

Results for the Interim Period and the Three Months Ended September 30, 2004 (FY2004-2Q) (Consolidated Basis)

2004.10.20

Company name **Yahoo Japan Corporation** (code number: 4689 TSE 1st Section)
(URL: <http://www.yahoo.co.jp>)

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1. Significant Matters Concerning the Preparation of Quarterly Financial Information

- (1) Use of simplifications in accounting methods: No
 (2) Change in accounting methods in the current fiscal year: No
 (3) Change in scope of consolidation or application of equity method: Yes
 New consolidated subsidiary 0 Subsidiary removed from consolidation 1
 Company newly accounted for by the equity method 1
 Company no longer accounted for by the equity method 0

2. Results for FY2004-2Q (July 1, 2004-Sep. 30, 2004)

(1) Consolidated financial results (Amounts less than one million yen are omitted)

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen (%)	Millions of yen (%)	Millions of yen (%)	Millions of yen (%)
FY2004-2Q	26,476 (50.9)	13,718 (48.7)	13,826 (48.9)	8,641 (46.2)
FY2003-2Q	17,549 (32.2)	9,227 (71.4)	9,285 (76.8)	5,912 (111.1)
FY2003(for reference)	75,776	41,211	41,308	24,826

	Net income per share-primary	Net income per share-diluted
	Yen	Yen
FY2004-2Q	2,195.09	2,188.09
FY2003-2Q	5,890.29	5,882.97
FY2003(for reference)	12,892.72	12,851.03

Notes:1. Average outstanding shares during the periods (Consolidated Basis)

FY2004-2Q: 3,936,860 shares

FY2003-2Q: 1,003,768 shares, FY 2003: 1,915,795 shares

2. Percentage change figures for quarterly net sales, operating income, ordinary income, and net income represent percentage changes from the corresponding period in the previous fiscal year.
 3. There was a change in accounting methods in the fiscal year ended March 2004 (FY2003).

For detailed information regarding consolidated management performance, please see Pages 4~5 and 12~13 of the Attached Materials.

(2) Consolidated financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
FY2004-2Q	100,287	76,328	76.1	2,0229.82
FY2003-2Q	58,311	43,849	75.2	46,530.17
FY2003(for reference)	82,410	59,806	72.6	31,643.23

Note: Number of shares issued and outstanding at the end of each period (Consolidated Basis)

FY2004-2Q: 3,773,073 shares

FY2003-2Q: 942,381 shares FY2003: 1,886,016 shares

* For detailed information regarding changes in financial status, please see Pages 8~9, and 15~16 of the Attached Materials.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the quarter
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2004-2Q	14,818	-4,831	-108	50,730
FY2003-2Q	8,978	-6,151	254	24,291
FY2003 (for reference)	26,147	-10,913	1,194	39,643

3. Business Outlook for FY2004-3Q (Oct. 1, 2004-Dec. 31, 2004)

	Net sales	Ordinary income	Quarterly net income
	Millions of yen	Millions of yen	Millions of yen
FY2004-3Q	27,500~30,000	12,850~15,050	8,000~9,300

Estimated consolidated net income per share for quarter: ¥ 2,075.25 ~ ¥ 2,412.47

(For reference) Non-Consolidated Business Outlook for FY2004-3Q (Oct. 1, 2004-Dec. 31, 2004)

	Net sales	Ordinary income	Quarterly net income
	Millions of yen	Millions of yen	Millions of yen
FY2004-3Q	25,050~27,450	12,900~15,100	8,050~9,350

Estimated non-consolidated net income per share for quarter: ¥ 2,088.22 ~ ¥ 2,425.44

Forward-Looking Information Used in Performance Estimates

Performance estimates have been made based on the information available to the Company and the Group at the current point in time. Consequently, changes in the underlying factors could cause actual results to differ significantly. For details regarding the previously mentioned performance estimates, please see Page X of the Attached Materials.

Quarterly net income per share estimates have been calculated using the average outstanding shares for the interim period ended September 2004 (3,854,965 shares), though the Company will implement stock split on November 19, 2004.

[For reference] Non-Consolidated Results for FY2004-2Q (July.1, 2004-Sep. 30, 2004)

(1) Non-consolidated financial results

(Amounts less than one million yen are omitted)

	Net sales	Operating income	Ordinary income	Quarterly net income
	Millions of yen (%)	Millions of yen (%)	Millions of yen (%)	Millions of yen (%)
FY2004-2Q	24,411 (49.7)	13,657 (48.3)	13,757 (49.4)	8,624 (48.2)
FY2003-2Q	16,310 (31.5)	9,207 (66.4)	9,206 (69.5)	5,820 (96.8)
FY2003(for reference)	70,308	40,939	41,104	24,322

	Net income per share-primary	Net income per share-diluted
	Yen	Yen
FY2004-2Q	2,190.72	2,183.74
FY2003-2Q	5,798.15	5,790.94
FY2003(for reference)	12,629.69	12,588.85

Notes: 1. Average outstanding shares during the periods

FY2004-2Q: 3,936,860 shares

FY2003-2Q: 1,003,768 shares, FY 2003: 1,915,795 shares

2. Percentage change figures for quarterly net sales, operating income, ordinary income, and net income are percentage changes compared with the same quarter in the previous fiscal year.
3. There was a change in accounting methods in the fiscal year ended March 2004.

(2) Non-consolidated financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
FY2004-2Q	98,408	76,518	77.8	20,280.28
FY2003-2Q	57,843	44,446	76.8	47,163.70
FY2003(for reference)	80,905	59,940	74.1	31,714.32

Note: Number of shares issued and outstanding at the end of each period

FY2004-2Q: 3,773,073 shares

FY2003-2Q: 942,381 shares, FY2003: 1,886,016 shares

Attached Materials

Second Quarter Highlights for the fiscal year ending March 2005

- Although site access declined during July and August due to the summer holiday period, page views in August did not drop as much as usual thanks to the effect of the Athens Olympics. Expenses rose during the quarter due to the progress with projects that had been postponed in the last quarter because of the high priority placed on the information security measures. In particular, business commission expenses increased due to system development and the depreciation expenses increased due to purchases of servers and other equipment. Net sales increased by 8.1% from the previous quarter and 50.9% year on year, to ¥26,476 million, and operating income increased by 1.8% from the previous quarter and 48.7% from a year earlier, to ¥13,718 million.
- 2Q includes the so-called summer depression, but branding advertising sales were firm thanks to extraordinary demand from the beverage industry and others driven by the hot weather. Sponsor Site sales also were favorable, helped by the closer cooperation with the vendor achieved following the narrowing down of our search result business tie-ups to just Overture. As a result, advertising sales rose 11.6% from the previous quarter and 71.3% year on year, to ¥8,389 million, hitting a record high.
- On September 1, we introduced the Yahoo! Points system, which encourages people to use more of our services on a continuous basis by awarding points for the use of a variety of Yahoo! JAPAN services. The system aims to have customers enjoy point accumulation, to increase the level of customer satisfaction and to develop a long-term relationship with customers to establish a sustainable and stable profit base.
- The marketing efforts of RECRUIT Co., Ltd., through our tie-up site, Yahoo! Rikunabi, helped related sales record firm growth, contributing to expansion in business services revenues. During the quarter, we also launched Shotworks, a short-term temporary job site formed through a tie-up with RECRUIT, beginning to develop this new market.
- The Listing Business Division achieved growth in advertising and business services sales, accounting for 24.6% of net sales for the quarter. The division's sales and operating income were the highest among the business divisions.
- In the Auction Business Division, transaction volume was low during July and August, partially because of the traditional summer depression. However, it recovered in September, and the transaction volume of the quarter increased by 2.6% from the previous quarter to ¥139.6 billion. Due to trend toward corporate sellers that used to pretend to be individual sellers officially becoming stores, the number of Auction Stores (corporate) totaled 3,022, up 403 stores, or 15.4%, compared with the end of June 2004. Greater B-to-C share in transaction supported an increase in business services revenues. Larger capacity to settle compensation payment and the addition of more servers and other equipment resulted in a decline in operating income compared with the previous quarter. During the quarter we successfully completed setting up an Internet public auction system in cooperation with the Tokyo Metropolitan Government Bureau of Taxation, the first such system in Japan.
- The Shopping Business Division continued its emphasis on soliciting more stores to list on its site. As a result, the number of participating stores at the end of September 2004

reached 2,416 stores, up 377 stores, or 18.5%, from the end of June 2004. Yahoo! Travel's sales during the favorable summer vacation reservation period contributed to growth in quarterly transactions of this business division, which rose to ¥18,108 million from ¥16,379 million in the first quarter. Operating income declined because of higher expenses related to the enlargement of sales and support organizations and outsourcing of some operations in preparation for the addition of more stores on the site and because of growth in sales promotion expenses related to the start up campaign for Yahoo! Points.

- During the second quarter, Yahoo Japan Corporation and nine subsidiaries were certified under the Information Securities Management Systems (ISMS) international standard, BS 7799-2:2002, which was developed by the British Standards Institution, and under the Japanese domestic standard ISMS Certification Standards Version 2.0. The Group will continue to strengthen its information securities management measures using third party monitoring under a global standard.
- As an official partner of the Japanese Olympic Committee and the Japan Paralympic Committee, the Company launched the special sites Athens Olympics Special Feature and Athens Paralympics Special Feature. By helping to share the thrill of these games with the public on the Internet the Company contributed to the development of sports culture in Japan.

Performance Outlook

The business climate surrounding the Company and its Group can fluctuate widely over a short interval. Consequently, it is extremely difficult to make performance estimates for a full fiscal year with a high degree of reliability.

The Company and its Group view the services used by its customers are an important factor in their business development. Specifically, we place great significance on the numbers of page views, which indicate overall access and access per service; unique browsers; and active user IDs, which signify the number of users with Yahoo! JAPAN IDs that log on monthly. In addition, the numbers of Yahoo! Premium IDs, indicating pay service users, and Yahoo! BB subscribers and the commercial transaction volumes of Yahoo! Auctions and Yahoo! Shopping are also considered to be important indicators.

Our estimations of income and expenses are based on the trends in these indicators, but in the rapidly changing environment of the Internet, it is difficult to establish a specific rate of growth or change in these indicators. Accordingly, we limit our performance estimates announced with each quarter report to estimates of performance for the next quarter.

