

Yahoo Japan Corporation

Results for the Three Months Ended December 31, 2003

Third Quarter Highlights

The financial results of Yahoo Japan Corporation and its consolidated subsidiaries and affiliates continued to be robust. Third quarter net sales amounted to ¥20.0 billion, climbing 55.4% year on year and 14.4% compared with the previous quarter. Operating income was ¥11.1 billion, increasing 63.1% year on year and 20.4% compared with the previous quarter. The operating margin was 55.3% in the third quarter.

Note: Beginning with the first quarter of fiscal year ending March 31, 2004 (fiscal 2003), the method of recognizing ISP fees related to sales was changed to more accurately reflect the business of the Yahoo! BB Business Division in the financial statements. Whereas Yahoo! BB previously booked the ¥1,290 monthly ISP fee per user per month as sales and the ISP cost of ¥1,090 as cost of sales, the business division now nets the amounts and only books net sales of ¥200. In addition, the method of accounting for sales during free service campaigns was changed to not recording any sales during the period. To allow comparison with prior performances, figures from previous fiscal years have been adjusted accordingly.

Amid signs of recovery in the overall advertising market due to the peak period for year end sales campaigns, our advertising business aggressively sold its major advertising products for top pages and other areas to National Clients and to win advertising from them. Advertising business sales rose on the strength of active sales proposals for V Banner, which can distribute large volume advertising banners, a variety of sales campaigns, and growth in Sponsor Site related sales. Sales for the third quarter amounted to ¥5.8 billion (up 65.5% year on year and 19.1% from the previous quarter), posting a new record high.

In our Auction Business Division, monthly system-use fees were lowered in order to increase the auction stores (merchant stores) as well as the introduction of a package discount for stores which also open stores on Yahoo! Shopping. As a result of these changes, the number of auction stores at the end of December reached 2,022, up 429 stores or 26.9% from the previous quarter. Monthly transaction volume improved, rising to a record ¥46.2 billion in December, while the monthly average number of items listed also rose to a record 5.36 million in November.

The total number of Yahoo! BB subscribers rose to 3.69 million at the end of December (approx.36.0% accumulated share). Due to a decline in the pace of acquiring new subscribers at year end, the sales growth rate dropped off.

During the period under review, the Shopping Business Division continued its emphasis on achieving a large increase in the number of items available for sale through the solicitation of more "Stores" that began in July. As a result, the number of participating

stores at the end of December reached 1,202 stores, up 981 stores, or 443.9% year on year, and 637 stores, or 112.7%, from the previous quarter.

Monthly page views topped 17.0 billion during the quarter.

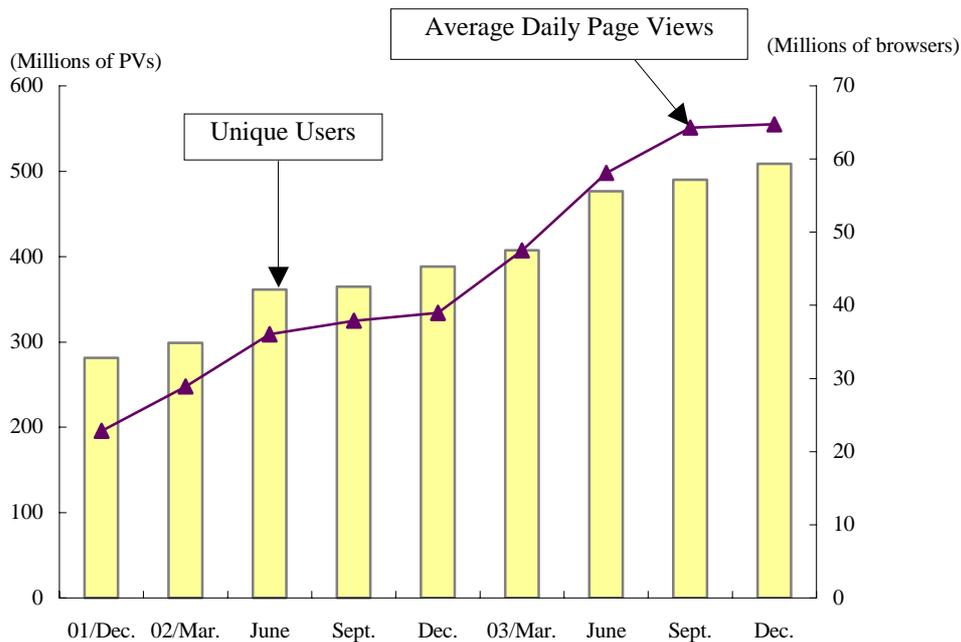
Third Quarter Performance

(Consolidated Information)

(Page Views and Yahoo! JAPAN Users)

Daily page view of Yahoo! JAPAN topped 650 million for the first time during the third quarter. The Group monthly page views for December 2003 reached 17,199.66 million, representing an increase of 678 million page views, or 4.1%, compared with September 2003, the last month of the previous quarter, and an increase of 6,840 million page views, or 66.0%, compared with the same month a year earlier.

The number of unique users at the end of the quarter was approximately 59.38 million browsers, up approximately 2.19 million browsers, or 3.8% from the previous quarter-end.

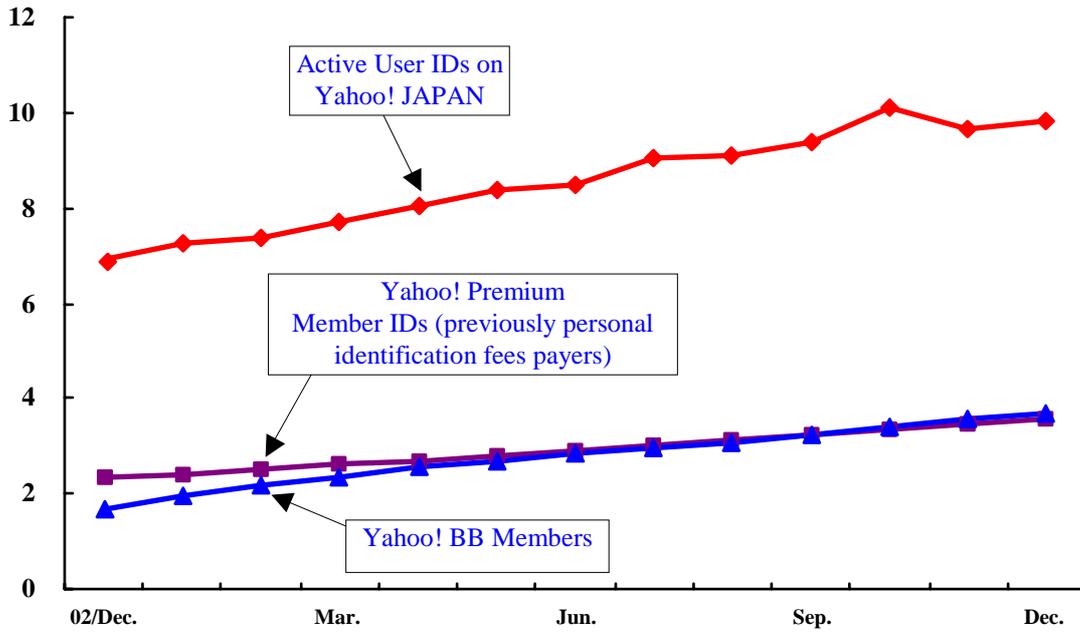


(Source: Company data)

Note: The number of unique users (browsers) does not necessary equate to the number of different individuals accessing our sites. This figure is a compilation of the number of browsers viewing our services and does not distinguish when a single individual accesses our sites from multiple locations, such as work and home, using different browsers, or when multiple people use the same browser on a single computer to access our sites.

At the end of the third quarter under review, the number of active user IDs (at least one access during the month) on Yahoo! JAPAN was approximately 9.85 million, up 470 thousand, or 5.0% compared with the previous quarter-end. The number of Premium Member IDs, or users of pay services, amounted to approximately 3.57 million, an increase of 330 thousand, or 10.4% compared with the previous quarter-end.

(Millions of IDs and lines)



(Source: Company data)

Note: Users of each service can overlap the users of other services

< Consolidated Statements of Income >

(Notes)

1. Starting with the first quarter of fiscal 2003, the method of recognizing ISP fees related to sales has been changed to more accurately reflect the business of the Yahoo! BB Business Division in the financial statements. Whereas we previously booked the ¥1,290 monthly ISP fee per user per month as sales and the ISP cost of ¥1,090 as cost of sales, we are now netting the amounts and only booking net sales of ¥200.

Also starting with the first quarter, for all business divisions, we are no longer booking any sales for our free service sales campaigns. Previously, we accounted for any fees during these free service campaigns as sales as well as recording sales promotion costs.

To allow comparison with prior performances, figures from previous fiscal years have been adjusted accordingly.

2. Commencing with the first quarter of fiscal 2003, the management responsibility for services among the business divisions has been revised, with the responsibility for some services being changed. Specifically, platforms and personal information administration services have been collected into Corporate Common Businesses. In Listing Business Division, services that do not fit into the categories of information listing, regional information, and directory searches have been transferred to other appropriate business divisions. No retroactive adjustment has been made to sales allocations to reflect these changes.

3. At the end of the third quarter, all twelve subsidiaries are included in the scope of consolidation as are all two affiliated companies, which are accounted for by the equity method.

