

Results for the Interim Period and the Three Months Ended September 30, 2001

Non-consolidated Information

<Introduction>

In a Web audience survey conducted by Nippon Research Center Ltd., the number of Internet users in Japan was approximately 28 million as of September 2001, with Web users accounting for approximately 24 million of this total. Also, according to InfoCom Research, Inc.'s April 2001 survey of the Internet in Japan, 35.3% of Japanese households were Internet users as of the end of March 2001, and this number should rise to 79.5% by the end of March 2004. Moreover, subscribers to high-speed Internet (broadband) services are increasing rapidly. A survey by the Ministry of Public Management, Home Affairs, Posts and Telecommunications showed that NTT East and West's DSL subscribers rose from approximately 70 thousand at the end of March 2001 to about 650 thousand at the end of September.

Based on this growth in Internet users, the Internet advertising market in Japan is estimated to expand 65.8%, to ¥97.8 billion in calendar 2001 according to a survey taken in February by DENTSU INC. Because of the general fall in advertising fees in reaction to the steep decline in economic conditions following the survey, however, it is uncertain that this target will be met.

According to reports by the IAB, the advertising market in the US declined due to the slow down in the economy and the bankruptcy of some dot com companies. The market weakened in the first half of calendar 2001 compared with the same period of the previous year, shrinking 7.8%, to \$3.76 billion, and slid further in the next quarter in the wake of the terrorist attacks.

Along with the deterioration in the economy and the general decline in advertising expenditures, advertisers in Japan have become cautious about Internet advertising. Consequently, it is believed that the previously maintained high growth rate of the Internet advertising market will temporarily decline. 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 and the spread of broadband services.

Amid these conditions, Yahoo Japan Corporation ("Yahoo! Japan" or "the Company") achieved the following results for the interim (April to September) period and the second (July to September) quarter of the fiscal year ending March 31, 2002, ended September 30, 2001, further strengthening its business structure.

<Review of Operations>

Using its overwhelming superiority in page views and unique users in the market as a business resource, Yahoo! Japan is aggressively adding businesses, such as Yahoo! BB, that provide new sources of earnings in addition to its advertising business. To further build on this business resource, the following services were added or upgraded during the second quarter:

In information providing services, we started a new service called Yahoo! Present in July that lists commercial prizes offered over the Internet categorized by purpose, such as new arrival and luxury prizes, and by prize types, such as computers, autos, and digital cameras. The site is searchable by these and other parameters.

We substantially upgraded Yahoo! News by adding Yomiuri Shimbun and another newspaper to our new news sources, by upgrading local news covering each district and region, by rearranging news categories, and by establishing links to Yahoo! Mail. Moreover, Yahoo! News offered its first coverage of a national election, presenting a special feature on the 19th Election for the House of Councilors comprised of interview articles and a summary of all candidates.

We launched a Used Car Information service on Yahoo! Autos that ordinarily lists more than 100 thousand used cars and motorcycles for sale. The new service also has an expanded search function and boasts Yahoo! Japan's first comparative price list function.

In Yahoo! Real Estate, we included approximately 15,000 listings in our rental information service. Furthermore, we provided a keyword search function for our "for sale" information service, and added a screening function that allows users to narrow their search of the many items listed under used houses and condominiums by multiple parameters, such as how old the unit is, usable space, and type of layout. We also began offering a Model Home Park Information service that lists data on 280 model home parks across Japan by district and region. Other new services included an e-mail function that allows users to send information on units for sale to people they know along with a simple comment and a Kitchen Catalog service that provides information on domestic- and foreign-made system kitchens.

In our Yahoo! Employment services, we added a Part Time Work Information service, which contains approximately 1,500 of the most recent want ads, mainly for the metropolitan Tokyo area, that are searchable by keyword, transportation route and region. We also greatly expanded our Mid-Career Employment service and added a special feature column to the screening parameters and messages to prospective employees from presidents and current employees.

In Yahoo! Regional News, we began offering a postal code search function and regional summary information. Users may now search for postal codes from addresses and access the histories and information on industries and other items of 47 major cities, districts, and prefectures and about 700 cities and wards as well as access statistical information on approximately 3,400 cities, wards, towns, and villages.

We expanded our Yahoo! Transit service, improving our route and ticket cost searching functions and added timetables for all JR lines, private railways, and airlines. Users can now search by specified departure and arrival times, last trains, and other factors. We also started listing train pass fee schedules for up to 6 month passes.

During the period under review, we upgraded Yahoo! Gourmet's Recipe service, expanding the number of recipes to over 2,000.

We launched a Video Gallery on Yahoo! Education that visually presents information on university campuses and entrance examinations. We also added Sanseido's Japanese Thesaurus and its Concise Katakana Dictionary to our Dictionary Search function.

A new domestic accommodation plan called "Yadomakase" was introduced on Yahoo! Travel. As the first phase of the plan, we listed approximately 1,000 places to stay, centered on economy hotels, providing useful information for people on business or other short trips.

In our Yahoo! Finance services, we launched The Kabushiki Shinbun (an equities newspaper), upgrading our market information and added a function that allows users to send search results of stock prices to mobile phones.

We continued to reinforce our Yahoo! Sports services. We provided flash news and related news reports of the 83th Summer National Senior High School Baseball Championship. We added a voting function to our J League Soccer Information service to allow users to vote on which team they expected to win for every match. Furthermore, Yahoo! Sports began working on creating Japan's official site for the upcoming FIFA World CupTM according to the official partner agreement announced in September.

Yahoo! Kids cooperated with the Summer Holiday 2001 Science Square held at Ueno Park in Tokyo and sponsored by the National Science Museum by operating a Yahoo! Kids Internet Search Team booth at the event.

In commerce services, we launched Yahoo! Style on Yahoo! Shopping. Based on a tie-up with Sony Style, this new shopping corner is participated in by Muji Net and Nike Japan. In addition to planning and producing original content for this corner, we plan to collaborate with participating companies and sponsors in planning events.

We added an Auction Alert function to Yahoo! Auctions. When an auction item appears that meet a user's previously chosen criteria, the user is automatically informed by e-mail.

Among other commerce services, we commenced Yahoo! Domain, a domain-name search and registration service as well as a rental server service. Yahoo! Domain allows corporate or individual users to choose their own domain name for their e-mail and homepages.

In community services, Yahoo! Mail was officially opened. The mailbox size was increased to 6 megabytes and POP access added to allow the use of regular e-mail software as well as web mail.

Moreover, we unveiled two new services, Yahoo! Photos and Yahoo! Briefcase. Yahoo! Photos makes it possible for users to upload pictures taken with digital cameras and create an on-line photo album free of charge that friends and acquaintances can assess and prints can be requested for. Yahoo! Briefcase is a service that acts as an on-line hard disk, allowing users to upload and store all types of files that can be access from home, school or office.

Yahoo! Greetings worked to expand users by adding a What Day is Today Card corner containing illustrations for cards for the main or significant memorial events of every day, and Summer Greeting Cards, and by running a Fall Greeting Card campaign. Yahoo! Greetings also offered collections of original cards of such animation characters as Thomas the Tank Engine, Sesame Street and the original designs of illustrator Osamu Harada.

Yahoo! Messenger substantially strengthened the functions of its Windows and Java versions. It also added a link to My Yahoo! services and added a new message function as well as a Macintosh version of its service.

During the period under review, we added Shogi or Japanese chess to Yahoo! Game. Yahoo! Japan developed the Shogi software independently. Similar to the Othello and Go games, users can chat with other on-line users while playing the game. Yahoo! Game also opened a Maker Game corner, significantly increasing the number of games available. It also began Game Information service comprised of a game title search function, special features on popular titles, daily news, and a message board.

Yahoo! Mobile also expanded its services during the quarter. In July, the service was made compatible with the KDDI Group's mobile phone Internet service EZweb and in

September, Yahoo! Mobile started an official Yahoo! ez Search service. Yahoo! Mobile also began offering a Yahoo! Movie service, which provides the latest information and show business rankings on movies that are playing in Japan or are highly rated coming attractions. Moreover, the service commenced a Yahoo! Polls service to allow users to express their opinions by voting and check results in real time.

As a result of these efforts, maximum daily page views for the three months ended September 30, 2001, exceeded 260 million for the first time, and monthly page views were more than 5.9 billion during September. This represents an increase of 945 million page views, or 19.0%, compared with June 2001, the last month of the previous quarter, and an increase of 2,539 million page views, or 75.4%, compared with the same month a year earlier. Looking at page views for the month of September 2001 by service, directory search services accounted for 24.1%, information providing services for 20.3%, community services such as message boards for 28.5%, commerce services for 26.3%, and mobile services for 0.8% of monthly page views. Services other than directory search services accounted for 75.9% of total monthly page views.

