

Results for the Fiscal Year and Three Months Ended March 31, 2001

Introduction

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.

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 IAB report, the Internet advertising market in the United States declined against the previous quarter for the first time in the third quarter of calendar 2000, falling 6.5%, to US\$1.98 billion. The decline was attributed to the slow down in the economy, the bankruptcy of some dot com companies, and advertising restraint. Market growth is forecast to decline compared with other years, with the figure for the first three quarters of calendar 2000 rising only 113.2% to US\$6.06 billion compared to the previous year.

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.

Amid these conditions, Yahoo Japan Corporation ("Yahoo! Japan" or "the Company") achieved the following results for the fiscal year and the fourth (January to March) quarter ended March 31, 2001.

Page Views

In the three months ended March 31, 2001, maximum daily page views exceeded 150 million for the first time, and monthly page views were more than 4.4 billion during March. This represents a rise of 856 million page views, or 23.7%, compared with the last December, and an increase of 2,343 million page views, or 110.3%, compared with the same month a year earlier. As of April 10, 2001, daily page views exceed 160 million.

By service, directory search services accounted for 22.7%, information 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. Services other than directory search services accounted for 77.3% of total monthly page views.

Services

The primary services that were added or upgraded during the fourth quarter were as follows:

Information services were bolstered with live video and voice coverage of professional baseball games and the high school baseball tournament over Yahoo! Sports using Yahoo! Broadcast's technology. The service, which was accessed by many users, comprises video coverage of all 70 games of the Seibu Lions, voice coverage of all 70 games of the Yomiuri

Giants, and video coverage of all of the games of the National Invitational High School Baseball Tournament.

Furthermore, Yahoo! Sports began providing professional baseball news with the pre-season games as well as expanding the news coverage of the Japanese players active in major league baseball in the United States. In Japanese soccer, Yahoo! Sports concentrated on providing breaking news of J League events, but also included coverage of the Xerox Super Cup and the Yamazaki-Nabisco Cup.

As could be noted in the trends evident in the results of Yahoo! Japan's 9th Web User Survey conducted from January 23 to February 5, the year 2001 is getting attention as the year in which broadband services using ADSL and fiber optics are getting truly underway on the Internet in Japan.

In addition to expanding the provision of information on these next generation Internet environments, we opened Yahoo! Cafe, in Harajuku, Tokyo on March 23. The cafe, which is highly popular, has been installed with high-speed lines to allow visitors to get hands-on experience in broadband services.

Yahoo! Broadcast bolstered its services during the quarter by offering live coverage of the first total lunar eclipse of the new millennium. Moreover, its Internet drama Candy-O gained substantial attention for providing a new advertising format.

Among new services, Regional Information, one of the Yahoo! Japan's main categories, launched Yahoo! Regional Information on March 27. This service supplies regional information categorized by approximately 3,400 cities and areas that links Yahoo! Japan's services and community sites.

Yahoo! News significantly renewed its topics corner. Currently, the most popular topics are divided into the eight categories of Japan, Overseas, Economics, Entertainment, Sports, Computers, Sciences, and Regional. Each category further divides its hottest topics into a Main Topics category featured prominently on the page. Previously, the longest that any news could be posted was one week. However, the duration of some news items has been extended to 90 days.

Yahoo! Finance redesigned its top page and added individual stock price charts that let users follow the latest movements in the market. Chart functions were substantially strengthened, allowing the 10-year comparison of a maximum of five major stock indices, individual stock prices or investment trusts. Yahoo! Finance also added logarithmic charts, which are highly effective for analyzing stocks with strongly fluctuating prices. Moreover, a Yahoo! Finance Column was launched to help people learn about investment planning and risk management. Similarly, the life insurance information corner Yahoo! Finance Life Insurance Center was started to support users when considering their life plan. To aid users to obtain information or form portfolios, we introduced an easy-to-understand, explanatory Guide Page for Beginners. In addition, to allow user to exchange information, we started message board services for individual investment trusts as well as existing individual companies.

During the fourth quarter, Yahoo! Real Estate substantially expanded its search function for rental information. In conjunction with this expansion, the system has been upgraded to allow users to easily create a list of rental candidates based on 22 variables in addition to searching by such keywords as building name or address. For home searchers interested in houses, the service offers House Makers Catalog that includes video clips. For those looking

for store, office, and warehouse rental space, the service has added Commercial Rental Information.

Yahoo! Education bolstered its service by providing answers, mark allocation, and comments on the problems for the examinations given by the National Center for University Entrance Examination in 2001. Along with this information, Yahoo! Education also offered a self-marking service to allow users to check whether or not they are likely to have passed the examination. In addition, Yahoo! Education added an Education News category, which features articles on each type of educational establishment—university, high school, and continuing education—that are renewed daily.

Yahoo! Employment greatly increased the amount of information it offers, and the number of employment ads exceeded 10,000. Furthermore, the job and industry categories were expanded, making the system easier to use. In the fourth quarter, Yahoo! Employment began offering a mobile phone service through Yahoo! Mobile.

Yahoo! Gourmet added a Gourmet Recipe Information category, which permits users to search for recipes based on pictures of completed dishes. At a serial corner called Eating at Home, users are introduced weekly to an easy-to-prepare home cooking menu. Yahoo! Gourmet also began offering its restaurant search system Gourmet Restaurant Search as a mobile phone service through Yahoo! Mobile.

Through a tie-up with East Japan Marketing & Communications, Inc. and Timetable Information Service Co., Ltd., Yahoo! Transit began supplying timely information on accidents, operating delays, and schedule changes on JR East railway lines through its JR Operating Information category.

Yahoo! Weather Information started up Cedar Pollen Information to provide estimates of the concentration of cedar pollen in the air to users suffering from hay fever. In addition, through its Cherry Blossom Information category, Yahoo! Weather provided estimates of the degree of blossoming of the cherry trees in 443 locations nationwide.