However, changes in conditions could result in the possibility of actual performance varying significantly from announced estimates. In such cases, we are committed to quickly announcing revisions in our estimates.

Consolidated Performance Estimates for the Third Quarter of the Fiscal Year Ending March 2005 (FY2004-3Q):

Net sales	¥27,500	~	¥30,000 Million
Ordinary income	¥12,850	~	¥15,050 Million
Quarterly net income	¥8,000	~	¥9,300 Million

Nonconsolidated Performance Estimates for the Third Quarter of the Fiscal Year Ending March 2005 (FY2004-3Q):

Net sales	¥25,050	~	¥27,450 Million
Ordinary income	¥12,900	~	¥15,100 Million
Quarterly net income	¥8,050	~	¥9,350 Million

1. Consolidated Balance Sheets

(Millions of yen)

	Three months ended Sep. 30, 2004	Three months ended June 30, 2004	Comparison with the previous quarter		Three months ended Sep. 30, 2003
	Amount	Amount	Increase/decrease	Change	Amount
Assets					
Current assets					
Cash and cash equivalents (*1)	50,730	40,251	10,479	26.0%	24,291
Accounts receivable trade (*2)	15,718	14,127	1,590	11.3%	9,576
Inventory	74	44	30	68.0%	33
Accounts receivable other	269	188	80	42.7%	153
Deferred tax assets (*3)	1,345	1,151	193	16.8%	832
Other current assets	1,171	1,844	-673	-36.5%	763
Allowance for doubtful accounts (*4)	-999	-811	-188	23.3%	-372
Total current assets	68,308	56,796	11,511	20.3%	35,277
Fixed assets					
Tangible fixed assets (*5)					
Building and structures	1,486	1,333	152	11.5%	1,239
Machinery and equipment	8,956	7,569	1,386	18.3%	5,901
Land	0	0	-	-	-
Total tangible fixed assets	10,442	8,903	1,539	17.3%	7,140
Intangible fixed assets					
Consolidated accounts	367	428	-61	-14.3%	66
Other intangible fixed assets (*6)	2,425	1,774	651	36.7%	860
Total intangible fixed assets	2,792	2,203	589	26.8%	927
Investment and others					
Investment securities (*7)	10,417	10,689	-271	-2.5%	7,357
Long-term loans (*8)	5,862	5,889	-26	-0.5%	5,966
Others	2,553	1,935	617	31.9%	1,694
Allowance for doubtful accounts	-90	-83	-6	8.0%	-52
Total investments and others	18,743	18,430	313	1.7%	14,965
Total fixed assets	31,978	29,537	2,441	8.3%	23,033
Total assets	100,287	86,333	13,953	16.2%	58,311

(Millions of yen)

	Three months ended Sep. 30, 2004	Three months ended June 30, 2004	Comparison with the previous quarter		Three months ended Sep. 30, 2003
	Amount	Amount	Increase/decrease	Change	Amount
Liabilities					
Current liabilities					
Accounts payable trade	834	604	230	38.1%	515
Short-term loans	204	436	-231	-53.1%	-
Accounts payable other (*9)	7,087	5,236	1,850	35.3%	3,573
Accrued income taxes (*10)	10,663	4,948	5,714	115.5%	6,709
Reserve for point system	20	-	20	-	-
Other current liabilities	2,332	2,296	35	1.6%	1,789
Total current liabilities	21,142	13,523	7,619	56.3%	12,587
Long-term liabilities					
Long-term accrued payables	60	68	-8	-12.3%	32
Long-term deferred taxes (*11)	2,196	3,173	-977	-30.8%	1,728
Reserve for retirement allowances	12	12	0	0.5%	-
Other long-term liabilities	231	231	-	-	-
Total long-term liabilities	2,500	3,486	-985	-28.3%	1,760
Total liabilities	23,643	17,009	6,633	39.0%	14,348
Minority interests in consolidated subsidiaries					
Minority interests in consolidated subsidiaries	315	310	5	1.6%	113
Shareholders' equity					
Common stock (*12)	6,503	6,438	65	1.0%	6,181
Additional paid-in capital	1,584	1,519	65	4.3%	1,262
Retained earnings (*13)	63,892	55,250	8,641	15.6%	32,691
Other securities evaluation adjustment (*14)	4,374	5,827	-1,453	-24.9%	3,733
Treasury stock	-26	-22	-4	19.6%	-20
Total shareholders' equity	76,328	69,013	7,314	10.6%	43,849
Total liabilities, minority interests in consolidated subsidiaries and shareholders' equity	100,287	86,333	13,953	16.2%	58,311

Main Points Regarding Consolidated Balance Sheets

Assets

*1 The increase in cash and cash equivalents compared with the previous quarter and year on year was principally due to earnings growth based on sales activities.

*2 The expansion in accounts receivable—trade from the previous quarter and year on year was primarily due to growth in Sponsor Site sales, etc.

*3 The increase in deferred tax assets compared with the previous quarter and year on year was chiefly due to the payment of enterprise taxes.

- *4 The growth in the allowance for doubtful accounts compared with the previous quarter and year on year can be attributed to the increase in sales receivables for individual and corporate customers, as well as increase in aged sales receivables for individual customers whose estimated loss percentage is high.
- *5 The increase in tangible fixed assets compared with the previous quarter and year on year was mainly due to additional installations, such as servers, etc.
- *6 The expansion in other intangible fixed assets compared with the previous quarter and year on year was primarily due to growth in software.
- *7 Although there was an increase in investment securities due to the IPO of a company invested in by the Company and due to the acquisition of shares of affiliates, overall investment securities declined compared with the end of the previous quarter due to mark-to-market evaluation of marketable securities.
- *8 Long-term loans comprise loans made based on a finance scheme for Yahoo! BB's business.

Liabilities

- *9 The significant growth in accounts payable—other compared with the previous quarter and year on year resulted primarily from the increase in operating expenses and the purchase of servers, etc.
- *10 The substantial increase in accrued income taxes compared with the previous quarter and year on year was mainly due to the booking of income taxes.
- *11 The decrease in long-term deferred taxes compared with the previous quarter was chiefly due to the mark-to-market of investment securities.

Shareholders' Equity

- *12 The increase in common stock compared with the previous quarter and year on year was due to the exercise of stock options.
- *13 The growth in retained earnings compared with the previous quarter and year on year can be attributed to the increase in net income.
- *14 The decrease in the other securities evaluation adjustment compared with the previous quarter was chiefly due to the mark-to-market of investment securities.

2. Consolidated Statements of Income (July 1, 2004-Sep. 30, 2004)

(Millions of yen)

	Three months ended Sep. 30, 2004		Three months ended June 30, 2004	Comparison with the previous quarter		Three months ended Sep. 30, 2003
	Amount	% share		Amount	Increase/ decrease	
Net sales	26,476	100.0%	24,495	1,980	8.1%	17,549
Cost of sales	1,885	7.1%	1,556	328	21.1%	1,257
Gross profit	24,591	92.9%	22,938	1,652	7.2%	16,291
SG&A expenses	10,872	41.1%	9,468	1,403	14.8%	7,064
Personnel expenses (*1)	2,136	8.1%	2,070	66	3.2%	1,628
Business commissions (*2)	1,491	5.6%	1,269	221	17.5%	838
Communication charges (*3)	1,033	3.9%	840	193	23.0%	680
Depreciation expenses (*4)	1,020	3.9%	820	199	24.4%	684
Sales commissions	1,012	3.8%	953	59	6.2%	664
Royalties	682	2.6%	638	43	6.9%	455
Content provider fees (*5)	605	2.3%	526	78	15.0%	451
Lease and utility expenses (*6)	533	2.0%	480	52	11.0%	315
Sales promotion costs (*7)	370	1.4%	436	-65	-15.0%	364
Payment commissions	270	1.0%	245	24	9.9%	122
Compensation payment (*8)	230	0.9%	123	106	86.3%	72
Allowance for doubtful debt accounts (*9)	218	0.8%	104	113	108.0%	81
Advertising costs (*10)	208	0.8%	162	46	28.4%	73
Administrative and maintenance expenses	165	0.6%	155	9	6.2%	106
Packing and transport expenses	163	0.6%	129	34	26.3%	117
Tax and public dues	128	0.5%	114	14	12.6%	64
Others (*11)	600	2.3%	396	204	51.6%	344
Operating income	13,718	51.8%	13,470	248	1.8%	9,227
Non-operating income (expenses)	107	0.4%	46	61	132.9%	58
Ordinary income	13,826	52.2%	13,516	310	2.3%	9,285
Extraordinary gains (losses)	276	1.1%	270	6	2.3%	-31
Quarterly income before income taxes	14,103	53.3%	13,786	316	2.3%	9,254
Income taxes, inhabitants' taxes and enterprise taxes	5,635	21.4%	4,789	845	17.7%	3,201
Adjustment to income taxes	-173	-0.7%	687	-861	-	137
Minority interests in gain (loss) of consolidated subsidiaries	0	0.0%	-1	1	-	2
Quarterly net income	8,641	32.6%	8,311	330	4.0%	5,912

Consolidated Statements of Income (April 1, 2004-Sep. 30, 2004)

(Millions of yen)

	Interim period ended Sep. 30, 2004		Interim period ended Sep. 30, 2003	Comparison with the same period of the last fiscal year	
	Amount	% share	Amount	Increase/ decrease	Change
Net sales	50,972	100.0%	33,114	17,857	53.9%
Cost of sales	3,442	6.8%	2,459	982	39.9%
Gross profit	47,529	93.2%	30,654	16,875	55.0%
SG&A expenses	20,340	39.9%	12,993	7,346	56.5%
Personnel expenses (*1)	4,207	8.3%	3,008	1,199	39.9%
Business commissions (*2)	2,760	5.4%	1,515	1,245	82.2%
Communication charges (*3)	1,873	3.7%	1,320	553	41.9%
Depreciation expenses (*4)	1,840	3.6%	1,263	577	45.7%
Sales commissions	1,966	3.9%	1,329	636	47.9%
Royalties	1,320	2.6%	855	464	54.3%
Content provider fees (*5)	1,131	2.2%	856	274	32.0%
Lease and utility expenses (*6)	1,013	2.0%	574	438	76.4%
Sales promotion costs (*7)	806	1.6%	606	199	33.0%
Payment commissions	515	1.0%	228	287	125.5%
Compensation payment (*8)	354	0.7%	152	201	132.0%
Allowance for doubtful debt accounts (*9)	323	0.6%	81	241	297.7%
Advertising costs (*10)	371	0.7%	156	215	138.0%
Administrative and maintenance expenses	320	0.6%	176	143	81.4%
Packing and transport expenses	293	0.6%	228	64	28.2%
Tax and public dues	243	0.5%	66	176	263.4%
Others (*11)	996	1.9%	570	425	74.6%
Operating income	27,189	53.3%	17,661	9,528	53.9%
Non-operating income (expenses)	154	0.3%	-118	272	-
Ordinary income	27,343	53.6%	17,542	9,800	55.9%
Extraordinary gains (losses)	546	1.1%	-332	879	-
Interim income before income taxes	27,889	54.7%	17,209	10,679	62.1%
Income taxes, inhabitants' taxes and enterprise taxes	10,424	20.4%	6,624	3,800	57.4%
Adjustment to income taxes	513	1.0%	137	376	274.5%
Minority interests in gain (loss) of consolidated subsidiaries	-1	-0.0%	-3	2	-63.1%
Interim net income	16,952	33.3%	10,452	6,500	62.2%

Main Points Regarding Statements of Income

Net Sales

The increase in net sales from the previous quarter and year on year is principally the result of the growth in the advertising and business service sales of the Listing Business Division and the personal and business service sales of Yahoo! BB. Sales of consolidated subsidiaries, on a gross total basis, were ¥2,647 million for the second quarter.