In a Web audience survey of Japan conducted by Nippon Research Center Ltd. in September 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 89.5% of the respondents, a wide margin over goo, which ranked second at 56.3%.

By multiplying the above percentage by the approximately 24 million Web users in Japan as of the end of September 2001, we estimate that there were 21 million unique users accessing Yahoo! Japan at least once every four weeks. This represented an increase of one million users over the previous quarter and an increase of 4.5 million, or 27.3%, compared with the same month in the previous year.

Advertising Business

Sales of advertising business in the second quarter of the fiscal year ending March 31, 2002 declined ¥168 million, or 5.3%, to ¥3,020 million compared with the same quarter a year earlier. Advertising business sales accounted for 43.2% of total revenues.

Sales of advertising business continued to experience difficulties during the second quarter, falling overall advertising expenditures. In addition to the slumps in the IT industry, which accounts for a large proportion of our advertising sales, and in the performance of some financial institutions, the multiple terror attacks on the United States and other events spurred further deterioration in the economy. In reaction to these circumstance, advertisers become more cautious about Internet advertising and the number of new advertisers declined, making sales of advertising business much more difficult.

In response to these conditions, the Company strengthened its cooperative sales organization with advertising agencies, working to acquire stable advertising sales from National Clients. We introduced new products, such as Yahoo! Deliver, which provides group specific e-mail advertising customized to the needs of advertisers. In addition, we further promoted sales of a variety of our services in a packaged product, in other words, fusion marketing. During the period under review, we also focused on practical testing of Yahoo! Full Service, which includes a program that measures advertising effectiveness.

Despite these marketing efforts, sales of advertising business for the second quarter slightly declined compared with a year earlier. Sales were also down compared with the previous quarter, falling ¥675 million, or 18.3%.

Advertising sales for the first half were ¥6,716 million, a gain of ¥1,035 million, or 18.2%, from the same period in fiscal 2001, and accounted for 56.6% of total revenues.

Specific results in the number of advertisers, advertisements, advertising agencies, and an outline of advertising products in the second quarter were as follows:

Major Advertisers

Compared with the same period in the previous year, the average number of monthly advertisers for the second quarter was 801 companies, an increase of 22 companies, or 3%. The number of new advertisers averaged 47 companies per month and repeater companies averaged 754 companies per month. The cumulative total number of advertisers was approximately 3,300 companies. By industry, in addition to the Company's traditional advertisers of financial and insurance, restaurants and other services, and information and telecommunications, advertisements of autos, fashion apparel and accessories, and beverages and amenities also increased. As a result of the Company's shift to a sales structure that focuses basically on contracting with advertisers through advertising agencies in order to target National Clients, the number of advertisers contracted with through advertising agencies accounted for about 86% of the total advertiser client base in the second quarter.

Among advertisers, the SOFTBANK Group represented less than 2% of net sales, and Yahoo! Inc. purchased no advertising. No individual 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.)

The number of monthly advertisers for the first half of the fiscal year ending March 31, 2002 rose by 131, or 19%, to 822 companies compared with the same period in the previous year.

Advertisements

The average number of monthly advertisements for the second quarter increased by 442, or 22%, to 2,474, compared with the same quarter a year earlier.

The average monthly advertisements for the first half of this fiscal year expanded by 696, or 40%, to 2,454 compared with a year earlier.

Advertising Agencies

For the second quarter, the monthly average of advertising agencies conducting business with the Company rose by 31, or 15%, to 234 companies compared with the same quarter a year earlier.

For the first half of this fiscal year, the monthly average of advertising agencies conducting business with the Company increased by 42, or 23%, to 228 companies compared with the same period in the previous fiscal year.

Advertisement Rates per Page View

For the second quarter, rates for high-volume "Branding-Type Banner" ads ranged from ¥0.25 to ¥6 per page view, rates for "Targeting-Type Banner" ads varied from ¥1.25 to ¥20 per page view, and rates for the newly introduced Skyscraper banner varied from ¥2.2 to ¥12 per page view. Rates for the group-specific e-mail advertising Yahoo! Deliver were ¥8 to ¥18 per mailing.

Advertising Products

Although Pilot Seat sales rebounded somewhat in the second quarter, our other core products, Mega Yahoo! and Run of Property continued to experience sales difficulties. Sales of the previously popular Buttons for stock information, employment information, and auctions and other services and the East Modules and West Modules that promote specific products also suffered. In contrast, the vertical banner advertising Skyscraper and the new e-mail advertising product Yahoo! Deliver were popular.

One of the special features of the second quarter was the increase in orders for packaging the various services Yahoo! Japan offers, such as Yahoo! Broadcast, Yahoo! Shopping, Yahoo! Auctions, and others, into a product that meets the needs of the advertiser and achieves synergies with other advertising media—in other words, fusion marketing. Specific examples included promotion campaigns for the movie Evolution and the popular musical artists m-flo and an advertising campaign for Kirin Beer's Ichibanshibori beer. During the period under review, we had 26 contracts with advertisers for our Demographic Targeting service that uses Internet interactivity to target people by gender and age groups, occupation, and interests.

Yahoo! BB Business

On August 1, Yahoo! BB, the comprehensive broadband service that we announced in June of this year launched a broadband content portal site. The site offers categories and keyword search service of sites suitable for broadband and continuous connection. In addition, Yahoo! BB also provides a wide variety of content including wide bandwidth animation such as original videos by leading Japanese pop stars and movie previews; 100 types of on-line games; downloadable comics; and high-quality photo collections through its content services including news, comics and music. Yahoo! BB began commercial services as of September 1 and added pay content as of October 1.

Sales of Yahoo! BB business in the second quarter totaled ¥3,027 million, generating 43.2% of overall net sales. This performance represented an increase of ¥2,279 million, or 304.7%, from the previous quarter.

The surge in sales of this business during the quarter can be attributed to an increase in the sales of the Yahoo! BB Starter Kit and the contribution to sales by the newly launched ISP service. The Company purchases the modems and other items from SOFTBANK CORP. and packages them into the Yahoo! BB Starter Kit, which it sells to BB Technologies Corporation. The full amount of the monthly ISP service fee of ¥1,290 collected from users by Yahoo! BB is booked as Company revenues.

As of October 5, 2001, Yahoo! BB had a backlog of 569,279 formal applications by individuals for its connection service and had installed 616,416 connections. A total of 851 NTT central offices had been connected and 132,167 lines had been installed.

Yahoo! BB sales for the first half of fiscal 2001 amounted to ¥3,775 million, accounting for 31.8% of overall net sales.

Auction Business

Revenues from our auction business during the second quarter totaled ¥489 million, generating 7.0% of net sales. Auction business revenues were up ¥458 million, or 15.4 times, from the previous quarter.

Revenues increased substantially from the first quarter because of the rise in user participation revenues along with Yahoo! Auctions' new personal identification fees. Since Yahoo! Auctions started charging fees in May 2001, the number of auction items declined temporarily, but started to recover quickly and at the end of September the number of items open for bidding was approximately 3 million, a new record. In addition, the monthly cumulative total (September 1 to September 30) of new items put up for auction was approximately 10 million, and the number of users registered using our personal identification system surpassed one million at the end of September. At the end of the second quarter, there were 53 auction merchant shops on Yahoo! Auctions.

Revenues from auction business during the first half of this fiscal year totaled ¥521 million and accounted for 4.4% of net sales.

Other Businesses

In the second quarter, other businesses generated revenues of ¥461 million, contributing 6.6% of net sales. Compared with the previous quarter, other businesses revenues were up ¥69 million, or 17.6%.

The principal contributors to this revenue were ¥117 million from the information publishing services of Yahoo! Employment, Yahoo! Real Estate, Yahoo! Autos, and others; ¥108 million from commerce services, including shopping tenant fees and sales commissions by Yahoo! Shopping; ¥98 million from business services including the pay site-registration review service Business Express; and ¥70 million in licensing fees. At the end of September, the number of shops on Yahoo! Shopping reached 154, an increase of 57 stores, or 58.8% compared with the same period in the previous year. Tenant fees and sales commissions were ¥87 million, up ¥58 million, or 202.0% and turnover per store was ¥18 million, up ¥9 million, or 116.5% compared with the same quarter a year earlier.

For the first half of this fiscal year, other businesses revenues totaled ¥854 million, accounting for ¥7.2% of overall net sales.