Yahoo! Fortune Telling launched the currently popular Zero Star Fortune Telling during the fourth quarter. At the same time, it began offering a weekly special feature.

In commerce services, Yahoo! Auctions decided to boost the reliability of its service by introducing a personal identification system. Moreover, it announced that it was establishing a new system to compensate users that fall victim to fraud in terms of money or items for up to ¥500,000 per annum.

Yahoo! Auctions continued to host charity auctions. In February, it held the TV CF Dream Charity Auction, sponsored by the Japan Association of TV Commercial Production Companies (JAC), to support the operations of the Bone Marrow Bank. The event raised ¥2,458,210 in charity funds, which the JAC intends to donate in full to the Bone Marrow Transplant Promotion Group. Yahoo! Auction held nine other charity auctions during the fourth quarter, raising a total of ¥7,056,721. In March, Yahoo! Auctions launched its Premium Auction Service for corporations. It charges for this corporate service.

Aiming to increase use of its service, Yahoo! Shopping launched a “Smart Shopping with a Yahoo! JAPAN ID” campaign during the fourth quarter as a special event. First prize was a Daimler Chrysler Smart Coupé.

Targeting sales growth, Yahoo! Shopping held several other special events, including Valentine’s Day and White Day events and special events linked to new computer products in collaboration with Yahoo! Computer. In cooperation with e-Shopping! Books Corp., Yahoo!

Shopping launched a service whereby books bought at eS! Books, on Yahoo! Shopping, can be picked up and paid for at any 7-Eleven store. This service is free of charge.

In community services, Yahoo! Messenger, a simple chat function, expanded its platform by adding a Windows CE version while Yahoo! Calendar included a sports function to its time guide. This service allows users to register their favorite teams and have the team's game schedule and results entered in their personal schedules.

Yahoo! Greeting upgraded its service to permit users to search for cards using keywords. During the fourth quarter, the ID number of registered users (an ID is necessary for use of some of the Company's community and commerce services) exceeded 7.8 million, expanding by 1.37 million, or 21.3%, compared with the previous quarter.

Yahoo! Mobile expanded its service to include J-Sky as well as i-mode compatible services. During the fourth quarter, it added the previously mentioned Yahoo! Employment, Yahoo! Gourmet, and Yahoo! Message Boards services.

User Access

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%.

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.

Management believes that these statistics clearly demonstrate the strong rating users have assigned to Yahoo! Japan's increasingly high-quality directory search services, diverse information and community services, and commerce services. These services have enhanced the Company's position among users as an Internet media company.

Financial Accounts

<Statements of Income>

Net Sales

Net sales for the fourth quarter increased to ¥3,932 million, a gain of ¥1,973 million, or 100.7%, compared with the same period a year earlier. This exceptional performance reflects a ¥1,780 million, or 98.5%, surge in advertising revenue to ¥3,588 million. Yahoo! Japan was able to post record sales for the eleventh consecutive quarter. Compared with the previous quarter, net sales rose ¥225 million, or 6.1%.

Net sales for the fiscal year ended March 31, 2001, totaled ¥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%.

(See Review of Operations)

Cost of Sales

Cost of sales for the fourth quarter rose ¥11 million, or 206.5%, to ¥17 million, compared with the same period a year earlier. The main factor behind this growth was the consignment charges paid to Yahoo! Inc. for advertising appearing on Web sites of Yahoo! in various countries in line with increased global 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*.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the fourth quarter expanded ¥999 million, or 82.3%, to ¥2,214 million compared with the same period of the previous fiscal year. 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 in the fourth quarter increased ¥218 million, or 54.5%, to ¥620 million compared with the same period a year earlier. This growth reflects 143 new staff, an increase of 73.0%, hired in response to our rapid business expansion, for a total of 339 employees. The quarterly performance based reward system for employees increased personnel expenses, reflecting the better company performance during the quarter.

The rate of growth in personnel expenses was lower than the rate of growth in personnel because of an extraordinary bonus paid during the same period in fiscal year ended March 31, 2000.

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 totaled ¥330 million in the fourth quarter, an increase of ¥177 million, or 116%, from the same period in the previous year. The major factors behind this increase

were e-mail advertising carried out to raise the brand recognition of Yahoo! Japan among e-mail users and radio and other advertising placed to raise brand recognition among non-e-mail users.

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.

Content provider fees in the fourth quarter increased ¥80 million, or 94.5%, to ¥165 million compared with the same period a year earlier, as the Company worked to boost its information services.

For the fiscal year, content provider fees were up ¥280 million, or 91.0%, to ¥588 million.

Fourth-quarter sales commissions declined ¥41 million, or 25.6%, to ¥119 million, compared with the same period a year earlier. This decrease resulted because of changes in the proportion of sales contributed by each sales channel and because of a partial review of the commissions system for advertising agencies in the first quarter of fiscal 2001.

Sales commissions for the fiscal year ended March 31, 2001 increased ¥107 million, or 25.7%, to ¥525 million.

Sales promotion expenses in the fourth quarter increased ¥95 million, or 309.1%, to ¥126 million compared with the same period a year earlier. This increase could be attributed to a sales incentive system introduced during the fourth quarter to encourage sales of stores on Yahoo! Shopping.

For the fiscal year, sales promotion expenses increased ¥196 million, or 212.3%, to ¥288 million.

Depreciation expenses in the fourth quarter rose ¥130 million, or 148.9%, to ¥217 million due to the acquisition of additional servers to handle growth in page views and upgrades to services, as well as the introduction of basic office equipment in line with personnel expansion.

For the fiscal year, depreciation expenses expanded ¥457 million, or 213.8%, to ¥672 million.

Communications charges in the fourth quarter rose ¥117 million, or 200.8%, to ¥175 million as the Company expanded network connection contracts to improve the user-access environment and bolster its services and the number of data centers grew to five due to the mergers with P.I.M., Inc.

Communications charges for the fiscal year increased ¥380 million, or 271.9%, to ¥520 million.

