

Yahoo Japan Corporation

Results for the Three Months Ended June 30, 2002

Consolidated Information

<Introduction>

In a Web audience survey conducted by Nippon Research Center Ltd., the number of Internet users in Japan was approximately 34 million as of June 2002, with Web users accounting for approximately 28 million of this total. According to a survey by the Ministry of Public Management, Home Affairs, Posts and Telecommunications, the number of users of DSL-based high-speed Internet (broadband) service continues to rise sharply—the number of DSL subscribers at the end of June 2002 had jumped to approximately 3.3 million, up about 11 times from a year ago.

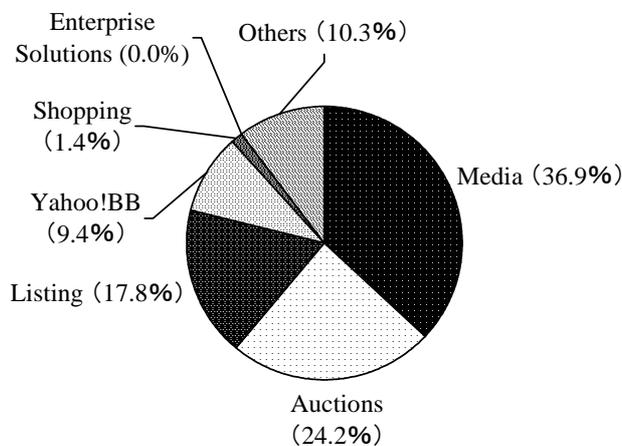
Not only does the spread of broadband service boost the value of the Internet as a media, it also has a substantial impact on people's lives. Because broadband allows people to access the Internet continuously at low, fixed rates, there is no need as in the past to worry about the time spent on the Internet or to wait until late night to take advantage of discount rates. People now can afford to use the Internet during the so-called TV golden hours in the evening or on weekends or holidays. Therefore, the number of people spending their time on the Internet rather than watching TV or using other media is increasing. Moreover, Internet users are not just doing searches for information, they are buying things, participating in auctions, and using the Internet for a variety of purposes, such as paying bills and other consumer activities and as a communications tool. The Internet has become an indispensable lifestyle service and along with the further spread of broadband services the influence of the Internet will grow in leaps and bounds.

Amid these conditions, Yahoo Japan Corporation and its consolidated subsidiaries ("Yahoo! Japan Group" or "the Group") achieved the following results for the first (April to June) quarter of the fiscal year ending March 31, 2003, ended June 30, 2002.

<Page Views>

Daily page views topped 230 million for the first time during the first quarter, and Yahoo! Japan Group monthly page views for June reached 9,267 million (including the official Japanese FIFA World Cup™ site). This represents an increase of 1,583 million page views, or 20.6%, compared with March 2002, the last month of the previous quarter, and an increase of 4,304 million page views, or 86.7%, compared with the same month a year earlier. These large increases in page views can be partially attributed to the FIFA World Cup™ being held during the quarter and the fact that the Japanese team made it to the best 16 stage. Looking at page views for the month of June 2002 by business division, Media (including eGroups KK) accounted for 36.9%, Auctions for 24.2%, Listing (including BridalConcierge Corp.) for 17.8%, Yahoo! BB for 9.4%, Shopping (including e-Shopping! Books CORP.) for 1.4%, Enterprise Solutions for 0.0%, and Others (including top page) for 10.3%.

Page Views by Business Division



In a Web audience survey of Japan conducted by Nippon Research Center Ltd. in June 2002, Yahoo! Japan was named most often by respondents as a site they access at least once every four weeks. Yahoo! Japan continues to hold the dominant position with 88.0% of the respondents. By multiplying the above percentage by the approximately 28 million Web users in Japan as of June 2002, we estimate that there were 24 million unique users accessing Yahoo! Japan at least once every four weeks.

Top Five Web Sites

	Domain	NAR (%)
1.	yahoo.co.jp	88.0
2.	nifty.com	72.8
3.	microsoft.com	65.5
4.	biglobe.ne.jp	63.6
5.	rakuten.co.jp	54.7

Notes: 1. Source: Nippon Research Center survey (May 20-June 12, 2002)

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

<Consolidated Statements of Income>

Note: Because we began reporting on a consolidated basis in the 2nd quarter of the fiscal year ended March 2002, readers are cautioned to remember that the figures for the 1st quarter of the fiscal year ended March 2002 are non-consolidated figures when comparing them with the 1st quarter of the current fiscal year. In addition, the principal consolidated subsidiaries included in the statements for the 1st quarter of the current fiscal year are eGroups KK, e-Shopping! Books CORP., and BridalConcierge Corp., Y's Agencies Inc., GeoCities Japan Corporation, broadcast.com japan k.k., and Dennotai Co., Ltd. The two affiliated companies included under the equity method are Tavigator, Inc. and ValuMore Corporation. Three subsidiaries among them, GeoCities, broadcast.com and Dennotai do not actually conduct businesses.

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

(Yen in Millions)

	Amount	% share	Compared to the three month period ended June 30, 2001		Compared to the three month period ended March 31, 2002	
			Increase/ decrease	%	Increase/ decrease	%
Net Sales	10,094	100.0%	5,225	107.3%	-739	-6.8%
Cost of Sales	2,332	23.1%	1,879	415.1%	-1,621	-41.0%
Gross Profit	7,762	76.9%	3,346	75.8%	882	12.8%
SG&A Expenses	3,667	36.3%	1,172	47.0%	49	1.4%
Personnel Cost	945	9.4%	241	34.2%	55	6.2%
Sales Commission	470	4.7%	150	46.9%	35	8.1%
Depreciation Expenses	342	3.4%	121	55.1%	-67	-16.4%
Content Provider Fees	313	3.1%	82	35.7%	19	6.7%
Communication Charges	297	2.9%	66	29.1%	0	0.1%
Business Commissions	283	2.8%	185	189.7%	-3	-1.3%
Royalties	213	2.1%	90	73.8%	28	15.5%
Lease and Utility Expenses	166	1.6%	37	29.1%	-25	-13.3%
Amortization of Consolidated Accounts	80	0.8%	80	-	-16	-17.1%
Advertising Costs	66	0.7%	-211	-75.9%	-19	-22.3%
Others	486	4.8%	326	204.0%	42	9.7%
Operating Income	4,094	40.6%	2,173	113.1%	832	25.5%
Non-Operating Income (Expenses)	12	0.1%	-12	-49.7%	62	-
Ordinary Income	4,107	40.7%	2,160	111.0%	894	27.9%
Extraordinary Gains (Losses)	-264	-2.6%	-264	-	-462	-
Income before Income Taxes	3,842	38.1%	1,896	97.4%	432	12.7%
Enterprise Taxes, etc.	1,686	16.7%	849	101.5%	181	12.0%
Minority interest in loss of consolidated subsidiaries	20	0.2%	20	-	-29	-59.3%
Net Income	2,176	21.6%	1,067	96.2%	221	11.3%
EBITDA	4,185	-	2,024	93.7%	366	9.6%

Composition of Consolidated Net Sales by Business Division

(Yen in millions)

	Sales	Contribution (%)
Yahoo! BB	¥3,588	35.5
Listing (including BridalConcierge)	1,721	17.1
Auctions	1,266	12.5
Shopping (including e-Shopping! Books)	1,060	10.5
Media (including eGroups)	684	6.8
Enterprise Solutions	50	0.5
Inter-Divisional Businesses	1,722	17.1
Total	¥10,094	100

Main Points Regarding Statements of Income

Net Sales

The substantial jump in sales compared with a year earlier can mainly be attributed to the sharp growth in sales of Yahoo! BB and Auctions, businesses that got under way in the first quarter of the previous fiscal year. Compared with the previous quarter, net sales declined slightly because of a change in the revenue model of Yahoo! BB business. Sales of consolidated subsidiaries for the first quarter of the fiscal year under review, on a gross total basis, were ¥808 million.

