



# Yahoo Japan Corporation

## FY 2005-3Q Results

(For the quarter ended Dec. 31, 2005)

Jan. 23, 2006



**Statements made at the meeting or included in the documents that are not historical facts are forward-looking statements about the future performance of Yahoo Japan Corporation and its consolidated subsidiaries and affiliates.**

**Yahoo Japan Corporation cautions you that a number of important factors could cause actual results to differ materially from those discussed in the forward-looking statements. Such factors include, but are not limited to, the items mentioned in the Risk Factors in “Results for the Three Months Ended December 31, 2005”.**

**The Company changed its accounting methods from FY2003. Figures before FY2002 in this document are retroactively adjusted using the new accounting methods introduced from FY2003.**



# FY2005 3Q Highlights (1)

Yahoo Japan Corporation and its consolidated subsidiaries and affiliates (the “Group”) continued to advance performance during the third quarter. Net sales rose to ¥46,621 million, up 13.3% from the second quarter and 50.6% year on year. Ordinary income increased 10.9% from the previous quarter and 32.9% year on year, to ¥20,562 million. Growth in advertising sales of Media and Listing Business, business services sales of BS and Auction Business, and personal services sales of Auction Business contributed to overall sales expansion.

In advertising sales, with demand for Internet advertising rising among industries, National Clients continued to run Internet advertising campaigns as a way of awareness promotion when new products or services were introduced. As a result, branding advertising sales rose substantially during the quarter and advertising sales for the period performed well, rising 15.4% from the second quarter and 71.5% year on year, to ¥18,097 million.

In business services other than advertising, the number of merchant stores registered on Yahoo! Auctions at the end of December 2005 rose significantly to 5,911, jumping 32.6% from the end of the previous quarter and 78.5% year on year. Consequently, the transaction volume of B-to-C sales increased. In addition, the number of stores listed on Yahoo! Shopping at the end of December 2005 greatly expanded to 7,760, increasing 10.8% from the end of the previous quarter and 110.5% year on year—also leading to good growth in transaction volume. Furthermore, INFO PLANT CO., LTD. was newly consolidated in BS Business. As a result, business services sales climbed 15.7% from the previous quarter and 61.7% year on year, to ¥9,467 million.

Note: Previously, stores were included in the number of stores when they opened on the site. From this quarter, however, stores are being included in the count at the point when the tenant fee is first charged to the store.



## FY2005 3Q Highlights (2)

In the Group's personal services business, the year-end sales season and severe cold weather led to an increase in transactions of fashion and winter items. As a result, system-use revenues for Yahoo! Auctions grew favorably. The number of Yahoo! Premium members also increased steadily and personal services sales advanced to ¥15,735 million, increasing 8.3% from the previous quarter and 23.6% year on year.

Commerce transaction volume, which comprises the transaction volumes of Yahoo! Auctions, Yahoo! Shopping, Yahoo! Travel, SevenAndY, and Yahoo! Tickets, totaled ¥762.8 billion for the period from January to December 2005, a 17.8% rise year on year. At the end of December 2005, the total number of stores registered on Yahoo! Auctions and Yahoo! Shopping amounted to 13,671 stores, a substantial jump of 95.3% compared with the end of the same period in the previous fiscal year. Mobile phone transactions also increased. In the quarter, mobile phone transaction volumes on Yahoo! Auctions and Yahoo! Shopping totaled ¥18.8 billion, representing 8.8% of overall commerce transaction volume.

The operations of TV Bank Corporation, a joint venture with SOFTBANK CORP., got under way during the quarter. To strengthen our streaming content operations, the company is procuring streaming content, developing and operating streaming content distribution and search systems, and creating and operating service Web site pages. In line with this move, in our Media Business, the Yahoo! Streaming site underwent a renewal transforming it into a streaming content portal site. We significantly increased free content on Yahoo! Streaming in addition to pay content, and aim to establish a business model of earning revenue from advertisers by inserting moving image advertisement into free content.

# FY2005-3Q Financial Results

## (Consolidated)

### Consolidated subsidiaries at the end of FY2005-3Q

- ◆ ALPS MAPPING K.K.
- ◆ BridalNet, Inc.
- ◆ CURIOCITY CORP.
- ◆ Firstserver, Inc.
- ◆ Indival, Inc.
- ◆ INFO PLANT CHINA CO., LTD. **NEW!**
- ◆ NETGENE SOLUTIONS CO., LTD.
- ◆ Seven and Y Corp.
- ◆ Tricle Inc.
- ◆ VACS Corporation
- ◆ Y's Insurance Inc.
- ◆ BridalConcierge Corp.
- ◆ broadcast.com japan k.k.
- ◆ eS!Books Research CORP.
- ◆ GeoCities Japan Corporation
- ◆ INFO PLANT CO., LTD. **NEW!**
- ◆ NETGENE Co., Ltd.
- ◆ Netrust, Ltd.
- ◆ Surfmonkey Asia Inc.
- ◆ UniCept, Inc.
- ◆ Y's Agencies Inc.
- ◆ Y's Sports Inc.

### Affiliated companies (equity method) at the end of FY2005-3Q

- ◆ All About, Inc.
- ◆ FashionWalker, Inc.
- ◆ JWord Inc.
- ◆ TV Bank Corporation **NEW!**
- ◆ YUME NO MACHI SOUZOUINKAI CO., LTD.
- ◆ CREO. CO., LTD.
- ◆ INTAGE Interactive Inc.
- ◆ Tavigator, Inc.
- ◆ ValueCommerce Co., Ltd.



