Yahoo Japan Corporation Annual Report

Year ended March 31, 2004

Profile

Yahoo Japan Corporation and its consolidated subsidiaries and affiliates (the “Group”) provide Internet users with a wide range of services, including directory search, information, community, commerce, and mobile services. Our Web site is the overwhelming leader in Japan in the number of users and page views.

Utilizing its overpowering dominance in its industry as a business resource, the Group is aggressively developing its advertising, auction, comprehensive broadband Yahoo! BB, and other businesses. The Group intends to continue to pursue the diversification of its earnings to further strengthen its business base.

Contents

Important Considerations Regarding This Annual Report

1. Beginning with the fiscal year ended March 31, 2004 (fiscal 2003), Yahoo Japan Corporation (the “Company”) altered its method of booking sales. Figures in this annual report for fiscal years preceding fiscal 2003 have been revised to reflect this change in accounting methods.
2. Commencing with fiscal 2001, the Company has been reporting on a consolidated basis. Readers are advised that figures for fiscal 2000 and preceding fiscal years are on a nonconsolidated basis. However, because the Company had no consolidated subsidiaries during the period up to and including fiscal 2000, there is no difference between consolidated and nonconsolidated figures for that period.
3. This annual report contains forward-looking statements, and readers are cautioned that a number of important factors could cause actual results to differ materially from those predicted.
4. For a detailed account of the factors that could affect performance, please see the section on Risk Factors. Readers, however, should be aware that performance-affecting factors include, but are not limited to, those mentioned in the Risk Factors section.

Financial Highlights

(Millions of yen)

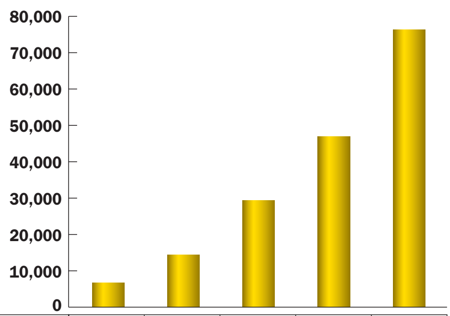
For the years ended	2000/3	2001/3	2002/3	2003/3	**2004/3**
Net sales	6,271	14,278	29,759	46,693	**75,776**
Operating income	2,110	5,309	10,407	24,073	**41,212**
Net income	1,154	2,973	5,868	12,096	**24,827**
Net income per share (Yen)	638	1,586	3,111	6,392	**12,893**
Shareholders' equity	8,107	18,674	20,227	30,483	**59,807**
Total assets	10,476	27,973	29,218	47,774	**82,410**

Notes: Effective from the fiscal year ended March 31, 2003, net income per share is calculated in accordance with "Accounting Standards for Earnings per Share" (Financial Accounting Standards No. 2) and "Implementation Guidance for Accounting Standards for Earnings per Share" (Financial Accounting Standards Implementation Guidance No. 4).

Net income per share is calculated based on the weighted average number of shares issued and outstanding during each fiscal year.

Figures have been retroactively adjusted to reflect the above accounting standards (See Notes to Consolidated Financial Statements 3 (10)) and the following stock splits: November 20, 2003 (2:1); May 20, 2003 (2:1); November 20, 2002 (2:1); May 20, 2002 (2:1); November 20, 2000 (2:1); May 19, 2000 (2:1); November 19, 1999 (2:1); and May 20,1999 (2:1)

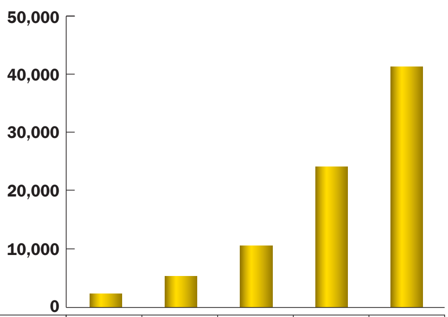
Net Sales



For the years ended	2000/3	2001/3	2002/3	2003/3	**2004/3**
	6,271	14,278	29,759	46,693	**75,776**

(Millions of yen)

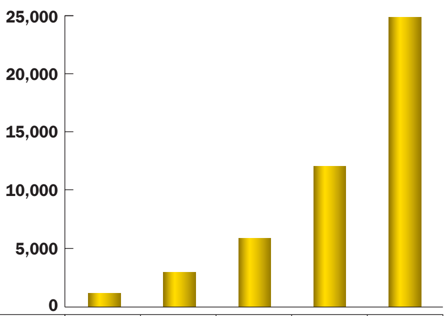
Operating Income



For the years ended	2000/3	2001/3	2002/3	2003/3	**2004/3**
	2,110	5,309	10,407	24,073	**41,212**

(Millions of yen)

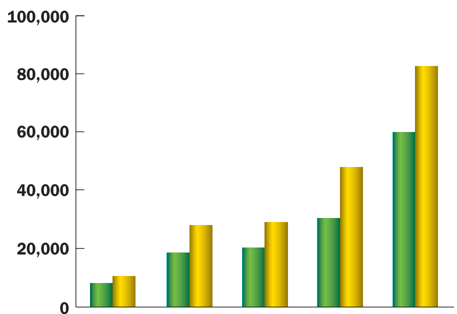
Net Income



For the years ended	2000/3	2001/3	2002/3	2003/3	**2004/3**
	1,154	2,973	5,868	12,096	**24,827**

(Millions of yen)

Shareholders' Equity and Total Assets



For the years ended	2000/3	2001/3	2002/3	2003/3	**2004/3**
Shareholders' Equity	8,107	18,674	20,227	30,483	**59,807**
Total Assets	10,476	27,973	29,218	47,774	**82,410**

(Millions of yen)

To Our Shareholders

It gives me great pleasure to report on the performance of Yahoo Japan Corporation and its consolidated subsidiaries and affiliates ("the Group") for the fiscal year ended March 31, 2004.

During the fiscal year under review, we sought to gain the overwhelming support of Internet users by offering them *ONLY ONE* services that cannot be substituted with the services of our competitors. Leveraging to the maximum such of our assets as the brand power, technological capabilities, and user reach that we have accumulated since our establishment, we took steps in fiscal 2003 to strengthen our business structure by diversifying our sources of and expanding our profits.

The Group comprises six business divisions—the Auction, Listing, Yahoo! BB, Shopping, Media, and Business Solutions (BS) business divisions—and our Corporate Common Business. Each of these businesses attained growth in sales and operating income during the fiscal year under review.

We continue to pursue further expansion in the earnings of our divisions based on existing business strengths. But we also seek to develop new businesses to further diversify and enlarge our profits.

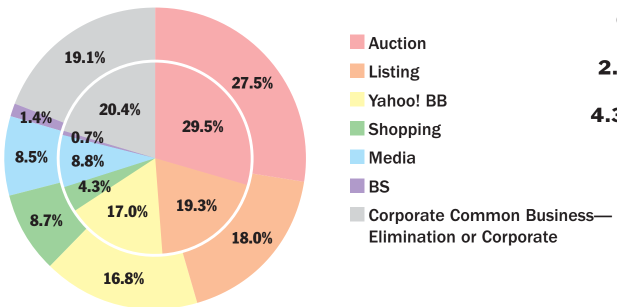
Performance

In the fiscal year ended March 31, 2004, net sales surged 62.3%, to ¥75,776 million. The principal contributors to the growth in net sales were increased system-use fees in the Auction Business Division resulting from greater transaction volume, increased member income because of growth in the number of Yahoo! Premium members, and higher Internet service provider (ISP) sales owing to an expanded Yahoo! BB subscriber base. Other contributors to sales growth included an increase in the Listing Business Division's Sponsor Site income and a rise in the Listing and the Media business divisions' advertising sales.

As a result of the strong business performances of various of our divisions, operating income climbed 71.2%, to ¥41,212 million, and net income jumped 105.2%, to ¥24,827 million.

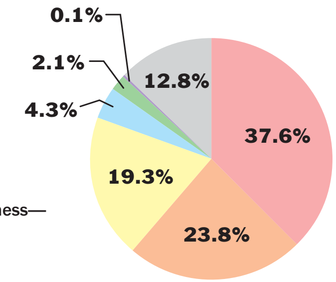
Net income per share amounted to ¥12,892.72, representing a 101.7% up from the prior fiscal year, if retroactively adjusted to reflect the stock splits. Fully diluted net income per share was ¥12,851.03

Net Sales and Gross Profit by Business Division



Outer circle: Net sales
Inner circle: Gross profit

Operating Income Contribution by Business Division



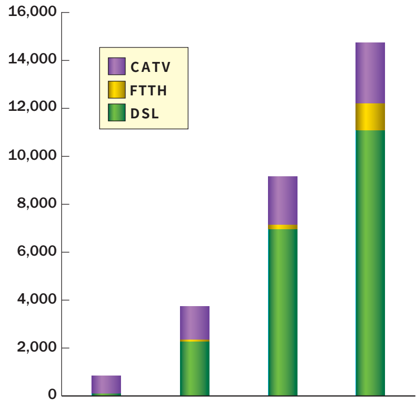
Operating Environment

According to a survey by Japan's Ministry of Public Management, Home Affairs, Posts and Telecommunications, Internet users at the end of December 2003 numbered 77.3 million people and, at 60.6%, exceeded 60% of Japan's population for the first time. That same survey revealed that the number of broadband users had also increased: the number of DSL subscribers at the end of March 2004 had risen to 11.2 million people, up 59.4% from a year ago. Add cable television (CATV) and fiber-to-the-home (FTTH) services, and the number of broadband subscribers actually expanded to 14.9 million users.

The spread of broadband services boosts the value of the Internet as a communications medium and, moreover, has a substantial impact on people's lives. Broadband allows people to access the Internet continuously at low, fixed rates, heightening the popularity of Internet access in private homes and among a wide range of users regardless of gender or age. It also encourages people to spend more time on the Internet. A March 2004 survey by NetRatings Japan shows that individual users spend on average more than 17 hours a month on the Internet.

In addition, the functionality of broadband Internet has expanded to encompass a full complement of daily applications. The uses of the Internet have diversified beyond e-mail and information searches to include purchasing or booking a wide range of goods and services; participating in auctions; paying bills and engaging in numerous other practical consumer activities; and communicating through a variety of tools, including Internet-protocol (IP) phones. Because of its rising usefulness in virtually all aspects of our daily lives, the Internet is becoming an increasingly familiar and indispensable lifestyle tool. Its influence and its ubiquitousness, therefore, are expected to grow in leaps and bounds.

Broadband Subscribers

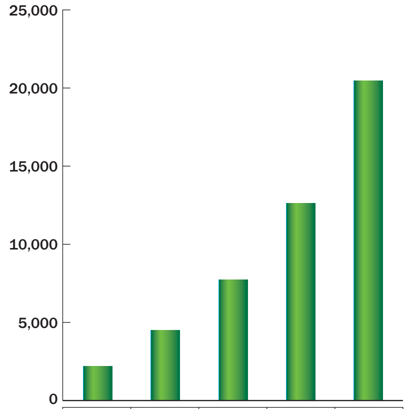


For the years ended	2001/3	2002/3	2003/3	**2004/3**
	850	3,860	9,397	**14,917**

(Thousands of subscribers)

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications

Monthly Page Views



2000/3	2001/3	2002/3	2003/3	**2004/3**
2,125	4,469	7,684	12,609	**20,523**

(Millions of page views)

Operational Review

The monthly page views for the Group in March 2004 hit 20,523 million. Using figures from a March 2004 survey by NetRatings Japan to eliminate duplication, we estimate that Yahoo! JAPAN had 36.68 million unique users at the end of the fiscal year under review. This represents a clearly dominant share of the market.

Our Auction Business Division brought a new system onstream during fiscal 2003 that enables it to handle large volumes of 10 million or more auction items. In preparation for higher user access levels, the division also bolstered its complement of servers and other equipment. And to encourage greater use of its services the division conducted free item listing day and fourth anniversary commemoration sales and other marketing campaigns during the year under review.

Our Auction Business Division's March 2004 transaction value was ¥46.7 billion, and its average number of listed items was 6.07 million—both substantially up from March 2003. The division's transaction rate, moreover, remained at a high level, ranging from 34% to 50%. The Auction Business Division's fiscal 2003 net sales rose to ¥20,839 million, generating 27.5% of consolidated net sales.

The Yahoo! BB Business Division carried out a variety of campaigns during the fiscal year to acquire new subscribers. The division also upgraded its services by launching Yahoo! BB 45M, which offers a maximum download speed of 45 million bits per second (Mbps). Subscribers, in turn, realized more than heightened convenience; they also welcomed improved content. We offered exclusive showings of live performance videos of popular music artists, and on Yahoo! GeoCities launched GeoCreator, which makes it easy even for beginners to create home pages.

The number of Yahoo! BB subscribers at the end of March 2004 had risen to approximately 4 million people, and the division's cumulative DSL share was 35.8%. Reflecting its growth in subscriptions, Yahoo! BB's fiscal 2003 net sales were ¥12,760 million, accounting for 16.8% of our consolidated net sales.

Overall, we worked actively in fiscal 2003 to market our full range of advertising services. Advertising sales, which are carried out by all our business divisions, but particularly by our Listing and Media business divisions, showed signs of recovery, and we capitalized on the trend. We targeted National Clients—companies that advertise extensively in other media—for sales of our Brand Panel product for top pages and of our Superbanners, Yahoo! Billboards, and other products with high visual impact. We also promoted sales to National Clients of our V-Banner service, which enables them to send large volumes of very visually effective banners. Among our sales promotion successes for the year was the favorable sales growth of our Sponsor Site advertising service.

Our efforts during fiscal 2003 pushed advertising sales to a record high. We realized ¥22,276 million in advertising sales, up 63.6% from the previous fiscal year.

Business Strategies

Underlying the popularization of broadband services and the surge in the number of Internet users are the increasingly diverse uses to which the Internet is being put. Today's Internet user's applications for the Internet span acquiring information, communicating, and shopping for goods and services. The services and goods available over the Internet have greatly expanded and diversified. And the Group believes that the convenience and the potential of the Internet as a viable and necessary medium for modern living have been widely recognized by consumers.

For this reason, we have our sights on becoming a brand that is essential to people's lifestyles as the engine through which they access the Internet and its myriad goods and services for the betterment of their daily lives. The content and the services that we offer are more than a response to the growth and the diversification of the Internet and broadband services and their users. Our offerings contribute to that growth and diversification with an increasing array of content and services to fulfill every user need. We are committed, therefore, not merely to maintaining our competitive advantage in the market but to furthering it with additional sources of earnings gained through developing new markets to serve users.

The Group has always given high priority to protecting the personal information of its users and to maintaining the security of its systems throughout its operations. Our response to the leak of a large volume of the personal information of our Yahoo! BB subscribers by Softbank BB Corporation in February 2004 sees us aggressively strengthening our security measures groupwide.

We have set up an Information Management Headquarters to thoroughly reinforce our security systems and to continuously monitor whether those systems are operating properly. We also have revised our rules and regulations regarding the management and the managers of sensitive information. Through these and other activities, we are raising our priority on the safe handling of personal information beyond even our past emphasis. We will spare nothing in working to ensure that our customers can use our services with confidence.

Dividends

Maximizing shareholder return has been a crucial management issue at Yahoo Japan Corporation since the Company's founding. The decision of whether or not to pay dividends is made only after considering our business results and appropriating adequate retained earnings for our business development. To date, no dividends have been paid. Nevertheless, shareholders have benefited from our growth: we have instituted two-for-one stock splits nine times since our initial public stock offering in November 1997.

We are fully committed to meeting the expectations of our shareholders by targeting the further expansion of our business and heightened business performance. In pursuing these goals, we look forward to the continued support of our shareholders.

Masahiro Inoue
President and CEO

Segment Report by Business Division

Effective January 2002, the Group reorganized itself into business divisions. This change optimizes the Group's allocation of its human, physical, and financial resources and speeds up its decision making, thus maximizing its results. Business common to all business divisions is classified under our Corporate Common Business operations.

Following is a summary of the major businesses of our six business divisions and of our Corporate Common Business and of their performances during the fiscal year under review.

Business Divisions	Major Business	Advertising Sales
Auction	The Auction business provides, for a charge, an Internet platform on which a number of individuals can freely sell or buy through an auction process. It also provides, for a fee, support services to entities in relation to corporate shops called Auction Stores.	773
Listing	The Listing business publishes various providers' information for users through the Company's Web site. It provides directory and search services on the Web site, information listing services, and regional information services. It also offers a paid search service, called a Sponsor Site, by cooperating with two commercial search services: Overture and Google.	10,907
Yahoo! BB	The Yahoo! BB business revolves around the Company's comprehensive broadband services, branded Yahoo! BB, which the Company offers jointly with SOFTBANK BB Corp., a wholly owned subsidiary of SOFTBANK CORP. The business provides an Internet service provider (ISP) service to individual subscribers that the Company has acquired through its Internet Web site and that SBB has gained through electronic wholesalers and by other means. The ISP service includes e-mail, home page creation, and other services.	747
Shopping	The Shopping business operates the Yahoo! Shopping site, a high-quality, online-based shopping venue whose stores offer a variety of products. The site's offerings include goods and services relating to travel, such as domestic or overseas accommodation, airline tickets, and the like, and provides various travel information for travel arrangements or preparation. Also included in this business is e-Shopping! Books CORP., an online book retailer and subsidiary of the Company.	451
Media	The Media business provides various content and services, with or without charges, to users to stimulate the number of page views and to increase the volume of advertising sales. The business comprises 4 services: information services, such as Yahoo! News, Yahoo! Finance, Yahoo! Sports, etc.; entertainment services, such as Yahoo! Movies, Yahoo! Music, etc.; community services, such as Yahoo! Message Boards and Yahoo! Avatar, etc.; and mailing services, such as Yahoo! Delivers, etc.	5,725
Business Solutions (BS)	The BS business provides the Company's solutions, know-how, and technologies to corporations and government bodies. It includes support services relating to the development of those entities' Web site portal and Internet-based inquiry services known as Yahoo! Research, among other offerings.	69
Corporate Common Business	The Corporate Common business represents the sales of advertisements on the Yahoo! JAPAN top pages, and the membership fees of Yahoo! Premium. These revenues are characterized as Corporate Common business, because they contribute to building the overall corporate brand of the Group and therefore are not allocated to any of the individual businesses named above. This business also includes revenues and expenses relating to the Company's headquarters.	3,604
Total		22,276

(Millions of yen)

Business Services Sales	Personal Services Sales	Other Sales	Net Sales	Cost of Sales	Gross Profit	SG&A Expenses	Operating Income	Operating Margin
1,895	18,171	—	20,839	19	20,820	5,340	15,480	74.3%
2,629	79	—	13,615	40	13,575	3,777	9,798	72.0%
5,813	6,200	—	12,760	749	12,011	4,046	7,965	62.4%
1,646	—	4,492	6,589	3,545	3,044	2,173	871	13.2%
415	272	—	6,412	204	6,208	4,431	1,777	27.7%
1,027	0	—	1,096	629	467	410	57	5.2%
119	10,742	– 0	14,465	106	14,359	9,095	5,264	36.4%
13,544	35,464	4,492	75,776	5,292	70,484	29,272	41,212	54.4%

Notes: Advertising sales comprise banner and e-mail advertising sales and Sponsor Site sales and others.
Business services sales comprise corporate sales but exclude advertising.
Personal services sales comprise business sales to individuals.

