

**Yahoo Japan Corporation**

**Annual Review**

**Year ended March 31, 2001**

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JAPAN

## **Profile**

Yahoo Japan Corporation (Yahoo! Japan) provides Internet users with a wide range of services, including directory search, information, community, commerce, and mobile services. Our Web site is the overwhelming leader in Japan in number of users and page views.

Our primary business is Internet advertising. We place advertising banners on our Web pages that target Yahoo! Japan site users and for which we receive fees from advertisers. We also utilize our substantial Internet know-how to launch and develop such other businesses as Internet commerce and Internet technology support services.

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### **Forward-Looking Statements**

Statements included in this Annual Review that are not historical facts are forward-looking statements about the future performance of Yahoo! Japan.

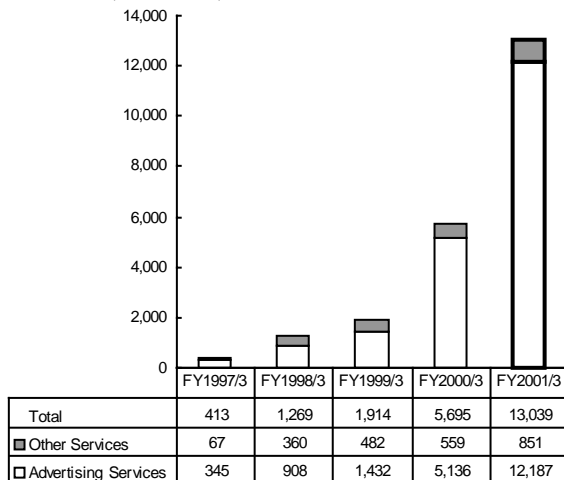
The Company cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements. Such factors include, but are not limited to, the items mentioned in the "Risk Factors."

## Financial Highlights

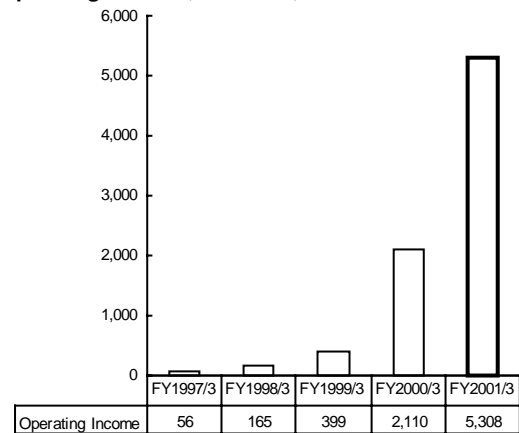
	(Millions of Yen)				
	FY2001/3	FY2000/3	FY1999/3	FY1998/3	FY1997/3
<i>FOR THE YEAR</i>					
Net Sales:					
Advertising Services	12,187	5,136	1,432	908	345
Other Services	851	559	482	360	67
Total	13,039	5,695	1,914	1,269	413
Operating Income	5,308	2,110	399	165	56
Ordinary Income	5,208	2,031	391	151	56
Net Income	2,972	1,153	183	64	23
Net Income per Share (Yen)	39,328	63,515	27,068	11,895	5,986
Number of Shares Outstanding (Number of Shares)	75,586	18,163	6,785	5,416	4,000
<i>AT YEAR-END</i>					
Total Assets	27,972	10,475	3,919	1,247	375
Shareholders' Equity	18,673	8,106	3,263	1,018	218

Notes: 1. Enterprise taxes not included in SG&A  
2. Number of Shares Outstanding is average number of each period.

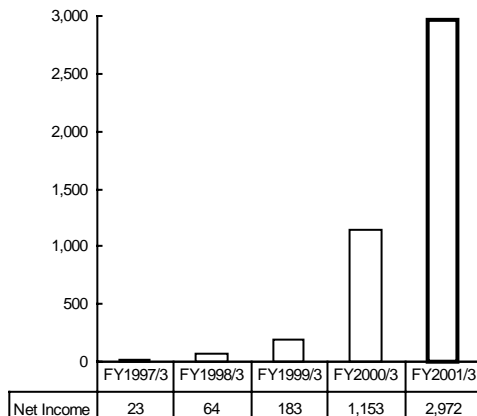
**Net Sales** (Millions of Yen)



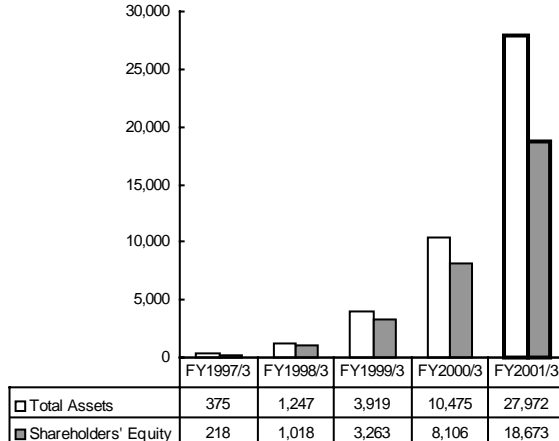
**Operating Income** (Millions of Yen)



**Net Income** (Millions of Yen)



**Total Assets/Shareholders' Equity** (Millions of Yen)



## To Our Shareholders

It gives me great pleasure to report on Yahoo! Japan's results for the fiscal year ended March 31, 2001.

During the fiscal year under review, we took another large leap forward, posting record highs in net sales and net income. To further improve on this performance, we are planning various measures, such as revising our sales organization to acquire larger advertising customers, etc. In addition, we are targeting further expansion in our non-advertising businesses.

### Performance

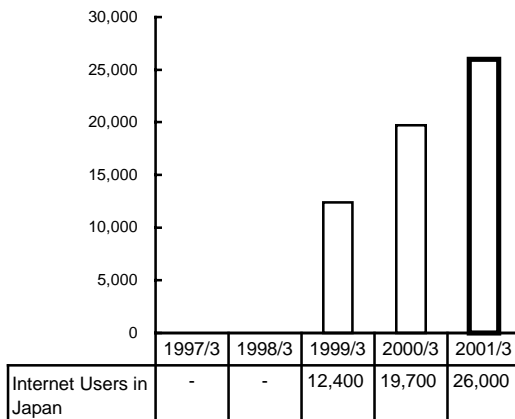
In the fiscal year ended March 31, 2001, net sales surged 128.9%, to ¥13,039 million. The growth in net sales was primarily due to the 137.3% jump in advertising services sales, to ¥12,187 million. Consequently, operating income rose 151.6%, to ¥5,308 million; ordinary income rose 156.4%, to ¥5,208 million; and net income increased 157.7%, to ¥2,972 million.

Net income per share amounted to ¥39,328.82, down 38.1%. The drop in net income per share from the previous fiscal year was due to two share splits during the fiscal year under review, increasing the average number of shares outstanding by 57,423 shares, or 316.2%, from 18,163 shares to 75,586 shares. Fully diluted net income per share was ¥38,870.67.

### Operating Environment

In a Web audience survey conducted by Nippon Research Center, Ltd., the number of Internet users in Japan was approximately 26 million people as of March 2001, with Web users accounting for approximately 22 million of this total. Also, according to NetRatings Japan Inc.'s Basic Report made in February 2001, the number of Internet users had risen to 21.2% of the Japanese population.

Internet Users in Japan (Thousands of People)



Source: Nippon Research Center, Ltd.  
(Survey started in November 1998)

Based on this growth in Internet users, the Internet advertising market in Japan grew 144.8%, to ¥59 billion, in calendar 2000 according to a survey by Dentsu Inc. and is estimated to expand 65.8%, to ¥97.8 billion, in calendar 2001.

According to the IAB report, the Internet advertising market in the United States rose only 78.8%, to US\$8.26 billion, in calendar 2000 compared with the previous year. This decline in growth was attributed to the slowdown in the economy, the bankruptcy of some dot com companies, and advertising restraint.

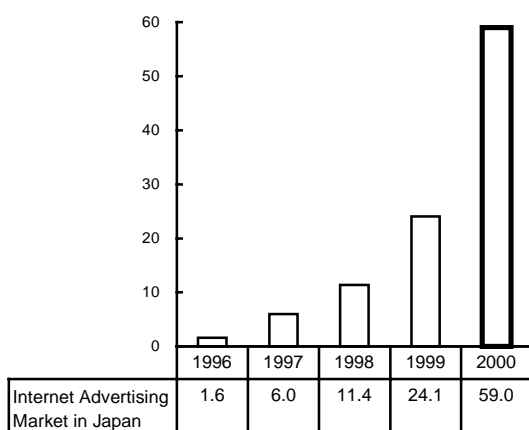
Under the impact of the slowdown in Internet advertising in the United States indicated above, advertisers in Japan may become cautious about Internet advertising. Therefore, the previously maintained high growth rate of the Internet market may slow temporarily. But in the medium to long term, as a new advertising medium, Internet advertising is expected to continue to grow as its value increases in tandem with the number of Internet users.

### Operational Review

During the fiscal year under review, in response to user needs, we added a variety of new services and expanded the content of our directory search, information, community, commerce, and mobile services.

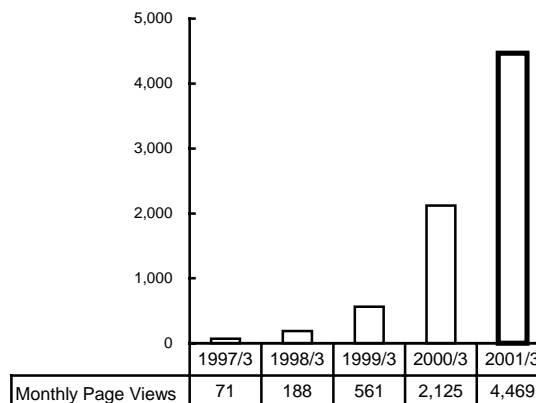
On January 22, 2001, maximum daily page views exceeded 150 million for the first time, and monthly page views were more than 4.4 billion during March 2001. As of May 23, 2001, daily page views exceed 190 million. The increase in page views signifies an increase in advertising sales space, which may lead to expansion of advertising products.

**Internet Advertising Market in Japan** (Billions of Yen)



Source: Dentsu Inc.

**Monthly Page Views** (Millions)



In a Web audience survey of Japan conducted by Nippon Research Center, Ltd., in March 2001, Yahoo! Japan was named most often by respondents as a site they access at least once every four weeks. Yahoo! Japan continues to hold the dominant position with 86.9% of the respondents, a wide margin over goo, which ranked second at 54.4%. The high access rate confirms the popularity of our Web site. As advertising expenditures generally concentrate on popular Web sites, we believe that raising access rate is a crucial factor in business growth.