# FY2005-3Q Statements of Income

	FY2005-3Q (Oct. - Dec. 2005)	FY2004-3Q (Oct. - Dec. 2004)	Changes
Net Sales (¥M)	46,621	30,965	51 %
Cost of Sales (¥M)	4,251	2,233	90 %
Gross Profit (¥M)	42,370	28,732	47 %
Operating Income (¥M)	21,123	15,458	37 %
Ordinary Income (¥M)	20,562	15,466	33 %
Quarterly Net Income (¥M)	12,646	9,252	37 %
EPS (¥)	418	1,225	-66 %
Number of Shares Outstanding (Average of Period)	30,210,539	7,546,747	300 %
EPS After Retroactive Adjustments (¥)*	418	306	37 %
Fully Diluted EPS (¥)	417	1,222	-66 %
Number of Shares Assuming Full Dilution	30,292,054	7,570,990	300 %
Fully Diluted EPS After Retroactive Adjustments (¥)*	417	305	37 %

In May 2005 and November 2005, there were 1:2 share splits.

(\*) The retroactive adjusted figures of EPS are adjusted for share splits.

Number of Shares Outstanding and Number of Shares Assuming Full Dilution are excluding treasury stocks.



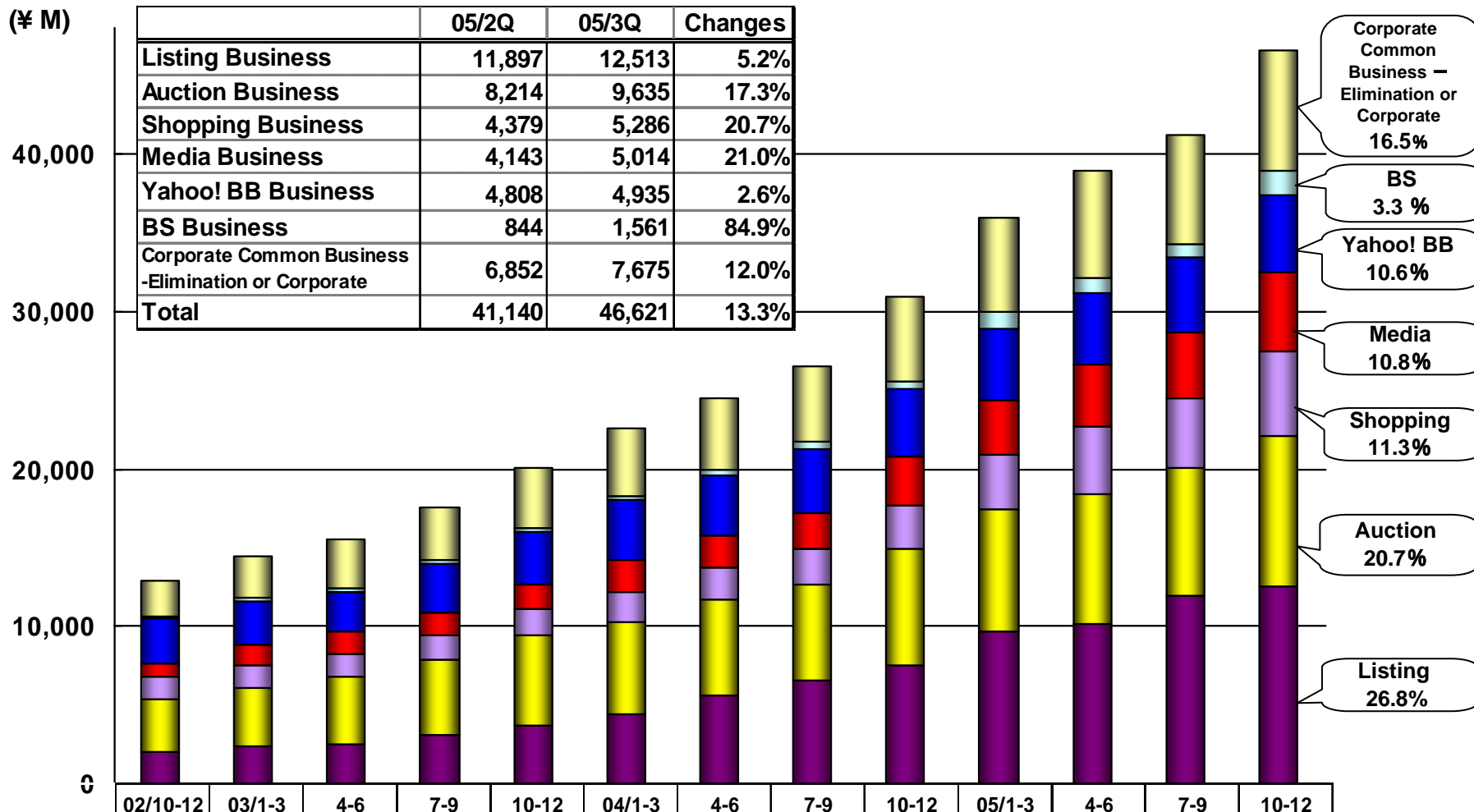
# Quarterly Net Sales

FY 2005-3Q (Oct. – Dec. 2005) Sales Breakdown

(¥ M)