Royalties paid to Yahoo! Inc., of the United States, increased ¥60 million, or 111.5%, to ¥113 million in the fourth quarter in accordance with the increase in net sales.

Royalties for the fiscal year ended March 31, 2001 increased ¥218 million, or 141.7%, to ¥372 million.

Lease and utility expenses rose to ¥119 million in the fourth quarter, an increase of ¥56 million, or 90.5%, from the same period a year earlier, in line with the Company's expansion of its headquarters.

For the fiscal year, lease and utility expenses were up ¥263 million, or 139.0%, to ¥452 million.

Operating Income

As a result of the above factors, Yahoo! Japan was able to achieve record operating income for the eleventh consecutive quarter. Operating income for the three months ended March 31, 2001, climbed ¥961 million, or 130.2%, to ¥1,700 million.

Compared with the previous fiscal year, 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 fourth quarter of fiscal 2001 was ¥36 million. The major item was a ¥41 million loss on evaluation of equity funds invested in SOFTBANK Internet Technology Fund No. 1.

Net non-operating loss for the fiscal year ended March 31, 2001 was ¥100 million. The major item was a ¥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 amounted to ¥1,663 million, an increase of ¥942 million, or 130.8%, from the fourth quarter a year earlier. Yahoo! Japan was able to post record ordinary income for the eleventh consecutive quarter.

Ordinary income for the fiscal year ended March 31, 2001 expanded ¥3,177 million, or 156.4%, to ¥5,208 million.

Income Taxes, Inhabitant and Enterprise Taxes

Compared with the previous fiscal year, income taxes, inhabitant and enterprise taxes 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

EBITDA for the fourth quarter rose ¥1,069 million, or 132.7%, to ¥1,875 million compared with the same period last year.

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

<Balance Sheets>

Between December 31, 2000 and March 31, 2001, total assets increased ¥2,722 million, or 10.8%, to ¥27,972 million; total liabilities grew ¥1,361 million, or 17.1%, to ¥9,299 million; and total shareholders' equity advanced ¥1,361 million, or 7.9%, to ¥18,673 million.

The primary factor behind the expansion in total assets was a ¥1,589 million increase in investment securities. By account, in current assets, cash increased ¥355 million, or 43.2%; accounts receivable—trade rose ¥128 million, or 5.5%, and marketable securities increased ¥153 million, or 3.4%. In fixed assets, buildings and fixtures, and equipment and furniture expanded ¥324 million, or 16.0%. Investment securities climbed ¥1,589 million, or 11.9%.

In current liabilities, accounts payable-other rose ¥230 million, or 20.1% and accrued income taxes advanced ¥853 million, or 74.5%. Among long-term liabilities, long-term deferred taxes rose ¥223 million, or 4.4%.

In shareholders' equity, common stock gained ¥19 million, or 0.3%; additional paid-in capital increased ¥21 million, or 2.0%; other retained earnings rose ¥955 million, or 28.0%; and other securities evaluation adjustment increased ¥364 million, or 5.3%.

<Statements of Cash Flows>

Net cash provided by operating activities totaled ¥1,884 million in the fourth quarter. 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 ¥1,357 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., and seven other companies. Net cash used in financing activities totaled ¥19 million due to the repayment of bonds. As a result of these activities, cash and cash equivalents in the fourth quarter increased ¥508 million.

For the fiscal year ended March 31, 2001, net cash provided by operating activities totaled ¥4,366 million, net cash used in investing activities totaled ¥3,077 million, and net cash provided by financing activities totaled ¥14 million. As a result, net cash used by the Company for the fiscal year totaled ¥1,303 million.

Review of Operations

Advertising Services

Sales of advertising services in the fourth quarter rose ¥1,780 million, or 98.5%, to ¥3,588 million compared with the same quarter a year earlier.

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. Efforts to strengthen marketing capabilities by increasing staff, to successively introduce new advertising products that utilize video advertising or provide advertisers with mixed media advertising tailored to their needs that includes traditional ad media, to hold a variety of sales campaigns to attract major advertising companies, and to develop major new clients and attract portions of clients' year-end advertising budgets contributed to net sales growth. As a result, the Company registered record sales of advertising services in March.

Compared with the previous quarter, sales of advertising services were up ¥79 million, or 2.3%. The principal reasons behind the slowdown in the growth of advertising services compared with previous years are the decline in orders for new advertising because of the news of the difficulties being experienced by the Internet advertising market in the United States and uncertainty about the direction of the Japanese economy. In addition, some advertisers have shifted their focus to television and other traditional advertising media. Nevertheless, the monthly advertising of our top fifty advertisers continued to grow during the fourth quarter, and the Company feels that there has been no change in the fundamentals driving its 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.

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

Major Advertisers

Compared with the same period in the previous year, the average number of monthly advertisers was 879 companies, an increase of 455 companies, or 107%. The number of new advertisers averaged 97 companies per month and repeater companies averaged 782 companies per month. The cumulative total number of advertisers was approximately 3,000 companies. By industry, in addition to the Company's previous advertisers in the financial and insurance, information and telecommunications, restaurants and other services, the publishing, autos, governments and public offices, electrical home appliances and audiovisual equipment, and real estate and housing fixtures also came on board. Compared with the previous quarter, the number of advertising companies decreased by 27, or 3%. Although the average number of monthly repeater advertisers increased by one company or 0.1%, the average number of new monthly advertisers dropped by 28 companies, or 22%, producing the overall decline.

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. (Note: The SOFTBANK Group comprises companies that have received more than 50% of their effective investment from SOFTBANK CORP.)

Compared with the previous year, the average number of monthly advertisers for the fiscal year ended March 31, 2001 was 792 companies, an increase of 492 companies, or 164%. The number of new advertisers averaged 116, an increase of 54 companies per month, or 87%, and repeater companies averaged 676 companies per month, a jump of 438 companies per month, or 184%.