By multiplying the above percentage by the approximately 22 million Web users in Japan as of the end of March 2001, we estimate that there were 19 million unique users accessing Yahoo! Japan at least once every four weeks.

We believe that these statistics clearly demonstrate the strong rating users have assigned to Yahoo! Japan's various services and that these services have enhanced the Company's position among users as an Internet media company.

To further expand our services for mobile media, the popularity of which is growing rapidly, we merged with P.I.M., Inc., a company with wide-ranging experience and technology in the mobile field, on September 1, 2000. Based on this merger with P.I.M., we plan to expand the services of Yahoo! Mobile and develop them in parallel with our other non-mobile services.

## **Strategy**

In the medium to long term, as a new advertising medium, Internet advertising in Japan is expected to continue to grow as its value increases in tandem with the number of Internet users. To be recognized as a valuable advertising media, it is necessary to acquire advertisers that are National Clients\* with large advertising budgets and large-scale advertising programs in a range of medias.

By revising our advertising organization to focus on acquiring National Clients, we are aiming to stabilize our advertising revenues and expand them. Previously, our advertising sales included some direct contracts with advertisers. However, we have shifted our focus to concluding contracts through advertising agencies, and we have strengthened our cooperation with these agencies. We have taken these measures to acquire National Clients who maintain close business relationships with major advertising agencies to ensure solid management of the relationship with a National Client once the contract has been made and to target the inclusion of our Internet advertising services in the advertising packages marketed by these advertising agencies.

\*We define companies that are major advertisers in terms of media advertising expenses as National Clients.

On the other hand, because advertising revenues are strongly affected by economic conditions, we are planning to stabilize our income by expanding our non-advertising businesses. In addition to the Internet shopping business and corporate information transmission business that we have already started, we launched a new auction service, Yahoo! Premium Auction, in April 2001. The new service is a B2C auction service in which the Premium Merchants that are offering goods and services to consumers through the auctions must meet high standards. To ensure the protection of users of our auction services, we introduced a user identification system in May 2001. We are also considering developing and offering portal systems for corporate users.

Through these measures, we are working to maintain our position as the leading Internet media company in Japan and to achieve more stable profitability.

### **Dividends**

Since its foundation, Yahoo! Japan has recognized maximizing shareholder return as a crucial management issue. Although we have yet to pay dividends, the decision of whether or not to pay dividends is taken after considering business results and appropriating adequate retained earnings for future business development. On the other hand, we have instituted two-for-one stock splits four times since our initial public stock offering.

We are fully committed to meeting the expectations of our shareholders by targeting further profit growth. This is being achieved by continued efforts to develop and expand our services and by strengthening our sales organization and our new business development efforts. In pursuing these goals, we look forward to the continued support of our shareholders.



Masahiro Inoue  
President & CEO  
June 20, 2001

# Review of Operations

## Advertising Services

Sales of advertising services for the fiscal year jumped ¥7,051 million, or 137.3%, to ¥12,187 million, compared with the previous fiscal year. Advertising services sales generated 93.5% of net sales, up 3.3% from the previous fiscal year.

Management attributes this increase to several factors. Amid an increase in Internet users, interest in Internet advertising has grown, leading to successive orders from National Clients and a broad range of industries. An increase in companies that recognize Internet advertising as a full-blown media generated demand for larger-scale, longer-term advertising products. In addition, stronger sales capabilities due to an increase in staff, such new products as Demographic Targeting, moving picture advertisements, tie-up advertising in combination with regular media advertising, and a variety of timely campaigns contributed to advertising services' sales growth.

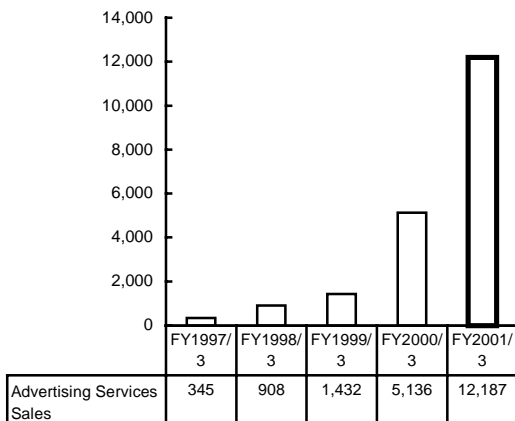
Specific results in the number of advertisers, advertisements, advertising agencies, and advertisement rates per page view and an outline of advertising products in the fiscal year ended March 31, 2001, were as follows:

## Major Advertisers

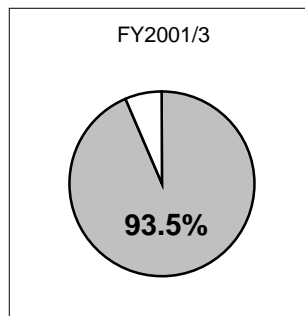
The average number of monthly advertisers for the fiscal year ended March 31, 2001, was 792 companies, an increase of 492 companies, or 164%, compared with the previous year. The number of new advertisers averaged 116, an increase of 54 companies per month, or 87%, and repeater companies (companies that have place advertisements on our sites in the past) averaged 676 companies per month, a jump of 438 companies per month, or 184%. The cumulative total number of advertisers was approximately 3,000 companies. Among advertisers, the SOFTBANK Group\* represented less than 5% of net sales, and Yahoo! Inc. purchased no advertising. No single client accounted for 10% or more of net sales.

\*Companies that have received more than 50% of their effective investment from SOFTBANK CORP.

**Advertising Services Sales** (Millions of Yen)



**Share of Net Sales**





## Advertisements

The average number of monthly advertisements for the fiscal year jumped 1,522, or 260%, to 2,107.

## Advertising Agencies

For the fiscal year, the monthly average of advertising agencies conducting business with the Company increased by 104, or 105%, to 203 companies.

## Advertisement Rates per Page View

For the fiscal year under review, rates for high-volume “Branding-Type Banner” ads ranged from ¥0.7 to ¥6 per page view, while those for “Targeting-Type Banner” ads varied from ¥2.62 to ¥20 per page view.

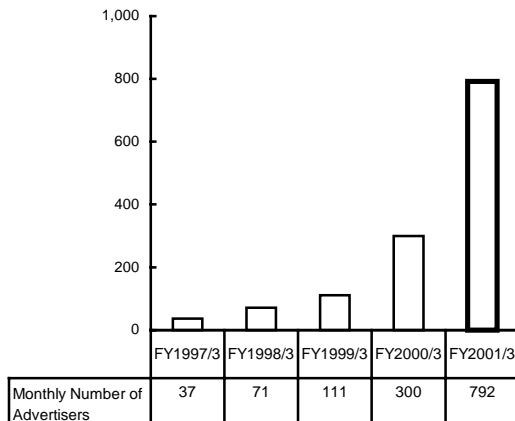
## Advertising Products

Fiscal sales of core products Mega Yahoo!, Pilot Seat, and Run of Property expanded. Sales also were strong in Buttons for stock information, employment information, auctions, autos, travel, and real estate. In addition, West Modules that promote specific products and the electronic mail advertising of GeoCities Mail were popular.

Moreover, Demographic Targeting, which was introduced in July 2000, has been well received in the market as a product that utilizes the interactive capabilities of the Internet to allow advertisers to specify the gender, age, and other attributes of the audience they wish to reach.

One of the special features of the fiscal year was the increase in orders for packaging the various services Yahoo! Japan offers, such as Yahoo! Broadcast, Yahoo! Shopping, Yahoo! Auction, and others, into a product that meets the needs of the advertiser and achieves synergies with other advertising media—in other words, fusion marketing. Good examples are the video advertising for Toshiba Corp. in Yahoo! Japan’s Internet drama *Candy-O* and the advertising for Suzuki Motor Corp.’s new car model, Aerio, done in conjunction with magazine and newspaper advertising. This suggests that Internet advertising has entered a second stage where, because awareness of the Internet as an advertising medium has risen, Internet advertising is combined with other advertising media rather than used independently to try to achieve advertising synergies.

**Monthly Number of Advertisers (Annual Average)** (Number of Advertisers)

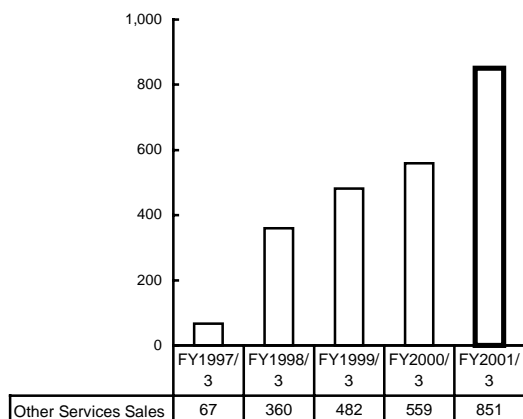


## Other Services

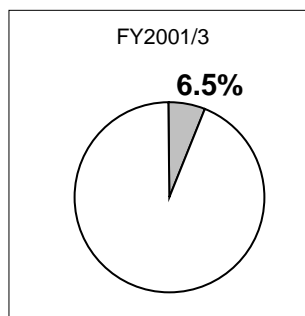
For the fiscal year under review, other services produced revenues of ¥851 million, up 52.3%, or ¥292 million. The principal contributors to this revenue were ¥165 million in licensing fees from SOFTBANK Publishing Inc.; ¥369 million in information publishing commissions and other fees from Yahoo! Broadcast, Yahoo! Employment, Yahoo! Real Estate, Yahoo! Travel, and Yahoo! Shopping (tenant fee); as well as ¥162 million in sales commissions from Yahoo! Shopping, etc.

At the end of the fiscal year, the number of shops on Yahoo! Shopping totaled 134, an increase of 89 stores, or 197.8%, compared with the previous fiscal year. Sales commissions and tenant fees were ¥146 million.

**Other Services Sales** (Millions of Yen)



**Share of Net Sales**



## Environmental Protection Activities

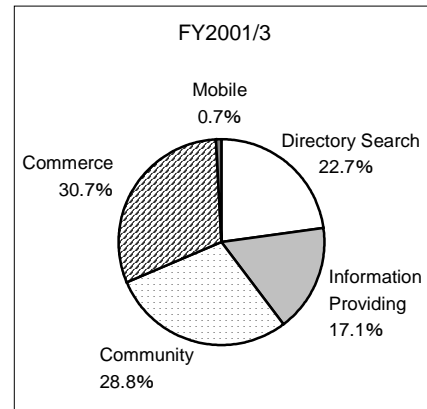
As a company in the service industry, we do not have any operations that produce industrial waste. However, we take environmental protection very seriously and are contributing in terms of conserving natural resources. To reduce the burden on the environment, we are undertaking the following recycling 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)

## Services

During the fiscal year under review, we continued to improve and expand our services. Reflecting these efforts, the number of monthly page views reached 4,469 million in March 2001, and daily page views broke through the 150 million level on January 22, 2001.