	05/2Q	05/3Q	Changes
Listing Business	11,897	12,513	5.2%
Auction Business	8,214	9,635	17.3%
Shopping Business	4,379	5,286	20.7%
Media Business	4,143	5,014	21.0%
Yahoo! BB Business	4,808	4,935	2.6%
BS Business	844	1,561	84.9%
Corporate Common Business - Elimination or Corporate	6,852	7,675	12.0%
<b>Total</b>	<b>41,140</b>	<b>46,621</b>	<b>13.3%</b>

Sales %



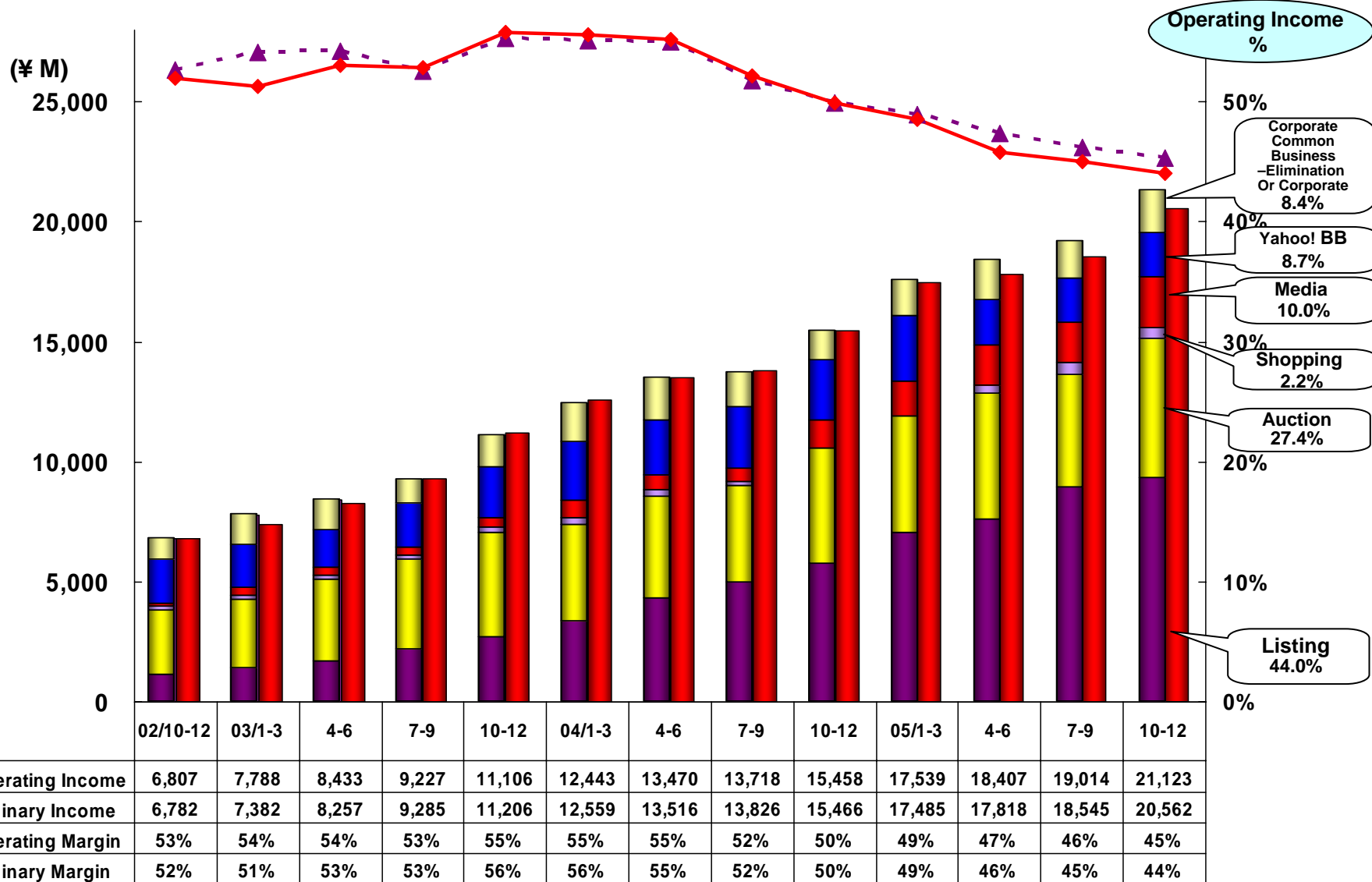
- Corporate Common Business – Elimination or Corporate 16.5%
- BS 3.3%
- Yahoo! BB 10.6%
- Media 10.8%
- Shopping 11.3%
- Auction 20.7%
- Listing 26.8%

	02/10-12	03/1-3	4-6	7-9	10-12	04/1-3	4-6	7-9	10-12	05/1-3	4-6	7-9	10-12
<b>Net Sales</b>	12,923	14,394	15,564	17,549	20,081	22,580	24,495	26,476	30,965	35,841	38,876	41,140	46,621





# Quarterly Profits







# SG&A Breakdown

Main reasons for changes on quarterly base

(¥M)