Financial Accounts

<Statements of Income>

Caution: Beginning with the first quarter of the fiscal year ending March 31, 2002, agency commissions have been included in net sales, which were previously disclosed net of these agency commissions. Consequently, Sales commissions included under SG&A expenses also contain agency commissions. To allow comparison with results in previous years, prior year advertising revenues have been recalculated to include agency commissions.

Net Sales

Net sales for the second quarter rose to ¥6,999 million, a gain of ¥3,657 million, or 109.4%, compared with the same period a year earlier. This exceptional performance can be mainly attributed to the increase in sales by Yahoo! BB, which began selling its Yahoo! BB Starter Kits during the previous quarter and the new contribution to sales by our ISP service, which commenced during the second quarter. Yahoo! BB sales for the quarter under review amounted to ¥3,027 million, an increase of ¥2,279 million, or 304.7%, compared with the previous quarter. Advertising revenues totaled ¥3,020 million, down ¥168 million, or 5.3%, compared with the same period in the previous year, and down ¥675 million, or 18.3%, compared with the first quarter. The proportion of advertising revenues in net sales fell from 75.9% in the previous quarter to 43.2%.

Net sales for the first half increased to ¥11,868 million, a gain of ¥5,875 million, or 98.0% compared with a year earlier.

Cost of Sales

Cost of sales for the second quarter advanced ¥1,724 million, or 148.3 times, to ¥1,736 million, compared with the same period a year earlier. The main factor behind this jump was an increase in the cost of sales of our Yahoo! BB operations to ¥1,726 million.

Cost of sales for the first half increased ¥2,161 million, or 77.7 times, to ¥2,189 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the second quarter rose ¥918 million, or 43.6%, to ¥3,022 million compared with the same period of the previous fiscal year.

SG&A expenses for the first half amounted to ¥5,517 million, up ¥1,645 million, or 42.5%, from a year earlier. The primary factors behind these increases are as follows.

Personnel expenses in the second quarter expanded ¥216 million, or 40.0%, to ¥756 million compared with the same period a year earlier. This growth reflects 97 new staff, an increase of 32.1%, hired in response to our rapid business expansion, for a total of 399 employees.

The average number of employees for the first half of this fiscal year increased by 119.5, or 46.5%, to ¥376.3 compared with a year earlier. Personnel expenses were up ¥486 million, or 49.9%, to ¥1,461 million.

Advertising costs totaled ¥344 million in the second quarter, an increase of ¥100 million, or 41.4%, from the same period in the previous year. The main market activities carried out in the quarter under review were newspaper advertising for Yahoo! BB to raise public awareness of the service and to promote Yahoo! Shopping; providing support for a fashion event sponsored by f*mode, an official i-mode fashion site, aimed at attracting women users; and publishing Secrets of the Internet, a promotional booklet for Yahoo! Kids.

Advertising costs for the first half of this fiscal year were ¥622 million, an increase of ¥86 million, or 16.2%, from a year earlier.

Content provider fees in the second quarter grew ¥107 million, or 71.9%, to ¥257 million compared with the same period a year earlier, as the Company worked to boost its information services.

Content provider fees for the first half of this fiscal year rose ¥232 million, or 90.9%, to 488 million.

Second-quarter sales commissions declined ¥87 million, or 19.1%, to ¥371 million, compared with the same period a year earlier. A decrease in sales commissions paid to Yahoo! Inc. because of the end of an advertising contract between it and a major client was responsible for this decline.

Sales commissions for the first half of this fiscal year decreased ¥169 million, or 19.7%, to ¥692 million.

Depreciation expenses in the second quarter rose ¥114 million, or 70.0%, to ¥276 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.

Depreciation expenses for the first half of this fiscal year increased ¥226 million, or 83.5%, to ¥497 million.

Communications charges in the second quarter advanced ¥155 million, or 117.0%, to ¥289 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.

Compared with the first half in the previous fiscal year, communications charges were up ¥316 million, or 156.0%, to ¥519 million.

Royalties paid to Yahoo! Inc. of the United States, increased ¥60 million, or 70.8%, to ¥146 million in the second quarter compared with the same quarter in the previous fiscal year in accordance with the increase in net sales.

Royalties for the first half of this fiscal year increased ¥116 million, or 76.6%, to ¥269 million.

Lease and utility expenses rose to ¥138 million in the second quarter, an increase of ¥21 million, or 17.9%, from the same period a year earlier, in line with the Company's expansion of its offices and lease fees related to Yahoo! Cafe.

Lease and utility expenses for the first half of this fiscal year rose ¥53 million, or 25.3%, to ¥266 million.

Operating Income

As a result of the above factors, operating income for the second quarter expanded ¥1,013 million, or 82.7%, to ¥2,240 million.

Operating income for the first half of this fiscal year climbed ¥2,068 million, or 98.9%, to ¥4,161 million.

Non-Operating Income (Expenses)

Net non-operating expenses for the second quarter of the fiscal year ending March 31, 2002 were ¥37 million. Loss on disposal of fixed assets, such as personal computers and servers, was mainly responsible for the net expense.

Net non-operating expenses for the first half of this fiscal year totaled ¥12 million.

Ordinary Income

Ordinary income for the second quarter amounted to ¥2,202 million, an increase of ¥1,031 million, or 88.1%, from a year earlier.

Ordinary income for the first half of this fiscal year advanced ¥2,097 million, or 102.2%, to ¥4,149 million.

Income, Inhabitant, and Enterprise taxes

Income, inhabitant, enterprise taxes for the first half of this fiscal year totaled ¥1,759 million, up ¥861 million, or 95.9%, from the same period in the previous fiscal year.

Net Income

Net income for the first half of this fiscal year amounted to ¥2,391 million, an increase of ¥1,217 million, or 103.7%, from a year earlier. Net income per share was ¥20,442.65, rising ¥2,829.54 million, or 12.2%, from the previous fiscal year. The average number of shares outstanding during the first half was 116,997 shares, up 66,549, or 131.9% shares from a year earlier. Fully diluted net income per share for the first half was ¥20,405.30.

(Reference)

EBITDA

EBITDA for the second quarter rose ¥1,173 million, or 88.2%, to ¥2,505 million compared with the same period last year.

EBITDA for the first half of this fiscal year increased ¥2,348 million, or 101.3%, to ¥4,666 million.

<Balance Sheets>

Between June 30, 2001 and September 30, 2001, total assets contracted ¥1,451 million, or 5.5%, to ¥24,753 million and total shareholders' equity declined ¥1,953 million, or 10.4%, to ¥16,768 million. Total liabilities increased ¥502 million, or 6.7%, to ¥7,985 million.

The primary factor behind the contraction in total assets was a decrease in investment securities due to marking to market. By account, in current assets, marketable securities increased ¥1,351 million, or 40.4%; products rose ¥833 million; and accounts receivable—trade expanded ¥235 million, or 7.4%. Cash, however, fell ¥349 million, or 34.2%. In fixed assets, tangible fixed assets expanded ¥574 million, or 21.6% while investment in affiliated

companies increased ¥910 million, or 16.2 times. Investment securities dropped ¥5,110 million, or 37.4% compared with the previous quarter.

In current liabilities, accounts payable—trade jumped ¥1,258 million, or 268.1% and accrued income taxes rose ¥900 million, or 102.5%. Accounts payable—other increased ¥704 million, or 63.1%. Among long-term liabilities, long-term deferred taxes decreased ¥2,368 million, or 52.4% compared with the previous quarter.

In shareholders' equity, the other securities evaluation adjustment decreased ¥3,245 million, or 52.8% compared with the previous quarter.

<Statements of Cash Flows>

Net cash provided by operating activities totaled ¥2,934 million in the second quarter as a result of an increase in payables due to the procurement of Yahoo! BB Starter Kits and the expansion in net income. Net cash used in investing activities totaled ¥1,959 million because of an increase in tangible fixed assets to expand and upgrade servers related to service expansion and because of investments in Hurricane Inc., and BB Technologies Corporation and making eGroups KK, a 90.5%-owned subsidiary.

Net cash provided by financing activities totaled ¥27 million from the issue of shares due to the exercise of warrants. As a result, cash and cash equivalents in the second quarter increased ¥1,002 million.

Net cash provided by operating activities totaled ¥2,616 million in the first half of this fiscal year while net cash used in investing activities totaled ¥3,146 million. Net cash provided by financing activities totaled ¥27 million, resulting in a ¥502 million increase in cash and cash equivalents in the first half.

Reference

1. 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)

2. Charity Activities

As part of our social contribution efforts, we regularly host charity auctions through Yahoo! Auctions and donate the fund raised. During the second quarter, we held 100 charity auctions, raising a total of ¥17,934,410.

During the first half of this fiscal year, we held 161 charity auctions, raising a total of ¥35,932,411.

