

Yahoo Japan Corporation

Results for the Fiscal Year and the Three Months Ended March 31, 2003

Fiscal Year 2002 Highlights

The Yahoo! Japan Group achieved substantial growth in sales and profits compared with the previous fiscal year. Net sales climbed 87.6%, to ¥59.0 billion. Operating income jumped 131.3%, to ¥24.0 billion, while ordinary income soared 128.0%, to ¥23.5 billion. Net income increased 106.1%, to ¥12.0 billion.

To speed up the decision-making process and optimize the use of our business resources, we made a full-fledged introduction of divisional business organization comprised of six business divisions. All divisions posted profits during the fiscal year.

Despite the difficult business conditions in the Internet advertising market, the Group aggressively marketed products targeted at national clients, such as Yahoo! Billboard, acquiring more advertising from this client base. Consequently, advertising business sales recovered 10.7% year on year, to ¥13.6 billion marking a record high for sales.

The number of Yahoo! BB subscribers leaped 385.9%, to 2.36 million at the end of March 2003. Despite Yahoo! BB changing its business model to an incentives-based one, (See page X of “Risk Factors” attached), sales from ISP fees and incentive fees increased significantly.

In our Auction Business Division, we began charging system-use fees in April 2002. Following their introduction, transaction volume and number of unique users increased favorably, and the transaction rate improved considerably. Consequently, Auction sales rose to ¥11.0 billion, accounting for 18.8% of net sales and gross profit also rose to ¥11.0 billion, accounting for 25.5% of total gross profit, reflecting the successful development of the auction business into one of the Group’s main sources of earnings.

Monthly page views topped 10 billion for the first time in October 2002.

Fourth Quarter Highlights

The Yahoo! Japan Group posted solid growth in sales and profits. Net sales amounted to ¥19.3 billion, up 79.1% year on year and 18.8% from the previous quarter. Operating income totaled ¥7.7 billion, up 138.8% year on year and 14.4% from the previous quarter.

To further boost the soundness of its financial position, the Group wrote off in a lump sum the consolidated account and recognized an extraordinary loss from the application of depletion accounting taking into consideration financial conditions and other factors of its subsidiaries and a portion of investment. Furthermore, the Group incurred expenses for the relocation of its office, which were recorded as non-operating expenses.

Despite the difficult business conditions in the Internet advertising market, the Group worked to acquire more advertising from national clients. Assisted by a full quarter of sales of the Sponsor Site started in the previous quarter, advertising business sales rose 15.4% from the previous quarter, to ¥4.0 billion, registering a record high for quarterly sales and the fifth consecutive quarter of growth.

The number of Yahoo! BB subscribers topped 2 million in February 2003, rising to 2.36 million at the end of March, representing an increase of 39.8% from the previous quarter, for a cumulative share of 33.6%. However, ISP costs grew along with the increase in the number of subscribers, resulting in the operating income ratio of Yahoo! BB falling to 23.6% from 29.0% in the third quarter.

In our Auction Business Division, transaction volume and number of unique users increased favorably, and the transaction rate remained at a high level. Daily transaction volume reached ¥1.15 billion*, the number of unique users in March totaled 10.34 million browsers, and the transaction rate in March ranged from 37% to 56%.

*For March 2003 data, it is possible that actual transaction amounts were lower than stated if cancellations occurred after the auction was completed.

The ES (Enterprise Solutions) Business Division received its first orders to build portal sites for government bodies from Gifu Prefecture and others.

Consolidated Information

<Introduction>

In a Web audience survey conducted by Nippon Research Center Ltd., the number of Internet users in Japan was approximately 40 million as of March 2003, with Web users accounting for approximately 34 million of this total. There has been a sharp increase in broadband users. According to a survey by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, the number of DSL subscribers at the end of March 2003 had risen to approximately 7 million, up about three times from a year ago. Including CATV and FTTH services, the number of broadband subscribers has expanded to approximately 9 million.

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, or using it for practical consumer activities such as purchasing and booking a range of goods and services, participating in auctions and paying bills, etc. Moreover, the use of wireless large area networks (LANs) is growing in popularity in homes and hot spots, public areas where Internet access is available, are also expanding, as the so-called ubiquitous Internet access environment becomes a reality.

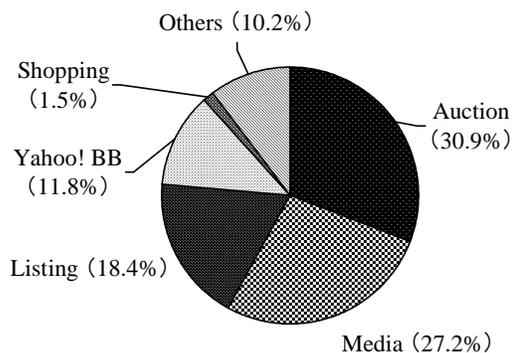
With the further spread of broadband services and emergence of a ubiquitous Internet access environment, the influence of the Internet will grow in leaps and bounds.

Amid these conditions, Yahoo Japan Corporation and its consolidated subsidiaries ("Yahoo! Japan Group" or "the Group") achieved the following results for the fiscal year and the fourth quarter (January to March) of the fiscal year ended March 31, 2003.

<Page Views>

Daily page views of Yahoo! Japan topped 440 million for the first time during the fourth quarter. Yahoo! Japan Group monthly page views for March 2003 reached 12,609.61 million, representing an increase of 2,250.27 million page views, or 21.7%, compared with December 2002, the last month of the previous quarter, and an increase of 4,925.22 million page views, or 64.1%, compared with the same month a year earlier. As of April 23, 2003, the record high for daily page views of Yahoo! Japan has exceeded 460 million. Looking at monthly page views of March 2003 by business division, Auction accounted for 30.9%, Media (including eGroups KK and Y's Sports Inc.) for 27.2%, Listing (including BridalConcierge Corp.) for 18.4%, Yahoo! BB for 11.8%, Shopping (including e-Shopping! Books CORP.) for 1.5%, ES (Enterprise Solutions) for 0.005%, and Others (including top page) for 10.2%.

Page Views by Business Division



In a Web audience survey of Japan conducted by Nippon Research Center Ltd. in March 2003, 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 88.7% of the respondents.

By multiplying the above percentage by the approximately 34 million Web users in Japan as of March 2003, we estimate that there were 30 million unique users accessing Yahoo! Japan at least once every four weeks.

Top Five Web Sites

	Domain	NAR (%)
1.	yahoo.co.jp	88.7
2.	nifty.com	70.1
3.	microsoft.com	67.2
4.	biglobe.ne.jp	65.2
5.	rakuten.co.jp	57.7

Notes: 1. Source: Nippon Research Center survey (Feb. 24-Mar. 23, 2003)

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

<Consolidated Statements of Income>

Note: All nine subsidiaries are included in the scope of consolidation as are all three affiliated companies, which are accounted for by the equity method.

Consolidated Statements of Income (April 1, 2002-March 31, 2003)

(Yen in Millions)

	Amount	% share	Comparison to the previous fiscal year	
			Increase/ decrease	Change
Net Sales	¥59,095	100.0%	¥27,598	87.6%
Cost of Sales	15,682	26.5%	6,719	75.0%
Gross Profit	43,413	73.5%	20,879	92.7%
SG&A Expenses	19,340	32.7%	7,213	59.5%
Personnel Expenses	4,721	8.0%	1,539	48.4%
Advertising Costs	345	0.6%	-445	-56.3%
Content Provider Fees	1,502	2.5%	447	42.5%
Sales Commission	2,236	3.8%	733	48.8%
Depreciation Expenses	1,764	3.0%	508	40.5%
Communication Charges	1,496	2.5%	381	34.2%
Royalties	1,207	2.0%	585	94.1%
Lease and Utility Expenses	765	1.3%	151	24.7%
Business Commissions	1,812	3.1%	1,001	123.3%
Sales Promotion Costs	972	1.6%	807	489.3%
Doubtful Debt Accounts	253	0.4%	213	532.1%
Amortization of Consolidated Accounts	309	0.5%	148	92.0%
Others	1,952	3.3%	1,142	140.9%
Operating Income	24,072	40.7%	13,666	131.3%
Non-Operating Income (Expenses)	-548	-0.9%	-460	518.8%
Ordinary Income	23,524	39.8%	13,205	128.0%
Extraordinary Gains (Losses)	-1,796	-3.0%	-1,771	73.3 times
Income before Income Taxes	21,727	36.8%	11,434	111.1%
Income Taxes, Inhabitants' Taxes and Enterprise Taxes	10,918	18.5%	5,989	121.5%
Adjustment to Income Taxes	-1,210	-2.0%	-759	168.6%
Minority Interests in Loss of Consolidated Subsidiaries	76	0.1%	23	43.9%
Net Income	12,096	20.5%	6,228	106.1%
EBITDA	¥23,677	40.1%	¥12,089	104.3%

Composition of Consolidated Net Sales by Business Division (Fiscal Year)

(Yen in millions)

	Sales	Contribution
Yahoo! BB	¥22,245	37.6%
Auction (including Netrust, Inc.)	11,080	18.8%
Listing (including BridalConcierge Corp.)	7,922	13.4%
Shopping (including e-Shopping! Books CORP.)	5,035	8.5%
Media (including eGroups KK and Y's Sports Inc.)	3,592	6.1%
ES	451	0.8%
Inter-Divisional Businesses (including UniCept, Inc.)	8,769	14.8%
Eliminations or shared (consolidation elimination)	-3	-
Total	¥59,095	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.

Composition of Consolidated Gross Profit by Business Division (Fiscal Year)

(Yen in millions)

	Gross Profit	Contribution
Yahoo! BB	¥9,752	22.5%
Auction (including Netrust, Inc.)	11,080	25.5%
Listing (including BridalConcierge Corp.)	7,916	18.2%
Shopping (including e-Shopping! Books CORP.)	2,201	5.1%
Media (including eGroups KK and Y's Sports Inc.)	3,478	8.0%
ES	285	0.7%
Inter-Divisional Businesses (including UniCept, Inc.)	8,701	20.0%
Eliminations or shared (consolidation elimination)	-3	-
Total	¥43,413	100.0%

Note: Because the ISP costs of Yahoo! BB are high, the business division's contribution to overall gross profit is small considering its sales contribution.