Advertisements

The Company posted another record result as the average number of monthly advertisements for the fourth quarter increased by 1,576, or 173%, to 2,489, compared with the same quarter a year earlier. Monthly advertisements grew by 66, or 3% compared with the previous quarter.

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

Advertising Agencies

For the fourth quarter, the monthly average of advertising agencies conducting business with the Company rose by 91, or 72%, to 217 companies compared with the same quarter a year earlier. Compared with the third quarter, this figure decreased by 8 companies, or 4%.

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 fourth quarter, rates for high-volume “Branding-Type Banner” ads ranged from ¥0.7 to ¥4 per page view, while those for “Targeting-Type Banner” ads varied from ¥2.62 to ¥20 per page view.

Advertising Products

Fourth-quarter sales of core products Mega Yahoo!, Pilot Seat, and Run of Property expanded robustly. 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.

One of the special features of the fourth quarter 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 enter 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. In other trends, Demographic Targeting, an advertising service that used Internet interactivity to target people by gender and age groups dropped by 45, to 50 contracts compared with the previous quarter. However, the amount spent on advertising increased by 1.6 times per contract. This result can be explained by the trend of advertisers, who could not adequately focus their advertising on the target group during the

first stage in which the service was offered, concentrating their advertising budgets on a specific group now that it is properly defined.

Other Services

Other services generated revenues of ¥343 million in the fourth quarter. The principal contributors to this revenue were ¥64 million in licensing fees from SOFTBANK Publishing Inc., ¥112 million in information publishing commissions and other fees from Yahoo! Broadcast, Yahoo! Employment, Yahoo! Real Estate, and Yahoo! Shopping (tenant fee), as well as ¥82 million in sales commissions from Yahoo! Shopping etc. At the end of the fourth quarter, the number of shops on Yahoo! Shopping totaled 134, an increase of 89 stores, or 197.8% compared with the same period in the previous year. Sales commissions and tenant fees were ¥59 million, up ¥51 million, or 633.9% and turnover per store was ¥15 million, up ¥10 million, or 256.3% compared with the fourth quarter in the previous year.

For the fiscal year, other services produced revenues of ¥851 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.

Reference (Environmental Protection Activities)

As a company in the service industry, we do 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)

Yahoo! Shopping Tenants (138 shops)

(April 20, 2001)

Tenant Name	Summary
IRISPLAZA	Pet store that sells foods and other related products for dogs, cats, rabbits, etc.
ASKUL	Industry's foremost office supply delivery service, handling approximately 8,700 items
Apple Store NEW!	Specialty store for all products of Apple Computer, Inc.
Anasazi Santa Fe	Specializes in the sale of art jewelry popular in the United States
Alc NEW!	Specialty shop for non-classroom lessons in idiomatic English, young children's English, Japanese, and Chinese as well as books and other educational materials
e-shoes Chiyoda NEW!	Shoe store of Chiyoda Co., Ltd., the largest shoe retailer in Japan
e-Shopping! Cargoods	Car part and accessory store that also caters to the manias of car hobbyists
e-Shopping! Toys	Japan's first full-blown Internet toy store
e-Shopping! Books	Japan's first full-scale Internet book store
e-Shopping! Wine	A specialty wine store with a wide selection of wines
e-Japan	On-line supermarket offering daily necessities, food products, and drinks
ESPORTS	Sports good store carrying outdoor, tennis, and marine sports goods
ECHA.com	Tea specialist that flame roasts tea made to order
e-BEST	Computer and home appliance shop formed in a tie-up of Best Denki Co., Ltd. And Softbank E-Commerce Corporation
Iimono Shopping NEW!	General goods shop for daily-use, consumer electronics, interior, and healthcare goods
ICI Ishii Sports	Mountain climbing and ski equipment store
Ishibashi Music	Music store specializing in acoustic and digital musical instruments
Isetan	On-line storefront of the venerable Isetan department store
Isetan Gift	Isetan's specialty gift shop.
Internet Hana Cupid NEW!	An Internet flower shop run by a highly reputable flower shop with a nationwide network of about 5,600 shops.
Wellness	Gift shop that specializes in flower and original potted plant gifts
Hpeselect NEW!	Japanese-language site of Hewlett Packard, featuring special prices on computer packages
X-SELL	Shop specializing in world famous brands of bags, watches and accessories
EVANCE	Rolex boutique that provides 10-year warranty services on new products
Elecom direct shop NEW!	Makers' direct sales store for PCs and related items operated by major PC supplier ELECOM Co., Ltd.
Engei.net	Gardening tool specialist offering products ranging from seeds and bulbs to fertilizer and tools
Organic Cyber Store	Health food store providing safe products that are organic, have no additives, are easy on the environment and use carefully selected ingredients
King's Idea Online shop	Variety gift store
Okamura	Specialty shop for office furniture and PC-related items
OMRON 24	Wholly financed sales subsidiary of OMRON Corporation handling mainly OMRON health equipment
ORBIS	Major seller of cosmetics and nutritional supplements with no physical stores