4. Figures used in this document have been rounded off, while percentages have been rounded up.

Consolidated Statements of Income (Oct. 1, 2003-Dec. 31, 2003)

(Yen in Millions)

	Amount	% share	Comparison with the previous quarter		Comparison with the same period of the last fiscal year	
			Increase/ decrease	Change	Increase/ decrease	Change
Net Sales	20,081	100.0%	2,531	14.4%	7,158	55.4%
Cost of Sales	1,324	6.6%	66	5.3%	386	41.3%
Gross Profit	18,757	93.4%	2,465	15.1%	6,771	56.5%
SG&A Expenses	7,650	38.1%	586	8.3%	2,472	47.7%
Personnel Expenses	1,858	9.2%	230	14.1%	565	43.7%
Advertising Costs	82	0.4%	8	12.0%	-43	-34.4%
Content Provider Fees	423	2.1%	-27	-6.1%	60	16.7%
Sales Commission	779	3.9%	115	17.3%	205	35.8%
Depreciation Expenses	816	4.1%	131	19.2%	354	76.7%
Communication Charges	734	3.7%	54	8.0%	342	87.2%
Royalties	524	2.6%	68	15.0%	186	55.1%
Lease and Utility Expenses	361	1.8%	46	14.7%	165	84.1%
Business Commissions	858	4.3%	20	2.4%	303	54.8%
Sales Promotion Costs	354	1.8%	-9	-2.6%	74	26.4%
Allowance for Doubtful Debt Accounts	142	0.7%	60	75.0%	98	226.5%
Amortization of Consolidated Accounts	30	0.2%	13	83.6%	-50	-62.1%
Others	684	3.3%	-125	-15.5%	210	44.2%
Operating Income	11,106	55.3%	1,878	20.4%	4,298	63.1%
Non-Operating Income (Expenses)	100	0.5%	42	72.7%	125	—
Ordinary Income	11,206	55.8%	1,920	20.7%	4,423	65.2%
Extraordinary Gains (Losses)	110	0.6%	141	—	682	—
Income before Income Taxes	11,316	56.4%	2,062	22.3%	5,106	82.2%
Income Taxes, Inhabitants' Taxes and Enterprise Taxes	4,572	22.8%	1,371	42.8%	1,901	71.2%
Adjustment to Income Taxes	71	0.4%	-65	-48.1%	71	—
Minority Interests in Gain of Consolidated Subsidiaries	-24	-0.1%	-21	741.0%	-39	—
Net Income	6,648	33.1%	736	12.5%	3,094	87.0%

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

(Yen in millions)

	Sales	Contribution
Auction (including Netrust, Inc.)	5,795	28.9%
Listing (including BridalNet Co., Ltd.)	3,642	18.1%
Yahoo! BB	3,306	16.5%
Shopping (including e-Shopping! Books CORP.)	1,683	8.4%
Media (including eGroups KK and Y's Sports Inc.)	1,576	7.8%
BS	268	1.3%
Corporate Common Business (including UniCept, Inc.)	3,842	19.0%
Elimination or Corporate	-32	
Total	20,081	100.0%

Note: Eliminations or Corporate include the consolidation eliminations between business divisions.

Composition of Consolidated Operating Income by Business Division (Third Quarter)

(Yen in millions)

	Operating Income	Contribution
Auction (including Netrust, Inc.)	4,370	39.4%
Listing (including BridalNet Co., Ltd.)	2,659	23.9%
Yahoo! BB	2,104	19.0%
Media (including eGroups KK and Y's SportsInc.)	382	3.4%
Shopping (including e-Shopping! Books CORP.)	217	2.0%
BS	-10	-0.1%
Corporate Common Business (including UniCept, Inc.)	2,978	12.4%
Elimination or Corporate	-1,597	
Total	11,106	100.0%

Note: Eliminations or Corporate include the consolidation eliminations between divisions, the personnel and accounting expenses of head office, and the common expenses of business division for which the benefits cannot be clearly assigned to any one segment.

Main Points Regarding Statements of Income (Oct. 1, 2003-Dec. 31, 2003)

Net Sales

The large increase in quarterly sales year-on-year is principally the result of the growth in the personal service revenues of the Auction, Corporate Common Business, and Yahoo! BB business divisions. In addition, advertising sales of the Listing Business Division increased.

Sales of consolidated subsidiaries, on a gross total basis, were ¥1,918 million for the third quarter.

Cost of Sales

The main factors behind the growth in the cost of sales in the third quarter in comparison with the same period in the previous fiscal year were increases in the procurement costs of e-Shopping! Books CORP. in line with increased sales.

Selling, General and Administrative Expenses

- Personnel expenses

At the end of the third quarter, after eliminating overlap, the total number of directors and employees of the Group amounted to 935, up 308, or 49.1%, from the end of same quarter in the previous fiscal year.

- Advertising costs

Advertising costs for the third quarter decreased year on year primarily because promotion costs related to Yahoo! BB were temporarily high in the previous fiscal year.

- Depreciation expenses

The primary cause of the rise in depreciation expenses compared with the same period in the previous fiscal year was the increase in servers and other equipment and additional equipment related to expanded office floor space.

- Communication charges

Communications charges for the third quarter rose from a year earlier primarily because of expansion of the space of data center to expand and strengthen computer systems.

- Lease and utility expenses

The growth in lease and utility expenses for the third quarter compared with the third quarter in the previous fiscal year can be attributed to office expansion due to increased personnel.

- Business commissions

The main business commissions for the third quarter were expenses for the settlement operations of personal service sales, temporary employees, and Yahoo! BB's call center.

- Allowance for Doubtful debt accounts

The main reason for the increase in the provision to allowance for doubtful debt accounts in the third quarter compared with a year ago was the increase in accounts receivable-trade.

- **Amortization of consolidated accounts**

Amortization of consolidated accounts for the third quarter consisted of the consolidated accounts for e-Shopping! Books CORP. and BridalNet Co. Ltd.

- **Others**

The major components of others in the third quarter were payment commissions for Yahoo! Payment, the packaging and transport expenses of e-Shopping ! Books, system maintenance costs, and cleaning costs for the head office.

Non-Operating Income (Expenses)

The main component of non-operating income for the quarter under review was interest earned from loan based on Yahoo! BB finance scheme. The main component of non-operating expenses was loss on disposal of fixed assets.

Extraordinary Gains (Losses)

The major extraordinary gain posted during the third quarter was gain on sale of investment securities, while the main extraordinary loss was loss on reevaluation of investment securities.

Income Taxes, etc.

The income tax rate and others used for the consolidated accounts in the third quarter is a simple compilation of the income tax rates of each of the consolidated subsidiaries. As a result, the income tax rate and others for the third quarter was 41.0%.

Minority Interests in Loss of Consolidated Subsidiaries (Profit)

Minority interest losses for the quarter under review reflect the losses of shareholders other than the Company in the net income and losses of eGroups KK, e-Shopping! Books Corp. and Netrust, Ltd.

The overall income of consolidated subsidiaries, including the above three subsidiaries, increased compared with the previous quarter.

Net Income

Net income per share for the third quarter amounted to ¥3,527.27.

(Calculated using an average number of share outstanding for the quarter of 1,884,940 shares, excluding treasury shares)

Consolidated Statements of Income
(Accumulated Total of 9 Months : April 1, 2003-Dec.31, 2003)

(Yen in Millions)

	Amount	% share	Comparison with the same period of the last fiscal year	
			Increase/ decrease	Change
Net Sales	53,195	100.0%	20,897	64.7%
Cost of Sales	3,783	7.1%	1,345	55.2%
Gross Profit	49,411	92.9%	19,551	65.5%
SG&A Expenses	20,644	38.8%	7,067	52.1%
Personnel Expenses	4,866	9.1%	1,402	40.5%
Advertising Costs	238	0.4%	-69	-22.5%
Content Provider Fees	1,280	2.4%	158	14.2%
Sales Commission	2,109	4.0%	552	35.4%
Depreciation Expenses	2,079	3.9%	879	73.3%
Communication Charges	2,055	3.9%	1,028	100.2%
Royalties	1,379	2.6%	544	65.1%
Lease and Utility Expenses	935	1.8%	379	68.1%
Business Commissions	2,373	4.5%	1,158	95.4%
Sales Promotion Costs	961	1.8%	474	97.7%
Allowance for Doubtful Debt Accounts	223	0.4%	47	27.1%
Amortization of Consolidated Accounts	63	0.1%	-165	-72.1%
Others	2,076	3.9%	676	48.3%
Operating Income	28,767	54.1%	12,483	76.7%
Non-Operating Income (Expenses)	-18	-0.1%	124	-87.4%
Ordinary Income	28,749	54.0%	12,608	78.1%
Extraordinary Gains (Losses)	-222	-0.4%	902	-80.2%
Income before Income Taxes	28,526	53.6%	13,510	90.0%
Income Taxes, Inhabitants' Taxes and Enterprise Taxes	11,197	21.0%	4,294	62.2%
Adjustment to Income Taxes	208	0.4%	567	-158.1%
Minority Interests in Gain of Consolidated Subsidiaries	-20	-0.1%	-80	-
Net Income	17,100	32.1%	8,568	100.4%

<Consolidated Balance Sheets>

As of December 31, 2003, total assets amounted to ¥65,986 million, up ¥7,675 million or 13.2% from the previous quarter-end. Total liabilities were ¥14,794 million, increasing ¥446 million or 3.1%. Minority interests in consolidated subsidiaries rose ¥24 million or 21.1%, to ¥137 million. Total shareholders' equity advanced ¥7,205 million or 16.4%, to ¥51,054 million from the previous quarter-end.