Balance Sheets (Three-Month Periods)

(Yen in millions)

	As of September 30, 2001		As of June 30, 2001		Increase (Decrease)
Assets					
Current assets					
Cash	¥ 670	2.7%	¥ 1,020	3.9%	-34.2%
Accounts receivable— trade	3,428	13.9%	3,192	12.2%	7.4%
Allowance for doubtful debt	-38	-0.2%	-6	0.0%	481.2%
Marketable securities	4,692	18.9%	3,341	12.8%	40.4%
Treasury stock	-	-	4	0.0%	-
Products	833	3.4%	-	-	-
Prepaid expenses	139	0.6%	152	0.6%	-8.5%
Deferred tax assets	184	0.7%	195	0.7%	-5.7%
Other current assets	111	0.5%	18	0.1%	499.5%
Total current assets	10,023	40.5%	7,918	30.3%	26.6%
Fixed assets					
Tangible fixed assets	3,227	13.0%	2,653	10.1%	21.6%
Intangible fixed assets	158	0.7%	110	0.4%	43.1%
Investments and others					
Investment securities	8,541	34.5%	13,652	52.1%	-37.4%
Investment in affiliated companies	970	3.9%	60	0.2%	1516.7%
Bonds of affiliated companies	400	1.6%	400	1.5%	0.0%
Equity funds	898	3.6%	919	3.5%	-2.3%
Prepaid expenses	48	0.2%	57	0.2%	-14.7%
Guarantee deposits	484	2.0%	431	1.7%	12.3 %
Others	0	0.0%	2	0.0%	-53.1%
Total investments and others	11,344	45.8%	15,522	59.2%	-26.9%
Total fixed assets	14,730	59.5%	18,286	69.7%	-19.4%
Total assets	¥24,753	100.0%	¥26,205	100.0%	-5.5%

(Yen in millions)

Liabilities	As of September 30, 2001		As of June 30, 2001		Increase (Decrease)
Current liabilities					
Accounts payable—trade	¥ 1,728	7.0%	¥ 469	1.8%	268.1%
Accounts payable—other	1,822	7.4%	1,117	4.3%	63.1%
Current portion of long-term debt	137	0.6%	-	-	-
Accrued income taxes	1,780	7.2%	879	3.3%	102.5%
Accrued consumption taxes	123	0.5%	122	0.5%	1.5%
Advance received profit	34	0.1%	43	0.2%	-21.3%
Subscription warrants	7	0.0%	7	0.0%	0.0%
Other current liabilities	183	0.7%	181	0.7%	1.0%
Total current liabilities	5,816	23.5%	2,820	10.8%	106.2%
Long-Term liabilities					
Retirement allowances	19	0.1%	7	0.0%	157.4%
Long-term debt	-	-	137	0.5%	-
Long-term deferred taxes	2,149	8.7%	4,517	17.2%	-52.4%
Total long-term liabilities	2,169	8.8%	4,662	17.7%	-53.5%
Total liabilities	7,985	32.3%	7,483	28.5%	6.7%
Shareholders' Equity					
Common stock	6,023	24.3%	5,993	22.9%	0.5%
Additional paid-in capital	1,099	4.5%	1,099	4.2%	0.0%
Legal reserve	5	0.0%	5	0.0%	0.0%
Other retained earnings					
Reserve for special	122	0.5%	122	0.5%	0.0%
Depreciation					
Current retained earnings	6,615	26.7%	5,350	20.4%	23.7%
Other securities evaluation adjustment	2,905	11.7%	6,150	23.5%	-52.8%
Treasury stock	-4	0.0%	-	-	-
Total shareholders' equity	16,768	67.7%	18,722	71.5%	-10.4%
Total liabilities and shareholders' equity	¥24,753	100.0%	¥26,205	100.0%	-5.5%

Balance Sheets (First Half)

(Yen in millions)

	As of September 30, 2001		As of September 30, 2000		Increase (Decrease)
Assets					
Current assets					
Cash	¥ 670	2.7%	¥ 695	2.1%	-3.5%
Accounts receivable— trade	3,428	13.9%	2,146	6.4%	59.7%
Allowance for doubtful debt	-38	-0.2%	-5	0.0%	541.0%
Marketable securities	4,692	18.9%	4,032	12.0%	16.4%
Treasury stock	-	-	3	0.0%	-
Products	833	3.4%	-	-	-
Prepaid expenses	139	0.6%	77	0.2%	79.7%
Deferred tax assets	184	0.7%	88	0.2%	107.4%
Other current assets	111	0.5%	25	0.1%	333.5%
Total current assets	10,023	40.5%	7,064	21.0%	41.9%
Fixed assets					
Tangible fixed assets	3,227	13.0%	1,929	5.7%	67.3%
Intangible fixed assets	158	0.7%	92	0.3%	72.3%
Investments and others					
Investment securities	8,541	34.5%	22,670	67.5%	-62.3%
Investment in affiliated companies	970	3.9%	60	0.2%	1516.7%
Bonds of affiliated companies	400	1.6%	400	1.2%	0.0%
Equity funds	898	3.6%	960	2.8%	-6.5%
Prepaid expenses	48	0.2%	18	0.1%	165.2%
Guarantee deposits	484	2.0%	401	1.2%	20.7 %
Others	0	0.0%	1	0.0%	-20.0%
Total investments and others	11,344	45.8%	24,511	73.0%	-53.7%
Total fixed assets	14,730	59.5%	26,533	79.0%	-44.5%
Total assets	¥24,753	100.0%	¥33,597	100.0%	-26.3%

(Yen in millions)

Liabilities	As of September 30, 2001		As of September 30, 2000		Increase (Decrease)
Current liabilities					
Accounts payable—trade	¥ 1,728	7.0%	¥ 3	0.0%	51391.3%
Accounts payable—other	1,822	7.4%	932	2.8%	95.4%
Current portion of long-term debt	137	0.6%	-	-	-
Accrued income taxes	1,780	7.2%	893	2.7%	99.3%
Accrued consumption taxes	123	0.5%	85	0.3%	45.7%
Advance received profit	34	0.1%	81	0.2%	-57.7%
Subscription warrants	7	0.0%	13	0.0%	-46.2%
Other current liabilities	183	0.7%	132	0.4%	38.6%
Total current liabilities	5,816	23.5%	2,141	6.4%	171.6%
Long-Term liabilities					
Retirement allowances	19	0.1%	11	0.0%	66.9%
Long-term debt	-	-	332	1.0%	-
Long-term deferred taxes	2,149	8.7%	9,137	27.2%	-76.5%
Total long-term liabilities	2,169	8.8%	9,481	28.2%	-77.1%
Total liabilities	7,985	32.3%	11,623	34.6%	-31.3%
Shareholders' Equity					
Common stock	6,023	24.3%	3,012	9.0%	100.0%
Additional paid-in capital	1,099	4.5%	3,957	11.8%	-72.2%
Legal reserve	5	0.0%	3	0.0%	42.0%
Other retained earnings					
Reserve for special	122	0.5%	143	0.4%	-14.3%
Depreciation					
Current retained earnings	6,615	26.7%	2,423	7.2%	173.0%
Other securities evaluation adjustment	2,905	11.7%	12,433	37.0%	-76.6%
Treasury stock	-4	0.0%	-	-	-
Total shareholders' equity	16,768	67.7%	21,973	65.4%	-23.7%
Total liabilities and shareholders' equity	¥24,753	100.0%	¥33,597	100.0%	-26.3%

Statements of Income (Three-Month Periods)

(Yen in millions)

	Three months ended September 30, 2001		Three months ended September 30, 2000		Increase (Decrease)	Increase (Decrease)
	Total	%	Total	%		
Net sales	¥6,999	100.0%	¥3,342	100.0%	¥3,657	109.4%
Cost of goods sold	1,736	24.8%	11	0.4%	1,724	14731.5%
Gross profit	5,263	75.2%	3,330	99.6%	1,932	58.0%
SG&A expenses	3,022	43.2%	2,104	62.9%	918	43.6%
Operating income	2,240	32.0%	1,226	36.7%	1,013	82.7%
Net non-operating income (expenses)	-37	-0.5%	-55	-1.7%	17	-31.8%
Ordinary income	¥2,202	31.5%	¥ 1,170	35.0%	¥1,031	88.1%

(Yen in millions)