Consolidated Statements of Income (January 1-March 31, 2003)

(Yen in Millions)

	Amount	% share	Comparison to the same period of the last fiscal year		Comparison to the previous quarter	
			Increase/ decrease	Change	Increase/ decrease	Change
Net Sales	¥19,399	100.0%	¥8,565	79.1%	¥3,072	18.8%
Cost of Sales	6,037	31.1%	2,083	52.7%	1,794	42.3%
Gross Profit	13,361	68.9%	6,481	94.2%	1,277	10.6%
SG&A Expenses	5,572	28.7%	1,954	54.0%	296	5.6%
Personnel Expenses	1,256	6.5%	366	41.1%	-36	-2.8%
Advertising Costs	38	0.2%	-47	-55.6%	-86	-69.5%
Content Provider Fees	380	2.0%	86	29.5%	17	4.9%
Sales Commission	678	3.5%	242	55.8%	104	18.2%
Depreciation Expenses	564	2.9%	154	37.8%	102	22.2%
Communication Charges	469	2.4%	172	58.2%	77	19.8%
Royalties	371	1.9%	186	101.0%	33	9.8%
Lease and Utility Expenses	208	1.1%	16	8.5%	11	6.0%
Business Commissions	598	3.1%	311	108.3%	43	7.9%
Sales Promotion Costs	294	1.5%	229	347.7%	-83	-22.0%
Doubtful Debt Accounts	77	0.4%	68	808.8%	33	77.2%
Amortization of Consolidated Accounts	80	0.4%	-16	-17.1%	0	0.0%
Others	552	2.8%	183	49.8%	77	16.4%
Operating Income	7,788	40.1%	4,526	138.8%	980	14.4%
Non-Operating Income (Expenses)	-406	-2.1%	-356	722.3%	-381	16.3 times
Ordinary Income	7,382	38.1%	4,170	129.8%	599	8.8%
Extraordinary Gains (Losses)	-671	-3.5%	-869	-	-99	17.3%
Income before Income Taxes	6,711	34.6%	3,300	96.8%	500	8.1%
Income Taxes, Inhabitants' Taxes and Enterprise Taxes	4,015	20.7%	2,061	105.5%	1,344	50.3%
Adjustment to Income Taxes	-851	-4.4%	-403	90.0%	-851	-
Minority Interests in Loss of Consolidated Subsidiaries	17	0.1%	-33	-66.3%	1	10.0%
Net Income	3,564	18.4%	1,609	82.3%	9	0.3%
EBITDA	¥7,390	38.1%	¥3,570	93.5%	¥718	10.8%

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

(Yen in millions)

	Sales	Contribution
Yahoo! BB	¥7,714	39.8%
Auction (including Netrust, Inc.)	3,773	19.5%
Listing (including BridalConcierge Corp.)	2,340	12.1%
Shopping (including e-Shopping! Books CORP.)	1,418	7.3%
Media (including eGroups KK and Y's Sports Inc.)	1,289	6.6%
ES	236	1.2%
Inter-Divisional Businesses (including UniCept, Inc.)	2,627	13.5%
Eliminations or shared (consolidation elimination)	-1	-
Total	¥19,399	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.

Composition of Consolidated Gross Profit by Business Division (Fourth Quarter)

(Yen in millions)

	Gross Profit	Contribution
Yahoo! BB	¥2,664	19.9%
Auction (including Netrust, Inc.)	3,772	28.2%
Listing (including BridalConcierge Corp.)	2,340	17.5%
Shopping (including e-Shopping! Books CORP.)	611	4.6%
Media (including eGroups KK and Y's Sports Inc.)	1,254	9.4%
ES	103	0.8%
Inter-Divisional Businesses (including UniCept, Inc.)	2,615	19.6%
Eliminations or shared (consolidation elimination)	-1	-
Total	¥13,361	100.0%

Note: Because the ISP costs of Yahoo! BB are high, the business division's contribution to overall gross profit is small considering its sales contribution.

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 in revenues of Auction, which started charging system-use fees in the first quarter of fiscal year 2002. In addition, the advertising sales of the Media Business Division and others increased.

Sales of consolidated subsidiaries, on a gross total basis, were ¥1,453 million for the fourth quarter and ¥4,271 million for the fiscal year under review.

Cost of Sales

The main factors behind the growth in the cost of sales in the fourth quarter in comparison with the same period in the previous fiscal year were an increase in the ISP costs of Yahoo! BB in conjunction with the increase in the number of subscribers using the service.

Selling, General and Administrative Expenses

- Personnel expenses

At the end of the fourth quarter, after eliminating overlap, the total number of directors and employees of the Group amounted to 686, up 242, or 54.5%, from the end of same quarter in the previous fiscal year. Fourth quarter personnel expenses were less than those recorded in the previous quarter because of the payment of special bonuses in the third quarter.

- Advertising costs

Advertising costs declined compared with the fourth quarter in the previous fiscal year because of several large campaigns in the previous fourth quarter, an advertisement painted on an airplane and a sponsorship of a radio program. Advertising costs declined compared with the previous quarter primarily because of a major promotion of Yahoo! BB in the third quarter using the singer-songwriter Maki Oguro.

- Content provider fees

The increase in quarterly content provider fees year on year can be mainly attributed to upgrading of directory-search, Yahoo! Finance, and Yahoo! Phone Book services.

- Sales commissions

Quarterly sales commissions increased year on year primarily because of growth in the Group's advertising sales.

- Business commissions

The main business commissions for the fourth quarter and the fiscal year were expenses for the settlement operations of Yahoo! Wallet, temporary employees, and Yahoo! BB's call center.

- Sales Promotion Costs

Sales promotion costs for the quarter increased substantially from a year earlier primarily because the Group conducted campaigns to acquire Yahoo! BB users. Sales promotion costs were less than in the previous quarter because of the costs of a gift campaign in the third quarter to commemorate exceeding 10 billion monthly page views and one million Yahoo! BB subscriber lines.

- Doubtful Debt Accounts

The increase in the provision to doubtful debt accounts for the fourth quarter compared with the same period in the previous fiscal year can mainly be attributed to a larger volume of receivables from Yahoo! Auctions' system-use fees.

- **Amortization of consolidated accounts**
Amortization for the fourth quarter is being made on consolidated accounts for eGroups and e-Shopping! Books.
- **Others**
The major components of others in the fourth quarter and fiscal year were the insurance premiums of Yahoo! Auctions and the packaging and transport expenses of e-Shopping ! Books.

Non-Operating Income (Expenses)

The main components of non-operating expenses for the fourth quarter and fiscal year were losses on evaluation of investments, losses on disposal of fixed assets, such as personal computers and servers, and new office relocation expenses.

Extraordinary Gains (Losses)

Extraordinary losses recorded during the fourth quarter and fiscal year were mainly the result of the application of depletion accounting to a portion of our investment securities and the lump sum write off of the consolidated account of eGroups.

Income Taxes, etc.

The income tax rate for the fiscal year under review was 44.6%.

Minority Interests in Loss of Consolidated Subsidiaries

Minority interest losses booked during the fourth quarter and fiscal year came from eGroups, e-Shopping! Books, BridalConcierge, and Netrust.

Net Income

Net income per share for the fiscal year under review amounted to ¥25,154.62. Based on a change in the accounting standard regarding net income per share, this figure was calculated by eliminating the directors' bonuses indicated in the proposed allocation of retained earnings.

<Consolidated Balance Sheets>

As of March 31, 2003, total assets amounted to ¥47,774 million, up ¥9,653 million or 25.3% from the previous quarter-end. Total liabilities were ¥17,222 million, rising ¥6,177 million or 55.9%. Total shareholders' equity also advanced, increasing ¥3,493 million or 12.9%, to ¥30,482 million from the previous quarter-end. Minority interests in consolidated subsidiaries, however, declined, falling ¥17 million or 19.7%, to ¥69 million.

Consolidated Balance Sheets (As of March 31, 2003)

(Yen in Millions)

	Amount	Comparison to the previous quarter		Comparison to the same period of the last fiscal year	
		Increase/ decrease	Change	Increase/ decrease	Change
Assets					
Current Assets					
Cash	¥23,215	¥6,607	39.8%	¥15,874	216.2%
Accounts Receivable Trade	11,034	2,259	25.8%	6,092	123.3%
Marketable Securities	-	-	-	-99	-100.0%
Inventory	14	8	129.7%	7	112.8%
Deferred Tax Assets	1,004	535	114.2%	630	168.5%
Accounts Receivable Other	153	-12	-7.7%	-1,828	-92.3%
Other Current Assets	354	47	15.5%	0	0.1%
Allowance for Doubtful Accounts	-290	-77	36.3%	-244	524.0%
Total Current Assets	35,485	9,368	35.9%	20,432	135.7%
Fixed Assets					
Tangible Fixed Assets	5,816	1,071	22.6%	2,556	78.4%
Intangible Fixed Assets					
Consolidated Accounts	99	-464	-82.3%	-706	-87.6%
Other Intangible Fixed Assets	711	-65	-8.5%	232	48.6%
Total Intangible Fixed Assets	811	-530	-39.5%	-474	-36.9%
Investment and Others					
Investment Securities	3,195	-462	-12.6%	-5,013	-61.1%
Deferred Taxes Assets	132	132	-	132	-
Others	2,341	73	3.2%	931	66.0%
Allowance for Doubtful Accounts	-8	0	-2.0%	-8	-
Total Investments and Others	5,660	-256	-4.3%	-3,958	-41.2%
Total Fixed Assets	12,288	284	2.4%	-1,876	-13.2%
Total Assets	¥47,774	¥9,653	25.3%	¥18,555	63.5%

(Yen in Millions)

	Amount	Comparison to the previous quarter		Comparison to the same period of the last fiscal year	
		Increase/decrease	Change	Increase/decrease	Change
Liabilities					
Current Liabilities					
Accounts Payable Trade	¥3,697	¥1,239	50.4%	¥2,586	232.8%
Accounts Payable Other	3,405	954	38.9%	2,240	192.4%
Accrued Income Taxes	8,505	4,013	89.4%	4,745	126.2%
Other Current Liabilities	1,558	303	24.2%	683	78.0%
Total Current Liabilities	17,167	6,510	61.1%	10,255	148.4%
Long-term Liabilities					
Long-term Deferred Taxes	-	-273	-100.0%	-1,870	-100.0%
Other Long-term Liabilities	54	-59	-52.2%	-98	-64.2%
Total Long-term Liabilities	54	-333	-85.9%	-1,968	-97.3%
Total Liabilities	17,222	6,177	55.9%	8,286	92.7%
Minority Interests in Consolidated Subsidiaries					
Minority Interests in Consolidated Subsidiaries	69	-17	-19.7%	13	23.7%
Shareholders' Equity					
Common Stock	6,073	-	-	39	0.7%
Additional Paid-in Capital	1,154	-	-	43	3.9%
Retained Earnings	22,301	3,564	19.0%	12,081	118.2%
Other Securities Evaluation	970	-70	-6.8%	-1,907	-66.3%
Treasury Stock	-17	0	5.5%	-2	13.4%
Total Shareholders' Equity	30,482	3,493	12.9%	10,255	50.7%
Total Liabilities, Minority Interests in Consolidated Subsidiaries and Shareholders' Equity	¥47,774	¥9,653	25.3%	¥18,555	63.5%

Main Points Regarding Consolidate Balance Sheets

Assets

- The substantial growth in cash compared with the previous quarter and fiscal year was principally due to the increase in net income.
- The large increase in accounts receivable—trade compared with the previous quarter and fiscal year was mainly related to growth in revenues from system-use fees by Yahoo! Auctions and greater ISP fees from Yahoo! BB's operations and content fees, resulting in an expansion in credit loans.
- Marketable securities fell compared with the same period in the previous fiscal year mainly because of the redemption of notes on maturity.
- The increase in allowance for doubtful debt compared with the previous quarter and fiscal year was mainly be attributed to the jump in receivables due to sales growth, especially the growth in credit loans including Yahoo! Auctions system-use fees, etc.
- The increase in tangible fixed assets compared with the previous quarter and fiscal year was principally due to the set up of a new office.
- The decrease in the consolidated accounts compared with the previous quarter and fiscal year was primarily due to the lump sum write off of the consolidated account of eGroups.