Consolidated Balance Sheets (As of December 31, 2003)

(Yen in Millions)

	Amount	Comparison with the previous quarter		Comments
		Increase/ decrease	Change	
Assets				
Current Assets				
Cash	28,439	4,148	17.1%	<ul style="list-style-type: none"> • Rise in cash was principally due to the growth in earnings due to sales activities. • Increase in accounts receivable—Trade was primarily due to growth in sales • Increase in other current assets was chiefly due to growth in funds under short-term management.
Accounts Receivable Trade	11,122	1,545	16.1%	
Inventory	71	37	112.2%	
Deferred Tax Assets	823	-9	-1.1%	
Accounts Receivable Other	190	36	23.8%	
Other Current Assets	1,390	626	82.1%	
Allowance for Doubtful Accounts	-515	-142	38.2%	
Total Current Assets	41,521	6,244	17.7%	
Fixed Assets				
Tangible Fixed Assets	7,405	265	3.7%	<ul style="list-style-type: none"> • Increase in tangible fixed assets was mainly due to additional installations, such as servers, etc. • Rise in the consolidated accounts was the result of the consolidation of BridalNet Co., Ltd., VACS Corporation, in the quarter under review. • Increase in other intangible fixed assets primarily due to the purchase and development of software. • Growth in investment securities is chiefly due to mark-to-market revaluation of marketable securities.
Intangible Fixed Assets				
Consolidated Accounts	399	332	499.7%	
Other Intangible Fixed Assets	1,115	254	29.5%	
Total Intangible Fixed Assets	1,514	586	63.3%	
Investment and Others				
Investment Securities	7,954	597	8.1%	
Long-term loans	5,941	-25	-0.4%	
Others	1,701	7	0.4%	
Allowance for Doubtful Accounts	-52	0	-0.4%	
Total Investments and Others	15,545	579	3.9%	
Total Fixed Assets	24,464	1,431	6.2%	
Total Assets	65,986	7,675	13.2%	

(Yen in Millions)

	Amount	Comparison with the previous quarter		Comments
		Increase/ decrease	Change	
Liabilities				
Current Liabilities				<ul style="list-style-type: none"> • Decline in accrued income taxes was mainly due to interim income tax payments. • Increase in other current liabilities was primarily due to the growth in accrued consumption tax, etc. in line with increased sales and growth in accrued bonuses. • Decline in long-term deferred taxes was chiefly due to the mark-to-market of investment securities.
Accounts Payable Trade	558	42	8.2%	
Accounts Payable Other	3,645	72	2.0%	
Accrued Income Taxes	5,859	-849	-12.7%	
Other Current Liabilities	2,430	640	35.8%	
Total Current Liabilities	12,493	-94	-0.8%	
Long-term Liabilities				
Long-term Deferred Taxes	2,056	328	19.0%	
Long-term Accrued Payable	79	47	148.4%	
Other Long-term Liabilities	164	164	—	
Total Long-term Liabilities	2,300	540	30.7%	
Total Liabilities	14,794	446	3.1%	
Minority Interests in Consolidated Subsidiaries				
Minority Interests in Consolidated Subsidiaries	137	24	21.1%	
Shareholders' Equity				<ul style="list-style-type: none"> • Increase in common stock and additional paid-in capital due to the exercise of stock options. • Increase in the other securities evaluation adjustment was chiefly due to the mark-to-market of investment securities.
Common Stock	6,265	84	1.4%	
Additional Paid-in Capital	1,346	84	6.7%	
Retained Earnings	39,340	6,648	20.3%	
Other Securities Evaluation	4,121	388	10.4%	
Treasury Stock	-20	—	—	
Total Shareholders' Equity	51,054	7,205	16.4%	
Total Liabilities, Minority Interests in Consolidated Subsidiaries and Shareholders' Equity	65,986	7,675	13.2%	

<Consolidated Statements of Cash Flows>

The net increase in cash and cash equivalents was ¥4,748 million for the quarter. The consolidated statement of cash flows for the third quarter follows.

The Consolidated Statements of Cash Flows (Oct. 1, 2003- Dec. 31, 2003)

(Yen in Millions)

	Three months ended Dec. 31, 2003	Comments
Cash Flows from Operating Activities:	5,842	<ul style="list-style-type: none"> • In cash flows from operating activities, there was an increase in sales receivables and interim payments of income taxes, etc., but cash increased thanks the rise in income before income taxes and other positive changes.
Income before Income Taxes	11,316	
Depreciation and Amortization	824	
Amortization of Consolidated Accounts	30	
Increase in Allowance for Doubtful Accounts	142	
Loss on Disposal of Fixed Assets	81	
Gain on sale of Fixed Assets	-0	
Loss on Evaluation of Investment Securities	29	
Gain on sale of Investment Securities	-140	
Exchange Gains	0	
Equity in Gains under the Equity Method	-23	
Proceeds from Interest and Dividend	-175	
Interest Expense	0	
Increase in Inventory	-12	
Increase in Accounts Receivable Trade	-1,499	
Increase in Accounts Payable Trade	39	
Increase in Accounts Receivable Other	-54	
Increase in Accounts Payable Other	442	
Increase in Consumption Tax Payable	262	
Payment of Income Taxes and Other Taxes	-5,422	
Cash Flows from Investing Activities:	-1,462	<ul style="list-style-type: none"> • In cash flows from investment activities, cash decreased due to the purchase of servers, etc. and the acquisition of shares of subsidiaries.
Expenditures on Tangible Fixed Assets	-1,389	
Expenditures on Intangible Fixed Assets	-198	
Proceeds from Sale of Investment Securities	201	
Expenditures on acquisition of stocks of subsidiaries	-241	
Proceeds from Recovery of Lending	23	
Expenditures on Increase in Guarantee Deposit Assets	-0	
Proceeds from Decrease in Guarantee Deposit Assets	1	
Proceeds from Interest and Dividends	142	

	Three months ended Dec. 31, 2003	Comments
Cash Flows from Financing Activities:	367	• In cash flow from financing activities, cash increased due to an increase in short-term loans and the exercise of stock options.
Proceeds from Issuance of Shares	168	
Proceeds from short-term loan	300	
Redemption of short-term loan	-100	
Interest Expenses	-0	
Effect of Exchange Rate Changes on Cash and Cash Equivalents	-0	
Net Change in Cash and Cash Equivalents	4,748	
Cash and Cash Equivalents at beginning of Term	24,291	
Cash and Cash Equivalents at end of Term	29,039	

Note: In addition to Cash on the balance sheet, the balance of cash and cash equivalents at end of term includes jointly-managed specified money trusts totaling ¥600 million included under Other Current Assets.

Operating Review by Business Division

Beginning with January 2002, Yahoo Japan Corporation 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 Corporate Common Business.

The following is an outline of the activities of the six business divisions and Corporate Common Business for the third quarter. 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 Service	<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 B to C auction and Yahoo! Shopping. • Research, Business Express, account opening incentive 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, etc.
Personal Service	<p>Sales from services for individuals.</p> <ul style="list-style-type: none"> • System-use fees for Yahoo! Auctions and others. • Yahoo! Premium revenues. • Yahoo! BB ISP fees and content fees.
Other	<ul style="list-style-type: none"> • Sales of e-Shopping! Books CORP.

Net Sales by Business Division (Third Quarter)

(Yen in Millions)

	Advertising	Business Service	Personal Service	Other	Total
Auction	198	552	5,044	—	5,795
Listing	2,923	683	35	—	3,642
Yahoo! BB	188	1,413	1,704	—	3,306
Shopping	134	443	—	1,105	1,683
Media	1,405	90	80	—	1,576
BS	13	254	—	—	268
Corporate Common Business	969	47	2,825	—	3,842
Elimination or Corporate	-2	-30	—	—	-32
Total	5,830	3,454	9,690	1,105	20,081

(1) 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.

Main services: Yahoo! Auctions, Yahoo! Delivery, Yahoo! Payment, etc.

2) Activities in the third quarter

During the third quarter, we worked to improve our services on Yahoo! Auction and encourage even more people to use them. We set up a Getting Started on Yahoo! Auctions page, ran a Free Item Listing Day and other campaigns, and made it possible for people to use Yahoo! Auctions with just a mobile phone. In addition, we held our first off-line event—Yahoo! Auction Presents Christmas Flea Market in Tokyo Big Site. Approximately 38,000 people participated in the two-day event, which successfully demonstrated the ease-of-use and fun of Yahoo! Auctions. In other areas, we significantly lowered the monthly system-use fees to promote growth in the number of auction stores (merchant stores) as well as introducing a discount package for stores which also opens stores on Yahoo! Shopping. As a result, the number of unique users of Yahoo! Auctions at the end of December totaled approximately 14.21 million browsers, an increase of about 8.4% or 1.1 million browsers from the end of September. The number of merchants at the end of December also increased, rising 429 stores, or 26.9%, to 2,022 stores from three months earlier. The number of items listed for Yahoo! Auctions rose to a record number of about 5.36 million items at the end of November. Moreover, a new record high for monthly transaction volume of ¥46.2 billion was reached on in December. The transaction rate during the third quarter ranged between 30% and 58%, remaining at a high level.

Major New Services and Service Upgrades

Date	New Services and Service Upgrades
Oct. 1	<ul style="list-style-type: none"> Significantly lowered the monthly system-use fee for Yahoo! Auctions stores to ¥18,000 from ¥50,000. Commencing November 1, introduced a Package Discount for stores which also open stores on Yahoo! Auctions, cutting the tenant fee in half to ¥9,000.
Oct. 8	<ul style="list-style-type: none"> Announced that daily listed items exceeded 5 million for the first time.
Dec. 20, 21	<ul style="list-style-type: none"> Hosted Yahoo! Auctions Presents Christmas Flea Market in Tokyo Big Site.

Page Views (Figure in parentheses is change from previous quarter)

Monthly Pages Views in December	5,334 million page views (+12.5 %)	31.0 % of total page views
---------------------------------	---------------------------------------	----------------------------

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

	Oct. 2003	Nov. 2003	Dec. 2003
Number of Auction Unique Users	Approx. 14.30 million browsers	Approx. 14.26 million browsers	Approx. 14.21 million browsers
Number of Total Listed Items (Monthly average)	Approx. 5.00 million items	Approx. 5.36 million items	Approx. 5.25 million items
Monthly Total Number of New Listings	Approx. 14.92 million items	Approx. 14.64 million items	Approx. 13.50 million items
Monthly Volume of Transactions	Approx. ¥42.7 billion	Approx. ¥44.1 billion	Approx. ¥ 46.2 billion
Average Closing Price per Item	¥5,894	¥5,831	¥6,290
Transaction Rate	37-58%	39-52%	30-51%
Number of Stores (As of the end of each month)	1,716 stores	1,893 stores	2,022 stores

Note: Monthly volume of transactions figures does not include cancellations or adjustments.