Cost of Sales

The main factors behind the large expansion of the cost of sales in comparison with the same period in the previous fiscal year were an increase in the ISP costs of Yahoo! BB in conjunction with the increase in the number of subscribers using the service and the increase in advertising costs along with the sponsorship of the FIFA World Cup™. Cost of sales decreased in comparison with the previous quarter because we stopped purchasing modems due to the change in Yahoo! BB's revenue model.

Selling, General and Administrative Expenses

• Personnel expenses

After eliminating overlap, the total number of employees of the Group amounted to 519, up 142, or 37.7%, from the same period in the previous fiscal year.

• Sales commissions

Sales commissions increased from a year earlier despite the decline in advertising revenues, because in the 1st quarter of the previous fiscal year we still had several large advertising contracts made directly with clients that did not require sales commission.

• Depreciation expenses

The decline in depreciation expenses compared with the previous quarter resulted from a reduction in the balance of fixed assets being used for depreciation by the declining balance method due to the annual adjustment of the amount at the start of a new fiscal year.

- Content provider fees

The substantial rise in content provider fees compared with the same period in the prior year can be mainly attributed to expansions in our directory search and Yahoo! News services.

- Business commissions

The main business commissions for the period under review were ¥78 million in expenses for the settlement operations of Yahoo! Wallet and ¥78 million in expenses for temporary employees.

- Amortization of consolidated accounts

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

- Advertising costs

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

- Others

The major components of others were sales promotion expenses (¥100 million), insurance expenses for Yahoo! Auctions and other services (¥77 million), and shopping-related packaging and transport fees (¥71 million).

Non-Operating Income (Expenses)

The main components of non-operating income were investment gains (¥7 million) resulting from the application of the equity method to Tavigator, Inc., and ValuMore Corporation and currency translation gains (¥6 million).

Extraordinary Gains and Losses

We recorded an extraordinary loss during the 1st quarter as the result of the application of depletion accounting to a portion of our investment securities.

Enterprise Taxes, etc.

The enterprise tax rate used for the consolidated accounts is a simple compilation of the income tax rates of each of the consolidated companies. As a result, the tax rate for the period under review was 43.9%.

Minority Interests in Loss of Consolidated Subsidiaries

Minority interest losses booked during the 1st quarter came from eGroups, e-Shopping! Books, and BridalConcierge.

Net Income

Net income per share for the period under review amounted to ¥12,670.00. The average number of shares outstanding used in the calculation of net income per share was 171,790.07 shares, excluding treasury stock.

<Consolidated Balance Sheets>

At June 30, 2002, total assets amounted to ¥29,465 million, up ¥247 million or 0.8% from the same period in the previous fiscal year. Total shareholders' equity advanced ¥1,871 million or 9.3%, to ¥22,099 million. Total liabilities were ¥7,330 million, decreasing ¥1,605 million or 18.0%. Minority interests in consolidated subsidiaries amounted to ¥36 million, declining ¥19 million or 35.1%.

Consolidated Balance Sheets (At June 30, 2002)

(Yen in Millions)

	Amount	Compared to the three month period ended March 31, 2002		Comments
		Increase/ decrease	%	
Assets				
Current Assets				
Cash	8,131	790	10.8%	<ul style="list-style-type: none"> • The increase in accounts receivable—trade is mainly related to the introduction of system-use fees in our Yahoo! Auctions service and the change in the revenue model of Yahoo! BB business. • The decline in accounts receivable—other results principally from the collection of payment for the modems transferred to BB Technologies Corp. in the previous quarter.
Accounts Receivable Trade	6,718	1,775	35.9%	
Marketable Securities	99	0	0.2%	
Inventory	7	0	14.4%	
Deferred Tax Assets	373	-	-	
Accounts Receivable Other	138	-1,843	-93.0%	
Other Current Assets	382	28	8.1%	
Allowance for Doubtful Accounts	-23	23	-49.7%	
Total Current Assets	15,829	776	5.2%	
Fixed Assets				
Tangible Fixed Assets	3,540	280	8.6%	<ul style="list-style-type: none"> • The reduction in the consolidated accounts is due to amortization.
Intangible Fixed Assets				
Consolidated Accounts	725	-80	-10.0%	
Other Intangible Fixed Assets	672	193	40.3%	
Total Intangible Fixed Assets	1,398	112	8.7%	
Investment and Others				<ul style="list-style-type: none"> • The decrease in investment securities is primarily due to mark to market revaluation and to the consolidation of an additional five subsidiaries.
Investment Securities	7,282	-926	-11.3%	
Others	1,415	4	0.3%	
Total Investments and Others	8,697	-921	-9.6%	
Total Fixed Assets	13,636	-528	-3.7%	
Total Assets	29,465	247	0.8%	

(Yen in Millions)

	Amount	Compared to the three month period ended March 31, 2002		Comments
		Increase/ decrease	%	
Liabilities				
Current Liabilities				
Accounts Payable Trade	1,581	470	42.3%	
Accounts Payable Other	1,478	313	26.9%	
Current Portion of Long-term Debt	39	-78	-66.7%	
Accrued Income Taxes	1,734	-2,025	-53.9%	• The decline in accrued income taxes is due to payments made.
Other Current Liabilities	696	-61	-8.1%	
Total Current Liabilities	5,529	-1,381	-20.0%	
Long-term Liabilities				
Retirement Allowances	23	8	62.8%	
Long-term Deferred Taxes	1,600	-269	-14.4%	• The decrease in long-term deferred taxes is mainly due to the marking to market of investment securities.
Other Long-term Liabilities	176	37	27.2%	
Total Long-term Liabilities	1,800	-223	-11.0%	
Total Liabilities	7,330	-1,605	-18.0%	
Minority Interests in Consolidated Subsidiaries				
Minority Interests in Consolidated Subsidiaries	36	-19	-35.1%	• This amount reflects the profits and losses of consolidated subsidiaries that have shareholders other than the parent company Yahoo! Japan.
Shareholders' Equity				
Common Stock	6,072	39	0.6%	
Additional Paid-in Capital	1,154	43	3.9%	
Consolidated Accounts	12,382	2,161	21.1%	• The increase in the legal reserve is primarily due to the increase of retained earnings.
Other Securities Evaluation	2,506	-372	-12.9%	• The decrease in the other securities evaluation adjustment is principally due to the marking to market of investment securities.
Common Stock	-15	0	1.4%	
Total Shareholders' Equity	22,099	1,871	9.3%	
Total Liabilities, Minority Interests in Consolidated Subsidiaries and Shareholders' Equity	29,465	247	0.8%	

<Consolidated Statements of Cash Flows>

The net increase in cash and cash equivalents for the period under review was ¥752 million. The consolidated statements of cash flows follow.