Selling, General and Administrative Expenses

***1 Personnel expenses**

At the end of the second quarter, after eliminating overlap, the total number of directors and employees of the Group amounted to 1,219, up 381, or 45.5%, from the end of the same quarter in the previous fiscal year.

***2 Business commissions**

The main business commissions for the second quarter were expenses for temporary and contracted employees, the settlement operations of personal service sales, and Yahoo! BB's call center.

***3 Communication charges**

Communications charges for second quarter rose compared with the previous quarter and year on year primarily because of expansion of the data center to increase and strengthen computer systems.

***4 Depreciation expenses**

Depreciation expenses increased compared with the previous quarter and year on year due to an increase in servers and other equipment and additional equipment related to expanded office floor space.

***5 Content provider fees**

The expansion in content provider fees in the second quarter compared with the previous quarter and year on year was principally due to an increase in directory search services.

***6 Lease and utility expenses**

The growth in lease and utility expenses in the second quarter compared with the previous quarter and year on year can be attributed to office expansion due to increased personnel.

***7 Sales promotion costs**

Sales promotion costs for the quarter decreased compared with the previous quarter mainly because of a revision of the campaigns and other strategies being used to acquire new Yahoo! BB subscribers.

***8 Compensation payment**

The primary reason for the rise in compensation payment in the second quarter compared with the previous quarter and year on year was the increase of personnel dealing with compensation payment to speed up payment and the expansion of capacity to complete the task.

***9 Allowance for doubtful debt accounts**

The main reason for the increase in the provision to allowance for doubtful debt accounts for the second quarter compared with the previous quarter and year on year was the growth in sales receivables of individual and corporate customers, as well as increase in aged sales receivables for individual customers whose estimated loss percentage is high.

***10 Advertising costs**

Second quarter advertising costs rose compared with the previous quarter and year on year chiefly because of co-sponsorship of the Athens 2004 Olympic Games.

***11 Others**

The increase in others in the second quarter can be primarily attributed to shareholder and investor advertising expenses, purchase of fixtures and fittings, purchase of office supplies, and consolidated accounts amortization expenses.

Non-Operating Income (Expenses)

The main components of non-operating income for the second quarter were interest earned from loan based on finance scheme on Yahoo! BB business and equity in gain of affiliates. The main component of non-operating expenses was loss on disposal of fixed assets.

Extraordinary Gains (Losses)

The major extraordinary gain posted during the second quarter was gain on sale of investment securities.

Income Taxes, etc.

The effective income tax rate for the second quarter was 38.7% after application of the IT investment promotion tax system.

Minority interests in gain (loss) of consolidated subsidiaries

Minority interest loss for the quarter reflects the interest of shareholders other than the Company in the profits and losses of six subsidiaries.

Quarterly Net Income

Net income per share for the second quarter amounted to ¥2,195.09.

3. The Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended Sep. 30, 2004	Interim period ended Sep. 30, 2004
Cash flows from operating activities:		
Quarterly (interim) income before income taxes	14,103	27,889
Depreciation and amortization	1,028	1,862
Amortization of consolidated accounts	56	108
Increase/decrease in allowance for doubtful accounts	195	303
Additions to reserve for point system	20	20
Increase in reserve for retirement allowances	0	0
Loss on disposal of fixed assets	76	170
Loss on evaluation of investment securities	-	0
Gain/ loss on sale of investment securities	-276	-546
Exchange gains/ losses	-0	-0
Equity in gains under the equity method	-21	-25
Proceeds from interest and dividends (*1)	-179	-361
Interest expense	2	4
Increase in inventory	-14	-9
Increase in accounts receivable trade (*2)	-1,561	-2,769
Increase in accounts payable trade	230	188
Decrease in accounts receivable other	11	642
Increase in accounts payable other (*3)	1,320	2,001
Increase/decrease in consumption tax payable	12	-439
Payment of bonuses to directors	-127	-127
Other cash flows	-55	-101
Payment of income taxes and other taxes (*4)	-3	-11,605
Cash flows from operating activities	14,818	17,206
Cash flows from investing activities:		
Expenditures on tangible fixed assets (*5)	-1,832	-3,346
Expenditures on intangible fixed assets (*6)	-681	-951
Expenditures on investment securities (*7)	-2,333	-2,333
Proceeds from sale of investment securities (*8)	330	682
Expenditures on equity funds	-	-12
Proceeds from acquisition of stocks of subsidiaries	-	12
Proceeds from recovery of lending	24	48
Expenditures on increase in guarantee deposit assets (*9)	-485	-495
Proceeds from decrease in guarantee deposit assets	0	24
Proceeds from interest and dividends	152	301
Other cash flows	-6	-6
Cash flows from investing activities	-4,831	-6,076

(Millions of yen)

	Three months ended Sep. 30, 2004	Six months ended Sep. 30, 2004
Cash Flows from financing activities:		
Proceeds from short-term loan	180	580
Redemption of short-term loan (*10)	-400	-800
Proceeds from issuance of shares (*11)	130	206
Expenditures on treasury shares	-4	-5
Interest expenses	-2	-4
Other cash flows	-11	-19
Cash Flows from financing activities	-108	-42
Effect of exchange rate changes on cash and cash equivalents	0	0
Net change in cash and cash equivalents	9,879	11,087
Cash and cash equivalents at the beginning of term	40,851	39,643
Cash and cash equivalents at the end of term	50,730	50,730

Main Points Regarding Statements of Cash Flows

Cash flows from operating activities

*1 Proceeds from interest and dividends

Proceeds mainly comprise interest earned from a loan based on finance scheme for Yahoo! BB business.

*2 Accounts receivable trade

The large increase compared with the same quarter and interim period in the previous fiscal year was mainly attributable to growth in the sales of Sponsor Site, etc.

*3 Accounts payable other

The large increase compared with the same quarter and interim period in the previous fiscal year was mainly attributable to growth in payables.

*4 Payment of income taxes and other taxes

Payment for the first half increased in accordance with the payment made on the tax return submitted for the previous quarter.

Cash flows from investing activities

*5 Expenditures on tangible fixed assets

Expenditures were a result of purchase of servers and other equipment and fixtures.

*6 Expenditures on intangible fixed assets

Expenditures were chiefly for the purchase of software.

*7 Expenditures on investment securities

Expenditures were for purchase of stock of affiliates.

*8 Proceeds from sale of investment securities

Proceeds were from the sale of a portion of marketable securities held.

*9 Expenditures on increase in guarantee deposit assets

Expenditures were principally for payment of guarantee deposits for increased floor space at the head office.

Cash Flows from financing activities

*10 Redemption of short-term loan

Expenditures were from the redemption of short-term loans of subsidiaries.

*11 Proceeds from issuance of shares

Proceeds were from the exercise of stock options.

4 . Segment Information

(1) FY2004-2Q (July 1, 2004-Sep. 30, 2004) (Millions of yen)

	Listing	Auction	Yahoo! BB	Shopping	Media	BS	Corporate Common Business	Total	Elimination or Corporate	Consolidated
Net sales (Contribution)	6,514 (24.6%)	6,114 (23.1%)	4,158 (15.7%)	2,298 (8.7%)	2,223 (8.4%)	398 (1.5%)	4,822 (18.2%)	26,529 -	-52 (-0.2%)	26,476 (100.0%)
Operating expenses	1,536	2,098	1,621	2,162	1,635	405	1,294	10,755	2,001	12,757
Operating income (Contribution)	4,977 (36.3%)	4,015 (29.3%)	2,536 (18.5%)	135 (1.0%)	587 (4.3%)	-7 (-0.1%)	3,527 (25.7%)	15,773 -	-2,054 (-15.0%)	13,718 (100.0%)

FY2004-1Q (Apr.1, 2004-June 30, 2004) (Millions of yen)

	Listing	Auction	Yahoo! BB	Shopping	Media	BS	Corporate Common Business	Total	Elimination or Corporate	Consolidated
Net sales (Contribution)	5,637 (23.0%)	6,085 (24.8%)	3,809 (15.6%)	1,994 (8.2%)	2,053 (8.4%)	351 (1.4%)	4,590 (18.7%)	24,521 -	-26 (-0.1%)	24,495 (100.0%)
Operating expenses	1,332	1,852	1,488	1,716	1,450	374	1,244	9,461	1,563	11,025
Operating income (Contribution)	4,304 (32.0%)	4,232 (31.4%)	2,320 (17.2%)	277 (2.1%)	602 (4.5%)	-23 (-0.2%)	3,346 (24.8%)	15,060 -	-1,590 (-11.8%)	13,470 (100.0%)

FY2003-2Q (July 1, 2003-Sep. 30, 2003) (Millions of yen)