3) Income statements for the third quarter

(Yen in Millions)

	Third quarter	Comparison with the previous quarter		Comments
		Increase/decrease	Change	
Net Sales				<ul style="list-style-type: none"> • Main components of Business Services sales are registration fees, tenant fees and transaction fees of stores (merchant stores). • Sales included in Personal Services are system-use fees of Yahoo! Auctions and others. • Main items in SG&A are communication, business commissions, personnel expenses, and royalty expenses.
Advertising	198	10	5.6%	
Business Service	552	88	19.2%	
Personal Service	5,044	844	20.1%	
Other	—	—	—	
Total	5,795	943	19.4%	
Cost of Sales	3	-2	-42.4%	
Gross Profit	5,791	946	19.5%	
SG&A Expenses	1,421	267	23.2%	
Operating Income	4,370	678	18.4%	
Operating Margin	75.4%	—	—	

Note: The Yahoo! Premium membership fees necessary to participate in Yahoo! Auctions are included in Corporate Common Businesses sales.

(2) Listing Business Division

Note: Commencing with the first quarter of fiscal 2003, the services of the Listing Business Division have been grouped into three specialized fields: information listing, regional information, and directory searches. Services that do not fit into these categories, such as Yahoo! Mobile, Yahoo! Personals, and Yahoo! Beauty, have been transferred to other appropriate business divisions.

1) Major business

This business division provides information listing services, such as Yahoo! Employment and Yahoo! Autos; regional information services, such as Yahoo! Maps, Yahoo! Phone Book, and Yahoo! Gourmet; and directory search services, such as Category Search. The business division builds revenues by charging fees to the information providers.

Main Services: Yahoo! Employment, Yahoo! Autos, Yahoo! Real Estate, Yahoo! Education, Yahoo! Wedding, Yahoo! Healthcare, Yahoo! Present, Yahoo! Maps, Yahoo! Transit, Yahoo! Gourmet, Yahoo! Get Local, Yahoo! Phone Book, Business Express, etc.

2) Activities in the third quarter

During the quarter under review, we renewed some of our directory search results pages, making it easier to use key word and category searches. To make our site more appealing to not only users but to providers that pay to list information, we made efforts to expand and improve our services. For example, we added maps covering wider areas on Yahoo! Maps and more than quadrupled the volume of map data. In December, we reached an agreement with Recruit Co., Ltd., on the strengthening of our cooperative framework to jointly develop a recruiting services business. Recruit will develop its recruiting services on the Yahoo! JAPAN domain, with the two companies integrating their interfaces for individuals into Yahoo! Recunavi. In addition, the two companies will establish a joint venture to develop a new business. In other areas, advertising sales from Sponsor Site sales also grew favorably during the quarter under review.

Major New Services and Service Upgrades

Date	New Services and Service Upgrades
Oct. 2	• Improved key word and categories searches to make them easier to use, and renewed some of the directory search results pages.
Nov. 6	• Added maps covering a wider area on Yahoo! Maps, quadrupling the volume of map data.
Dec. 11	• Reached fundamental agreement with Recruit Co., Ltd., on strengthening cooperative framework for joint development of Internet-based recruiting business.
Dec. 16	• Announced 2003 Key Word Ranking, a collection of the most frequently used key words in searches from Jan. 1 to Dec. 7, 2003.

Page Views (Figure in parentheses is change from previous quarter)

Monthly Pages Views in Dec.	2,447 million page views (+ 0.8 %)	14.2 % of total page views
-----------------------------	---------------------------------------	----------------------------

Note: Includes page views of BridalNet Co., Ltd.

Business Express Orders

Oct. 2003	Nov. 2003	Dec. 2003
1,381 contracts	1,210 contracts	1,406 contracts

3) Income statements for the third quarter

(Yen in Millions)

	Third quarter	Comparison with the previous quarter		Comments
		Increase/decrease	Change	
Net Sales				<ul style="list-style-type: none"> • Main components of Business Services sales are Business Express and information listing fees for recruiting, used car, real estate, and other information. • The main component of Personal Service sales is the sales of BridalNet Co., Ltd. • Main items in SG&A are sales commission, personnel, content provider, and royalty expenses.
Advertising	2,923	490	20.1%	
Business Service	683	55	8.9%	
Personal Service	35	35	—	
Other	—	—	—	
Total	3,642	581	19.0%	
Cost of Sales	7	-3	-30.0%	
Gross Profit	3,634	584	19.2%	
SG&A Expenses	974	87	9.9%	
Operating Income	2,659	497	23.0%	
Operating Margin	73.0%	—	—	

(3) Yahoo! BB Business Division

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 some ISP services, such as e-mail, homepage creation, and others.

Main services: Yahoo! BB, Yahoo! Mail, Yahoo! GeoCities, etc.

2) Activities in the third quarter

During the quarter under review, we continued to conduct various campaigns to acquire new subscribers as well as improving and expanding our services for members. Specifically, the division began accepting pre-introduction applications for its Yahoo! BB 45M, a new service with a maximum download speed of 45Mbps. We also improved our Friend Introduction Tool, which allows users to simply introduce their friends over the Internet. Among content services, we offered viewing of an exclusive live performance video of Every Little Thing, popular recording artists, free of charge to BB members and provided an early viewing of the Adventures of Bumble Bee Maya. In ISP services, we made Yahoo! Mail compatible with Yahoo! Avatar and began testing of a new version of Yahoo! Mail that substantially improves ease of use and expands functions. For Yahoo! GeoCities, we began a free service that allows users to link up with Yahoo! Avatar, Yahoo! Messenger, and others. The division also strove to increase the convenience of Yahoo! GeoCities users by greatly expanding functions, such as expanding storage space to 15MB to allow storage of more data. In November, we formed an Anti-Junk Mail Network jointly with Microsoft Corporation, agreeing to work toward solutions to eradicate unsolicited junk mail, which is fast becoming a social problem.

As a result, the number of Yahoo! BB subscribers amounted to approximately 3.69 million at the end of December 2003, rising about 440 thousand subscribers, or 13.7%, from the end of September. The cumulative DSL share was approximately 36.0%.

Major New Services and Service Upgrades

Date	New Services and Service Upgrades
Oct. 30 – Nov.30	• Offered exclusive live performance video of Every Little Thing, popular recording artists, free of charge to Yahoo! BB members.
Nov. 12	• Formed an Anti-Junk Mail Network jointly with Microsoft Corporation, agreeing to work toward solutions on each of their own mail services to eradicate unsolicited junk mail, which is fast becoming a social problem.
Nov. 17	Yahoo! Mail made compatible with Yahoo! Avatar, enabling the service to insert users' original Avatar characters into the main text or name line of e-mail .
Dec. 1	• Began accepting pre-introduction applications for its Yahoo! BB 45M, a new service with a maximum download speed of 45Mbps.
Dec. 11	• Greatly expanded the functions of Yahoo! GeoCities. Started a free service enabling Yahoo! GeoCities users to link up with Yahoo! Avatar, Yahoo! Messenger, and others. Increased storage space to 15MB to allow storage of more homepage data.
Dec. 15	• Started testing of a new version of Yahoo! Mail that substantially improves ease of use and expands functions.

Page Views (Figure in parentheses is change from previous quarter)

Monthly Pages Views in December	2,016 million page views (+10.7 %)	11.7 % of total page views
---------------------------------	---------------------------------------	----------------------------

Total Subscriber Lines for Yahoo! BB Services

End of Oct. 2003	Approximately 3,399 thousand lines (including approximately 1,052 thousand lines marketed by Yahoo! JAPAN)
End of Nov. 2003	Approximately 3,553 thousand lines (including approximately 1,069 thousand lines marketed by Yahoo! JAPAN)
End of Dec. 2003	Approximately 3,694 thousand lines (including approximately 1,084 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.

2) Income statements for the third quarter

(Yen in Millions)

	Third quarter	Comparison with the previous quarter		Comments
		Increase/decrease	Change	
Net Sales				<ul style="list-style-type: none"> • Main components of Business Services sales are the customer acquisition incentive fees of Yahoo! BB. Due to the slow down in the pace of new customer acquisition at the end of the year, sales declined.
Advertising	188	21	12.8%	
Business Service	1,413	-106	-7.0%	
Personal Service	1,704	272	19.0%	
Other	—	—	—	
Total	3,306	187	6.0%	<ul style="list-style-type: none"> • Main components of Personal Services sales are the ISP fees for Yahoo! BB. • Main items in SG&A expenses are business commissions, sales promotion, communication, and personnel expenses.
Cost of Sales	193	16	9.2%	
Gross Profit	3,113	171	5.8%	
SG&A Expenses	1,008	-108	-9.7%	
Operating Income	2,104	279	15.3%	
Operating Margin	63.7%	—	—	

Note: Beginning with the first quarter of fiscal 2003, the method of recognizing ISP fees related to sales was changed to more accurately reflect the business of the Yahoo! BB Business Division in the financial statements. Whereas Yahoo! BB previously booked the ¥1,290 monthly ISP fee per user per month as sales and the ISP cost of ¥1,090 as cost of sales, the business division now nets the amounts and only books net sales of ¥200. In addition, the method of accounting for ISP sales to new subscribers during free service campaigns was changed to not recording any ISP sales during that period.

(4) Shopping Business Division

1) Major business

This business division operates a two-tier online shopping site, comprising “Selected Stores,” which have high brand name recognition and offer high quality services, and “Stores,” which offer a wide assortment of highly individualistic and appealing goods. It also supplies items related to travel, such as domestic and overseas accommodation and airline tickets, and information on travel preparation.