By service, directory search services accounted for 22.7%, information providing services for 17.1%, community services such as message boards for 28.8%, commerce services for 30.7%, and mobile services for 0.7% of monthly page views for March 2001.



The primary services that were added or upgraded during the fiscal year were as follows.

### Information Providing Services

#### Yahoo! Travel

- Established Tavigator, Inc. (Apr. 11, 2000)

#### Yahoo! Computer

- Started Yahoo! Computer service (June 23, 2000)

#### Yahoo! Sports

- Began offering live radio broadcasts of Yakult Swallows baseball games (July 6, 2000)
- Started Sydney Olympic news flash service (Sept. 15-Oct. 1, 2000)

#### Yahoo! Broadcast

- Live broadcasting of L'Arc~en~Ciel Tokyo Dome Performance (Dec. 5&6, 2000)
- Live broadcast of the first total lunar eclipse of the millennium (Jan. 10, 2001)
- Started distribution of Internet drama series *Candy-O* (Feb. 8, 2001)

#### Yahoo! Finance

- Started Automobile Insurance Center service (May 30, 2000)
- Started Life Insurance Center service (Mar. 13, 2001)

#### Yahoo! Employment

- Started providing employment information for new graduates (Nov. 2, 2000)

#### Yahoo! Education

- Started providing information on exams for certifications (Apr. 5, 2000)
- Started providing daily mini exam of TOEIC (May 29, 2000)
- Started English idiom education service for Center Examination (Sept. 13, 2000)
- Started providing school information (Oct. 23, 2000)

#### Yahoo! Gourmet

- Added restaurant coupon services (June 19, 2000)

- Started providing real-time nationwide restaurant information (Dec. 21, 2000)

#### Yahoo! Regional Information

- Started Yahoo! Regional Information service (Mar. 27, 2001)

### **Community Services**

#### Yahoo! Messenger

- Started Yahoo! Messenger service (Apr. 12, 2000)

#### Yahoo! Calendar

- Started Yahoo! Calendar service (July 13, 2000)

#### Yahoo! Chat

- Started Yahoo! Chat service (Sept. 13, 2000)

### **Commerce Services**

#### Yahoo! Auction

- Held real estate auction with Sumitomo Real Estate Sales Co., Ltd. (May 4-14, 2000)
- Held Yahoo! Japan Jeans Charity Auction (Aug. 28, 2000)
- Started offering an escrow service (Sept. 26, 2000)
- Held TV CF Dream Charity Auction (Feb. 9, 2001)

#### Yahoo! Shopping

- Started free delivery campaign commemorating one year of service (Sept. 1-30, 2000)
- Opened Yahoo! Books Shopping (Oct. 20, 2000)
- Opened Yahoo! Music Shopping (Oct. 31, 2000)

### **Mobile Services**

#### Yahoo! Mobile

- Started Yahoo! Mobile service for i-mode (June 16, 2000)
- Started Yahoo! Geocities for i-mode (Aug. 7, 2000)
- Started providing weather information (Sept. 8, 2000)
- Started auction service (Sept. 12, 2000)
- Started fortune telling information (Sept. 18, 2000)
- Started education service (Dec. 1, 2000)
- Started employment backup service (Jan. 17, 2001)
- Started BBS service (Jan. 22, 2001)
- Started service for J-phone (Feb. 8, 2001)
- Started distributing display pictures for mobile phones (Feb. 22, 2001)
- Started Yahoo! Gourmet service (Mar. 12, 2001)

## Financial Review

### Key Financial Data

	(Millions of Yen)				
	FY2001/3	FY2000/3	FY1999/3	FY1998/3	FY1997/3
<i>FOR THE YEAR</i>					
Net Sales:					
Advertising Services	12,187	5,136	1,432	908	345
Other Services	851	559	482	360	67
Total	13,039	5,695	1,914	1,269	413
Operating Income	5,308	2,110	399	165	56
Ordinary Income	5,208	2,031	391	151	56
Net Income	2,972	1,153	183	64	23
Operating Income Ratio to Net Sales (%)	40.7	37.1	20.8	13.0	13.9
Net Income Ratio to Net Sales (%)	22.8	20.3	9.6	5.1	5.8
Net Income per Share (Yen)	39,328	63,515	27,068	11,895	5,986
Number of Shares Outstanding (Number of Shares)	75,586	18,163	6,785	5,416	4,000
Return on Equity (ROE) (%)	22.2	20.3	8.6	10.4	11.6
<i>AT YEAR-END</i>					
Total Assets	27,972	10,475	3,919	1,247	375
Shareholders' Equity	18,673	8,106	3,263	1,018	218
Shareholders' Equity Ratio (%)	66.8	77.4	83.3	81.6	58.2
Number of Employees (Number of persons)	339	196	82	65	31

Notes: 1. Enterprise taxes not included in SG&A  
 2. Number of Shares Outstanding is average number of each period.

### Results of Operations

#### Net Sales

Net sales for the fiscal year ended March 31, 2001, reached a record high of ¥13,039 million, an increase of ¥7,343 million, or 128.9%. The primary factor behind this outstanding growth was expansion in core advertising revenue to ¥12,187 million, a rise of ¥7,051 million, or 137.3%.

#### Cost of Sales

Cost of sales for the fiscal year ended March 31, 2001, amounted to ¥63 million, a decrease of ¥11 million, or 15.1%. The main factor behind this decrease was the absence since the third quarter of the previous fiscal year of outsourcing fees for production of *Yahoo! Internet Guide*, in spite of the increase of the consignment charges paid to Yahoo! Inc. for advertising appearing on Web sites of Yahoo! in various countries in line with increased global sales.

## Selling, General and Administrative Expenses

Selling, general and administrative expenses for the fiscal year ended March 31, 2001, grew ¥4,156 million, or 118.4%, to ¥7,667 million.

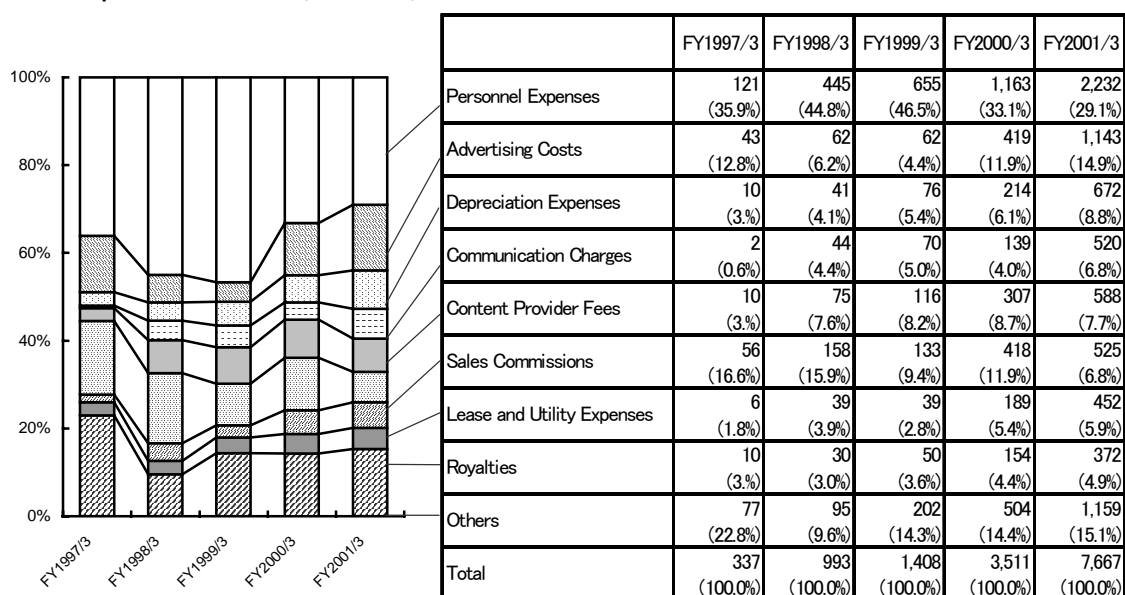
The primary factors behind this increase are as follows:

**Personnel Expenses** Compared with the previous fiscal year, the average number of employees for the fiscal year ended March 31, 2001, increased by 163.7, or 128.4%, to 291.2 people. Personnel expenses rose ¥1,068 million, or 91.8%, to ¥2,232 million.

**Advertising Costs** Compared with the previous fiscal year, advertising costs for the fiscal year ended March 31, 2001, grew ¥724 million, or 172.9%, to ¥1,143 million. This jump in costs can be attributed to increased TV, radio, and e-mail advertising to raise Yahoo! Japan's name brand awareness among mainly non-Internet users. In addition, the Company was the main sponsor of the tour by L'Arc~en~Ciel of the four major sports domes in Japan during the third quarter. In sponsoring the tour of this popular music group, the Company was aiming to attract new users and advertising.

**Content Provider Fees** Content provider fees for the fiscal year were up ¥280 million, or 91.0%, to ¥588 million, compared with the previous fiscal year, as the Company worked to boost its information services.

**SG&A Expenses Breakdown** (Millions of Yen)



Note: Enterprise taxes not included in SG&A

**Sales Commissions** Sales commissions for the fiscal year ended March 31, 2001, increased ¥107 million, or 25.7%, to ¥525 million. Growth in sales commissions was lower than growth in advertising services sales because of changes in the proportion of sales contributed by each sales channel and because of a partial review of the commissions system for sales representatives agencies in the first quarter of fiscal 2001.

**Sales Promotion Expenses** Sales promotion expenses for the fiscal year increased ¥196 million, or 212.3%, to ¥288 million. This increase was principally due to sales incentives paid to advertising agencies and a special incentive system introduced for stores opened on Yahoo! Shopping during the fourth quarter of the fiscal year under review as part of its sales support program.

**Depreciation Expenses** Depreciation expenses for the fiscal year expanded ¥457 million, or 213.8%, to ¥672 million, due to the acquisition of additional servers to handle growth in page views and upgrades to services, as well as to the introduction of basic office equipment in line with personnel expansion.

**Communication Charges** Communication charges for the fiscal year increased ¥380 million, or 271.9%, to ¥520 million. These charges rose because of additional connection contracts made with network providers in line with our expanded services and to improve the access environment for users. Furthermore, as a result of the March 1, 2000, mergers with GeoCities Corporation Japan and broadcast.com japan k.k. and the September 1, 2000, merger with P.I.M., Inc., Yahoo! Japan is currently operating five different data centers.