Chaos Mart	Internet convenience store that offers food and beverages, daily necessities and sundries, and pet supplies
Kataoka Bussan Select Food Mart	Specialty shop for top quality coffee, tea, pasta and other food stuffs
Camera Doi	Camera shop that carries a wide selection of cameras and related products
Kanno Bee Head Store	Reputable store that sells honey, propolis and high-grade royal jelly
Girlsgate	NEW! A shop specializing in goods for girls who want to be fashionable and pretty
Gulliver World	Shop specializing in sweets and ingredients for bread-making
key@musicland	Online shop of the nationwide chain MUSIC LAND KEY which sells popular music instruments, from guitars to basses and drums at special low prices.
KitchenPRO	Kitchenware specialist that handles highly practical, professional kitchenware
Kimonoyasan.com	Kimono specialist that showcases new kimono styles from Kyoto Muromachi
Cat Works	Personal computer store carrying SOTEC, SGI and other brands
Canon Trading	Shop that carries Canon products and a wide selection of health-related and outdoor items
Kyocera On-line Shopping	Variety store operated by Kyocera Corporation that handles various products including fashion and hobby goods
Giftken.com	Gift certificate specialist
QUOVADIS	Specialty shop for diaries and system schedulers
Kusuri Nihondo	Health food store specializing in herbal teas and medicines
Gateway PC Shop	B.T.O personal computer maker that has been chosen No. 1 for customer support in Nikkei Personal Computer Magazine's annual survey for two years running
CosmeValley.com	Shop that specializes in famous domestic and foreign brands of cosmetics and perfumes
Konamistyle.com	NEW! Specialty store for game software, such as Beat Mania and Tokimeki Memorial, and popular film DVDs
Como	Store that bakes and sells bread that lasts for 30 to 60 days at room temperature
Comp Kazumi	Personal computer store supplying computers, peripherals, and software
Golf Monster	Internet golf shop handling famous overseas and domestic brands in addition to original merchandise
SUN's COURT	Shop that carries gardening items, herbal food products and aromatic therapy goods
SANTEC DO	PC specialty store located in Okayama that sells computers and peripheral products.
Sante Drug	On-line drugstore handles products that support a healthy lifestyle, including diet and health food products as well as blood-pressure measuring devices
Sanrio	Sanrio on-line shop features a broad selection of such characters as Hello Kitty
ZAC	Interior store carrying items ranging from designer furniture to lighting and curtains
CDNow Japan	CD specialist shop for music lovers
Shizenha Club	Carefully selecting only truly delicious foods, the Club collects superb quality items from around the nation and sells them through catalogs or the Internet.
Lighting Specialist Terukunidenki	Lighting specialist that sells lighting fixtures of first-rate manufacturers

Shintomi Golf	Golf equipment store that offers custom-made golf clubs to compensate for golfers' unique lay angle
WWW.JWELL.COM	Internet jewelry shop that finishes products in a dedicated studio following customer orders
Gism Club	Handles primarily Casio products including G-SHOCK and BABY-G watches
Jewelry Tsutsumi On-Line Shop	Jewelry store that sends products made at its own facilities directly to customers
THE SUPERMODEL	Fashion brand specialist that manages SUPERMODEL products based out of New York
SUEHIRO	Jewelry shop that designs and processes original in-house jewelry made to order
STAR JEWELRY CO.	Major Japanese jewelry brand, which originated in Yokohama's famous Motomachi, offers a wide range of traditional jewelry known for unique designs and commitment to quality.
Sumisho Otto	Major reseller of products ranging from apparel and fashion goods to home beauty products
Seiko Store, Hotel Okura Branch	Wristwatch shop that handles popular Seiko brands, including SEIKO and ALBA
Sembikiya	Venerable fruit store that provides carefully selected fruits from around the world
Sohbi	European imported tableware store offers first-rate Western tableware, including Wedgwood and Richard Genari
SOFMAP	Major on-line retailer in PC sales
Tie Rack	Necktie and scarf specialist with 430 stores in 32 countries
Tasaki Shinju	Jewelry store that offers pearls through an integrated system from cultivation to processing and sale
Tano Mail	Office supply store operated by Osuka Shokai that handles products ranging from stationary and office supplies to daily sundries and foods
Tavigator	Travel specialist that offers useful items for trips and gifts from around the world
@TOWER.JP	CD specialist shop
Daiichi Engei	Flower shop that delivers flowers fresh direct from the fields
Daiichi Kaden	Home appliance store that provides such electronics as TVs, refrigerators, washing machines and audio equipment
Ticket Pia Leisure	Ticket shop that provides such leisure tickets as those for theme parks and amusement parks
CHUMS	CHUMS on-line store operated by an agency that imports CHUMS accessories
Tsuhan @ Pia	Specialty store that carries selected goods related to movies and music
Disc Station	NEW! Specialty store for foreign, Japanese, and animation films and music DVD software
Digicon!	Computer and audiovisual store located in the Kanto region
Dell Computer	NEW! PC shop operated by Dell Computer Corporation, a pioneer of direct sales manufacturing of PCs
ToysRUs.com	Specialty store for toys, video games and baby items
Tokyu Hands Tsuhan Club	NEW! Tokyu Hands' direct sales shop facilitates the creative lifestyles of shoppers.
Tokyu Department Store e109 Shop	Gift shop that offers the traditional sense of the venerable Toyoko Brickroad in Shibuya
Toshiba EMI Family Club	Store that features hard-to-find music and video software