	05/3Q (05/10-12)	% share	04/3Q (04/10-12)	Annual changes	05/2Q (05/7-9)	Quarterly changes
Personnel expenses	3,920	18.5%	2,478	58.2%	3,466	13.1%
Business commissions	2,958	13.9%	1,826	62.0%	2,654	11.5%
Sales commissions	2,261	10.6%	1,311	72.5%	1,877	20.5%
Sales promotion costs	1,910	9.0%	721	164.9%	1,561	22.3%
Depreciation expenses	1,748	8.2%	1,235	41.5%	1,537	13.7%
Communication charges	1,423	6.7%	1,097	29.7%	1,333	6.8%
Royalties	1,241	5.8%	1,098	13.0%	1,096	13.2%
Lease and utility expenses	1,158	5.5%	745	55.4%	1,004	15.3%
Content provider fees	929	4.4%	611	52.0%	734	26.4%
Payment commissions	715	3.4%	406	75.9%	545	31.1%
Advertising costs	581	2.7%	255	127.8%	385	50.6%
Allowance for doubtful accounts	360	1.7%	268	34.6%	445	-19.0%
Amortization of goodwill	307	1.4%	48	534.4%	191	60.7%
Packing and transport expenses	290	1.4%	194	49.4%	279	4.1%
Administrative and maintenance expenses	283	1.3%	167	69.3%	255	10.8%
Tax and public dues	199	0.9%	155	28.4%	193	3.2%
Compensation Payment	157	0.7%	181	-12.9%	368	-57.1%
Others	806	3.9%	477	69.0%	762	5.8%
<b>SG&amp;A Total</b>	<b>21,246</b>	<b>100.0%</b>	<b>13,273</b>	<b>60.1%</b>	<b>18,685</b>	<b>13.7%</b>

Increase in personnel  
(2,474 in total : 260 increase from 05/2Q)

Expenses for contracted employees, the  
settlement operations of personal sales,  
etc.

Commissions for affiliate marketing and  
sales promotion expenses related to  
Yahoo! BB's operations

Addition of servers and other equipment

Expansion in transaction volume at  
Netrust, Ltd.

Increased advertising and the publication  
of guidebooks

Acquisitions of subsidiaries

Decreased number of application  
screenings for compensation payments  
compared with the previous quarter



# FY2005-3Q Balance Sheets

(¥M)	Major Items	12/31/2005	9/30/2005	Increase/ Decrease	Major Reasons for Changes
<b>&lt; Assets &gt;</b>					
	<b>Current Assets</b>	<b>109,546</b>	<b>99,476</b>	<b>10,069</b>	
	Cash and Cash Equivalents	78,025	71,542	6,482	Earnings growth from sales activities
	Notes and Accounts Receivable-Trade	22,386	19,665	2,721	Increase in sales for individual customers and advertising sales
	Short-term Loans	4,624	4,517	106	Transfer of loans made based on the Yahoo! BB finance scheme from the long-term loans account due to payment expected within one year
	Allowance for Doubtful Accounts	-1,795	-1,577	-218	
	<b>Fixed Assets</b>	<b>56,684</b>	<b>51,838</b>	<b>4,846</b>	
	Tangible Fixed Assets	13,248	12,525	723	Additional installations such as servers
	Intangible Fixed Assets	10,008	6,675	3,333	Increase in goodwill due to acquisition of subsidiaries, and growth in software
	Investment Securities	29,278	27,538	1,740	Acquisition of stocks of affiliates
	<b>Total Assets</b>	<b>166,230</b>	<b>151,314</b>	<b>14,915</b>	
<b>&lt; Liabilities &gt;</b>					
	<b>Current Liabilities</b>	<b>34,787</b>	<b>33,865</b>	<b>921</b>	
	Accounts Payable-Other	11,236	10,216	1,020	
	Accrued Income Taxes	12,836	16,242	-3,405	Interim payment of income taxes
	<b>Long-term Liabilities</b>	<b>2,264</b>	<b>2,173</b>	<b>90</b>	
	<b>Total Liabilities</b>	<b>37,051</b>	<b>36,039</b>	<b>1,012</b>	
<b>&lt; Minority Interests in Consolidated Subsidiaries &gt;</b>					
	<b>Minority Interests in Consolidated Subsidiaries</b>	<b>1,198</b>	<b>626</b>	<b>571</b>	
<b>&lt; Shareholders' Equity &gt;</b>					
	<b>Common Stock</b>	<b>6,906</b>	<b>6,803</b>	<b>102</b>	Exercise of stock options
	<b>Additional Paid-in Capital</b>	<b>1,987</b>	<b>1,884</b>	<b>102</b>	
	<b>Retained Earnings</b>	<b>113,746</b>	<b>101,100</b>	<b>12,646</b>	Increase in profit
	<b>Total Shareholders' Equity</b>	<b>127,980</b>	<b>114,648</b>	<b>13,331</b>	
	<b>Total Liabilities, Minority Interests and Shareholders' Equity</b>	<b>166,230</b>	<b>151,314</b>	<b>14,915</b>	