	Listing	Auction	Yahoo! BB	Shopping	Media	BS	Corporate Common Business	Total	Elimination or Corporate	Consolidated
Net sales (Contribution)	3,060 (17.4%)	4,851 (27.6%)	3,118 (17.8%)	1,537 (8.8%)	1,426 (8.1%)	268 (1.5%)	3,304 (18.8%)	17,569 -	-19 (-0.0%)	17,549 (100.0%)
Operating expenses	897	1,159	1,293	1,352	1,087	231	726	6,749	1,572	8,322
Operating income (Contribution)	2,162 (23.4%)	3,691 (40.0%)	1,825 (19.8%)	185 (2.0%)	338 (3.7%)	37 (0.4%)	2,577 (27.9%)	10,819 -	-1,592 (-17.2%)	9,227 (100.0%)

(2) FY2004-Interim period (April 1, 2004-Sep. 30, 2004)

(Millions of yen)

	Auction	Listing	Yahoo! BB	Shopping	Media	BS	Corporate Common Business	Total	Elimination or Corporate	Consolidated
Net sales (Contribution)	12,199 (23.9%)	12,151 (23.8%)	7,967 (15.6%)	4,293 (8.4%)	4,276 (8.4%)	749 (1.5%)	9,412 (18.5%)	51,050 -	-78 (-0.1%)	50,972 (100.0%)
Operating expenses	3,951	2,869	3,110	3,879	3,086	780	2,539	20,216	3,565	23,782
Operating income (Contribution)	8,248 (30.3%)	9,282 (34.1%)	4,857 (17.9%)	413 (1.5%)	1,190 (4.4%)	-31 (-0.1%)	6,873 (25.3%)	30,834 -	-3,644 (-13.4%)	27,189 (100.0%)

FY2003-Interim period (April 1, 2003-Sep. 30, 2003)

(Millions of yen)

	Auction	Listing	Yahoo! BB	Shopping	Media	BS	Corporate Common Business	Total	Elimination or Corporate	Consolidated
Net sales (Contribution)	9,201 (27.8%)	5,516 (16.7%)	5,707 (17.2%)	3,001 (9.1%)	2,776 (8.4%)	517 (1.6%)	6,414 (19.4%)	33,136 -	-21 (-0.2%)	33,114 (100.0%)
Operating expenses	2,131	1,703	2,328	2,650	2,081	435	1,380	12,711	2,742	15,453
Operating income (Contribution)	7,069 (40.0%)	3,812 (21.6%)	3,378 (19.1%)	351 (2.0%)	695 (3.9%)	82 (0.5%)	5,034 (28.5%)	20,425 -	-2,763 (-15.6%)	17,661 (100.0%)

Outline of Business Divisions

Segment	Business Division	Main Services and Associated Subsidiaries
Listing Business	Listing Business Div.	Provides information listing services, such as Yahoo! Rikunabi, and Yahoo! Autos; regional Information services, such as Yahoo! Maps, and Yahoo! Phone Book; and directory search services, such as Category Search. • BridalNet, Inc., • Indival, Inc., others
Auction Business	Auction Business Div.	Operates the auction site. • Netrust, Ltd.
Yahoo! BB Business	Yahoo! BB Business Div.	Offers comprehensive broadband-related services.
Shopping Business	Shopping Business Div.	Operates online shopping site. • e-Shopping! Books CORP.
Media Business	Media Business Div.	Supplies information providing services, such as Yahoo! News and Yahoo! Finance; entertainment services, such as Yahoo! Movies; and community services, such as Yahoo! Message Boards. • Y's Sports Inc., others
Business Solutions(BS) Business	Business Solutions(BS) Business Div.	Provides Yahoo! Research Internet survey services and corporate portal site development services • UniCept, Inc.
Corporate Common Business	(Common sales that cannot be categorized into the business divisions)	Advertising sales for the top page of Yahoo! JAPAN and Yahoo! Premium revenues. • VACS Corporation • NETGENE Co., Ltd., others

5. Operating Review by Business Division

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

The following is an outline of the activities of the six business divisions and Corporate Common Business for the second quarter and interim period. For the statement of income by business division, the net sales have been classified into the following four types of services.

Type of Service	Sales Content
Advertising	<p>Sales of banner, e-mail advertising, and other advertising listed on the sales sheet as well as related sales.</p> <ul style="list-style-type: none"> • Regular banner, text, e-mail, and other advertising. • Results-based advertising, merchant margin, projected advertising production fees, and others. • Paid search services (Sponsor Site)
Business Service	<p>Sales to corporations other than advertising.</p> <ul style="list-style-type: none"> • Yahoo! BB customer acquisition incentive fees • Tenant fees and sales commissions for B to C auction and Yahoo! Shopping. • Research, Business Express, account opening incentive fees, Yahoo! Portal Solutions, and other sales. • Content provider fees for Yahoo! Rikunabi, Yahoo! Autos, Yahoo! Real Estate, and others. • Magazine and book licensing fees, fees for permission to use the Yahoo! name.
Personal Service	<p>Sales from services for individuals.</p> <ul style="list-style-type: none"> • System-use fees for Yahoo! Auctions and others. • Yahoo! Premium revenues. • Yahoo! BB ISP fees and content fees.
Other	<ul style="list-style-type: none"> • Sales of e-Shopping! Books CORP.

Net Sales by Business Division (Second Quarter)

(Millions of yen)

	Advertising	Business Service	Personal Service	Other	Total
Listing	4,532	1,924	57	-	6,514
Auction	248	701	5,164	-	6,114
Yahoo! BB	330	1,529	2,298	-	4,158
Shopping	172	586	-	1,540	2,298
Media	1,876	136	210	-	2,223
BS	18	376	3	-	398
Corporate Common Business	1,210	122	3,488	-	4,822
Elimination or Corporate	-	-52	-	-	-52
Total	8,389	5,324	11,222	1,540	26,476

Net Sales by Business Division (Interim Period)

(Millions of yen)

	Advertising	Business Service	Personal Service	Other	Total
Auction	480	1,320	10,398	-	12,199
Listing	8,401	3,639	110	-	12,151
Yahoo! BB	658	2,891	4,418	-	7,967
Shopping	326	1,183	-	2,782	4,293
Media	3,637	265	372	-	4,276
BS	24	720	3	-	749
Corporate Common Business	2,375	197	6,839	-	9,412
Elimination or Corporate	-	-78	-	-	-78
Total	15,905	10,140	22,143	2,782	50,972

(1) Listing Business Division

1) Major business

This business division provides information listing services, such as Yahoo! Autos, Yahoo! Real Estate, and Yahoo! Rikunabi; regional information services, such as Yahoo! Maps, Yahoo! Phone Book, and Yahoo! Gourmet; and directory search services, such as Category Search. The business division builds revenues by charging fees to the information providers and is developing a paid search business based on Sponsor Site services.

Main Services: Yahoo! Autos, Yahoo! Real Estate, Yahoo! Rikunabi, Yahoo! Education, Yahoo! Wedding, Yahoo! Healthcare, Yahoo! Present, Yahoo! Maps, Yahoo! Transit, Yahoo! Traffic Information, Yahoo! Gourmet, Yahoo! Get Local, Yahoo! Phone Book, Yahoo! Coupons, Category search, Yahoo! Dictionary, Yahoo! Knowledge, Business Express.

2) Activities in the second quarter

During the quarter, we took various steps to improve and expand regional information services. We launched Yahoo! Coupons, a service that lists free coupons that can be used for discounts or perquisites at restaurants, various types of stores, and leisure facilities nationwide. In addition, we introduced Yahoo! Traffic Information, a service enabling users to view traffic jam and speed restrictions on major highways and roads throughout Japan in text or visual format. In information listing services, Indival, Inc., a joint venture with RECRUIT, began Shotworks, Japan's first job matching service to specialize in short-term temporary jobs, as a new category on the menu of Yahoo! Rikunabi. To differentiate our search services from our competitors, we started offering Direct Search, which allows users to directly display information matching key word searches of Yahoo! JAPAN's wide range of services. In our Sponsor Site services, we strengthened our alliance with Overture and targeted sales growth.

Major New Services and Service Upgrades

Date	New Services and Service Upgrades
July 20	• Launched Yahoo! Coupons, a service that lists free coupons that can be used for discounts or perquisites at restaurants, various types of stores, and leisure facilities nationwide.
August 4	• Indival, Inc. began Shotworks, Japan's first job matching service to specialize in short-term temporary jobs.
September 16	• Using information provided by EXPRESS Co., Ltd., began Yahoo! Traffic Information, a service enabling users to view traffic jam and speed restrictions on major highways and roads throughout Japan in text or visual format.

Page Views (Figure in parentheses is change from previous quarter)

Monthly page views in Sep.	3,467.27 million page views (+3.4 %)	14.8 % of total page views
Daily Average page views in Sep.	115.57 million page views (+3.4 %)	

*The above figure includes page views of BridalNet, Inc.

Business Express Orders

July 2004	Aug. 2004	Sep. 2004
2,577 contracts	2,361 contracts	2,417 contracts

3) Income statements for the second quarter and interim period

(Millions of yen)

	Second quarter	Comparison with the previous quarter		Interim period	Comments
		Increase/decrease	Change		
Net sales					<ul style="list-style-type: none"> • Main components of business service sales are business express and information listing fees for Yahoo! Rikunabi, Yahoo! Autos, and Yahoo! Real Estate. • The main component of personal service sales is the sales of BridalNet, Inc., an Internet matchmaking service. • Main items in SG&A are personnel, content provider fees, sales commissions, and royalty expenses.
Advertising	4,532	662	17.1%	8,401	
Business service	1,924	209	12.2%	3,639	
Personal service	57	3	7.4%	110	
Other	-	-	-	-	
Total	6,514	876	15.5%	12,151	
Cost of sales	14	3	31.6%	25	
Gross profit	6,499	873	15.5%	12,126	
SG&A expenses	1,522	200	15.2%	2,843	
Operating income	4,977	672	15.6%	9,282	
Operating margin	76.4%	-	-	76.4%	

(2) Auction Business Division

1) Major Business

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

Main services: Yahoo! Auctions, Yahoo! Delivery, Yahoo! ezPay

2) Activities in the second quarter

During the second quarter, we took further steps to make our services safer and more secure for people to use. Specifically, we began a postal service verification system for users newly listing items on our auction site, surveyed listings and eliminated users listing items that could potentially be fraudulent, and strengthened our efforts to remove illegal and inappropriate items from the site. We formed an agreement with the Japan Magazine Publishers Association to work together on an ongoing basis to prevent the listing of items that infringe on intellectual property rights, such as cooperating in determining a method to guard against the listing of items that infringe on intellectual property rights. We launched a cooperative public auction site for the Tokyo Metropolitan Government Bureau of Taxation in which the winning auction bids were substantially above the estimates. The business service sales increased due to transference of sellers to corporate stores, although they used to participate in the service as individuals, increasing the share of B to C in the total transaction volume. The Auction Business Division's operating income fell compared with the previous quarter due to the expansion of capacity to settle compensation payment, and the addition of servers and other equipment.