**Royalties** Royalties paid to Yahoo! Inc., of the United States, increased ¥218 million, or 141.7 %, to ¥372 million, for the fiscal year ended March 31, 2001, in accordance with the increase in net sales.

**Lease and Utility Expenses** Lease and utility expenses for the fiscal year were up ¥263 million, or 139.0%, to ¥452 million, in line with the Company's expansion of its headquarters.

### **Operating Income**

As a result of the above factors, Yahoo! Japan was able to achieve record operating income. Operating income for the fiscal year ended March 31, 2001, increased ¥3,198 million, or 151.6%, to ¥5,308 million.

### **Non-Operating Income (Expenses)**

Net non-operating loss for the fiscal year ended March 31, 2001, was ¥100 million. The major item was an ¥80 million loss on evaluation of equity funds invested in SOFTBANK Internet Technology Fund No. 1 and a ¥40 million expense for the issue of new shares.

## Ordinary Income

Ordinary income for the fiscal year ended March 31, 2001, expanded ¥3,177 million, or 156.4%, to ¥5,208 million, a record high for Yahoo! Japan.

## Income Tax, Inhabitants' Tax and Enterprise Tax

Compared with the previous fiscal year, income tax, inhabitants' tax and enterprise tax for the fiscal year rose ¥1,584 million, or 193.0%, to ¥2,404 million.

## Net Income

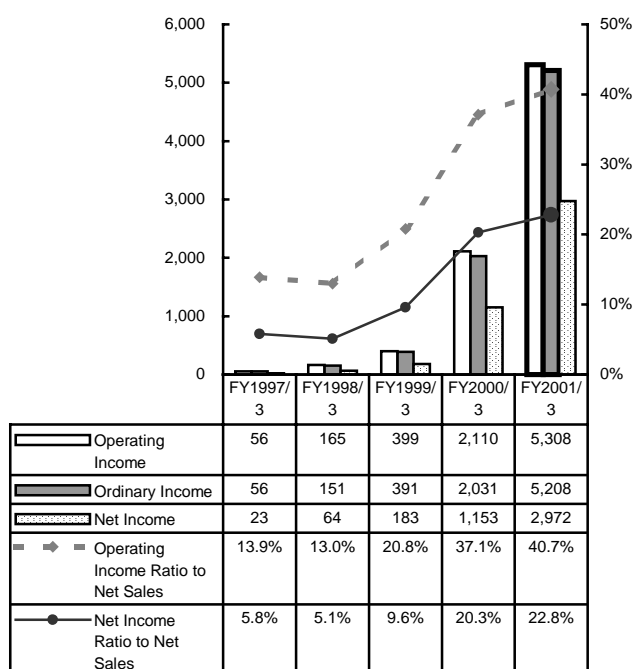
Net income for the full year totaled ¥2,972 million, up ¥1,819 million, or 157.7%, from the previous fiscal year. Net income per share amounted to ¥39,328.82, down 38.1%, or ¥24,186.48, from the previous fiscal year. The average number of shares outstanding increased 57,423 shares, or 316.2%, to 75,586 shares, compared with 18,163 shares in the previous fiscal year. Fully diluted net income per share was ¥38,870.67.

(Reference)

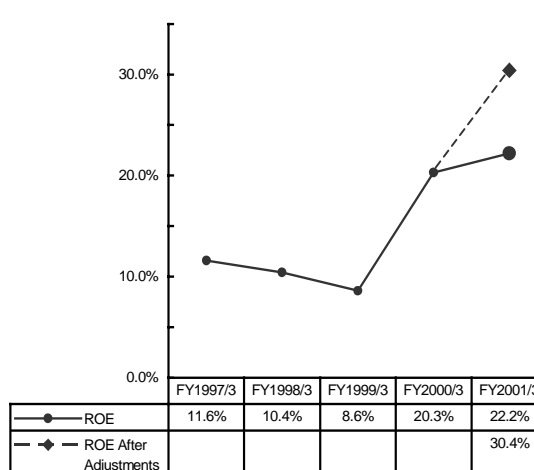
## EBITDA

For the fiscal year, EBITDA increased ¥3,622 million, or 161.6%, to ¥5,864 million.

Profits/Net Sales Ratios (Millions of Yen)



Return on Equity (ROE)



Note: Yahoo! Japan introduced mark-to-market accounting for the valuation of Other securities, although this method was not yet mandatory for the fiscal year ended March 31, 2001. As a result, Shareholders' Equity (average of beginning and ending balances) for the fiscal year under review contains an Other securities evaluation adjustment (net of tax) in its ending balance.

For comparison with other companies that haven't adopted this new accounting method, ROE calculated without using the evaluation adjustment is also included. (Adjusted shareholders' equity for the fiscal year ended March 2001 of ¥9,785 million is used in the calculations.)



## Financial Position

At March 31, 2001, total assets amounted to ¥27,972 million, up ¥17,497 million, or 167.0%, from the previous fiscal year. Total liabilities were ¥9,299 million, increasing ¥6,929 million, or 292.5%. Total shareholders' equity advanced ¥10,567 million, or 130.3%, to ¥18,673 million.

The primary causes behind the growth in total assets were an increase in tangible fixed assets due to the purchase of servers and other equipment and an increase in investment securities due to gains on evaluation at market value. Comparing major items year on year, among current assets, cash grew ¥809 million, or 219.5%; accounts receivable—trade rose ¥941 million, or 60.9%; and marketable securities climbed ¥509 million, or 12.2%. Among fixed assets, tangible fixed assets rose ¥1,238 million, or 111.0%, while investment securities increased ¥13,839 million, or 1,218.6%.

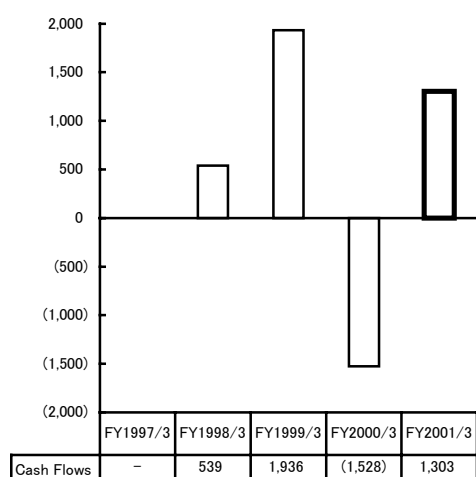
Among current liabilities, accounts payable—other rose ¥624 million, or 83.0%, and accrued income taxes increased ¥1,281 million, or 178.4%. Among long-term liabilities, long-term deferred taxes jumped ¥5,194 million, or 4,993.8%.

In shareholders' equity, common stock advanced ¥4,436 million, or 285.0%, while additional paid-in capital decreased ¥4,037 million, or 78.6%. Retained earnings increased ¥2,954 million, or 209.4%, while the other securities evaluation adjustment amounted to ¥7,211 million.

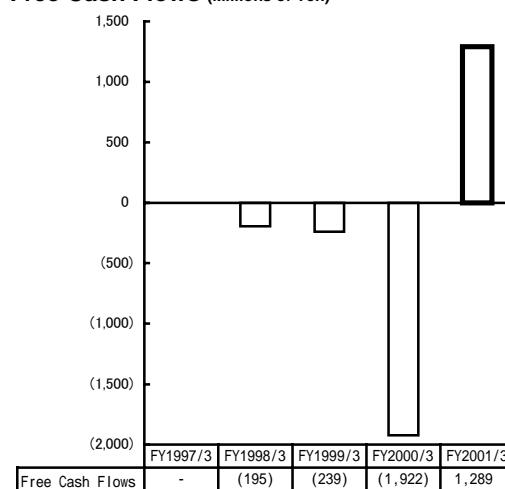
## Cash Flows

Net cash provided by operating activities totaled ¥4,366 million for the fiscal year. Although accounts receivable—trade expanded along with the growth in net sales, this was offset by an increase in net income. Net cash used in investing activities totaled ¥3,077 million because of an increase in tangible fixed assets to expand and upgrade servers related to service expansion and because of investments in Golfdo Co., Ltd., Japan Electronic Settlement Planning Co., Ltd., J-Yado.com, and 16 other companies. Net cash provided by financing activities amounted to ¥14 million despite a bond redemption because of the issue of new shares. As a result, net cash used by the Company for the fiscal year totaled ¥1,303 million.

**Cash Flows (Millions of Yen)**



**Free Cash Flows (Millions of Yen)**



Note: Free Cash Flows = Cash Flows from Operating Activities  
+ Cash Flows from Investing Activities

## Balance Sheets

March 31, 2001 and 2000	Millions of Yen		
	FY2001/3	FY2000/3	Increase (Decrease)
<b>ASSETS</b>			
Current assets			
Cash	1,177	368	809
Accounts receivable—trade	2,486	1,544	941
Marketable securities	4,688	4,179	509
Treasury stock	4	0	3
Prepaid expenses	112	86	25
Deferred tax assets	195	62	133
Other current assets	11	70	(59)
Allowance for doubtful receivables	(6)	(5)	(1)
Total current assets	8,669	6,307	2,362
Fixed assets			
Tangible fixed assets			
Buildings and fixtures	284	170	113
Equipment and furniture	2,070	945	1,125
Total tangible fixed assets	2,354	1,116	1,238
Intangible fixed assets			
Software	102	85	16
Telephone subscription rights	2	2	0
Total intangible fixed assets	104	88	16
Investments and others			
Investment securities	14,975	1,135	13,839
Equity funds	919	1,000	(80)
Investment in affiliated companies	60	10	50
Bonds of affiliated companies	400	400	-
Long-term loans to employees	0	0	0
Prepaid expenses	51	15	35
Prepaid retirement benefits	4	-	4
Guarantee deposits	431	401	30
Others	0	0	-
Total investments and others	16,843	2,963	13,879
Total fixed assets	19,303	4,168	15,134
Total assets	27,972	10,475	17,497

Note: Yen amounts are rounded down to the nearest million yen.