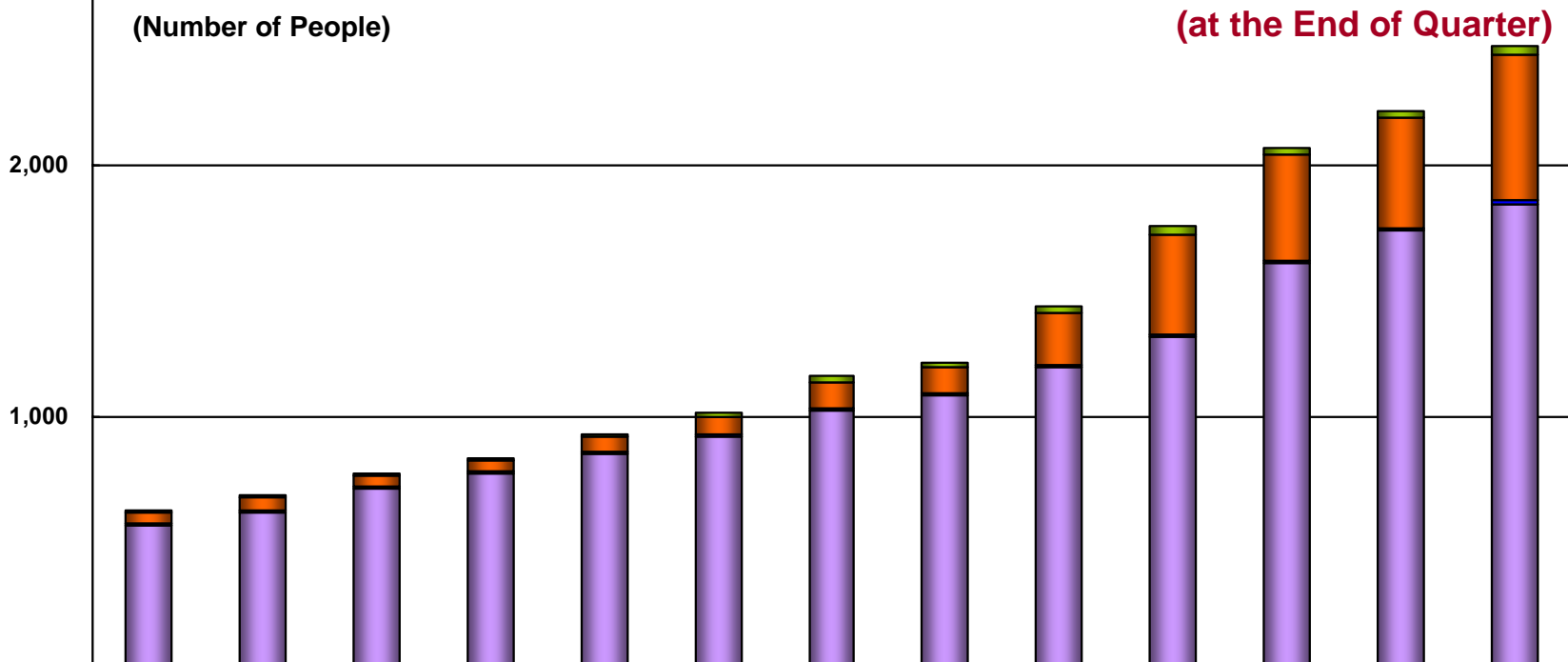


# FY2005-3Q Cash Flow Statements

(¥M) Major Items	FY2005-3Q (Oct. - Dec. 2005)	Major Reasons for Changes
<b><u>Operating Activities</u></b>	<b><u>11,098</u></b>	
Net Income before Income Taxes	21,540	Increase in net income before income taxes
Depreciation/Amortization	1,838	
Gain/Loss on Sale of Investment Securities	-974	
Increase in Accounts Receivable-Trade	-2,401	Increase in sales for individual customers and advertising sales
Decrease in Accounts Payable-Trade	1,306	
Other Receivables/Payables	327	Increase in Accounts Payable – Other
Payment of Income Taxes	-12,474	Interim payment of income taxes
<b><u>Investing Activities</u></b>	<b><u>-4,827</u></b>	
Purchase of Tangible Fixed Assets	-1,679	Purchase of servers and other equipment
Purchase of Intangible Fixed Assets	-1,126	Purchase of software
Acquisition/Sales of Investment Securities	-615	Acquisition of stocks of affiliates
Acquisition of Stock of Subsidiaries	-2,545	Acquisition of stocks of subsidiaries
Proceeds from Recovery of Lending	1,090	
<b><u>Financing Activities</u></b>	<b><u>211</u></b>	
Issuance of New Shares	194	Exercise of stock options
<b><u>Net Change in Cash Flows</u></b>	<b><u>6,482</u></b>	



# Number of Directors and Employees



	02/12	03/3	6	9	12	04/3	6	9	12	05/3	6	9	12
Directors of Subsidiaries	10	9	8	8	12	18	24	19	26	34	27	27	33
Employees of Subsidiaries	37	44	44	45	65	67	101	108	209	397	417	438	583
Directors of Yahoo! JAPAN	8	8	9	9	8	8	9	9	9	8	9	9	9
Employees of Yahoo! JAPAN	572	625	714	776	850	923	1,029	1,083	1,196	1,316	1,616	1,740	1,849
<b>Total</b>	<b>627</b>	<b>686</b>	<b>775</b>	<b>838</b>	<b>935</b>	<b>1,016</b>	<b>1,163</b>	<b>1,219</b>	<b>1,440</b>	<b>1,755</b>	<b>2,069</b>	<b>2,214</b>	<b>2,474</b>

The above figures for subsidiaries are net figures, excluding the duplication of employees and directors with Yahoo Japan Corporation.