Dog Watch Outdoors	Outdoor store that offers leading-brand Harry Hanson outdoor and marine wear
National Azabu	Grocer that sells foods, wine, cheese and daily sundries imported from around the world
Naturum Outdoor Station NEW!	Specialty shop offering camping goods, mountain bikes, canoes and other outdoor goods
Naturum Fishing Station NEW!	Fishing specialty shop boasting an exclusive product collection
Nikkei BP S.S. Online Shop NEW!	Specialty store for information on job or personal skills improvement
Nissen Virtual Brand Mall	Store specializing in brand items, such as bags and accessories
JMA Management Center NEW!	Introduces non-classroom courses for a wide-range of educational needs, including special certifications, business aptitude, and others.
Netter Shopping	Camera specialist with a nationwide photo network
Heart Flower	Flower shop that carries flowers, arrangements, bouquets, potted plants and gardening materials
HARIO Glass	Glass specialist shop that carries heat-resistant glass tableware
Hankoya.com	On-line name seal specialists that makes registered and corporate seals
Handspring Shop	Store specializing in the Palm OS "Visor" PDA and related items
Value Mart	Specialty store that carries products admired in European lifestyles, including leather goods, bags and mechanical timepieces
Paso Q	Personal computer and peripherals store
Paris Miki	Eyeglasses store operated by Miki that operates 857 stores in Japan and 61 stores overseas
PANDA HOUSE	Tennis specialty store featuring original sportswear and a full-range of professional equipment
Hibiya Kadan	On-line version of the venerable flower shop operated by Hibiya Kadan with 190 outlets in Japan
Beef-Net	Shopping site for all kinds of meat
Beautynet	Cosmetic specialist shop that carries items related to beauty and health
PC Akindo	A computer and peripherals store located in Tokyo's famous electronics district Akihabara.
Pc-Success NEW!	Akihabara computer store's online shop for PCs, peripherals, and parts
PC DEPOT	PC store located in Kanagawa
Food's Mart	Selective food shop operated by Food's-Foo, one of the largest food-related sites in Japan
FANCL	On-line reseller of easy-on-the-skin cosmetics with no additives and high-quality, inexpensive health foods
FUKUSUKE	Store operated by 118-year-old Fukusuke that carries socks, stockings and underwear
Furusato Dayori	Foods store that delivers the tastes and scents of hometowns throughout Japan directly to customers
Brooks	Selective foods store that mainly handles regular coffee
Bunmeido	Japanese and Western condiments prepared by artisans
Print Goko	Store specializing in Print Goko goods
Hotel Okura Gourmet Shop	Gift shop that carries gourmet items prepared by the chef of Hotel Okura
Marie Ange	Store specializing in maternity clothing and babywear
Marchef	Market that carries foods used by professionals, including Japanese, Chinese and Italian foods
Maruhaya	Specialty gift shop with a wide selection of items suitable for gifts for all seasons

Miki House	Store specializing in children's clothing and accessories
Murauchi.co.jp	Store that carries a wide selection of AV equipment, DVDs/CDs, electronic appliances, PCs, watches and cameras
Murauchi Furniture Access NEW!	Specialty store for reasonably prices home furniture and interior goods
Meijiya	Gift food store offering everything from seasonal to anniversary gifts
Megane Top	Eyewear specialist that mainly carries premium brand-name sunglasses
Media Max Sumiya Cyber Shop	Software store that offers DVD titles and game software
Media Valley	PC store of the Daiei Group
Mary's Chocolate	Chocolate specialist offering chocolate, gifts and other products
Mercian	Provides grape-based basic cosmetics and health foods based on the fine qualities of wine
Mondiale Ginza	Ginza 1-chome Rolex watch specialty store that usually has more than 500 new Rolexes in stock
Yamagiwa	Interior store carries popular imports, selective home appliances, lighting and interior goods
Yamagiwa Soft	Software store with a broad selection of the latest DVDs, CDs, PC software and console videogames
Le Noble	Specialty store that carries brand-name Western tableware, such as Royal Copenhagen
Rohto Pharmaceutical	Provides nutritional supplements and skin-care products
World Car Shop Pentagon	Car goods specialty shop with a wide range of car-related merchandise
WAKABA	Perfume specialist shop operated by the fragrance specialist trading company Wakaba

Balance Sheets

(Yen in millions)

	Three months ended March 31, 2001		Three months ended December 31, 2000		Increase (Decrease)
Assets					
Current Assets					
Cash	¥ 1,177	4.2%	¥ 822	3.3%	43.2%
Accounts receivable— trade	2,479	8.9%	2,351	9.3%	5.5%
Marketable securities	4,688	16.8%	4,535	18.0%	3.4%
Treasury stock	4	0.0%	7	0.0%	(46.4)%
Prepaid expenses	112	0.4%	84	0.3%	32.8%
Deferred tax assets	195	0.7%	88	0.3%	120.0%
Other current assets	11	0.0%	19	0.1%	(42.4)%
Total current assets	8,669	31.0%	7,910	31.3%	9.6%
Fixed Assets					
Tangible fixed assets	2,354	8.3%	2,029	8.1%	16.0%
Intangible fixed assets	104	0.4%	86	0.3%	20.9%
Investments and others					
Investment securities	14,975	53.5%	13,386	53.0%	11.9%
Investment to affiliated companies	60	0.2%	60	0.2%	0.0%
Bonds of affiliated companies	400	1.4%	400	1.6%	0.0%
Equity funds	919	3.3%	960	3.8%	(4.3)%
Long-term loans	0	0.0%	2	0.0%	(85.3)%
Prepaid expenses	51	0.2%	-	-%	-
Prepaid pension expenses	4	0.0%	-	-%	-
Guarantee deposits	431	1.6%	413	1.7%	4.4%
Others	0	0.0%	0	0.0%	0.0%
Total investments and others	16,843	60.2%	15,223	60.3%	10.6%
Total fixed assets	19,303	69.0%	17,340	68.7%	11.3%
Total assets	¥27,972	100.0%	¥25,250	100.0%	10.8%

(Yen in millions)

Liabilities	Three months ended March 31, 2001		Three months ended December 31, 2000		Increase (Decrease)
Current Liabilities					
Accounts payable—trade	¥ 8	0.0%	¥ 5	0.0%	73.6%
Accounts payable—other	1,376	4.9%	1,146	4.5%	20.1%
Accrued bonuses	133	0.5%	172	0.7%	(22.5)%
Accrued income taxes	2,000	7.1%	1,146	4.6%	74.5%
Accrued consumption taxes	240	0.9%	164	0.7%	46.9%
Advance received profit	70	0.3%	-	-%	-%
Subscription warrants	7	0.0%	9	0.0%	(22.2)%
Other current liabilities	25	0.1%	8	0.0%	221.0%
Total current liabilities	3,863	13.8%	2,651	10.5%	45.7%
Long-Term Liabilities					
Retirement allowances	-	-%	15	0.0%	(100.0)%
Long-term debt	137	0.5%	195	0.8%	(30.0)%
Long-term deferred taxes	5,298	18.9%	5,074	20.1%	4.4%
Total long-term liabilities	5,435	19.4%	5,285	20.9%	2.8%
Total liabilities	9,299	33.2%	7,937	31.4%	17.1%
Shareholders' Equity					
Common stock	5,993	21.5%	5,973	23.7%	0.3%
Additional paid-in capital	1,099	3.9%	1,078	4.3%	2.0%
Legal reserve	3	0.0%	3	0.0%	0.0%
Other retained earnings					
Reserve for special depreciation	143	0.5%	143	0.6%	0.0%
Current retained earnings	4,221	15.1%	3,266	12.9%	29.2%
Other securities evaluation adjustment	7,211	25.8%	6,846	27.1%	5.3%
Total shareholders' equity	18,673	66.8%	17,312	68.6%	7.9%
Total liabilities and shareholders' equity	¥27,972	100.0%	¥25,250	100.0%	10.8%