Auction Business Division

Net sales by the Auction Business Division totaled ¥20,839 million, accounting for 27.5% of consolidated net sales. Transactions primarily comprised system-use fees, merchant shop basic fees and commission fees. The division's operating income was ¥15,480 million, and its operating margin was 74.3%.

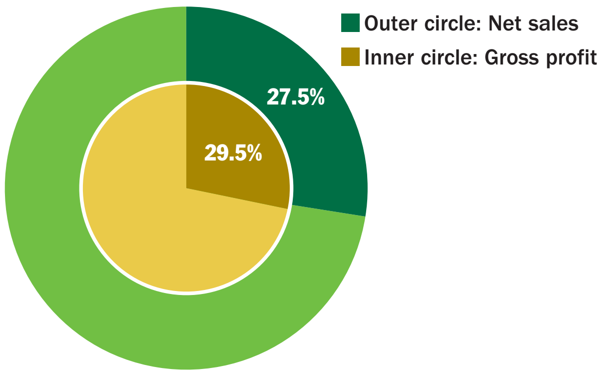
Operational Review

During the fiscal year under review, the Auction Business Division brought onstream a new computer system designed to increase its volume capacity. The division now can handle more than 10 million auction items. To prepare for an increase in users, the division also added servers and other equipment. And to get even more people to use Yahoo! Auctions' services, the division improved and expanded its range of offerings and, among other sales campaigns, ran a free item listing day campaign and a fourth anniversary commemoration campaign.

Likewise, to encourage a greater use of Yahoo! Payment service, which allows users to pay for auctioned items using a credit card and their Yahoo! JAPAN ID, the Auction Business Division held a cash-back campaign that appealed to buyers and sellers. The division also promoted growth in the number of Auction Stores (merchant stores) by significantly lowering its monthly system-use fees and by offering a discount package to stores also opening on Yahoo! Shopping.

The March 2004 transaction volume on Yahoo! Auctions increased significantly over that of March 2003, to ¥46.7 billion, as did the average number of items listed, which rose to 6.07 million. In addition, the Auction Business Division continued its high transaction rate, at from 34% to 50%.

Net Sales and Gross Profit Composition



Auction Income Statement

(Millions of yen)

For the year ended	2004/3
Net sales:	
Advertising	773
Business services	1,895
Personal services	18,171
Other	—
Total	20,839
Cost of sales	19
Gross profit	20,820
SG&A expenses	5,340
Operating income	15,480
Operating margin	74.3%

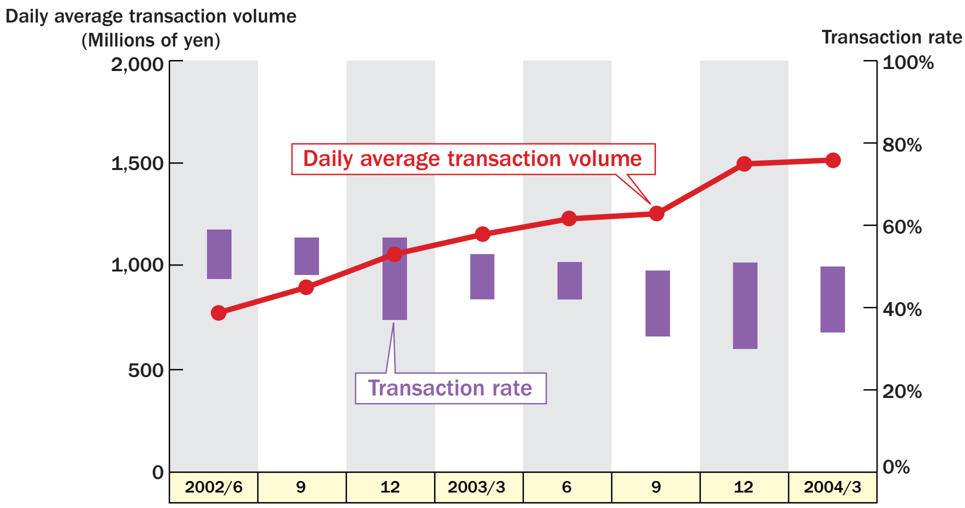
Outlook

The Auction Business Division will continue its efforts to attract new users through a variety of promotional activities. At the same time, it will earn the continued patronage of its users by expanding and improving its services and by introducing a preferential system for heavy users of its services. It will in every measure taken aim to boost user satisfaction with its services. This includes working to protect the privacy and safety of its users. The division is strengthening its verification system for users listing items and reinforcing its safeguards against fraud. These and other actions are designed to ensure that the division's services can be used with confidence.

Auction Data (March 2004)

● Number of unique browsers	15.43 million browsers
● Total listed jtems (monthly average)	6.07 million items
● New listings per month	15.96 million items
● Avcrage closing price	¥5,796
● Transaction rate	34-50%
● Number of Stores (month end)	2,411 stores
● Monthly transaction volume	¥46.7 billion

Yahoo! Auctions' Daily Average Transaction Volume and Transaction Rate



Listing Business Division

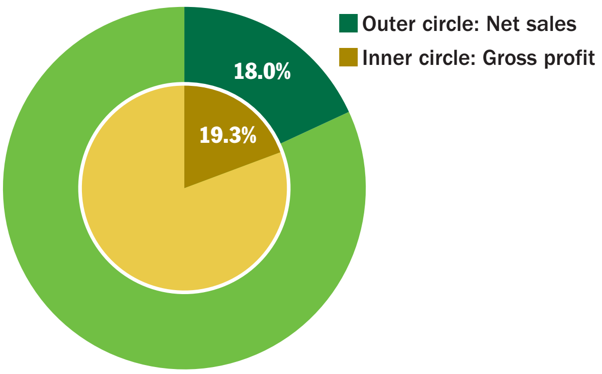
The Listing Business Division recorded net sales of ¥13,615 million for fiscal year 2003. This accounts for 18.0% of consolidated net sales. Advertising sales and the division's Business Express and information listing services contributed the bulk of the year's sales. Divisional operating income was ¥9,798 million, and the operating margin was 72.0%.

Operational Review

The division strove during the fiscal year to heighten the appeal of its Web site, not only to users but also to the information providers that pay to list on the site. It expanded and improved the site's content and made the site's services easier to use.

The Yahoo! Autos section of the site in particular had its content expanded and improved, especially through a business alliance with CarSensor.net, the used car information site of Recruit Co., Ltd. And by linking the search results page of the site with Yahoo! Music and Yahoo! Shopping, the division now grants users the ability to check the latest product information and to make purchases based on search results. Tie-ups with Overture and Google, moreover, helped Sponsor Site sales expand favorably during the fiscal year.

Net Sales and Gross Profit Composition



Listing Income Statement

(Millions of yen)

For the year ended	2004/3
Net sales:	
Advertising	10,907
Business services	2,629
Personal services	79
Other	—
Total	13,615
Cost of sales	40
Gross profit	13,575
SG&A expenses	3,777
Operating income	9,798
Operating margin	72.0%

Outlook

The Listing Business Division remains committed to launching new services and to improving its established services. In the year ahead, the division will devote itself to enhancing its directory search services and to stimulating more Sponsor Site business. It will continue to make its Web site more appealing to information providers. And it will seek to upgrade its regional information services by providing offerings that match regional and lifestyle needs.

In addition, the Listing Business Division aims to extend its service offerings beyond its mainstay information services. As far back as December 2003, for example, the division announced an agreement with Recruit to jointly develop a recruiting service business. This alliance resulted in the division's launch of Yahoo! Rikunabi, a recruiting information site, in April 2004. It also resulted in the groupwide establishment of a joint venture with Recruit to develop a personnel and job search support service based on the self-registration of people seeking temporary jobs. Through these two joint efforts with Recruit, the Group targets the expansion of its Internet-based temporary staffing business.

Yahoo! BB Business Division

In the fiscal year ended March 2004, the Yahoo! BB Business Division achieved net sales of ¥12,760 million, to generate 16.8% of consolidated net sales. The business division's sales comprise incentive commissions for acquiring Yahoo! BB subscribers and ISP fees. Its operating income for fiscal 2003 totaled ¥7,965 million, for an operating margin of 62.4%.

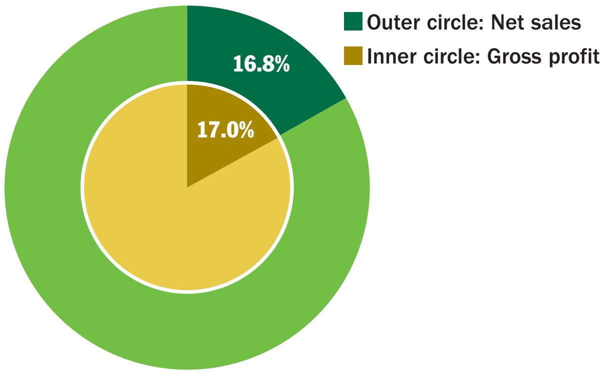
Operational Review

Yahoo! BB ran a variety of campaigns to bring in new subscribers during the fiscal year. At the same time, the division improved its services, especially through the addition of Yahoo! BB 45M, which increases the maximum download speed to 45Mbps. Yahoo! BB subscribers also benefited from the various measures taken by the division to upgrade the convenience and the content of its services. Those measures included making available to subscribers exclusive live performance videos of popular music artists. The division's introduction of GeoCreator on Yahoo! GeoCities, meanwhile, makes it easy even for beginners to create home pages.

The success of the division's efforts was mirrored in an increase in the number of Yahoo! BB subscribers during the fiscal year under review. Subscribers rose to about four million at the end of March 2004, and the division's cumulative DSL share was 35.8%.

To more accurately reflect Yahoo! BB's business in our financial statements, we changed our method of recognizing its sales in the fiscal year under review. Yahoo! BB previously booked the ¥1,290 monthly ISP fee per user per month as a sale and the ISP cost of ¥1,090 as a cost of sales. But under our new method, the division nets the amounts and only books net sales of ¥200. Moreover, the business division no longer records sales that arise from free service campaigns.

Net Sales and Gross Profit Composition



Yahoo! BB Income Statement

(Millions of yen)

For the year ended	2004/3
Net sales:	
Advertising	747
Business services	5,813
Personal services	6,200
Other	—
Total	12,760
Cost of sales	749
Gross profit	12,011
SG&A expenses	4,046
Operating income	7,965
Operating margin	62.4%

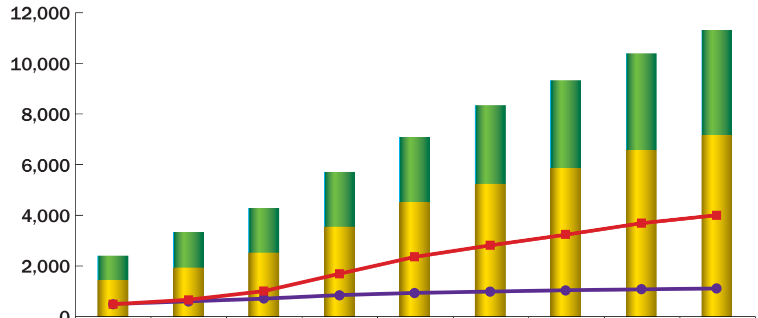
Outlook

DSL subscribers in Japan at the end of March 2004 totaled 11.2 million, a jump of 59.4% from the previous year. The number of broadband subscribers in Japan rises even further, to 14.9 million users, when CATV and FTTH services are included.

Expansion of the division's subscription base notwithstanding, the proportion of new subscribers being acquired directly through Yahoo! JAPAN is falling. Several reasons explain the decline. The initial development period for ADSL services is over, with the acquisition phase for subscribers interested in leading-edge services having gone full circle. In addition, Yahoo! BB has expanded its sales channels outside the Group.

In an effort to attract further subscribers to Yahoo! BB, the Group will seek to increase the value-added content of its services. We will combine with other of our services to provide subscribers with appropriate content for high-speed, large-volume, extended-use broadband connections. Yahoo! BB, meanwhile, will continue to develop its services and functions to meet its aim of being *ONLY ONE* services for its subscribers, for Yahoo! Premium members, and for other users.

DSL Subscribers in Japan



	2002/3	6	9	12	2003/3	6	9	12	2004/3
NTT East & West	967	1,387	1,727	2,136	2,558	3,068	3,435	3,774	4,089
Other providers	1,411	1,914	2,496	3,509	4,465	5,189	5,794	6,498	7,108
Total	2,378	3,300	4,223	5,645	7,023	8,257	9,229	10,272	11,197
Yahoo! BB subscribers	490	660	1,011	1,691	2,363	2,822	3,248	3,694	4,004
Yahoo! JAPAN sales channel subscribers	490	600	716	842	930	986	1,034	1,084	1,113

(Thousands of lines)

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications and Yahoo Japan Corporation

Shopping Business Division

Shopping Business Division net sales were ¥6,589 million for the fiscal year under review, contributing 8.7% of consolidated net sales. Sales principally came from e-Shopping Books CORP. transactions and from Yahoo! Shopping tenant fees and sales commissions. The division's operating income amounted to ¥871 million, for an operating margin of 13.2%.

Operational Review

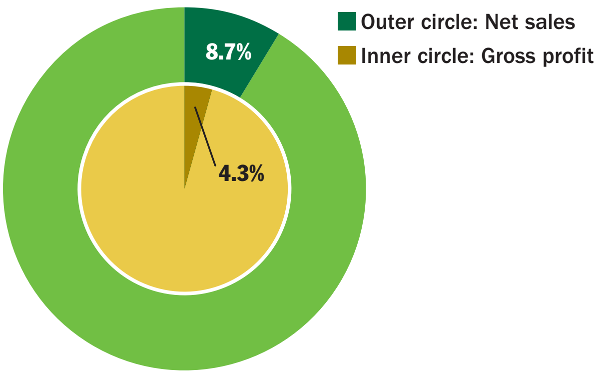
During the fiscal year, the Shopping Business Division switched its strategic emphasis from limiting itself to top-class stores with superior brand power and excellent service to providing its customers with a wider selection of goods. The change was made to expand the volume of goods handled and to boost customer satisfaction with services offered.

Beginning July 2003, the Shopping Business Division introduced and began accepting applications for a new category of store on Yahoo! Shopping termed General Store. This category is in addition to the existing Select Store category for stores with high name recognition and first-class service. At the end of March 2004, the division's expansion into the General Store category had increased the total number of stores listed on Yahoo! Shopping to 1,624, a surge of 1,397 stores since March 2003.

The Shopping Business Division helped to boost sales by the stores listed on Yahoo! Shopping during the fiscal year through a variety of sales promotions. They included a fourth anniversary festival to commemorate Yahoo! Shopping's four years in existence. They also involved the marketing of special offers targeting Japan's bonus seasons for salaried workers and end-of-year gift-giving periods.

Yahoo! Travel also benefited from the division's attentions during the year. To heighten the convenience of Yahoo! Travel, the Shopping Business Division added to its offerings such new services as pre-reservation ticket sales and an online reservation service for accommodations at overseas hotels. The division also launched Yahoo! Business Travel, an online reservation service for accommodations at hotels in Japan that is perfectly suited to the needs of business travelers.

Net Sales and Gross Profit Composition



Shopping Income Statement

(Millions of yen)

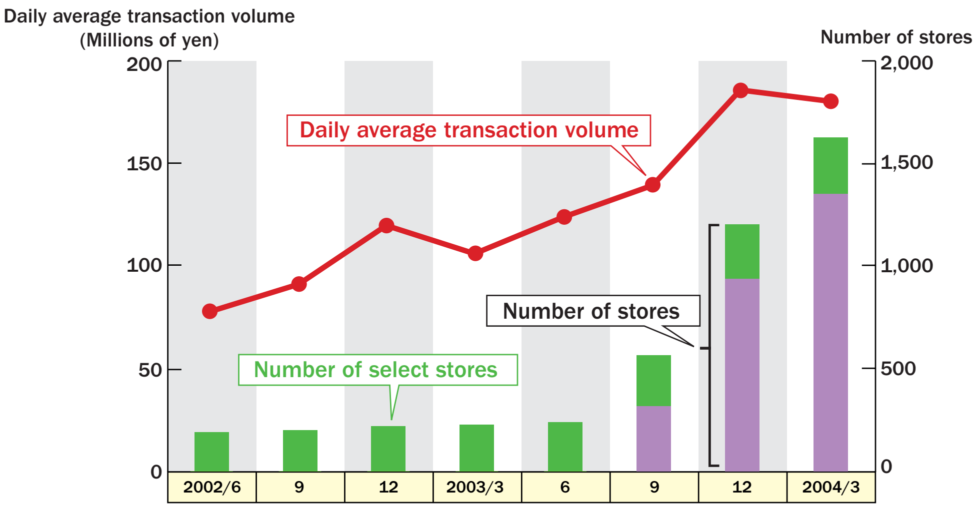
For the year ended	2004/3
Net sales:	
Advertising	451
Business services	1,646
Personal services	—
Other	4,492
Total	6,589
Cost of sales	3,545
Gross profit	3,044
SG&A expenses	2,173
Operating income	871
Operating margin	13.2%

Outlook

The Shopping Business Division's strategy for Yahoo! Shopping is to continue to attract a wide range of stores to further diversify Yahoo! Shopping's merchandise lines. To this end, the division is holding nationwide training sessions that show stores how easy it is to list on Yahoo! Shopping. The division is also providing stores listed on Yahoo! Shopping with ever-better support services through business alliances with Web site creation support companies, among others.

In the year ahead, the division will again conduct various sales promotions to boost store sales. Yahoo! Point, which the Group will introduce in fall 2004, has as its role to promote store sales. The Shopping Business Division intends to build Yahoo! Shopping into the largest shopping site in Japan in number of users and in transaction volume. It likewise has as its goal to add yet again to Yahoo! Travel's lineup of travel products and services, especially those for business trip takers in Japan, to thereby increase sales by Yahoo! Travel.

Daily Average Transaction Volume and Number of Stores of Shopping Services



Note: Daily average transaction volume includes Yahoo! Shopping, Yahoo! Travel and eS! Books.

Media Business Division

The Media Business Division recorded net sales of ¥6,412 million in the fiscal year under review. This accounted for 8.5% of consolidated net sales. Sales mainly comprised advertising sales and pay content revenues. Operating income amounted to ¥1,777 million, and the operating margin was 27.7%.