March 31, 2001 and 2000	Millions of Yen		
	FY2001/3	FY2000/3	Increase (Decrease)
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable—trade	8	3	5
Accounts payable—other	1,376	752	624
Accrued bonuses	133	146	(12)
Accrued income taxes	2,000	718	1,281
Accrued consumption taxes	240	98	142
Advance received profit	70	67	2
Subscription warrants	7	23	(16)
Other current liabilities	25	18	7
<b>Total current liabilities</b>	<b>3,863</b>	<b>1,829</b>	<b>2,034</b>
Long-term liabilities			
Long-term debt	137	436	(298)
Long-term deferred taxes	5,298	104	5,194
<b>Total long-term liabilities</b>	<b>5,435</b>	<b>540</b>	<b>4,895</b>
<b>Total liabilities</b>	<b>9,299</b>	<b>2,369</b>	<b>6,929</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common stock	5,993	1,556	4,436
Additional paid-in capital	1,099	5,137	(4,037)
Legal reserve	3	2	1
Other retained earnings			
Reserve for special depreciation	143	-	143
Current retained earnings	4,221	1,410	2,811
Other securities evaluation adjustment	7,211	-	7,211
<b>Total shareholders' equity</b>	<b>18,673</b>	<b>8,106</b>	<b>10,567</b>
<b>Total liabilities and shareholders' equity</b>	<b>27,972</b>	<b>10,475</b>	<b>17,497</b>

Note: Yen amounts are rounded down to the nearest million yen.

## Statements of Income

Years ended March 31, 2001 and 2000	FY2001/3		FY2000/3		Increase (Decrease)
	Millions of Yen	% share	Millions of Yen	% share	%
Net sales	<b>13,039</b>	<b>100.0%</b>	5,695	100.0%	128.9%
Cost of sales	<b>63</b>	<b>0.5%</b>	74	1.3%	(15.1)%
<b>Gross profit</b>	<b>12,976</b>	<b>99.5%</b>	5,621	98.7%	130.8%
SG&A expenses	<b>7,667</b>	<b>58.8%</b>	3,511	61.6%	118.4%
<b>Operating income</b>	<b>5,308</b>	<b>40.7%</b>	2,110	37.1%	151.6%
Non-operating income	<b>58</b>	<b>0.4%</b>	20	0.3%	182.4%
Interest earned	<b>28</b>		18		
Gain on sales of treasury stock	<b>19</b>		-		
Other non-operating income	<b>10</b>		2		
Non-operating expenses	<b>158</b>	<b>1.2%</b>	99	1.7%	58.9%
Debenture interest	<b>12</b>		14		
Exchange loss	<b>2</b>		6		
Expense for issuance of shares	<b>40</b>		15		
Expense for issuance of bonds	-		9		
Expense for headquarters move	-		44		
Merger-related expenses	<b>2</b>		8		
Loss on disposal of fixed assets	<b>14</b>		-		
Loss on revaluation of equity investment	<b>80</b>		-		
Other non-operating expenses	<b>5</b>		1		
<b>Ordinary income</b>	<b>5,208</b>	<b>39.9%</b>	2,031	35.7%	156.4%
Extraordinary income	-	-	-	-	-
Extraordinary loss					
Amortization of difference on conversion to new retirement benefit accounting method	<b>13</b>	<b>0.1%</b>	-	-	-
Income before income taxes	<b>5,195</b>	<b>39.8%</b>	2,031	35.7%	155.7%
Income tax, inhabitants' tax and enterprise tax	<b>2,404</b>	<b>18.4%</b>	820	14.4%	
Adjustment to enterprise taxes	<b>(182)</b>	<b>(1.4)%</b>	57	1.0%	
<b>Net income</b>	<b>2,972</b>	<b>22.8%</b>	1,153	20.3%	157.7%
Retained earnings carried forward	<b>1,249</b>		241		
Prior period adjustments for tax-effect accounting	-		15		
Unappropriated retained earnings	<b>4,221</b>		1,410		

Note: Yen amounts are rounded down to the nearest million yen.

## Statements of Cash Flows

Years ended March 31, 2001 and 2000	Millions of Yen	
	FY2001/3	FY2000/3
<b>Cash flows from operating activities:</b>		
Income before income taxes	5,195	2,031
Depreciation and amortization	672	214
Increase in allowance for doubtful receivables	1	2
Increase/decrease in reserve for retirement allowances	(4)	-
Loss on disposal of fixed assets	14	0
Gain/loss on sale of treasury stock	(19)	-
Loss on evaluation of equity funds	80	-
Exchange gain/loss	2	6
Interest earned	(28)	(18)
Interest expense	12	14
Other profit and loss adjustments	5	0
Increase/decrease in accounts receivable—trade	(941)	(878)
Increase/decrease in accounts payable	5	(23)
Increase/decrease in accounts receivable—other	9	(88)
Increase/decrease in accounts payable—other	356	463
Increase/decrease in income taxes and other taxes payable	144	49
Payment of bonuses to directors	(16)	(15)
Subtotal	5,489	1,758
Payment of income taxes and other taxes	(1,123)	(267)
Net cash provided by operating expenses	4,366	1,491
<b>Cash flows from investing activities:</b>		
Expenditures on tangible fixed assets	(1,672)	(750)
Expenditures on intangible fixed assets	(32)	(44)
Purchases of investment securities	(1,442)	(1,224)
Proceeds from sales of investment securities	18	-
Increase in equity fund investments	-	(1,000)
Expenditures on loans	(2)	(63)
Proceeds from recovery of lending	56	16
Expenditures on increase in guarantee deposit assets	(30)	(404)
Proceeds from decreases in guarantee deposit assets	-	58
Interest earned	29	14
Other cash used in investing activities	-	(15)
Net cash used in investing activities	(3,077)	(3,413)
<b>Cash flows from financing activities:</b>		
Proceeds from sale of treasury stock	73	-
Proceeds from issuance of bonds	-	454
Expenditures for repayment of bonds	(303)	(110)
Proceeds from issuance of shares	319	62
Expenditures for acquisition of treasury stock	(58)	(0)
Interest expenses	(15)	(11)
Net cash provided by financing activities	14	393
Loss on conversion to cash and cash equivalents	-	(0)
Net change in cash and cash equivalents	1,303	(1,528)
Cash and cash equivalents at beginning of term	4,547	2,626
Increase in cash and cash equivalents due to merger	14	3,450
Cash and cash equivalents at end of term	5,866	4,547

Note: Yen amounts are rounded down to the nearest million yen.

## Risk Factors

The Company has reported its results for the fiscal year ended March 31, 2001 in this document. However, a number of potential factors could substantially impact its future performance. Major factors contributing to the business risk of the Company are discussed below. The Company proactively discloses those items it considers necessary for investors to include in their investment decision, including external factors beyond the control of the Company and business risks with a low probability of materializing.

Cognizant of the potential risks, the Company 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 following issues before assessing the position of the Company and its future performance.

### 1. Risks Affecting Operations

The Company provides Internet directory search services to Internet users through a licensing agreement with Yahoo! Inc. of the United States (hereafter referred to as "Yahoo! Inc."), and information services, such as stock quotes, up-to-the-minute news, sports updates and weather information, through agreements with various content providers. Yahoo! Japan also provides Web sites for individual users and a variety of free-of-charge communication services, including pager and message board services to provide communication among fellow users, as well as electronic commerce (EC) services (electronic commerce refers to exchange over the internet of products, services, information and funds from a seller to a buyer in the commercial transfer of wealth between economic entities), which enable users to purchase a variety of products over the Internet. The principal component of Yahoo! Japan's business involves Internet advertising services, through which the Company receives advertising revenue from companies in exchange for banner and other paid advertisements posted on the pages of the above services and targeting the users of those services. The following risks affect the business operations of the Company:

#### 1) Dependence on Specific Operations

Advertising services comprise the Company's principal source of revenue and accounted for 93.5% of net sales in the fiscal year ended March 31, 2001. As a result, operating results are highly dependent on advertising services. The following uncertainties are implicit in advertising sales:

- a. 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 overseas markets in more developed market, such as the United States, could affect the Japanese market.
- b. As the Internet advertising market is still developing in Japan, an accurate forecast of market conditions is not available at this time.
- c. Although Yahoo! Japan continually works to increase the value it supplies its users by providing such information services as up-to-the-minute news, weather and stock quotes, the Company purchases content from third parties. Failure to consistently provide high-quality content that appeals to users could lower traffic

and subsequently impact advertising revenue. In addition, the number of users accessing the Internet through cellular telephones and other mobile terminals has increased substantially. Although the Company 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 par with their use with personal computers. User share could fall as a result.

- d. As the entire catalogue of Yahoo! Japan services is dependent on the Internet, business operations require a stable environment for Internet connection, which includes the operations of the Company'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. In addition, although advertising contract periods and page views are guaranteed for the majority of products, failure to obtain the number of required page views could force the Company to extend advertising contract periods, or devise some other type of compensation that could negatively impact advertising revenues.
- e. The contract period for Internet advertisements is relatively short. In addition, Internet usage and demand among advertisers tends to be seasonal. These factors produce underlying short-term fluctuations in advertising revenue. Furthermore, as the Company's cost structure includes a high portion of fixed costs such as personnel expenses and lease expenses, expenditures cannot easily be adjusted to changes in revenue, contributing to underlying volatility in the Company's earnings stream.
- f. Operations are vulnerable to impact from such phenomena as fires, power outages and damages to telephone lines. Yahoo! Japan's main network infrastructure is concentrated in Tokyo, an area particularly susceptible to earthquakes, and the Company does not presently have multiple site capacity to offset any of the above occurrences. Despite the implementation of network security measures, the possibility of damage from computer viruses or hackers cannot be completely ruled out, and Yahoo! Japan does not hold sufficient insurance to compensate for losses due to these events. Any of these events could incur serious negative impact on the Company's business, operating results and financial condition.

## 2) Short Corporate History

Yahoo! Japan was founded in January 1996 and began its core advertising operations in April 1996. An operating loss was recorded in the fiscal year ended March 31, 1996 as a result of this lag. Although net sales increased and earnings were reported in the year ended March 31, 1997, the scale was small and large non-recurring revenues were included in other revenues. Although both net sales and earnings have increased substantially each term since the fiscal year ended March 31, 1998, quarterly trends in revenues show noticeable fluctuations. As the Company's history is extremely short compared with other media companies, such as television, radio, and newspaper companies, financial data is unavailable over a period long enough for meaningful comparison. As a result, past performance is inadequate for gauging the Company's ability to continue expanding revenues and sustaining profitability.

In addition, the history of Internet usage and the Internet advertising market in Japan is also limited. As a result, the Company cannot easily obtain information necessary for creating a management plan that

accurately reflects future revenues, costs and required staff. Unexpected expenditures, investments or other factors could arise, as well as large disparities from the Company's expected revenues.

(Millions of Yen)

ITEM	2ND TERM	3RD TERM	4TH TERM	5TH TERM	6TH TERM
Closing Date	March 31, 1997	March 31, 1998	March 31, 1999	March 31, 2000	March 31, 2001
Net Sales	¥413	¥1,269	¥1,914	¥5,695	¥13,039
Advertising Services	345	908	1,432	5,136	12,187
Others	67	360	482	559	851
Operating Income	56	165	399	2,110	5,308
Ordinary Income	56	150	391	2,031	5,208
Net Income	23	64	183	1,153	2,972
Shareholders' Equity	218	1,018	3,263	8,106	18,673
Total Assets	375	1,247	3,919	10,475	27,972
Page Views (million per month)	71.0	188.7	561.5	2,125.0	4,469
Number of Advertisers	37	71	111	300	792

Note: Operating income and income before taxes for the 3rd Term have been restated to conform to presentation standards adopted in the 4th Term and differ from figures on the Statements of Income and Retained Earnings.