- The increase in other intangible fixed assets was primarily attributable to software of consolidated subsidiaries.
- The substantial decline in investment securities was mainly a result of mark to market revaluation.
- Deferred taxes assets (long-term) were recognized mainly due to the application of depletion accounting for a certain portion of investment securities.

Liabilities

- The significant growth in accounts payable—trade compared with the previous quarter and fiscal year was primarily due to the expansion in cost of sales from Yahoo! BB's ISP services.
- The large year on year growth in accounts payable—other can mainly be attributed to an increase in facilities for servers and for the new office.
- The substantial increase in accrued income taxes compared with the previous quarter and fiscal year was mainly because of the growth in net income.
- Long-term deferred tax liabilities decreased due the mark to market of investment securities. Because most of the deferred taxes are deferred tax assets (long-term), they have been transferred to the deferred tax assets account.

Shareholders' Equity

- The considerable increase in retained earnings compared with the previous quarter and fiscal year resulted principally from the increase in net income.
- The large year on year decrease in the other securities evaluation was mainly due to the mark to market of investment securities.

<Consolidated Statements of Cash Flows>

The net increase in cash and cash equivalents was ¥6,607 million for the quarter and ¥15,836 million for the fiscal year under review. The consolidated statements of cash flows for the fourth quarter and fiscal year follow.

The Consolidated Statements of Cash Flows

(Yen in Millions)

	Three months ended March 31, 2003	Fiscal year ended March 31, 2003	Comments
Cash Flows from Operating Activities:	¥7,815	¥19,666	
Income before Income Taxes	6,711	21,727	<ul style="list-style-type: none"> • Although there were increases 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 from system-use fees by Yahoo! Auctions and greater ISP fees from Yahoo! BB's operations and content fees, resulting in an expansion in credit loans. • The increase in accounts payable—trade is primarily due to the increase of ISP fees cost of Yahoo! BB business • The decrease in accounts receivable—other is primarily due to the collection of payments for modems according to the change in the business model of Yahoo! BB business.
Depreciation and Amortization	582	1,803	
Amortization of Consolidated Accounts	464	693	
Increase in Allowance for Doubtful Accounts	77	253	
Decrease in reserve for retirement allowances	-	-14	
Loss on Disposal of Fixed Assets	114	192	
Gain on Sale of Fixed Assets	-18	-18	
Loss on Evaluation of Investment Securities	265	1,382	
Loss on Sale of Investment Securities	40	40	
Loss on evaluation of equity funds	160	249	
Loss on Sale of Sales Credits	-	21	
Exchange Gains	-0	-0	
Equity in Gains under the Equity Method	-6	-41	
Proceeds from Interest and Dividend	-4	-22	
Interest Expense	4	10	
Other Profit and Loss Adjustments	0	-0	
Increase in Inventory	-8	-7	
Increase in Accounts Receivable Trade	-2,268	-6,149	
Increase in Accounts Payable Trade	1,239	2,586	
Increase/decrease in Accounts Receivable Other	-30	1,220	
Increase in Accounts Payable Other	246	1,475	
Increase in Consumption Tax Payable	247	470	
Payment of bonuses to directors	-	-32	
Payment of Income Taxes and Other Taxes	-2	-6,173	

(Continued)

	Three months ended March 31, 2003	Fiscal year ended March 31, 2003	Comments
Cash Flows from Investing Activities:	-1,201	-3,778	
Proceeds from Disposal of Marketable Securities	-	100	• Purchases of facilities for new servers, expenses for construction at the new office, and rental and deposits resulted in an increase in cash used in investing activities.
Expenditures on Tangible Fixed Assets	-609	-2,895	
Expenditures on Intangible Fixed Assets	-168	-504	
Expenditures on Investment Securities	-	-24	
Proceeds from Sale of Investment Securities	1	916	
Investments in Newly Consolidated Entity	-	-6	
Expenditures on Loans	-0	-0	
Proceeds from Recovery of Lending	0	1	
Expenditures on Increases in Guarantee Deposit Assets	-433	-1,400	
Proceeds from Decrease in Guarantee Deposit Assets	0	5	
Proceeds from Interest and Dividends	8	28	
Other Cash Used in Investment Activities	-	0	
Cash Flows from Financing Activities:	-5	-51	
Expenditures for Repayment of Bonds	-	-117	• Expenditures for the redemption of bonds on maturity resulted from the redemption of the second unsecured bonds with warrants issue.
Proceeds from Issuance of Bonds	-	79	
Expenditures for Acquisition of Treasury Stock	-0	-2	
Interest Expenses	-4	-11	
Other Cash Provided by Financing Activities	-	0	
Effect of Exchange Rate Changes on Cash and Cash Equivalents	0	0	
Net Change in Cash and Cash Equivalents	6,607	15,836	
Cash and Cash Equivalents at beginning of Term	16,607	7,341	
Cash and Cash Equivalents due to the Companies Newly Consolidated	-	38	
Cash and Cash Equivalents at end of Term	¥23,215	¥23,215	

Note: In March 2003, 40,000 Yahoo! Japan shares were sold by SOFTBANK Corp. and SOFTBANK BB Corp. Since this transaction was not related to the financing activities of the Group, it had no impact on the cash flow statement.

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 fourth quarter and the fiscal year. 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	<p>Sales of banner, e-mail advertising, and other advertising listed on the sales sheet as well as related sales.</p> <ul style="list-style-type: none"> • Regular banner, text, e-mail and other advertising. • Results-based advertising, merchant margin, projected advertising production fees, and others. • Pay listing services (Sponsor Site)
Business Services	<p>Sales to corporations other than advertising.</p> <ul style="list-style-type: none"> • Yahoo! BB customer acquisition incentive fees • Tenant fees and sales commissions for B2C auction and Yahoo! Shopping. • Research, Business Express, account opening fees, Yahoo! Portal Solutions, and other sales. • Content provider fees for Yahoo! Employment, Yahoo! Real Estate, Yahoo! Autos, and others. • Magazine and book licensing fees, fees for permission to use the Yahoo! name. • Yahoo! Cafe support funds
Personal Services	<p>Sales from services for individuals.</p> <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 (Fiscal Year)

(Yen in Millions)

	Advertising	Business Services	Personal Services	Others	Total
Yahoo! BB	¥444	¥7,480	¥14,320	¥-	¥22,245
Auction	697	526	9,856	-	11,080
Listing	6,335	1,574	12	-	7,922
Shopping	521	892	-	3,621	5,035
Media	3,406	133	53	-	3,592
ES	65	386	-	-	451
Inter-divisional Businesses	2,146	6	6,616	-	8,769
Elimination or shared (consolidation elimination)	-2	-0	-	-0	-3
Total	¥13,614	¥10,999	¥30,860	¥3,621	¥59,095

Net Sales by Business Division (Fourth Quarter)

(Yen in Millions)

	Advertising	Business Services	Personal Services	Others	Total
Yahoo! BB	¥150	¥1,779	¥5,784	¥-	¥7,714
Auction	131	264	3,376	-	3,773
Listing	1,856	479	4	-	2,340
Shopping	122	283	-	1,012	1,418
Media	1,184	94	10	-	1,289
ES	30	205	-	-	236
Inter-divisional Businesses	588	6	2,031	-	2,627
Elimination or shared (consolidation elimination)	-1	-0	-	-	-1
Total	¥4,063	¥3,114	¥11,208	¥1,012	¥19,399

(1) Yahoo! BB Business Division

Note: Starting with the first quarter of the fiscal year ending March 31, 2003, 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 of the previous fiscal year. Please see page X of "Risk Factors" attached 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, photograph functions, and others.

2) Activities in the fourth quarter

During the quarter under review, the business division kicked off some campaigns such as the "Three Zero Yen" campaign offers up to two months of ADSL basic monthly fees and BB Phone dial fees for free as well as no charge for ADSL connection installment support fees to acquire new subscribers. For existing subscribers, Yahoo! BB provided various services to increase the convenience of subscribers, including free, members-only, on-demand video

streaming of live concerts of Tsuyoshi Nagabuchi; a “Moving” campaign that pays for the cost of installment of a new circuit at a NTT central office; and upgrading of the Yahoo! Mail function. As a result, the number of Yahoo! BB subscribers exceeded 2 million in February 2003, and rose to approximately 2.36 million at the end of March, an increase of about 670 thousand subscribers or 39.8% from the end of December in the previous quarter. The cumulative DSL share was approximately 33.6%. The number of subscribers signed up through Yahoo! Japan has fallen slightly because of the expansion of other sales channels.

Major New Services and Service Upgrades

Date	New Services and Service Upgrades
Jan. 30	<ul style="list-style-type: none"> • Began “Raku Raku Yahoo! BB,” a call center support service that provides an advisory service on Yahoo! BB applications and enables applications to be made with just one phone call.
Jan. 31	<ul style="list-style-type: none"> • Started free trials of Yahoo! BB Mobile at AirsCafe shops • Started free trials of Yahoo! BB Mobile at Royal Host restaurants in the Kansai region.
Feb. 1-Apr. 30	<ul style="list-style-type: none"> • Commenced the “It Comes with a LAN Card!” campaign, which provides applicants for the Yahoo! BB 12M + Wireless LAN Pack service with free rental of a LAN card.
Feb. 1-Apr. 30	<ul style="list-style-type: none"> • kicked off the “Three Zero Yen” campaign for new applicants to Yahoo! BB, offering up to two months of ADSL basic monthly fees and BB Phone dial fees for free as well as no charge for ADSL connection installment support fees.
Mar. 17	<ul style="list-style-type: none"> • Reached an agreement with the ORIX Baseball Club regarding the naming rights for Green Stadium Kobe. With the approval of the City of Kobe, we announced that the ORIX Blue Wave home-field would be officially known as Yahoo! BB STADIUM effective March 31, 2003.
Mar. 18-Apr. 17	<ul style="list-style-type: none"> • Offered Yahoo! BB members, free on-demand video streaming of portions of live concerts of Tsuyoshi Nagabuchi from his most recently released video and DVD.