Operational Review

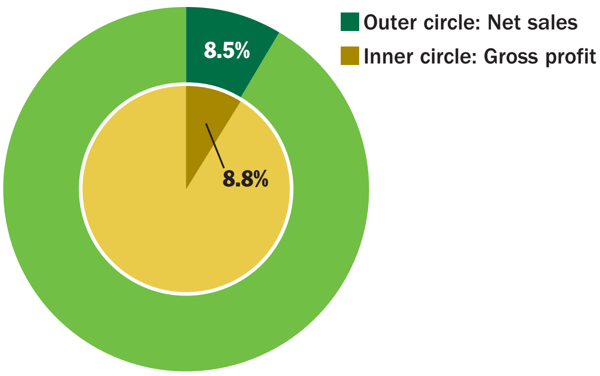
The Media Business Division devoted its efforts in fiscal 2003 to improving services for the rapidly rising number of broadband users who spend increasing amounts of time online. By launching Yahoo! Comics, the division granted users the enjoyment online of the works of famous comic book and comic strip cartoonists. The division also added Yahoo! Streaming, a comprehensive service for streaming content.

To expand sales, the division improved its pay services with the addition of Yahoo! Finance VIP Club. This new pay service provides real-time stock prices and the latest Japanese and international financial and economic news. In another fiscal highlight, the division launched Yahoo! Avatar, a service that allows users to represent themselves on the Internet as the original animated character Avatar.

Outlook

The Media Business Division seeks to strengthen itself through substantial increases in access time and the number of page views and unique users. In particular, the division will attempt to increase its number of multiple services users. The combination of new efforts and the continued development and upgrading of products is expected to help the division achieve its aim of expanding its advertising sales. To expand its personal services sales, the division will further increase its pay service content. And sales of the insurance products of Y's Insurance Inc., which started operations in April 2004, following the end of the fiscal year under review, will contribute to building the division's business services sales.

Net Sales and Gross Profit Composition



Media Income Statement

(Millions of yen)

For the year ended	2004/3
Net sales:	
Advertising	5,725
Business services	415
Personal services	272
Other	—
Total	6,412
Cost of sales	204
Gross profit	6,208
SG&A expenses	4,431
Operating income	1,777
Operating margin	27.7%

Business Solutions (BS) Business Division

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

Net sales by the new BS Business Division amounted to ¥1,096 million, or 1.4% of consolidated net sales. Sales consisted primarily of transactions by Yahoo! Research and Yahoo! Portal Solutions. Divisional operating income was ¥57 million, and the operating

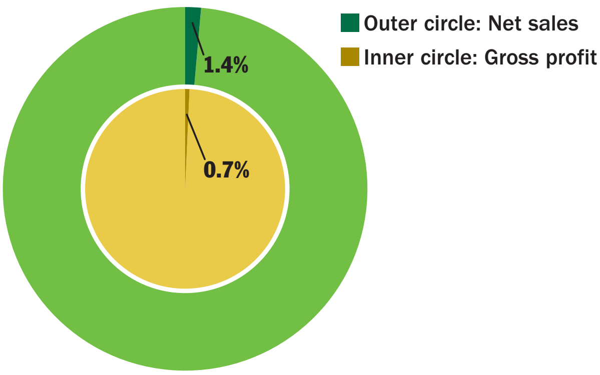
Operational Review

During the period under review, the BS Business Division continued to aggressively market proposals for optimum navigation portals to companies and government bodies. The division also formed a business tie-up with Nihon Unisys, Ltd., to cooperate in sales promotion activities. For sole proprietors and small and medium-sized businesses, the division launched Yahoo! Web Hosting, a service that facilitates the construction of an original domain for a Web site and an e-mail environment. Other of the division's efforts to increase sales included the expansion of its Yahoo! Research service through joint sales with partner Intage Interactive, Inc.

Outlook

The BS Business Division is pursuing sales growth by developing products and services of appeal to companies and sole proprietors and by improving the services of Yahoo! Research.

Net Sales and Gross Profit Composition



BS Income Statement

(Millions of yen)

For the year ended	2004/3
Net sales:	
Advertising	69
Business services	1,027
Personal services	0
Other	—
Total	1,096
Cost of sales	629
Gross profit	467
SG&A expenses	410
Operating income	57
Operating margin	5.2%

Corporate Common Business—Elimination or Corporate

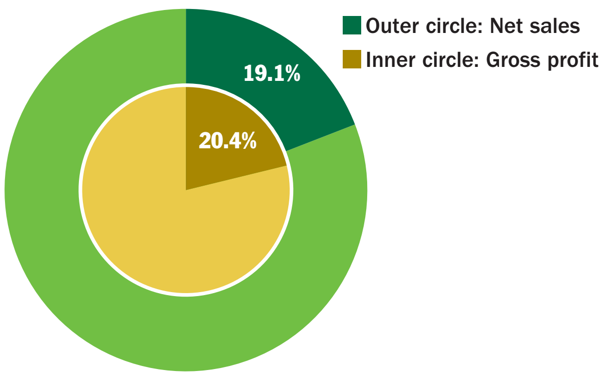
The Group does not recognize revenues and expenses related to banner advertisements on Yahoo! JAPAN's top pages as those of its business divisions. Likewise, it does not recognize Yahoo! Premium membership fees for the array of services offered on its site as the sales or expenses of its business divisions. The Group instead considers these aspects of its operations to be the sales and expenses of the Corporate Common Business that develops the Group's corporate brand. For this reason, the Group combines these transactions as elimination or corporate income.

Corporate Common Business—Elimination or Corporate Income—net sales totaled ¥14,465 million for the fiscal year ended March 31, 2004. This equates to 19.1% of consolidated net sales. Sales were primarily sales from advertising on Yahoo! JAPAN top pages and from Yahoo! Premium. Operating income amounted to ¥5,264 million, and the operating margin was 36.4%.

Operational Review

Yahoo! Premium, which offers special advantages to users of Yahoo! JAPAN pay services, commenced operation effective July 2003. At the end of March 2004, Premium Member IDs, or users of pay services, numbered 3.86 million. Users who had been paying personal identification fees are included as Yahoo! Premium members.

Net Sales and Gross Profit Composition



Corporate Common Business—Elimination or Corporate Income Statement

(Millions of yen)

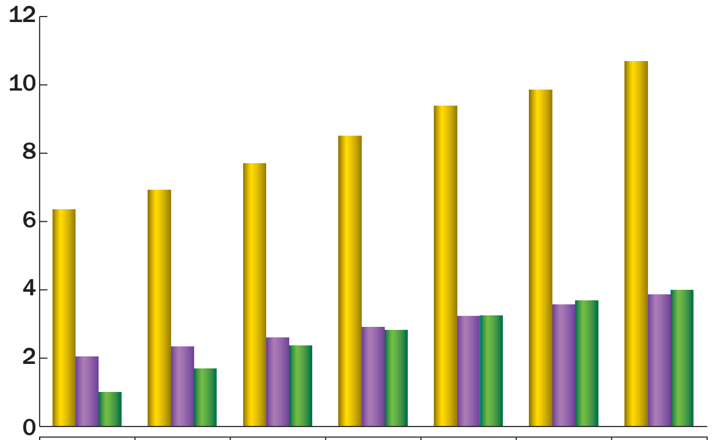
For the year ended	2004/3
Net sales:	
Advertising	3,604
Business services	119
Personal services	10,742
Other	– 0
Total	14,465
Cost of sales	106
Gross profit	14,359
SG&A expenses	9,095
Operating income	5,264
Operating margin	36.4%

Outlook

As a Group, Yahoo Japan Corporation and its consolidated subsidiaries and affiliates possess diverse personal information, including credit data, on Yahoo! Premium members and on subscribers to the pay services of Yahoo! BB. We have always made protecting the personal information of our users and maintaining the security of the systems throughout our operations a high priority. So in response to the leak of a large volume of personal information of our Yahoo! BB subscribers by Softbank BB Corporation in February 2004, we have set in place more stringent measures than ever before for managing personal information to ensure that subscribers to our pay services can use those services with absolute confidence.

We plan in the year ahead to increase our number of members or subscribers. To do so, we will raise the value-added content of our exclusive membership services and actively cross sell services to Yahoo! Premium and Yahoo! BB members.

Number of Yahoo! JAPAN Users



	2002/9	12	2003/3	6	9	12	2004/3
Number of active user IDs on Yahoo! JAPAN	6.35	6.92	7.70	8.50	9.38	9.85	10.69
Number of Yahoo! Premium member IDs	2.04	2.34	2.60	2.91	3.23	3.57	3.86
Number of Yahoo! BB subscribers	1.01	1.69	2.36	2.82	3.25	3.69	4.00

(Millions of IDs and lines)

Advertising Business

The Group's advertising business encompasses groupwide advertising sales. This is in line with how the Group accounts for revenues from its six business divisions—Auction, Listing, Yahoo! BB, Shopping, Media and Business Solutions—and its Corporate Common Business.

The Group breaks down sales by these operations into the four categories of advertising, business services, personal services, and others. Business services sales cover corporate sales excluding advertising, while personal services sales include business sales to individuals, also excluding advertising. Advertising sales, meanwhile, comprise banner and e-mail, Sponsor Site and other, and related sales.

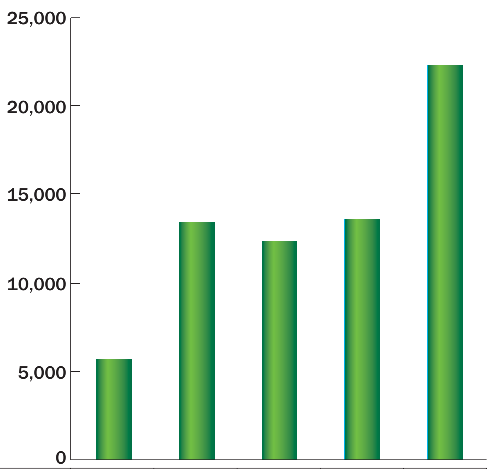
Total advertising net sales for the Group in fiscal 2003 rose 63.6% year on year, to ¥22,276 million. This was a record high for the Group.

Operational Review

Advertiser recognition of the Internet as an effective advertising medium on par with television and other media is steadily increasing along with growth in the number of people using the Internet and in the popularity of broadband services. This heightened recognition combined with the overall improvement in Japan's advertising market in fiscal 2003 to yield solid advertising business for us.

As a Group, we further strengthened our cooperative sales relationships with advertising agencies to acquire more advertising from National Clients (companies that advertise extensively in other media). We were particularly aggressive in marketing such high-impact products as Brand Panels for the tops of pages; Super Banners in the topics areas of Yahoo! News and Yahoo! Sports, which have a high number of unique users and page views; and Yahoo! Billboard. In addition, we proposed to advertisers the use of V-Banner, a service that can adjust to a user's computer environment in sending large volumes of up to 210 kilobytes. We also revised the interface for our Sponsor Site service, which, in conjunction with heightened awareness of this product, helped it again post favorable sales growth.

Advertising Sales



For the years ended	2000/3	2001/3	2002/3	2003/3	**2004/3**
	5,712	13,420	12,299	13,614	**22,276**

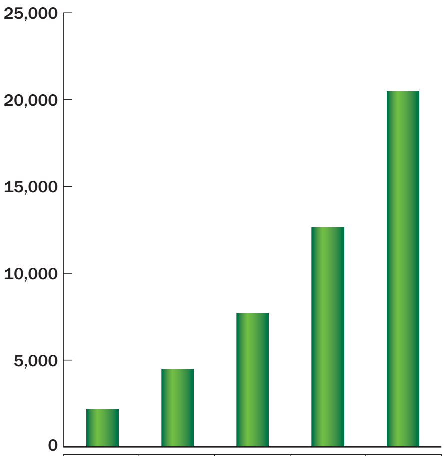
(Millions of yen)

Outlook

Over the medium to long term, the Group believes that the value of Internet advertising will grow along with the spread of broadband services and the increase in the number of Internet users. We expect, therefore, that Internet advertising, as a new media, will remain a growth market. As a result, the Group will continue to target growth in advertising business, especially from National Clients.

The Group seeks specifically to increase the proportion of mixed-media Internet advertising among industries already advertising on the Internet. And we are stimulating demand within industries that have not yet started full-scale Internet advertising by promoting their potential for heightened sales based on the rise in Internet use by such new customers as housewives and the elderly. We also are working to broaden the customer base of our Sponsor Site service among corporate and individual advertisers.

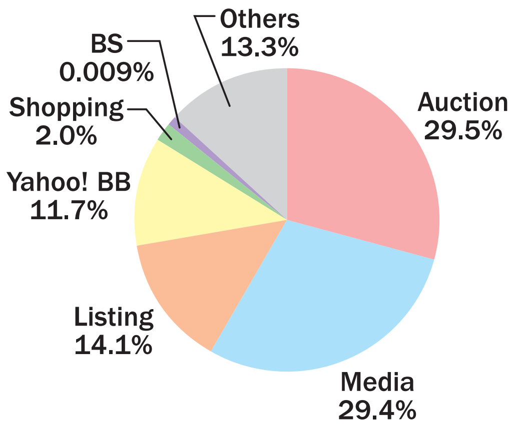
Monthly Page Views



2000/3	2001/3	2002/3	2003/3	**2004/3**
2,125	4,469	7,684	12,609	**20,523**

(Millions of page views)

Page Views by Business Division (March 2004)



1. Environmental Protection Activities

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

- Eco Mark (envelopes, paper shopping bags, etc.)
- Recycling resources (use of *Mamorukun*-a recycling system of important documents-, eco paper plates to be delivered to Eco League-participating universities for campus festivals)

2. Charity Activities

Our social contribution efforts include regularly hosting charity auctions through Yahoo! Auctions and donating all the funds raised. Among our charity auctions of goods donated by celebrities in the fourth quarter of the fiscal 2003, we auctioned a BPJ (BALLPLAYER.JP) baseball cap signed by Hideo Nomo, a pitcher for the Los Angeles Dodgers, and a certificate for a song to be sung personally to the auction winner by Rag Fair, a famous vocal group. In total, we held 188 charity auctions (457 items in total) during the fourth quarter, raising approximately ¥12.47 million. Our charity auctions raised about ¥52.40 million during fiscal 2003. All of the funds are being donated to the following charities (not listed in any special order):

- Make a Wish Foundation of Japan, a volunteer organization that makes the dreams of children with serious illnesses come true
- Japan Spinal Cord Foundation, an NPO that supports the treatment and rehabilitation of people with damaged spinal cords
- d-net, an NPO that carries out a variety of activities to improve the environment, including the Green Funds environmental conservation movement
- NPO GUC•PIACHERE, an NPO that addresses environmental issues
- The Sasagawa Memorial Health Foundation, which supports the Global Leprosy Elimination Campaign

3. Personal Privacy Protection Trustmark TRUSTe

On April 3, 2002, the Company obtained the right to use the trustmark of the nonprofit privacy protection licensing institution TRUSTe, having passed its standards for becoming a licensee of the TRUSTe privacy program.

The Group gives protecting the privacy of its users top priority throughout its operations and continues to add new technologies to ensure that users can enjoy the convenience of its services in full confidence.

4. Volunteer Activities

In commemoration of the seventh anniversary of the start of Yahoo! JAPAN services, we launched Yahoo! Volunteer on April 1, 2003. Part of our social contribution activities, Yahoo! Volunteer provides a Volunteer Group Information site where various volunteer groups can register and where users can search volunteer group information. The site also includes a community support service where people wanting to volunteer and groups looking for volunteers can link up.

Financial Section

Key Financial Data

(Millions of yen)

For the years ended	2000/3	2001/3	2002/3	2003/3	2004/3
Net sales	6,271	14,278	29,759	46,693	**75,776**
Operating income	2,110	5,309	10,407	24,073	**41,212**
Net income	1,154	2,973	5,868	12,096	**24,827**
Operating margin (%)	33.7%	37.2%	35.0%	51.6%	**54.4%**
Net income to net sales ratio (%)	18.4%	20.8%	19.7%	25.9%	**32.8%**
Net income per share (Yen)	638	1,586	3,111	6,392	**12,893**
Shareholders' equity	8,107	18,674	20,227	30,483	**59,807**
Total assets	10,476	27,973	29,218	47,774	**82,410**
Shareholders' equity ratio	77.4%	66.8%	69.2%	63.8%	**72.6%**
ROE (%)	20.3%	22.2%	30.2%	47.7%	**55.0%**
Number of employees (Number of persons)	196	339	431	669	**990**

Notes: Effective from the fiscal year ended March 31, 2003, net income per share is calculated in accordance with "Accounting Standards for Earnings per Share" (Financial Accounting Standards No. 2) and "Implementation Guidance for Accounting Standards for Earnings per Share" (Financial Accounting Standards Implementation Guidance No. 4).

Net income per share is calculated based on the weighted average number of shares issued and outstanding during each fiscal year.

Figures have been retroactively adjusted to reflect the above accounting standards (See Notes to Consolidated Financial Statements 3 (10)) and the following stock splits: November 20, 2003 (2:1); May 20, 2003 (2:1); November 20, 2002 (2:1); May 20, 2002 (2:1); November 20, 2000 (2:1); May 19, 2000 (2:1); November 19, 1999 (2:1); and May 20,1999 (2:1).

Results of Operations

Net Sales

Net sales for the fiscal year ended March 31, 2004, rose ¥29,083 million, or 62.3%, to a record ¥75,776 million. The jump in sales can mainly be attributed to growth in the personal services sales of the Auction and Yahoo! BB business divisions and of our Corporate Common Business. Expanded advertising sales by the Listing and Media business divisions also contributed to the significant increase in net sales.

Cost of Sales

Cost of sales amounted to ¥5,292 million, up ¥1,693 million, or 47.0% year on year. The main factor behind this rise was the increase in the merchandise inventory of e-Shopping Books CORP. in line with its sales growth.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses totaled ¥29,272 million, rising ¥10,251 million, or 53.9%. The major components of SG&A expenses were as follows.

Personnel expenses climbed ¥2,060 million, or 43.6%, to ¥6,782 million. Compared with the previous fiscal year, the number of directors and employees at year-end expanded by 330, or 48.1%, to 1,016 people.

Advertising costs declined ¥37 million, to ¥309 million. Lower advertising costs are the result of our emphasis on less-costly marketing methods.

Content provider fees rose ¥223 million, or 14.8%, to ¥1,725 million year on year. This increase owes itself principally to new services and greater access by users of directory search services.

Sales commissions grew ¥802 million, or 35.9%, to ¥3,038 million. The higher sales commissions were the result of an increase in commissions paid to advertising agencies and the growth in advertising sales.

Depreciation and amortization expanded ¥1,238 million, or 70.1%, to ¥3,003 million. Higher depreciation was principally due to upgrades of services and additional installations, such as of servers, to handle growth in page views.

Communications charges climbed ¥1,365 million, or 91.2%, to ¥2,861 million. These charges increased because of growth in services and expanded space at the data center to improve the access environment for users.

Royalty charge paid to Yahoo! Inc., of the United States, increased ¥756 million, or 62.6%, to ¥1,963 million, in accordance with the increase in net sales.

