deferred Tax Assets	468	94	25.4%	284	154.3%
Accounts Receivable Other	130	-8	-5.8%	130	-
Other Current Assets	328	-54	-14.2%	44	15.5%
Allowance for Doubtful Accounts	-169	-146	622.9%	-131	345.0%
Total Current Assets	22,447	6,617	41.8%	12,345	122.2%
Fixed Assets					
Tangible Fixed Assets	3,709	169	4.8%	480	14.9%
Intangible Fixed Assets					
Consolidated Accounts	645	-80	-11.1%	-123	-16.0%
Other Intangible Fixed Assets	754	82	12.2%	595	375.1%
Total Intangible Fixed Assets	1,399	1	0.1%	472	51.0%
Investment and Others					
Investment Securities	5,337	-1,945	-26.7%	-3,673	-40.8%
Others	1,438	6	0.5%	-60	-4.1%
Allowance for Doubtful Accounts	-9	7	-44.6%	-9	-
Total Investments and Others	6,766	-1,930	-22.2%	-3,744	-35.6%
Total Fixed Assets	11,876	-1,760	-12.9%	-2,790	-19.0%
Total Assets	34,323	4,857	16.5%	9,554	38.6%

(Yen in Millions)

	Amount	Compared to the three month period ended June 30, 2002		Compared to the three month period ended September 30, 2001	
		Increase/ decrease	% change	Increase/ decrease	% change
Liabilities					
Current Liabilities					
Accounts Payable Trade	1,812	231	14.6%	84	4.9%
Accounts Payable Other	2,062	584	39.6%	240	13.2%
Current Portion of Long-term Debt	-	-39	-100.0%	-137	-100.0%
Accrued Income Taxes	4,251	2,516	145.1%	2,471	138.8%
Other Current Liabilities	1,119	422	60.7%	769	219.6%
Total Current Liabilities	9,246	3,716	67.2%	3,428	58.9%
Long-term Liabilities					
Long-term Deferred Taxes	747	-853	-53.3%	-1,401	-65.2%
Retirement Allowances	-	-23	-100.0%	-19	-100.0%
Other Long-term Liabilities	139	-37	-21.3%	139	-
Total Long-term Liabilities	886	-913	-50.7%	-1,282	-59.1%
Total Liabilities	10,133	2,802	38.2%	2,145	26.9%
Minority Interests in Consolidated Subsidiaries					
Minority Interests in Consolidated Subsidiaries	101	65	179.9%	88	636.6%
Shareholders' Equity					
Common Stock	6,073	0	0.0%	49	0.8%
Additional Paid-in Capital	1,154	-	0.0%	54	4.9%
Retained Earnings	15,182	2,800	22.6%	8,438	125.1%
Other Securities Evaluation	1,694	-811	-32.4%	-1,210	-41.7%
Treasury Stock	-15	-	0.0%	-11	271.4%
Total Shareholders' Equity	24,088	1,989	9.0%	7,320	43.7%
Total Liabilities, Minority Interests in Consolidated Subsidiaries and Shareholders' Equity	34,323	4,857	16.5%	9,554	38.6%

Main Points Regarding Balance Sheets

Assets

- The growth in cash compared with the previous quarter-end was principally due to the increase in net sales and net income. In comparison with the same quarter-end a year earlier, marketable securities were down and cash up because of the redemption of money management fund (MMF) and Chuki Kokusai funds (medium-term domestic notes) in the third quarter of the previous fiscal year.

- The increase in accounts receivable—trade was mainly related to growth in revenues due to the introduction of system-use fees by Yahoo! Auctions and greater ISP fees from Yahoo! BB's operations and content fees, resulting in an expansion in credit card receivables.
- Inventory has risen in comparison with the end of the same period in the previous fiscal year mainly because of the impact of the April 2002 change in the revenue model of Yahoo! BB.
- The increase in allowance for doubtful debt from the end of the first quarter and the same period in the previous fiscal year was mainly be attributed to the jump in receivables, including Yahoo! Auctions system-use fees and an upward revision in the actual rate of payment default.
- The decrease in the consolidated accounts from the previous quarter-end was primarily due to the periodic amortization of these amounts.
- The increase in other intangible fixed assets compared with the same period of previous fiscal year was primary because of software for consolidated subsidiaries.
- The decline in investment securities from the end of the previous quarter was mainly a result of mark to market revaluation and the sale of the shares of BB Technologies Corporation at book value to Softbank Corporation in August 2002. The decline in comparison with the same period-end in the previous fiscal year was primarily due to mark to market revaluation and to the consolidation of an additional four subsidiaries.

Liabilities

- The rise in accounts payable—trade compared with the previous quarter-end was primary due to the expansion in Yahoo! BB's ISP services.
- The increase in accrued income taxes from the end of the first quarter and the same period in the previous fiscal year was mainly because of the growth in net income.
- The decline in long-term deferred taxes from the end of the previous quarter and the same period in the previous fiscal year was chiefly due the mark to market of investment securities.

Shareholders' Equity

- The increase in retained earnings from the end of the previous quarter and the same period a year earlier resulted principally from the increase in net income.
- The decrease in the other securities evaluation adjustment from the end of the first quarter and the same period last fiscal year was mainly due to the mark to market of investment securities.

<Consolidated Statements of Cash Flows>

The net increase in cash and cash equivalents for the quarter and interim period under review was ¥6,403 million and ¥7,156 million, respectively. The consolidated statements of cash flows follow.

The Consolidated Statements of Cash Flows

(Yen in Millions)

	Three month period ended September 30, 2002	Six month period ended September 30, 2002	Comments
Cash Flows from Operating Activities:	6,766	7,440	<ul style="list-style-type: none"> • Although there was an increase in accounts receivable—trade, net cash provided by operating activities increased because of income before income taxes growth. • The increase in accounts receivable—trade is mainly related to growth in revenues due to the introduction of system-use fees by Yahoo! Auctions and greater ISP fees from Yahoo! BB's operations and content fees, resulting in an expansion in credit card receivables.
Income before Income Taxes	4,963	8,806	
Depreciation and Amortization	392	744	
Amortization of Consolidated Accounts	67	148	
Increase in Allowance for Doubtful Accounts	138	132	
Decrease in Reserve for Retirement Allowances	-23	-14	
Loss on Disposal of Fixed Assets	74	76	
Loss on Evaluation of Investment Securities	287	551	
Loss on Evaluation of Equity Funds	88	88	
Exchange Gains/Losses	-0	-0	
Equity in Gains/Losses under the Equity Method	-14	-22	
Proceeds from Interest and Dividend	-9	-14	
Interest Expense	1	4	
Other Profit and Loss Adjustments	-1	-2	
Increase in Inventory	-2	-3	
Increase in Accounts Receivable Trade	-321	-2,120	
Increase in Accounts Payable Trade	231	701	
Decrease in Accounts Receivable Other	62	1,251	
Increase in Accounts Payable Other	710	875	
Increase in Consumption Tax Payable	181	9	
Payment of Bonuses to Directors	-32	-32	
Payment of Income Taxes and Other Taxes	-28	-3,741	
Cash Flows from Investing Activities:	-322	-240	<ul style="list-style-type: none"> • Despite proceeds from the sale of BB Technologies Corporation and Vector Inc. shares, purchases of servers and other equipment resulted in a decrease in cash used in investing activities.
Expenditures on Tangible Fixed Assets	-383	-805	
Expenditures on Intangible Fixed Assets	-105	-218	
Expenditures on Investment Securities	-24	-24	
Proceeds from Sale of Investment Securities	300	915	
Investments in Newly Consolidated Entity	-6	-6	
Expenditures on Loans	-0	-0	
Proceeds from Recovery of Lending	0	0	
Expenditures on Increases in Guarantee Deposit Assets	-121	-121	
Proceeds from Interest and Dividends	19	19	
Other Cash Used in Investment Activities	-	0	