The Consolidated Statements of Cash Flows

(Yen in Millions)

	Three Months ended June 30, 2002	Comments
Cash Flows from Operating Activities:	675	
Income before Income Taxes	3,842	
Depreciation and Amortization	351	
Amortization of Consolidated Accounts	80	
Decrease in Allowance for Doubtful Accounts	-6	
Increase in Reserve for Retirement Allowances	8	
Loss on Disposal of Fixed Assets	1	<ul style="list-style-type: none"> • Although there were increases in payments of accrued income taxes and in accounts receivable—trade, net cash provided by operating activities increased because of net income growth and the collection of payments for modems transferred. • The increase in accounts receivable—trade is mainly related to the introduction of system-use fees in our Yahoo! Auctions service and the change in the revenue model of Yahoo! BB business.
Loss on Evaluation of Investment Securities	264	
Equity in Gains/Losses under the Equity Method	-7	
Proceeds from Interest and Dividends	-4	
Interest Expense	2	
Other Profit and Loss Adjustments	0	
Increase in Inventory	0	
Increase in Accounts Receivable Trade	-1,798	
Increase in Accounts Payable Trade	470	
Decrease in Accounts Receivable Other	1,189	
Increase in Accounts Payable Other	165	
Decrease in Consumption Taxes Payable	-171	
Payment of Income Taxes and Other Taxes	-3,713	
Cash Flows from Investing Activities:	81	
Expenditures on Tangible Fixed Assets	-421	<ul style="list-style-type: none"> • Despite purchases of servers and other equipment, proceeds from the sale of the stock of Vector resulted in a increase in cash used in investing activities.
Expenditures on Intangible Fixed Assets	-112	
Proceeds from Sale of Investment Securities	615	
Expenditures on Loans	0	
Proceeds from Recovery of Lending	0	
Proceeds from Interest and Dividends	0	
Other Cash Used in Investing Activities	0	
Cash Flows from Financing Activities:	-3	
Expenditures for Repayment of Bonds	-78	<ul style="list-style-type: none"> • New shares were issued due to the exercise of warrants of the 2nd unsecured bonds with warrants issue and the redemption of bond.
Proceeds from Issuance of New Shares	78	
Expenditures for Acquisition of Treasury Stock	0	
Interest Expenses	-3	
Net Change in Cash and Cash Equivalents	752	
Cash and Cash Equivalents at beginning of Term	7,341	
Cash and Cash Equivalents due to the Companies Newly Consolidated	38	
Cash and Cash Equivalents at end of Term	8,131	

Operating Review by Business Division

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

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

Net Sales by Business Division

(Yen in Millions)

	Advertising	Business Service	Personal Service	Others	Total
Yahoo! BB	91	1,588	1,908	0	3,588
Listing	1,399	320	1	0	1,721
Auctions	191	55	1,019	0	1,266
Shopping	136	184	0	738	1,060
Media	648	0	35	0	684
Enterprise Solutions	9	41	0	0	50
Inter-divisional Business	459	0	1,263	0	1,722
Total	2,937	2,190	4,228	738	10,094

(1) Yahoo! BB Business Division

Note: Yahoo! BB's revenue model changed in the quarter under review, and the items in Sales and Cost of Sales are different from those of the previous quarter. Please see page VII of "Risk Factors" for detailed information on the revenue model change of Yahoo! BB business.

1) Major business

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

2) Activities in the first quarter

During the quarter under review, this business division used its existing infrastructure to successively introduce new services as shown below. At the same time, it worked to attract new users by improving and expanding its services.

Major New Services and Service Upgrades

Date	New Services and Service Upgrades
April 25	<ul style="list-style-type: none">• In conjunction with the start of commercial services of the broadband telephone service BB Phone, we expanded the scope of people eligible for the BB Phone Monitor Campaign to the first 300 thousand people to apply, and added BB Phone to the standard services offered by Yahoo! BB.
April 25	<ul style="list-style-type: none">• Commenced our Yahoo! BB Dial-up Connection Service, a free dial-up connection service for Yahoo! BB users.
April 27	<ul style="list-style-type: none">• Started to accept orders for rental and sales of the PlayStation BB Unit, which is necessary to use our Yahoo! BB for PlayStation 2 service, at major consumer electronics chain stores and over the Web. In conjunction with the unit, the service allows subscribers to access Yahoo! BB services using the PlayStation 2 console.
May 31	<ul style="list-style-type: none">• Started to provide experimental service for Yahoo! BB Mobile, a high-speed Internet connection service using a wireless LAN at 29 Starbucks Coffee shops.
June 27	<ul style="list-style-type: none">• Announced the start of the experimental service for Yahoo! BB 12M on July 1. This is a maximum 12 megabit download ADSL connection services that is strongly resistant to decreases in speed due to distances and communication interference.

Page Views

Pages Views in June	870.3 million page views	9.4% of total page views
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Total Subscriber Lines for Yahoo! BB Services

(Jumper installation completed, excluding service cancellations)

End of April 2002	Approximately 530 thousand lines (including approximately 520 thousand lines marketed by Yahoo! Japan)
End of May 2002	Approximately 590 thousand lines (including approximately 570 thousand lines marketed by Yahoo! Japan)
End of June 2002	Approximately 660 thousand lines (including approximately 600 thousand lines marketed by Yahoo! Japan)

Note: Figures include subscribers who only use BB Phone services.

3) Income statement for the first quarter

(Yen in Millions)

	Amount	Comments
Net Sales		
Advertising	91	
Business Service	1,588	• Main components of Business Service sales are the customer acquisition commissions of Yahoo! BB.
Personal Service	1,908	
Others	0	• Main components of Personal Services sales are the ISP fees for Yahoo! BB.
Total	3,588	
Cost of Sales	1,665	
Gross Profit	1,923	
SG&A Expenses	405	• Main items in SG&A expenses are communication charges, depreciation expenses, royalty, and personnel expenses.
Operating Income	1,517	
Operating Income Ratio	42.3%	

(2) Listing Business Division

1) Major business

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

2) Activities in the first quarter

During the quarter under review, we introduced the following new services and service upgrades.

Major New Services and Service Upgrades

Date	New Services and Service Upgrades
April 4	• Formed a business tie-up with Car Point Co, Ltd., to offer a free used car evaluation service on Yahoo! Autos, in which they quote a price at which they are willing to buy the car.
April 25	• Started providing a new communications support service Yahoo! Personals, through which people can search for new friends or people with the same interests based on personal criteria.
June 3	• Formed a business tie-up with BridalConcierge to offer a new Total Produce service on Yahoo! Wedding. This service allows users to communicate directly with a professional advisor in planning their own original weddings.
June 13	• Formed a business tie-up with e-Shopping! Books, announcing Yahoo! Books, a service that allows users to easily search for book titles that interest them in a data base that covers almost all the domestic titles available and to order them online.

Page Views

Pages Views in June	1,648.53 million page views	17.8% of total page views
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Note: Includes the page views of BridalConcierge.