Lease and utility expenses rose ¥520 million, or 68.0%, to ¥1,285 million. The rise in expenses stemmed from costs related to office relocation and floor space expansion.

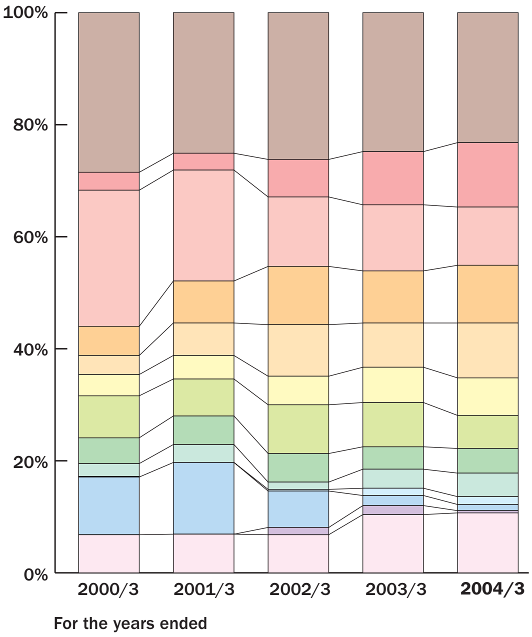
Business commissions jumped ¥1,553 million, or 85.7%, to ¥3,366 million. These commissions mainly comprise expenses for Yahoo! BB's call center, for temporary employees, and for settlement operations for personal services sales.

Sales promotion costs increased ¥585 million, or 89.6%, to ¥1,238 million. Heightened promotional expenses were mainly related to Yahoo! BB's campaigns to acquire subscribers.

The allowance for doubtful accounts climbed ¥168 million, or 66.4%, to ¥421 million. This increase arose mainly because of the expansion in sales receivables, chiefly from individuals.

The amortization of goodwill decreased ¥196 million, or 63.2%, to ¥114 million. Although there were increases related to the addition of consolidated subsidiaries, overall amortization declined because of the lump-sum write-off of a portion of the accounts in the previous fiscal year.

SG&A Expenses



(Millions of yen)

For the years ended	2000/3	2001/3	2002/3	2003/3	**2004/3**
Personnel expenses	1,164 (28.5%)	2,233 (25.1%)	3,182 (26.2%)	4,722 (24.8%)	**6,782 (23.2%)**
Business commissions	132 (3.2%)	267 (3.0%)	812 (6.7%)	1,813 (9.5%)	**3,366 (11.5%)**
Sales commissions	994 (24.3%)	1,764 (19.8%)	1,503 (12.4%)	2,236 (11.8%)	**3,038 (10.4%)**
Depreciation and amortization	214 (5.2%)	672 (7.5%)	1,256 (10.4%)	1,765 (9.3%)	**3,003 (10.3%)**
Communications charges	140 (3.4%)	520 (5.8%)	1,115 (9.2%)	1,496 (7.9%)	**2,861 (9.8%)**
Royalty charge	154 (3.8%)	373 (4.2%)	622 (5.1%)	1,207 (6.3%)	**1,963 (6.7%)**
Content provider fees	308 (7.5%)	588 (6.6%)	1,054 (8.7%)	1,502 (7.9%)	**1,725 (5.9%)**
Lease and utility expenses	189 (4.6%)	453 (5.1%)	614 (5.1%)	765 (4.0%)	**1,285 (4.4%)**
Sales promotion costs	92 (2.3%)	289 (3.2%)	162 (1.3%)	653 (3.4%)	**1,238 (4.2%)**
Allowance for doubtful accounts	3 (0.1%)	1 (0.0%)	40 (0.3%)	253 (1.3%)	**421 (1.4%)**
Advertising costs	419 (10.3%)	1,144 (12.8%)	792 (6.5%)	346 (1.8%)	**309 (1.1%)**
Amortization of goodwill	—	—	161 (1.3%)	310 (1.6%)	**114 (0.4%)**
Others	277 (6.8%)	602 (6.9%)	811 (6.8%)	1,953 (10.4%)	**3,167 (10.7%)**
Total	4,086 (100.0%)	8,906 (100.0%)	12,124 (100.0%)	19,021 (100.0%)	**29,272 (100.0%)**

Note: Personnel expenses include health and welfare program costs, pension costs, and others.

Others expenses of ¥3,167 million mainly comprised packaging and transport expenses for e-Shopping Books CORP., commissions on payments made by Yahoo! Payment, compensation payments made by Yahoo! Auctions, system maintenance and office cleaning expenses, and the purchases of fixtures and supplies.

Operating Income

Operating income grew ¥17,139 million, or 71.2% year on year, to a record ¥41,212 million.

Income Taxes, including Adjustments

Income taxes amounted to ¥16,171 million. On a consolidated basis, the income tax rate for the fiscal year under review was 39.4% after the application of the IT investment promotion tax incentive system.

Minority Interest in Subsidiaries

Minority interest in subsidiaries amounted to ¥51 million. This represents the net income and losses of eGroups KK, e-Shopping Books CORP., Netrust, Ltd., Y's Insurance Inc. and Indival, Inc. Minority interest reflects the profits or losses of shareholders other than the Company in those subsidiaries.

Net Income

Net income rose ¥12,731 million, or 105.2%, to ¥24,827 million. Net income per share amounted to ¥12,892.72, representing a 101.7% up from the prior fiscal year, if retroactively adjusted to reflect the stock splits. Fully diluted net income per share was ¥12,851.03.

Financial Position

At March 31, 2004, total assets amounted to ¥82,410 million, an increase of ¥34,636 million, or 72.5%, from the previous fiscal year. Total liabilities were ¥22,336 million, expanding ¥5,114 million, or 29.7%. Total shareholders' equity grew ¥29,324 million, or 96.2%, to ¥59,807 million.

Assets

- The substantial growth in cash and cash equivalents compared with the previous fiscal year was principally due to earnings growth based on sales activities.
- The expansion in accounts receivable—trade compared with the previous fiscal year was mainly related to growth in net sales.
- The year-on-year rise in other current assets occurred primarily because of an increase in the payments being made by users through Yahoo! Payment.
- The increase in allowance for doubtful accounts can mainly be attributed to the greater provision for sales receivables, chiefly from individuals.
- The increase in property and equipment was principally due to upgrades of services and to additional installations, such as of servers, to handle growth in page views.
- The increase in goodwill was mostly due to the consolidation of new subsidiaries.
- The increase in other intangibles was largely attributable to additional capitalized software.
- The substantial increase in investment securities was mainly the result of a mark-to-market revaluation of securities.
- The rise in long-term loans comprises loans based on a finance scheme for Yahoo! BB's business.

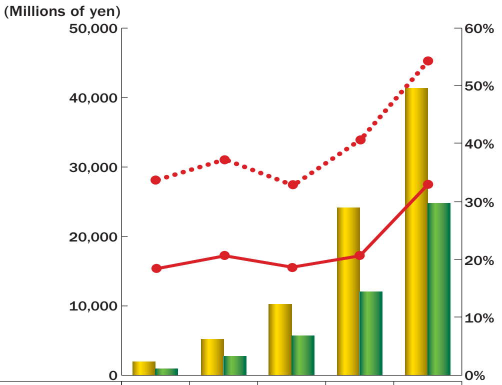
Liabilities

- The significant growth in accounts payable—trade compared with the previous fiscal year resulted primarily from the change in the booking of ISP fees for Yahoo! BB.
- The substantial increase in income taxes payable year on year was mainly due to the growth in net income.
- The rise in long-term deferred tax liabilities compared with the previous fiscal year was chiefly due to unrealized gains from the mark-to-market revaluation of investment securities.

Shareholders' Equity

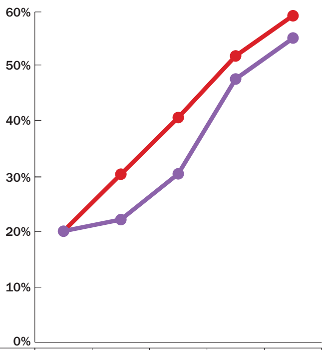
- The increase in common stock and additional paid-in capital compared with the previous fiscal year was due to the exercise of stock options.
- The substantial growth in retained earnings year on year can be attributed to the increase in net income.
- The expansion in net unrealized gain on other securities compared with the previous fiscal year was primarily due to unrealized gains from the mark-to-market revaluation of investment securities.

Profits and Net Sales Ratios



For the years ended	2000/3	2001/3	2002/3	2003/3	2004/3
Operating income	2,110	5,309	10,407	24,073	**41,212**
Net income	1,154	2,973	5,868	12,096	**24,827**
Operating margin	33.7%	37.2%	35.0%	51.6%	**54.4%**
Net income to net sales ratio	18.4%	20.8%	19.7%	25.9%	**32.8%**

Return on Equity (ROE)



For the years ended	2000/3	2001/3	2002/3	2003/3	2004/3
ROE	20.3%	22.2%	30.2%	47.7%	**55.0%**
ROE after adjustment	—	30.4%	40.7%	51.6%	**58.8%**

Notes: The Group introduced mark-to-market accounting for the valuation of other securities from the fiscal year ended March 31, 2001. As a result, shareholders' equity (average of beginning and ending balance of the year) after the fiscal year ended March 31, 2001, contains other securities evaluation adjustment in its ending balance.

For comparison purposes, the above graph shows ROE with and without the other securities evaluation adjustment.

Cash Flows

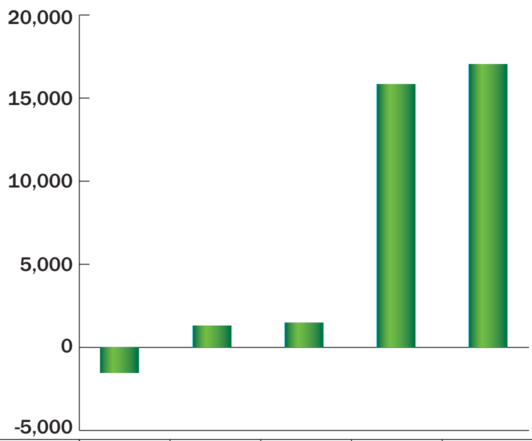
Net cash provided by operating activities totaled ¥26,147 million for the fiscal year. Although there was an increase in income taxes, this was offset by an increase in net income. Because of the change in the method of recognizing ISP fee sales from a gross to a net method, there were decreases in sales receivables and in purchase payables. This change, however, had no effect on the overall net cash provided by operating activities.

Net cash used for investing activities totaled ¥10,913 million. During the fiscal year under review, there were cash inflows from proceeds from the debt maturity of associated companies and from the return of the guarantee deposit on the former head office. However, payments for purchases of property and equipment, such as servers and other equipment to improve and expand services, and payments on loans under a financial scheme for Yahoo! BB's business resulted in an overall cash outflow.

Net cash provided by financing activities amounted to ¥1,194 million, mainly because of proceeds from the issue of new shares on exercise of stock options.

As a result, the net change in cash and cash equivalents for the fiscal year was an increase of ¥16,427 million. Cash and cash equivalents at the end of the year amounted to ¥39,643 million, up 70.8% from the prior fiscal year.

Cash Flows



For the years ended	2000/3	2001/3	2002/3	2003/3	**2004/3**
	(1,529)	1,304	1,475	15,837	**16,427**

(Millions of yen)

CONSOLIDATED BALANCE SHEETS

YAHOO JAPAN CORPORATION AND CONSOLIDATED SUBSIDIARIES

	Millions of yen		Thousands of U.S. dollars (Note 4)
	March 31		March 31, 2004
	2003	2004	
ASSETS			
Current assets:			
Cash and cash equivalents (Note 13)	¥ 23,216	¥ 39,643	$ 375,088
Accounts receivable—trade	11,035	12,848	121,563
Accounts receivable—other	153	249	2,356
Inventories (Notes 3 (3) and 6)	14	48	454
Prepaid expenses	178	314	2,971
Deferred tax assets (Note 11)	1,004	1,851	17,513
Other current assets	177	1,507	14,259
Less: Allowance for doubtful accounts	(291)	(734)	(6,945)
Total current assets	35,486	55,726	527,259
Property and equipment, net (Notes 3 (5) and 3 (6)):			
Buildings and structures	1,705	1,624	15,366
Machinery and equipment	7,439	11,806	111,704
Less: Accumulated depreciation	(3,328)	(5,354)	(50,658)
Total property and equipment, net	5,816	8,076	76,412
Intangible assets, net:			
Goodwill (Note 3 (1))	100	352	3,330
Software (Note 3 (6))	703	1,282	12,130
Other intangibles	9	12	114
Total intangible assets, net	812	1,646	15,574
Investments and other assets:			
Investment securities (Notes 3 (7) and 7)	3,037	9,008	85,230
Investments in affiliates (Notes 3 (1) and 8)	158	186	1,760
Long-term loans	—	5,916	55,975
Guaranteed deposits	1,707	1,195	11,307
Other investments	635	710	6,718
Deferred tax assets (Note 11)	132	—	—
Less: Allowance for doubtful accounts	(9)	(53)	(502)
Total investments and other assets	5,660	16,962	160,488
Total assets	¥ 47,774	¥ 82,410	$ 779,733

The accompanying notes are an integral part of these financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 4)
	March 31		March 31, 2004
	2003	2004	
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings	¥ —	¥ 400	$ 3,785
Accounts payable—trade	3,698	637	6,027
Accounts payable—other	3,406	4,181	39,559
Income taxes payable (Note 3 (9))	8,505	11,689	110,597
Accrued consumption taxes	896	1,204	11,392
Other current liabilities	662	1,452	13,738
Total current liabilities	17,167	19,563	185,098
Long-term liabilities:			
Deferred tax liabilities (Note 11)	—	2,535	23,985
Other long-term liabilities (Notes 3 (8))	55	238	2,252
Total long-term liabilities	55	2,773	26,237
Total liabilities	17,222	22,336	211,335
Minority interest in subsidiaries (Note 3 (1))	69	267	2,526
Contingent liabilities (Note 15)			
Shareholders' equity:			
Common stock (Note 9)—			
Authorized: 940,000.00 shares at March 31, 2003			
3,760,000.00 shares at March 31, 2004			
Issued: 471,059.04 shares at March 31, 2003	6,073	—	—
1,886,073.16 shares at March 31, 2004	—	6,400	60,554
Additional paid-in capital	1,154	1,481	14,013
Retained earnings (Notes 3 (11) and 10)	22,302	47,067	445,331
Net unrealized gains on other securities (Notes 3 (7) and 7)	971	4,880	46,173
Treasury stock (Note 9)—			
13.28 shares at March 31, 2003	(17)	—	—
56.92 shares at March 31, 2004	—	(21)	(199)
Total shareholders' equity	30,483	59,807	565,872
Total liabilities and shareholders' equity	¥47,774	¥82,410	$779,733

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF INCOME

YAHOO JAPAN CORPORATION AND CONSOLIDATED SUBSIDIARIES

	Millions of yen			Thousands of U.S. dollars (Note 4)
	For the years ended March 31			
	2003			For the year ended
	As previously reported	As restated (Note 3 (13))	2004	March 31, 2004
Net sales (Notes 3 (13) and 16)	¥ 59,095	¥ 46,693	¥ 75,776	$ 716,965
Cost of sales (Note 3 (13))	15,682	3,599	5,292	50,071
Gross profit	43,413	43,094	70,484	666,894
Selling, general and administrative expenses (Notes 3 (13) and 12)	19,340	19,021	29,272	276,961
Operating income	24,073	24,073	41,212	389,933
Non-operating income (expenses):				
Interest and dividend income	23	23	480	4,542
Interest expenses	(11)	(11)	(3)	(28)
(Loss) gain on sale of investment securities, net (Note 7)	(41)	(41)	140	1,325
Equity in net earnings under the equity method	42	42	75	710
Impairment charges on investment securities	(1,383)	(1,383)	(175)	(1,656)
Impairment charges on other investments	(249)	(249)	(17)	(161)
Loss on disposal of property and equipment	(193)	(193)	(404)	(3,823)
Accelerated amortization of goodwill (Notes 3 (1) and 5)	(384)	(384)	—	—
Office moving expenses	(156)	(156)	(166)	(1,571)
Others, net (Note 3 (8))	7	7	(93)	(880)
Income before income taxes and minority interest	21,728	21,728	41,049	388,391
Income taxes (Note 11):				
Current	(10,918)	(10,918)	(17,033)	(161,160)
Deferred	1,210	1,210	862	8,156
	(9,708)	(9,708)	(16,171)	(153,004)
Minority interest in subsidiaries	76	76	(51)	(483)
Net income	¥ 12,096	¥ 12,096	¥ 24,827	$ 234,904

Net income per share (Note 3 (10)):	Yen			U.S. dollars (Note 4)
	For the years ended March 31			
	2003			For the year ended
	As previously reported	As restated (Note 3 (13))	2004	March 31, 2004
Primary	¥6,392.09	¥6,392.09	¥12,892.72	$121.99
Diluted	¥6,382.31	¥6,382.31	¥12,851.03	$121.59

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

YAHOO JAPAN CORPORATION AND CONSOLIDATED SUBSIDIARIES

(Millions of yen)

	Number of shares issued and outstanding	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains (losses) on other securities	Treasury stock	Total
Balance at March 31, 2002	117,528.80	¥6,033	¥1,111	¥10,221	¥2,877	¥(15)	¥20,227
Net income	—	—	—	12,096	—	—	12,096
Bonuses to directors	—	—	—	(32)	—	—	(32)
Increase due to affiliates newly accounted for under the equity method	—	—	—	28	—	—	28
Decrease due to subsidiaries newly included in consolidation	—	—	—	(11)	—	—	(11)
Stock split	353,061.32	—	—	—	—	—	—
Exercise of stock options	32.00	39	39	—	—	—	78
Exercise of warrants	433.92	1	4	—	—	—	5
Decrease in net unrealized gains on other securities (Notes 3 (7) and 7)	—	—	—	—	(1,906)	—	(1,906)
Acquisition of treasury stock (Note 9)	(10.28)	—	—	—	—	(2)	(2)
Balance at March 31, 2003	471,045.76	¥6,073	¥1,154	¥22,302	¥971	¥(17)	¥30,483
Net income	—	—	—	24,827	—	—	24,827
Bonuses to directors	—	—	—	(62)	—	—	(62)
Stock split (Notes 3 (10) and 9)	1,413,469.12			—	—	—	—
Exercise of stock options	1,545.00	327	327	—	—	—	654
Increase in net unrealized gains on other securities (Notes 3 (7) and 7)	—	—	—	—	3,909	—	3,909
Acquisition of treasury stock (Note 9)	(43.64)	—	—	—	—	(4)	(4)
Balance at March 31, 2004	**1,886,016.24**	**¥6,400**	**¥1,481**	**¥47,067**	**¥4,880**	**¥(21)**	**¥59,807**

(Thousands of U.S. dollars)