Cash Flows from Financing Activities:	-40	-43	• Expenditures for repayment of bonds consisted of the repayment of the second unsecured bonds with warrants issue.
Expenditures for Repayment of Bonds	-39	-117	
Proceeds from Issuance of New Shares	0	79	
Expenditures for Acquisition of Treasury Stock	-	-0	
Interest Expenses	-1	-4	
Effect of Exchange Rate Changes on Cash and Cash Equivalents	0	0	
Net Change in Cash and Cash Equivalents	6,403	7,156	
Cash and Cash Equivalents at beginning of Term	8,131	7,341	
Cash and Cash Equivalents due to the Companies Newly Consolidated	-	38	
Cash and Cash Equivalents at end of Term	14,535	14,535	

Operating Review by Business Division

Beginning with January 2002, Yahoo! Japan has introduced a business division organizational system. The reason for changing to this type of business organization was to clarify responsibility for profits and losses and cause individual business division to do their own business planning and create their own budgets. Moreover, the system is intended to optimize the allocation of human, physical, and financial resources and speed up decisions, thus maximizing results. Business that is not related to any one business division but common to all business divisions is termed Inter-divisional Businesses.

The following is an outline of the activities of the six business divisions and Inter-divisional Business for the second quarter and the interim period. For the statement of income by business division, the net sales have been classified into the following types of services.

Type of Service	Sales Content
Advertising	Sales of banner, e-mail advertising, and other advertising listed on the sales sheet as well as related sales. <ul style="list-style-type: none"> • Regular banner, text, e-mail and other advertising. • Results-based advertising, merchant margin, projected advertising production fees, listing of other search engines, and others.
Business Services	Sales to corporations other than advertising. <ul style="list-style-type: none"> • Tenant fees and sales commissions for B2C auction and Yahoo! Shopping. • Research, search word ranking, Business Express, account opening fees, Yahoo! Portal Solutions, and other sales. • Content provider fees for Yahoo! Employment, Yahoo! Real Estate, Yahoo! Corporate Information, and others. • Magazine and book licensing fees, fees for permission to use the Yahoo! name. • Yahoo! Cafe support funds
Personal Services	Sales from services for individuals. <ul style="list-style-type: none"> • Yahoo! BB ISP fees and content fees. • Personal identification fees for pay services including Yahoo! Auctions and Yahoo! Personals. • System-use fees for Yahoo! Auctions and others.
Others	<ul style="list-style-type: none"> • Sales of e-Shopping! Books CORP.

Net Sales by Business Division (Interim Period)

(Yen in Millions)

	Advertising	Business Services	Personal Services	Others	Total
Yahoo! BB	169	3,521	4,620	-	8,311
Auction	383	131	3,436	-	3,952
Listing	2,843	680	4	-	3,528
Shopping	250	384	-	1,604	2,238
Media	1,342	15	38	-	1,396
Enterprise Solutions	15	101	-	-	117
Inter-divisional Businesses	1,023	-	2,802	-	3,825
Total	6,028	4,834	10,902	1,604	23,369

Net Sales by Business Division (Second Quarter)

(Yen in Millions)

	Advertising	Business Service	Personal Service	Others	Total
Yahoo! BB	78	1,933	2,711	-	4,722
Auction	192	76	2,417	-	2,686
Listing	1,444	359	2	-	1,806
Shopping	113	199	-	865	1,178
Media	693	15	3	-	712
Enterprise Solutions	6	59	-	-	66
Inter-divisional Businesses	563	-	1,539	-	2,102
Total	3,091	2,643	6,674	865	13,275

(1) Yahoo! BB Business Division

Note: Starting with the previous quarter, Yahoo! BB's revenue model has changed, and the items in Sales and Cost of Sales are different from those recorded for the same quarter and interim period of the previous fiscal year. Please see page VIII of "Risk Factors" for detailed information on the revenue model change of Yahoo! BB business.

1) Major business

Yahoo! BB's business activities revolve around its comprehensive broadband service Yahoo! BB. They mainly comprise the acquisition of subscribers over the Web and the provision of ISP services, such as e-mail, homepage creation, calendar functions, and others.

2) Activities in the second quarter

During the quarter under review, this business division used its existing infrastructure to successively introduce new services as shown below. At the same time, it worked to attract new users by improving and expanding its existing services and carrying out various campaigns. As a result, Yahoo! BB users topped one million at the end of September, reaching this mark in a shorter time than any other broadband service provider in the world.

Major New Services and Service Upgrades

Date	New Services and Service Upgrades
July 19	• Began offering trial Yahoo! BB Mobile services at three Denny's restaurants in Tokyo.
Aug. 12	• Commenced commercial services of Yahoo! BB 12M. This is a maximum 12 megabit download ADSL connection services that is strongly resistant to decreases in speed due to distances and communication interference.
Aug. 15	• Started a photo contest with "summer" as a theme on Yahoo! Photos.
Aug. 26	• To attract new subscribers, we began a Free Trial Campaign for Yahoo! BB that offers new users up to two months of free service (monthly service charges).
Sept. 2	• Commenced Converting from INS to ADSL Course, a service in which BB Technologies handles the conversion from an ISDN to an ADSL connection.
Sept. 6	• Added a free virus check function to Yahoo! Mail.
Sept. 20	• Began offering trial Yahoo! BB Mobile services at three Lotteria fast food outlets in Tokyo.
Sept. 24	• Started the Converting from Optical to ADSL Campaign, in which BB Technologies pays the cost of conversion from an optical connection to an ADSL connection.
Sept. 26	• Yahoo! BB kicked off a free trial campaign to commemorate topping 1 million subscribers.

Page Views

Monthly Pages Views in September	1,052.97 million page views	10.8% of total page views
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Total Subscriber Lines for Yahoo! BB Services

End of July 2002	Approximately 779 thousand lines (including approximately 640 thousand lines marketed by Yahoo! Japan)
End of Aug. 2002	Approximately 885 thousand lines (including approximately 683 thousand lines marketed by Yahoo! Japan)
End of Sept. 2002	Approximately 1,011 thousand lines (including approximately 716 thousand lines marketed by Yahoo! Japan)

Note: Jumper installation completed, excluding service cancellations. Figures include subscribers who only use BB Phone services. Figures also include lines of the Metallic Communications Group.