Major New Services and Service Upgrades

Date	New Services and Service Upgrades
July 15	• Launched Internet Public Sale (trial service), a cooperative Internet auction site for the Tokyo Metropolitan Government Bureau of Taxation, and began receiving participation applications as of July 15.
July 28	• Added function allowing users to list items on Yahoo! Auctions using their mobile phone, making it possible now to use mobile phones for the entire auction process from item listing to successful bid.
August 31	• Changed the name of Yahoo! Payment, the credit card settlement services for Yahoo! Auctions, to Yahoo! ezPay. Also substantially reduced commission fees.
September 21	• In cooperation with the Japan publishers Association, introduced measures to prevent the listing of items that infringe on intellectual property rights.

Page Views (Figure in parentheses is change from previous quarter)

Monthly page views in Sep.	6,311.58 million page views (+6.5 %)	26.9 % of total page views
Daily Average page views in Sep.	210.38 million page views (+6.5 %)	

Yahoo! Auctions number of total listed items and transaction rate, etc.

	July 2004	Aug. 2004	Sep. 2004
Number of auction unique browsers	Approx. 17.53 million browsers	Approx. 17.72 million browsers	Approx. 18.69 million browsers
Number of total listed items (Monthly average)	Approx. 6.42 million items	Approx. 6.53 million items	Approx. 6.65 million items
Monthly total number of new listings	Approx. 15.62 million items	Approx. 14.98 million items	Approx. 16.25 million items
Daily average number of new listings	Approx. 503 thousand items	Approx. 483 thousand items	Approx. 541 thousand items
Monthly volume of transactions	Approx. ¥46.8 billion	Approx. ¥44.4 billion	Approx. ¥ 48.3 billion
Daily average transaction volume	Approx. ¥ 1,512 million	Approx. ¥ 1,433 million	Approx. ¥ 1,610 million
Average closing price per item	¥5,989	¥5,931	¥6,028
The average ratio of successful auctions per day	41%	39%	41%
Number of stores (As of the end of each month)	2,776 stores	2,899 stores	3,022 stores

Notes: 1. Monthly volume of transactions figures and Daily average transaction volume do not include cancellations or adjustments.

2. The average ratio of successful auctions per day is calculated excluding the ratio for the final days of free listing campaign.

3) Income statements for the second quarter and interim period

(Millions of yen)

	Second quarter	Comparison with the previous quarter		Interim period	Comments
		Increase/decrease	Change		
Net sales					<ul style="list-style-type: none"> • Main components of business service sales are registration fees, tenant fees and transaction fees of stores (merchant stores). • Sales included in personal service are system-use fees of Yahoo! Auctions and others. • Main items in SG&A are communication, business commissions, compensation, and personnel expenses.
Advertising	248	16	7.3%	480	
Business service	701	82	13.3%	1,320	
Personal service	5,164	-69	-1.3%	10,398	
Other	-	-	-	-	
Total	6,114	29	0.5%	12,199	
Cost of sales	4	-0	-16.7%	10	
Gross profit	6,109	30	0.5%	12,189	
SG&A expenses	2,094	247	13.4%	3,940	
Operating income	4,015	-217	-5.1%	8,248	
Operating margin	65.7%	-	-	67.6%	

(3) Yahoo! BB Business Division

1) Major business

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

Main services: Yahoo! BB, Yahoo! Mail, Yahoo! GeoCities, etc.

2) Activities in the second quarter

During the quarter under review, we continued to focus on acquiring new subscribers over the Web. In addition, we improved and expanded our services for members. To acquire new members, we started offering a Yahoo! BB No Telephone Line Subscription Right Necessary service in which we install a dedicated ADSL line so that new subscribers may use any of Yahoo! BB's ADSL and IP Telephone services even if they don't own a NTT telephone line subscription right for a regular telephone. We also ran a Go For It! ¥0 Campaign, which offered new subscribers two months of free service and at home installation support. In another campaign, Let's Connect through Yahoo BB/Athens Olympic Team Support Fair, subscribers could win prizes in a draw after qualifying by answering a quiz supporting the members of the Japanese Olympic Team at the Athens Olympics. Among other activities, to increase the convenience of our services for members, we upgraded our Yahoo! BB 45M service to a Yahoo! BB 50M service at the same price and in an exclusive bonus for members, we increased their mailbox size to 100MB.

Major New Services and Service Upgrades

Date	New Services and Service Upgrades
July 7	<ul style="list-style-type: none">Announced upgrade of Yahoo! BB 45M to Yahoo! BB 50M starting in early August.
July 21	<ul style="list-style-type: none">Launched Yahoo! BB No Telephone Line Subscription Right Necessary service which enables use of Yahoo! BB's ADSL services without a NTT telephone line subscription right for a regular telephone by installing a dedicated ADSL line (metal wire line).
July 21 – August 31	<ul style="list-style-type: none">Ran Let's Connect through Yahoo BB/Athens Olympic Team Support Fair, a campaign in which subscribers could win luxury prizes in a draw after qualifying by answering a quiz supporting the members of the Japanese Olympic Team at the Athens Olympics.
July 28	<ul style="list-style-type: none">Expanded the mailbox size of Yahoo! Mail to 100MB.
September 15	<ul style="list-style-type: none">Began offering free of charge I-appli, Yahoo! Mail appli, which enables smooth access of Yahoo! Mail by mobile phone.
September 30	<ul style="list-style-type: none">Announced the October 1 start of a Yahoo! BB 8M Otoku Line Type service that provides an ADSL service using Japan Telecom's low rate Otoku Line service.

Page Views (Figure in parentheses is change from previous quarter)

Monthly page views in Sep.	2,623.71 million page views (+9.9%)	11.2 % of total page views
Daily Average page views in Sep.	87.45 million page views (+9.9%)	

Total Subscriber Lines for Yahoo! BB Services

End of July 2004	Approximately 4,355 thousand lines (including approximately 1,142 thousand lines marketed by Yahoo! JAPAN)
End of Aug. 2004	Approximately 4,426 thousand lines (including approximately 1,147 thousand lines marketed by Yahoo! JAPAN)
End of Sep. 2004	Approximately 4,490 thousand lines (including approximately 1,152 thousand lines marketed by Yahoo! JAPAN)

Note: Jumper installation completed, excluding service cancellations. Figures include subscribers who only use BB Phone services.

3) Income statements for the second quarter and interim period

(Millions of yen)

	Second quarter	Comparison with the previous quarter		Interim period	Comments
		Increase/decrease	Change		
Net sales					<ul style="list-style-type: none"> Main components of business service sales are the customer acquisition incentive fees of Yahoo! BB. As a result of the revision of the incentive agreement with SOFTBANK BB, the additional incentive fees from the previous quarter were booked in this quarter. Main components of personal service sales are the ISP fees for Yahoo! BB. Main items in SG&A expenses are business commissions, sales promotion, personnel, and depreciation expenses.
Advertising	330	2	0.8%	658	
Business service	1,529	167	12.3%	2,891	
Personal service	2,298	178	8.4%	4,418	
Other	-	-	-	-	
Total	4,158	348	9.1%	7,967	
Cost of sales	238	41	21.2%	435	
Gross profit	3,919	306	8.5%	7,532	
SG&A expenses	1,383	90	7.0%	2,675	
Operating income	2,536	215	9.3%	4,857	
Operating margin	61.0%	-	-	61.0%	

(4) Shopping Business Division

1) Major business

This business division operates with variety of goods, consisted with stores with high brand names and boutiques with a wide assortment of highly individualistic and appealing goods. It also supplies items related to travel, such as domestic and overseas accommodation and airline tickets, and information on travel preparation.

Main Services: Yahoo! Shopping, Yahoo! Books, Yahoo! Computer, Yahoo! Tickets, Yahoo! Travel, Yahoo! Business Travel, eS! Books.

2) Activities in the second quarter

During the period under review, we continued to focus on the drive to recruit new stores for the Yahoo! Shopping site, striving to expand the scope of goods offered and to boost customer satisfaction. Specifically, we abolished the two-tier system for stores and cut monthly system use and royalty fees. We also revamped our participating store plan by subdividing the plan into components for different numbers of products and sales amounts. Based on these actions, we worked to expand the number of stores on the site by soliciting companies that have an interest in e-commerce. As a result, at the end of September, we had a total of 2,416 stores, up 377 stores, or 18.5%, from June 2004. Along with the start of the Yahoo! Points system, we aimed to increase the level of convenience for users and to raise the purchasing and repeater ratios. To improve and expand its services, Yahoo! Travel ran a point back campaign for its Yahoo! Business Travel service and strengthened its directory search function of overseas travel tours.

Major New Services and Service Upgrades

Date	New Services and Service Upgrades
July 1	• Simplified the administration of participating stores and introduced a credit card settlement system to enlarge customer payment options.
August 1	• Revamped services for stores. Revised the participating store plan, cutting monthly system use and royalty fees.
September 1	• Introduced Yahoo! Points, a new service in which users automatically accumulate points for using the different services of Yahoo! Japan. These points can be used to make purchases on Yahoo! Shopping.
September 30	• Launched Yahoo! Tickets, an online ticket sales service based on a tie-up with PIA Corporation.

Page Views (Figure in parentheses is change from previous quarter)

Monthly page views in Sep.	473.41 million page views (+16.1 %)	2.0 % of total page views
Daily Average page views in Sep.	15.78 million page views (+16.1 %)	

Note: Includes the page views of e-Shopping! Books CORP.

Shopping Business Transaction Volume

July 2004	Aug. 2004	Sep. 2004
¥6,180 million	¥5,863 million	¥6,064 million

Note: The figures represent the total transaction volume of Yahoo! Shopping, Yahoo! Travel, and e-Shopping! Books.