Business Express Orders

April 2002	May 2002	June 2002
526 contracts	477 contracts	480 contracts

3) Income statement for the first quarter

(Yen in Millions)

	Amount	Comments
Net Sales		
Advertising	1,399	
Business Service	320	• Main components of Business Services sales are “Business Express” and information listing fees for second-hand car information, recruiting information, and others.
Personal Service	1	
Others	0	
Total	1,721	
Cost of Sales	2	
Gross Profit	1,718	
SG&A Expenses	736	• Main items in SG&A are sales commissions, personnel expenses, and content provider fees.
Operating Income	982	
Operating Income Ratio	57.1%	

(3) Auctions Business Division

1) Major Business

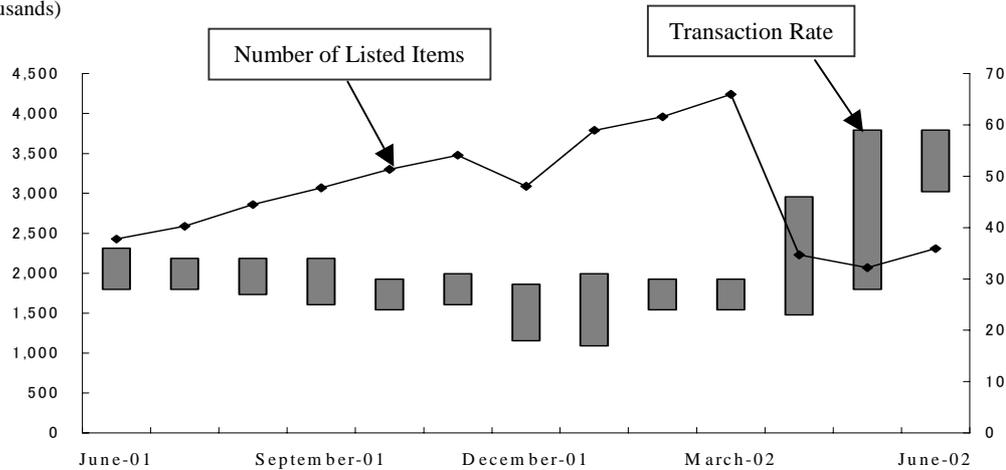
Based on its Yahoo! Auctions services, this business provides a place where individuals can buy and sell items and companies can sell their goods by auction. In addition, it supports companies on Premium Auctions.

2) Activities in the first quarter

During the first quarter, as of April 15, we began levying a Listing Fee of ¥10 per item on items put up for auction and a Cancellation Fee of ¥500 per item after it has been bid on. And as of May 15, users selling items are being charged 3% of the auction proceeds as a Transaction Fee. For items in special categories, such as automobiles, motorcycles, real estate and others, the Listing Fee is ¥500 per item and the Transaction Fee is ¥3,000 regardless of the final auction price. Because of the large volume of items posted on the system, to continue to provide stable services we will have to incur substantial costs to add new servers, expand the number of communication lines and network devices, and increase staff. Moreover, when the service was free, it was possible to list items that interfered with item searches and items that were really only advertisements. This situation had produced some discontentment with our service among auction participants and was creating a problem by undercutting the appeal of Yahoo! Auctions services. We considered this problem from the viewpoint of benefit assessment, and decided to introduce the system-use fees. As can be seen below, the introduction of these fees produced a temporary decline in the number of items listed. However, the number of items listed is now in a rising trend and the transaction rate of auctions has grown to approximately 60% at the end of July from 20% at the beginning of April.

Number of Listed Items and Transaction Rate

Number of Listed Items
(Thousands)



Major New Services and Service Upgrades

Date	New Services and Service Upgrades
April 15	<ul style="list-style-type: none"> • Introduced a Listing Fee of ¥10 per item (¥500 for special categories). • Introduced a Cancellation Fee of ¥500 per item after it has been bid on. • As an additional option, we began offering a fee-based Icon service that allows sellers to draw special attention to the item they have listed.
April 24	<ul style="list-style-type: none"> • Added mobile phone function to our auction notification service.
May 15	<ul style="list-style-type: none"> • Introduced a 3% Transaction Fee on the proceeds of auctions (¥3,000 flat rate for special categories) .

Page Views

Pages Views in June	2,248.96 million page views	24.2% of total page views
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Yahoo! Auctions Number of Total Listed Items and Transaction Rate, etc.

	April 2002	May 2002	June 2002
Number of Auction Unique Users	Approx. 7.6 million unique browsers	Approx. 8.8 million unique browsers	Approx. 8.3 million unique browsers
Number of Total Listed Items	Approx. 2.25 million items	Approx. 2.13 million items	Approx. 2.31 million items
Monthly Total Number of New Listings	Approx. 12.4 million items	Approx. 6.85 million items	Approx. 6.5 million items
Average Closing Price per Item	Approx. ¥6,500	Approx. ¥7,000	Approx. ¥7,000
Transaction Rate	23~46%	28~59%	47~59%
Number of merchants	107 stores	119 stores	164 stores

3) Income statement for the first quarter

(Yen in Millions)

	Amount	Comments
Net Sales		
Advertising	191	
Business Service	55	<ul style="list-style-type: none"> • Main components of Business Services sales are registration fees, tenant fees and transaction fees of merchants. • Sales included in Personal Services were system fees of Yahoo! Auctions.
Personal Service	1,019	
Others	0	
Total	1,266	
Cost of Sales	0	
Gross Profit	1,266	
SG&A Expenses	446	<ul style="list-style-type: none"> • Main items in SG&A are communication fees, personnel fees, and insurance fees.
Operating Income	819	
Operating Income Ratio	64.7%	

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

(4) Shopping Business Division

1) Major business

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

2) Activities in the first quarter

During the period under review, we aimed to improve performance based on the four standards of number of customers invited, purchase rate, average amount spent per customer, and repeat rate at each store. Specifically, we created functions to attract customers to stores from Yahoo! Japan's top page and reviewed Yahoo! Shopping's top page. We also planned special collections of items for seasonal events, such as Mother's Day and Father's Day and the World Cup, held promotions for high-price-tag items, and carried out customer relations programs.

Major New Services and Service Upgrades

Date	New Services and Service Upgrades
April 8	<ul style="list-style-type: none"> • Launched a Mother's Day Collection of carnations and carefully selected gifts. Also kicked off a "Send a Present and Win!" campaign running from April 8 to May 12.
April 11	<ul style="list-style-type: none"> • Set up a new shopping category, World Soccer, containing FIFA World Cup™ team support goods.
May 13	<ul style="list-style-type: none"> • Launched the Father's Day Collection, which introduced selections of goods by category.
June 20	<ul style="list-style-type: none"> • Customers became able to make reservations on non-domestic airlines through Yahoo! Travel.

Page Views

Pages Views in June	127.46 million page views	1.4% of total page views
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Note: Includes the page views of e-Shopping! Books.

Yahoo! Shopping Store Performance

	Quarter under review	Increase/Decrease in comparison with previous quarter	Change
Number of merchants	190 stores	46 stores	31.9%
Total sales commissions and tenant fees	¥157 million	¥81 million	106.8%
Total turnover	¥5,092 million	¥2,473 million	94.4%
Turnover of each shop	¥26 million	¥8 million	47.3%

3) Income statement for the first quarter

(Yen in Millions)

	Amount	Comments
Net Sales		
Advertising	136	
Business Service	184	• Main components of Business Services sales are tenant fees and sales commissions of Yahoo! Shopping. • Main component of Other Businesses is sales of e-Shopping! Books. • Main item in Cost of Sales is costs of e-Shopping! Books. • Main items in SG&A are personnel fees and packing and delivery fees.
Personal Service	0	
Others	738	
Total	1,060	
Cost of Sales	577	
Gross Profit	483	
SG&A Expenses	327	
Operating Income	155	
Operating Income Ratio	14.7%	

(5) Media Business Division

1) Major Business

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

2) Activities in the first quarter

The business division strengthened its content during the period under review, based on Yahoo! Japan operation of the official FIFA World Cup™ site, offering such fee-based services as on-the-spot photographs and video on demand. It also supplied a fee-based FIFA Mobile Club service on the official i-mode menu site.