3) Income statements for the second quarter and interim period

(Yen in Millions)

	Second Quarter	Interim Period	Comments
Net Sales			
Advertising	78	169	
Business Services	1,933	3,521	• Main components of Business Services sales are the customer acquisition commissions of Yahoo! BB.
Personal Services	2,711	4,620	
Others	-	-	
Total	4,722	8,311	• Main components of Personal Services sales are the ISP fees for Yahoo! BB.
Cost of Sales	2,356	4,021	• Main component of Cost of Sales is the cost of ISP service of Yahoo! BB.
Gross Profit	2,366	4,289	
SG&A Expenses	656	1,061	• Main items in SG&A expenses are sales promotion, communication, depreciation, personnel and royalty expenses.
Operating Income	1,710	3,228	
Operating Income Ratio	36.2%	38.8%	

Note: During the second quarter and interim period, Yahoo! Japan did not incur any facility maintenance or equipment fees due to subscription cancellations.

(2) Auction Business Division

1) Major Business

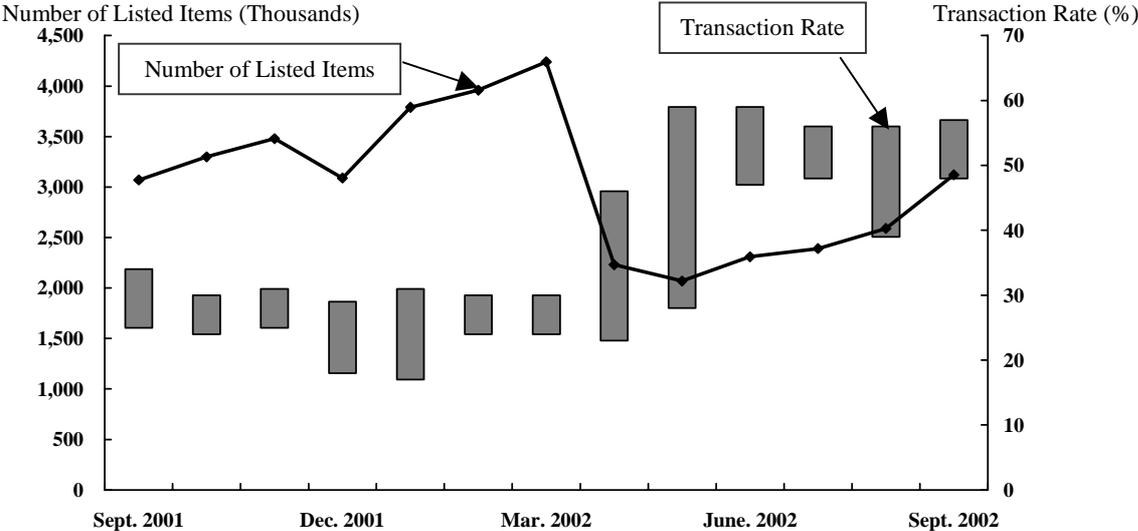
Based on its Yahoo! Auctions services, this business provides a place where individuals can buy and sell items and companies can sell their goods by auction. In addition, it supports companies on Premium Auctions.

2) Activities in the second quarter

During the second quarter, we continued to improve our services, adding the world's first auction item search service based on picture content. In addition, to commemorate the third anniversary of the start of Yahoo! Auctions services, we ran special campaigns during September to attract new users and increase the number of listed items. One campaign targeted all users, who were eligible to win a car or trip to Italy if they applied using their Yahoo! Japan ID. Another campaign targeted new users who applied for our personal identification service and offered 10 different prizes, including watches, fresh crabs, and cameras. There also was a special campaign for users listing and purchasing items that lasted only 24 hours.

As a result, the number of unique users of Yahoo! Auctions at the end of September totaled approximately 9.45 million browsers, an increase of about 13.9% or 1.15 million browsers from the end of June. The number of items listed for auction was also up, rising by 35.1%, or approximately 800 thousand items from the end of June to about 3.1 million items. The transaction rate during the second quarter ranged between 39% to 57%, continuing to maintain a high level since the introduction of system-use fees in April 2002 that have eliminated obstructive items listed for advertising only and other reasons.

Number of Listed Items and Transaction Rate



Major New Services and Service Upgrades

Date	New Services and Service Upgrades
July 18	<ul style="list-style-type: none"> Became the first auction site in the world to offer a search service based on picture content.
Aug. 13	<ul style="list-style-type: none"> Announced Yahoo! Delivery service that allows users to request pick up or delivery of items at their homes or offices 24-hours a day over the Internet.
Sept. 12 ~ Sept. 30	<ul style="list-style-type: none"> Launched a third anniversary campaign to commemorate the first three years of Yahoo! Auctions services, offering such prizes as a car and a trip.

Page Views

Monthly Pages Views in September	2,721.76 million page views	27.9% of total page views
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Yahoo! Auctions number of total listed items and transaction rate, etc.

	July 2002	Aug. 2002	Sept. 2002
Number of Auction Unique Users	Approx. 9.5 million browsers	Approx. 8.78 million browsers	Approx. 9.45 million browsers
Number of Total Listed Items (As of the end of each month)	Approx. 2.39 million items	Approx. 2.59 million items	Approx. 3.12 million items
Monthly Total Number of New Listings	Approx. 7.16 million items	Approx. 7.34 million items	Approx. 8.22 million items
Monthly Volume of Transactions	Approx. ¥25.6 billion	Approx. ¥23.9 billion	Approx. ¥27.0 billion
Average Closing Price per Item	Approx. ¥7,000	Approx. ¥6,500	Approx. ¥6,500
Transaction Rate	48~56%	39~56%	48~57%
Number of Merchants	200 stores	232 stores	267 stores

3) Income statements for the second quarter and interim period

(Yen in Millions)

	Second Quarter	Interim Period	Comments
Net Sales			<ul style="list-style-type: none"> • Main components of Business Services sales are registration fees, tenant fees and transaction fees of merchants. • Sales included in Personal Services are system-use fees of Yahoo! Auctions. These fees were introduced in April 2002 and starting with the second quarter are being fully booked as sales. • Main items in SG&A are personnel, communication, business commissions, royalty, and insurance expenses.
Advertising	192	383	
Business Services	76	131	
Personal Services	2,417	3,436	
Others	-	-	
Total	2,686	3,952	
Cost of Sales	-	-	
Gross Profit	2,686	3,952	
SG&A Expenses	600	1,047	
Operating Income	2,085	2,904	
Operating Income Ratio	77.6%	73.5%	

Note: Personal identification fees for Yahoo! Auction are included in Inter-divisional Businesses.

(3) Listing Business Division

1) Major business

This business division provides and continues to improve directory services on Web sites and mobile services; information listing services, such as Yahoo! Employment, Yahoo! Autos, Yahoo! Computers, Yahoo! Real Estate, Yahoo! Gourmet, and others; and community services, such as Yahoo! Personals, Yahoo! Greetings, and others. Listing revenues come from fees charged to the information providers.

2) Activities in the second quarter

During the quarter under review, we strove to further upgrade our information listing services as shown below. In July, we began preparing for the launch of Yahoo! Phone Book. This new service, which was introduced on October 1, makes it simple to search for the telephone number or address of approximately 11 million companies and commercial outlets throughout Japan. Utilizing the regional characteristics of Japan, this new mega service aims to be a nationwide information service.

Major New Services and Service Upgrades

Date	New Services and Service Upgrades
Aug. 12	• Yahoo! Gourmet launched a party reservation and advisory service.
Aug. 14	• Yahoo! Education began an Open Campus special feature offering video streaming open campus information, campus guides, and other information.
Aug. 20	• Yahoo! Mobile launched a Ringing Tune service that aims to offer downloads of the most popular tunes as the ringing tune of mobile phones.
Sept. 2	• Yahoo! Real Estate started a Renovation Advisory service that features an introduction to reform specialists service and on-line renovation estimates.