Main Services: Yahoo! Shopping, Yahoo! Books, Yahoo! Computer, Yahoo! Travel, eS! Books, etc.

2) Activities in the third quarter

During the period under review, we continued to focus on the drive to recruit new stores for our site that began in July 2003, striving to expand the scope of goods offered and to boost customer satisfaction. For the year-end sales campaign, we implemented a variety of sales promotions, including special features on bonuses, Christmas, and O Seibo gifts. In addition, we supported the sales promotions of participating stores by running a Cash Back Campaign that refunded cash on purchases up to a maximum of ¥100,000 for about one in 50 shoppers on our sites. On Yahoo! Travel, we made efforts to improve services by launching an online reservation service for accommodation at overseas hotels and made an agreement with JTB Corp. and Tavigator, Inc. to start a new service specializing in business travel in Japan.

As a result, at the end of December, we had a total of 1,202 stores, up 637 stores, or 112.7%, from the previous quarter. Monthly transaction volume reached a record high in December.

Major New Services and Service Upgrades

Date	New Services and Service Upgrades
Nov. 27	• Agreed with JTB Corp. and Tavigator, Inc. to start a new service specializing in business travel in Japan.
Dec. 1-Dec. 26	• Ran a Cash Back Campaign that refunded cash on purchases up to a maximum of ¥100,000 for about one in 50 shoppers.
Dec. 11	• Launched an online reservation service for accommodation at overseas hotels, simultaneously boosting the number of registered hotels by four fold.
Dec. 26	• Established a Lucky Bag category for a limited period where shoppers could buy specified Lucky Bags from Mitsukoshi, Ltd. and others.
Dec. 31- Jan. 13	• Held a New Year Half Price Sale in which consumer electronics items and winter fashion goods were 50% off.

Page Views (Figure in parentheses is change from previous quarter)

Monthly Pages Views in Dec.	348 million page views (+13.3 %)	2.0 % of total page views
-----------------------------	----------------------------------	---------------------------

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

Shopping Business Transaction Volume

Oct.2003	Nov. 2003	Dec. 2003
¥4,424 million	¥4,880 million	¥5,746 million

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

3) Income statements for the third quarter

(Yen in Millions)

	Third quarter	Comparison with the previous quarter		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, sales promotion costs, and business commissions expenses.
Advertising	134	24	22.5%	
Business Service	443	106	31.5%	
Personal Service	—	—	—	
Other	1,105	14	1.4%	
Total	1,683	145	9.5%	
Cost of Sales	874	24	2.9%	
Gross Profit	808	120	17.5%	
SG&A Expenses	591	88	17.6%	
Operating Income	217	32	17.4%	
Operating Margin	12.9%	—	—	

(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 and Yahoo! Finance; entertainment services, such as Yahoo! Movies, Yahoo! Music, and Yahoo! Streaming; community services, such as Yahoo! Message Boards and Yahoo! Avatar.

Main Services: Yahoo! News, Yahoo! Finance, Yahoo! Sports, Yahoo! Beauty, Yahoo! Weather, Yahoo! Movies, Yahoo! Music, Yahoo! Entertainment, Yahoo! TV Coverage, Yahoo! Fortune Telling, Yahoo! Game, Yahoo! Comic, Yahoo! Streaming, Yahoo! Member Directory, Yahoo! Message Board, Yahoo! Chat, Yahoo! Messenger, Yahoo! Avatar, Yahoo! Personals, Yahoo! Greetings, Yahoo! eGroups, Yahoo! Deliver, etc.

2) Activities in the third quarter

During the quarter under review, we continued to increase sales by developing, expanding and improving pay and free content to attract users. Specifically, in response to the rapid growth in broadband users and to expand the pay membership of Yahoo! BB and Yahoo! Premium, we launched Yahoo! Streaming, a comprehensive animation film site featuring about 850 episodes of about 70 series. Members of Yahoo! BB and Yahoo! Premium may view the site for free. During the period under review, we sought ways to develop the use of Yahoo! Avatar as a sales promotion tool. We reached an agreement with Edge Co., Ltd., Magazine House Co., Ltd., and Mitsui & Co., Ltd. to use Yahoo! Avatar to jointly develop a merchandising business over the Internet. We are also working with Meiji Seika Kaisha, Ltd. to implement a joint project on Meiji Seika Birthday Teddy. We also began offering a pay service, Multex Toyo Keizai Analysis Reports, on Yahoo! Finance.

Major New Services and Service Upgrades

Service	Date	New Services and Service Upgrades
Yahoo! News	Dec. 25	<ul style="list-style-type: none"> • Launched Yahoo! News Special Feature Looking Back on 2003, which shows the daily and monthly rankings of the topics covered in the news during 2003.
Yahoo! Finance	Nov. 14	<ul style="list-style-type: none"> • Large-scale renewal of the Analyst Report Corner. Information now provided on rankings by industry and stock (free) and a pay analyst report service by company and industry (Multex Toyo Keizai Analysis Reports).
Yahoo! Sports	Nov. 22 - Dec. 8	<ul style="list-style-type: none"> • Jointly with the Japan Racing Association (JRA), established a special site for voting by fans on the running of the 48th Arima Kinen, and collected votes.
Yahoo! Beauty	Oct. 27 - Nov. 10	<ul style="list-style-type: none"> • Made a Yahoo! Beauty 2003 Best Cosmetic Award to commemorate the first year of services, deciding the grand pix award based on an internet vote by users.
Yahoo! Music	Oct. 30 - Nov. 30	<ul style="list-style-type: none"> • Established a special site, Nescafe Cappuccino Special every little thing 2003 tour MANY PIECES Yahoo! Music Edition, on which users could view a live performance by Every Little Thing, popular recording artists.
Yahoo! Entertainment	Nov. 27 - Dec. 11	<ul style="list-style-type: none"> • Held the first Yahoo! JAPAN Entertainment Awards for 2003, in which users decide the award by Internet voting on the most popular people, music, and videos in 2003.
Yahoo! Chat	Oct. 12, 19 Dec. 17 Dec. 18	<ul style="list-style-type: none"> • Held two chat events with Naoto Kan, Chairman of the Democratic Party of Japan. • Held chat event with actress Ryoko Hirose. • Held chat event with recording artist Hitomi Shimatani.
Yahoo! Messenger	Nov. 5	<ul style="list-style-type: none"> • Added Auction Alert, a real-time service that notifies users of items being listed for auction.
Yahoo! Avatar	Oct. 1 Nov. 26	<ul style="list-style-type: none"> • Reached agreement with Edge Co., Ltd., Magazine House Co., Ltd., and Mitsui & Co., Ltd. to use Yahoo! Avatar to jointly develop a merchandising business to promote goods which are sold on a mobile phone shopping site, mini magnetcafe. • Jointly with Meiji Seika Kaisha, Ltd., started campaign using Yahoo! Avatar to offer items using an original mascot teddy bear that are distributed to all purchasers of 365-Day Birthday Teddy, a popular chocolate and prize product, as a motif.
Yahoo! Streaming	Dec. 24	<ul style="list-style-type: none"> • Started Yahoo! Streaming, a comprehensive animation film service offering animation content covering about 850 episodes of 70 series of 12 content provider companies. Yahoo! BB members and Yahoo! Premium members can watch the video for free of charge.

Page Views (Figure in parentheses is change from previous quarter)

Monthly Pages Views in Dec.	4,736 million page views (-6.3 %)	27.5 % of total page views
-----------------------------	-----------------------------------	----------------------------

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

3) Income statements for the third quarter

(Yen in millions)

	Third quarter	Comparison with the previous quarter		Comments
		Increase/decrease	Change	
Net Sales				<ul style="list-style-type: none"> • Main component of Business Services sales is Car Insurance Package Estimate Request Service sales. • Main component of Personal Services is sales of fee-based content. • Main items in SG&A are, personnel, sales commissions, content provider, and communication expenses.
Advertising	1,405	143	11.4%	
Business Service	90	-19	-17.8%	
Personal Service	80	25	45.7%	
Other	—	—	—	
Total	1,576	149	10.5%	
Cost of Sales	56	-2	-5.0%	
Gross Profit	1,519	152	11.1%	
SG&A Expenses	1,136	108	10.5%	
Operating Income	382	43	13.0%	
Operating Margin	24.3%	—	—	

Note: The Premium member fees required for use of pay services of Yahoo! Personals, Yahoo! Streaming, and Yahoo! Avatar are included in the sales of Corporate Common Business.

(6) Business Solution (BS) Business Division

Effective July 1, 2003, the ES Business Division changed its name to the Business Solution (BS) Business Division to reflect the broadened scope of its marketing efforts to companies and government bodies.

1) Major business

This business division utilizes the know-how and technology developed by the Group to offer business solutions to companies and government bodies, including sole proprietors. Specifically, it provides such services as licenses for Enterprise Information Portal (EIP) solutions, portal site development support for B-to-C businesses (Sales End-users) or B-to-B businesses (Sales outlets), Web design consulting, the Internet survey service Yahoo! Research, and domain and hosting services, etc.

Main Services: Yahoo! Portal Solutions, Yahoo! Research, Yahoo! Domain, Yahoo! Web Hosting, etc.

2) Activities in the third quarter

During the period under review, we continued to aggressively make sales proposals for optimum navigation portals to companies and government bodies. In portal development support services, the Kansai Institute of Information Systems and Industrial Renovation decided to use Yahoo! Portal Solution for eOsaka, Japan's first full fledged public and private sector cooperative portal. Among other projects, we received an order from Fuji Xerox Co., Ltd., for the development of an in-house corporate portal site and, jointly with Nihon Unisys, Ltd., held sales promotion seminars in major cities throughout Japan. We also

aggressively promoted Yahoo! Web Hosting, a service enabling construction of an original domain for a Web site and an e-mail environment. Targeting sole proprietors and small and medium-size businesses, the service got under way in the previous quarter. In other areas, Yahoo! Research held its first Yahoo! Research Seminar aimed at corporate clients. In conjunction with our business partner, INTAGE Interactive Inc., we strengthened our sale organization, concentrated on sales efforts and increased the value of orders received despite the harsh business climate in the overall research market.