	Three months ended September 30, 2001		Three months ended June 30, 2001		Increase (Decrease)	Increase (Decrease)
	Total	%	Total	%		
Net sales	¥6,999	100.0%	¥4,868	100.0%	¥2,130	43.8%
Cost of goods sold	1,736	24.8%	452	9.3%	1,283	283.5%
Gross profit	5,263	75.2%	4,415	90.7%	847	19.2%
SG&A expenses	3,022	43.2%	2,494	51.2%	528	21.2%
Operating income	2,240	32.0%	1,921	39.5%	319	16.6%
Net non-operating income (expenses)	-37	-0.5%	25	0.5%	-63	-247.2%
Ordinary income	¥2,202	31.5%	¥1,946	40.0%	¥255	13.1%

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

Three months ended September 30, 2001 (Yen in millions)

Net Sales	Total	%
Advertising Business	¥3,020	43.2%
Yahoo! BB Business	3,027	43.2%
Auction Business	489	7.0%
Other Businesses	461	6.6%
Total	¥6,999	100.0%

Three months ended September 30, 2001 (Yen in millions)

SG&A Expenses	Total	%
Personnel expenses	¥ 756	25.0%
Advertising costs	344	11.4%
Content provider fees	257	8.5%
Sales commissions	371	12.3%
Depreciation expenses	276	9.1%
Communication charges	289	9.6%
Royalties	146	4.9%
Lease and utility expenses	138	4.6%
Other	442	14.6%
Total	¥3,022	100.0%

Statements of Income (First Half)

(Yen in millions)

	First half ended September 30, 2001		First half ended September 30, 2000		Increase (Decrease)	Increase (Decrease)
	Total	%	Total	%		
Net sales	¥11,868	100.0%	¥5,993	100.0%	¥5,875	98.0%
Cost of goods sold	2,189	18.4%	28	0.5%	2,161	7673.5%
Gross profit	9,679	81.6%	5,965	99.5%	3,713	62.3%
SG&A expenses	5,517	46.5%	3,872	64.6%	1,645	42.5%
Operating income	4,161	35.1%	2,092	34.9%	2,068	98.9%
Net non-operating income (expenses)	-12	-0.1%	40	-0.7%	28	-70.3%
Ordinary income	¥4,149	35.0%	¥ 2,051	34.2%	¥2,097	102.2%

Breakdown of First Half Net Sales and SG&A Expenses

First half ended September 30, 2001 (Yen in millions)

Net Sales	Total	%
Advertising Business	¥6,716	56.6%
Yahoo! BB Business	3,775	31.8%
Auction Business	521	4.4%
Other Businesses	854	7.2%
Total	¥11,868	100.0%

First half ended September 30, 2001 (Yen in millions)

SG&A Expenses	Total	%
Personnel expenses	¥ 1,461	26.5%
Advertising costs	622	11.3%
Content provider fees	488	8.9%
Sales commissions	692	12.5%
Depreciation expenses	497	9.0%
Communication charges	519	9.4%
Royalties	269	4.9%
Lease and utility expenses	266	4.8%
Other	700	12.7%
Total	¥5,517	100.0%

Reference:
Statements of Income (Three-Month Periods)
—Net of Agency Commissions

(Yen in millions)

	Three months ended September 30, 2001		Three months ended September 30, 2000		Increase (Decrease)	Increase (Decrease)
	Total	%	Total	%		
Net sales	¥6,722	100.0%	¥3,014	100.0%	¥3,708	123.0%
Cost of goods sold	1,736	25.8%	11	0.4%	1,724	14731.5%
Gross profit	4,985	74.2%	3,002	99.6%	1,983	66.0%
SG&A expenses	2,745	40.8%	1,776	58.9%	969	54.6%
Operating income	2,240	33.4%	1,226	40.7%	1,013	82.7%
Net non-operating income (expenses)	-37	-0.6%	55	-1.8%	17	-31.8%
Ordinary income	¥2,202	32.8%	¥ 1,170	38.9%	¥1,031	88.1%

(Yen in millions)

	Three months ended September 30, 2001		Three months ended June 30, 2001		Increase (Decrease)	Increase (Decrease)
	Total	%	Total	%		
Net sales	¥6,722	100.0%	¥4,629	100.0%	¥2,092	45.2%
Cost of goods sold	1,736	25.8%	452	9.8%	1,283	283.5%
Gross profit	4,985	74.2%	4,176	90.2%	809	19.4%
SG&A expenses	2,745	40.8%	2,255	48.7%	490	21.7%
Operating income	2,240	33.4%	1,921	41.5%	319	16.6%
Net non-operating income (expenses)	-37	-0.6%	25	0.5%	-63	-247.2%
Ordinary income	¥2,202	32.8%	¥1,946	42.0%	¥255	13.1%

Breakdown of First-Quarter Net Sales and SG&A Expenses Net of Agency Commissions

Three months ended September 30, 2001 (Yen in millions)

Net Sales	Total	%
Advertising Business	¥2,743	40.8%
Yahoo! BB Business	3,027	45.0%
Auction Business	489	7.3%
Other Businesses	461	6.9%
Total	¥6,722	100.0%

Three months ended September 30, 2001 (Yen in millions)

SG&A Expenses	Total	%
Personnel expenses	¥ 756	27.6%
Advertising costs	344	12.5%
Content provider fees	257	9.4%
Sales commissions	94	3.4%
Depreciation expenses	276	10.1%
Communication charges	289	10.5%
Royalties	146	5.4%
Lease and utility expenses	138	5.0%
Other	442	16.1%
Total	¥2,745	100.0%

Reference:
Statements of Income (First Half)
—Net of Agency Commissions

(Yen in millions)

	First half ended September 30, 2001		First half ended September 30, 2000		Increase (Decrease)	Increase (Decrease)
	Total	%	Total	%		
Net sales	¥11,352	100.0%	¥5,399	100.0%	¥5,952	110.2%
Cost of goods sold	2,189	19.3%	28	0.5%	2,161	7673.5%
Gross profit	9,162	80.7%	5,371	99.5%	3,790	70.6%
SG&A expenses	5,001	44.1%	3,279	60.7%	1,722	52.5%
Operating income	4,161	36.6%	2,092	38.8%	2,068	98.9%
Net non-operating income (expenses)	-12	-0.1%	-40	-0.8%	28	-70.3%
Ordinary income	¥4,149	36.5%	¥ 2,051	38.0%	¥2,097	102.2%

Breakdown of First Half Net Sales and SG&A Expenses
Net of Agency Commissions

First half ended September 30, 2001 (Yen in millions)

Net Sales	Total	%
Advertising Business	¥6,021	54.6%
Yahoo! BB Business	3,775	33.3%
Auction Business	521	4.6%
Other Businesses	853	7.5%
Total	¥11,352	100.0%

First half ended September 30, 2001 (Yen in millions)

SG&A Expenses	Total	%
Personnel expenses	¥ 1,461	29.2%
Advertising costs	622	12.5%
Content provider fees	488	9.8%
Sales commissions	175	3.5%
Depreciation expenses	497	9.9%
Communication charges	519	10.4%
Royalties	269	5.4%
Lease and utility expenses	266	5.3%
Other	700	14.0%
Total	¥5,001	100.0%

Statements of Cash Flows

(Yen in millions)

	Three months ended September 30, 2001	First half ended September 30, 2001
Cash Flows from Operating Activities		
Income before income taxes	¥2,202	¥4,149
Depreciation and amortization	276	497
Increase in allowance for doubtful receivables	31	31
Increase/decrease in reserve for retirement allowances	12	24
Loss on disposal of fixed assets	30	30
Loss on evaluation of equity funds	20	20
Exchange gain/loss	0	-1
Proceeds from interest and dividends	-10	-17
Interest expense	1	2
Increase/decrease in inventory	-833	-833
Increase/decrease in accounts receivable—trade	-244	-976
Increase/decrease in accounts payable	1,258	1,719
Increase/decrease in accounts receivable—other	25	-24
Increase/decrease in accounts payable—other	201	108
Increase/decrease in consumption taxes payable	1	-117
Payment of bonuses to directors	-16	-16
Subtotal	2,956	4,596
Payment of income taxes and other taxes	-21	-1,979
Net cash provided by in operating activities	2,934	2,616
Cash Flows from Investing Activities		
Expenditures on tangible fixed assets	-372	-1,023
Expenditures on intangible fixed assets	-50	-83
Proceeds from sale of tangible fixed assets	0	13
Purchases of investment securities	-1,399	-2,007
Proceeds from sale of investment securities	0	90
Expenditures on loans	-100	-100
Expenditures on increases in guarantee deposit assets	-53	-53
Proceeds from interest and dividends	14	17
Net cash used in investing activities	-1,959	-3,146
Cash Flows from Financing Activities		
Proceeds from issue of new shares	29	29
Interest expenses	-2	-2
Net cash provided by financing activities	27	27
Net Change in cash and cash equivalents	1,002	-502
Cash and cash equivalents at beginning of term	4,361	5,866
Cash and cash equivalents at end of term	¥5,363	¥5,363

Consolidated Information

Effective September 28, 2001, Yahoo! Japan acquired 90.5% of eGroups KK. As a result of converting eGroups into a subsidiary, Yahoo! Japan began to disclose consolidated financial information in the quarter under review. Because the date of transfer was September 30, 2001, the income statement was not affected for the quarter under review. The Company plans to amortize the consolidation account of ¥768 million over three years on a simple basis. Segment information, consolidated balance sheets and statements of cash flows are as follows.