Page Views

Monthly Pages Views in March	1,492.94 million page views	11.8% of total page views
------------------------------	-----------------------------	---------------------------

Total Subscriber Lines for Yahoo! BB Services

End of Jan. 2003	Approximately 1,972 thousand lines (including approximately 883 thousand lines marketed by Yahoo! Japan)
End of Feb. 2003	Approximately 2,181 thousand lines (including approximately 912 thousand lines marketed by Yahoo! Japan)
End of Mar. 2003	Approximately 2,363 thousand lines (including approximately 930 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 fourth quarter and fiscal year

(Yen in Millions)

	Fourth quarter	Compared to the previous quarter		Fiscal Year	Comments
		Increase/decrease	Change		
Net Sales					
Advertising	150	26	21.2%	444	<ul style="list-style-type: none"> • Main components of Business Services sales are the customer acquisition incentive fees of Yahoo! BB. • Main components of Personal Services sales are the ISP fees for Yahoo! BB. • Main component of Cost of Sales is the cost of ISP service of Yahoo! BB. • Main items in SG&A expenses are sales promotion, communication, business commissions, and depreciation expenses.
Business Services	1,779	-398	-18.3%	7,480	
Personal Services	5,784	1,868	47.7%	14,320	
Others	-	-	-	-	
Total	7,714	1,495	24.1%	22,245	
Cost of Sales	5,050	1,629	47.6%	12,492	
Gross Profit	2,664	-133	-4.8%	9,752	
SG&A Expenses	843	-149	-15.1%	2,898	
Operating Income	1,821	16	0.9%	6,853	
Operating Income Ratio	23.6%	-	-	30.8%	

(2) Auction Business Division

1) Major Business

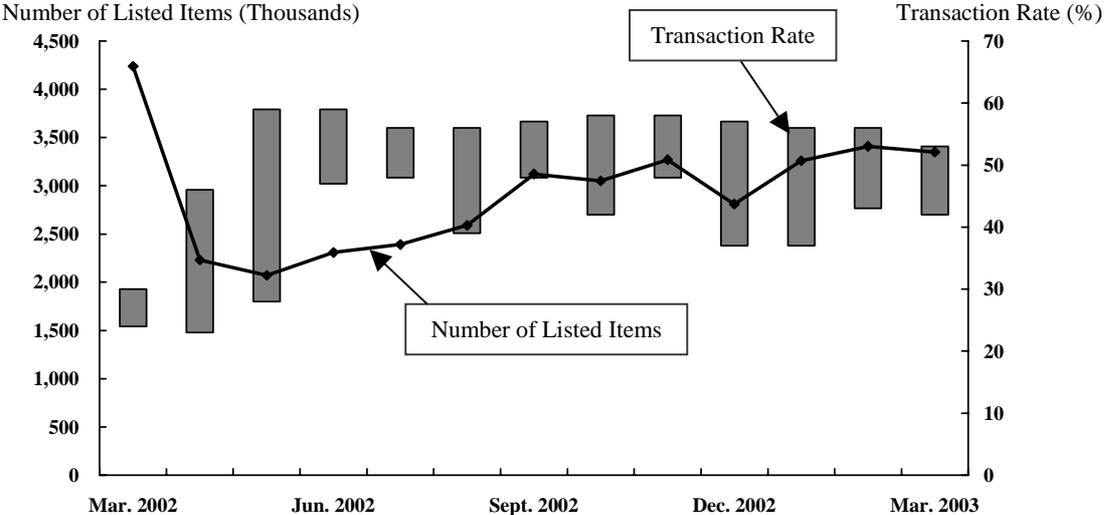
Based on its Yahoo! Auctions services, this business provides a place where individuals can buy and sell items and companies can sell their goods by auction. In addition, it supports companies on Premium Auctions.

2) Activities in the fourth quarter

During the fourth quarter, we began our Yahoo! Payment service, which increases the convenience of settlement for auction users by allowing them to make or receive payments for items with just a credit card and their Yahoo! JAPAN ID. This new service represents a breakthrough payment system in Japan because it enables credit card payments between individuals. Both the seller and purchaser of the item can make payments while remaining at home. To protect users from frauds, we announced information about bank accounts of auction users for which we had received multiple complaints, urging users to be cautious. Furthermore, we took steps to further increase the safety of transactions, including the new system that the bank accounts being registered on Yahoo! Payment to receive transference of money has to be examined before registrations.

As a result, the number of unique users of Yahoo! Auctions at the end of March 2003 totaled approximately 10.34 million browsers, an increase of about 5.8% or 570 thousand browsers from the end of December 2002. The number of merchants also rose, climbing 790 stores, or 205.7%, to 1,174 stores. The number of items listed for Yahoo! Auctions grew by 19.2%, or approximately 540 thousand items from the end of December to about 3.35 million items at the end of March. The transaction rate during the fourth quarter ranged between 37% and 56%, remaining at a high level. The reason for the large jump in the number of merchants was that, in conjunction with the start of our Used Car Premium Auctions service in February 2003, about 500 used car dealers registered as merchants. As of March 2003, 645 used car dealers had registered as merchants.

Number of Listed Items and Transaction Rate



Note: The number of listed items and the transaction rate typically exhibit a downward trend during the summer and year-end because of holidays and other factors.

Major New Services and Service Upgrades

Date	New Services and Service Upgrades
Jan. 8	• Announced the auctioning of the Lap Award rights to the Formula Car Race, BRIDGESTONE INDY JAPAN 300 mile, held in April 2003, on Yahoo! Auctions.
Jan. 27	• Launched Yahoo! Payment service, which enables auction participants to make or receive payments for items with just a credit card and their Yahoo! JAPAN ID.
Feb. 6	• Commenced a Used Car Premium Auctions service, Japan’s first genuine B2C used car auction through a tie-up with Recruit Co., Ltd.

Page Views

Monthly Pages Views in March	3,895.07 million page views	30.9% of total page views
------------------------------	-----------------------------	---------------------------

Yahoo! Auctions number of total listed items and transaction rate, etc.

	Jan. 2003	Feb. 2003	Mar. 2003
Number of Auction Unique Users	Approx. 10.48 million browsers	Approx. 10.08 million browsers	Approx. 10.34 million browsers
Number of Total Listed Items (As of the end of each month)	Approx. 3.26 million items	Approx. 3.41 million items	Approx. 3.35 million items
Monthly Total Number of New Listings	Approx. 9.60 million items	Approx. 10.00 million items	Approx. 11.09 million items
Monthly Volume of Transactions	Approx. ¥31.4 billion	Approx. ¥32.0 billion	Approx. ¥35.8 billion
Average Closing Price per Item	Approx. ¥6,500	Approx. ¥6,500	Approx. ¥6,500
Transaction Rate	37-56%	43-56%	42-53%
Number of Merchants	400 stores	1,010 stores	1,174 stores

Notes: 1. Monthly volume of transactions figures do not include cancellations or adjustments.

2. In conjunction with the start of the Used Car Premium Auctions service from February 2003, approximately 500 used car dealers registered as merchants (645 registered dealers at the end of March 2003), causing the substantial jump in number of merchants.

3) Income statements for the fourth quarter and fiscal year

(Yen in Millions)

	Fourth quarter	Compared to the previous quarter		Fiscal Year	Comments
		Increase/decrease	Change		
Net Sales					
Advertising	131	-50	-27.9%	697	<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.
Business Services	264	135	104.1%	526	
Personal Services	3,376	333	10.9%	9,856	
Others	-	-	-	-	
Total	3,773	417	12.4%	11,080	
Cost of Sales	0	-0	-	0	<ul style="list-style-type: none"> • Main items in SG&A are insurance, business commissions, communication, and personnel expenses.
Gross Profit	3,772	417	12.5%	11,080	
SG&A Expenses	960	240	33.3%	2,728	
Operating Income	2,812	177	6.8%	8,351	
Operating Income Ratio	74.5%	-	-	75.4%	

Note: Personal identification fee sales for Yahoo! Auctions are included in Inter-divisional Businesses sales.

(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 fourth quarter

During the quarter under review, we strove to make our sites more attractive for content providers who pay Yahoo! Japan to list their information content. We offered on-demand viewing of an inner wear fashion show produced by the popular model, Ai Tominaga, on Yahoo! Beauty, our first women's content site, which was launched in December 2002. On

Yahoo! Gourmet, we set up a Welcome and Farewell Party Special and began taking applications for its Early Bird Campaign for Welcome and Farewell Party Reservations and Welcome and Farewell Party Special Guest Plan. We also renewed Yahoo! Mobile's top page to make its at-a-glance service menu easier to view. The revenues from Sponsor Site services that we introduced in November 2002 contributed a full quarter of advertising sales in the quarter under review.

Major New Services and Service Upgrades

Date	New Services and Service Upgrades
Feb. 6-Feb. 28	<ul style="list-style-type: none"> • Posted an Inner Wear Fashion Show Special, produced by the popular model, Ai Tominaga, on Yahoo! Beauty, and offered free, on-demand coverage of the event.
Mar. 3	<ul style="list-style-type: none"> • Yahoo! Gourmet launched a Welcome and Farewell Party Special featuring valuable information on restaurants, such as special discounts, and began taking applications for its Early Bird Campaign for Welcome and Farewell Party Reservations and Welcome and Farewell Party Special Guest Plan. • Renewed Yahoo! Mobile's top page.

Page Views

Monthly Pages Views in March	2,320.01 million page views	18.4% of total page views
------------------------------	-----------------------------	---------------------------

Note: Includes the page views of BridalConcierge.

Business Express Orders

Jan. 2003	Feb. 2003	Mar. 2003
737 contracts	835 contracts	903 contracts

3) Income statements for the fourth quarter and fiscal year

(Yen in Millions)

	Fourth quarter	Compared to the previous quarter		Fiscal year	Comments
		Increase/decrease	Change		
Net Sales					
Advertising	1,856	220	13.5%	6,335	• Main components of Business Services sales are Business Express and information listing fees for recruiting, real estate, used car, and other information.
Business Services	479	64	15.6%	1,574	
Personal Services	4	0	22.9%	12	
Others	-	-	-	-	
Total	2,340	286	13.9%	7,922	
Cost of Sales	0	-0	-	6	
Gross Profit	2,340	287	14.0%	7,916	
SG&A Expenses	973	62	6.8%	3,531	• Main items in SG&A are sales commission, content provider, personnel, and royalty expenses.
Operating Income	1,366	225	19.7%	4,384	
Operating Income Ratio	58.4%	-	-	55.3%	

Note: Personal identification fee sales for Yahoo! Auctions are included in Inter-divisional Businesses sales.

(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 fourth quarter

During the period under review, we took steps to attract famous shops with strong brand name power and shops with broad merchandise lineups. At the same time, we focused on improving the purchasing rate of users. Specifically, we improved the search results pages for such items as DVDs and computers to enable users to easily compare prices of stores, etc., upgrading the merchant system that supports the way that items are displayed by merchant store. We also worked to further increase the convenience of users by launching Yahoo! Mobile Shopping and other measures.