Balance Sheets

(Yen in millions)

	Fiscal year ended March 31, 2001		Fiscal year ended March 31, 2000		Increase (Decrease)
Assets					
Current Assets					
Cash	¥ 1,177	4.2%	¥ 368	3.5%	219.5%
Accounts receivable— trade	2,479	8.9%	1,539	14.7%	61.1%
Marketable securities	4,688	16.8%	4,179	39.9%	12.2%
Treasury stock	4	0.0%	0	0.0%	951.3%
Prepaid expenses	112	0.4%	86	0.8%	30.0%
Deferred tax assets	195	0.7%	62	0.6%	213.7%
Other current assets	11	0.0%	70	0.7%	(84.4)%
Total current assets	8,669	31.0%	6,307	60.2%	37.5%
Fixed Assets					
Tangible fixed assets	2,354	8.4%	1,116	10.7%	111.0%
Intangible fixed assets	104	0.4%	88	0.8%	18.9%
Investments and others					
Investment securities	14,975	53.5%	1,135	10.8%	1,218.6%
Investment to affiliated companies	60	0.2%	10	0.1%	500.0%
Bonds of affiliated companies	400	1.4%	400	3.8%	0.0%
Equity funds	919	3.3%	1,000	9.6%	(8.1)%
Long-term loans	0	0.0%	0	0.0%	200.2%
Prepaid expenses	51	0.2%	15	0.2%	226.7%
Prepaid pension expenses	4	0.0%	-	-%	-%
Guarantee deposits	431	1.6%	401	3.8%	7.5%
Others	0	0.0%	0	0.0%	0.0%
Total investments and others	16,843	60.2%	2,963	28.3%	468.3%
Total fixed assets	19,303	69.0%	4,168	39.8%	363.1%
Total assets	¥27,972	100.0%	¥10,475	100.0%	167.0%

(Yen in millions)

Liabilities	Fiscal year ended March 31, 2001		Fiscal year ended March 31, 2000		Increase (Decrease)
Current Liabilities					
Accounts payable—trade	¥ 8	0.0%	¥ 3	0.0%	131.5%
Accounts payable—other	1,376	4.9%	752	7.2%	83.0%
Accrued bonuses	133	0.5%	146	1.4%	(8.8)%
Accrued income taxes	2,000	7.1%	718	6.9%	178.4%
Accrued consumption taxes	240	0.9%	98	0.9%	145.4%
Advance received profit	70	0.3%	67	0.6%	3.6%
Subscription warrants	7	0.0%	23	0.3%	(68.4)%
Other current liabilities	25	0.1%	18	0.2%	41.0%
Total current liabilities	3,863	13.8%	1,829	17.5%	111.2%
Long-Term Liabilities					
Long-term debt	137	0.5%	436	4.1%	(68.6)%
Long-term deferred taxes	5,298	18.9%	104	1.0%	4,993.8%
Total long-term liabilities	5,435	19.4%	540	5.1%	906.5%
Total liabilities	9,299	33.2%	2,369	22.6%	292.5%
Shareholders' Equity					
Common stock	5,993	21.5%	1,556	14.9%	285.0%
Additional paid-in capital	1,099	3.9%	5,137	49.0%	(78.6)%
Legal reserve	3	0.0%	2	0.0%	72.5%
Other retained earnings					
Reserve for special depreciation	143	0.5%	-	-%	-
Current retained earnings	4,221	15.1%	1,410	13.5%	199.3%
Other securities evaluation adjustment	7,211	25.8%	-	-%	-
Total shareholders' equity	18,673	66.8%	8,106	77.4%	130.3%
Total liabilities and shareholders' equity	¥27,972	100.0%	¥10,475	100.0%	167.0%

Statements of Income (Three-Month Periods)

(Yen in millions)

	Three months ended March 31, 2001		Three months ended March 31, 2000		Increase (Decrease)	Increase (Decrease)
	Total	%	Total	%		
Net sales	¥3,932	100.0%	¥1,959	100.0%	¥1,973	100.7%
Cost of sales	17	0.5%	5	0.3%	11	206.5%
Gross profit	3,914	99.5%	1,953	99.7%	1,961	100.4%
SG&A expenses	2,214	56.3%	1,214	62.0%	999	82.3%
Operating income	1,700	43.2%	738	37.7%	961	130.2%
Net non-operating income (expenses)	(36)	(0.9)%	(17)	(0.9)%	(19)	107.9%
Ordinary income	¥ 1,663	42.3%	¥720	36.8%	¥ 942	130.8%

(Yen in millions)

	Three months ended March 31, 2001		Three months ended December 31, 2000		Increase (Decrease)	Increase (Decrease)
	Total	%	Total	%		
Net sales	¥3,932	100.0%	¥3,706	100.0%	¥225	6.1%
Cost of sales	17	0.5%	17	0.5%	0	3.0%
Gross profit	3,914	99.5%	3,689	99.5%	224	6.1%
SG&A expenses	2,214	56.3%	2,173	58.6%	40	1.9%
Operating income	1,700	43.2%	1,516	40.9%	184	12.2%
Net non-operating income (expenses)	(36)	(0.9)%	(22)	(0.6)%	(13)	60.8%
Ordinary income	¥ 1,663	42.3%	¥ 1,493	40.3%	¥170	11.4%