<Segment Information: from April 1, 2001 to September 30, 2001>

1. Business Segments

(Yen in millions)

	Advertising Business	Yahoo! BB Business	Auction Business	Other Businesses	Total	Eliminations or shared amounts	Consolidated
Sales							
(1) Outside sales	6,716	3,775	521	854	11,868	-	11,868
(2) Intersegment sales or transfers	-	-	-	-	-	-	-
Total	6,716	3,775	521	854	11,868	-	11,868
Operating expenses	1,330	2,212	15	82	3,641	4,066	7,707
Operating income	5,385	1,563	506	772	8,227	-4,066	4,161

Notes:

1. Method of categorizing business segments: segments are categorized by considering the content and special characteristics of services.
2. Segment content

Segment	Main Services
Advertising Business	<ul style="list-style-type: none"> • Internet advertising
Yahoo! BB Business	<ul style="list-style-type: none"> • Yahoo! BB Starter Kit (modem, etc.) sales • ISP service
Auction Business	<ul style="list-style-type: none"> • Fees for personal identification of auction participants • Auction commissions, tenant fees, etc.
Other Businesses	<ul style="list-style-type: none"> • Information publishing services • Licensing, site registration • Shopping sales commissions, tenant fees, etc.

3. Under operating expenses, the amounts that cannot be allocated, including eliminations and shared amounts, are head office personnel and business expenses and expenses common to all segments for which the individual degree of benefit cannot be determined.

2. Regional Segment Information

Since the proportion of Japan sales in total segment sales exceeds 90%, regional segment information is not disclosed.

3. Overseas sales

Since the proportion of overseas sales is less than 10% of the consolidated sales for each segment, overseas sales are not disclosed.

(Reference)

Company: eGroups KK
 Paid-in capital: ¥104 million
 Ownership: 90.5%
 Main business: Supplying eGroup, a free groupware service, over the Internet.

Consolidated Balance Sheets

(Yen in millions)

	As of September 30, 2001	
Assets		
Current Assets		
Cash	¥ 709	
Accounts receivable— trade	3,435	
Marketable securities	4,692	
Inventory	833	
Deferred tax assets	184	
Others	283	
Allowance for doubtful debts	-38	
Total current assets	10,102	40.8%
Fixed Assets		
Tangible fixed assets		
Buildings and fixtures	354	
Equipment and furniture	2,874	
Total tangible fixed Assets	3,228	13.0%
Intangible fixed assets		
Consolidation account	768	
Others	158	
Total intangible fixed Assets	927	3.8%
Investments and others		
Investment securities	9,011	
Others	1,499	
Total investments and Others	10,510	42.4%
Total fixed assets	14,666	59.2%
Total assets	¥24,769	100.0%

(Yen in millions)

	As of September 30, 2001	
Liabilities		
Current Liabilities		
Accounts payable—trade	¥ 1,728	
Accounts payable—other	1,822	
Current portion of long-term debt	137	
Accrued income taxes	1,780	
Others	350	
Total current liabilities	5,817	23.5%
Long-Term Liabilities		
Long-term deferred taxes	2,149	
Retirement allowances	19	
Total long-term liabilities	2,169	8.7%
Total liabilities	7,987	32.2%
Minority Interests in Consolidated Subsidiary		
Minority interests in consolidated subsidiary	13	0.1%
Shareholders' Equity		
Common stock	6,023	24.3%
Additional paid-in capital	1,099	4.5%
Legal reserve	6,744	27.2%
Other retained earnings	2,905	11.7%
Treasury Stock	-4	-0.0%
Total shareholders' equity	16,768	67.7%
Total liabilities and shareholders' equity	¥24,769	100.0%

Consolidated Statements of Cash Flows

(Yen in millions)

	First half ended September 30, 2001
Cash Flows from Operating Activities	
Income before income taxes	¥4,149
Depreciation and amortization	497
Increase in allowance for doubtful receivables	31
Increase/decrease in reserve for retirement allowances	24
Loss on disposal of fixed assets	30
Loss on evaluation of equity funds	20
Exchange gain/loss	-1
Proceeds from interest and dividends	-17
Interest expense	2
Increase/decrease in inventory	-833
Increase/decrease in accounts receivable—trade	-976
Increase/decrease in accounts payable	1,719
Increase/decrease in accounts receivable—other	-24
Increase/decrease in accounts payable—other	-8
Payment of bonuses to directors	-16
Subtotal	4,596
Payment of income taxes and other taxes	-1,979
Net cash used in operating activities	2,616
Cash Flows from Investing Activities	
Expenditures on tangible fixed assets	-1,023
Expenditures on intangible fixed assets	-83
Proceeds from sale of tangible fixed assets	13
Purchases of investment securities	-1,107
Proceeds from sale of investment securities	90
Investments in newly consolidated entity	-961
Proceeds from interest and dividends	17
Other cash used in investing activities	-52
Net cash used in investing activities	-3,108
Cash Flows from Financing Activities	
Proceeds from issue of new shares	29
Interest expenses	-2
Net cash provided by financing activities	27
Net Change in cash and cash equivalents	-464
Cash and cash equivalents at beginning of term	5,866
Cash and cash equivalents at end of term	¥5,402

Risk Factors

The Company has reported its results for the interim period and the second quarter of fiscal year ending March 31, 2002 in the document "Results for the Interim Period and Three Months Ended September 30, 2001." However, a number of potential factors could substantially impact future performance. Major factors contributing to business risk for the Company are discussed below. The Company proactively discloses those items it deems necessary for investors to consider in their investment decisions, 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 issues below 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 licensing agreements with Yahoo! Inc. of the United States (hereinafter 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 Websites for individual users and a variety of free-of-charge communications services, including paging and message-board services for communication among fellow users, as well as electronic commerce (EC) services (electronic commerce refers to exchange via the Internet of products, services, information and funds from seller to buyer and in the commercial transfer of wealth between economic entities), which allow users to purchase a variety of products via the Internet.

The principal component of Yahoo! Japan's business involves Internet advertising business, through which the Company receives advertising revenue from companies in exchange for banners and other paid advertising posted on the pages of these services and targeting the users of these services, and Yahoo! BB business, a comprehensive broadband service. The following risks and environmental factors can affect the operations of the Company:

[1] Influence of the Internet Markets and Environment

1) Dependence on Internet Usage Rates

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

environment for Internet users.

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

2) Dependence on the Environment for Internet Connection

As the entire catalog of 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.

Operations are vulnerable to impact from such phenomena as fires, power outages and damage 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 these events.

Despite the implementation of network security measures, the possibility of damage by 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] The Yahoo! Brand

1) Licensing Agreements with Yahoo! Inc.

Yahoo! Japan's operations are based on a licensing agreement with Yahoo! Inc., the founder of the Company and owner of 33.7% of voting shares as of September 30, 2001. The Yahoo! trademark, software and tools (hereinafter 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 the 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: mutual decision by 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 shareholder voting rights of the ongoing company (may be waived by agreement of Yahoo! Inc.). Contracted Party: Yahoo! Inc.
Main Conditions: 1. Licensing rights granted by Yahoo! Inc. to the Company: * Non-exclusive rights granted to the Company for reproduction and use of Yahoo! Inc.'s Internet directory-search and other services customized and localized for the Japanese market (hereinafter referred to as "the Japanese version of the Yahoo! directory-search services"). * Non-exclusive rights granted to the Company for use in Japan of the Yahoo! trademark * Exclusive rights granted to the Company for publishing of the Yahoo! trademark in Japan * Exclusive rights granted to the Company worldwide for development, commercial use and promotion of the Japanese version of Yahoo! directory-search services 2. Non-exclusive licensing rights granted (gratis) to Yahoo! Inc. worldwide for use of Japanese content added by the Company 3. Royalties to be paid by the Company to Yahoo! Inc. (see Note) Note: 3% of gross profit after deducting sales commissions, paid quarterly

2) *The Yahoo! Brand and Cooperation Overseas*

The establishment and proliferation of the Yahoo! brand are considered extremely important 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 under way 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.