Major New Services and Service Upgrades

Date	New Services and Service Upgrades
Nov. 14	• Announced that Japan's first full fledged public and private sector cooperative portal eOsaka would use Yahoo! Portal Solution.
Dec. 8	• Held the first Yahoo! Research seminar aimed at corporate clients.

Page Views (Figure in parentheses is change from previous quarter)

Monthly Pages Views in Dec.	1.2 million page views (-13.2 %)	0.01 % of total page views
-----------------------------	-------------------------------------	----------------------------

3) Income statements for the third quarter

(Yen in millions)

	Third quarter	Comparison with the previous quarter		Comments
		Increase/decrease	Change	
Net Sales				• Main components of Business Services sales were sales of Yahoo! Research and Yahoo! Portal Solutions. • Primary components of Cost of Sales were costs for Yahoo! Portal Solutions.
Advertising	13	-5	-27.5%	
Business Service	254	4	1.9%	
Personal Service	—	—	—	
Other	—	—	—	
Total	268	-0	-0.2%	• Main items in SG&A were personnel, business commissions, and rental expenses. • Operating income declined due to the addition of personnel related to strengthen the marketing activities.
Cost of Sales	157	14	10.1%	
Gross Profit	111	-14	-11.8%	
SG&A Expenses	121	33	37.3%	
Operating Income	-10	-47	—	
Operating Margin	-3.8%	—	—	

(7) Corporate Common Business-Elimination or Corporate

Revenues and expenses related advertisements on the top page of Yahoo! JAPAN and Sales on Yahoo! Premium relating to other services for the Company are not allocated to the sales or expenses of business divisions, but considered sales and expenses of Corporate Common Business that develop our corporate brand. Sales and expenses from Headquarters are added up to Corporate Common Business.

Effective July 1, 2003, the term for paying users for personal identification was changed along with the establishment of a Yahoo! Premium, a membership service that offers special advantages. Members of Yahoo! Premium have access to the services of Yahoo! Auctions, Yahoo! Personals, Yahoo! Streaming, Yahoo! Avatar (pay items), etc. We aim to add further special services limited to members and expand Yahoo! Premium's membership base. With this change, Paying Users for Personal Identification are included in Premium Members.

Main services: Top Page, Yahoo! Kids, My Yahoo!, Yahoo! Calendar, Yahoo! Notepad, Yahoo! Address Book, Yahoo! Photo, Yahoo! Briefcase, Yahoo! Polls, Yahoo! Alert, Yahoo! Companion, Yahoo! Newsletter, Yahoo! Mobile, Yahoo! Volunteer, Yahoo! Bookmark, Yahoo! BB Top Page, Yahoo! JAPAN Help Center, Yahoo! Wallet, Yahoo! Premium, etc.

Number of Premium member IDs

Oct. 2003	Nov. 2003	Dec. 2003
3.35 million IDs	3.47 million IDs	3.57 million IDs

Income statement for the third quarter

(Yen in millions)

	Third quarter	Comparison with the previous quarter		Comments
		Increase/decrease	Change	
Net Sales				(Net Sales)
Advertising	966	248	34.6%	• Main components of Corporate Common Business sales are advertising sales on top pages, etc. and Yahoo! Premium fees. • Consolidation elimination figures are removed as sales of headquarters.
Business Service	17	-8	-32.9%	
Personal Service	2,825	284	11.2%	
Other	—	—	—	
Total	3,809	524	16.0%	
Cost of Sales	31	19	158.1%	(SG&A Expenses)
Gross Profit	3,777	504	15.4%	• Main components of Corporate Common Business SG&A are personnel, sales commissions expenses and business commissions expenses. • Main items in Headquarters SG&A are personnel, depreciation, and business commission expenses.
SG&A Expenses	2,396	109	4.8%	
Operating Income	1,381	395	40.1%	
Operating Margin	36.3%	—	—	

(Advertising Related Sales)

The following is an outline of our advertising business in the third quarter based on combining the advertising sales of each business division. (The description on advertising related sales is on unconsolidated base.)

Activities in the third quarter

Thanks to the full-fledged start to year end advertising campaigns, signs of recovery finally emerged in the advertising industry during the third quarter. To take advantage of this situation, the Group strengthened its cooperative sales organization with advertising agencies, targeting winning advertising from National Clients. In particular, the Group aggressively marketing high impact products, such as Brand Panels for top pages and Super Banners in the topics areas of Yahoo! News and Yahoo! Sports, which have a high number of unique users and page views, as well as Visual Banner, a service that can adjust to the user's computer environment and send large volume banners up to 210K. For Recruiting, Real Estate, Automobile, and IT, and other advertisers that are familiar with the Internet, the Group strengthened its sales proposals for related advertising special features within the Property section of Yahoo! JAPAN, and ran aggressive sales campaigns for Yahoo! Deliver. In addition, as a result of the revision, etc. of the interface for Sponsor Sites, sales of these sites also recorded solid performance.

Based on our sales efforts, quarterly advertising business sales rose to ¥5.8 billion, posting another record high. The third quarter advertising related sales were as follows.

(Yen in millions)

	Amount	Comparison with the same quarter in previous fiscal year		Comparison with the previous quarter	
		Increase/decrease	Change	Increase/decrease	Change
Advertising related sales	5,830	933	19.1%	2,308	65.5%

Advertising Products

During the third quarter, sales of high impact products were especially strong. Following a renewal in April, Brand Panel for top pages achieved record sales and sales of such large advertising space products as Super Banners, Monster, and Sky Scrapper that are placed on the top pages of each property or category performed well. Moreover, Yahoo! Delivery also posted significant sales growth thanks to a sales campaign.

One of the features of the third quarter was an increase in cooperative sales campaigns and promotions for cosmetic, drink, and food products, areas for which there had not been much advertising in the past. These cooperative drives took the form of campaigns done along with the kickoff of sales of a new products, a sales campaign linked to content on Yahoo! JAPAN or other activities. Specific examples include such cooperative promotions as Nestle Japan Group's tie-up with Yahoo! Music to offer Nescafe Cappuccino Special every little thing 2003 MANY PIECES Yahoo! Music Edition and Meiji Seika Kaisha, Ltd.'s tie-up with Yahoo! Avatar to offer a 365-Day Birthday Teddy avatar items.

For the third quarter, rates for high-volume branding-type banner ads ranged from ¥0.25 to ¥1.00 per page view, rates for targeting-type banner ads varied from ¥1.20 to ¥20.00 per

page view, and rates for the large-sized Super Banners varied from ¥0.80 to ¥4.00 per page view. Rates for the group-specific e-mail advertising Yahoo! Deliver were ¥5.00 to ¥10.00 per mailing. Rates for Yahoo! Billboard for National Clients varied from ¥5.00 million to ¥9.00 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 large volume of 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 funds raised. Among our charity auctions of goods donated by celebrities in the third quarter, we auctioned a pair of Best Jean-look 2003 Original Jeans, jeans signed by Ayu Yamazaki, winner of the 2003 award for the best look in jeans and a Matrix Reloaded original mobile phone handset by Samsung Electronics Co., Ltd. In total, we held 349 charity auctions during the third quarter, raising a total of approximately ¥24.84 million. Our charity auctions raised about ¥68.67 million during 2003. All of the funds raised for such charities are being donated to the following charities (not listed in any special order).

- The Japan Organization of the global environmental body, the Green Cross.
- Make a Wish of Japan, a volunteer organization that makes the dreams of children with serious illnesses come true.
- NPO Japan Association for UNHCR (United Nations High Commissioner for Refugees).
- Japan Alliance for Humanitarian Demining Support, which helps save people around the world by eliminating mines.

3. Personal Privacy Protection Trustmark TRUSTe

On April 3, 2002, the Company 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 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.

Moreover, starting in October 2003, we began a large-scale campaign over the Internet for the Pink Ribbon Campaign, which seeks to warn the importance of early discovery and treatment of breast cancer. The Company used its Web site to provide an

opportunity for people to participate in the campaign and encourage women to go to medical facilities for breast examinations.

In addition to activities on our site, we are also active in many other areas, such as carrying out a PET bottle cap recycling campaign and donating the recycling funds to the Japan Committee for Vaccines for the World's Children and holding charity auctions at auction flea market events, etc.

Risk Factors

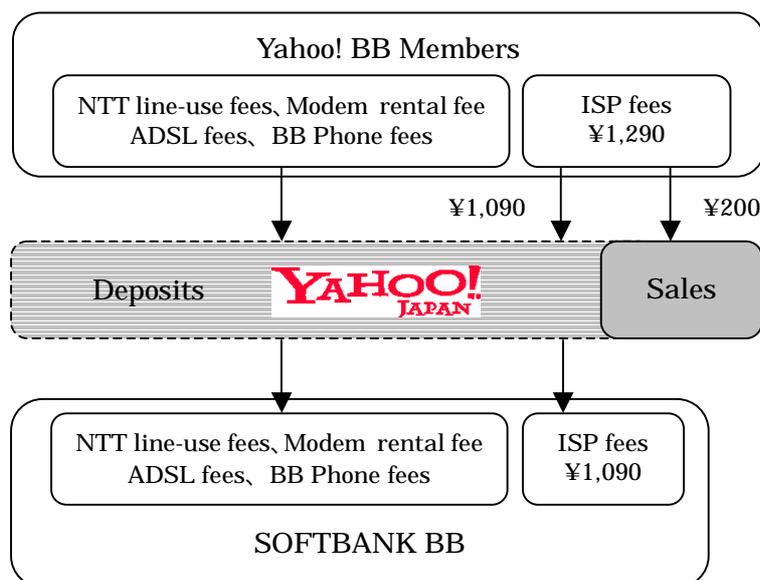
Yahoo Japan Corporation (hereinafter referred to as “the Company”) and its consolidated subsidiaries and affiliated companies (hereinafter referred to as “the Group”) have reported their results for the third quarter ended December 31, 2003, in the document *Results for the Three Months Ended December 31, 2003*. A number of potential factors could substantially impact future performance.