Major New Services and Service Upgrades

Date	New Services and Service Upgrades
Jan. 31	<ul style="list-style-type: none">• Launched a Valentine Special Feature, which introduced dating spots throughout Japan and offered a collection of messages to send with presents along with an online ordering service for chocolates, organized by budget and purpose.
Mar. 17	<ul style="list-style-type: none">• Commenced Yahoo! Mobile Shopping services that enable users to purchase items by mobile phone. As our first service, we began selling mobile phone sales of books, making Yahoo! Books Shopping mobile phone compatible.• Began offering a Link Settlement service whereby purchasers of items from stores on Yahoo! Shopping can have payments made directly from their Japan Net Bank accounts.

Page Views

Monthly Pages Views in March	191.55 million page views	1.5% of total page views
------------------------------	---------------------------	--------------------------

Note: Includes the page views of e-Shopping! Books.

Shopping Business Transaction Volume

Jan. 2003	Feb. 2003	Mar. 2003
¥3,111 million	¥2,754 million	¥3,293 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	227 stores	45 stores	24.7%
Total Sales Commissions and Tenant Fees	¥213 million	¥55 million	35.5%
Total Turnover	¥6,541 million	¥2,507 million	62.2%
Turnover of Each Shop	¥28 million	¥6 million	30.0%

3) Income statements for the fourth quarter and fiscal year

(Yen in Millions)

	Fourth quarter	Compared to the previous quarter		Fiscal year	Comments
		Increase/decrease	Change		
Net Sales					<ul style="list-style-type: none"> • Main components of Business Services sales are tenant fees and sales commissions of Yahoo! Shopping and Tavigator, Inc. sales commissions. • Main component of Others is sales of e-Shopping! Books. • Main item in Cost of Sales is purchasing costs of e-Shopping! Books. • Main items in SG&A are personnel, packing and delivery, commission paid, and depreciation expenses.
Advertising	122	-26	-17.5%	521	
Business Services	283	57	25.7%	892	
Personal Services	-	-	-	-	
Others	1,012	9	0.9%	3,621	
Total	1,418	41	3.0%	5,035	
Cost of Sales	807	29	3.8%	2,833	
Gross Profit	611	11	1.9%	2,201	
SG&A Expenses	432	28	7.0%	1,527	
Operating Income	178	-16	-8.6%	674	
Operating Income Ratio	12.6%	-	-	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 fourth quarter

During the quarter under review, along with the rapid growth in broadband users, we upgraded services in view of the longer time spent online by users. In Yahoo! Sports, we launched the first fantasy game for computers, Fantasy Soccer, in which users become the owners and head coaches of teams based on official J League data, and can test their team's strength against others. We also added a video function to Yahoo! Chat to enable users to view each other while they chat by keyboard.

We also took steps to increase revenues from pay content services, offering pay viewing of the works of cartoonists Osamu Tezuka and Hiroshi Motomiya.

Major New Services and Service Upgrades

Service	Date	New Services and Service Upgrades
Yahoo! Sports	Jan. 31 Mar. 18	<ul style="list-style-type: none"> • Yahoo! Sports Ski & Snow started offering an Internet camera service to enable users to check snow conditions and number of people at major ski slopes in Japan. • Launched Fantasy Soccer, an Internet game based on official J League players' performance analysis data.
Yahoo! Finance	Jan. 28	<ul style="list-style-type: none"> • Started MoneyLook, a bank account management service that allows users to obtain information on accounts and transaction statements for accounts at multiple financial institutions including banks, securities companies, and credit card companies, etc.
Yahoo! Entertainment	Jan. 31- Mar. 3 Mar. 24- May 22	<ul style="list-style-type: none"> • Launched Motomiya Hiroshi Special Feature, a pay service offering online viewing of the cartoonist Hiroshi Motomiya's representative work, Salaryman Kintaro and others. • Started Astro Boy Special Feature, a pay service offering online viewing of 46 of the cartoonist Osamu Tezuka's works.
Yahoo! Chat	Feb. 19	<ul style="list-style-type: none"> • Added a video function to this real time chat service to enable users to view each other while chatting by keyboard.
Yahoo! Members Directory	Mar. 25	<ul style="list-style-type: none"> • Launched Yahoo! Member Directory, a service that lets users that have a Yahoo! JAPAN ID (registration free) search for potential friends among members with the same interests or hobbies.

Page Views

Monthly Pages Views in March	3,426.10 million page views	27.2% of total page views
------------------------------	-----------------------------	---------------------------

Note: Includes the page views of eGroups and Y's Sports.

3) Income statements for the fourth quarter and fiscal year

(Yen in millions)

	Fourth quarter	Compared to the previous quarter		Fiscal year	Comments
		Increase/decrease	Change		
Net Sales					
Advertising	1,184	305	34.8%	3,406	<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.
Business Services	94	71	305.4%	133	
Personal Services	10	6	164.9%	53	
Others	-	-	-	-	
Total	1,289	383	42.3%	3,592	
Cost of Sales	35	27	370.2%	114	<ul style="list-style-type: none"> • Main items in SG&A are, sales commissions, personnel, content provider, and business commissions expenses.
Gross Profit	1,254	355	39.6%	3,478	
SG&A Expenses	934	150	19.2%	3,120	
Operating Income	320	205	178.5%	358	
Operating Income Ratio	24.9%	-	-	10.0%	

(6) ES (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 and government bodies. 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 fourth quarter

During the period under review, we continued to aggressively make sales proposals for optimum navigation portals to companies and government bodies. We received corporate portal orders from such major companies as Panasonic Mobile Communications Co., Ltd. (formerly Matsushita Communication Industrial Co., Ltd.) and adidas Japan K.K. In addition, we received an order from one of Japan's largest real estate companies to create a portal site linking the company with customers. With government bodies, which are introducing IT on a large scale against the backdrop of the government's e-Japan Project, the motto of which is "Become a leading IT country by 2005," our active marketing efforts resulted in our first orders from Gifu Prefecture and others. In other areas, full-fledged operations of INTAGE Interactive Inc., which was established in October 2002 to conduct Internet research business, got underway during the fourth quarter. INTAGE Interactive posted a favorable start by receiving orders from many major companies.

Page Views

Monthly Pages Views in March	0.59 million page views	0.005% of total page views
------------------------------	-------------------------	----------------------------

3) Income statements for the fourth quarter and fiscal year

(Yen in millions)

	Fourth quarter	Compared to the previous quarter		Fiscal year	Comments
		Increase/decrease	Change		
Net Sales					
Advertising	30	11	64.2%	65	• Main components of Business Services sales are sales of Yahoo! Portal Solutions, Yahoo! Research, and NetRoadshow.
Business Services	205	126	158.8%	386	
Personal Services	-	-	-	-	
Others	-	-	-	-	
Total	236	138	140.9%	451	
Cost of Sales	132	111	517.7%	166	• Primary components of Cost of Sales are costs for Yahoo! Research.
Gross Profit	103	27	35.4%	285	
SG&A Expenses	59	-10	-14.7%	233	• Main items in SG&A are personnel, communication, and depreciation expenses.
Operating Income	44	37	501.6%	51	
Operating Income Ratio	18.9%	-	-	11.5%	

(7) Inter-Divisional Businesses and Headquarters

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 Inter-Divisional Businesses that develop our corporate brand. Sales and expenses from Headquarters are added up to Inter-Divisional Businesses.

Number of paying users for personal identification

Jan. 2003	Feb. 2003	Mar. 2003
2.42 million	2.52 million	2.60 million

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

Income statement for the fourth quarter and fiscal year

(Yen in millions)

	Fourth quarter	Compared to the previous quarter		Fiscal year	Comments
		Increase/decrease	Change		
Net Sales					(Net Sales)
Advertising	587	53	10.1%	2,143	• Main components of Inter-Divisional Businesses sales are advertising sales on top pages, etc. and personal identification fees. • Consolidation elimination figures are removed as sales of headquarters (SG&A)
Business Services	6	6	-	5	
Personal Services	2,031	249	14.0%	6,616	
Others	-	-	-	-0	
Total	2,625	309	13.4%	8,766	
Cost of Sales	11	-1	-11.9%	67	
Gross Profit	2,613	311	13.5%	8,698	
SG&A Expenses	1,368	-24	-1.7%	5,300	• Main components of Inter-Divisional Businesses SG&A are sales commissions, business commission, and personnel expenses
Operating Income	1,244	335	36.9%	3,398	• Main items in Headquarters SG&A are personnel, depreciation, and business commission expenses.
Operating Income Ratio	47.4%	-	-	38.8%	

(Advertising Business)

The following is an outline of our advertising business based on combining the advertising sales of each business division.

Activities in the fourth quarter

During the period under review, amid further deterioration in the economy due to the war in Iraq and other factors, the advertising market continued to face difficult conditions. With advertising expenditures falling overall, the Group also struggled 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 Pilot Seat, Yahoo! Billboard, and other broad reach products with a high reach to these clients. In response to the advertising needs of advertisers, we also worked to win advertising from National Clients by conducting sales campaigns for such eye-catching advertisements as Super Banners in the topics area of Yahoo! News, which has a high number of unique users and of page views. In addition, we took measures to find new major clients and acquire a portion of companies' fiscal year-end advertising budgets, holding a Yahoo! Deliver Tops 7 Million Users Commemorative Campaign to commemorate exceeding 7 million registered users for Yahoo! Deliver's services.

During the fourth quarter, one of the major trends was the growing recognition by advertisers of Internet advertising as a media on par with traditional media, such as television along with the increase of the number of Internet users and the spread of broadband.

Based on our sales efforts, quarterly advertising business sales increased compared with the previous quarter for the fifth consecutive period, hitting a record high. Fiscal advertising business sales also posted a new high.

Fiscal year and fourth quarter results for advertising business sales and number of advertisers, advertisements and advertising agencies were as follows.

(Fiscal Year)

	Amount	Compared to previous fiscal year	
		Increase/ decrease	Change
Advertising business sales (Yen in millions)	¥13,606	1,314	10.7%
Number of monthly advertisers	904	72	9%
Number of monthly new advertisers	56	-2	-3%
Number of monthly advertisements	3,068	415	16%
Number of monthly advertising agencies	229	-4	-2%

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 fiscal year. They exclude advertising figures for Sponsor Sites (through Overture and Google), and others.

3. Among advertisers, companies that have received more than 50% of their effective investment from SOFTBANK CORP. accounted for about 2% of advertising business sales, and Yahoo! Inc. purchased no advertising.