[3] Advertising Business

Advertising business comprise one of the Company's principal sources of revenue and accounted for 43.2% of net sales in the second quarter of fiscal 2002. Although the contribution of advertising business to net sales is now less than it was up to last fiscal year, the Company's operating results are still highly dependent on advertising business. The following uncertainties are implicit in advertising sales:

1) 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 has not been established with advertisers, consumers and advertising agencies.

The Company has continued to attract increasing numbers of advertisers from many business sectors. However, with limited experience in Internet advertising, most advertisers still consider it a trial medium. Many advertisers allocate only small portions of their advertising budgets 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, toiletries, beverages, drugs and health-care goods, do not spend as much on Internet advertising as they do on other media. If this condition continues, it may be difficult for the Company to achieve a stable flow of advertising revenue.

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

2) Characteristics of Internet Advertising

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

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

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

3) 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.

4) Advertising Sales Promotion

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

Moreover, a substantial portion of advertising revenues come from advertising agent Cyber Communications Inc. Fluctuations in the volume of sales by this company it could have substantial impact 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 by advertising agencies and the proportion of these sales within overall sales will rise. However, it is possible that in the short term commissions to these advertising agencies will rise significantly, resulting in a decline in overall sales.

5) The Competitive Environment

As of September 30, 2001, the major providers of Japanese-language Internet navigational services, or similar services directed to Japanese Internet users, earning advertising income through comprehensive information sites for those services, were as follows (in no particular order):

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

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

[4] Yahoo! BB Business

In August of this year, Yahoo! Japan began operations of the Yahoo! BB service, a comprehensive subscriber service offering fast Internet-access service for individuals using Asymmetric Digital Subscriber Lines (ADSL) and a portal for broadband content. The service was fully commercialized in September and began distributing pay content in October.

The service is provided jointly by BB Technologies Corporation (BBT), a joint venture founded by Softbank Corp., other group companies and Yahoo! Japan. Yahoo! Japan will take charge of subscriber signup, customer service, broadband portal management, provision of the payment platform, and sales of the Yahoo! BB Starter Kit, while BBT will offer and manage the ADSL infrastructure and Internet access service, develop new technology and provide technology support. Each is taking its share of responsibilities for operating the service.

1) ADSL Infrastructure and Internet access service

One of the risks the Company may face will be failure to gather the anticipated number of subscribers despite promotion effort offering price-competitiveness backed by overwhelming brand strength. This may prevent the Company from making anticipated sales or demand that it bear much higher costs than expected, with subsequent significant impact on earnings. Moreover, the Company has begun offering versions of some of its regular services, such as e-mail and homepage creation services,

as special services for Yahoo! BB service subscribers, and it is possible that the development costs for these services could exceed original estimates.

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

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

2) Broadband Portal Service

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

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

3) Sales of the Yahoo! BB Starter Kit

Yahoo! Japan sells the Yahoo! BB Starter Kit, the device subscribers use to access the service. This involves risks such as failure of the products to be delivered on time in the right specification, and thus negatively influencing Company services, the Company having excess inventory and damage, loss during transportation or storage, and obsolescence of the product due to technological change and innovation. Product purchases can be significantly influenced by Company cash flow and fluctuation of exchange rates as well. In addition, the Company could be asked for compensation if defects in the product cause damage to people who use them.

Yahoo! BB Starter Kit sales may vary significantly depending on the growth or decline in the number of Yahoo! BB services subscribers. Depending on market

conditions, there is the possibility that the Company will cease sales of the starter kit.

4) The Competitive Environment

As of September 30, 2001 the major providers in Japan of services similar to those the Company plans to offer were as follows (in no particular order):

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

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

[5] Auction Business

1) Damage Compensation

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 or honoring of contracts agreed to while using this service.

However, the possibility exists that users of these services or other related parties may take legal action against the Company for claims or compensation related to

the content of its services.

2) *Illegal Acts*

There have been recent reports of illegal or fraudulent merchandise bought and sold via Yahoo! Auctions services. If this were to come under the scrutiny of regulators, operations could become difficult. 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, 2000, the Company began an escrow service for its online auctions for the purpose of avoiding fraud and other illegal activities, but not all users take advantage of this service. Therefore the Company cannot say for certain that illegal actions will not occur in future.

In its Internet auction business, the Company began charging fees on May 28, 2001, mainly for personal identification and damage compensation. This resulted in a decline in the numbers of users, items auctioned and bid, and page views in the beginning, but they now exceed the levels before the personal-identification system began operating. Mainly due to competition with free auction sites, the business will likely continue to require close attention.

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

3) *The Competitive Environment*

As of September 30, 2001, the major providers of Japanese-language online mall and auction business directed to Japanese Internet users were as follows (in no particular order):

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

Included among these companies are service providers in the highly competitive U.S. Internet industry and corporations affiliated with competitors of Yahoo! Inc., the company's major shareholder. With competition from these service providers expected to increase, it remains unclear whether the Company can attain a superior position and sustain its hold in the industry. In addition to impacting sales via the Company's auction site, competition could decrease commission income by cutting participation and increase advertising costs, which would cause negatively impact to the Company's operating results.

[6] Other Overall Business Risks

1) Keeping Up with Technology

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

Responding to these conditions and sustaining a strong competitive position requires close cooperation with Yahoo! Inc., which operates almost identical services in the United States. With this, Yahoo! Japan is constantly developing new technology to improve its services. Failure of Yahoo! Inc. or Yahoo! Japan to keep up with technological advances could render their services outdated and erode their competitive positions. The Company will also bear an increasing load from original development, including a rising level of expenditures for localizing operation of the services.

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

Although the 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 a par with their use with personal computers. User share could fall as a result, and that could compress the Company's sales and profit in favor of larger expenditures for development and other uses.

2) Dependence on Third Parties

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

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.

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 worsening of the business

conditions of these third parties, resulting in negative impact on performance.

3) 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 Websites 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.

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

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 each service, it also deals with information access rights within the company with extreme care by assigning specific persons to control it.

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

4) Collection of Sales Credit Claims

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

5) Dependence on Key Personnel, etc.

The Company depends on continued support from senior management and key technical personnel. These include the President, Directors and other representatives of various departments serving on the Management Committee who possess specialized knowledge and technological expertise concerning the Company and its business.

Consequently, if key personnel were to leave and the Company fails to replace them, that would negatively influence the continuation and development of the business.

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

6) Internal Control System and Human Resources

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

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

To respond to personnel increases and business diversification, the Company must further improve its administrative control systems. 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.

7) International Conflicts, Terrorist Attacks, and Large-Scale Natural Disasters

As illustrated by the multiple terrorist attacks on the United States in September 2001 and the resultant military retaliation, the Company expects that in the event of international conflicts, terrorist attacks, and large-scale natural disasters causing substantial changes in international political conditions or in the economic framework, the Company's business will also be substantially affected.

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

[7] Increased Risk from Diversification and New Business

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 revenue 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 through Yahoo! Shopping and Yahoo! Auctions and supplying paid 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 business will strengthen its operating base. However, it is anticipated that some time will be needed 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.

[8] Legal Restrictions, Lawsuits and Intellectual Property Rights

1) Government Regulations

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

The ministries of Public Management, Home Affairs, Post and Telecommunications, Economy, Trade and Industry, and Education, Culture, Sports, Science and Technology are considering "Regulations Concerning the Responsibility of Intermediaries" for those businesses that act as intermediaries in distributing information over the Internet, and plan to submit a proposal during the regular session of the Diet. 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.

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

2) Potential Litigation

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

individuals.

To avoid conflict with Japanese legal restrictions, the Company established a "Banner Advertisement Presentation Standard" that internally regulates advertising content and the content of Websites accessed through advertising links. As expressed in a written contract with the advertiser, the advertiser takes full responsibility for the content of the advertisement. The Company also maintains the right to list Websites and remove Websites 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 Websites with clauses indicating the full responsibility of creators for the content of their sites. For such services as auctions and bulletin boards where users can transmit information freely, the Company indicates clearly in its contracts with users that illegal or 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, Websites accessed through links on its site, content contributed to community message boards and trading on its auction business. The resulting decline in user confidence could lead to a drop in hits or suspension of services.

Similar to the case of the previously mentioned Yahoo! Auction, the Company publishes a disclaimer on its site stating that Yahoo! Japan assumes no responsibility for the activities, products, services or Website content of the many retailers using these services. Nor does the Company guarantee 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. However, the possibility exists that users of these services or other related parties may take legal action against the Company for claims or compensation related to the content of its services.