Page Views

Monthly Pages Views in September	1,911.74 million page views	19.6% of total page views
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Note: Includes the page views of BridalConcierge.

Business Express Orders

July 2002	Aug. 2002	Sept. 2002
623 contracts	515 contracts	614 contracts

3) Income statements for the second quarter and interim period

(Yen in Millions)

	Second Quarter	Interim Period	Comments
Net Sales			• Main components of Business Services sales are Business Express and information listing fees for second-hand car, real estate information, recruiting information, and others.
Advertising	1,444	2,843	
Business Services	359	680	
Personal Services	2	4	
Others	-	-	
Total	1,806	3,528	
Cost of Sales	2	5	• Main items in SG&A are content provider, sales commission, personnel and royalty expenses.
Gross Profit	1,804	3,523	
SG&A Expenses	909	1,645	
Operating Income	894	1,877	
Operating Income Ratio	49.5%	53.2%	

(4) Shopping Business Division

1) Major business

This business division operates a quality online shopping site, carefully choosing stores that have a wide selection of products and provide adequate customer support. It also supplies items related to travel, such as domestic and overseas accommodation and airline tickets, and information on travel preparation.

2) Activities in the second quarter

During the period under review, we made efforts to attract major companies with strong brand power as well as Internet shopping stores with strong performance records. We also aimed to improve performance based on the four standards of number of customers invited, purchase rate, average amount spent per customer, and repeat rate at each store. Specifically, we created functions to attract customers to stores from Yahoo! Japan's top page, planning sales of books, DVDs, and other items in sets, and added an e-mail magazine function. Moreover, as part of our sales promotion support for our Yahoo! Shopping stores, we held a "Three-Years of Yahoo! Shopping Festival" campaign to celebrate our third anniversary featuring a raffle for a total of ¥3 million worth of Yahoo! Shopping purchase coupons and other prizes. In addition, we upgraded the services of Yahoo! Travel, commencing reservation services for foreign airlines and undertaking a major renewal of its domestic tourism information services.

Major New Services and Service Upgrades

Date	New Services and Service Upgrades
July 26	• Launched Yahoo! Gear, a Yahoo! Japan original brand shopping site on Yahoo! Shopping.
Aug. 20	• In preparation for Respect for the Aged Day (Sept. 15), arranged a special selection of popular healing goods, health equipment, and hot spring trip gift coupons and did a Respect for the Aged Day special feature.
Aug. 26	• Conducted a major renewal of Yahoo! Travel's domestic tourism information, doubling the amount of information on hot springs, tourist spots, and other items.
Aug. 28~Aug. 30	• As the first stage of the "Three-Years of Yahoo! Shopping Festival," kicked off a campaign featuring summer bargains and a raffle for purchase coupons.
Sept. 10~Sept. 30	• As the second stage of the "Three-Years of Yahoo! Shopping Festival," began a campaign featuring a raffle for a car, trip to Hawaii, and ¥1 million worth of electronic purchase coupons.

Page Views

Monthly Pages Views in September	150.74 million page views	1.6% of total page views
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Note: Includes the page views of e-Shopping! Books.

Shopping Business Transaction Volume

July 2002	Aug. 2002	Sept. 2002
¥2,974 million	¥2,794 million	¥2,734 million

Note: The figures represent the total transaction volume of Yahoo! Shopping, Yahoo! Travel, and e-Shopping! Books.

Yahoo! Shopping Store Performance

	Quarter under review	Increase/decrease in comparison with the same quarter of previous fiscal year	% Change
Number of Merchants	200 stores	46 stores	29.9%
Total Sales Commissions and Tenant Fees	¥162 million	¥74 million	85.2%
Total Turnover	¥5,153 million	¥2,324 million	82.2%
Turnover of Each Shop	¥25 million	¥7 million	40.3%

3) Income statements for the second quarter and interim period

(Yen in Millions)

	Second Quarter	Interim Period	Comments
Net Sales			<ul style="list-style-type: none"> • Main components of Business Services sales are tenant fees and sales commissions of Yahoo! Shopping. • Main component of Others is sales of e-Shopping! Books. • Main item in Cost of Sales is costs of e-Shopping! Books. • Main items in SG&A are personnel, packing and delivery, commission, and depreciation expenses.
Advertising	113	250	
Business Services	199	384	
Personal Services	-	-	
Others	865	1,604	
Total	1,178	2,238	
Cost of Sales	670	1,247	
Gross Profit	507	991	
SG&A Expenses	362	690	
Operating Income	145	300	
Operating Income Ratio	12.3%	13.4%	

(5) Media Business Division

1) Major Business

Our Media business division provides users with a variety of desired content and services, thereby stimulating page views and increasing advertising sales. The business also provides fee-based content and services. Services provided include information providing services, such as Yahoo! News, Yahoo! Finance, and Yahoo! Sports; entertainment services, such as Yahoo! Movies and Yahoo! Music; community services, such as Yahoo! Message Boards, Yahoo! Chat, and Yahoo! Messenger; and mail services, such as Yahoo! Deliver and Yahoo! Alert.

2) Activities in the second quarter

During the quarter under review, the business division took steps aimed at becoming Japan's largest Internet comprehensive sports information service. Acquiring part of the assets of Sports Navigation Inc., the division collected together the content of sportsnavi.com, which boasts a large number of users, combining it with Yahoo! Sports's content. By bringing sportsnavi.com under the Yahoo! Japan umbrella, the Group has become able to develop its own original sports reporting and to offer news flashes and quality information on a par with newspapers and magazines. Moreover, the business division began to work fully on broadband content, marketing famous content that has never before been offered on the Internet, such as on-demand sales of The Galaxy Express 999 and Gundam.

Major New Services and Service Upgrades

Service	Date	New Services and Service Upgrades
Yahoo! News	Aug. 1	<ul style="list-style-type: none"> Expanded the search function, adding functions that allow searches on Press Photo and keyword searches to be done directly from Topics.
Yahoo! Sports	Aug. 8	<ul style="list-style-type: none"> Announced to acquire part of assets of Sports Navigation Ltd., which operates the sportsnavi.com site.
Yahoo! Finance	Aug. 9	<ul style="list-style-type: none"> Launched a corner featuring free access to the latest analyst reports of 30 securities firms and research organizations.
Yahoo! Messenger	Aug. 21	<ul style="list-style-type: none"> Added IM Theme, a function that allows users to attach sound and animation to messages.
Yahoo! Movies	July 18 Aug. 30 Sept. 9 Sept.25 Sept. 27	<ul style="list-style-type: none"> Began fee-based showing of the short film Sister Bomber!, starting Eiko Koike and others. Launched the industry's first collaboration site Fall Short Film Festival. Commenced fee-based showing of a total of 18 episodes of The Galaxy Express 999, including some new episodes, starting at 9 a.m. Announced the start of SNOOPY! BB, offering fee-based content based on the famous character. Started showing Gundam on a fee-basis.
Yahoo! Games	Sept. 11 Sept. 18	<ul style="list-style-type: none"> Added a ladder function that ranks players according to their wins and losses and allows players to challenge the best players. Added Mahjong Solitaire, which allows single players to play on their own.