1. Consumption tax is included in net sales from the 2nd term until the 3rd term. Due to changes in the accounting treatment of national and local consumption taxes, consumption tax is not included in net sales from the 4th term.
2. "Page view" is defined as one electronic page display accessed by a user. Figures for each term are based on page views for the month of March.
3. "Number of advertisers" indicates the average number of advertisers in that fiscal year.
4. Due to changes in accounting standards for preparing financial statements, enterprise tax, which had been included in SG&A expenses, is included in income tax as of the fiscal year ended March 31, 1998. Prior-period results have been restated to facilitate comparison.

### 3) Licensing Agreement with Yahoo! Inc.

Yahoo! Japan's operations are based on a licensing agreement with Yahoo! Inc., a founder of the Company and owner of 33.8% of shareholders' voting rights as of March 31, 2001. The Yahoo! trademark, software and tools (hereafter referred to as "the trademark") used in the operation of the Company's Internet directory search services are the property of Yahoo! Inc., Yahoo! Japan conducts business operations through a license obtained for use of the trademark. As such, the agreement with Yahoo! Inc. is critical to the Company's core operations.



License Name: Yahoo! Japan Licensing Agreement
Date of Contract: April 1, 1996
Contract Term: From April 1, 1996 – termination date unspecified (Note) The license agreement may be terminated in the following cases: decision of the companies to terminate the agreement; cancellation of the agreement after bankruptcy or loan default by one of the companies; purchase of one-third or more of the Company's outstanding shares by a competitor of Yahoo! Inc.; merger or acquisition rendering Yahoo! Inc. and SOFTBANK Corporation incapable of maintaining over 50% of the shareholders' voting rights of the ongoing company (may be waived by agreement of Yahoo! Inc.).
Contracted Party: Yahoo! Inc.
Main Conditions: 1. Licensing rights granted by Yahoo! Inc. to the Company: <ul style="list-style-type: none"> <li>• 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 (hereafter referred to as "the Japanese version of the Yahoo! Directory search services")</li> <li>• Non-exclusive rights granted to the Company for use in Japan of the Yahoo! Trademark</li> <li>• Exclusive rights granted to the Company for publishing of the Yahoo! trademark in Japan</li> <li>• Exclusive rights granted to the Company worldwide for development, commercial use and promotion of the Japanese version of the Yahoo! Directory search services</li> </ul> 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

#### 4) Need to Stay Ahead of Technological Innovations

The computer industry is well known for technological innovation. The Internet industry is continuously developing new multimedia protocols and technologies. With cooperation from Yahoo! Inc. and other companies, Yahoo! Japan is constantly developing new technologies to improve its services. Failure of Yahoo! Inc. or Yahoo! Japan to stay ahead of new technological advances could render their services outdated and erode their competitive positions. The Company's small-scale capabilities in research and development could also lower competitiveness due to such factors as longer time required for development. Either one of these contingencies could severely impact operating results.

Yahoo! Japan 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 Company's business and operating results could suffer substantial negative effects. In addition, the Company 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 Yahoo! Japan's relationship with users, hurt its brand image or impair operations.

#### 5) Reliance on External Third Parties

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

#### 6) The Yahoo! Brand and Cooperation Overseas

The establishment and proliferation of the Yahoo! brand are considered extremely important by the Company both for attracting users and advertisers and expanding its business. The importance of brand recognition is increasing rapidly, given the explosive increase in Internet sites and low barriers to entry in

the Internet business. Especially given the intensifying competition among Internet companies, expenditures for establishing the Yahoo! brand and boosting brand recognition could increase substantially.

Although efforts are underway to promote the Yahoo! brand with cooperation from Yahoo! Group companies overseas, the Company 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 Company in the form of weaker brand presence. In addition, some agreements with overseas Group companies contain exclusionary provisions. Yahoo! Japan is not able to place certain advertisements while these agreements are valid. Although, Yahoo! Inc. is making efforts around the world to protect trademarks that are core to its brand rights through applications, registrations, and presence, there is the possibility that Yahoo! Japan has not registered trademarks necessary to its business in Japan.

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

#### 7) Government Regulations

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

The Public Management, Home Affairs, Post and Telecommunications; Economy, Trade and Industry; and Education, Culture, Sports, Science and Technology ministries are considering "Regulations Concerning the Responsibility of Intermediates" for those businesses that act as intermediates in distributing information over the Internet, and aim to submit a proposal during the regular session of the Diet in 2001 (the 151st session). The actual details of this proposal are not yet clear but there is a possibility that the Company's business may be restricted through the introduction of new laws or the implementation of rules for self-regulation.

#### 8) Potential Litigation

Movements currently exist to regulate the flow of information on the Internet, both to ban distribution of illegal or harmful content and to protect the privacy of individuals. To avoid conflict with Japanese legal restrictions, the Company established the "Banner Advertisement Presentation Standard" that internally regulates advertising content and the content of Web sites accessed through advertising links. As expressed in a written contract with the advertiser, the advertiser takes full responsibility for the content of the advertisement. The Company also maintains the right to remove Web sites listed on its Internet directory search services at any time. In addition, the Company completely discloses its legal obligations in written contracts with the creators of these Web sites with clauses indicating the full responsibility of creators for the content of their sites. For such services as auctions and bulletin boards where users can transmit information freely, the Company indicates clearly in its contracts with users that illegal and harmful

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

However, no guarantees can be provided that these measures will be sufficient to avoid litigation. The Company could be subject to claims, damage suits or reprimands from users, related parties or government agencies in regard to the content of advertisements, Web sites accessed through links on its site, content contributed to community message boards and trading on its auction service. The resulting decline in user confidence could lead to a drop in page views and a suspension in services.

#### 9) Patents for Internet Technology and Business Plans

The Japanese Patent Office (JPO) recently began approving patents for Internet technologies and business plans. In addition, numerous patent applications have been filed at the JPO claiming rights to electronic commerce methods or processes for the exchange of goods, information and money. Some of these patents and patent applications cover not only technology but also business schemes. As such, the possibility exists that third parties in possession of these patents will make a claim or file a lawsuit against Yahoo! Japan, and that the Company will be prohibited from using such technology or will be forced to pay large royalties to acquire said patents. Currently, the Company has received a warning letter from a U.S. computer manufacturer concerning a patent registered in Japan and discussions are ongoing. It is possible that based on these discussions the Company could be restrained from offering some services or would have to pay royalties.

In addition, the extent to which patent rights can be applied remains unclear. As such, to avoid potential conflicts the Company 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 Company cannot rule out the possibility of patent issues arising overseas, in addition to Japan.

#### 10) Yahoo! Shopping and Yahoo! Auctions

To prepare for the coming growth in e-commerce, the Company launched Yahoo! Shopping and Yahoo! Auctions services in September 1999. Yahoo! Japan assumes no responsibility for the activities, products and services or Web site contents of the variety of retailers using these services. Nor does the Company make guarantees that users of these services will purchase goods or services listed by these retailers. In addition, Yahoo! Japan does not accept responsibility for damage, loss or difficulty in the delivery of said items. The Company delegates all responsibility to the user and accepts no responsibility for Yahoo! Auctions, making no guarantees as to the selection, display or bidding of goods or services on exhibit, or the formation and honoring of contracts agreed to while using this service. However, a 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.

In addition, there have been recent reports of illegal or fraudulent merchandise bought and sold via Internet auction 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. Also, we cannot rule out the possibility of legal action being taken against the Company for claims or compensation related to these criminal activities. Effective September 26, 2000, the Company began an escrow service for its online auctions for the purpose of avoiding fraud and other illegal activities, however not all users take advantage of this service. Therefore, the Company cannot say for certain that illegal actions will not occur in future.

Although Yahoo! Japan exercises the utmost care in protecting the privacy and individual information of each user and takes extraordinary measures to ensure the security of both services, the Company cannot completely eliminate the possibility that this information may be obtained and abused by third parties. As a result, we could be involved in legal disputes. If the proposed treaty concerning the jurisdiction of international courts presently under consideration is approved in its current form, it is possible that the Company could become involved in legal disputes overseas with users outside of Japan.

In its Internet auction business, the Company introduced a personal identification system and begin charging fees at the end of May, 2001. This could result in a decline in the number of users and page views. In the worst case, it can be possible that Yahoo! Japan will be unable to continue offering auction services.

#### 11) User Information

In July 1998, the Company 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 1, 2000, the Company began services providing space for registered users to create their own Web sites free of charge. Yahoo! Japan uses this information internally to better match advertisements to the appropriate users. This information is not disclosed to advertisers or other outside parties. However, the Company is unable to predict possible damage arising from an unexpected leak of this information to outside parties.

#### 12) Large-Scale Business Contracts with Certain Advertisers

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

#### 13) Dependence on Key Personnel, etc.

The Company depends on continued support from senior management and key technical personnel. These include the President, Managing Directors and other representatives of various departments serving on the

Management Committee who possess specialized knowledge and technological expertise concerning the Company and its business. Consequently, if key personnel were to leave, the Company would face a difficult task in replacing them.

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

#### 14) Internal Control System and Human Resources

##### a. Technology Development

The Company's directory search and advertising services are based on Internet technologies produced in an industry noted for rapid technological innovation, constant changes in standards and customer needs, and continuous development of new technologies and services. Responding to these conditions and sustaining a strong competitive position requires not only close cooperation with Yahoo! Inc., which operates almost identical services in the United States, but also increasing internal development efforts, including a rising level of funds expended in localizing operations of these services. As of March 31, 2001, Yahoo! Japan's research and development team consisted of 106 engineers under the supervision of the Director of Development.

In the future, management believes it will be necessary to increase not only engineering staff but administrative staff.

##### b. Advertising Sales Promotion

As of March 31, 2001, the advertising sales organization of Yahoo! Japan, which accounts for major portion of the Company's sales, had a staff of 61 people. In the future, the Company will need to increase its sales force and strengthen its sales management system to match the market's expansion. However, these measures alone will be insufficient to guarantee increased advertising revenue.

Moreover, a substantial portion of advertising revenues come from advertising agent cyber communications inc. Should fluctuations occur in the volume of sales from this company, it could impact substantially on performance.