	Number of shares issued and outstanding	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains (losses) on other securities	Treasury stock	Total
Balance at March 31, 2003	471,045.76	$57,461	$10,919	$211,013	$ 9,187	$(161)	$288,419
Net income	—	—	—	234,904	—	—	234,904
Bonuses to directors	—	—	—	(586)	—	—	(586)
Stock split (Notes 3 (10) and 9)	1,413,469.12	—	—	—	—	—	—
Exercise of stock options	1,545.00	3,093	3,094	—	—	—	6,187
Increase in net unrealized gains on other securities (Notes 3 (7) and 7)	—	—	—	—	36,986	—	36,986
Acquisition of treasury stock (Note 9)	(43.64)	—	—	—	—	(38)	(38)
Balance at March 31, 2004	**1,886,016.24**	**$60,554**	**$14,013**	**$445,331**	**$46,173**	**$(199)**	**$565,872**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YAHOO JAPAN CORPORATION AND CONSOLIDATED SUBSIDIARIES

	Millions of yen		Thousands of U.S. dollars (Note 4)
	For the years ended March 31		For the year ended March 31,
	2003	2004	2004
Cash flows from operating activities:			
Income before income taxes and minority interest	¥ 21,728	¥ 41,049	$ 388,391
Adjustments to reconcile income before income taxes and minority interest to net cash provided by operating activities:			
Depreciation and amortization	1,804	3,040	28,763
Goodwill amortization	694	114	1,079
Increase in allowance of doubtful accounts	253	487	4,608
Loss on disposal of property and equipment	193	404	3,822
Impairment charges on investment securities and other investments	1,632	192	1,817
Loss (gain) on sale of investment securities, net	41	(140)	(1,325)
Interest and dividends received	(23)	(480)	(4,542)
Increase in accounts receivable—trade	(6,149)	(1,698)	(16,066)
Increase (decrease) in accounts payable—trade	2,587	(3,064)	(28,991)
Decrease (increase) in other receivables	1,220	(1,476)	(13,965)
Increase in other payables	1,476	1,329	12,575
Increase in consumption tax payable	470	305	2,886
Others, net	(85)	(66)	(624)
	25,841	39,996	378,428
Income taxes paid	(6,174)	(13,849)	(131,034)
Net cash provided by operating activities	19,667	26,147	247,394
Cash flows from investing activities:			
Purchase of property and equipment	(2,895)	(5,506)	(52,096)
Purchase of intangibles	(505)	(747)	(7,068)
Purchase of marketable and investment securities	(25)	(18)	(170)
Proceeds from sale of marketable and investment securities	1,017	201	1,902
Proceeds from redemption of investment in bonds issued by affiliates	—	400	3,785
Acquisition of shares of entities newly consolidated (Note 13 (3))	(6)	(241)	(2,280)
Increase in loan receivables	(0)	(5,700)	(53,932)
Increase in other investments	(1,400)	(306)	(2,895)
Others, net	35	1,004	9,499
Net cash used for investing activities	(3,779)	(10,913)	(103,255)
Cash flows from financing activities:			
Increase in short-term borrowings, net	—	400	3,784
Redemption of bonds	(118)	—	—
Proceeds from issuance of shares under exercise of warrants and stock options	79	654	6,188
Proceeds from issuance of shares to minority shareholders	—	147	1,391
Interest paid	(11)	(3)	(28)
Others, net	(1)	(4)	(38)
Net cash (used for) provided by financing activities	(51)	1,194	11,297
Effect of exchange rate fluctuations on cash and cash equivalents	0	(1)	(10)
Net increase in cash and cash equivalents	15,837	16,427	155,426
Cash and cash equivalents at the beginning of the year	7,341	23,216	219,662
Cash and cash equivalents at the beginning of the year due to subsidiaries newly consolidated	38	—	—
Cash and cash equivalents at the end of the year (Note 13 (2))	¥ 23,216	¥ 39,643	$ 375,088

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YAHOO JAPAN CORPORATION AND CONSOLIDATED SUBSIDIARIES

1. Organization and nature of business

Yahoo Japan Corporation (the "Company") was incorporated in January 1996 in Japan. Yahoo Japan Corporation and its consolidated subsidiaries and affiliates (the "Group") are involved in the following businesses:

- Auction business

The Auction business provides, for a charge, an Internet platform on which a number of individuals can freely sell or buy through an auction process. It also provides, for a fee, support services to entities in relation to corporate shops called Auction Stores.

- Listing business

The Listing business publishes various providers' information for users through the Company's Web site. It provides directory and search services on the Web site, information listing services, and regional information services. It also offers a paid search service, called a Sponsor Site, by cooperating with two commercial search services: Overture and Google.

- Yahoo! BB business

The Yahoo! BB business revolves around the Company's comprehensive broadband services, branded Yahoo! BB, which the Company offers jointly with SOFTBANK BB Corp., a wholly owned subsidiary of SOFTBANK CORP. The business provides an Internet service provider (ISP) service to individual subscribers that the Company has acquired through its Internet Web site and that SBB has gained through electronic wholesalers and by other means. The ISP service includes e-mail, home page creation, and other services.

- Shopping business

The Shopping business operates the Yahoo! Shopping site, a high-quality, online-based shopping venue whose stores offer a variety of products. The site's offerings include goods and services relating to travel, such as domestic or overseas accommodation, airline tickets, and the like, and provides various travel information for travel arrangements or preparation. Also included in this business is e-Shopping! Books CORP., an online book retailer and subsidiary of the Company.

- Media business

The Media business provides various content and services, with or without charges, to users to stimulate the number of page views and to increase the volume of advertising sales. The business comprises 4 services: information services, such as Yahoo! News, Yahoo! Finance, Yahoo! Sports, etc.; entertainment services, such as Yahoo! Movies, Yahoo! Music, etc.; community services, such as Yahoo! Message Boards and Yahoo! Avatar, etc.; and mailing services, such as Yahoo! Delivers, etc.

- Business Solutions (BS) business (formerly Enterprise Solutions Business Division)

The BS business provides the Company's solutions, know-how, and technologies to corporations and government bodies. It includes support services relating to the development of those entities' Web site portal and Internet-based inquiry services known as Yahoo! Research, among other offerings.

- Corporate Common business

The Corporate Common business represents the sales of advertisements on the Yahoo! JAPAN top pages, and the membership fees of Yahoo! Premium. These revenues are characterized as Corporate Common business, because they contribute to building the overall corporate brand of the Group and therefore are not allocated to any of the individual businesses named above. This business also includes revenues and expenses relating to the Company's headquarters.

The Company and its subsidiaries operate in Japan. The Company established Indival, Inc. and Y's Insurance Inc. through joint ventures during the year ended March 31, 2004. It also acquired a majority shareholding in BridalNet, Inc. and VACS Corporation.

At March 31, 2003 and 2004, the Company consolidated nine and thirteen subsidiaries, respectively.

2. Basis of presenting the consolidated financial statements

The accompanying consolidated financial statements of the Company and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

The accompanying consolidated financial statements incorporate certain reclassifications and rearrangements in order to present them in a form that is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information that is not required under generally accepted accounting principles and practices in Japan, but which is provided herein as additional information. None of the reclassifications or rearrangements had a material effect on the financial statements.

3. Summary of significant accounting policies

(1) Consolidation and investments in affiliates

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries that are controlled by the Group. Under the effective control approach, all majority-owned companies are to be consolidated. Additionally, companies in which share ownership equals 50% or less may be required to be consolidated in cases where such companies are effectively controlled by the Company through the interests held by a party who has a close relationship with the Company in accordance with Japanese accounting standards.

All significant inter-company transactions and accounts and unrealized inter-company profits are eliminated in consolidation, and the portion thereof attributable to minority shareholders is credited or charged to "Minority interest." All the assets and liabilities of subsidiaries are recorded at fair value as of the acquisition of control. All consolidated subsidiaries have a fiscal year ending on March 31.

Investments in affiliates over which the Company and its consolidated subsidiaries have significant influence are accounted for under the equity method. Consolidated income includes the Company's and its consolidated subsidiaries' current equity in the net income of affiliates, after elimination of unrealized inter-company profits.

The excess of cost over the underlying net equity of investments in consolidated subsidiaries and affiliates accounted for under the equity method is recognized as goodwill and is amortized on a straight-line basis over a period of three years. Other-than-temporary declines in the value of the goodwill are reflected in current income.

(2) Translation of foreign currency transactions and accounts

Foreign currency transactions are generally translated using the foreign exchange rates prevailing at the respective transaction dates. All assets and liabilities in foreign currencies are translated at the foreign exchange rates prevailing at the balance sheet date.

(3) Inventories

Inventories are stated at cost, where cost is determined using the specific identification method.

(4) Allowance for doubtful accounts

The allowance for doubtful accounts is calculated based on the aggregate amount of estimated credit losses on doubtful receivables, plus an amount for receivables other than doubtful receivables calculated using a historical write-off experience ratio from certain prior periods.

(5) Accounting standard for impairment of fixed assets

On August 9, 2002, the Business Accounting Council in Japan issued "Accounting Standard for Impairment of Fixed Assets." The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price and value in use.

The standard shall be effective for fiscal years beginning April 1, 2005. However, an earlier adoption is permitted for fiscal years beginning April 1, 2004 and for fiscal years ending between March 31, 2004 and March 30, 2005.

The Company did not adopt the accounting standard for impairment of fixed assets for the fiscal year ended March 31, 2004 in accordance with the accounting standard as described in the previous paragraphs.

(6) Depreciation and amortization

Property and equipment are carried at cost less accumulated depreciation. Depreciation is computed based on the declining-balance method.

Software used for sales purposes is amortized using the sales unit method over its estimated useful life of no more than three years.

Software for internal use is amortized using the straight-line method over its estimated useful life of five years.

(7) Investments in debt and equity securities

Investments in debt and equity securities are classified into three categories: 1) trading securities; 2) held-to-maturity debt securities; and 3) other securities, which are substantially similar to available-for-sale securities, as defined in Statement of Financial Accounting Standards No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” in the United States of America. These categories are treated differently for the purposes of measuring and accounting for changes in the fair value of the securities.

Trading securities held for the purpose of generating profits from changes in market value are recognized at their fair value in the consolidated balance sheets. Unrealized gain and loss are included in current income. Held-to-maturity debt securities are expected to be held to maturity and are recognized at historical or amortized cost in the consolidated balance sheets. Other securities, classified as other than trading securities and held-to-maturity debt securities, for which market quotations are available, are recognized at fair value in the consolidated balance sheets. Unrealized gain and loss on these other securities are reported as a separate component of “Shareholders’ equity,” net of tax. Other securities for which market quotations are unavailable are stated at cost based on the moving average cost method. Declines in the value of other securities and unlisted securities that are deemed to be other than temporary are reflected in current income.

(8) Retirement benefit plan

The Company and some of its subsidiaries primarily participate in defined contribution pension plans, after the transfer of the previous defined benefit pension plans in July 2000 following the enactment of the Act for Defined Contribution Pension. The impact of the transfer of previous projected benefit obligations and pension assets under the defined benefit plan to the defined contribution plan at March 31, 2003 was a loss of ¥1 million recorded as other non-operating expense for the year ended March 31, 2003. The total plan assets of ¥81 million were transferred to the defined contribution pension plan within the three years ended March 31, 2004.

To supplement the defined contribution pension plans as described in the first paragraph, the Company and its domestic consolidated subsidiaries participate in a multi-employer contributory defined benefit welfare pension plan (the “welfare pension plan”) covering substantially all of their employees. The welfare pension plan is funded in conformity with the funding requirements of the Japanese Welfare Pension Insurance Law and includes a portion relating to the governmental welfare pension program and another portion into which contributions are made by the respective companies and their employees.

Contributions made by the Company and its domestic consolidated subsidiaries into the welfare pension plan are expensed when paid since the pooled fund assets and the entire pension obligation for the welfare pension plan cannot be reasonably determined by each of the participants. The pooled fund assets of the Company and most of its domestic subsidiaries at fair value at March 31, 2004 amounted to ¥85,507 million ($809,036 thousand), and the participation ratio of the Company and the relevant subsidiaries was 1.4% based on employee numbers.

Total contributions, which the Company and its domestic consolidated subsidiaries paid for the defined contribution pension plans and the welfare pension plan, were ¥109 million and ¥180 million ($1,703 thousand), and were charged to the consolidated statements of income for the fiscal years ended March 31, 2003 and 2004.

Some domestic consolidated subsidiaries still maintain a defined benefit pension plan at March 31, 2004. The funded status of retirement benefit obligations at March 31, 2003 and 2004 was immaterial to the consolidated financial statements.

(9) Income taxes

Provision for income tax is computed based on income before income taxes and minority interest in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax base of assets and liabilities.

A valuation allowance is established against deferred tax assets to the extent that it is more likely than not that the deferred tax assets will not be realized within the foreseeable future.

(10) Net income per share

Net income per share is computed based on the weighted-average number of shares of common stock issued and outstanding during each fiscal period, with a retroactive adjustment being made to reflect the impact of stock splits.

The Group issued dilutive potential common stock equivalents, such as stock options or warrants, etc., during the relevant periods. Dilutive net income per share for the years ended March 31, 2003 and 2004, computed in accordance with the new standards as described below, has been disclosed in the accompanying consolidated statements of income.

On September 25, 2002, the Accounting Standards Board of Japan issued new accounting standards concerning accounting for net income per share effective for fiscal years beginning on or after April 1, 2002. The Company and its consolidated subsidiaries have adopted these new accounting standards from the fiscal year commencing on April 1, 2002. Under the new accounting standards, "bonuses to directors," which are determined through appropriation of retained earnings by resolution of a general shareholders' meeting subsequent to fiscal year-end and not reflected in the statements of income of the current fiscal year, should be reflected in the calculation of net income per share as if "bonuses to directors" were charged to income in the current fiscal year.

On May 20 and November 20, 2003, the Company effected two-for-one stock splits which increased the number of shares issued by 1,413,469.12 in total. Earnings per share data for the years ended March 31, 2003 and 2004 has therefore been restated to give retroactive effect to these stock splits.

(11) Appropriation of retained earnings

Appropriation of retained earnings reflected in the accompanying consolidated financial statements has been recorded after approval by the shareholders as required under the Commercial Code of Japan.

(12) Leases

Under Japanese accounting standards, capital leases, as defined therein, other than those whereby ownership of the assets is transferred to the lessee at the end of the lease term, are allowed to be accounted for as operating leases with footnote disclosure of the acquisition cost equivalent, the accumulated depreciation equivalent and future lease payments or receipts (see Note 14).

(13) Accounting change relating to revenue recognition on Yahoo! BB services

The Company is engaged in Yahoo! BB business, the comprehensive broadband services branded as "Yahoo! BB" jointly with SBB. Prior to April 1, 2003, the Company had booked the ¥1,290 monthly ISP fee per user as sales and the corresponding ISP cost of ¥1,090 as cost of sales at the time of service delivery. The Company had also recorded the net amount of ¥200 per user between ISP fee and ISP cost as sales and promotion expense in “selling, general and administrative expenses” during the free of charge campaign period of Yahoo! BB services.

Effective the fiscal year beginning April 1, 2003, the Company has changed its method of recognizing ISP fee and cost to a monthly ¥200 net revenue basis after the free campaign period from the gross revenue basis as described in the preceding paragraph in order to reflect the business of the Yahoo! BB Business Division more accurately. Yahoo! BB services during the free campaign period are no longer accounted for, accordingly.

For comparative purposes, the new accounting method has been applied retroactively to the prior consolidated statements of income as the Company launched its Yahoo! BB services in September 2001. Therefore, the restated figures, for “net sales,” “cost of sales” and “selling, general and administrative expenses,” were disclosed with those previously reported in the consolidated statements of income for the year ended March 31, 2003. The restated business segment information for the fiscal year ended March 31, 2003 is also disclosed in Note 16 (1).

4. U.S. dollar amounts

The Company and its domestic subsidiaries maintain their accounting records in Japanese yen, and the translated U.S. dollar amounts presented in the accompanying consolidated financial statements and notes thereto are included solely for the convenience of readers. These translations should therefore not be construed as representation that the original yen amounts have been or could be readily converted into U.S. dollars at the rate used (¥105.69 = US$1, the effective rate of exchange at March 31, 2004).

5. Mergers, acquisitions and restructuring

(1) Acquisition of BridalNet, Inc. and VACS Corporation

In October and December 2003, the Company acquired shares of BridalNet, Inc. ("BridalNet") and VACS Corporation ("VACS") for ¥230 million ($2,176 thousand) and ¥240 million ($2,271 thousand), respectively, and consolidated them in the consolidated financial statements for the year ended March 31, 2004.

(2) Acquisition of Netrust, Ltd.

In August 2002, the Company acquired shares of Netrust, Ltd. ("Netrust") for ¥120 million and consolidated Netrust in the consolidated financial statements for the year ended March 31, 2003.

6. Inventories

Inventories at March 31, 2003 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31, 2004
	2003	2004	
Raw material	¥ —	¥ 3	$ 28
Work-in-process	4	1	9
Merchandise	10	13	123
Finished goods	—	9	85
Supplies	—	22	209
Total	¥14	¥48	$454

7. Investments in debt and equity securities

Investments in debt and equity securities at March 31, 2003 and 2004 consisted of "Marketable securities" and "Investment securities," most of which were classified as other securities as described in Note 3 (7).

(1) The aggregate cost and market value of held-to-maturity debt securities and other securities with a market quotation at March 31, 2003 and 2004 were as follows:

	Millions of yen			
	March 31, 2004			
	Cost	Gross unrealized		Market value
		Gains	(Losses)	
Held-to-maturity securities	¥ —	¥ —	¥ —	¥ —
Other securities—				
Equity securities	584	8,172	—	8,756
Others	10	—	—	10
Total	¥594	¥8,172	¥ —	¥8,766

	Thousands of U.S. dollars			
	March 31, 2004			
	Cost	Gross unrealized		Market value
		Gains	(Losses)	
Held-to-maturity securities	$ —	$ —	$ —	$ —
Other securities—				
Equity securities	5,526	77,320	—	82,846
Others	95	—	—	95
Total	$5,621	$77,320	$ —	$82,941

	Millions of yen			
	March 31, 2003			
	Cost	Gross unrealized		Market value
		Gains	(Losses)	
Held-to-maturity securities	¥400	¥ 0	¥ —	¥ 400
Other securities—				
Equity securities	586	1,647	(11)	2,222
Total	¥986	¥1,647	¥(11)	¥2,622

(2) Details of other securities sold during the years ended March 31, 2003 and 2004 were as follows:

	Millions of yen		
	For the year ended March 31, 2004		
	Amount sold	Total gain on sale	Total loss on sale
Equity securities	¥159	¥140	¥ —

	Thousands of U.S. dollars		
	For the year ended March 31, 2004		
	Amount sold	Total gain on sale	Total loss on sale
Equity securities	$1,504	$1,352	$ —

	Millions of yen		
	For the year ended March 31, 2003		
	Amount sold	Total gain on sale	Total loss on sale
Equity securities	¥301	¥ —	¥41

(3) Unlisted investment securities at March 31, 2003 and 2004 had the following carrying amounts:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31, 2004
	2003	2004	
Unlisted equity securities (excluding over-the-counter stocks)	¥416	¥242	$2,290

8. Investments in affiliates

Investments in affiliates at March 31, 2003 and 2004 consisted of the following:

	March 31, 2004		Millions of yen		Thousands of U.S. dollars
	Ownership percentage (%)	Interest percentage (%)	March 31		March 31, 2004
			2003	2004	
Affiliates					
Tavigator, Inc.	30	30	¥ 94	¥131	$1,240
ValuMore Corporation	—	—	37	—	—
INTAGE Interactive Inc.	49	49	27	55	520
Total			¥158	¥186	$1,760

Note: ValuMore Corporation was excluded from affiliates due to the sale of its shares on December 19, 2003.