Major New Services and Service Upgrades

Service	Date	New Services and Service Upgrades
Yahoo! Sports	April 1 April 12 May 23 May 31	<ul style="list-style-type: none"> • Renewed the Major League Information site. • Covered the Masters Tournament on Golf Information. • Substantially upgraded Yahoo! Sports FIFA World Cup™. In addition to flash reports, daily game schedules, and the results of preliminary matches, we offered guidebooks for all of the 32 participating teams, special features on the Japanese team members, TV programming guides, and breaking news just before the start of the World Cup. • Added fee-based On-the-Spot Photographs of highlights of the World Cup, Flash Reports, a text-based play-by-play description of games in real time, and Goal Scene Animation, recreated animations of carefully selected daily goal scenes, to Yahoo! Sports FIFA World Cup™.
Yahoo! Game	April 16 May 16 May 29	<ul style="list-style-type: none"> • Started a mail delivery service of shogi (Japanese chess) and western chess game records to a specified e-mail address. • Unveiled special feature on Final Fantasy XI. • Added MemoriesOff, a fee-based romance adventure game, to Maker Games.
Yahoo! News	April 23	<ul style="list-style-type: none"> • Added Kyodo News' FIFA World Cup™ News to our sports category.
Yahoo! Movie	April 26 May 15	<ul style="list-style-type: none"> • As our second short film offering, we broadcast Tomokazu Miura's "All boys like airplanes" using video streaming. • Launched an official site for the popular movie, "Mohohan".
Yahoo! Finance	May 1 June 19	<ul style="list-style-type: none"> • Commenced a Fiscal Performance Announcement Calendar that listed the dates that the major 1,800 companies listed on the Tokyo Stock Exchange planned to announce fiscal performances for the fiscal year ended March 2002. • Mobile phone function added to Price Movement Alert service.
Yahoo! Music	May 1 May 22	<ul style="list-style-type: none"> • Launched a promotion site for Mr. Children's new album. • Sponsored Lunch Classic, a special live performance by violinist Chisako Takashima.
Yahoo! Fortune Telling	June 10	<ul style="list-style-type: none"> • Began a special seasonal service, Happy Wedding Horoscope.
Yahoo! Messenger	June 19	<ul style="list-style-type: none"> • Added i Appli version compatible with NTT DoCoMo's 503 i (s) series.

Page Views

Pages Views in June	3,417.67 million page views	36.9% of total page views
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Note: Includes the page views of eGroups.

3) Income statement for the first quarter

(Yen in millions)

	Amounts	Comments
Net Sales		<ul style="list-style-type: none"> • Main component of Personal Services is sales of fee-based content of FIFA World Cup™. With the Japan Team winning its way through to the Best 16 stage, sales of fee-based content such as flash photo on Yahoo! Sports were favorable.
Advertising	648	
Business Service	0	
Personal Service	35	
Others	0	
Total	684	<ul style="list-style-type: none"> • Main items in SG&A are content provider fees, personnel fees, sales commissions, and amortization of consolidation accounts.
Cost of Sales	69	
Gross Profit	614	
SG&A Expenses	643	
Operating Income	-29	
Operating Income Ratio	-4.3%	

(6) Enterprise Solutions Business Division

1) Major business

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

2) Activities in the first quarter

During the period under review, we worked with TIBICO Software Inc., IBM Japan, Ltd., Hewlett-Packard Japan, Ltd, and Softbank Commerce Corp. in aggressively marketing our corporate portal site development support service Yahoo! Portal Solutions. In our NetRoadshow services, we proposed a wide range of services, such as company conferences, to corporations.

Page Views

Pages Views in June	0.36 million page views	0.004% of total page views
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3) Income statement for the first quarter

(Yen in millions)

	Amounts	Comments
Net Sales		<ul style="list-style-type: none"> • Main components of Business Services sales are license fees of “Yahoo! Internet Guide” and sales of NetRoadshow.
Advertising	9	
Business Service	41	
Personal Service	0	
Others	0	
Total	50	<ul style="list-style-type: none"> • Main item in SG&A is personnel fees.
Cost of Sales	5	
Gross Profit	45	
SG&A Expenses	48	
Operating Income	-3	
Operating Income Ratio	-6.9%	

(7) Inter-Divisional Businesses

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

	April 2002	May 202	June 2002
Number of paying users for personal identification	1.71 million	1.76 million	1.78 million

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

Income statement for the first quarter

(Yen in millions)

	Amounts	Comments
Net Sales		• Main components of Sales are advertising sales on top pages and personal identification fees.
Advertising	459	
Business Service	0	
Personal Service	1,263	
Others	0	
Total	1,722	•Main items in SG&A are sales commissions, personnel expenses, and royalties.
Cost of Sales	11	
Gross Profit	1,711	
SG&A Expenses	250	
Operating Income	1,460	
Operating Income Ratio	84.8%	

(Advertising Business)

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

Activities in the first quarter

During the period under review, the advertising market remained difficult in the face of the continued slump in the Japanese economy. With advertising expenditures falling overall, it became increasingly hard to sell advertising as advertisers became more cautious about Internet advertising. Despite these conditions, the Yahoo! Japan Group strengthened its cooperative sales organization with advertising agencies, targeting advertising from National Clients by aggressively marketing Yahoo! Billboard, which we started marketing from the previous quarter. We also expanded the amount of experimental advertising we are doing with Yahoo! Full Service, an advertising program that allows clients to measure the effectiveness of their advertising. In addition, while verifying the users' response, we successively launched such new products as expand banners, which increase the visual impact of advertising banners; monster ads; large rectangles; super banners; and others. Against the backdrop of the rapid expansion in the use of fixed, low rate broadband services during regular hours, one of the special features of the first quarter was the change of time people are spending on the Internet. Rather than rushing to watch TV during the so-called golden time in the evenings, more people are spending their leisure time on the Internet. Moreover, their reasons for using the Internet are increasingly linked to reserving and purchasing goods, participating in auctions, and carrying out actual consumer activities, such as making payments. Accordingly, the number of advertisers using Internet advertising for sales promotion activities rather than branding purpose is growing.

Based on our sales efforts, quarterly advertising business sales increased compared with the previous quarter for the second consecutive period. Results for advertising business sales, and number of advertisers, advertisements and advertising agencies were as follows.

	Amount	1 st Q in previous fiscal year		Previous quarter	
		Increase/Decrease	Change	Increase/Decrease	Change
Advertising business sales	¥2,932 million	-763	-20.7%	93	3.3%
Number of monthly advertisers	881	39	5%	40	5%
Number of new advertisers	63	-3	-5%	7	13%
Number of monthly advertisements	2,990	555	23%	99	3%
Number of advertising agencies	232	10	5%	-7	-3%

Notes:

1. The above figures are on a non-consolidated basis.
2. The figures for number of monthly advertisers, number of monthly advertisements, and number of advertising agencies are averages for the quarter.
3. At the end of June 2002, there were approximately 3,900 companies that have advertised on Yahoo! Japan.
4. Among advertisers, companies that have received more than 50% of their effective investment from SOFTBANK CORP. accounted for less than 2% of advertising business sales, and Yahoo! Inc. purchased no advertising.