# Review of FY2005-3Q Business Outlook

Quarterly net income was above our projection announced on Oct. 21, 2005 due to an extraordinary profit of approx. ¥940 million from the sale of our equity in Yahoo! Korea, while net sales and ordinary income for FY2005-3Q were in the range of our projection.

(¥M)

<b>(Consolidated)</b>	<b>FY2005-3Q (Oct. – Dec. 2005) (Actual)</b>	<b>FY2005-3Q (Oct. – Dec. 2005) (Projection at Oct. 21, 2005)</b>
<b>Net Sales</b>	<b>46,621</b>	44,600 ~ 47,700
<b>Ordinary Income</b>	<b>20,562</b>	18,700 ~ 21,150
<b>Quarterly Net Income</b>	<b>12,646</b>	10,850 ~ 12,350



# FY2005-4Q Business Outlook

(Consolidated)

In FY2005-4Q, SG&A expenses are expected to increase by ¥1.7-2.2 billion compared with 3Q. The main components of increase will be depreciation and amortization, business commissions, personnel expenses, etc.

(Millions of yen)

As of Jan. 23, 2006 (Consolidated)	FY2005-3Q (Actual)	FY2005-4Q (Projection)	FY2005-1Q to 3Q accumulation (Actual)	FY 2005 full year (Projection)
Net Sales	46,621	48,600 ~ 51,800	126,638	175,239 ~ 178,439
Ordinary Income	20,562	20,350 ~ 22,800	56,926	77,277 ~ 79,727
Net Income	12,646	12,300 ~ 13,850	34,099	46,399 ~ 47,950

- Since the business environment of the Group can fluctuate substantially in the short term, it is extremely difficult to forecast performance for the full fiscal year with a high degree of confidence. Therefore, the Group announces its financial results on a quarterly basis together with the business outlook only for the following quarter. The above “FY 2005 full year projection” is the aggregation of the FY 2005-1Q to 3Q actual accumulation with FY2005-4Q projection.



# Special Notes

## Strengthen streaming content services

**Along with the rapid proliferation of broadband infrastructure, content provided over the Internet is shifting from text to audio and video.**

**The Group, teaming up with SOFTBANK CORP., focuses on providing moving-picture content services as one of our core next-generation businesses.**

**Launched TV Bank Corp., a joint venture with SOFTBANK.**

**The capital composition is as follows:**

**Yahoo Japan: ¥1.2 billion      SOFTBANK: ¥1.8 billion**

**(paid in Dec. 2005)**

**Concentrating our human resources and know-how for moving-picture content services on TV Bank, the company procures moving-picture content; develops and operates distribution and search systems for moving pictures; and creates and operates web pages for the services.**

**Renewed “Yahoo! Streaming” as a portal site for moving-picture content. In addition to our pay content business model, aim to establish a business model of earning revenue from advertisers by inserting moving-image commercials into free content (advertising revenue will accrue from FY2006-1Q).**



# Review of Operations





# Businesses of Yahoo! JAPAN

## Listing Business

Search services, Information listing services, and regional information services. Includes Sponsor Site services

## Auction Business

Provides platform for sales of goods between individuals and for auctions by enterprises. Provision of on-line payment system

## Shopping Business

Provides on-line shopping mall full of quality stores and variety of products

## Media Business

Provides useful information, both free of charge and for fees

## Yahoo! BB Business

Acquires customers of Yahoo! BB, provides ISP Service, and offers Yahoo! Mail, etc.

## Business Solutions (BS) Business

Provides services to enterprises based on the technology and experience of Yahoo! JAPAN

## Corporate Common Business - Elimination or Corporate

P&L from Ad Sales of Yahoo! JAPAN top pages and Premium Member fees are added to the P&L of Headquarters



# Listing Business

## Financial Review

**Advertising sales:** Sponsor Site sales were solid in spite of slowdown in the latter half of the quarter.

**Business service sales:** “Yahoo! Rikunabi” sales were favorable. Sales of “Shotworks”, a short-term, one-off temporary employment information service, were on an upward trend as well because of year-end strong demand.

**Personal service sales:** In the previous quarter, ALPS MAPPING K.K. launched a new product for individuals in July 2005, which substantially boosted its sales. With the effect of the launch fading, consolidated sales for 3Q decreased.

**SG&A expenses:** Renewal of search services pushed up usage of the search engine “YST”, and consequently content provider fees paid to Yahoo! Inc. climbed. Business commissions went up due to renewal of “Yahoo! Real Estate” with rich content and others.

## Operating Review

### Search Services:

Renewed “Yahoo! Search” on Oct. 3, 2005.

Launched the final and stable version of “Yahoo! Knowledge”.

### Information Listing Services:

Conducted a major renewal of “Yahoo! Real Estate” site, expanding information on newly built houses with rich content as well as strengthening search and customizing functions.

### Regional Information Services:

In “Yahoo! Maps”, launched a mobile version among other new services and enhanced functions.

(¥M)

	FY2005-2Q	FY2005-3Q
<b>Net sales</b>	11,897	12,513
Advertising	8,102	8,707
Business service	3,595	3,676
Personal service	198	129
Other	-	-
<b>Cost of sales</b>	341	274
<b>Gross profit</b>	11,556	12,238
<b>SG&amp;A expenses</b>	2,652	2,935
<b>Operating income</b>	8,903	9,303
<b>Operating margin</b>	74.8%	74.3%



# Auction Business

## Financial Review

**Advertising sales:** Strong gains in category sponsored advertising.

**Business service sales:** A merchant store acquisition campaign pushed up the number of stores to 5,911 at the end of Dec. 2005 (up 1,453 stores or 32.6% from Sep. 30, 2005 ).