(Fourth Quarter)

	Amount	Compared to the same period of the last fiscal year		Compared to the previous quarter	
		Increase/decrease	Change	Increase/decrease	Change
Advertising business sales	4,056	1,216	42.8%	529	15.0%
Number of monthly advertisers	892	51	6%	-39	-4%
Number of monthly new advertisers	43	-13	-23%	-19	-31%
Number of monthly advertisements	3,137	246	9%	9	0.3%
Number of monthly advertising agencies	225	-14	-6%	-5	-2%

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. They exclude advertising figures for Sponsor Sites (through Overture and Google), and others.
3. At the end of March 2003, there were approximately 4,300 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 about 2% of advertising business sales, and Yahoo! Inc. purchased no advertising.
5. Advertising business sales on a consolidated basis are as follows. (Yen in millions)

Jan.-Mar. 2002	Apr.-June 2002	July-Sept. 2002	Oct.-Dec. 2002	Jan.-Mar. 2003
2,840	2,937	3,091	3,522	4,063

Advertising Products

During the fourth quarter, sales of broad reach products with high reach efficiency, such as Pilot Seat and Yahoo! Billboard continued to be robust. In particular, Pilot Seat again registered record sales on a quarterly basis and the number of advertisements and sales volume of Yahoo! Billboard, which is targeted at National Clients, reached record highs. Sales of large advertising space products such as Super Banners and Large Rectangle performed well as did sales of e-mail advertising and text-only advertising on specified pages.

One of the special features of the fourth quarter was an increase in cross media promotion, whereby companies are advertising various products on television and the Internet at the same time along with the spread of broadband. Specifically, cross media promotion was used by such companies as Suntory Limited, in its brand renewal campaign for Boss canned coffee, Sony Corporation for its Cybershot digital camera, and Asahi Breweries, Ltd., for Sparks.

For the fourth quarter, rates for high-volume branding-type banner ads ranged from ¥0.25 to ¥1.12 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 ¥1.25 to ¥8 per page view. Rates for the group-specific e-mail advertising Yahoo! Deliver were ¥10 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 targeted 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, etc.)
- Recycling resources (use of Mamoru-kun, distribution of eco paper plates to Eco League participating universities for campus festivals)

2. Charity Activities

As part of our social contribution efforts, we regularly host charity auctions through Yahoo! Auctions and donate the fund raised. Among our charity auctions in the fourth quarter, we auctioned a Blythe doll. This type of doll was manufactured by Kenner Products, of the United States, for only one year from 1972 to 1973 and has become quite popular in Japan because of its use in advertisements and TV commercials. We also auctioned a color illustration by Hiroshi Motomiya that used as the cover of the 27th issue of his Salaryman Kintaro comic book series. In total, we held 232 charity auctions during the fourth quarter, raising a total of approximately ¥12 million. All of the funds raised for such charities are being donated to Make a Wish of Japan, a volunteer organization that makes the dreams of children with serious illnesses come true; to the NPO Japan Association for UNHCR (United Nations High Commissioner for Refugees); and other organizations. For the fiscal year under review, we held a total of 1,228 charity auctions, raising a total of approximately ¥64 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.

4. Volunteer Activities

In commemoration of the seventh anniversary of the start of Yahoo! JAPAN services, we launched Yahoo! Volunteer on April 1, 2003. Part of our social contribution activities, Yahoo! Volunteer provides a Volunteer Group Information site where various volunteer groups can register and users can search volunteer group information and a community support service where people wanting to volunteer and groups looking for volunteers can link up. Yahoo! Volunteer hopes that by supplying a large amount of information, it will make the volunteer process more transparent and lead to greater participation in volunteer activities.

(Appendix)

Risk Factors

Yahoo! Japan (hereinafter referred to as “the Company”), its consolidated subsidiaries and affiliated companies (hereinafter referred to as “the Group”), has reported its results for the fiscal year and fourth quarter ended March 31, 2003 in the document “Results for the Fiscal Year and the Three Months Ended March 31, 2003.” 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. Group Operations

(1) Business Content

Under a license agreement with Yahoo! Inc., of the United States (hereinafter referred to as “Yahoo! Inc.”), the Group supplies Internet users with category and key word Web site directory-search services; information services, such as listing services for employment, real estate, and others and information services such as stock quotes, up-to-the-minute news, sports updates, and weather reports, through agreements with various content providers; community services, such as e-mail, homepage creation support, bulletin board, and messenger services; and e-commerce services, such as Internet shopping and auctions. These services are provided using several Yahoo! JAPAN and other Web sites. In addition, the Group uses its brand name and customer attracting power to promote Yahoo! BB services as well as offering comprehensive broadband-related services, such as ISP services. The Group also leverages accumulated knowledge and technology gained from operating the Yahoo! JAPAN site to provide corporate-oriented services.

The principal components of the Group’s earnings are advertising revenues from advertising banners placed for customers on its sites targeting users of the previously mentioned services; business service revenues paid by corporate clients, such as acquiring customers for Yahoo! BB, providing a range of services for Yahoo! Shopping tenants, and supplying a variety of information listing services; and personal services revenues paid by users directly to Yahoo! Japan such as fees for Yahoo! BB and Yahoo! Auctions services.

Segment sales performance on a business division basis and detailed business content descriptions for the fiscal years ended March 2002 and 2003 are as follows.

(Yen in Millions)

Segment (Business Division)	Fiscal Year ended March 2002 Consolidated Basis April 1, 2001 to March 31, 2002		Fiscal Year ended March 2003 Consolidated Basis April 1, 2002 to March 31, 2003	
	Sales	% Sales	Sales	% Sales
Yahoo! BB	14,387	45.7	22,245	37.6
Auction	1,683	5.3	11,080	18.8
Listing	6,700	21.3	7,922	13.4
Shopping	2,257	7.2	5,035	8.5
Media	2,562	8.1	3,592	6.1
ES	422	1.3	451	0.8
Inter-divisional Businesses	3,482	11.1	8,769	14.8
Elimination or shared	-	-	-3	-
Total	31,497	100.0	59,095	100.0

Note: The Yahoo! Japan Group began preparing consolidated statement for the fiscal year ended March 2002. At that time, the segment classifications were Advertising, Yahoo! BB, Auction, and Others. Commencing with the fiscal year ended March 2003, however, the Group changed its segment classification by introducing a business division system aimed at clarifying responsibility for profit and loss by preparing business plans and budgets by business and establishing an organization that optimally allocates the Group's human, physical, and financial resources and maximizes their effectiveness. In the above chart, sales for the fiscal year ended March 2002 have been prepared on the same basis as the sales for the fiscal year ended March 2003. Sales of Internet Advertising, which was previously the Advertising segment, have been allocated among the business divisions of the new segments.

Business classification by segment and a description of business content are as follows.

Segment	Business Content
Yahoo! BB	<ul style="list-style-type: none"> In an integrated broadband service provided jointly with SOFTBANK BB Corp. (SBB), Yahoo! BB, Yahoo! Japan is responsible for acquiring subscribers over the Web and providing ISP services, such as e-mail, homepage creation, calendar functions, and others. SSB is responsible for supplying and managing the ADSL infrastructure and ISP services, developing technologies and providing technical support. Yahoo! Japan receives monthly usage fees and pay content viewing fees. It also receives fees from SSB for managing fee collection services as well as incentive fees for the number of subscribers its signs up and for the number of subscribers who continue to use the service. However, if a subscriber cancels the service within 12 months of acquisition, Yahoo! Japan must return full amount or 50% of the subscriber sign-up incentive fee.
Auction	<ul style="list-style-type: none"> This business provides support for the sale and purchase of items by individuals through Yahoo! Auctions and a similar service for merchants wishing to sell to individuals on Premium Auctions. <p>As of April 15, 2002, as system-use fees, we implemented a ¥10 per item listing fee and a ¥500 per item cancellation fee for items cancelled after they have been bid on. As of May 15, 2002, we also introduced a transaction fee of 3% of the sales price of auctioned items as a system-use fee.</p>
Listing	<ul style="list-style-type: none"> The listing business provides and continues to improve directory search services on Web sites, Yahoo! Kids, 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. In addition to efforts to expand revenues by charging information providers listing fees, this business also offers site registration and evaluation services on a fee basis.
Shopping	<p>As a quality online shopping site, this business carefully chooses 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.</p>
Media	<p>The Media business provides users with a variety of desired content and services, thereby stimulating page views and increasing advertising sales. It 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.</p>
ES	<p>ES utilizes the know-how and technology developed by the Yahoo! Japan Group to offer business solutions to companies. Specifically, the business provides such services as portal site development support, Web design consulting, NetRoadshow (online presentation), and Research Monitor, an Internet survey service.</p>
Inter-divisional Businesses	<p>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 Inter-Divisional Businesses that develop our corporate brand.</p>

Note: Yahoo! BB was previously operated in partnership with BB Technologies Corporation (BBT). However, BBT has become SOFTBANK BB Corp. due to the January 7, 2003 merger of BBT with SOFTBANK EC HOLDINGS Corp., SOFTBANK Networks Inc., and SOFTBANK COMMERCE Corp. (SBB is the surviving company). All of the merged companies had the same parent company, SOFTBANK CORP. Accordingly, in the table above and the text below, where not problematic, BBT's name has been replaced with SOFTBANK BB Corp. or SBB.

The following is a detailed description of business risk by business division.

(2) Yahoo! BB Business

Yahoo! BB is an integrated broadband service provided jointly with SBB. 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. SBB'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 SBB 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, SBB 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 subscribers sign up only to cancel their subscriptions within a short period, there is the possibility that the Group will have to return commissions to SBB, 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 SBB 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 SBB, 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 SBB.

It is SBB'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 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 acts 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 March 31, 2003, 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
OCN	NTT Communications Corp.	Long-distance telecommunication business and ISP business
FLET'S	NTT East and West Corp.	Regional telecommunication and ADSL business
eAccess	eAccess Ltd.	ADSL business
ACCA	ACCA Networks, Co., Ltd.	ADSL 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 SBB 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 SBB 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 SBB for sales. Nevertheless, for the short term this dependence will remain high.

For this reason, any change in the business relationship with SBB could have an influence on Group performance.

(3) Auction Business

1) 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.

2) 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. In November 2002, the 155th Diet Session approved a proposal to reform the law regarding the sale of used goods to prevent crimes abusing Internet auctions. In addition to imposing a registering system on Internet auction operators, the reformed law requires operators to make efforts to confirm the identity of participants and maintain records of auctions. The law also requires that when an operator is ordered to remove an item from auction by an investigative body based on suspicion of fraud, the operator must do so. However, the scope of the reform law has been limited to items that the Group is already complying with. Furthermore, since no regulations have been set directly on auction participants, we do not expect that the reformed law will have a significant impact on our auction business. Nevertheless, if a law regulating actual auction transactions on the Internet was to be adopted in the future, depending on its content when passed, it 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 patrol 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.

3) Yahoo! Payment Service

Yahoo! Payment is an escrow service provided by Yahoo! Japan’s subsidiary Netrust, Ltd., whereby on the request of the seller and purchaser of an item sold on Yahoo! Auctions, Netrust acts as the intermediate in the settlement of the C2C transaction.

Since Netrust reimburses the seller of the item one to two days after the purchaser has made settlement by credit card, the subsidiary must carry the credit card receivables for the period up to the fixed settlement date of the bank used by the credit card company. The Group is currently exploring methods of reducing the amount of reimbursement funds by shortening the settlement cycle with the credit card companies’ settlement banks as well as seeking methods of diversifying its source of funds. However, if the pace of growth of this service should substantially exceed the anticipated rate, it is possible the Group will not be able to raise the required funds at a reasonable cost. Moreover, the amount of the reimbursement funds could increase to a level where if interest rates rose the higher interest payments to banks could have a significant negative impact on the Group’s business and performance.