Major factors contributing to the business risks 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 Corporation shares.

1. Group Business Risk

(1) Yahoo! BB Business

Yahoo! BB is an integrated broadband service provided jointly with SOFTBANK BB Corp. (SBB). The service includes ADSL services, Internet connection (ISP) services, a broadband portal site and content-provision services, and other services. The Company’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, developing technology and providing technical support. The allocation of revenues based on the above separation of roles is as follows.



Note:
Of the ¥1,290 collected in ISP fees from Yahoo! BB members, the Company only records a proportional share of ¥200 as sales.

a. Subscriber Sign-up Promotion Business and Incentive Commission

Beginning with the fiscal year ended March 2003, sales of the Yahoo! BB Starter Kit, which provides subscribers with essential equipment for using the service, is 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 sign-up through electronic wholesalers 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 start-up of BB Phone service, a broadband telephone service offered by Yahoo Japan Corporation, 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, this may prevent the Group from making anticipated sales or require that it bear much higher costs than expected, with a 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.

b. 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 the 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 home pages 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.

c. 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 effect collections. For that reason, the Group intends to improve its operating efficiency by hiring specialists and technically skilled staff and by

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.

d. The Competitive Environment

As of December 31, 2003, the major providers in Japan of services similar to those the Group offers 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 a significant impact on the Group's business.

e. Dependence on a Certain Distributor

In its Yahoo! BB business, Group revenues show a high level of dependence on SBB for sales 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.

(2) Auction Business

a. Damage Compensation

The Group 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 for 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.

b. Illegal Acts

There have been recent reports of illegal or fraudulent merchandise bought and sold using the Group's Yahoo! Auctions services. If this were to come under the scrutiny of regulators, operations could become difficult. Effective September 2003, a revision of the law regarding the sale of used goods to prevent crimes that abuse Internet auctions was enforced. 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 to 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 to cooperate 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 the Company 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 Group has instituted a damage-compensation system, which pays a limited amount to users that have suffered damages due to illegal acts or accidents. 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 the Company, 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.

c. Yahoo! Payment Service

Yahoo! Payment is a payment service provided by the Company's subsidiary Netrust, Ltd whereby on the request of the seller and purchaser of an item sold on Yahoo! Auctions, Netrust, Ltd acts as the intermediate in the settlement of the payment between sellers and buyers.

Since Netrust, Ltd 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 exploring methods of reducing the amount of reimbursement funds by shortening the settlement cycle with the credit card companies' settlement banks as well as by 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 raised 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 online. 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.

d. The Competitive Environment

As of December 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
bidder	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 on the Yahoo! Japan auction site, competition could lower commission income by cutting participation and increasing advertising costs, which would have a negative impact on the Group’s operating results.

(3) Risks Affecting Internet Advertising Business

For businesses other than those mentioned above, it is difficult to list risks specific to each business. But there are 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.”

a. 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 companies, 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 is taking steps to educate them by regularly holding seminars and through other methods. At the same time, as elaborated on later in this document, to reduce the previously stated risks we are expanding and firming up our advertiser base by changing our advertising sales structure and by 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.

b. 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 to devise some other type of compensation that could negatively impact Group advertising revenues.

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

As stated below 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 a 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 its 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.

d. Advertising Sales Structure

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

e. The Competitive Environment

As of December 31, 2003, the major providers to Japanese Internet users of Japanese-language Internet navigational services or similar services 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
MSN	Microsoft Corp.	Comprehensive information site
infoseek	Rakuten Inc.	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 have a substantial negative impact on the Group's operating results.

f. Growth in Advertising Sales from Sponsor Sites

Sales of Sponsor Site advertising have expanded favorably since the Company formed business tie-ups with Google and Overture in November 2002 to offer these services. Since Sponsor Sites involve a link up between Yahoo! Japan's directory search services and the pay listing services of these business partners, it is possible that a disruption in the system of a business partner could result in a long-term stoppage in services or other situations that would have a negative effect on the sales of the Group. Moreover, if litigation or some other trouble arose between a business partner and a client, it might affect the operations of the Group in some way. In addition, changes in the relationship between the Company and these business partners or the termination of the business relationship, etc., could potentially have a large impact on the performance of the Sponsor Site service or even on the viability of the service itself.

2. Relationship with SOFTBANK Group

(1) Positioning within the SOFTBANK Group

As of December 31, 2003, SOFTBANK CORP. was the parent company of Yahoo Japan Corporation, 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 but that are concentrated mainly on Internet business. Their businesses include broadband infrastructure, e-commerce, e-finance, media and marketing services, and an overseas fund investment service. The Group belongs to the Internet Culture segment of the 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 the Yahoo! BB business. Yahoo! BB accounted for 16.5% of Group sales in the third quarter of the fiscal year ending March 31, 2004. We therefore consider the following contracts important to Group operations:

Contract name: Business alliance contract
Contract date: June 20, 2001
Term: Indefinite from June 20, 2001~(Perpetual contract)
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 Web site 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 (automatically renewed annually)
Contractor: SBB
Main content: 1) The Company attempts to obtain users of one 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 continuing 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 December 31, 2003, two of the five directors of the Company 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 Corporation 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 six other companies in the SOFTBANK Group (excluding subsidiaries and affiliates of Yahoo Japan Corporation) 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 the Company is limited.

Yahoo Japan Corporation 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 as a representative of the parent company.

3. Business Relationship with Yahoo! Inc.

(1) Licensing Agreements with Yahoo! Inc.

The Group’s operations are based on a licensing agreement with Yahoo! Inc., the founder of the Company and owner of 33.6% of the Company’s voting shares as of December 31, 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 <i>Note:</i> 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: * Nonexclusive rights granted to the Company for the 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”) * Nonexclusive rights granted to the Company for use in Japan of the Yahoo! trademark * Exclusive rights granted to the Company to publish the Yahoo! trademark in Japan * Exclusive rights granted to the Company worldwide for development, commercial use, and promotion of the Japanese version of the Yahoo! directory search services 2. Nonexclusive 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) <i>Note:</i> 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 for 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 for boosting brand recognition could increase substantially.

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

its brand rights through applications, registrations, and presence, there is the possibility that Yahoo! Inc. has not registered trademarks necessary to the Group's 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 to harass the Group. These actions could affect the Group's brand strategy and damage its brand image.

(3) Other Joint Directorships

Yahoo Japan Corporation 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 Corporation as well as a major business partner in the Company's core business, as stated previously. For these reasons, it has been necessary to have him on the board to support the Company's start up and expansion.

4. Influence of Internet Markets and Environment

(1) Dependence on Internet Usage Rates

Internet usage in Japan has grown steadily since the Internet's emergence there as a recognizable force in 1995. As the Group is dependent on the Internet indirectly and directly, the most basic requirements for its operations are the continued expansion of communication and commercial activity on 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 the necessary infrastructure, such as reliable backbones and high-speed modem capabilities; the need for the 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 Connectivity

As the entire catalog of Group services is dependent on the Internet, business operations require a stable environment for Internet connectivity, 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 the Group's 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 have multiple site capacity outside 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 to 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 its 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. Through such cooperation, the Group is constantly developing new technology to improve its services. The failure of Yahoo! Inc. or of 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 by adapting its services for use with mobile terminals, it can provide no guarantee that its 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 was 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 its operations.

Moreover, among the services offered by the Group 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 to stop. 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 also many of its services rely on third parties that the Group has consigned operations to or that it 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 a 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 that 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, including personalizing a variety of information sources by inputting individual information. In addition, the Group's acquisition of GeoCities in March 2000 enabled the Group to begin services providing space for registered users to create their own Web sites.

The Company uses information obtained from users internally to better match advertisements to users. This information is not disclosed to advertisers or to other outside parties.

As a result of its need for personal identification for Yahoo! Auctions, its start of the Yahoo! BB service, its recruiting of Yahoo! Research collaborators, and its aggressive efforts to develop e-commerce through subsidiaries and affiliates, the Group possesses much more detailed personal information than ever to help it identify individual users.

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 deals with information access rights within the Group with extreme care by assigning specific persons control over access rights.

Nevertheless, the Group cannot completely eliminate the possibility that this information will be leaked outside the Group deliberately or through negligence by persons related to the Group, to companies with which business alliances have been concluded, or to companies to which the Group outsources work, etc. There is also a possibility that third parties may use passwords, etc. to fraudulently access the Group's system or pretend to be someone else or some other method whereby they illicitly obtain personal information of users resulting in damage to those users. Under such circumstances, the Group's services could be adversely affected, our brand image could be tarnished, and we could be involved in legal disputes.

A law protecting the privacy of personal information was passed in the 156th session of Japan's Diet, obliging companies to protect the personal information they accumulate. Enforcement of the law is scheduled within two years. However, since the Group's procedures for dealing with personal information already meet the regulations of the new law its enforcement is expected to have almost no impact on operations. Nevertheless, as the law was

going through the approval process in the Diet, it was accompanied by a proposal to create a separate law for the information and communications industries. If this proposal results in a law more severe than the current law regarding the protection of personal information, it could affect the Group's business.

(5) Collection of Sales Credit Claims

In the sale of advertising and other products, the Group carefully examines the credit standing 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 through sales agents. Nevertheless, economic fluctuation and the 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 operations and the ramping up of our e-commerce business, mainly through subsidiaries and affiliates, the proportion of our business that garners 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 its management of this pool of customers and to take such steps as introducing a new system to improve business efficiency.