Based on changes made to the advertising sales structure to strengthen its capability to attract major advertising clients, the Company expects that sales from advertising agencies and the proportion of these sales in 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.

##### c. Increasing Fixed Expenses

The Company needs to increase staff to support the large number of new Web sites created by the recent surge in Internet use, and to carry out operation and management of its community services and shopping services. Failure on the part of the organization or staff to respond adequately to these expanded administrative duties could undermine competitiveness, create possible trouble with Web site creators and community service users, and affect the efficiency of operations. Consequently, the Company plans substantial staff expansion and administrative reinforcement.

Although Yahoo! Japan 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.

## **2. Risks Concerning Investments and Capital Investment Programs**

The Company has invested in the following companies or entities. These investments have been made to form ties with the companies invested in and their businesses or with the view to forming business ties in the future. The Company cannot guarantee that these investments will be recovered. Although as of March 31, 2001, four of these companies had been publicly listed and the value of the Company's investment has increased, this value could decline in future. Moreover, depending on the direction of the performance of the companies it has invested in, Yahoo! Japan might have to write down the value of its marketable securities based on the application of compulsory evaluation accounting, and this could influence the Company's fiscal profit or loss.

### **1) Yahoo! Korea**

On October 6, 1997, the Company invested US\$50,000 for 5% ownership in Yahoo! Korea, a joint venture established by Yahoo! Inc. and other companies. Ownership was 4.12% as of March 31, 2001, due to an increase in the company's capital. Based on successes in translating Yahoo! Inc. technologies into 2-byte format to enable Japanese characters, the Company provided technological services necessary for establishing Yahoo! Korea.

On September 3, 1997, Yahoo! Korea began services and quickly grew to be one of Korea's leading Web site through robust growth in page views and net sales. However, currency fluctuations could produce fluctuations in the value of the Company's investment.

Yahoo! Japan has placed a representative on the board of directors as a non-corporate officer.

### **2) CyberMap Japan Corp.**

On March 31, 1998, the Company invested ¥50 million for 11.1% ownership of CyberMap Japan Corp., a joint venture with Toppan Printing Co., Ltd. and Nippon Telegraph and Telephone Corporation (NTT). Ownership was 8.33% as of March 31, 2001, due to an increase in the company's capital. This company provides the Mapion service, which is a free map search service for information on companies, retail outlets and other sites on the Internet.

Yahoo! Maps is provided through a tie-up with CyberMap Japan Corp.

Yahoo! Japan has placed a representative on the board of directors as a non-corporate officer.

### **3) Internet Research Institute, Inc.**

On July 31, 1998, the Company invested ¥100 million for 29.4% ownership of Internet Research Institute, Inc. (IRI). Ownership was 12.49% as of June 30, 2000, after an increase in the company's capital and listing of its shares on the "Mothers" section of the Tokyo Stock Exchange on December 22, 1999. IRI's core operations are ISP\* and test laboratory\*\* businesses. Yahoo! Japan plans to utilize the technological capabilities of this company to increase the quality of Yahoo! Japan services.

A provisional estimate conducted on March 31, 2001, placed the unrealized gain in its investment at ¥4.18 billion after tax.

Yahoo! Japan has placed a representative on the board of directors as a non-corporate officer.

\*Consulting for Internet service providers (ISP) and related network products; general outsourcing of design, operations and maintenance

\*\*Testing for interconnectivity between network equipment; providing open network testing environment for ISPs.

#### 4) Vector Inc.

On March 24, 1999, the Company invested ¥165 million, or 26.3% ownership, in Vector Inc. Ownership is currently 13.1%, due to an increase in the company's capital and its listing on Nasdaq Japan on August 11, 2000. This company's main business is providing an Internet download service. Yahoo! Downloads service is provided in cooperation with this company.

A provisional estimate conducted on March 31, 2001, placed the unrealized gain in its investment at ¥2.5 billion after tax.

Yahoo! Japan has placed a representative on the board of directors as a non-corporate officer.

#### 5) Weathernews Inc.

On May 28, 1999, the Company invested ¥300 million for 5.8% ownership (following increase in that company's capital) in Weathernews Inc. Following a capital increase and the listing of the stock on Nasdaq Japan on December 25, 2000, the Company's ownership is now 5.24%. Weathernews Inc. provides a range of information over the Internet, including weather observations, data collection, weather analysis and weather reports.

Yahoo! Weather service is provided in cooperation with Weathernews Inc. As of March 31, 2001, the unrealized gain of the Company's investment is approximately ¥440 million after tax.

#### 6) e-Shopping! Toys CORP.

On August 31, 1999, the Company invested ¥20 million, or 10% ownership, in e-Shopping! Toys CORP. This company operates eS-Toys, Japan's first full-scale all-toys EC site, and sells a full range of toys over the Internet. Internet users will have access to a database containing the latest product information on approximately 200,000 toys, and be able to freely order products 24 hours-a-day. Services began on November 24, 1999, with the company opening a virtual store on our Yahoo! Shopping site that has been well received by users.

Yahoo! Japan has placed a representative on the board of directors as a non-corporate officer.

#### 7) e-Shopping! Books CORP.

On September 10, 1999, the Company invested ¥20 million, or 10% ownership, in e-Shopping! Books CORP. On April 2, 2001, based on an allotment to shareholders, the Company increased its investment to ¥60 million. e-Shopping! Books CORP. is a new EC business venture involving some of Japan's most prominent corporations in publishing, retail and the Internet. Through the Internet, users will be able to order books from among more than 1.4 million Japanese language titles, then pick up their purchase and make

payments at local convenience stores. Services began on November 24, 1999, with the company opening a virtual store on our Yahoo! Shopping site that has been well received by users.

Yahoo! Japan has placed a representative on the board of directors as a non-corporate officer.

8) CarPoint K.K.

On October 6, 1999, the Company invested ¥67.2 million, or 8% ownership, in CarPoint K.K. On March 28, 2000, this investment was expanded to ¥112.5 million, or 6.54% ownership, based on a capital increase. Through this company's site, prospective car buyers can obtain detailed information on automobiles and other related areas, including information on all Japanese-made automobiles and the latest details on a variety of foreign-made cars. In addition, the service provides users with a free appraisal of cars and introduces them to dealers who sell these cars. As a result, users are saved the bother of bargaining and can conduct their car search on the Internet to the point of purchase.

9) SpeedNet. Inc.

On December 10, 1999, the Company invested ¥125.0 million, or 5.03% ownership, in SpeedNet. Inc. Based on its Internet protocol (IP) network, this company combines such diverse technologies as fiber optics, metal and wireless technologies to provide low-cost, continuous high-speed Internet access. This company ran trial services in Tokyo's Toshima, Shinjuku and Bunkyo Wards from October 1999 to January 2000. Near the end of August 2000, it also began trial services over a wide area extending as far as Urawa, Omiya and Yono cities in Saitama Prefecture. Furthermore, on March 21, 2001, the SpeedNet received a Type 1 Electric Communications license, and plans to begin a wireless access service in May 2001 offering up speeds up to 1.5 M b/s.

SpeedNet. Inc. has decided to increase its capital by ¥5 billion through a third party allotment of shares to Tokyo Electric Power Co., Inc. in the latter part of April this year. Based on this capital increase, Yahoo! Japan's ownership will fall to 1.67% from the current 5.03%. (The Company's previous agreement to maintain 5% ownership by increasing its investment to a maximum of ¥300 million has been rescinded. )

10) e-Shopping! CarGoods CORP.

On February 28, 2000, the Company invested ¥30.0 million, or 10% ownership, in e-Shopping! CarGoods CORP. This company operates eS-Car goods, Japan's first EC site specializing in car-related goods and parts, and markets a full range of these products over the Internet. Users can access an extensive database featuring the latest in product information (approximately 400,000 goods listed) and order products 24-hours-a-day. Operations began on May 29, 2000, with the company opening a virtual store on our Yahoo! Shopping site that has been well received by users.

Yahoo! Japan has placed a representative on the board of directors as a non-corporate officer.



11) Oricon Direct Digital Inc.

On March 28, 2000, the Company invested ¥50.0 million, or 1.65% ownership, in Oricon Direct Digital Inc. Following a capital increase and the listing of the stock on Nasdaq Japan on November 6, 2000, the Company's ownership is now 1.53%. Established on October 1, 1999, Oricon Direct Digital Inc. has built a highly practical, easy-to-search database of music-related information. Its main business consists of renting this database to EC merchants. The company has already begun operations, with services being provided through our Yahoo! Music and Yahoo! Music Shopping sites based on a tie-up. The estimated unrealized gain of the Company's investment at March 31, 2001 was ¥73 million after tax.

12) Tavigator, Inc. (formerly Cybercircle Co., Ltd.)

On March 5, 2000, Yahoo! Japan established Tavigator, Inc. as a subsidiary with ¥10.0 million in capital. Later the company increased its capital through a third-party allotment of shares to Yahoo! Japan, JTB Corp., and SOFTBANK E-COMMERCE CORP. As a result of this transaction, Yahoo! Japan's investment in the company increased to ¥30 million, or 30% ownership. Tavigator conducts on-line sales of top-selling travel packages in Japan and overseas, and also sells travel-related products.

The company began operations selling domestic accommodations on June 16, 2000, providing services through our Yahoo! Travel site by agreement with Yahoo! Japan. The company also has an on-line store on Yahoo! Shopping.

As an affiliate of the Company, it is possible that Tavigator, Inc. could be consolidated by Yahoo! Japan using the equity method. In that case, Tavigator, Inc. results could have impacts on the Company's financial situation and the results of its operations.

Yahoo! Japan has placed a representative on the board of directors as a non-corporate officer.

13) e-Shopping! Wine CORP. (formerly e-Shopping! Liquor CORP.)

On May 26, 2000, the Company invested ¥30 million, or 10% ownership, in e-Shopping! Wine. This company changed its name to e-Shopping! Wine CORP. on July 7, 2000. This company will operate the eS-Wine Web site, an e-commerce site specializing in wine and other alcoholic beverages, and will sell wine from around the world over the Internet. Users will be able to access the site's database to gain the latest wine information and order products twenty-four hours a day.

The company began operations on November 6, 2000, and has an on-line store on Yahoo! Shopping.

Yahoo! Japan has placed a representative on the board of directors as a non-corporate officer.

14) SOFTBANK ZDNet Inc.

On August 28, 2000, the Company invested ¥30 million for 10% ownership in SOFTBANK ZDNet Inc. Through a following capital increase, the Company increased its ownership to 8.33%. This company provides Japanese users with the translated contents of ZDNet in the United States as well as offering online computer, Internet, and video game related magazine content from SOFTBANK Publishing Inc. In addition, the company has begun Inter@ctive Investor (ZDII), a investment information service specializing in the Internet and IT fields. ZDII covers stock movements in the global Internet and IT markets with special

emphasis on the markets in the United States and Japan. It also provides market information, including the views of analysts. Through its tie-up with Yahoo! Japan, the company is providing computer-related services on Yahoo! News.