In providing this service, the Group has taken all possible precautions to protect itself from such problems as the fraudulent use of credit cards and the leakage of personal information of individuals on-line. However, there is no guarantee that these measures will protect the Group from all fraudulent behavior. It is possible that a malicious user could perpetrate a fraudulent act that would result in the Group being sued for compensation of losses, preventing the recovery of the funds reimbursed and having a significant negative impact on the Group’s business and performance. Furthermore, it cannot be denied that such problems could have an influence on Yahoo! Auctions and other Group services.

In addition to the online settlement market being crowded with entrants and highly competitive, technological innovation is the norm, the pace of change is rapid, and the lifecycle of services is short. Therefore, after a service has been launched, it is necessary to establish a service planning and system development organization that can respond quickly to the constantly changing demand in the market. However, there is a possibility that such problems as the service not properly meeting customer requirements, not being suitably compatible with new technologies, and not achieving a high-powered quick start could occur. These problems might result in an unavoidable decline in competitiveness within the market that would be detrimental to the Group’s business and performance.

4) The Competitive Environment

As of March 31, 2003, 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
bidders	DeNA Co.	Online auction site
Rakuten Ichiba	Rakuten Inc.	Online mall and 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.

(4) Risks Affecting Internet 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 businesses mentioned above. Therefore, we have chosen the Internet advertising areas that we think most important and will explain the associated risks. We will explain risks that could affect other businesses 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 Group 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 or advertising agencies 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, depending on the distribution and amount of advertising, commissions to these advertising agencies will rise significantly, resulting in a decline in the Group's earnings.

5) The Competitive Environment

As of March 31, 2003, 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 March 31, 2003, SOFTBANK CORP. was the parent company of Yahoo! Japan, holding 41.9% of the Company's shares. As a holding company, SOFTBANK CORP. 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 SBB

The Company has signed the following contracts with SOFTBANK CORP. affiliate SOFTBANK BB Corp. (SBB) concerning Yahoo! BB business. Yahoo! BB business accounted for 39.8% of Group sales for the fourth 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: SBB
1) The Company and SBB 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) SBB'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: Incentive agreement
Contract date: April 1, 2002
Term: One year from April 1, 2002
Contractor: SBB
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: approximately ¥7,000 per application Yahoo! BB services: approximately ¥11,000 per application * Bonus Incentive fees In addition to the lump-sum fees above, a bonus incentive is awarded per 100 thousand line applications (cumulative total) * Continual incentive fees BB Phone services: approximately ¥100 per month per continuing user Yahoo! BB services: approximately ¥150 per month per continued user

Note: The counterparty to the business alliance contract concluded on June 20, 2001 and the incentive agreement concluded on April 1, 2002 was in both cases BB Technologies Corporation (BBT). However, BBT has become SOFTBANK BB Corp. due to the January 7, 2003 merger of BBT with SOFTBANK EC HOLDINGS Corp., SOFTBANK Networks Inc., and SOFTBANK COMMERCE Corp. All of the merged companies had the same parent company, SOFTBANK CORP.

(3) Joint Directorships

As of March 31, 2003, two of the four directors of Yahoo! Japan also held directorships on the board of the parent company, SOFTBANK CORP., as follows:

SOFTBANK CORP. Part-time Director, Masahiro Inoue

SOFTBANK CORP. President, Masayoshi Son

Yahoo! Japan President and CEO Masahiro Inoue has been a part-time director of SOFTBANK CORP. since June 2001. In addition, he sits on the boards of 10 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.

(4) Business Relationships

During the fiscal years ended March 31, 2002 and 2003, Yahoo! Japan conducted the following business transactions with its parent company, SOFTBANK CORP., and its subsidiaries.

Fiscal year ended March 2002 (April 1, 2001 to March 31, 2002)

(Yen in millions)

Status	Company name	Location	Paid-in capital or investment	Business or function	Voting right ownership	Relationship		Nature of transaction	Transaction amount	Account	Account balance
						Joint directorships, etc.	Business relationship				
Parent	SOFTBANK Corp.	Chuo-ku Tokyo	137,867	Holding company	50.5% (Direct)	Joint directorships (3 people)	—	Taking over bonds	—	Investment securities	400
								Purchasing goods, etc.	5,533	Accounts payable —trade	—
Subsidiary of parent	BB Technologies Corp.	Chuo-ku Tokyo	3,000	Building, supplying, and managing ADSL infrastructure	10.0%	Joint directorships (1 person)	Yahoo! BB business agreement	Investment	300	Investment securities	300
								Sale of goods, etc.	11,416	Accounts receivable —trade	1,625
								Transfer of goods	1,173	Accounts receivable —other	1,231
								Business commission	1,735	Accounts payable —trade	918
Subsidiary of parent	SOFTBANK COMMERCE Corp.	Chuo-ku Tokyo	3,000	Computer and software sales	—	Joint directorships (1 person)	Purchase of computer equipment	Purchase of computer equipment	1,122	Accounts payable —other	38

(Transactions terms and policy determining those terms)

- The price of supplies is determined by SOFTBANK CORP.'s cost of purchasing those supplies. All other transaction terms are standard.
- The price of goods was determined with reference to Yahoo! Japan's purchasing cost and the market retail price and taking into consideration the use of the Yahoo! brand name and the cost of accessories and other expenses. All other transaction terms are standard.
- The transfer of goods is based on the purchase cost for Yahoo! Japan (book value).
- The cost of business commission is determined by Yahoo! Japan and BB Technologies in consideration of the business content based on the service fee charged to users, which is determined with reference to market prices.
- Computer equipment is purchased according to the same purchasing rate as regular customers.
- The transaction amounts in the above table do not include consumption tax, etc. but the account balance does include consumption tax, etc.

Fiscal year ended March 2003 (April 1, 2002 to March 31, 2003)

(Yen in millions)

Status	Company name	Location	Paid-in capital or investment	Business or function	Voting right ownership	Relationship		Nature of transaction	Transaction amount	Account	Account balance
						Joint directorships, etc.	Business relationship				
Parent	SOFTBANK Corp.	Chuo-ku Tokyo	137,867	Holding company	41.9% (Direct)	Joint directorships (3 people)	—	Taking over bonds	—	Investment securities	400
Subsidiary of parent	SOFTBANK BB Corp.	Chuo-ku Tokyo	63,000	Providing broadband infrastructure and various services/ IT-related distribution business and services	—	Joint directorships (1 person)	Yahoo! BB business agreement/ Purchase of computer equipment	Incentives, etc.	8,025	Accounts receivable —trade	1,141
								ISP cost	12,082	Accounts payable —trade	3,255
							Purchase of computer equipment	Purchase of computer equipment	1,234	Accounts payable —other	422

Note: BB Technologies Corp. merged with 3 companies including SOFTBANK COMMERCE Corp. on January 7, 2003, and changed its name to SOFTBANK BB Corp.

(Transactions terms and policy determining those terms)

- Incentives are based on the same terms as for consumer electronics retailers, and are determined by SOFTBANK BB after verifying the subscriber sign-up and continuation figures.
- The cost of ISP fees is determined by Yahoo! Japan and SOFTBANK BB in consideration of the business content based on the service fee charged to users, which is determined with reference to market prices.
- Servers are purchased according to the same purchasing rate as regular customers.
- The transaction amounts in the above table do not include consumption tax, etc. but the account balance does include consumption tax, etc.

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 March 2003. 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 CORP. incapable of maintaining over 50% of shareholder voting rights of the ongoing company (may be waived by agreement of Yahoo! Inc.).
Contracted Party: Yahoo! Inc.
Main Conditions: 1. Licensing rights granted by Yahoo! Inc. to the Company: * Non-exclusive rights granted to the Company for reproduction and use of Yahoo! Inc.'s Internet directory-search and other services customized and localized for the Japanese market (hereinafter referred to as "the Japanese version of the Yahoo! directory-search services") * Non-exclusive rights granted to the Company for use in Japan of the Yahoo! trademark * Exclusive rights granted to the Company for publishing of the Yahoo! trademark in Japan * Exclusive rights granted to the Company worldwide for development, commercial use and promotion of the Japanese version of Yahoo! directory-search services 2. Non-exclusive licensing rights granted (gratis) to Yahoo! Inc. worldwide for use of Japanese content added by the Company 3. Royalties to be paid by the Company to Yahoo! Inc. (see Note) Note: 3% of gross profit after deducting sales commissions, paid quarterly

(2) The Yahoo! Brand and Cooperation Overseas

The establishment and proliferation of the Yahoo! brand are considered extremely important 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. 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, as stated previously. For these reasons, it has been necessary to have him on the board to support Yahoo! Japan's startup and expansion.

(4) Business Relationships

During the fiscal years ended March 31, 2002 and 2003, Yahoo! Japan conducted the following business transactions with Yahoo! Inc. and its subsidiaries.

Fiscal year ended March 2002 (April 1, 2001 to March 31, 2002)

(Yen in millions)

Status	Company name	Location	Paid-in capital or investment	Business or function	Voting right ownership	Relationship		Nature of transaction	Transaction amount	Account	Account balance
						Joint directorships, etc.	Business relationship				
Other associated company	Yahoo! Inc.	California, U.S.A.	\$581,000	Sale of Internet advertising, etc.	Direct: 33.6% Indirect: 0.1%	Joint directorships (1 person)	License agreement	Payment of royalties	621	Accounts payable—other	184
									900	Investment securities	900

Note: Yahoo! Inc.'s indirect voting right ownership figure includes equity in Yahoo! Japan held by Yahoo! Inc.'s subsidiary, Broadcast.com Inc.

(Transactions terms and policy determining those terms)

- The transfer value of equity is determined through discussions with reference to the valuation of the equity by experts. eGroups Inc., which is a nominal subsidiary of Yahoo! Inc., was acquired and its business assimilated by Yahoo! Inc. on August 31, 2000, it does not carry out business and does not prepare financial statements on a non-consolidated basis. The transactions with eGroups is stated as the transactions with Yahoo! Inc.

Fiscal year ended March 2003 (April 1, 2002 to March 31, 2003)

(Yen in millions)

Status	Company name	Location	Paid-in capital or investment	Business or function	Voting right ownership	Relationship		Nature of transaction	Transaction amount	Account	Account balance
						Joint directorships, etc.	Business relationship				
Other associated company	Yahoo! Inc.	California, U.S.A.	\$611,000	Sale of advertising using Internet, etc.	Direct: 33.6% Indirect: 0.1%	Joint directorships (1 person)	License agreement	Payment of royalties	1,207	Accounts payable—other	371

Note: Yahoo! Inc.'s indirect voting right ownership figure includes equity in Yahoo! Japan held by Yahoo! Inc.'s subsidiary, Broadcast.com Inc.