Page Views

Monthly Pages Views in September	2,889 million page views	29.6% of total page views
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Note: Includes the page views of eGroups and Y's Sports.

3) Income statements for the second quarter and interim period

(Yen in millions)

	Second Quarter	Interim Period	Comments
Net Sales			<ul style="list-style-type: none"> • Main component of Business Services sales is information listing fees for Yahoo! Game. • Main component of Personal Services is sales of fee-based content.
Advertising	693	1,342	
Business Services	15	15	
Personal Services	3	38	
Others	-	-	
Total	712	1,396	<ul style="list-style-type: none"> • Main items in SG&A are content provider fees, personnel expenses, sales commissions, and amortization of consolidation accounts.
Cost of Sales	2	72	
Gross Profit	710	1,324	
SG&A Expenses	758	1,402	
Operating Income	-48	-77	
Operating Income Ratio	-6.8%	-5.6%	

(6) Enterprise Solutions Business Division

1) Major business

This business division utilizes the know-how and technology developed by the Yahoo! Japan Group to offer business solutions to companies. Specifically, it provides such services as portal site development support, Web design consulting, NetRoadshow (online presentation), and Research Monitor, an Internet survey service.

2) Activities in the second quarter

During the period under review, we aggressively marketed our navigation portal development support services for corporations that create the optimum portal for each of the employees. In our NetRoadshow services, we proposed its use in a wide range of areas other than IR activities, such as employee education and training. We also pursued further expansion in our Internet research business, working with INTAGE Inc. in conducting Internet research and reaching agreement on the establishment of INTAGE Interactive Inc.

Page Views

Monthly Pages Views in September	0.60 million page views	0.006% of total page views
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3) Income statements for the second quarter and interim period

(Yen in millions)

	Second Quarter	Interim Period	Comments
Net Sales			• Main components of Business Services sales are sales of Research Monitor, Portal Solutions, and NetRoadshow.
Advertising	6	15	
Business Services	59	101	
Personal Services	-	-	
Others	-	-	
Total	66	117	
Cost of Sales	6	12	
Gross Profit	59	105	
SG&A Expenses	56	105	
Operating Income	3	-0	• Main item in SG&A is personnel expenses.
Operating Income Ratio	4.8%	-0.2%	

(7) Inter-Divisional Businesses

Revenues and expenses related advertisements on the top page of Yahoo! JAPAN and personal identification fee for the array of services offered on Yahoo! JAPAN are not allocated to the sales or expenses of business divisions, but considered sales and expenses of the business of developing our corporate brand or inter-divisional businesses. As such, they are classified under Inter-Divisional Businesses.

Number of paying users for personal identification

July 2002	Aug. 2002	Sept. 2002
1.88 million	1.95 million	2.04 million

Note: Total number of registered users for Yahoo! Auctions and Yahoo! Personals.

Income statement for the second quarter and interim period

(Yen in millions)

	Second Quarter	Interim Period	Comments
Net Sales			• Main components of Sales are advertising sales on top pages and personal identification fees.
Advertising	563	1,023	
Business Services	-	-	
Personal Services	1,539	2,802	
Others	0	-	
Total	2,102	3,825	
Cost of Sales	31	42	• Main items in SG&A are sales commissions, business commission, royalty, and personnel expenses.
Gross Profit	2,071	3,782	
SG&A Expenses	332	582	
Operating Income	1,739	3,200	
Operating Income Ratio	82.7%	83.7%	

(Advertising Business)

To compare with past trends, the following is an outline of our advertising business based on combining the advertising sales of each business division.

Activities in the second quarter and interim period

During the period under review, amid further deterioration in the economy, the advertising market continued to face difficult conditions, posting minus growth for the 13th consecutive month. With advertising expenditures falling overall, the Group also struggles as advertisers became increasingly cautious about Internet advertising. Despite these conditions, the Yahoo! Japan Group strengthened its cooperative sales organization with advertising agencies, targeting advertising from National Clients by aggressively marketing Yahoo! Pilot Seat, Yahoo! Billboard, and other broad reach products with a high reach to these clients. We also worked to achieve repeated use of Yahoo! Full Service, an advertising program that allows clients to measure the effectiveness of their advertising, to win a continued flow of advertising from National Clients, which place strong emphasis on proof of the effectiveness of promotions. As a countermeasure to the drop in advertising demand during the summer, we strove to increase sales by launching a sales campaign offering three sets of West Modules which have high-visibility placed on the top pages of each property and category.

During the second quarter and interim period, because broadband allows people to access the Internet continuously at low, fixed rates, the number of people viewing Internet sites while watching or listening to TV, radio and other media, is on the rise. Moreover, the number of people using the Internet in conjunction with other media, such as viewing news that they missed on TV or searching the Internet for information on topics that caught their eye on TV or in a magazine is increasing. People's reasons for using the Internet also have greatly diversified to include using IP telephone services and other communication tools, purchasing and booking a range of goods and services, participating in auctions, and practical consumer activities, such as paying bills. Accordingly, the number of advertisers using Internet advertising for sales promotion activities rather than branding purpose is growing.

Based on our sales efforts, quarterly advertising business sales increased compared with the previous quarter for the third consecutive period and exceeded those of the same period in the previous fiscal year for the first time in a year. Second quarter and interim period results for advertising business sales and number of advertisers, advertisements and advertising agencies were as follows.

(Interim Period)

	Amount	Compared to the interim period ended September 30, 2001	
		Increase/decrease	% Change
Advertising business sales	¥6,023 million	-693	-10.3%
Number of monthly advertisers	896	74	9%
Number of monthly new advertisers	60	3	5%
Number of monthly advertisements	3,004	550	22%
Number of monthly advertising agencies	231	3	1%

Notes:

1. The above figures are on a non-consolidated basis.
2. The figures for number of monthly advertisers, number of monthly advertisements, and number of advertising agencies are averages for the interim period.
3. Among advertisers, companies that have received more than 50% of their effective investment from SOFTBANK CORP. accounted for less than 2% of advertising business sales, and Yahoo! Inc. purchased no advertising.

(Second Quarter)

	Amount	Compared to the three month period ended September 30, 2001		Compared to the three month period ended June 30, 2002	
		Increase/decrease	% Change	Increase/decrease	% Change
Advertising business sales	¥3,090 million	70	2.3%	158	5.4%
Number of monthly advertisers	910	109	14%	29	3%
Number of monthly new advertisers	57	10	21%	-6	-10%
Number of monthly advertisements	3,017	543	22%	27	1%
Number of monthly advertising agencies	230	-4	-2%	-2	-1%

Notes:

1. The above figures are on a non-consolidated basis.
2. The figures for number of monthly advertisers, number of monthly advertisements, and number of advertising agencies are averages for the quarter.
3. At the end of Sept. 2002, there were approximately 4,000 companies that have advertised on Yahoo! Japan.
4. Among advertisers, companies that have received more than 50% of their effective investment from SOFTBANK CORP. accounted for less than 2% of advertising business sales, and Yahoo! Inc. purchased no advertising.

Advertising Products

During the second quarter, sales of broad reach products with high reach efficiency, such as Pilot Seat were robust. In particular, Pilot Seat posted record sales on a quarterly basis. Sales of West Modules, which are placed on the top pages of each property and category, and of Super Banners, which we began selling in the second quarter, also performed well.