Despite these measures, it is possible that compared with its 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, the amount of uncollected receivables, the number of credit card settlement problems, and the costs of receivables collection. In particular, it is expected that the funds borrowed to allow Netrust, Ltd 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 the nature and quantity of inquiries from customers may expand. Previously, most inquiries were related to the use of our services. But inquiries may now shift to inquiries about payment, the return or exchange of services and goods, and matters related to commissioned third parties, such as distribution or settlement. To properly respond to inquiries from 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, these measures do not eliminate the possibility that customers will not be sufficiently satisfied. By hurting our brand image and other factors, such a result could negatively impact 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, the continuation and development of the business would suffer if key personnel were to leave and the Group fails to replace them.

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 their 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 Web sites created by the recent surge in Internet use, to carry out the operation and management of its community 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 such measures 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 risk exists that because our subsidiaries and affiliates are generally small scale, their in-house management systems are also small scale. It is the Group's policy to acquire necessary additional staff and to strengthen organizations as businesses expand, but if these measures are not implemented with the appropriate timing it could negatively affect the Group's performance.

Tie-ups with the parent company's services or network or personnel support are essential to the operations of any of the services of the Group's 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 because of the expansion of the businesses of the parent company and its 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 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) Share Distribution

At December 31, 2003, the major shareholders of Yahoo Japan Corporation held a very high stake in the Company, with over 75% of its equity owned by SOFTBANK CORP. and Yahoo Inc. The Company has requested the cooperation of these major shareholders in decreasing the proportion of fixed shares, but at present it is difficult to imagine any significant change in the

short term. As a result, it is highly likely that the proportion of fixed shares will remain high for the time being. In future, if the two above companies were to further increase the proportion of fixed shares by purchasing shares from certain other major shareholders, it is possible in the worst case scenario that the Company would violate the listing standards of the stock exchange its shares are listed on and be forced to delist its shares.

The Company has made and intends to continue efforts to increase the liquidity of its shares and the number of shareholders. It has made a number of stock splits in the past and is working to increase recognition of the Company among potential shareholders by conducting vigorous investor relations programs.

(11) 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 its 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 would impede the support structure that Yahoo! Inc. provides for the Group and its 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.

(12) Legal Restrictions, Lawsuits, and Intellectual Property Rights

a. 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, a number of other countries are considering regulating Internet use and publicizing legal opinions on the subject.

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

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.

b. Potential Litigation

Moves are being made to regulate the flow of information on 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 Web sites 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 Web sites and remove Web sites 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 Web sites 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 anytime 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, Web sites accessed through links on its site, content contributed to community message boards, and trading through its auction business. The resulting decline in user confidence could lead to a drop in hits or a 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 Web site 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.

c. 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 suits 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 in Japan.

(13) Change in Accounting Standards

Against the backdrop of the recent trend to establish international accounting standards, the Group has taken action appropriately and quickly to change its accounting standards for

severance and retirement benefits, financial instruments, and other categories. Nevertheless, a significant change in accounting methods for the recognition of stock option expenses or other income or expense recognition could have a material impact on the Group's profits or losses.

(14) Revision of Business Forecasts

The pace of change in technology and the market in the Internet sector in which the Group is categorized is rapid, and the advertising business is highly susceptible to overall economic trends.

The Group determines its forecasts for sales and costs based on the assumption of a certain usage rate of each of its services, etc. However, the business environment surrounding the Group can change drastically and actual business results may differ considerably from the announced forecast.

When such difference is recognized, the Group will announce a revision of the forecast on a timely basis.

6. Risks Concerning Investment, Loan, and Capital Investment Programs

(1) Investment

As of December 31, 2003, the Group has invested in 28 companies and one cooperative as stated below in the List of Companies Invested in by Yahoo Japan Corporation. These investments have been made to form ties with the companies invested in and with their businesses for present or future purposes. The Group cannot guarantee that these investments will be recovered.

Although as of December 31, 2003, four of these companies had been publicly listed and the value of the Company's investment in all of these companies had 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 based on general accounting standards and by applying evaluation accounting. Nevertheless, the performances of those companies could have an even greater adverse effect on the Group's fiscal profit or loss in the future.

To pursue business synergies or the expansion of the Group's business, it is anticipated that Yahoo Japan Corporation will further invest or loan funds for capital participation in third-party companies, fund joint ventures, and pursue 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 the future.

(2) Capital Investment Programs and Investment Plans

To support expected business expansion and to 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 inquiries. Furthermore, in response to growth in business scope the Group assumes that it will have to continuously acquire more office space and to 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 July 17, 2003, based on the following Finance Scheme Yahoo Japan Corporation decided to make a mezzanine loan to finance the Japan branch of a special-purpose company (SPC) being established to increase the liquidity of the assets of SOFTBANK BB Corp. (SBB). The SPC is BB Modem Rental PLC and is registered in the Cayman Islands. On July 31, the Company made a loan of ¥5.7 billion that will mature in 42 months.

Finance Scheme Summary

- The SPC will raise a total of ¥19.14 billion from several lenders as loans and as investments in a *Tokumei Kumiai* (TK), an anonymous partnership. This amount will be structured as senior and mezzanine loans and a TK investment.
- 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.

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.

If, in future, SBB should decide to raise further funds based on identical or similar finance schemes, the Company will examine the conditions and nature of each finance scheme on a separate basis, and make a decision on whether to extend loans based on the merits of each case.

List of Companies Invested by Yahoo Japan Corporation

(As of December 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	10.60	5,141	Internet technical-support service		
4	Vector Inc.	OSE Hercules	99/03/25	10.73	1,665	Sales of download licenses for personal-computer software	Alliance for Yahoo! Computer	Yes
5	Weathernews Inc.	TSE 1st Section	99/05/28	5.07	634	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	1	eS! Toys Website	Yahoo! Shopping tenant	Yes
7	Carview Corp.		99/10/06	6.54	38	Offering car-related information, quotes and dealer introductions	Alliance for Yahoo! Autos	
8	Oricon Inc.	OSE Hercules	00/03/28	1.53	79	Construction and supply of music-related databases	Alliance for Yahoo! Music/Music Shopping	
9	e-Shopping! Wine CORP.		00/05/26	7.89	1	eS! Wine Website	Yahoo! Shopping tenant	
10	SOFTBANK ZDNet Inc.		00/08/28	8.33	0	Comprehensive site for IT-related information	Alliance for Yahoo! News	
11	BB Factory Corp.		00/11/13	10.00	31	Consigned satellite broadcasting, program production and sales, and commercial production	Alliance for Yahoo! BB	Yes
12	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	
13	J-Yado Co., Ltd.		00/12/22	7.98	0	J-Yado.com hotel reservation website		
14	DBJ Co., Ltd.		00/12/26	2.27	0	E-commerce and supply of contents related to motorcycles		
15	Power Print Inc.		00/12/27	15.00	3	Online order-taking, printing and delivery of various printed materials		
16	Naturum Corp.		00/12/29	9.13	0	Sales of fishing and outdoor products via the Internet	Yahoo! Shopping/Auctions tenant	
17	Archinet, Inc.		01/01/19	8.91	12	Consulting on real estate and online sales of gardening equipment	Yahoo! Shopping/Auctions tenant	
18	Golf Do Co., Ltd.		01/01/24	4.90	22	An online shop for used golf equipment		
19	CafeGlobe.com		01/01/30	11.18	7	Cafeglobe.com information site for women	Alliance for Yahoo! Gourmet and Yahoo! Beauty	
20	eBANK Corporation		01/03/12	1.30	56	e-bank operations	Alliance for Yahoo! BB/ Yahoo! Auctions/ Yahoo! Research	
21	GameBox, Inc.		01/03/16	9.38	6	GAMEBOX game-related Website		
22	Digipri Corporation		01/03/27	0.82	0	Internet storage and output services for digital imaging	Alliance for Yahoo! Photos	
23	Bitwave Corporation		01/03/29	1.19	0	Operating sales system for concert/sporting tickets	(See Note 3)	
24	Net Protections, Inc.		01/04/10	2.85	3	Online commercial settlement service		

	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	istyle Inc.		01/04/20	5.67	5	@cosme information site for cosmetics and beauty care	Alliance for Yahoo! Beauty	
26	CarHoo Inc.		01/04/26	13.02	0	Car Hoo driver-support site	Yahoo! Auctions tenant	
Shares in affiliated companies								
1	Tavigator, Inc.		00/03/03	30.00	121	Sales of travel gear via the Internet	Alliance for Yahoo! Travel and Yahoo! Shopping tenant	Yes
2	INTAGE Interactive Inc.		02/09/26	49.00	45	Internet-based marketing research services	Alliance for Yahoo! Research	Yes
Investment								
1	SOFTBANK Internet Technology Fund No. 1		00/02/21		588			

Notes:

1. In principle, the date of acquisition is the date of the first investment made by Yahoo! Japan in the company.
2. 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, main subsidiaries' 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 Corp.	10	-	Maintaining geocities.co.jp domain
broadcast.com japan k.k.	10	-	Maintaining bcst.co.jp domain
Y's Sports Inc.	0	-	Operation of the comprehensive sports information site sportsnavi.com.
Y's Agencies Inc.	10	-	Planning and sales of advertising
eGroups KK	5	-	Yahoo! eGroup groupware service, mainly e-mail
e-Shopping! Books CORP.	350	49	Operation of eS! Books on-line EC site service over the Internet, and Yahoo! Shopping tenant
BridalConcierge Corp.	0	-	Effective April 30, 2003, services were terminated.
UniCept, Inc.	50	-	Consulting for Internet business and a range of planning, development, and operation services
Netrust, Ltd	120	-	On-line settlement services
BridalNet Co., Ltd.	229	152	On-line bridal agency
VACS Corporation	240	196	Japanese language data processing technology services and development and sales of software using that technology

3. 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. Registration for dissolution was completed on September 3, 2003, and Bitwave is now a liquidated company.