9. Common stock and treasury stock

On February 19 and August 26, 2003, the board of directors of the Company resolved a two-for-one stock split of common stock, which was effected on May 20 and November 20, 2003 for shareholders on the register at March 31 and September 30, 2003, and issued 471,059.04 and 942,410.08 shares, respectively. There was no increase in the common stock account since the new shares were distributed from the portion of previously issued shares in accordance with the Commercial Code of Japan.

The Commercial Code of Japan allows companies to acquire their own shares called treasury stock to the extent that the aggregate acquisition cost of the treasury stock falls within the maximum amount available for dividends. Upon resolution at the shareholders' meeting held on June 20, 2003, the Company established a maximum limit for the acquisition of treasury stock of 8,000 issued shares of common stock for a consideration not exceeding ¥10,000 million in total. This resolution is effective until the conclusion of the general shareholders' meeting to be held for the year ending March 31, 2005.

At March 31, 2004, the number of shares of treasury stock held by the Company was 56.92 shares.

10. Retained earnings

Bonuses to directors of ¥127 million ($1,202 thousand) in the proposed appropriation of "Retained earnings" of the Company for the year ended March 31, 2004 were approved at the general shareholders' meeting on June 17, 2004.

The Company paid no cash dividends in accordance with its dividend policy.

11. Income taxes

The Company and its consolidated subsidiaries are subject to a number of different income taxes which, in aggregate, resulted in a statutory income tax rate in Japan of approximately 42.05% for each of the two years ended March 31, 2003 and 2004.

(1) The significant components of deferred tax assets and liabilities at March 31, 2003 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31, 2004
	2003	2004	
Deferred tax assets:			
Enterprise tax payable	¥ 768	¥ 1,090	$ 10,313
Impairment charges on investment securities	797	1,007	9,528
Loss carryforwards	576	477	4,513
Allowance for doubtful accounts	121	315	2,981
Amortization of long-term prepaid expenses	44	74	700
Accounts payable	23	42	397
Business office tax payable	6	11	104
Others	101	168	1,590
Gross deferred tax assets	2,436	3,184	30,126
Less: valuation allowance	(576)	(477)	(4,513)
Total deferred tax assets	1,860	2,707	25,613
Deferred tax liabilities:			
Valuation gain on investment securities	(666)	(3,348)	(31,678)
Reserve for special depreciation	(58)	(43)	(407)
Total deferred tax liabilities	(724)	(3,391)	(32,085)
Net amount of deferred tax assets (liabilities)	¥1,136	¥ (684)	$ (6,472)

The valuation allowance was provided primarily against the deferred tax assets relating to operating tax loss carryforwards of certain consolidated subsidiaries, as it is more likely than not that these deferred tax assets will not be realized within the foreseeable future. The net change in the total valuation allowance for the year ended March 31, 2004 was a decrease of ¥99 million ($937 thousand).

(2) The difference between the statutory income tax rate and the income tax rate reflected in the consolidated statements of income can be reconciled as follows:

	For the yeas ended March 31	
	2003	2004
Statutory income tax rate	42.05%	42.05 %
Reconciliation—		
Goodwill amortization	1.34	0.12
Change in valuation allowance	0.74	0.05
Change in statutory tax rate	0.18	0.13
Tax credits	—	(1.89)
Tax benefit on expected liquidation loss of subsidiary	—	(0.91)
Other	0.37	(0.16)
Income tax rate per statements of income	44.68%	39.39 %

The enterprise tax rate, which is a component of the statutory income tax rate, has been lowered from 10.08% to 7.56% effective from the year commencing on April 1, 2004 upon approval of the national Diet in March 2003. Accordingly, deferred tax assets and liabilities at March 31, 2003, which were expected to be realized in the following year, were calculated using a 42.05% tax rate while those expected to be realized after April 1, 2004 were calculated using a 40.69% tax rate.

The effect of this change for the year ended March 31, 2003 was a decrease in net deferred tax assets, net of deferred tax liabilities, of ¥17 million, and an increase in income tax expense of ¥39 million.

12. Selling, general and administrative expenses

The main components of “Selling, general and administrative expenses” for the two years ended March 31, 2003 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	For the years ended March 31		For the year ended March 31,
	2003	2004	2004
Payroll and bonuses	¥4,051	¥5,825	$55,114
Business commissions	1,813	3,366	31,848
Sales commissions	2,236	3,038	28,744
Depreciation and amortization	1,765	3,003	28,413
Communications charges	1,496	2,861	27,070
Royalty charge	1,207	1,963	18,573
Content provider fees	1,502	1,725	16,321
Allowance for doubtful accounts	253	421	3,983
Pension costs	118	180	1,703

In connection with the accounting change as mentioned in Note 3 (13), Yahoo! BB services during the free campaign period are no longer accounted for and, therefore, promotion expense in “Selling, general and administrative expenses” for the fiscal year ended March 31, 2004 decreased by ¥871 million ($8,241 thousand) compared with what would have been reported if the previous method had been applied.

13. Cash flow information

(1) "Cash and cash equivalents" comprised cash on hand, bank deposits withdrawable on demand and highly liquid investments with initial maturities of three months or less and a low risk of fluctuation in value.

(2) "Cash and cash equivalents" at March 31, 2003 and 2004 represented cash on hand and bank deposits of ¥23,216 million and ¥39,643 million ($375,088 thousand), respectively.

(3) Acquisition

As described in Note 5, the Company acquired shares of BridalNet and VACS during the fiscal year ended March 31, 2004. Upon consolidation, total net cash outflows of ¥241 million ($2,281 thousand), consisting of ¥190 million ($1,798 thousand) for BridalNet and ¥51 million ($483 thousand) for VACS, were disclosed as "Acquisitions of shares of entities newly consolidated" in the consolidated statement of cash flows for the year ended March 31, 2004.

The net cash outflow by acquiree was as follows:

	Millions of yen	Thousands of U.S. dollars
BridalNet—		
Current assets	¥ 64	$ 605
Non-current assets	10	95
Current liabilities	(11)	(104)
Goodwill	167	1,580
Cash paid for consideration	230	2,176
Less:		
Cash and cash equivalents held by BridalNet at acquisition	40	378
Net cash outflow	¥190	$1,798
VACS—		
Current assets	¥124	$1,173
Non-current assets	89	842
Current liabilities	(5)	(47)
Non-current liabilities	(164)	(1,552)
Goodwill	196	1,855
Consideration for acquisition	240	2,271
Less:		
Accounts payable — other	109	1,031
Cash and cash equivalents held by VACS at acquisition	80	757
Net cash outflow	¥ 51	$ 483
Total net cash outflow	¥241	$2,281

As described in Note 5, the Company acquired shares of Netrust during the fiscal year ended March 31, 2003. Upon consolidation, a net cash outflow of ¥6 million was disclosed as "Acquisitions of shares of entities newly consolidated" in the consolidated statement of cash flows for the year ended March 31, 2003.

The net cash outflow for Netrust was composed of the following:

	Millions of yen
Current assets	¥114
Non-current assets	109
Current liabilities	(1)
Goodwill	(13)
Minority interest	(89)
Cash paid for consideration	120
Less:	
Cash and cash equivalents held by Netrust at acquisition	114
Net cash outflow	¥ 6

14. Leases

As described in Note 3 (12), the Group, as a lessee, charges periodic capital lease payments to expenses when paid. Such payments for the years ended March 31, 2003 and 2004 amounted to ¥2.3 million and ¥2.4 million ($23 thousand), respectively.

If capital leases that do not transfer the ownership of the assets to the lessee at the end of the lease term had been capitalized, capital lease assets at March 31, 2003 and 2004 would have been as follows:

Capital lease assets	Millions of yen		Thousands of U.S. dollars
	March 31		March 31, 2004
	2003	2004	
Equivalent to acquisition cost:			
Property and equipment	¥ 6	¥ 9	$ 85
Less: accumulated depreciation	(4)	(8)	(76)
Net book value	¥ 2	¥ 1	$ 9

The depreciation and amortization expense for these leased assets for the years ended March 31, 2003 and 2004 would have been ¥2.1 million and ¥2.2 million ($21 thousand), respectively, if it had been computed using the straight-line method over the period of the leases, assuming no residual value except in cases where the residual value is guaranteed in the lease contract.

The interest expense on lease payments under these capital leases for the years ended March 31, 2003 and 2004 would have been ¥0.2 million and ¥0.1 million ($1 thousand), respectively.

The future lease payments for capital leases at March 31, 2003 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31, 2004
	2003	2004	
Due within one year	¥2	¥1	$8
Due after one year	0	0	1
Total	¥2	¥1	$9

15. Contingent liabilities

There were no material contingent liabilities at March 31, 2004.

16. Segment information

(1) Business segment information

The Company categorizes its businesses into seven segments, as described in the following table, based on the nature of business operation and the type of services provided, for the purpose of disclosure of business segment information.

The operations of the Company include the following business segments:

Business	Main service
Auction	Provides platform for sales of goods between individuals and for auctions by enterprises
Listing	Publishes information, mainly on the request of information providers
Yahoo! BB	Acquires customers of Yahoo! BB, provides ISP service, and offers Yahoo! Mail, etc.
Shopping	Provides shopping mall with quality stores
Media	Provides useful information, both free of charge and for fees
BS (Business Solutions)	Provides services to enterprises based on the technology and experience of Yahoo! JAPAN
Corporate Common business	Sells advertisements on Yahoo! JAPAN Top Page and charges membership fees of "Yahoo! Premium"

As described in Note 3 (13), the Company changed its accounting method for recognizing revenues and related cost of sales on Yahoo! BB services. As a result of this change, net sales and operating expenses of the Yahoo! BB business segment decreased by ¥38,289 million, respectively, compared with the amount which would have been reported if the previous method had been applied consistently. In order to provide the segment information on a consistent and comparable basis, the restated business segment information based on the new accounting method for the fiscal year ended March 31, 2003 is also disclosed below.

The following tables summarize the business segment information of the Company for the years ended March 31, 2003 and 2004:

	Millions of yen									
	For the year ended March 31, 2004									
	Business								Elimination or corporate	Consolidated
	Auction	Listing	Yahoo! BB	Shopping	Media	BS	Corporate Common	Total		
Net sales—										
External customers	¥20,828	¥13,615	¥12,760	¥6,585	¥6,408	¥1,093	¥14,487	¥75,776	¥ —	¥75,776
Inter-segment	11	—	0	4	4	3	48	70	(70)	—
Total	20,839	13,615	12,760	6,589	6,412	1,096	14,535	75,846	(70)	75,776
Operating expenses (a)	5,359	3,817	4,795	5,718	4,635	1,039	3,342	28,705	5,859	34,564
Operating income (loss)	¥15,480	¥ 9,798	¥ 7,965	¥ 871	¥1,777	¥57	¥11,193	¥47,141	¥ (5,929)	¥41,212
Assets (b)	¥16,699	¥ 14,244	¥14,568	¥6,268	¥2,465	¥ 432	¥16,998	¥71,674	¥10,736	¥82,410
Depreciation and amortization	505	132	419	129	189	62	74	1,510	1,530	3,040
Capital expenditures	1,443	205	432	188	275	82	232	2,857	2,942	5,799

	Thousands of U.S. dollars									
	For the year ended March 31, 2004									
	Business								Elimination or corporate	Consolidated
	Auction	Listing	Yahoo! BB	Shopping	Media	BS	Corporate Common	Total		
Net sales—										
External customers	$197,067	$128,820	$120,730	$62,305	$60,630	$10,342	$137,071	$716,965	$ —	$716,965
Inter-segment	104	—	0	38	38	28	454	662	(662)	—
Total	197,171	128,820	120,730	62,343	60,668	10,370	137,525	717,627	(662)	716,965
Operating expenses (a)	50,705	36,115	45,369	54,101	43,855	9,831	31,620	271,596	55,436	327,032
Operating income (loss)	$146,466	$ 92,705	$ 75,361	$ 8,242	$16,813	$ 539	$105,905	$446,031	$ (56,098)	$389,933
Assets (b)	$158,000	$134,771	$137,837	$59,306	$23,323	$ 4,087	$160,829	$678,153	$101,580	$779,733
Depreciation and amortization	4,778	1,249	3,964	1,221	1,788	587	700	14,287	14,476	28,763
Capital expenditures	13,653	1,940	4,087	1,779	2,602	776	2,195	27,032	27,836	54,868

As restated due to the accounting change mentioned in Note 3 (13):

	Millions of yen									
	For the year ended March 31, 2003									
	Business								Elimination or corporate	Consolidated
	Auction	Listing	Yahoo! BB	Shopping	Media	BS	Corporate Common	Total		
Net sales—										
External customers	¥11,062	¥7,923	¥ 9,862	¥5,033	¥3,592	¥451	¥8,770	¥46,693	¥ —	¥46,693
Inter-segment	—	—	—	2	1	0	0	3	(3)	—
Total	11,062	7,923	9,862	5,035	3,593	451	8,770	46,696	(3)	46,693
Operating expenses (a)	2,711	3,538	3,008	4,361	3,235	399	1,478	18,730	3,890	22,620
Operating income (loss)	¥ 8,351	¥4,385	¥ 6,854	¥ 674	¥ 358	¥ 52	¥7,292	¥27,966	¥(3,893)	¥24,073
Assets (b)	¥ 9,660	¥6,583	¥12,697	¥1,380	¥1,551	¥300	¥8,653	¥40,824	¥ 6,950	¥47,774
Depreciation and amortization	206	161	326	112	106	54	11	976	828	1,804
Capital expenditures	460	232	527	41	189	23	27	1,499	2,783	4,282

As previously reported:

	Millions of yen									
	For the year ended March 31, 2003									
	Business								Elimination or corporate	Consolidated
	Auction	Listing	Yahoo! BB	Shopping	Media	BS	Corporate Common	Total		
Net sales—										
External customers	¥11,081	¥7,923	¥22,245	¥5,033	¥3,592	¥451	¥8,770	¥59,095	¥ —	¥59,095
Inter-segment	—	—	—	2	1	0	0	3	(3)	—
Total	11,081	7,923	22,245	5,035	3,593	451	8,770	59,098	(3)	59,095
Operating expenses (a)	2,730	3,538	15,391	4,361	3,235	399	1,478	31,132	3,890	35,022
Operating income (loss)	¥ 8,351	¥4,385	¥ 6,854	¥ 674	¥ 358	¥ 52	¥7,292	¥27,966	¥(3,893)	¥24,073
Assets (b)	¥ 9,660	¥6,583	¥12,697	¥1,380	¥ 1,551	¥300	¥8,653	¥40,824	¥ 6,950	¥47,774
Depreciation and amortization	206	161	326	112	106	54	11	976	828	1,804
Capital expenditures	460	232	527	41	189	23	27	1,499	2,783	4,282

(a) The amount of unallocated operating expenses in the column "Elimination or corporate," which mainly represents the expenses of the human resources and accounting divisions of the Company, was ¥3,890 million and ¥ 5,859 million ($55,436 thousand) for the years ended March 31, 2003 and 2004, respectively.

(b) The amount of corporate assets included in the column "Elimination or corporate" at March 31, 2003 and 2004 was ¥6,950 million and ¥10,736 million ($101,580 thousand), respectively. Corporate assets are mainly investment securities of the Company, guaranteed deposits of the headquarters' building and common assets of the Company.

(2) Geographic segment information

Segment information by geographic area has been omitted because all operations were performed in Japan.

(3) Sales to overseas customers

Information on sales to overseas customers has been omitted since the sales amount to overseas customers is less than 10% of total sales.

17. Subsequent events

On February 17, 2004, the board of directors of the Company resolved a two-for-one stock split of common stock, which was effected at May 20, 2004 for shareholders on the register at March 31, 2004, and issued 1,886,073.16 shares. Giving the effect of the stock split, net income per share for the two fiscal years ended March 31, 2003 and 2004 would be retroactively restated as follows:

	Yen		U.S. dollars
	For the years ended March 31		For the year ended March 31, 2004
	2003	2004	
Net income per share:			
Primary	¥3,196.05	¥6,552.10	$61.99
Diluted	¥3,191.15	¥6,530.57	$61.79

Report of Independent Auditors

To the Board of Directors of
Yahoo Japan Corporation

We have audited the accompanying consolidated balance sheets of Yahoo Japan Corporation and its subsidiaries as of March 31, 2003 and 2004, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen, included on pages 28 to 50. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yahoo Japan Corporation and its subsidiaries as of March 31, 2003 and 2004, and the consolidated results of their operations and cash flows for each of the years then ended in conformity with accounting principles generally accepted in Japan.

As described in Note 3 (13), the Company had booked the gross amount of its monthly Internet Service Provider (the "ISP") fee as sales and the ISP cost as cost of sales in the financial statements for fiscal years prior to April 1, 2003. However, in order to reflect the business of the Yahoo! BB business division more accurately, the Company has changed its ISP revenue and cost recognition method to record the net amount of ISP fee and ISP cost as sales in the financial statements effective with the fiscal year beginning April 1, 2003.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 4 to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers

ChuoAoyama PricewaterhouseCoopers
Tokyo, Japan
June 17, 2004

Note: Name of the firm was changed from ChuoAoyama Audit Corporation to ChuoAoyama PricewaterhouseCoopers on April 15, 2004.