One of the special features of the second quarter was that flash banners and other rich media advertising, which have a strong visual impact, increased, continuing upward from the previous quarter. Flash banners accounted for approximately 70% of the total sales of Pilot Seat advertising during the second quarter. Another special feature of the second quarter was the repeated use of Yahoo! Full Service by Nissan Motor Co., Ltd., and other National Clients, which place strong emphasis on being able to measure ad effectiveness. Yahoo! Full Service allows advertisers to identify users' log data, estimate the effectiveness of the advertising, and verify banner creativeness.

For the second quarter, rates for high-volume "Branding-Type Banner" ads ranged from ¥0.25 to ¥1 per page view, rates for "Targeting-Type Banner" ads varied from ¥1.25 to ¥20 per page view, and rates for the large-sized Super Banners varied from ¥12.5 to ¥7 per page view. Rates for the group-specific e-mail advertising Yahoo! Deliver were ¥8 to ¥24 per mailing. Rates for Yahoo! Billboard for National Clients varied from ¥4 million to ¥8.4 million, depending on the number of browsers to be reached and the length of the advertising period.

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 (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 second quarter, we auctioned character dolls from the private collection of Reiji Matsumoto, the author of The Galaxy Express 999 animation series and a script signed by one of the voice actors; a script from the short film Sister Bomber! signed by the actress Eiko Koike; and a poster of the film Men in Black II signed by Will Smith. In total, we held 347 charity auctions, raising a total of approximately ¥9.38 million. All of the funds raised for such charities are being donated to such funds as UNICEF and the non-profit volunteer group “Make a Wish of Japan,” which aids children with serious illnesses.

Over the interim period, we held 777 charity auctions, raising a total of approximately ¥35 million.

3. Personal Privacy Protection Trustmark TRUSTe

On April 3, 2002, Yahoo! Japan obtained the right to use the trustmark of the non-profit privacy protection licensing institution TRUSTe, having passed its standards for becoming a licensee of the TRUSTe privacy program.

The Yahoo! Japan Group intends to give the protection of the privacy of its users top priority in operating its various services and adding new ones in order that users may enjoy the convenience of its service in full confidence.

(Appendix)

Risk Factors

Yahoo! Japan, its consolidated subsidiaries and affiliated companies (hereinafter referred to as "the Group"), has reported its results for the interim period and second quarter ended September 30, 2002 in the document "Results for the Interim Period and the Three Months Ended September 30, 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 that investors 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) Yahoo! BB business

Yahoo! BB is an 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-provision services, and other services. Yahoo! Japan's role in this joint business includes promoting the service and signing up users, providing customer service, operating a broadband portal site, and providing a fee-collection platform. BBT's responsibilities lie in supplying and maintaining an ADSL infrastructure and connections to the Internet, technological development, and providing technical support.

1) 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, are no longer included in Yahoo! BB's revenues for the Group. The Group has introduced a system for receiving incentive commissions from BBT based on the number of new subscribers signed up as a result of its promotion efforts. This step has been taken because the subscription route has been expanded to signups through consumer electronics outlets and other stores as well as the Internet route, and because it has become necessary to actively develop subscriptions from corporations as a result of the startup of BB Phone service, a broadband telephone service offered by Yahoo! Japan, BBT and other companies in the Softbank Group starting in April 2002.

The Group strives to attract greater numbers of subscribers through promotion efforts using various campaigns and price competitiveness supported by brand strength. If the Group fails to gather the anticipated number of new subscribers, it may prevent the Group from making anticipated sales or require 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 short period, 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 Group performance.

Since the Group has stopped selling the Yahoo! BB Starter Kit, it is assumed that, in principle, the Group will be able to avoid the risk associated with sales of the kits. However, the Company will continue to bear the liability risk associated with starter kits it has sold in the past.

2) ADSL Infrastructure and Internet access service

The Group has begun offering versions of some of its regular services, such as e-mail and Web page-creation services, as special services to Yahoo! BB service subscribers, and it is possible that the development and operating costs of these services could exceed original estimates.

It is possible that the work contributed by BBT could indirectly but significantly influence Group performance. Specifically, there is risk of extended construction periods and related delays in offering services to users who have signed up for them, resulting in delayed accounting of sales as well as lost sales opportunities due to cancellations. Other risks are failure to build infrastructure and problems with service quality, leading to subscriber cancellations, 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 demand for compensation from subscribers. The Group works closely with BBT, making efforts to reduce the risk involved with its direct interface with users in particular such as its homepages and other areas, but these efforts do not eliminate all risk regarding the relationship with BBT.

It is BBT's responsibility to build infrastructure for the services. The Group therefore does not bear the risk of equipment investment, construction or obsolescence of facilities due to technological progress.

3) Broadband Portal Service

The Group offers and 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 content-provision and access services to affect collections. For that reason, the Group intends to improve operating efficiency by hiring specialists and technically skilled staff and undertaking business cooperation with other companies with a proven record in the business. There is the possibility of failure in making the intended sales and profit for reasons such as systems taking much longer to build or development costs rising much higher than intended. Focusing investment 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 consigned billings and settlements could result in demand for compensation from subscribers.

4) The Competitive Environment

As of September 30, 2002, the major providers in Japan of services similar to those the Group is 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 a negative effect 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.

5) Dependence on a Certain Distributor

In Yahoo! BB business, Group revenues shows a high level of dependence on BBT for sale in terms of sales composition of the business among other Group revenues. This can be attributed to Yahoo! BB's operations still being in the start up phase and to the related high volume of incentive revenues made from gathering new subscribers.

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

(2) Auction Business

1) 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. In April 2002 the Group introduced system-use fees for listing items on Yahoo! Auctions and for canceling items after they have been bid. Starting in May 2002, system-use fees for selling

items are being introduced. Because of these fees, the number of listed items temporarily fell to nearly half that of the previous peak, but is now recovering. On the other hand, the rate of successful bids almost doubled. The Group intends to introduce a variety of new services and campaigns to counteract the decline in competitiveness, however, there is no guarantee that the number of listed items will return back to the initial, pre-fee level, or that the successful bid rate will be maintained.

There is a possibility that these new fees will result in a decline in the numbers of users and page views, just like the decline in items listed, resulting in the Group becoming unable to continue the fee-based services or, in the worst case, becoming unable to continue the entire auction service.

2) 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 offered, 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.

3) 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. Specifically, 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.

The Group has taken multiple measures to provide information on illegal acts, improve its services, and reduce risks. In September 2000 the Group began an escrow service (see note below) for its online auctions and in May 2001, the Group introduced a fee-based personal identification system. In addition, the Group has set up a pilot team to remove illegal items from auctions, and cooperated with law enforcement agencies and copyright related groups. Despite these measures taken by the Group, we cannot say for certain that illegal actions will not occur in the future. Therefore, we cannot rule out the possibility of legal action being taken against Yahoo! Japan for claims or compensation related to these criminal activities. Moreover, developing a system to prevent criminal activity and upgrading our capabilities to allow proper management could lead to increased costs and subsequent negative impact on earnings.

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 an intermediate between the sell and buy sides of the transaction to ensure the smooth transfer of the item and 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.

4) The Competitive Environment

As of September 30, 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 auction site, competition could lower commission income by cutting participation and increasing advertising costs, which would have a negative impact on the Group's operating results.