Business service sales increased against the backdrop of booming year-end shopping season.

**Personal service sales:** Favorable year-end shopping demand and severe winter weather brought a surge in transaction volume.

Daily average transaction volume was ¥1,940 million (up ¥270 million or 16.1% qoq).

**SG&A expenses:** Increase in payment commissions of Netrust, Ltd., business commissions, etc.

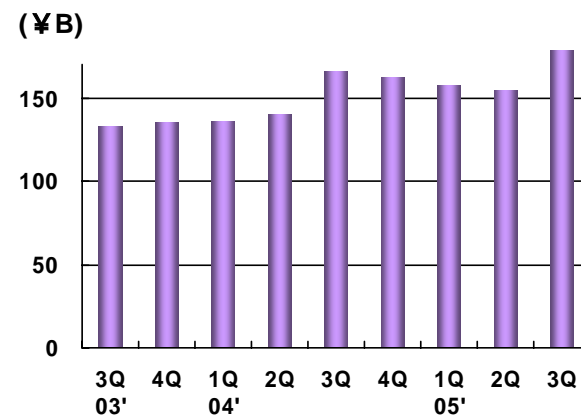
## Operating Review

To realize an auction site with higher degree of safety, continued to implement security measures, establishing an fraud detecting model, etc.

To expand the use of Internet auctions by public bodies, held Internet auctions of real estate by regional and municipal governments.

In “Yahoo! ezPay”, more banks are available for settlement and a mobile version service started.

## Turnover from Yahoo! Auctions



	FY2005-2Q	FY2005-3Q	(¥M)
<b>Net sales</b>	8,214	9,635	
Advertising	578	697	
Business service	1,093	1,449	
Personal service	6,541	7,489	
Other	-	-	
<b>Cost of sales</b>	9	10	
<b>Gross profit</b>	8,204	9,625	
<b>SG&amp;A expenses</b>	3,527	3,838	
<b>Operating income</b>	4,677	5,786	
<b>Operating margin</b>	56.9%	60.1%	



# Shopping Business

## Financial Review

**Advertising sales:** Favorable growth due to increasing orders from registered stores for year-end shopping season.

**Business service sales:** Year-end shopping demand and increase in the number of stores registered on “Yahoo! Shopping” resulted in greater store sales. The number of stores to which tenant fees are charged as of Dec. 31, 2005: 7,760 (up 756 stores or 10.8% from Sep. 30, 2005)

**Other sales:** In Seven and Y Corp., products such as DVDs performed well.

**SG&A expenses:** Increase in sales promotion costs in relation to affiliate programs, advertising costs, etc.

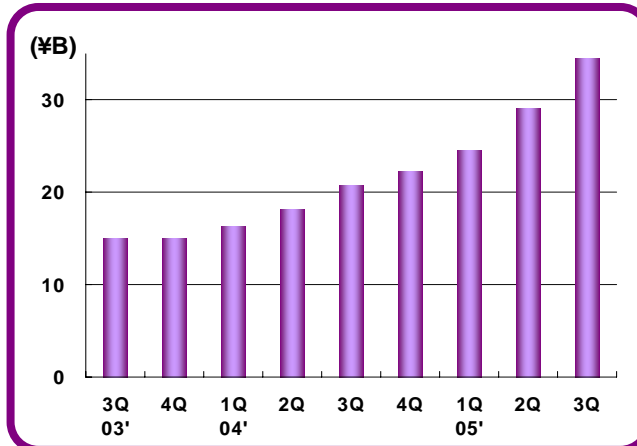
## Operating Review

**Yahoo! Shopping:** Implemented measures to further promote sales before year-end shopping season. Launched a social shopping site, Kaicom! with community-like features for mobile devices. “Yahoo! Mobile Shopping” and affiliate programs continued to expand.

**Books:** Favorable sales due to new release of popular DVDs etc.

**Travel:** Signed a comprehensive partnership agreement with JAL Group and started to handle reservations and sales of domestic air tickets of the group.

## Turnover from Shopping Business



\* Turnover from Shopping Business includes turnover from Yahoo! Travel, SevenAndY and Yahoo! Tickets (¥M)

	FY2005-2Q	FY2005-3Q
Net sales	4,379	5,286
Advertising	612	773
Business service	1,024	1,190
Personal service	-	-
Other	2,742	3,322
Cost of sales	2,237	2,738
Gross profit	2,141	2,547
SG&A expenses	1,652	2,074
Operating income	489	472
Operating margin	11.2%	8.9%



# Media Business

## Financial Review

**Advertising sales:** Orders from National Clients increased.

**Business service sales:** Information listing revenues for the special feature on horse racing on “Yahoo! Sports” contributed to firm growth.

**Personal service sales:** Increase in sales of pay content such as “Yahoo! Finance VIP Club”.

**SG&A expenses:** Increase in sales commissions related to advertising, business commissions, etc.

## Operating Review

Teaming up with SOFTBANK, started to operate TV Bank Corp. and deliver moving-picture content procured by the company on “Yahoo! Streaming” (see slide No. 15).