Advertising Products

During the first quarter, sales of broad reach products with a strong visual impression, such as Pilot Seat, Yahoo! Billboard, and Yahoo! Billboard by Properties, were especially robust. In particular, Pilot Seat posted record sales on a quarterly basis. In addition, the number of advertisements and sales of Yahoo! Billboard and Yahoo! Billboard by Properties, which were introduced during the previous quarter to target National Clients, expanded substantially.

One of the special features of the first quarter was the continued growth in the use of flash banners and other rich media advertising, which have a strong visual impact. Of the total sales of Pilot Seat advertising during the first quarter, approximately 60% was flash banners. Another special feature of the first quarter was the increased use of big advertisements that stand out. Some of these products are expand banners, which expand when the mouse pointer moved overtop them; super banners, which are about 2.3 times bigger than regular banners; large rectangles, which are about 2.7 times bigger than previous advertising space; and monster ads, which are about 7.6 times bigger than previous advertising space. Our experimental tie-up with Nissan Motor Co. Ltd., to promote their new ELGRAND model using Yahoo! Full Service proved that banner advertising can achieve an increase in name brand recognition and is effective as a route of recognition. These results will have a positive effect on our future advertising sales activities. Yahoo! Full Service allows advertisers to identify users' log data, estimate the effectiveness of the advertising, and verify banner creativeness.

For the first quarter, rates for high-volume "Branding-Type Banner" ads ranged from ¥0.25 to ¥1 per page view, rates for "Targeting-Type Banner" ads varied from ¥0.91 to ¥20 per page view, and rates for Skyscraper banners varied from ¥2.2 to ¥12 per page view. Rates for the group-specific e-mail advertising Yahoo! Deliver were ¥8 to ¥24 per mailing. Rates for Yahoo! Billboard varied from ¥4 million to ¥8.4 million, depending on the number of browsers to be reached and the length of the advertising period. In our Yahoo! Billboard Property by Properties service, rates varied from ¥600 thousand to ¥10.5 million based on the services selected, the number of browsers to be reached, and the length of the advertising period.

Reference

1. Environmental Protection Activities

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

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

2. Charity Activities

As part of our social contribution efforts, we regularly host charity auctions through Yahoo! Auctions and donate the fund raised. Among our charity auctions in the first quarter, we auctioned original, signed, away-game jerseys of the Japanese team in the FIFA World Cup™ and a pair of signed baseball shoes used by the Yomiuri Giant's Kazuhiro Kiyohara in an actual game last year. In total, we held 430 charity auctions, raising a total of approximately ¥26 million. All of the funds raised for such charities are being donated to such funds as UNICEF and the non-profit volunteer group "Make a Wish of Japan," which aids children with serious illnesses.

3. Personal Privacy Protection Trustmark TRUSTe

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

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

(Appendix)

Risk Factors

Yahoo! Japan, its consolidated subsidiaries and affiliated companies (hereinafter referred to as "the Group"), has reported its results for the first quarter ended June 30, 2002 in the document "Results for the Three Months Ended June 30, 2002." However, a number of potential factors could substantially impact future performance.

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

1. Operations

(1) Yahoo! BB business

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

1) Subscriber Signup Promotion Business and Incentive Commission

Beginning with the fiscal year ending March 2003, sales of the Yahoo! BB Starter Kit, which provides subscribers with essential equipment for using the service, will no longer be included in Yahoo! BB's revenues for the Group. The Group has introduced a system for receiving incentive commissions from BBT based on the number of new subscribers signed up as a result of its promotion efforts. This step has been taken because the subscription route has been expanded to signups through consumer electronics outlets and other stores as well as the Internet route, and because it has become necessary to actively develop subscriptions from corporations as a result of the startup of BB Phone service, a broadband telephone service offered by Yahoo! Japan, BBT and other companies in the Softbank Group starting in April 2002.

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

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

Since the Group has stopped selling the Yahoo! BB Starter Kit, it is assumed that, in

principle, the Group will be able to avoid the risk associated with sales of the kits. However, the Company will continue to bear the liability risk associated with starter kits it has sold in the past.

2) ADSL Infrastructure and Internet access service

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

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

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

3) Broadband Portal Service

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

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

4) The Competitive Environment

As of June 30, 2002, the major providers in Japan of services similar to those the Group is to offer were as follows (in no particular order):

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

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

5) Dependence on a Certain Distributor

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

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

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

(2) Auction Business

1) Switching to Fee-Based Services

As of May 2001 the Group began charging fees for services, mainly for personal identification and damage compensation. More services are being switched to a fee basis. In April 2002 the Group introduced system-use fees for listing items on Yahoo! Auctions and for canceling items after they have been bid. Starting in May 2002, system-use fees for selling

items are being introduced. Because of these fees, the number of listed items as of June 30, 2002 had fallen to nearly half that of March 31 and the rate of successful bids almost doubled. There is no guarantee that the number of listed items will return back to the initial, pre-fee level, or that the successful bid rate will be maintained.

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

2) Damage Compensation

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

3) Illegal Acts

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

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

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

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

4) The Competitive Environment

As of June 30, 2002 the major providers of Japanese-language online mall and auction business directed to Japanese Internet users were as follows (in no particular order):

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

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

(3) Risks Affecting Advertising Business

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

1) Use of the Internet as an Advertising Medium

The Internet advertising business in Japan emerged almost simultaneously with establishment of the Group, and is therefore still in its infancy. As its history is still short, its value as an advertising medium has not been established among advertisers, consumers and advertising agencies. Up to this point, with limited experience in Internet advertising, most advertisers still consider it a trial medium, and many advertisers allocate only small portions of their advertising budgets to Internet advertising. Considering the Group's major advertisers by industry, national clients that usually advertise more than other companies and on a national basis, such as food products, cosmetics, toiletries, beverages, drugs and health-care goods, do not spend as much on Internet advertising as they do on other media. If this condition continues, it may be difficult for the Group to achieve a stable flow of advertising revenue.

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

2) Characteristics of Internet Advertising

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

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

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

3) Dependence on Business Contracts with Certain Advertising Agencies, and Large-Scale Business Contracts with Certain Advertisers

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

The Group has entered into advertising contracts with certain advertisers whereby the parties concerned have agreed to advertising with annual payments in the ¥100 million range. Sales revenue from these advertisers accounts for a comparatively large portion of the Group's net sales. The Group cannot rule out the possibility that these contracts could be broken for various reasons. Consequently the outcome of these contracts could affect the Group's business results.

4) Advertising Sales Structure

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

Based on changes made in 2001 to the advertising sales structure to strengthen its capability to attract major advertising clients, the Group expects that sales by advertising agencies and the proportion of those sales within overall sales will rise. However, it is possible that in the short term commissions to these advertising agencies will rise significantly, resulting in a decline in overall sales.

5) The Competitive Environment

As of June 30, 2002, the major providers of Japanese-language Internet navigational services or similar services directed to Japanese Internet users, earning advertising income through comprehensive information sites for those services, were as follows (in no particular order): (These companies are considered largely in competition with Group services in the listings and media businesses.)