(3) Risks Affecting Advertising Business

For businesses other than those mentioned above, it is difficult to list risks specific to each business. There are also many risks common to those above. Therefore, we have chosen the advertising areas that we think most important and will explain the associated risks. For risks that could affect other businesses, we will explain in section 5, "Other Overall Business Risks."

1) Use of the Internet as an Advertising Medium

The Internet advertising business in Japan emerged almost simultaneously with establishment of the Group, and is therefore still in its infancy. As its history is still short, its value as an advertising medium has not been established among 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.

To increase the understanding and appreciation of Internet advertising among advertisers and advertising agencies, the Group taking steps to educate them by regularly holding seminars and other methods. At the same time, as elaborated on later in this document, in order to reduce the previously stated risks, we are expanding and firming up our advertiser base by changing our advertising sales structure and building a close, cooperative relationship with advertising agencies.

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 traditional media such as newspapers, magazines, radio or television.

2) Characteristics of Internet Advertising

The 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.

3) 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 annual payments in the ¥100 million range. Sales revenue from these advertisers accounts for a comparatively large portion of the Group's net sales. To maintain contracts with these advertisers, the Group follows up advertising with evaluations of their effectiveness and keeps up a high level of marketing activities, including proposing new types of advertising. Nevertheless, the Group cannot rule out the possibility that these contracts could be broken for various reasons. Consequently the outcome of these contracts could affect the Group's business results.

4) 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 in 2001 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 those 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.

5) The Competitive Environment

As of September 30, 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): (These companies are considered largely in competition with Group services in the listings and media businesses.)

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. Relationship with Softbank Group

(1) Positioning within the Softbank Group

As of September 30, 2002, Softbank Corporation was the parent company of Yahoo! Japan, holding 50.4% 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 range of fields and regions, concentrated mainly on Internet business. Their businesses include broadband infrastructure, 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 Softbank Group.

(2) Alliance contracts and other arrangements with BBT

The Company has signed the following contracts with Softbank Corp. affiliate BB Technologies Corp. (BBT) concerning Yahoo! BB business. Yahoo! BB business accounted for 35.6% of Group sales for the second quarter of fiscal 2002. We therefore consider the following contracts especially important to Group operations.

Contract name: Business alliance contract
Contract date: June 20, 2001
Term: Indefinite from June 20, 2001
Contractor: BBT
1) The Company and BBT jointly provide Internet access services using DSL technology. 2) The Company's main responsibilities * Promoting Yahoo! BB services * Recruiting users of Yahoo! BB services * Operating the Yahoo! BB portal site * Providing mail and Website services * Providing a fee-collection platform 3) BBT's main responsibilities * Providing ADSL service between users and phone offices, installing network infrastructure between phone-office buildings, and providing connections to Internet networks * Handling user inquiries and providing technical support Use charges are ¥990 per month for ADSL and ¥1,290 per month for ISP. From the ISP charge the Company takes ¥200 in exchange for service.
Contract name: Agreement on incentives
Contract date: April 1, 2002
Term: One year from April 1, 2002
Contractor: BBT
Main content: 1) The Company makes effort to obtain users of 1 million lines during the contract period. 2) Incentive fees * Lump-sum incentive fees (80% at application, remainder after six months) BB Phone services: over ¥7,000 per application Yahoo! BB services: over ¥11,000 per application * Continual incentive fees BB Phone services: over ¥100 per month per continuing user Yahoo! BB services: over ¥150 per month per continued user

(Continued:)

3) Facilities maintenance costs, etc.

* If the Company cannot gather the projected number of users named as its goal:

Central office rack related penalty: over ¥250 per month per line

Modem and DSLAM related penalty: over ¥1,000 per month per line

* If BBT fails in preparing space in NTT central offices and installing equipment:

Central office rack related penalty: over ¥250 per month per line

Modem and DSLAM related penalty: over ¥1,000 per month per line

(3) Joint Directorships

As of September 30, 2002, two of the four 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 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 12 other companies in the Softbank Group (excluding subsidiaries and affiliates of Yahoo! Japan) as a part-time director. 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 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 perspective as a founder of the Company and a representative of the parent company.

3. 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 33.6% of voting shares as of end of September 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
Contract date: April 1, 1996
Contract term: From April 1, 1996, termination date unspecified Note: The license agreement may be terminated under the following conditions: mutual decision by the companies to terminate the agreement; cancellation of the agreement following 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 shareholder voting rights of the ongoing company (may be waived by agreement of Yahoo! Inc.).
(Continued:) 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 to the Group, both for attracting users and advertisers and expanding its business. The importance of brand-recognition is increasing rapidly with 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 effort 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. As stated previously, he has been engaged because 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 startup and expansion.

4. Influence of 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 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 for responding 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.

5. Other Overall Business Risks

(1) Increased Risk from Diversification and New Business

The Group plans to further diversify and enter new businesses to 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 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 significantly impact performance.

(2) 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.

(3) 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 this 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.

Moreover, among the services offered by the Group, there are several cases where system development and operations essential to the service are commissioned to specific third parties and where service operations are premised on linkage with a third party's system.

These third parties are selected using standards based on suitable technical and operating capabilities judged by past performance. In addition, the related sections of the Group maintain close contact with the third parties to ensure that problems affecting their services do not arise. Nevertheless, it is possible that a system development delay could occur due to a situation at a commissioned third party that the Group cannot manage, that some condition could arise that obstructed operation or that some other event could cause the system of a third party to which the Group's service is linked could be stopped. Such events could lead to the loss of sales opportunities and reduce the competitiveness of the Group's system, negatively impacting the Group's performance or in the worst-case resulting in the termination of the service.

The Group not only relies on the previously mentioned Internet providers, but many of its services rely on third parties that the Group has consigned operations to or receives information or support from.

It is possible that the operations of the Group could be hindered because of worsening business conditions for these third parties, resulting in negative impact on performance.

To prevent our customers from misunderstanding or being confused about the scope of services provided by third parties through an agreement with the Group and those provided by the Group itself, we take measures to ensure their understanding and agreement through user rules or clauses posted on the Group's sites. Despite these efforts, there is the possibility that these measures will fail and customers will demand compensation for damages from the Group that actually are the responsibility of the third party. This could result in additional costs to the Group or hurt its brand image, impacting negatively on performance.

(4) 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 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, recruiting of Yahoo! Research collaborators and the aggressive efforts to develop e-commerce through subsidiaries and affiliates, 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 personal 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.

(5) Collection of Sales Credit Claims

In sales of advertising and other products, the Group carefully examines the credit standings of 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.

(6) The Risks of Doing Business with A Large Pool of Unspecified Customers

Along with the expansion of our Yahoo! BB services and Yahoo! Auctions operation and the ramping up of our e-commerce business, mainly through subsidiaries and affiliates, the proportion of the Group's business that comprises direct income from a large pool of unspecified individual customers is steadily increasing. The Group has formed a special team to be responsible for strengthening management of this pool of customers as well as taking such steps as introducing a new system to improve business efficiency. Despite these measures, it is possible that compared with our previous focus on corporate customers, the Group will be exposed to new risks related to the settlement and collection of receivables due to increases in the amount of small sales receivables, amount of uncollected receivables, credit card settlement problems and receivable collection costs.