3) Patents for Internet Technology and Business Plans

The Japanese Patent Office (JPO) recently began approving patents for Internet technologies and business plans. Numerous patent applications have been filed at the JPO claiming rights particularly to Internet technologies based on computer and telecommunication technologies that facilitate electronic commerce. Some recent patents and patent applications cover not only technology but also business models. As such, the possibility exists that third parties in possession of these patents will make

claims or file suit against Yahoo! Japan, and that the Company will be prohibited from using such technology or 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.

2. Risks Concerning Investment and Capital Investment Programs

[1]Investment

The Company has invested in 41 companies and 1 co-op as stated in the attached sheet. These investments have been made to form ties with the companies invested in and their businesses, or to form business ties in the future. The Company cannot guarantee that these investments will be recovered.

Although as of September 30, 2001 four of these companies had been publicly listed and the value of the Company's investment has increased, this value could decline in the future.

Moreover, depending on the direction of the performance of the companies it has invested in, Yahoo! Japan may 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.

[2]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 life of the planned facilities may be relatively short. As a result, depreciation terms are expected to be shorter and depreciation costs higher compared with previous terms because of changes in accounting methods. In addition, greater than normal losses may be recorded because of extraordinary losses on disposal of current facilities.

Although Yahoo! Japan believes business expansion will result in earnings growth sufficient to cover these increased costs, ineffective capital investments and

delayed effect could substantially impact future earnings. In addition, unfavorable performance by companies in which Yahoo! Japan has invested could impact the Company's financial structure and operating results.

List of Companies Invested by Yahoo Japan Corporation

	Investment targets	Listing	Date listed	Stake (%)	Amount (Yen)	BS accounting amount	Line of business	Relationship with the Company	director s on loan
1	Yahoo Korea	-	97/10/06	4.12	6,004,720	6,004,720	Comprehensive Internet information-portal business in Korea	Yahoo! Japan offered technical service at startup	Yes
2	CyberMap Japan Corp.	-	98/04/01	8.33	50,000,000	50,000,000	Internet-based map information service ("Mapion")	Alliance for Yahoo! Map	Yes
3	Internet Research Institute, Inc.	TSE Mothers	98/08/01	12.49	100,000,000	2,479,950,000	Internet technical-support service		Yes
4	Vector Inc.	NASDAQ Japan	99/03/25	13.10	165,000,000	2,190,000,000	Sales of download licenses for personal-computer software	Alliance for Yahoo! Computer	Yes
5	Weathernews Inc.	NASDAQ Japan	99/05/28	5.24	300,000,000	831,000,000	Weather observation, data collectin/analysis, weather forecast and related information services	Alliance for Yahoo! Weather	
6	e-Shopping! Toys CORP.	-	99/08/31	10.00	40,000,000	40,000,000	eS! retail-toy Website	Yahoo Shopping tenant	Yes
7	e-Shopping! Books CORP.	-	99/09/10	10.26	60,000,000	60,000,000	eS! retail-book Website	Yahoo Shopping tenant	Yes
8	CarPoint K.K.	-	99/10/06	6.54	179,700,000	179,700,000	Offering car-related information, quotes and dealer introductions		
9	SpeedNet. Inc.	-	99/12/10	1.67	125,000,000	125,000,000	Fiber-optic and high-speed wireless Internet service		
10	e-Shopping! CarGoods CORP.	-	00/02/28	10.00	30,000,000	30,000,000	eS! CarGoods Website	Yahoo Shopping tenant	Yes
11	Oricon Global Entertainment Inc.	NASDAQ Japan	00/03/28	1.53	50,000,000	127,200,000	Construction and supply of music-related databases	Alliance for Yahoo! Music/Music Shopping	
12	e-shopping! Wine CORP.	-	00/05/26	10.00	30,000,000	30,000,000	eS! Retail-wine Website	Yahoo Shopping tenant	Yes
13	SOFTBANK ZENet Inc.	-	00/08/28	8.33	30,000,000	30,000,000	Comprehensive site for IT-related information	Alliance for Yahoo! News	Yes
14	Computer Channel Corporation	-	00/11/13	10.00	31,250,000	31,250,000	Consigned satellite broadcasting and production	Alliance for Yahoo! BB	Yes
15	e-Net Japan Co., Ltd.	-	00/12/14	6.00	75,000,000	75,000,000	Sales of personal commutrs, audio/visual and home equipment via the Internet	Yahoo! Shopping/Auctions tenant	
16	J-Yado Co., Ltd.	-	00/12/22	7.14	120,000,000	120,000,000	J-Yado.com hotel reservation Website		
17	Digibike Co., Ltd.	-	00/12/26	2.27	60,000,000	60,000,000	E-commerce and supply of contents related to motorcycles	Yahoo! Auctions tenant	
18	Power Print Inc.	-	00/12/27	15.00	60,000,000	60,000,000	Online order-taking, printing and delivery of various printed materials		
19	Naturum Corp.	-	00/12/29	10.01	79,200,000	79,200,000	Sales of fishing and outdoor products via the Internet	Yahoo! Shopping/Auctions tenant	
20	Archinet, Inc.	-	01/01/19	19.84	50,000,000	50,000,000	Consulting on real estate and online sales of gardening equipment	Yahoo! Shopping/Auctions tenant	
21	Golf Do Co., Ltd.	-	01/01/24	4.90	199,989,000	199,989,000	An online shop for used golf equipment		
22	Axiv.com, Inc.	-	01/01/30	5.44	50,000,000	50,000,000	MyID promotion/gift campaign Website		
23	CafeGlobe.com	-	01/01/30	11.44	100,000,000	100,000,000	Cafeglobe.com information site for women	Alliance for Yahoo! Gourmet	
24	eBANK Corporation	-	01/03/12	2.07	299,000,000	299,000,000	eBank scheduled to open for service late in July	Alliance for Yahoo! Auction/Research	
25	GameBox, Inc.	-	01/03/16	9.38	99,750,000	99,750,000	GAMEBOX game-related Website		
26	Digipri Corporation	-	01/03/27	0.82	100,000,000	100,000,000	Internet storage and output services for digital imaging		
27	Bitwave Corporation	-	01/03/29	4.67	100,000,000	100,000,000	Indies music business and sales of concert/sporting event tickets		
28	Net Protections, Inc.	-	01/04/10	16.47	100,000,000	100,000,000	Online commercial settlement service	Alliance for Yahoo! Auction	
29	istyle Inc.	-	01/04/20	8.87	50,000,000	50,000,000	@cosme information site on cosmetics and beauty care		
30	Digital Check Co. Ltd.	-	01/04/24	2.61	99,447,620	99,447,620	EC settlements, content supply and networking business	Alliance for Yahoo! Auction	
31	Azami Life Insurance Co.	-	01/04/25	0.90	100,000,000	100,000,000	Life Insurance business		
32	CarHoo Inc.	-	01/04/26	13.02	50,000,000	50,000,000	Car Hoo driver-support site	Yahoo! Auctions tenant	
33	E-NEWS Inc.	-	01/06/26	13.33	50,000,000	50,000,000	Internet-based broadcasting and video production		
34	Hurricane Inc.	-	01/07/23	13.28	189,000,000	189,000,000	Planning, producing, referral and agency services for concerts and other events		
35	BB Technologies Corporation	-	01/08/24	10.00	300,000,000	300,000,000	Installing, supplying and managing ASDL infrastructure	Installing and operating Yahoo! BB infrastructure	Yes
Total amount of invested securities					3,528,341,340	8,541,491,340			
1	GeoCities	-	00/08/03	100.00	10,000,000	10,000,000	Maintaining corporate service	Maintaining www.geocities.co.jp domain	Yes
2	Broadcast.com	-	00/08/03	100.00	10,000,000	10,000,000	Maintaining corporate service	Maintaining www.bcast.co.jp domain	Yes
3	Dennotai Co., Ltd.	-	00/09/01	100.00	10,000,000	10,000,000	Maintaining corporate service		Yes
4	Y's Agencies Inc.	-	01/08/07	100.00	10,000,000	10,000,000	Planning and sales of advertising		Yes
5	eGroups KK	-	01/09/28	90.50	900,000,000	900,000,000	eGroup groupware service, mainly e-mail		Yes
Total shares in subsidiaries					940,000,000	940,000,000			
1	Tavigator, Inc.	-	00/03/03	30.00	30,000,000	30,000,000	Sales of travel gear via the Internet	Alliance for Yahoo! Travel and trnant for Yahoo! Shopping	Yes
Total shares in affiliated companies					30,000,000	30,000,000			
1	SOFTBANK Internet Technology Fund No. 1		00/02/21		1,000,000,000	898,232,660			
Total investment					1,000,000,000	898,232,660			
Grand total					5,498,341,340	10,409,724,000			