Risk Factors

April 21, 2004

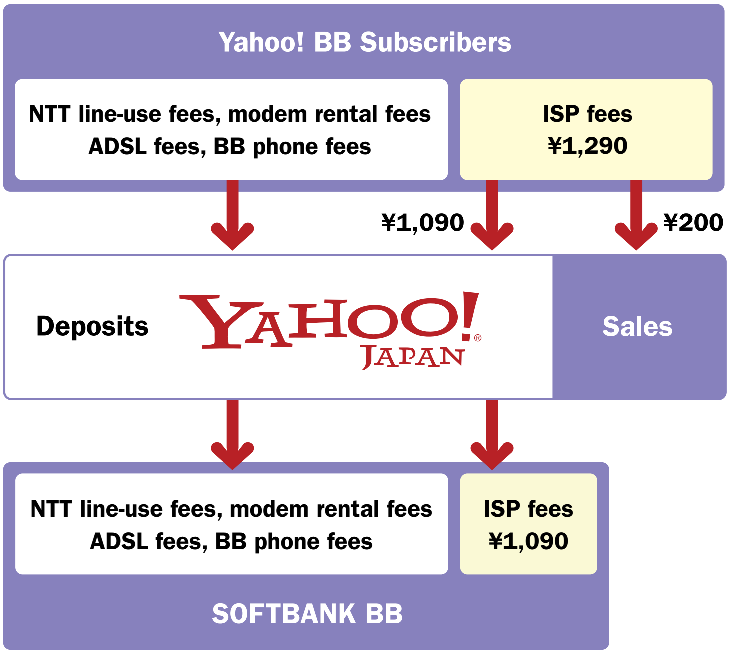
Yahoo Japan Corporation and its consolidated subsidiaries and affiliates (the "Group") have reported their results for the fiscal year ended March 31, 2004, in this document. However, a number of potential factors could substantially impact future performance.

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

1. Group Operations

(1) Yahoo! BB Business

Yahoo! BB is an integrated broadband service provided jointly with SOFTBANK BB Corp. (SBB). The service includes ADSL services, ISP services, a broadband portal site and content-provision services, and other services. The Group's role in this joint business includes promoting the service and signing up subscribers, providing customer service, operating a broadband portal site, and providing a fee-collection platform. SBB's responsibilities lie in supplying and maintaining an ADSL infrastructure and connections to the Internet, technological development and providing technical support. The allocation of revenues based on the above separation of roles is as follows.



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

Yahoo! BB was previously operated in partnership with BB Technologies Corporation (BBT). However, BBT has become SOFTBANK BB Corp. due to the January 7, 2003 merger of BBT with SOFTBANK EC HOLDINGS Corp., SOFTBANK Networks Inc., and SOFTBANK COMMERCE Corp. (SBB is the surviving company). All of the merged companies had the same parent company, SOFTBANK CORP. Accordingly, in the following text, where not problematic, BBT's name has been replaced with SOFTBANK BB Corp. or SBB.

a. Subscriber Sign up Promotion Business and Incentive Commission

Beginning with the fiscal year ended March 31, 2003, sales of the Yahoo! BB Starter Kit, which provides subscribers with essential equipment for using the service, are no longer included in Yahoo! BB's revenues for the Group. The Group has introduced a system for receiving incentive commissions from SBB based on the number of new subscribers signed up as a result of its promotion efforts. This step has been taken because the subscription route has been expanded to sign up through consumer electronic wholesalers and other means, including the Internet route, and because it has become necessary to actively develop subscriptions from corporations as a result of the start-up of BB Phone service, a broadband telephone service offered by SBB, in April 2002.

The Group strives to attract greater numbers of subscribers through promotion efforts using various campaigns and price competitiveness supported by brand strength. If the Group fails to gather the anticipated number of new subscribers, the Group may be prevented from making anticipated sales or required to bear much higher costs than expected, with a subsequent significant impact on earnings.

In addition, if subscribers sign up only to cancel their subscriptions within a short period there is the possibility that the Group will have to return commissions to SBB, and this could negatively impact Group performance.

Since the Group has stopped selling the Yahoo! BB Starter Kit, it is assumed that, in principle, the Group will be able to avoid the risk associated with sales of the kits. However, the Group will continue to bear the liability risk associated with starter kits it has sold in the past.

b. ADSL Infrastructure and Internet Access Service

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

It is possible that the work contributed by SBB could indirectly but significantly influence the Group's performance. Specifically, there is risk of extended construction periods and related delays in offering services to subscribers who have signed up for them, resulting in delayed accounting of sales as well as lost sales opportunities due to cancellations. Other risks are failure to build infrastructure and problems with service quality, leading to subscriber cancellations, damage to the Group's brand image, and the subsequent negative effect on the Group's business. In addition, service delays and technical upgrade problems could result in demand for compensation from subscribers. The Group works closely with SBB, making efforts to reduce the risk involved with its direct interface with subscribers in particular, such as its homepages and other areas, but these efforts do not eliminate all risks regarding the relationship with SBB.

It is SBB's responsibility to build infrastructure for the services. The Group therefore does not bear the risk of equipment investment, construction, or obsolescence of facilities due to technological progress.

c. Broadband Portal Service

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

The Group acts as the platform for consigned billing and settlements for said pay content provision and access services to effect collections. For that reason, the Group intends to improve operating efficiency by hiring specialists and technically skilled staff and undertaking business cooperation with other companies with a proven record in the business. There is the possibility of failure in making the intended sales and profit for reasons such as systems taking much longer to build or development costs rising much higher than intended. Focusing investment on the development of these services may negatively affect the development and operations of other services of the Group. In addition, technical and operating problems related to consigned billings and settlements could result in demand for compensation from subscribers.

d. The Competitive Environment

As of March 31, 2004, the major providers in Japan of services similar to those the Group offers were as follows (in no particular order):

Site	Provider	Business description
@nifty	Nifty Corp.	ISP business and comprehensive information site
So-net	Sony Communication Network Corp.	ISP business and comprehensive information site
BIGLOBE	NEC Corp.	ISP business and comprehensive information site
OCN	NTT Communications Corp.	Long-distance telecommunication business and ISP business
FLET'S	NTT East and West Corp.	Regional telecommunication and ADSL business
eAccess	eAccess Ltd.	ADSL business
ACCA	ACCA Networks Co., Ltd.	ADSL business

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

e. Dependence on a Certain Distributor

In its Yahoo! BB business, Group revenues show a high level of dependence on SBB in terms of sales composition of the business among other Group revenues. This can be attributed to Yahoo! BB's operations still being dependent on the relatively high volume of incentive revenues made from gathering new subscribers.

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

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

(2) Auction Business

a. Damage Compensation

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

b. Illegal Acts

There have been recent reports of illegal or fraudulent merchandise bought and sold via Yahoo! Auctions services. If this were to come under the scrutiny of regulators, operations could become difficult. Effective September 2003, a revision of the law regarding the sale of used goods to prevent crimes abusing Internet auctions was enforced. In addition to imposing a registering system on Internet auction operators, the reformed law requires operators to make efforts to confirm the identity of participants and maintain records of auctions. The law also requires that when an operator is ordered to remove an item from auction by an investigative body based on suspicion of fraud, the operator must do so. However, the scope of the reformed law has been limited to items that the Group is already complying with. Furthermore, since no regulations have been set directly on auction participants, the Group does not expect that the reformed law will have a significant impact on its auction business. Nevertheless, if a law regulating actual auction transactions on the Internet was to be adopted in the future, depending on its content when passed, it could influence the Group's auction business.

The Group has taken multiple measures to provide information on illegal acts, improve its services, and reduce risks. In September 2000, the Group began an escrow service (see note below) for its online auctions, and in May 2001 the Group introduced a fee-based personal identification system. In addition, the Group has set up a patrol team to remove illegal items from auctions and cooperate with law enforcement agencies and copyright-related groups. Despite these measures taken by the Group, it cannot say for certain that illegal actions will not occur in the future. Therefore, the Group cannot rule out the possibility of legal action being taken against the Group for claims or compensation related to these criminal activities. Moreover, developing a system to prevent criminal activity and upgrading the Group's capabilities to allow proper management could lead to increased costs and a subsequent negative impact on earnings.

The Group institutes a damage-compensation system, which pays a certain amount to users that have suffered damages due to illegal activities. This could increase expenses by the Group.

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

c. Yahoo! Payment Service

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

Since Netrust, Ltd., reimburses the seller of the item one to two days after the purchaser has made settlement by credit card, the subsidiary must carry the credit card receivables for the period up to the fixed settlement date of the bank used by the credit card company. The Group is exploring methods of reducing the amount of reimbursement funds by shortening the settlement cycle with the credit card companies' settlement banks as well as seeking methods of diversifying its source of funds. However, if the pace of growth of this service should substantially exceed the anticipated rate, it is possible the Group will not be able to raise the required funds at a reasonable cost. Moreover, the amount of the reimbursement funds could increase to a level where, if interest rates rose higher, interest payments to banks or other financial institutions could have a significant negative impact on the Group's business and performance.

In providing this service, the Group has taken all possible precautions to protect itself from such problems as the fraudulent use of credit cards and the leakage of personal information of individuals online. However, there is no guarantee that these measures will protect the Group from all fraudulent behavior. It is possible that a malicious user could perpetrate a fraudulent act that would result in the Group being sued for compensation of losses, preventing the recovery of the funds reimbursed and having a significant negative impact on the Group's business and performance. Furthermore, it cannot be denied that such problems could have an influence on Yahoo! Auctions and other Group services.

In addition to the online settlement market being crowded with entrants and highly competitive, technological innovation is the norm, the pace of change is rapid, and the life cycle of services is short. Therefore, after a service has been launched, it is necessary to establish a service planning and system development organization that can respond quickly to the constantly changing demand in the market. However, there is a possibility that such problems as the service not properly meeting customer requirements, not being suitably compatible with new technologies, and not achieving a high-powered quick start could occur. These problems might result in an unavoidable decline in competitiveness within the market that would be detrimental to the Group's business and performance.

d. The Competitive Environment

As of March 31, 2004, 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
BIDDERS	DeNA Co., Ltd.	Online auction site
Rakuten Ichiba	Rakuten, Inc.	Online mall and auction site

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

(3) Risks Affecting Internet Advertising Business

For businesses other than those mentioned above, it is difficult to list risks specific to each business. There are also many risks common to those businesses mentioned above. Therefore, the Internet advertising areas that are thought to be the most important and the associated risks will be discussed below. The risks that could affect other businesses are explained in section 5, "Other Overall Business Risks."

a. Use of the Internet as an Advertising Medium

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

To increase the understanding and appreciation of Internet advertising among advertisers and advertising agencies, the Group is taking steps to educate them by regularly holding seminars and other methods. At the same time, as elaborated on later in this document, in order to reduce the previously stated risks the Group is expanding and firming up the advertiser base by changing its advertising sales structure and building a close, cooperative relationship with advertising agencies.

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

b. Characteristics of Internet Advertising

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

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

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

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

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

The Group has entered into advertising contracts with certain advertisers or advertising agencies whereby the parties concerned have agreed to advertising with annual payments in the ¥100 million range. Sales revenue from these advertisers accounts for a comparatively large portion of the Group's net sales. To maintain contracts with these advertisers, the Group follows up advertising with evaluations of its effectiveness and keeps up a high level of marketing activities, including proposing new types of advertising. Nevertheless, the Group cannot rule out the possibility that these contracts could be broken for various reasons. Consequently, the outcome of these contracts could affect the Group's business results.

d. Advertising Sales Structure

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

e. The Competitive Environment

As of March 31, 2004, the major providers of Japanese-language Internet navigational services or similar services directed to Japanese Internet users earning advertising income through comprehensive information sites for those services were as follows (in no particular order). These companies are considered largely in competition with the Group services in the listings and media businesses.

Site	Provider	Business description
goo	NTT-Resonant Inc.	Comprehensive information site
MSN	Microsoft Corp.	Comprehensive information site
infoseek	Rakuten Inc.	Comprehensive information site
excite	excite Japan Co., Ltd.	Comprehensive information site
ISIZE	Recruit Co., Ltd.	Comprehensive information site

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

f. Growth in Advertising Sales from Sponsor Sites

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

2. Relationship with SOFTBANK Group

(1) Positioning within the SOFTBANK Group

As of March 31, 2004, SOFTBANK CORP. was the parent company of the Company, holding 41.9% of the Company's shares. As a holding company, SOFTBANK CORP. has a variety of affiliated companies operating under its umbrella that are active in a range of fields and regions, concentrated mainly on Internet business. Their businesses include broadband infrastructure, e-commerce, e-finance, media and marketing services and an overseas fund investment service. The Group belongs to the Internet Culture segment and Broadband Infrastructure segment of the SOFTBANK Group.

(2) Alliance Contracts and Other Arrangements with SBB

The Company has signed the following contracts with SOFTBANK CORP. affiliate SOFTBANK BB Corp. (SBB) concerning Yahoo! BB business. Yahoo! BB business accounted for 16.6% of Group sales in the forth quarter of the fiscal year ended March 31, 2004. Therefore the following contracts are considered to be important to the Group.

Contract name: Business alliance contract
Contract date: June 20, 2001
Contract term: Indefinite from June 20, 2001~(Perpetual contract)
Contracted party: SOFTBANK BB Corp.
1) The Company and SBB jointly provide Internet access services using DSL technology. 2) The Company's main responsibilities * Promoting Yahoo! BB services * Recruiting subscribers of Yahoo! BB services * Operating the Yahoo! BB portal site * Providing mail and Web site services * Providing a fee-collection platform 3) SBB's main responsibilities * Providing ADSL service between subscribers and phone offices, installing network infrastructure between phone-office buildings, and providing connections to Internet networks * Handling subscriber inquiries and providing technical support Usage charges are ¥990 per month for ADSL and ¥1,290 per month for ISP. From the ISP charge, the Company takes ¥200 in exchange for service.

Contract name: Incentive agreement
Contract date: April 1, 2002
Contract term: One year from April 1, 2002
Contracted party: SOFTBANK BB Corp.
1) The Company makes efforts to obtain subscribers of one million lines during the contract period. 2) Incentive fees * Lump-sum incentive fees (80% at application, remainder after six months) BB Phone services: approximately ¥7,000 per application Yahoo! BB services: approximately ¥11,000 per application * Bonus incentive fees In addition to the lump-sum fees above, a bonus incentive is awarded per 100 thousand line applications (cumulative total) * Continual incentive fees BB Phone services: approximately ¥100 per month per continuing subscriber Yahoo! BB services: approximately ¥150 per month per continuing subscriber

Note: The counterparty to the business alliance contract concluded on June 20, 2001 and the incentive agreement concluded on April 1, 2002 was in both cases BB Technologies Corporation (BBT). However, BBT has become SOFTBANK BB Corp. due to the January 7, 2003 merger of BBT with SOFTBANK EC HOLDINGS Corp., SOFTBANK Networks Inc., and SOFTBANK COMMERCE Corp. All of the merged companies had the same parent company, SOFTBANK CORP.

(3) Joint Directorships

As of March 31, 2004, two of the five directors of the Company also held directorships on the board of the parent company, SOFTBANK CORP., as follows:

Yahoo Japan Corporation president and CEO Masahiro Inoue (SOFTBANK CORP. part-time director)
Yahoo Japan Corporation chairman Masayoshi Son (SOFTBANK CORP. president)

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

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

3. Business Relationship with Yahoo! Inc.

(1) Licensing Agreements with Yahoo! Inc.

The Group's operations are based on a licensing agreement with Yahoo! Inc., the founder of the Company and owner of 33.6% of voting shares as of March 31, 2004. The Yahoo! trademark, software and tools (hereinafter referred to as "the trademark") used in the operation of the Group's Internet directory search services are the property of Yahoo! Inc. The Group conducts business operations through a license obtained for the use of the trademark. As such, the agreement with Yahoo! Inc. is critical to the Group's core operations.

License name: Yahoo Japan Corporation licensing agreement
Contract date: April 1, 1996
Contract term: From April 1, 1996; termination date unspecified Note: The license agreement may be terminated under the following conditions: mutual decision by the companies to terminate the agreement; cancellation of the agreement following bankruptcy or loan default by one of the companies; purchase of one-third or more of the Company's outstanding shares by a competitor of Yahoo! Inc.; merger or acquisition rendering Yahoo! Inc. and SOFTBANK CORP. incapable of maintaining over 50% of shareholder voting rights of the ongoing company (may be waived by agreement of Yahoo! Inc.).
Contracted party: Yahoo! Inc.
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 the Yahoo! directory search services 2) Non-exclusive licensing rights granted (gratis) to Yahoo! Inc. worldwide for use of Japanese content added by the Company 3) Royalties to be paid by the Company to Yahoo! Inc. (see Note) *Note*: 3% of gross profit after deducting sales commissions, paid quarterly

(2) The Yahoo! Brand and Cooperation Overseas

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

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

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

(3) Other Joint Directorships

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

4. Influence of Internet Markets and Environment

(1) Dependence on Internet Usage Rates

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

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

(2) Dependence on the Environment for Internet Connection

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

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

Operations are vulnerable to impact from such phenomena as fires, power outages and damage to telephone lines. The Group has dispersed its facilities in Tokyo to offset any of these events but does not presently have multiple site capacity outside Tokyo.

Despite the implementation of network security measures, the possibility of damage by computer viruses or hackers cannot be completely ruled out, and the Group does not hold sufficient insurance to compensate for losses due to these events. In particular, there have been several cases recently of specific Web sites or networks being targeted by sending huge volumes of data over a short period for the purpose of paralyzing the Web site or network. Although the Group has introduced effective security programs and other measures and strengthened its monitoring system to deal with these attacks, there is no guarantee that all attacks can be avoided. Any of these obstructive actions could have a serious negative impact on the Group's business, operating results and financial condition.

5. Other Overall Business Risks

(1) Increased Risk from Diversification and New Business

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

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

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

(2) Keeping Up with Technology

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

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

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

Recently, use of the Internet through mobile phones and other mobile terminals has increased. Although the Group has responded to this increase by adapting its services for use with mobile terminals, it can provide no guarantee that its services will achieve ratings in this medium on a par with mobile terminals' use with personal computers. User share could fall as a result and result in larger expenditures for services development that could compress the Group's profits.

(3) Dependence on Third Parties

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

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

Moreover, among the services offered by the Group there are several cases where system development and operations essential to the service are commissioned to specific third parties and where service operations are premised on linkage with a third party's system. These third parties are selected using standards based on suitable technical and operating capabilities judged by past performance. In addition, the related sections of the Group maintain close contact with the third parties to ensure that problems affecting their services do not arise. Nevertheless, it is possible that a system development delay could occur due to a situation at a commissioned third party that the Group cannot manage, that some condition could arise that obstructed operation or that some other event could cause the system of a third party to which the Group's service is linked to stop. Such events could lead to the loss of sales opportunities and reduce the competitiveness of the Group's system, negatively impacting the Group's performance or in the worst case resulting in the termination of the service.

The Group not only relies on the previously mentioned Internet providers but also many of its services rely on third parties that the Group has consigned operations to or receives information or support from. It is possible that the operations of the Group could be hindered because of worsening business conditions for these third parties, resulting in a negative impact on performance.

To prevent its customers from misunderstanding or being confused about the scope of services provided by third parties through an agreement with the Group and those provided by the Group itself, it takes measures to ensure their understanding and agreement through user rules or clauses posted on the Group's sites. Despite these efforts, there is the possibility that these measures will fail and customers will demand compensation for damages from the Group that actually are the responsibility of the third party. This could result in additional costs to the Group or hurt its brand image, impacting negatively on performance.