Breakdown of Fourth-Quarter Net Sales and SG&A Expenses

Three months ended March 31, 2001 (Yen in millions)

Net Sales	Total	%
Advertising services	¥3,588	91.3%
Other	343	8.7%
Total	¥3,932	100.0%

Three months ended March 31, 2001 (Yen in millions)

SG&A Expenses	Total	%
Personnel expenses	¥620	28.0%
Advertising costs	330	14.9%
Content provider fees	165	7.5%
Sales commissions	119	5.4%
Sales promotion expenses	126	5.7%
Depreciation expenses	217	9.8%
Communication charges	175	7.9%
Royalties	113	5.2%
Lease and utility expenses	119	5.4%
Other	224	10.2%
Total	¥2,214	100.0%

Statements of Income (Fiscal years)

(Yen in millions)

	Fiscal year ended March 31, 2001		Fiscal year ended March 31, 2000		Increase (Decrease)	Increase (Decrease)
	Total	%	Total	%		
Net sales	¥13,039	100.0%	¥5,695	100.0%	¥7,343	128.9%
Cost of sales	63	0.5%	74	1.3%	(11)	(15.1)%
Gross profit	12,976	99.5%	5,621	98.7%	7,354	130.8%
SG&A expenses	7,667	58.8%	3,511	61.6%	4,156	118.4%
Operating income	5,308	40.7%	2,110	37.1%	3,198	151.6%
Net non-operating income (expenses)	(100)	(0.8)%	(79)	(1.4)%	(21)	26.7%
Ordinary income	¥5,208	39.9%	¥2,031	35.7%	¥3,177	156.4%

Breakdown of Net Sales and SG&A Expenses

Fiscal year ended March 31, 2001 (Yen in millions)

Net Sales	Total	%
Advertising services	¥12,187	93.5%
Other	851	6.5%
Total	¥13,039	100.0%

Fiscal year ended March 31, 2001 (Yen in millions)

SG&A Expenses	Total	%
Personnel expenses	¥2,232	29.1%
Advertising costs	1,143	14.9%
Content provider fees	588	7.7%
Sales commissions	525	6.8%
Sales promotion expenses	288	3.8%
Depreciation expenses	672	8.8%
Communication charges	520	6.8%
Royalties	372	4.9%
Lease and utility expenses	452	5.9%
Other	870	11.3%
Total	¥7,667	100.0%

Statements of Cash Flows

(Yen in millions)

	Three months ended March 31, 2001	Fiscal year ended March 31, 2001
Cash Flows from Operating Activities		
Income before income taxes	1,663	5,195
Depreciation and amortization	217	672
Increase in allowance for doubtful accounts	0	1
Increase/decrease in reserve for retirement allowances	(19)	(4)
Loss on disposal of fixed assets	-	14
Gain/loss on sale of treasury stock	1	(19)
Loss on evaluation of equity funds	41	80
Exchange loss	1	2
Interest earned	(8)	(28)
Interest expense	1	12
Other profit and loss adjustments	1	5
Increase/decrease in accounts receivable—trade	(59)	(941)
Increase/decrease in accounts payable—trade	3	5
Increase/decrease in accounts receivable—other	5	9
Increase/decrease in accounts payable—other	(38)	356
Increase/decrease in consumption taxes payable	76	144
Payment of bonuses to directors	0	(16)
Subtotal	1,888	5,489
Payment of income taxes and other taxes	(3)	(1,123)
Net cash provided by operating activities	1,884	4,366
Cash Flows from Investing Activities		
Expenditures on tangible fixed assets	(393)	(1,672)
Expenditures on intangible fixed assets	0	(32)
Purchases of investment securities	(959)	(1,442)
Proceeds from sale of investment securities	-	18
Expenditures on loans	-	(2)
Proceeds from recovery of lending	1	56
Expenditures on increases in guarantee deposit assets	(18)	(30)
Interest earned	12	29
Net cash used in investing activities	(1,357)	(3,077)
Cash Flows from Financing Activities		
Proceeds from sale of treasury stock	21	73
Expenditures for repayment of bonds	(59)	(303)
Proceeds from issuance of shares	39	319
Expenditures for acquisition of treasury stock	(19)	(58)
Interest expenses	0	(15)
Net cash used in financing activities	(19)	14
Net Change in cash and cash equivalents	508	1,303
Cash and cash equivalents at beginning of term	5,357	4,547
Increase in cash and cash equivalents due to merger	0	14
Cash and cash equivalents at end of term	5,866	5,866

Risk Factors

The Company has reported its results for the fourth quarter of fiscal 2001 in the document "Results for the Fiscal Year and the Three Months Ended March 31, 2001." 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 91.3% of net sales in the fourth quarter of fiscal 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.

(Yen in millions)

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: <ol style="list-style-type: none"> 1. Licensing rights granted by Yahoo! Inc. to the Company: <ul style="list-style-type: none"> • 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") • Non-exclusive rights granted to the Company for use in Japan of the Yahoo! trademark • Exclusive rights granted to the Company for publishing of the Yahoo! trademark in Japan • Exclusive rights granted to the Company worldwide for development, commercial use and promotion of the Japanese version of the Yahoo! directory search services 2. Non-exclusive licensing rights granted (gratis) to Yahoo! Inc. worldwide for use of Japanese content added by the Company 3. Royalties to be paid by the Company to Yahoo! Inc. (see Note) <p>Note: 3% of gross profit after deducting sales commissions, paid quarterly</p>

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 is preparing to introduce a personal identification system and begin charging fees in mid-May. 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 30, 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. CarPoint K.K. increased its capital through an issue of new shares on March 28, 2000. Yahoo! Japan invested an additional ¥112.5 million and acquired 6.7% of the new issue. As a result, ownership in CarPoint K.K. was 7.65% as of June 30, 2000.

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 PerfecTV. 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.

22) 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 December 31, 2000, 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.