3) Income statements for the second quarter and interim period

(Millions of yen)

	Second quarter	Comparison with the previous quarter		Interim period	Comments
		Increase/decrease	Change		
Net sales					<ul style="list-style-type: none"> Main components of business service sales are tenant fees and sales commissions of Yahoo! Shopping and Tavigator, Inc. sales commissions. Although sales of Yahoo! Travel were favorable, Yahoo! Shopping sales declined because of lower transaction volume caused by the summer depression. Main component of others is sales of e-Shopping! Books. Main item in cost of sales is purchasing costs of e-Shopping! Books. Main items in SG&A are personnel, packing and transport, business commissions, and lease and utility expenses.
Advertising	172	17	11.5%	326	
Business service	586	-11	-1.9%	1,183	
Personal service	-	-	-	-	
Other	1,540	297	24.0%	2,782	
Total	2,298	304	15.3%	4,293	
Cost of sales	1,219	252	26.1%	2,186	
Gross profit	1,079	51	5.0%	2,107	
SG&A expenses	943	193	25.8%	1,693	
Operating income	135	-141	-51.1%	413	
Operating margin	5.9%	-	-	9.6%	

(5) Media Business Division

1) Major Business

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

Main Services: Yahoo! News, Yahoo! Finance, Yahoo! Sports, Yahoo! Beauty, Yahoo! Weather, Yahoo! Movies, Yahoo! Music, Yahoo! ChakuMelo, Yahoo! Entertainment, Yahoo! TV Coverage, Yahoo! Fortune Telling, Yahoo! Game, Yahoo! Comics, Yahoo! Streaming,

Yahoo! Member Directory, Yahoo! Message Boards, Yahoo! Chat, Yahoo! Messenger, Yahoo! Avatar, Yahoo! Personals, Yahoo! Greetings, Yahoo! Groups, Yahoo! Deliver.

2) Activities in the second quarter

During the quarter under review, we continued to develop, expand and improve pay and free content to attract users. Our Athens Olympics Special Feature and Athens Paralympic Special Feature, jointly planned by Yahoo! Sports and Sports Navi, drew the attention of users for their detailed information by individual category, flash results and performance reports, comments by competitors, and other features. These Olympic special features also were highly regarded by people in other medias. Yahoo! Chat planned highly popular timely chat events in which users could chat with celebrities from various areas of the sports world. Among pay content, Yahoo! Finance VIP Club and Yahoo! Fortune Telling performed well. In Yahoo! Comics, we formed a business tie-up with Shogakukan Inc., improving and expanding content by adding the Flower Comics, a famous Manga series.

Major New Services and Service Upgrades

Service	Date	New Services and Service Upgrades
Yahoo! Avatar	July 20	<ul style="list-style-type: none"> Began offering the pay service Yahoo! Avatar Mobile on the official iMode site Charaden. The service allows mobile phone users to use a original character (avatar) as their virtual self.
Yahoo! Finance	August 5	<ul style="list-style-type: none"> Based on a tie-up with Gomez Japan K.K., established an Online Securities Company Information site that introduces online securities companies, compares their services, and makes it simple to request related materials.
Yahoo! Sports	August 20	<ul style="list-style-type: none"> Launched Athens Paralympics Special Feature, a general information site for the Athens 2004 Paralympic Games. Started accepting applications for the Yahoo! JAPAN sports support project Let's Enjoy Sports More, in which non-professional sports organizations and teams will receive the equivalent of ¥1 million in sports goods and other gifts.
Yahoo! Comics	August 26	<ul style="list-style-type: none"> Formed a business tie-up with Shogakukan, beginning to offer Kazuko Makino's High Teen Boogie and other titles in the Flower Comics, a famous Manga series.

Page Views (Figure in parentheses is change from previous quarter)

Monthly page views in Sep.	7,297.66 million page views (-0.8 %)	31.2 % of total page views
Daily Average page views in Sep.	243.25 million page views (-0.8 %)	

3) Income statements for the second quarter and interim period

(Millions of yen)

	Second quarter	Comparison with the previous quarter		Interim period	Comments
		Increase/decrease	Change		
Net sales					
Advertising	1,876	114	6.5%	3,637	<ul style="list-style-type: none"> • Main component of business service sales is car insurance package estimate request service sales. • Main component of personal service is sales of fee-based content. • Main items in SG&A are personnel, sales commissions, content provider fees, and communication.
Business service	136	7	5.7%	265	
Personal service	210	48	29.9%	372	
Other	-	-	-	-	
Total	2,223	169	8.3%	4,276	
Cost of sales	83	14	21.8%	152	
Gross profit	2,139	154	7.8%	4,124	
SG&A expenses	1,551	169	12.2%	2,934	
Operating income	587	-14	-2.4%	1,190	
Operating margin	26.4%	-	-	27.8%	

(6) Business Solution (BS) Business Division

1) Major business

This business division utilizes the know-how and technology developed by the Group to offer business solutions to companies and government bodies, including sole proprietors. Specifically, it provides such services as the Internet survey service Yahoo! Research, licenses for Enterprise Information Portal (EIP) solutions, portal site development support for B-to-C (for endusers) businesses or B-to-B (for sales outlets) businesses, Web design consulting, and domain and hosting services, etc.

Main Services: Yahoo! Research, Yahoo! Portal Solutions, Yahoo! Domain, Yahoo! Web Hosting.

2) Activities in the second quarter

To raise awareness of Yahoo! Research, we formed tie-ups with newspapers and magazines during the period under review and used articles with attention grabbing survey results to publicize it. In addition, we took steps to increase our number of research monitors, particularly monitors in their 10's or 50's, categories which have had insufficient numbers up to now. For Yahoo! Portal Solutions, we continued to aggressively make sales proposals for optimum navigation portals to companies and government bodies. During the quarter, we concluded an agreement with Hitachi, Ltd., to develop and sell them a backbone portal solution for corporations. For Yahoo! Domain, we added an email forwarding and other functions, aiming to expand the number of applications as well as sales.

Page Views (Figure in parentheses is change from previous quarter)

Monthly page views in Sep.	2.66 million page views (+3.2 %)	0.01 % of total page views
Daily Average page views in Sep.	80 thousand page views (+3.2%)	

3) Income statements for the second quarter and interim period

(Millions of yen)

	Second quarter	Comparison with the previous quarter		Interim period	Comments
		Increase/decrease	Change		
Net sales					<ul style="list-style-type: none"> • Main components of business service sales are sales of Yahoo! Research and Yahoo! Portal Solutions. • Primary components of cost of sales are costs for Yahoo! Research. • Main items in SG&A are personnel, communication, and business commissions expenses.
Advertising	18	12	211.2%	24	
Business service	376	32	9.4%	720	
Personal service	3	2	208.5%	3	
Other	-	-	-	-	
Total	398	47	13.4%	749	
Cost of sales	261	3	1.4%	519	
Gross profit	136	43	46.8%	229	
SG&A expenses	143	27	23.2%	260	
Operating income	-7	16	-	-31	
Operating margin	-1.9%	-	-	-4.2%	

(7) Corporate Common Business– Elimination or Corporate

Revenues and expenses related advertisements on the top page of Yahoo! JAPAN and sales on Yahoo! Premium relating to other services for the Company are not allocated to the sales or expenses of business divisions, but considered sales and expenses of Corporate Common Business that develop our corporate brand. Sales and expenses from Headquarters are added up to Corporate Common Business.

Main services: Top Page, Yahoo! Kids, My Yahoo!, Yahoo! Calendar, Yahoo! Notepad, Yahoo! Address Book, Yahoo! Photo, Yahoo! Briefcase, Yahoo! Polls, Yahoo! Alert, Yahoo! Toolbar, Yahoo! Newsletter, Yahoo! Mobile, Yahoo! Volunteer, Yahoo! Bookmark, Yahoo! JAPAN Help Center, Yahoo! Internet Certification, Yahoo! Wallet, Yahoo! Premium, Yahoo! Points.

Activities in the second quarter

In the second quarter, Corporate Common Business implemented a Yahoo! Points gift campaign and Let's Cheer the Japanese Team at the Athens Olympics campaign exclusively for Yahoo! Premium members with a view to acquiring more members and improving

services. With Sanrio Co., Ltd., we jointly developed *Chobotto*, an original character aimed at raising Internet literacy among children, and started to develop a market for Yahoo! Kids' first original character.

Number of Premium member IDs

July 2004	Aug. 2004	Sep. 2004
4.27 million IDs	4.36 million IDs	4.47 million IDs

Income statements for the second quarter and interim period

(Millions of yen)

	Second quarter	Comparison with the previous quarter		Interim period	Comments
		Increase/decrease	Change		
Net sales					(Net Sales)
Advertising	1,210	45	3.9%	2,375	<ul style="list-style-type: none"> • Main components of Corporate Common Business sales are advertising sales on top pages, etc. and Yahoo! Premium fees. • Consolidation elimination figures are removed as sales of headquarters.
Business service	70	21	43.5%	118	
Personal service	3,488	138	4.1%	6,839	
Other	-	-	-	-	
Total	4,769	205	4.5%	9,333	
Cost of sales	62	13	26.3%	112	(SG&A Expenses)
Gross profit	4,706	192	4.3%	9,221	<ul style="list-style-type: none"> • Main components of Corporate Common Business SG&A are personnel, sales commissions expenses and business commission expenses. • Main items in Headquarters SG&A are depreciation, personnel, and business commission expenses. Advertising costs increased due to support of the Olympics, etc.
SG&A expenses	3,233	475	17.2%	5,992	
Operating income	1,472	-283	-16.1%	3,228	
Operating margin	30.9%	-	-	34.6%	

Advertising

(Advertising Related Sales)

The following is an outline of our advertising business in the quarter and interim period under review based on combining as advertising sales the banner, email, and other advertising sales of each business division, and related advertising. A summary of the sales activities for the quarter and interim period under review follows.

Activities in the second quarter

During the quarter under review, the advertising market in Japan suffered a case of summer depression traditionally seen in sales, but overall sales were favorable thanks to extraordinary demand from beverage industries etc. due to the hot summer and advertising related to the Athens Olympics. National clients are steadily using more Internet advertising, and there are now many cases where it is used in new product advertising campaigns. To take advantage of this situation, the Group strengthened its cooperative sales organization with advertising agencies, targeting winning advertising from National Clients. In particular, the Group aggressively marketed products with broad reach and high impact, such as Brand Panels for top pages, Super Banners, Large Rectangle, and Large Square. During the quarter, we also developed a large-sized advertising product that achieves movement like video using the large volume distribution V Banner and Flash, marketing the product to National clients wanting to achieve branding on the Internet. Based on these market efforts, we received major advertising orders from the automobile, digital consumer electronics, and beverage industries as well as advertising from the food products, daily-use products, and other industries that have not advertised much on the Internet in the past. Sales of Sponsor Sites recovered to higher growth levels because the narrowing down of our search result business tie-up to just Overture allowed us to establish a closer cooperative organization. Based on our sales efforts, quarterly advertising business sales rose to ¥8.3 billion, posting another record high. The second quarter and interim period advertising related sales were as follows.