Yahoo! Japan has placed a representative on the board of directors as a non-corporate officer.

15) Computer Channel Corporation

On November 13, 2000, the Company invested ¥31.25 million for 10% ownership in Computer Channel Corporation, which does commissioned broadcasts, produces and markets TV programming, and makes commercials. This company currently does broadcasting for Sky PerfectTV. The Company intends to form a tie-up with the company to provide related services in future.

Yahoo! Japan has placed a representative on the board of directors as a non-corporate officer.

16) e-Net Japan Co., Ltd.

On December 14, 2000, the Company invested ¥75 million for 6% ownership in e-Net Japan Co., Ltd., which sells personal computers, audiovideo digital equipment and other consumer electronics as well as computer, game and DVD software over the Internet. The company has a shop on Yahoo! Shopping.

17) Digibike Co., Ltd. (formerly Digibike.com Co., Ltd.)

On December 26, 2000, the Company invested ¥60 million for 2.34% ownership in Digibike Co., Ltd., which specializes in electronic commerce and contents for motorbikes. The company has business tie-ups with approximately 550 associated stores throughout Japan. The Company intends to form a tie-up with the company to provide related services in future.

18) Power Print Inc.

On December 27, 2000, the Company invested ¥60 million for 15% ownership in Power Print Inc. This company provides a stock base of digital pictures and images over the Internet and takes on-line orders for printing and delivery of New Year Cards, direct mail, and other print items. The Company intends to form a tie-up with the company to provide related services in future.

19) Naturum Corp.

On December 29, 2000, the Company invested ¥79.20 million for 10.01% ownership in Naturum Corp. This company offers outdoor sports related contents over the Internet as well as selling outdoor leisure goods, fishing tackle, and sports goods. And it has a shop on Yahoo! Shopping. The company also operates a store in Osaka for fishing and sports gear.

20) J-Yado Co., Ltd. (formerly J-Yado.com)

On December 22, 2000, the Company invested ¥60 million for warrants for 200 shares of J-Yado Co., Ltd. On January 26, 2001, the Company exercised its warrants and took part in a third party allotment of shares, increasing its investment by ¥60 million. The Company's investment is equivalent to 7.98% ownership. J-

Yado operates J-Yado.com, an on-line reservation service for accommodations at hotel and Japanese inns. The Company intends to form a tie-up with the company to provide related services in future.

21) Archinet, inc.

On January 19, 2001, the Company invested ¥50 million in Archinet, inc. Following a capital increase, the Company raised its ownership to 19.84%. This company provides consulting services on the effective use of real estate and planning and management services for cooperative houses. In addition, the company sells gardening items over the Internet through its web site Engei. It also has a shop on Yahoo! Shopping.

22) Golf Do Co., Ltd.

On January 24, 2001, the Company invested ¥199.98 million for 4.9% ownership in Gold Do Co., Ltd. This company operates a golf equipment recycling business on a nationwide franchise basis. The Company intends to form a tie-up with the company to provide related services in future.

23) CafeGlobe.com

On January 30, 2001, the Company invested ¥100 million for 13.14% ownership in CafeGlobe.com. This company operates a home page for women featuring information on fashions, careers, and lifestyles. Through its tie-up with the company, Yahoo! Japan is providing cooking recipe information on Yahoo! Gourmet.

24) Axiv.com, Inc.

On January 30, 2001, the Company invested ¥50 million for 5.44% ownership in Axiv.com, Inc. This company provides campaign, promotion, and marketing services over the Internet. The company also operates MyID, a site where users earn rewards. The Company intends to form a tie-up with the company to provide related services in future.

25) Japan Electronic Settlement Planning Inc.

On March 12, 2001, the Company invested ¥199.55 million for 2.02% ownership in Japan Electronic Settlement Planning Inc. Established on January 14, 2000, this company is preparing to form an eBANK that will offer electronic settlement of various transactions over the Internet. The start of operations of this new type of bank that will provide various services centered on electronic settlement is planned for June 2001. The Company intends to form a tie-up with the company to provide related services in future.

26) GameBox, Inc.

On March 16, 2001, the Company invested ¥99.75 million for 9.38% ownership in GameBox, Inc. This company operates an on-line game site. Based on an on-line game show concept, the company's site is qualitatively different than ordinary on-line game services. The Company intends to form a tie-up with the company to provide related services in future.

27) Digipri Corporation

On March 27, 2001, the Company invested ¥100 million for 0.82% ownership in Digipri Corporation. This company provides an Internet storage service for digital pictures as well as a printing service for digital pictures. The Company intends to form a tie-up with the company to provide related services in future.

28) Bitwave Corporation

On March 29, 2001, the Company invested ¥100 million for 4.71% ownership in Bitwave Corporation. This company runs a music business featuring indies music as well as selling tickets of concerts and sports and other events. In addition, the company provides a comprehensive range of its services over the Internet. The Company intends to form a tie-up with the company to provide related services in future.

29) Net Protections, Inc.

On April 10, 2001, the Company invested ¥100 million for 16.47% ownership in Net Protections, Inc. This company operates an on-line settlement service. The Company intends to form a tie-up with the company to provide related services in future.

30) istyle Inc.

On April 20, 2001, the Company invested ¥50 million for 8.87% ownership in istyle Inc. This company operates a home page featuring information on cosmetics and beauty care. The Company intends to form a tie-up with the company to provide related services in future.

31) SOFTBANK Internet Technology Fund No. 1

On February 21, 2000, the Company invested ¥1,000 million in SOFTBANK Internet Technology Fund No. 1, a voluntary partnership administered by executive partner SOFTBANK Investment Corporation. This fund invests in unlisted start-up companies in Japan, chiefly in the Internet sector, with the view of distributing capital gains among partners when those companies go public. Yahoo! Japan plans to make use of synergies with those companies invested in the form of partnerships, access to information and advertising operations.

32) Capital Investment Programs and Investment Plans

To support expected business expansion and continue launching new services, such as video and audio transmission, the Company 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 period 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 Yahoo! Japan believes business expansion will result in earnings growth sufficient to cover these increased costs, ineffective capital investments could put the Company behind its competitors and substantially impact future earnings. In addition, unfavorable performance by companies in which Yahoo! Japan has invested could impact the Company's financial structure and operating results.

### **3. Concerning the Internet Advertising Industry**

#### **1) Dependence on Internet Usage Rates**

Internet usage in Japan has continued steady growth since first emerging as a recognizable force in 1995. As the Company is dependent on the Internet both indirectly and directly, the most basic requirements for its operations are continued expansion in communication and commercial activity over 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 such necessary infrastructure as reliable backbones and high-speed modem capabilities; the need for development and application of technological standards and new protocols to respond to surging Internet traffic and increasingly advanced applications; and the possibility of regulation or charges on Internet use.

#### **2) Use of the Internet as an Advertising Medium**

The Internet advertising business in Japan emerged almost simultaneously with the Company's establishment, and is therefore still in its infancy. As the future of the Internet remains uncertain, its value as an advertising medium is also unclear with respect to advertisers, consumers and advertising agencies.

The Company has continued to attract an increasing number of advertisers from a variety of sectors. However, with limited experience in Internet advertising, the majority of advertisers still consider it a trial medium. Many advertisers allocate only a small portion of their advertising budget to Internet advertising. Considering major advertisers on Yahoo! Japan by industry, national brand clients in industries that usually advertise more than other industries in other media, such as food products, cosmetics and toiletries, drinks and popular items, drugs and healthcare 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 Company to achieve stable advertising revenues.

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

#### **3) Competitive Environment**

As of March 31, 2001, the major providers of Japanese-language Internet navigational services or similar services directed at Japanese Internet users were as follows (not listed in any particular order):

SITE	PROVIDER	BUSINESS DESCRIPTION
Goo	NTT-ME Information Xing, Inc.	Information site
Lycos	Lycos Japan	Information site
MSN	Microsoft Corporation	Information site
Infoseek	Infoseek Japan	Information site
Excite	Excite Japan	Information site
ISIZE	RECRUIT CO., LTD.	Information site
@nifty	NIFTY Corporation	ISP and information site
So-net	Sony Communication Network Corporation	ISP and information site
BIGLOBE	NEC Corporation	ISP and information site
AOL	DoCoMo AOL, Inc.	ISP and information site
Rakuten	Rakuten, Inc.	On-line shopping mall and auctions site
Bidders	DeNA Co., Ltd.	Online auctions site
Ebay	eBay Japan K.K.	Online auctions site

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

#### **4. Increased Risks from Diversification and New Businesses**

To achieve long-term growth, the Company plans to diversify into businesses that will expand the revenues of existing businesses and start new businesses that will provide new sources of revenues in addition to the advertising revenues that generate the major portion of its current sales. For example, the expansion and diversification of electronic commerce transactions of Yahoo! Shopping and Yahoo! Auctions and supplying pay services to support the various types of information transmission needs of corporations. For these purposes, the Company expects to incur additional expenses to employ new staff, expand and upgrade its facilities, and to carry out research and development.

The Company believes that these types of diversification and new businesses will strengthen its operating base. However, it is anticipated that further time will be required for these businesses to begin contributing stable revenues. Consequently, the Company's profitability may decline temporarily. In addition, there is no guarantee that these businesses will develop exactly as the Company has planned. It is possible that the Company will not recover its investment expenses, and that this will impact significantly on performance.

## Corporate Data

(As of March 31, 2001)

### Company Name

Yahoo Japan Corporation  
(Yahoo! Japan)

### Founded

January 31, 1996

### Capital

¥5,993 Million

### Businesses

Advertising Businesses on the Internet  
Other Businesses

### Number of Employees

339

### Headquarters

Palacio Tower, 3-6-7,  
Kita-Aoyama, Minato-ku,  
Tokyo, 107-0061, Japan

### Home Page URL

<http://www.yahoo.co.jp>

### IR Page in English URL

<http://docs.yahoo.co.jp/info/investor/en/>

## Directors and Auditors

(As of June 20, 2001)

### President and CEO

Masahiro Inoue

### Chairman of the Board of Directors

Masayoshi Son

### Managing Director

Makoto Arima

### Director

Jerry Yang

### Director and CFO

Keisuke Chuman

### Statutory Auditor (Full Time)

Sumio Sue

### Statutory Auditor

Toshihiro Kiribuchi

### Statutory Auditor

Mitsuo Sano

### Statutory Auditor

Yukio Todoroki