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

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

2. Relationship with Softbank Group

(1) Positioning within the Softbank Group

As of June 30, 2002, Softbank Corporation was the parent company of Yahoo! Japan, holding 50.5% of the Company's shares. As a holding company, Softbank Corporation has a variety of affiliated companies operating under its umbrella that are active in a range of fields and regions, concentrated mainly on Internet business. Their businesses include e-commerce, e-finance, media and marketing services and an overseas fund investment service. Yahoo! Japan and its subsidiaries belong to the Internet Culture Segment of Softbank Group.

(2) Alliance contracts and other arrangements with BBT

The Company has signed the following contracts with Softbank Corp. affiliate BB Technologies Corp. (BBT) concerning Yahoo!BB business. Yahoo! BB business accounted for 35.5% of Group sales for the first quarter of fiscal 2002. We therefore consider the following contracts especially important to Group operations.

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

(Continued:)

3) Facilities maintenance costs, etc.

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

Payment for facilities maintenance: over ¥250 per month per user

Payment for equipment: over ¥1,000 per month per user

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

Phone office space preparation penalty: over ¥250 per month per user

Equipment installation penalty: over ¥1,000 per month per user

(3) Joint Directorships

As of June 30, 2002, two of the four directors of Yahoo! Japan also held directorships on the board of the parent company, Softbank Corporation, as follows:

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

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

Yahoo! Japan President and CEO Masahiro Inoue has been a part-time director of Softbank Corporation since June 2001. In addition, he sits on the boards of 12 other companies in the Softbank Group (excluding subsidiaries and affiliates of Yahoo! Japan) as a part-time director. Mr. Inoue has been engaged to sit on these boards to offer advice on the strategic direction of their businesses, not to be involved in the business activities of these companies. Consequently, the influence of his other directorships on the business activities of Yahoo! Japan is limited.

Yahoo! Japan Chairman Masayoshi Son was the president and CEO of the Company at its founding, and acts in the capacity of offering valuable overall advice from his perspective as a founder of the Company and a representative of the parent company.

3. Business Relationship with Yahoo! Inc.

(1) Licensing Agreements with Yahoo! Inc.

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

License Name: Yahoo! Japan Licensing Agreement
Contract date: April 1, 1996
Contract term: From April 1, 1996, termination date unspecified
Note: The license agreement may be terminated under the following conditions: mutual decision by the companies to terminate the agreement; cancellation of the agreement following bankruptcy or loan default by one of the companies; purchase of one-third or more of the Company's outstanding shares by a competitor of Yahoo! Inc.; merger or acquisition rendering Yahoo! Inc. and Softbank Corporation incapable of maintaining over 50% of shareholder voting rights of the ongoing company (may be waived by agreement of Yahoo! Inc.).

(Continued:)

Contracted Party: Yahoo! Inc.

Main Conditions:

1. Licensing rights granted by Yahoo! Inc. to the Company:

* Non-exclusive rights granted to the Company for reproduction and use of Yahoo! Inc.'s Internet directory-search and other services customized and localized for the Japanese market (hereinafter referred to as "the Japanese version of the Yahoo! directory-search services")

* Non-exclusive rights granted to the Company for use in Japan of the Yahoo! trademark

* Exclusive rights granted to the Company for publishing of the Yahoo! trademark in Japan

* Exclusive rights granted to the Company worldwide for development, commercial use and promotion of the Japanese version of Yahoo! directory-search services

2. Non-exclusive licensing rights granted (gratis) to Yahoo! Inc. worldwide for use of Japanese content added by the Company

3. Royalties to be paid by the Company to Yahoo! Inc. (see Note)

Note: 3% of gross profit after deducting sales commissions, paid quarterly

(2) The Yahoo! Brand and Cooperation Overseas

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

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

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

(3) Other Joint Directorships

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

4. Influence of Internet Markets and Environment

(1) Dependence on Internet Usage Rates

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

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

(2) Dependence on the Environment for Internet Connection

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

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

Operations are vulnerable to impact from such phenomena as fires, power outages and damage to telephone lines. The Group's main network infrastructure is concentrated in Tokyo, an area particularly susceptible to earthquakes, and the Group does not presently have multiple site capacity to offset any of these events.

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

5. Other Overall Business Risks

(1) Increased Risk from Diversification and New Business

The Group plans to further diversify and enter new businesses to strengthen its operating base. To realize this goal, it is possible that the Group will have to incur additional expenses to employ new staff, expand and upgrade its facilities, and carry out research and development.

Moreover, it is anticipated that some time will be needed for these businesses to begin contributing stable revenues. Consequently, the Group's profitability may decline temporarily.

In addition, there is no guarantee that these businesses will develop exactly as the Group has planned. It is possible that the Group will not recover its investment expenses, and that this will significantly impact performance.

(2) Keeping Up with Technology

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

Responding to these conditions and sustaining a strong competitive position requires close cooperation with Yahoo! Inc., which operates almost identical services in the United

States. With this, the Group is constantly developing new technology to improve its services. Failure of Yahoo! Inc. or the Group to keep up with technological advances could render their services outdated and erode their competitive positions. The Group will also bear an increasing load from original development, including a rising level of expenditures for localizing operation of the services.

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

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

(3) Dependence on Third Parties

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

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

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

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

(4) User Information

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

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

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

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

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

(5) Collection of Sales Credit Claims

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

(6) Continued Support from Senior Management, etc.

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

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

(7) Internal Control System and Human Resources

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

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

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

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

(8) International Conflicts, Terrorist Attacks and Natural Disasters

As illustrated by the multiple terrorist attacks on the United States in September 2001 and the subsequent military retaliation, the Group expects that in the event of international conflicts, terrorist attacks or natural disasters that lead to substantial change in international political conditions or the economic framework, the Group's business would also be substantially affected.

Specifically, under the impact of such an event, the Group's advertising revenues could

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

(9) Legal Restrictions, Lawsuits and Intellectual Property Rights

1) Government Regulations

Distribution of information over the Internet and electronic commerce are currently under review by the Japanese government. Although no regulations governing the advertising operations of the Group exist at present, a number of other countries are now considering regulating Internet use and publicizing legal opinions on the subject.

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

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

2) Potential Litigation

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

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

Through such internal regulations the Group prohibits illegal and slanderous content on its site and protects the privacy of users. In addition, the Group publishes a disclaimer stating clearly that the user takes full responsibility for Web-browsing and that the Group accepts no responsibility for damage caused to users during Web-browsing. To protect minors from harmful content, the Group is implementing such programs as Yahoo! Kids. However, no

guarantee can be provided that these measures will be sufficient to avoid litigation. The Group could be subject to claims, damage suits or reprimands from users, related parties or government agencies in regard to the content of advertisements, Websites accessed through links on its site, content contributed to community message boards and trading on its auction business. The resulting decline in user confidence could lead to a drop in hits or suspension of services.

Similar to the situation mentioned previously with Yahoo! Auctions, the Group publishes a disclaimer on its Yahoo! Shopping site stating that the Group assumes no responsibility for the activities, products, services or Website content of the many retailers using these services. Nor does the Group guarantee that users of these services will purchase goods or services listed by these retailers. In addition, the Group does not accept responsibility for damage, loss or difficulty in the delivery of said items. However, the possibility exists that users of these services or other related parties may take legal action against the Group for claims or compensation related to the content of its services. Furthermore, if the current proposed treaty regarding the jurisdiction of international courts is approved as is, it is possible that the Group may be involved in legal disputes with users of these services outside Japan.