(Second Quarter)

(Millions of yen)

	Amount	Comparison with the previous quarter		Comparison with the same quarter in previous fiscal year	
		Increase/decrease	Change	Increase/decrease	Change
Advertising related sales (Consolidated basis)	8,389	872	11.6%	3,492	71.3%

(Interim Period)

(Millions of yen)

	Amount	Comparison with the same period in previous fiscal year	
		Increase/decrease	Change
Advertising related sales (Consolidated basis)	15,905	6,577	70.5%

Advertising Products

During the second quarter, sales of high impact products continued to be strong. In particular, sales of Brand Panel, which usually experiences sales declines in August, remained strong throughout the period. The use of double-sized Brand Panels has become notable among advertisers, and along with other factors helped push their sales to a new record high. Sales of Super Banners, Skyscrapers, Large Squares, and other large-sized products also exceeded those of the previous quarter.

One of the features of the second quarter was increased number of advertisements that recognized the Internet as a branding media. Increasingly advertisers are using content to build high impact advertising campaigns around. In collaboration with Nissan Motor Co., Ltd., we developed an advertising program around the Web drama DUAL FEEL, running promotions to heighten awareness of Nissan's new car models. Beverage makers used sports-related content to arrange their advertising around in the Athens Olympics Special Feature and cosmetic and toiletry makers used our child rearing special features as the basis for their advertising.

For the second quarter, rates for high-volume branding-type banner ads ranged from ¥0.15 to ¥1.00 per page view, rates for targeting-type banner ads varied from ¥1.20 to ¥12.00 per page view, and rates for the large-sized Super Banners varied from ¥0.60 to ¥4.00 per page view. Rates for the group-specific e-mail advertising Yahoo! Deliver were ¥4.00 to ¥10.00 per mailing. Rates for Yahoo! Billboard for National Clients varied from ¥5.00 million to ¥9.00 million, depending on the number of browsers targeted to be reached and the length of the advertising period.

(Reference)

1. Environmental Protection Activities

As a company in the service industry, we do not have any operations that produce large volume of industrial waste. However, we take environmental protection very seriously, and are contributing in terms of conserving natural resources. To reduce the burden on the environment, we are undertaking the following recycling activities for natural resources. To promote the use of recycled paper, we collect and recycle all used documents within our offices. These efforts during the second quarter reduced carbon dioxide emissions by 6,854 kg and saved the equivalent of 180 trees from being logged. We intend to remain actively involved in tackling the issue of environmental protection.

- Eco Mark (envelopes, paper shopping bags, etc.)
- Recycling resources (use of paper recycle box, distribution of eco paper plates to Eco League participating universities for campus festivals)

2. Charity Activities

As part of our social contribution efforts, we regularly host charity auctions through Yahoo! Auctions and donate all the funds raised. Among our charity auctions of goods donated by celebrities in the second quarter, we auctioned a baseball bat autographed by Atsuya Furuta of the Yakult Swallows professional baseball team along with a Polaroid snapshot, a pin and badge set autographed by the Olympic gold medallist Kouji Murofushi, and a guitar used in the original Web drama DUAL FEEL. In total, we held 306 charity auctions during the second quarter, raising a total of approximately ¥17.51 million. All of the funds raised for such charities are being donated to the following charities (not listed in any special order).

- Green Cross Japan, the Japan chapter of the global environmental protection body Green Cross International.
- Make a Wish of Japan, a volunteer organization that makes the dreams of children with serious illnesses come true.
- The Japanese Olympic Committee (JOC), which sends athletes to the Olympic Games and equivalent international competitions and operates events and services for the promotion of the Olympic Movement.
- Asian Children Orphaned by Traffic Accidents Support Association, an NPO that supports Asian children who have lost their parents in traffic accidents.
- d-net, an NPO that carries out a variety of activities to improve the environment including the “Green Funds” environmental conservation movement.

3. Acquired ISMS Certification

Ten companies, including the Company and nine subsidiaries, have acquired Information Securities Management Systems (ISMS) certification, which was developed by the British Standards Institution, for all their business. The Group has been certified under the BS 7799-2:2002 international standard and the Japanese domestic standard ISMS Certification Standards Version 2.0. Based on this certification, we intend to continue to strengthen our

information securities management measures using third party monitoring under a global standard.

Taking into consideration both technical security methods and overall organization management, this certification system focuses on establishing and maintaining an information security management system as well as continuously improving it. Following certification, continuous inspections are made regarding maintenance and upgrading of the system, and the site receives regularly scheduled checks from a third-party perspective.

In future, in operating its services and adding new services, the Group intends to pay maximum attention to protecting the privacy of users to enable them to use the Internet with confidence and enjoy our convenient and safe and secure services.

4. Volunteer Activities

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

During the quarter under review, as an official partner of the Japanese Olympic Committee and the Japan Paralympic Committee, we launched the special sites Athens Olympics Special Feature and Athens Paralympics Special Feature. By helping to share the thrill of these games with the public, the Company contributed to the development of sports culture in Japan. Among other activities, we ran a large-scale campaign over the Internet for the Pink Ribbon Campaign, which seeks to educate women about the importance of early discovery and treatment of breast cancer.

Risk Factors

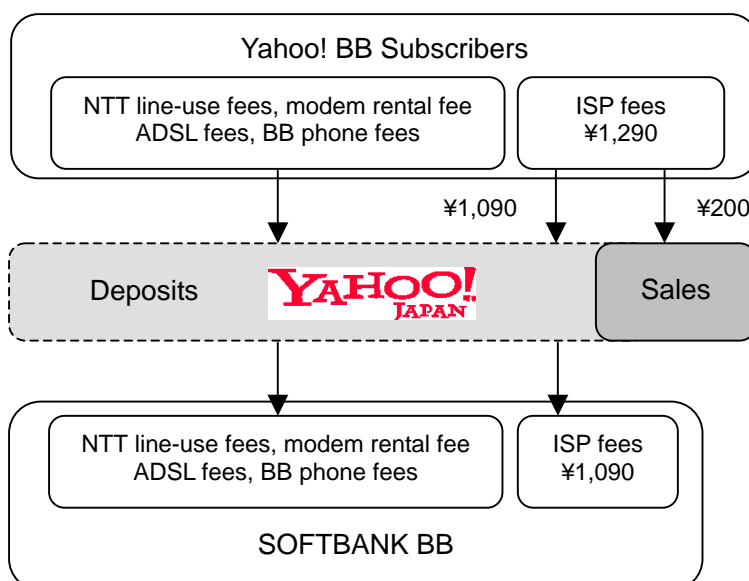
Yahoo Japan Corporation and its consolidated subsidiaries and affiliates (the “Group”) have reported their results for the interim period and the second quarter ended September 30 2004, in the document *Results for the Interim Period and the Three Months Ended September 30, 2004*. A number of potential 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.



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

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 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 September 30, 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. Specifically, the Intellectual Property Promotion Plan announced on May 27, 2004 by the government's Intellectual Property Strategy Headquarters (Chairman: Junichiro Koizumi, Prime Minister) includes measures for dealing with improper items listed on Internet auctions. Therefore, there is a possibility that new legal regulations will be determined during the period through 2005.

The Group has taken multiple measures to improve the security of its systems for the purpose of achieving a safer and sounder auction site. In September 2000, the Group began an escrow service (see note below) for its online auctions. In May 2001 the Group introduced a fee-based personal identification system. In July 2004, the Group initiated a system that verifies by mail the postal address of users posting items on the auction site. 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! ezPay Service

Yahoo! ezPay (see note below) 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 as well as the leakage of personal information of individuals online as outlined in 5. Information Security Management below. 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.

Note: Yahoo! Payment was renamed Yahoo! ezPay as of August 31, 2004.

d. The Competitive Environment

As of September 30, 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 advertising medium on a par with traditional media, such as newspapers, magazines, radio or television.

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

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 September 30, 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 Overture. 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 September 30, 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, Internet culture, e-commerce, e-finance, media and marketing, broadcasting media, and technology 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 15.7% of Group sales in the second quarter of the fiscal year ending March 31, 2005. 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, 2004 (original contract signed on April 1, 2002)
Contract term: One year from April 1, 2004
Contracted party: SOFTBANK BB Corp.
Incentive fees
* Lump-sum incentive fees (100% upon verification of operational subscriber lines)
BB Phone services: approx. ¥7,000 per application
Yahoo! BB services: approx. ¥15,000 per application
Yahoo! BB services + LAN Pack: approx. ¥20,000 per application
* Continual incentive fees
BB Phone services: approx. ¥150 per month per continuing subscriber
Yahoo! BB services: approx. ¥200 per month per continuing subscriber
Yahoo! BB services + LAN Pack: approx. ¥250 per month continuing subscriber

Notes: 1. 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.

2. The details of the incentive agreement were changed to those shown above as of April 1, 2004.

(3) Joint Directorships

As of September 30, 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 September 30, 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 <i>Note:</i> 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.
<p>1) Licensing rights granted by Yahoo! Inc. to the Company:</p> <ul style="list-style-type: none"> * Non-exclusive rights granted to the Company for reproduction and use of Yahoo! Inc.’s Internet directory search and other services customized and localized for the Japanese market (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 <p>2) Non-exclusive licensing rights granted (gratis) to Yahoo! Inc. worldwide for use of Japanese content added by the Company</p> <p>3) Royalties to be paid by the Company to Yahoo! Inc. (see Note)</p> <p><i>Note:</i> 3% of gross profit after deducting sales commissions, paid quarterly</p>

(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 almost 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.

The Group has taken steps to ensure that it can respond quickly and appropriately groupwide in the event that such incidents occur. However, it is possible for an incident to occur for reasons unforeseen or for some other reason after which it would be difficult to carry on normal operations or recover fully. Such an incident could impact negatively on the business, performance, and brand image of the Group.