(4) User Information

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

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

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

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

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

Regardless of whether the Group is legally responsible or not, it is its policy to take measures to strengthen the management and monitoring of the security systems of companies with which it has business alliances.

A law protecting the privacy of personal information was passed in the 156th session of Japan's Diet, obliging companies to protect the personal information they accumulate. Enforcement of the law is scheduled within two years. However, since the Group's procedures for dealing with personal information already meet the regulations of the new law its enforcement is expected to have almost no impact on operations. Nevertheless, as the law was going through the approval process in the Diet, it was accompanied by a proposal to create a separate law for the information and communications industries. If this proposal results in a law more severe than the current law regarding the protection of personal information, it could affect the Group's business.

Moreover, in consideration of fundamental laws, discussion has begun on revision of the Ministry of Public Management, Home Affairs and Posts and Telecommunications' "Guidelines on the Protection of Personal Data in Telecommunications Business," with a view to clarifying the procedures that should be undertaken by companies in telecommunications to protect personal data.

(5) Collection of Sales Credit Claims

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

(6) The Risks of Doing Business with a Large Pool of Unspecified Customers

Along with the expansion of its Yahoo! BB and Yahoo! Auctions operations and the ramping up of its e-commerce business, mainly through subsidiaries and affiliates, the proportion of the Group's business that comprises direct income from a large pool of unspecified individual customers is steadily increasing. The Group has formed a special team to be responsible for strengthening management of this pool of customers and for taking such steps as introducing a new system to improve business efficiency. Despite these measures, it is possible that compared with its previous focus on corporate customers the Group will be exposed to new risks related to the settlement and collection of receivables due to increases in the amount of small sales receivables and uncollected receivables, credit card settlement problems and the costs of receivables collection. In particular, it is expected that the funds borrowed to allow Netrust, Ltd., to reimburse sellers of items on its auction site based on the previously described Yahoo! Payment service will increase to a significant amount. If the recovery of these reimbursed funds is blocked in some way, it could incur serious negative impact on the Group's business, operating results and financial condition.

It is also possible that the nature and quantity of inquiries from customers may expand. Previously, most inquiries were related to usage of its services. But they may now shift to inquiries about payment, the return or exchange of services and goods and matters related to commissioned third parties, such as distribution or settlement. In order to properly respond to inquiries from these customers, the Group is in the process of increasing staff, strengthening and expanding its management organization and improving efficiency by standardizing businesses and computerizing them. It is possible that the costs of these measures and improvements could negatively affect the Group's profits. In addition, it does not eliminate the possibility that customers will not be sufficiently satisfied despite these measures. By hurting its brand image and other factors, such a result could negatively impact Group performance.

(7) Continued Support from Senior Management, Etc.

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

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

(8) Internal Control System and Human Resources

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

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

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

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

(9) Risk Regarding Consolidated Group Operations

There are risks because the Group's subsidiaries and affiliates are generally small scale, and accordingly, because their in-house management systems are also small scale. It is the Group's policy to acquire necessary additional staff and to strengthen its organization as businesses expand, but if these measures are not implemented with the appropriate timing it could negatively affect the Group's performance.

Tie-ups with the Company's services or network or personnel support are essential to the operations of any of the services of its subsidiaries and affiliates. The related sections of the Company work closely with the individual subsidiaries and affiliates to provide that support. However, it is possible that it will become difficult to adequately provide this cooperation or support due to the expansion of the businesses of the Company, its subsidiaries and affiliates. This could have a negative impact on the Group's performance.

Several of the subsidiaries and affiliates have established and are operating joint ventures with third parties. These joint ventures depend substantially on the other partners, especially in the areas of sales, supplies, distribution, and systems. At this time, relationships with the joint venture partners are excellent, and the cooperative relationships with these partners contribute strongly to the performance of these Group companies. However, if for some reason a situation occurred that created an obstruction to the business cooperation or the tie-up between the partners it could be damaging to the performance of each company and, depending on the company, it may become impossible to continue to operate.

(10) Share Distribution

At March 31, 2004, the major shareholders of Yahoo Japan Corporation held a very high stake in the Company, with over 75% of its equity owned by SOFTBANK CORP. and Yahoo! Inc. The Company has requested the cooperation of these major shareholders in decreasing the proportion of fixed shares, but at present it is difficult to imagine any significant change in the short term. As a result, it is highly likely that the proportion of fixed shares will remain high for the time being. In future, if the two above companies were to further increase their proportion of fixed shares by purchasing shares from certain other major shareholders it is possible in the worst case scenario that the Company would violate the listing standards of the stock exchange its shares are listed on and be forced to delist its shares.

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

(11) International Conflicts, Terrorist Attacks and Natural Disasters

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

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

(12) Legal Restrictions, Lawsuits and Intellectual Property Rights

a. Government Regulations

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

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

Because it operates Yahoo! BB, the Group is required to observe the Telecommunication Business Law and related ordinances issued by related government divisions. Changes in the law or ordinances could influence the Group's business.

b. Potential Litigation

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

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

Through such internal regulations the Group prohibits illegal and slanderous content on its site and protects the privacy of users. In addition, the Group publishes a disclaimer stating clearly that the user takes full responsibility for Web browsing and that the Group accepts no responsibility for damage caused to users during Web browsing. To protect minors from harmful content, the Group is implementing such programs as Yahoo! Kids. However, no guarantee can be provided that these measures will be sufficient to avoid litigation. The Group could be subject to claims, damage suits or reprimands from users, related parties or government agencies in regard to the content of advertisements, Web sites accessed through links on its site, contributions to community message boards and trading on its auction business. The resulting decline in user confidence could lead to a drop in hits or a suspension of services.

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

C. Patents for Internet Technology and Business Plans

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

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

(13) Change in Accounting Standards

Against the backdrop of the recent trend to establish international accounting standards, the Group has taken action appropriately and quickly to change its accounting standards for severance and retirement benefits, financial instruments, and other categories. A significant change in accounting methods for the recognition of stock option expenses or other income or expense recognition could have a material impact on the Group's profits or losses.

(14) Revision of Business Forecasts

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

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

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

6. Risks Concerning Investment, Loan and Capital Investment Programs

(1) Investment

As of March 31, 2004, the Group has invested in 28 companies and one cooperative as stated in the List of Companies Invested in by Yahoo Japan Corporation. These investments have been made to form ties with the companies invested in and their businesses or to form business ties for the future. The Group cannot guarantee that these investments will be recovered.

Although as of March 31, 2004, 4 of these companies had been publicly listed and the value of the Company's investment in all of these companies had increased, this value could decline in the future.

The Group takes the utmost care to ensure that the performances of the companies it invests in are reflected appropriately in its own performance by operating according to in-house rules in accordance with general accounting standards and by applying compulsory evaluation accounting. Nevertheless, depending on the direction of the performance of those companies they could have an even greater adverse effect on the Group's fiscal profit or loss in the future.

To pursue business synergies or the expansion of the Group's business, it is anticipated that the Company will further invest or loan funds for capital participation in third-party companies, fund joint ventures and engage in new investments by establishing companies, etc., or by adequately providing for the capital needs of subsidiaries and affiliates. These investments or loans will be made based on a careful investigation of the risk of said investments or loans based on thorough analysis and compliance with in-house procedures. However, if these new investments or loans do not achieve the originally planned level of profit or, in the worst case, become irrecoverable, they could adversely affect the Group's financial condition in future.

(2) Capital Investment Programs and Investment Plans

To support expected business expansion and to continue introducing such new services as streaming video and audio, the Group has a capital investment program of comparatively large scale considering its current operations. To keep up with the further growth of the Internet user base and the progressive spread of broadband and ubiquitous computing, the Group will have to add and improve network-related facilities one after the other to adequately cope with higher peaks in access volume and larger volumes of data transmission over a short period. Consequently, the Group anticipates a growing necessity for even larger capital investments than in the past in a timely manner to build systems and networks to smoothly control large volumes of communications traffic, strengthen security systems to protect settlement services and the personal information of customers, and expand systems to appropriately respond to the growth and diversification in user inquiries. Furthermore, in response to growth in business scope the Group assumes that it will have to continuously acquire more office space and invest in the expansion and upgrading of its facilities.

In making these capital investments, the Group will take care to ensure that unnecessary cash outflows do not occur by closely considering costs and benefits, focusing on keeping the system development and equipment purchase expenses reasonable.

Although the Group believes business expansion will result in earnings growth sufficient to provide operating cash flows to cover these increased costs and cash outflows, ineffective capital investments and delayed effect could substantially impact future earnings and cash flows. Moreover, since the Internet industry is characterized by constant technological innovation and rapidly changing customer needs, the useful life of the planned facilities may be shorter than originally planned. As a result, depreciation terms may be shorter and depreciation costs higher compared with previous terms because of changes in accounting methods. In addition, greater than normal losses may be recorded because of disposal of current facilities.

(3) Participation in Finance Scheme for Yahoo! BB

In a meeting of the board of directors held on July 17, 2003, based on the following finance scheme the Group decided to make a mezzanine loan to finance the Japan branch of a special-purpose company (SPC) being established to increase the liquidity of the assets of SOFTBANK BB Corp. (SBB). The SPC is BB Modem Rental PLC and is registered in the Cayman Islands. On July 31, 2003, the Group made a loan of ¥5.7 billion that will mature in 42 months.

Finance Scheme Summary

- The SPC raises a total of ¥19.14 billion from several lenders as loans and as investments in a Tokumei Kumiai (TK), an anonymous partnership. This amount is structured as senior and mezzanine loans and a TK investment.
- The SPC acquires modems and a modem rental agreement from SBB and pays SBB for them using the funds raised.
- The SPC operates a modem rental business and pays principal and interest to lenders and dividends to TK investors using the cash flow generated from the underlying assets (rental fee revenues).
- In the case that modem rental fees are not paid using the underlying assets, SBB will provide credit compensation under the terms outlined in the guarantee agreement.

The scheme is based on the assumption that the originally estimated rental fees will be paid from the underlying assets and that SBB will provide credit compensation if the rental fees are not paid from the underlying assets. If for some reason a situation arises where SBB cannot adequately perform on its pledge to provide credit compensation, it could prevent the recovery of the principal and interest on the Company's portion of the financing.

In principle, the Group's risk in the above financing scheme is limited to the principal and interest on its loan. The Group does not intend to make any commitment to invest additional capital in the scheme.

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

List of Companies Invested in by Yahoo Japan Corporation

(As of March 31, 2004)

	Investment targets	Listing	Date of acquisition (See Note 1)	Stake (%)	B/S accounting amount (¥ MM) (See Note 2)	Line of business	Relationship with the Company	Directors on loan
Investment securities								
1	Yahoo! KOREA Inc.	—	97/10/06	4.12	4	Comprehensive Internet information-portal business in Korea	Yahoo! JAPAN offered technical services at startup	Yes
2	CyberMap Japan Corp.	—	98/04/01	8.33	50	Internet-based map information service ("Mapion")	Alliance for Yahoo! Maps	Yes
3	Internet Research Institute, Inc.	TSE Mothers	98/08/01	10.49	5,638	Internet technical-support service		
4	Vector Inc.	OSE Hercules	99/03/25	10.73	2,294	Sales of download licenses for personal computer software	Alliance for Yahoo! Computers	Yes
5	Weathernews Inc.	TSE 1st Section	99/05/28	5.07	729	Weather observation, data collection and analysis, weather forecast, and related information services		
6	e-Shopping! Toys CORP.	—	99/08/31	10.00	0	eS! Toys Web site	Yahoo! Shopping tenant	Yes
7	Carview Corp.	—	99/10/06	6.54	39	Offering car-related information, quotes and dealer introductions	Alliance for Yahoo! Autos	
8	Oricon Inc.	OSE Hercules	00/03/28	1.53	96	Construction and supply of music-related databases	Alliance for Yahoo! Music/ music shopping	
9	e-Shopping! Wine CORP.	—	00/05/26	7.89	0	eS! Wine Web site	Yahoo! Shopping tenant	
10	SOFTBANK IT media Inc.	—	00/08/28	8.33	0	Comprehensive site for IT-related information	Alliance for Yahoo! News	
11	BB Factory Corp.	—	00/11/13	10.00	31	Consigned satellite broadcasting, program production and sales, and commercial production	Alliance for Yahoo! BB	Yes
12	e-Net Japan Co., Ltd.	—	00/12/14	5.20	11	Sales of personal computers, audiovisual and home equipment on the Internet	Yahoo! Shopping/ Auctions tenant	
13	J-Yado Co., Ltd.	—	00/12/22	7.98	0	J-Yado.com hotel reservation Web site		
14	DBJ Co., Ltd.	—	00/12/26	2.27	0	E-commerce and supply of contents related to motorcycles		
15	Power Print Inc.	—	00/12/27	15.00	0	Online order taking, printing, and delivery of various printed materials		
16	Naturum Corp.	—	00/12/29	9.13	0	Sales of fishing and outdoor products on the Internet	Yahoo! Shopping/ Auctions tenant	
17	Archinet, Inc.	—	01/01/19	8.91	13	Consulting on real estate and online sales of gardening equipment	Yahoo! Shopping/ Auctions tenant	
18	Golf Do Co., Ltd.	—	01/01/24	4.90	0	Online shop for used golf equipment		
19	CafeGlobe.com	—	01/01/30	11.18	8	Cafeglobe.com information site for women	Alliance for Yahoo! Gourmet and Yahoo! Beauty	
20	eBANK Corporation	—	01/03/12	1.08	56	Online banking operations	Alliance for Yahoo! BB, Yahoo! Auctions, Yahoo! Research	
21	GameBox, Inc.	—	01/03/16	9.38	5	GAMEBOX game-related Web site		
22	Digipri Corporation	—	01/03/27	0.42	0	Internet storage and output services for digital imaging	Alliance for Yahoo! Photos	
23	Net Protections, Inc.	—	01/04/10	1.86	1	Online commercial settlement service		
24	istyle Inc.	—	01/04/20	5.67	6	@cosme information site for cosmetics and beauty care	Alliance for Yahoo! Beauty	

(As of March 31, 2004)

	Investment targets	Listing	Date of acquisition (See Note 1)	Stake (%)	B/S accounting amount (¥ MM) (See Note 2)	Line of business	Relationship with the Company	Directors on loan
25	CarHoo Inc.	—	01/04/26	11.26	0	Car Hoo driver-support site	Yahoo! Auctions tenant	
26	NETGENE Co., Ltd.	—	04/03/24	17.54	18	Development of application for mobile phones	Technical support for Yahoo! Mobile	
Shares in affiliated companies								
1	Tavigator, Inc.	—	00/03/03	30.00	131	Sales of travel gear on the Internet	Alliance for Yahoo! Travel and Yahoo! Shopping tenant	Yes
2	INTAGE Interactive Inc.	—	02/09/26	49.00	55	Internet-based marketing research services	Alliance for Yahoo! Research	Yes
Investment								
1	SOFTBANK Internet Technology Fund No. 1	—	00/02/21	—	639			

Notes:

1. In principle, the date of acquisition is the date of the first investment made by Yahoo! JAPAN in the company.
2. B/S accounting amounts are shown on a consolidated basis. Because the amounts are shown in millions of yen, figures less than one million yen are shown as "0."

Consolidated Subsidiaries' Data (As of March 31, 2004)

BridalNet, Inc.
Business: Web-based marriage matchmaking service
Founded: Dec. 1998
Headquarters: Minato-ku, Tokyo
Capital Stock: ¥27 million
Yahoo Japan Corporation's Ownership: 100.0%
URL: http://www.bridalnet.co.jp/

broadcast.com japan k.k.
Business: Maintenance of the domain names
Founded: Aug. 2000
Headquarters: Chuo-ku, Tokyo
Capital Stock: ¥10 million
Yahoo Japan Corporation's Ownership: 100.0%

e-Shopping! Books CORP.
Business: Sales of books and provision of services on the Internet
Founded: Aug. 1999
Headquarters: Chuo-ku, Tokyo
Capital Stock: ¥438 million
Yahoo Japan Corporation's Ownership: 51.3%
URL: http://www.esbooks.co.jp/

GeoCities Japan Corporation
Business: Maintenance of the domain names
Founded: Aug. 2000
Headquarters: Minato-ku, Tokyo
Capital Stock: ¥10 million
Yahoo Japan Corporation's Ownership: 100.0%

Indival, Inc.
Business: Web-based recruiting services
Development and operation of support services for job and personnel searches and recruiting activities
Founded: Feb. 2004
Headquarters: Minato-ku, Tokyo
Capital Stock: ¥200 million
Yahoo Japan Corporation's Ownership: 60.0%

Netrust, Ltd.
Business: Online settlement services
Founded: Sept. 2000
Headquarters: Minato-ku, Tokyo
Capital Stock: ¥243 million
Yahoo Japan Corporation's Ownership: 60.0%
URL: http://payment.yahoo.co.jp/

UniCept, Inc.
Business: Consultation for Internet business and planning, development, and operation of various services
Founded: Aug. 2002
Headquarters: Minato-ku, Tokyo
Capital Stock: ¥50 million
Yahoo Japan Corporation's Ownership: 100.0%

VACS Corporation
Business: Development and sales of PC software
Founded: May 1981
Headquarters: Machida-shi, Tokyo
Capital Stock: ¥25 million
Yahoo Japan Corporation's Ownership: 100.0%

Y's Agencies Inc.
Business: Planning and sales of ad products
Founded: Aug. 2001
Headquarters: Minato-ku, Tokyo
Capital Stock: ¥10 million
Yahoo Japan Corporation's Ownership: 100.0%

Y's Insurance Inc.
Business: Life/non-life insurance agency business
Founded: Nov. 2003
Headquarters: Minato-ku, Tokyo
Capital Stock: ¥30 million
Yahoo Japan Corporation's Ownership: 60.0%

Y's Sports Inc.
Business: Collecting sports information and producing articles and content
Founded: Dec. 1996
Headquarters: Minato-ku, Tokyo
Capital Stock: ¥100 million
Yahoo Japan Corporation's Ownership: 100.0%
URL: http://sportsnavi.yahoo.co.jp/

Corporate Data

(As of April 1, 2004)

Company Name
Yahoo Japan Corporation

Founded
January 31, 1996

Capital
¥6,400 million

Businesses
Advertising on the Internet
Broadband-Related Business
Auction Business
Other Businesses

Number of Employees
977

Headquarters
Roppongi Hills Mori Tower,
6-10-1, Roppongi, Minato-ku,
Tokyo 106-6182, Japan

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

English IR page URL
http://docs.yahoo.co.jp/info/investor/en/

Directors and Statutory Auditors

(As of June 17, 2004)

President and CEO
Masahiro Inoue

Chairman of the Board of Directors
Masayoshi Son

Director
Jerry Yang

Director and CFO
Akira Kajikawa

Director
Hiroaki Kitano

Statutory Auditor (Full Time)
Sumio Sue

Statutory Auditors
Toshihiro Kiribuchi
Mitsuo Sano
Yoshie Eda

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