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 has dispersed its facilities in Tokyo to offset any of these events, but does not presently have multiple site capacity outside of Tokyo.

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. In particular, there have been several cases recently of specific Web sites or networks being targeted by sending huge volumes of data over a short period for the purpose of paralyzing the Web site or network. Although the Group has introduced effective security programs and other measures and strengthened its monitoring system to deal with these attacks, there is no guarantee that all attacks can be avoided. Any of these obstructive actions could have a 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 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. In particular, it is expected that the funds borrowed to allow Netrust to reimburse sellers of items on our auction site based on the previously described Yahoo! Payment service will increase to a significant amount. If the recovery of these reimbursed funds is blocked in some way, it could incur serious negative impact on the Group's business, operating results and financial condition.

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 risks that our subsidiaries and affiliates are generally small scale, and accordingly, their in-house management systems are also small scale. The Group comprises the parent company, nine subsidiaries and three 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 SBB 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 intermediaries. 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.

Because it operates Yahoo! BB, the Company 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 33 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 March 31, 2003 four of these companies had been publicly listed and the value of the Company's investment for three of these companies 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.

To pursue business synergies or the expansion of the Group's business, it is anticipated that Yahoo! Japan will further invest or loan funds for capital participation in third party companies, fund joint ventures, and new investment by establishing companies, etc., or to adequately provide for the capital needs of subsidiaries and affiliates. These investments or loans will be made based on a careful investigation of the risk of said investments or loans based on thorough analysis and compliance with in-house procedures. However, if these new investments or loans do not achieve the originally planned level of profit or, in the worst case, become irrecoverable, they could adversely affect the Group's financial condition in future.

(2) Capital Investment Programs and Investment Plans

To support expected business expansion and continue introducing such new services as streaming video and audio, the Group has a capital investment program of comparatively large scale considering its current operations. To keep up with the further growth of the Internet user base and the progressive spread of broadband and ubiquitous computing, the Group will have to add and improve network-related facilities one after the other to adequately cope with higher peaks in access volume and larger volumes of data transmission over a short period. Consequently, the Group anticipates a growing necessity for even larger capital investments than in the past in a timely manner to build systems and networks to smoothly control large volumes of communications traffic, strengthen security systems to protect settlement services and the personal information of users, and expand systems to appropriately respond to the growth and diversification in user enquiries. Furthermore, in response to growth in business scope, the Group assumes that it will have to continuously acquire more office space and invest in the expansion and upgrading of its facilities.

In making these capital investments, the Group will take care to ensure that unnecessary cash outflows do not occur by closely considering costs and benefits, focusing on keeping the system development and equipment purchase expenses reasonable.

Although the Group believes business expansion will result in earnings growth sufficient to provide operating cash flows to cover these increased costs and cash outflows, ineffective capital investments and delayed effect could substantially impact future earnings and cash flows. Moreover, since the Internet industry is characterized by constant technological innovation and rapidly changing customer needs, the useful life of the planned facilities may be shorter than originally planned. As a result, depreciation terms may 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.

(3) Participation in Finance Scheme for Yahoo! BB

In a meeting of the Board of Directors held on March 3, 2003, based on the following Finance Scheme, Yahoo Japan decided to consider financing the Japan Branch of a Special Purpose Company (SPC) being established to increase the liquidity of the assets of SOFTBANK BB Corp. (SBB). The Board was aiming to make a decision by the end of March.

Finance Scheme Summary

- The SPC raises funds by borrowing from several lenders as loans and as investments in a *Tokumei –Kumiai* (TK), an anonymous partnership.
- The SPC acquires modems and a modem rental agreement from SBB and pays SBB for them using the funds raised.
- The SPC operates a modem rental business and pays principal and interest to Lenders and dividends to TK investors using the cash flow generated from the underlying assets (rental fees revenues).
- In the case that modem rental fees are not paid using the underlying assets, SBB will provide credit compensation under the terms outlined in the Guarantee Agreement.

Scale of Finance Scheme

- The estimated total amount of funds to be raised at the present is approximately ¥19.1 billion, and the Company intends to finance ¥5.8 billion of this total.

Implementation Timing

- Currently at the consideration stage

Note: As the above scheme is not fixed as yet, unexpected risk may arise if the structure is changed. In the case that such changes adversely affect its risk and return, the Company will reconsider its decision to participate in the Finance Scheme.

If insufficient funds are raised from investors, the scheme may not be implemented. Moreover, the scheme is based on the assumption that the originally estimated rental fees will be paid from the underlying assets and that SBB will provide credit compensation if the rental fees are not paid from the underlying assets. If for some reason, a situation arises where SBB cannot adequately perform on its pledge to provide credit compensation, it could prevent the recovery of the principal and interest on the Company's portion of the financing.

In principle, the Group's risk in the above financing scheme is limited to the principal and interest on its loan: the Group does not intend to make any commitment to invest additional capital in the scheme.

However, participation in the scheme is still at the consideration stage, and it is possible that risks unimagined at this point in time could emerge later.

List of Companies Invested by Yahoo Japan Corporation

(As of March 31, 2003)

	Investment targets	Listing	Date of acquisition (See Note 1)	Stake (%)	B/S accounting amount (¥ MM) (See Note 2)	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	11.95	866	Internet technical-support service		Yes
4	Vector Inc.	OSE Hercules	99/03/25	10.74	962	Sales of download licenses for personal-computer software	Alliance for Yahoo! Computer	Yes
5	Weathernews Inc.	TSE 2nd Section	99/05/28	5.07	354	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	10	eS! Toys Website	Yahoo! Shopping tenant	Yes
7	CarPoint K.K.		99/10/06	6.54	38	Offering car-related information, quotes and dealer introductions	Alliance for Yahoo! Autos	
8	SpeedNet, Inc.		99/12/10	1.67	0	Optical fiber and high-speed wireless Internet service	(See Note 3)	
9	Oricon Inc.	OSE Hercules	00/03/28	1.53	38	Construction and supply of music-related databases	Alliance for Yahoo! Music/Music Shopping	
10	e-Shopping! Wine CORP.		00/05/26	7.89	2	eS! Wine Website	Yahoo! Shopping tenant	
11	SOFTBANK ZDNet Inc.		00/08/28	8.33	30	Comprehensive site for IT-related information	Alliance for Yahoo! News	Yes
12	BB Factory Corp.		00/11/13	10.00	31	Consigned satellite broadcasting, program production and sales, and commercial production	Alliance for Yahoo! BB	Yes
13	e-Net Japan Co., Ltd.		00/12/14	5.20	11	Sales of personal computers, audio/visual and home equipment via the Internet	Yahoo! Shopping/Auctions tenant	
14	J-Yado Co., Ltd.		00/12/22	7.98	0	J-Yado.com hotel reservation website		
15	DBJ Co., Ltd.		00/12/26	2.27	0	E-commerce and supply of contents related to motorcycles		
16	Power Print Inc.		00/12/27	15.00	3	Online order-taking, printing and delivery of various printed materials		
17	Naturum Corp.		00/12/29	9.13	2	Sales of fishing and outdoor products via the Internet	Yahoo! Shopping/Auctions tenant	
18	Archinet, Inc.		01/01/19	8.91	12	Consulting on real estate and online sales of gardening equipment	Yahoo! Shopping/Auctions tenant	
19	Golf Do Co., Ltd.		01/01/24	4.90	25	An online shop for used golf equipment		
20	Axiv.com, Inc.		01/01/30	5.44	12	MyID promotion/gift campaign website		
21	CafeGlobe.com		01/01/30	11.44	7	Cafeglobe.com information site for women	Alliance for Yahoo! Gourmet and Yahoo! Beauty	
22	eBANK Corporation		01/03/12	1.69	89	e-bank operations	Alliance for Yahoo! Auctions/Research	
23	GameBox, Inc.		01/03/16	9.38	10	GAMEBOX game-related Website		
24	Digipri Corporation		01/03/27	0.82	2	Internet storage and output services for digital imaging	Alliance for Yahoo! Photos	

	Investment targets	Listing	Date of acquisition (See Note 1)	Stake (%)	B/S accounting amount (¥ MM) (See Note 2)	Line of business	Relationship with the Company	Directors on loan
25	Bitwave Corporation		01/03/29	1.19	0	Operating sales system for concert/sporting tickets	(See Note 4)	
26	Net Protections, Inc.		01/04/10	4.43	7	Online commercial settlement service		
27	istyle Inc.		01/04/20	8.51	5	@cosme information site for cosmetics and beauty care	Alliance for Yahoo! Beauty	
28	Digital Check Co. Ltd.		01/04/24	1.19	5	EC settlements, content supply and networking business	Alliance for Yahoo! Auctions	
29	CarHoo Inc.		01/04/26	13.02	0	Car Hoo driver-support site	Yahoo! Auctions tenant	
30	E-NEWS Inc.		01/06/26	13.33	50	Internet-based broadcasting and video production		
Shares in affiliated companies								
1	Tavigator, Inc.		00/03/03	30.00	93	Sales of travel gear via the Internet	Alliance for Yahoo! Travel and Yahoo! Shopping tenant	Yes
2	ValuMore Corporation		02/01/28	40.00	37	Sales of computers and related equipment via the Internet	Yahoo! Shopping tenant	Yes
3	INTAGE Interactive Inc.		02/09/26	49.00	27	Internet-based marketing research services	Alliance for Yahoo! Research	Yes
Investment								
1	SOFTBANK Internet Technology Fund No. 1		00/02/21		600			

Notes:

- In principle, the date of investment is the date of the first investment made by Yahoo! Japan in the company.
- B/S accounting amounts are shown on a consolidated basis. Because the amounts are shown in millions of yen, figures less than one million yen are shown as "0". Because subsidiaries' investment portions are subject to elimination under consolidation, their B/S accounting amounts are shown below on a non-consolidated basis with the consolidated accounts amount indicated for reference.

Company	B/S accounting amount (¥ MM)	Consolidated accounts (¥MM)	Line of business
GeoCities Japan Corporation	10	-	Maintaining geocities.co.jp domain
broadcast.com japan k.k.	10	-	Maintaining bcast.co.jp domain
Y's Sports Inc.	100	-	Operation of the comprehensive sports information site sportsnavi.com.
Y's Agencies Inc.	10	-	Planning and sales of advertising
eGroups KK	900	-	Yahoo! eGroup groupware service, mainly e-mail
e-Shopping! Books CORP.	300	99	Operation of eS! Books on-line EC site service over the Internet, and Yahoo! Shopping tenant
BridalConcierge Corp.	0	-	Provision of useful information for weddings and newly wed life as well as other services
UniCept, Inc.	50	-	Consulting for Internet business and a range of planning, development, and operation services
Netrust, Ltd.	120	-	On-line settlement services

3. The Company currently has no holdings in SpeedNet, Inc., having sold all its shares to a third party, effective April 11, 2003.

4. Because of its application for reconstruction under the Civil Reorganization Law on December 17, 2002, the investment in Bitwave Corporation is shown at remainder value.