5. Information Security Management

(1) Group Efforts to Achieve Information Security

Due to the rapid growth of the Internet, we have become a society where a variety of information spreads quite easily. While the development of this technology has broadened the horizons of Internet users and boosted convenience, the flip side of the coin is that it has turned the importance of the security of personal and other information into a major society issue. As providers of a range of services over the Internet, the Group needs to address this issue extremely carefully.

Based on this understanding, the Group has proactively taken steps to deal with information security. In 2001, the Group appointed a Chief Security Officer (CSO), and implemented groupwide information security efforts based on this position. To protect personal information, the addresses and other information of our customers are encrypted with SSL (Security Sockets Layer) and access to stored data is thoroughly restricted. Moreover, in April 2002, the Company obtained the right to use the TRUSTe mark (see Note 1) of the non-profit privacy protection licensing institution TRUSTe. In September 2003, the Group established the Information Security Council to promote information security management, and concurrently the President of the Company himself announced our Information Security Declaration (see Note 2), setting out the Group's overall information security efforts. In February 2004, to further reinforce our information management organization, the Company established an Information Management Measures Headquarters headed up by the President. The headquarters has been given a broad scope of authority to allow it to rapidly and effectively initiate measures companywide to protect personal and other important business information. Specifically, the headquarters regularly holds one meeting a week, checks the current status of information management operations, considers various measures to improve the management system, and confirms and monitors the progress of measures to improve information management. As part of a series of new security measures, the ten companies in the Group, including the company and nine subsidiaries, acquired Information Securities Management Systems (ISMS) certification, which was developed by the British Standards Institution, for all their business. These companies have been certified under the BS 7799-2:2002 international standard and the Japanese domestic standard ISMS Certification Standards Version 2.0 (see Note 3). The Group has used these third party certification systems to implement a third party check of its operations using a global standard in order to continue to strengthen its information security measures and fulfill its social responsibility regarding this issue.

Nevertheless, these actions do not guarantee that the Group's information security systems are perfect. If, under some circumstance, problems, such as an information leak, were to occur, they might not only impact negatively on performance, but could also result in a loss of the public's confidence in the Group.

Notes:

1. TRUSTe Certification Institution and TRUSTe mark

TRUSTe is an independent, non-profit institution established in 1997 in the United States. The institution issues the TRUSTe mark to web sites based on an examination of their personal information protection systems, guaranteeing that the site is being monitored on this issue by a third party. As of April 2001, a TRUSTe Certification Institution was established within the Japan Engineers Federation, a non-profit organization in recognition of the spreading use the TRUSTe mark in Japan. The TRUSTe mark indicates that the Group conforms with the privacy protection policies of TRUSTe and meets the license contract standards. The mark can only be used on sites that are being monitored and guided by TRUSTe and that agree with and follow the guidelines of TRUSTe for the processing of consumer complaints.

2. Information Security Declaration

The Company declares its commitment to the following policy regarding information security management for society as whole.

The customer and other information held by Yahoo Japan Corporation and its subsidiaries and affiliates, hereinafter referred to as the "Group," is our most important asset. Protecting this information is extremely important not only for our sake, but also for the sake of our customers, vendors, and business partners.

For that reason, we have positioned our information systems, such as the computers that hold the information and our networks, as information assets. We have established information security rules to protect and manage these assets, and our protection and management measures for these information assets are carried out in the form of information security regulations.

The people using or having access to these information assets, such as employees of the parent company and subsidiaries, are fully aware of the importance of information security to protect our assets, the confidence of our customers and vendors, and our brand image. Consequently, they comply with our information security regulations and treat our information assets with great care.

3. BS 7799-2:2002 and ISMS Certification Standards Ver. 2.0

Taking into consideration both technical security methods and overall organization management, this certification system focuses on establishing and maintaining an information security management system as well as continuously improving it. Following certification, continuous inspections are made regarding maintenance and upgrading of the system, and the site receives regularly scheduled checks from a third-party perspective. Specifically, the PDCA cycle of Plan (establish detailed plans and goals for information security measures), Do (initiate and carry out measures based on plans), Check (check and monitor results), and Act (management team revises, improves, and processes) is continuously repeated with the goal of improving information security levels.

(2) Personal 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. At the same time, the Group also posts particularly bad cases of fraudulent use of personal information on its Yahoo! JAPAN web site to warn users. 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 system or pretend to be someone else or use some other method such as Phishing fraud (see note below) 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 for April 2005. 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 the new laws, the discussion on revision of the Ministry of Public Management, Home Affairs and Posts and Telecommunications' "Guidelines on the Protection of Personal Data in Telecommunications Business," has been shifted in the direction of clarifying the procedures that should be undertaken by companies in telecommunications to protect personal data. The revised guidelines are scheduled to come into force from April 2005 along with the new laws. No major changes are expected in the guidelines, however, and the enforcement of the revised version should have almost no impact on the Group.

Note: Phishing fraud

This type of fraud involves getting personal information by sending email pretending to be a financial institution or a company that tricks people into accessing a fraudulent website where they are asked to input such personal information as credit card numbers, login IDs and passwords or other sensitive information. Damages from money theft using this system are mounting in Europe and the United States, and such cases have become common in Japan as well recently. The National Police Agency has posted warnings about phishing fraud on its web site.

(3) Network Security

Although the Group has established appropriate security systems to ensure the security of its external and internal computer networks, 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.

6. 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 performance.

(2) Keeping Up with Technology

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

Responding to these conditions and sustaining a strong competitive position requires close cooperation with Yahoo! Inc., which operates almost identical services in the United States. With this, the Group is constantly developing new technology to improve its services. 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) 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 has seen and expects to continue to see 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.

(5) 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! ezPay 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.

(6) Continued Support from Senior Management, Etc.

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

In addition, some senior managers participate in one of the 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.

(7) 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 such measures as stricter controls and operation standards for behavioral norms so that such problems do not occur due to improper conduct by internal staff. Nevertheless, there remains the possibility of similar problems occurring in the future in terms of business management and control.

(8) 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.

(9) Share Distribution

At September 30, 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.

(10) 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.

(11) 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 intermediaries. 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, Copyrights, and other Intellectual Assets of Third Parties

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.

The Group has implemented internal regulations and training programs to prevent infringement on the intellectual assets, such as copyrights or other rights, of third parties in the services the Group offers or the software used in its businesses. In the final analysis, however, it is impossible to say that such a problem could not occur. In such a case, the Group may be sued for compensation, required to pay substantial royalty fees or have to cease providing certain services.

(12) 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.

(13) 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.

7. Risks Concerning Investment, Loan and Capital Investment Programs

(1) Investment

As of September 30, 2004 the Group has invested in 29 companies and cooperatives including the main companies 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 September 30, 2004, 5 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.

Main Companies Invested by Yahoo Japan Corporation

(As of Sep. 30, 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	Internet Research Institute, Inc.	TSE Mothers	98/08/01	10.17	4,752	Internet technical-support service		
2	Vector Inc.	OSE Hercules	99/03/26	10.72	1,946	Sales of download licenses for personal computer software	Alliance for Yahoo! Computers	Yes
3	e-Net Japan Co., Ltd.	OSE Hercules	00/12/16	4.78	561	Sales of personal computers, audiovisual and home equipment on the Internet	Yahoo! Shopping/Auctions tenant	
4	Weathernews Inc.	TSE 1st Section	99/06/01	3.80	389	Weather observation, data collection and analysis, weather forecast, and related information services		
5	Oricon Inc.	OSE Hercules	00/03/30	1.52	65	Construction and supply of music-related databases	Alliance for Yahoo! Music/music shopping	
6	CyberMap Japan Corp.		98/04/01	8.33	50	Internet-based map information service ("Mapion")	Alliance for Yahoo! Maps	Yes
7	Carview Corp.		99/10/05	6.54	38	Offering car-related information, quotes and dealer introductions	Alliance for Yahoo! Autos	
8	BB Factory Corp.		00/11/16	10.00	31	Consigned satellite broadcasting, program production and sales, and commercial production	Alliance for Yahoo! BB	Yes
9	Archinet, Inc.		01/01/23	8.91	12	Consulting on real estate and online sales of gardening equipment	Yahoo! Shopping/Auctions tenant	
10	Cafeglobe.com Inc.		01/02/01	11.18	7	Operation of cafeglobe.com, an information site for women	Alliance for Yahoo! Gourmet/Beauty	
11	Total of 14 other companies				13			
Shares in affiliated companies								
1	All About, Inc.		04/09/08	41.34	2,333	General information site based on expert guides, Internet advertising	Comprehensive alliance to solicit customers for both sites	Yes
2	Tavigator, Inc.		00/03/07	30.00	130	Sales of travel gear on the Internet	Alliance for Yahoo! Travel and Yahoo! Shopping tenant	Yes
3	INTAGE Interactive Inc.		02/10/01	49.00	75	Internet-based marketing research services	Alliance for Yahoo! Research	Yes

Investments								
1	SOFTBANK Internet Technology Fund No. 1		00/02/21		778			
2	Other investments				12			

- Notes:
- In principle, the date of acquisition is the day that the Company became a shareholder.
 - B/S accounting amounts are shown on a consolidated basis in units of millions of yen. As reference, the main subsidiaries' non-consolidated B/S accounting amounts are shown in the following table.
 - In addition to the above companies, the Company is scheduled to make YUMEnoMACHI souzouinkai Inc. an affiliate, beginning to account for the company on an equity basis as of October 20, 2004.

Company	B/S accounting amount (¥ MM)	Line of business
e-Shopping! Books CORP.	350	Sales of books and provision of services on the Internet
VACS Corporation	240	Development and sales of PC software
BridalNet, Inc.	229	Web-based marriage matchmaking service
NETGENE Co., Ltd.	168	Development of applications for mobile devices
Netrust, Ltd	120	On-line settlement services
Indival, Inc.	120	Web-based recruiting services.
UniCept, Inc.	50	Consulting for Internet business and a range of planning, development, and operation services
Y's Insurance Inc.	30	Life/non-life insurance agency business
GeoCities Japan Corp.	10	Maintaining domain names
broadcast.com japan k.k.	10	Maintaining domain names
Y's Agencies Inc.	10	Planning and sales of ad products
Y's Sports Inc.	0	Collecting sports information and producing articles and content
BridalConcierge Corp.	0	Currently, not in actual operation.
egg-i.inc.		Wholly owned subsidiary of NETGENE Co., Ltd. Currently, not in actual operation.