3) Patents for Internet Technology and Business Plans

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

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

6. Risks Concerning Investment and Capital Investment Programs

(1) Investment

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

Although as of June 30, 2002 four of these companies had been publicly listed and the value of the Company's investment has increased, this value could decline in the future.

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

(2) Capital Investment Programs and Investment Plans

To support expected business expansion and continue introducing new services such as streaming video and audio, the Group is launching a capital investment program and an investment plan of comparatively large scale considering its current operations. Since the Internet industry is characterized by constant technological innovation and rapidly changing customer needs, the useful life of the planned facilities may be relatively short. As a result, depreciation terms are expected to be shorter and depreciation costs higher compared with previous terms because of changes in accounting methods. In addition, greater than normal losses may be recorded because of extraordinary losses on disposal of current facilities.

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

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

(As of June 30, 2002)

	Investment targets	Listing	Date of investment	Stake (%)	BS accounting amount (¥ MM)	Line of business	Relationship with the Company	Directors on loan
Investment securities								
1	Yahoo! KOREA Inc.		97/10/06	4.12	4	Comprehensive Internet information-portal business in Korea	Yahoo! JAPAN offered technical services at startup	Yes
2	CyberMap Japan Corp.		98/04/01	8.33	50	Internet-based map information service ("Mapion")	Alliance for Yahoo! Map	Yes
3	Internet Research Institute, Inc.	TSE Mothers	98/08/01	12.06	1,584	Internet technical-support service		Yes
4	Vector Inc.	NASDAQ Japan	99/03/25	10.77	2,375	Sales of download licenses for personal-computer software	Alliance for Yahoo! Computer	Yes
5	Weathernews Inc.	NASDAQ Japan	99/05/28	5.07	828	Weather observation, data collection/analysis, weather forecast and related information services	Alliance for Yahoo! Weather	
6	e-Shopping! Toys CORP.		99/08/31	10.00	20	eS! Toys Website	Yahoo! Shopping tenant	Yes
7	CarPoint K.K.		99/10/06	6.54	89	Offering car-related information, quotes and dealer introductions		
8	SpeedNet. Inc.		99/12/10	1.67	62	Fiber-optic and high-speed wireless Internet service		
9	e-Shopping! CarGoods CORP.		00/02/28	10.00	0	(See Note 2)		
10	Oricon Global Entertainment Inc.	NASDAQ Japan	00/03/28	1.53	119	Construction and supply of music-related databases	Alliance for Yahoo! Music/Music Shopping	
11	e-Shopping! Wine CORP.		00/05/26	10.00	3	eS! Wine Website	Yahoo! Shopping tenant	Yes
12	SOFTBANK ZDNet Inc.		00/08/28	8.33	30	Comprehensive site for IT-related information	Alliance for Yahoo! News	Yes
13	BB Factory Corp.		00/11/13	10.00	31	Consigned satellite broadcasting, program production and sales, and commercial production	Alliance for Yahoo! BB	Yes
14	e-Net Japan Co., Ltd.		00/12/14	6.00	18	Sales of personal commuters, audio/visual and home equipment via the Internet	Yahoo! Shopping/Auctions tenant	
15	J-Yado Co., Ltd.		00/12/22	7.98	30	J-Yado.com hotel reservation website		
16	DBJ Co., Ltd.		00/12/26	2.27	15	E-commerce and supply of contents related to motorcycles	Yahoo! Auctions tenant	
17	Power Print Inc.		00/12/27	15.00	30	Online order-taking, printing and delivery of various printed materials		
18	Naturum Corp.		00/12/29	10.01	19	Sales of fishing and outdoor products via the Internet	Yahoo! Shopping/Auctions tenant	
19	Archinet, Inc.		01/01/19	13.85	50	Consulting on real estate and online sales of gardening equipment	Yahoo! Shopping/Auctions tenant	
20	Golf Do Co., Ltd.		01/01/24	4.90	199	An online shop for used golf equipment		
21	Axiv.com, Inc.		01/01/30	5.44	50	MyID promotion/gift campaign website		
22	CafeGlobe.com		01/01/30	11.44	100	Cafeglobe.com information site for women	Alliance for Yahoo! Gourmet	
23	eBANK Corporation		01/03/12	1.84	299	e-bank operations	Alliance for Yahoo! Auctions/Research	
24	GameBox, Inc.		01/03/16	9.38	99	GAMEBOX game-related Website		

	Investment Targets	Listing	Date of investment	Stake (%)	BS accounting amount (¥ MM)	Line of business	Relationship with The Company	Directors on loan
	Digipri Corporation		01/03/27	0.82	25	Internet storage and output services for digital imaging		
26	Bitwave Corporation		01/03/29	1.19	25	Operating sales system for concert/sporting tickets		
27	Net Protections, Inc.		01/04/10	9.93	100	Online commercial settlement service	Alliance for Yahoo! Auctions	
28	istyle Inc.		01/04/20	8.87	50	@cosme information site for cosmetics and beauty care		
29	Digital Check Co. Ltd.		01/04/24	1.23	24	EC settlements, content supply and networking business	Alliance for Yahoo! Auctions	
30	CarHoo Inc.		01/04/26	13.02	50	Car Hoo driver-support site	Yahoo! Auctions tenant	
31	E-NEWS Inc.		01/06/26	13.33	50	Internet-based broadcasting and video production		
32	Hurricane Inc.		01/07/23	12.49	47	Planning, producing, referral and agency services for concerts and other events		
33	BB Technologies Corporation		01/08/24	10.00	300	Installing, supplying and managing ASDL infrastructure	Installing and operating Yahoo! BB infrastructure	Yes
Shares in subsidiaries								
1	GeoCities Japan Corporation		00/08/03	100.00	10	(Maintaining the Company's services)	Maintaining www.geocities.co.jp domain	Yes
2	broadcast.com japan k.k.		00/08/03	100.00	10	(Maintaining the Company's services)	Maintaining www.bcast.co.jp domain	Yes
3	Dennotai Co., Ltd.		00/09/01	100.00	10	(Maintaining the Company's services)		Yes
4	Y's Agencies Inc.		01/08/02	100.00	10	Planning and sales of advertising		Yes
5	eGroups KK		01/09/28	90.50	900	eGroup groupware service, mainly e-mail	Alliance for Yahoo! eGroups	Yes
6	e-Shopping! Books CORP.		01/12/26	51.28	300	eS! Books Website	Yahoo! Shopping tenant	Yes
7	BridalConcierge Corp.		02/02/27	80.00	9	Provision of useful information for weddings and newly wed life as well as other services	Alliance for Yahoo! Wedding	Yes
Shares in affiliated companies								
1	Tavigator, Inc.		00/03/03	30.00	30	Sales of travel gear via the Internet	Alliance for Yahoo! Travel and Yahoo! Shopping tenant	Yes
1	ValuMore Corporation (former YPC)		02/01/28	40.00	40	Sales of computers and related equipment via the Internet	Yahoo! Shopping tenant	Yes
Investment								
1	SOFTBANK Internet Technology Fund No. 1		00/02/21		852			

Notes:

1. In principle, the date of investment is the date of the first investment made by Yahoo! Japan in the company. In the case of e-Shopping! Books, the date of investment is the date on which the company became a subsidiary of Yahoo! Japan as a result of additional investment.

2. On May 10, 2002, e-Shopping! CarGoods Corp was dissolved. The investment is already shown on the balance sheets at its remaining value, but there is the possibility that additional losses may be booked in future accounting periods.