It is also possible that nature and quantity of enquiries from customers may expand. Previously, most enquiries were related to usage of our services, but may now shift to enquiries about payment, the return or exchange of services and goods and the matters that related to commissioned third parties, such as distribution or settlement. In order to properly respond to enquiries from these customers, we are in the process of increasing staff, strengthening and expanding our management organization and improving efficiency by standardizing businesses and computerizing them. It is possible that the costs of these measures and improvements could negatively affect the Group's profits. In addition, it does not eliminate the possibility that customers will not be sufficiently satisfied despite these measures. By hurting our brand image and other factors, such a result could negatively impact on Group performance.

(7) 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.

(8) 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 fee-based 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 problems 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.

To prevent inconvenience resulting from human error in business, such as the inappropriate management of test IDs for Yahoo! Auctions revealed in March 2002, the Group has taken measures such as stricter controls and operation standards for behavioral norms. Nevertheless, there remains the possibility of similar problems occurring in the future in terms of business management and control.

(9) Risk Regarding Consolidated Group Operations

The Group comprises the parent company, nine subsidiaries and two affiliates accounted for by the equity method. Because the scale of the subsidiaries and affiliates is small compared to the parent company, the in-house management organization is also small. It is the Group's policy to acquire necessary additional staff and strengthen organizations as businesses expand, but if these measures are not implemented with the appropriate timing, it could negatively affect the Group's performance.

Currently, tie-ups with the parent company's services or network or personnel support are essential to the operations of any of the services of its subsidiaries and affiliates. The related sections of the parent company work closely with the individual companies to provide that support. However, it is possible that it will become difficult to adequately provide this cooperation or support due to the expansion of the businesses of the parent companies, subsidiaries and affiliates. This could have a negative impact on the Group's performance.

Several of the subsidiaries and affiliates have established and are operating joint ventures with third parties. These joint ventures depend substantially on the other partner, especially in the areas of sales, supplies, distribution, and systems. At this time, relationships with the joint venture partners are excellent and the cooperative relationship with these partners contributes strongly to the performance of these Group's companies. However, if for some reason a situation occurred that created an obstruction to the business cooperation or the tie-up between the partners, it could be damaging to the performance of each company, and depending on the company, it may become impossible to continue to operate.

(10) International Conflicts, Terrorist Attacks and Natural Disasters

As illustrated by the multiple terrorist attacks on the United States in September 2001 and the subsequent military retaliation, the Group expects that in the event of international conflicts, terrorist attacks or natural disasters that lead to substantial change in international political conditions or the economic framework, the Group's business would 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 site causing a disruption in planned advertising business. Or, for its own reasons, the advertising company might stop, reduce, or postpone advertising. The access infrastructure for Yahoo! BB might also 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 impede the support structure that Yahoo! Inc. provides for the Group and links to business alliances. In the worst-case scenario the Group offices could be physically disabled. If other companies closely related to Group business, such as Yahoo! Inc. and related companies or BBT and other access service providers, were hit with the same conditions, it is possible that the Group could become unable to continue operations.

(11) 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 on self-regulation.

Yahoo! BB, as a Class 2 Telecommunications Operator, is required to observe the 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 fully 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 harmful content, the Group is implementing such programs as Yahoo! Kids. However, no guarantee 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 situation mentioned previously with 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 be involved 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. Many patent applications have been filed with the JPO claiming rights particularly to Internet technologies based on computer and telecommunications 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.

6. Risks Concerning Investment and Capital Investment Programs

(1) Investment

The Group has invested in 44 companies and 1 cooperative 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 and their businesses, or to form business ties for the future. The Group cannot guarantee that these investments will be recovered.

Although as of September 30, 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.

The Group takes the utmost care to ensure that the performances of the companies it invests in are reflected appropriately in its own performance by operating according to in-house rules in accordance with general accounting standards and by applying compulsory evaluation accounting. Nevertheless, depending on the direction of the performance of those companies, they could have an even greater adverse effect on the Group's fiscal profit or loss in future.

(2) Capital Investment Programs and Investment Plans

To support expected business expansion and continue introducing new services such as streaming video and audio, 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, which 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 September 30, 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 Inc.		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	12.06	861	Internet technical-support service		Yes
4	Vector Inc.	NASDAQ Japan	99/03/25	10.75	1,850	Sales of download licenses for personal-computer software	Alliance for Yahoo! Computer	Yes
5	Weathernews Inc.	NASDAQ Japan	99/05/28	5.07	718	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	62	Fiber-optic and high-speed wireless Internet service		
9	e-Shopping! CarGoods CORP.		00/02/28	10.00	0	(See Note 2)		
10	Oricon Inc. (formerly Oricon Global Entertainment Inc.)	NASDAQ Japan	00/03/28	1.53	80	Construction and supply of music-related databases	Alliance for Yahoo! Music/Music Shopping	
11	e-Shopping! Wine CORP.		00/05/26	7.89	3	eS! Wine Website	Yahoo! Shopping tenant	
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	18	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	19	Sales of fishing and outdoor products via the Internet	Yahoo! Shopping/Auctions tenant	
19	Archinet, Inc.		01/01/19	8.91	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	49	An online shop for used golf equipment		
21	Axiv.com, Inc.		01/01/30	5.44	25	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	1.79	299	e-bank operations	Alliance for Yahoo! Auctions/Research	
24	GameBox, Inc.		01/03/16	9.38	24	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	25	Internet storage and output services for digital imaging		
26	Bitwave Corporation		01/03/29	1.19	25	Operating sales system for concert/sporting tickets		
27	Net Protections, Inc.		01/04/10	9.93	100	Online commercial settlement service	Alliance for Yahoo! Auctions	
28	istyle Inc.		01/04/20	8.51	12	@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		
Shares in subsidiaries								
1	GeoCities Japan Corporation		00/08/03	100.00	10	(Maintaining the Company's services)	Maintaining www.geocities.co.jp domain	Yes
2	broadcast.com japan k.k.		00/08/03	100.00	10	(Maintaining the Company's services)	Maintaining www.bcast.co.jp domain	Yes
3	Y's Sports Inc. (formerly Dennotai Co., Ltd.)		00/09/01	100.00	60	Operation of the comprehensive sports information site sportsnavi.com.	Alliance for Yahoo! Sports	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
8	UniCept, Inc..		02/08/19	100.00	50	Consulting for Internet business and a range of planning, development, and operation services		Yes
9	Netrust, Ltd.		02/08/27	59.97	120	Online settlement services		Yes
Shares in affiliated companies								
1	Tavigator, Inc.		00/03/03	30.00	30	Sales of travel gear via the Internet	Alliance for Yahoo! Travel and Yahoo! Shopping tenant	Yes
2	ValuMore Corporation (former YPC).		02/01/28	40.00	40	Sales of computers and related equipment via the Internet	Yahoo! Shopping tenant	Yes
3	INTAGE Interactive Inc.		02/09/26	49.00	24	Internet-based marketing research services	Alliance for Yahoo! Research	Yes
Investment								
1	SOFTBANK Internet Technology Fund No. 1		00/02/21		759			

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. INTAGE Interactive Inc., which was established on October 1, 2002, has been included based on the date of the payment of capital for its establishment.

2. On May 10, 2002, e-Shopping! CarGoods Corp was dissolved. 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.