Entire renewal of “Yahoo! Mobile Movies” and “Yahoo! Mobile Message Boards”.

	(¥M)	
	FY2005-2Q	FY2005-3Q
Net sales	4,143	5,014
Advertising	3,544	4,362
Business service	176	212
Personal service	421	439
Other	-	-
Cost of sales	122	126
Gross profit	4,020	4,887
SG&A expenses	2,316	2,768
Operating income	1,704	2,119
Operating margin	41.1%	42.3%



# Yahoo! BB Business

## Financial Review

**Advertising sales:** Super Banners in “Yahoo! Mail” recorded strong sales. Additionally, start of sales of Brand Panels in “Yahoo! BB” portal site contributed to advertising sales growth.

**Business service sales:** Sales declined due to slow pace of customer acquisition.

**Personal service sales:** Showed a slight increase as the number of subscribers totaled 5,007 thousand lines at the end of Dec. 2005 (up 35 thousand lines or 0.7% from Sep. 30, 2005).

**SG&A expenses:** Increase in sales promotion costs for acquiring new members and retaining existing ones, sales commissions related to advertising, etc.

## Operating Review

While continuing to improve member exclusive benefits and privileges of Yahoo! BB, provided broadband content which everyone including nonsubscribers can enjoy.

In “Yahoo! Mail,” continued to focus on function enhancement and anti-junk mail measures.

Renewed “Yahoo! GeoCities” top page to enhance user convenience.

Ran “10,000 yen Cash Back Membership Campaign” etc. to acquire new members .

	(¥M)	
	FY2005-2Q	FY2005-3Q
Net sales	4,808	4,935
Advertising	638	771
Business service	1,436	1,359
Personal service	2,733	2,803
Other	-	-
Cost of sales	254	268
Gross profit	4,553	4,666
SG&A expenses	2,704	2,836
Operating income	1,849	1,829
Operating margin	38.5%	37.1%



# Business Solutions (BS) Business

## Financial Review

**Advertising sales:** Showed a decline in FY2005-3Q due to weak sales of the online marketing program, DSP (Digital Sales Promotion).

**Business service sales:** Made INFO PLANT CO., LTD. a subsidiary from FY2005-3Q. Sales of “Yahoo! Research” was favorable due to improved efficiency of sales activities, large contracts concluded and seasonal factors.

**SG&A expenses:** Increase in personnel expenses and amortization of goodwill from the effect of making INFO PLANT a subsidiary, etc.

## Operating Review

### “Yahoo! Research”:

Further expanded monitor base owing to the implementation of monitor recruiting campaigns, etc. (PC monitors: 797 thousand, Mobile monitors: 77 thousand, Total: 874 thousand)  
Making INFO PLANT a subsidiary in FY2005-3Q, seek to expand business operation and to be a top player in the commercial research market.

### “Yahoo! Domain”/“Yahoo! WebHosting”:

Worked to restructure the collaborative framework with Firstserver, Inc.

In “Yahoo! WebHosting”, made efforts to increase sales by launching a service which makes it easy for customers to switch from competitors’ hosting service to ours.

	(¥M)	
	FY2005-2Q	FY2005-3Q
Net sales	844	1,561
Advertising	39	21
Business service	797	1,530
Personal service	8	9
Other	-	-
Cost of sales	350	659
Gross profit	493	901
SG&A expenses	642	1,055
Operating income	-148	-153
Operating margin	-17.6%	-9.8%



# Corporate Common Business

## Financial Review

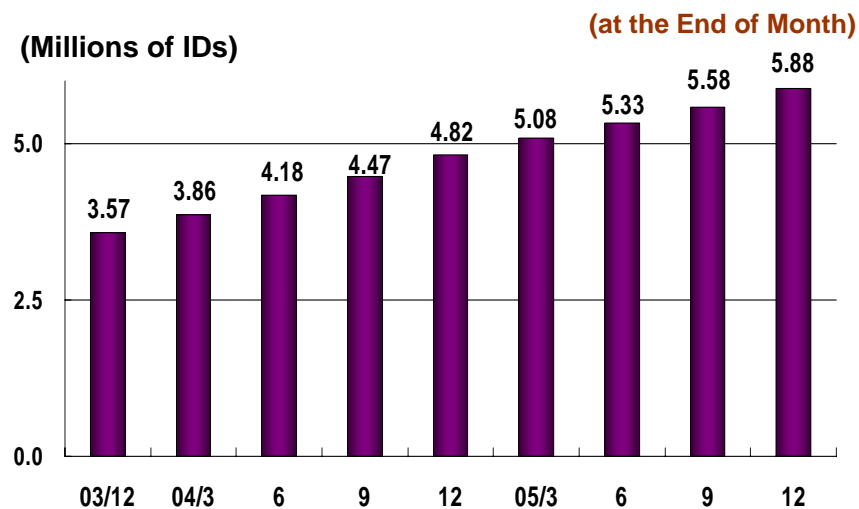
**Advertising sales:** Sales growth of Brand Panel Double Size(1.5 times the unit price per PV of regular size) boosted advertising sales related to top page. Advertising related to mobile services and special features sold well.

### Personal service sales :

The number of Yahoo! Premium members at the end of Dec. 2005: 5.88 million people (up 300 thousand or 5.3% from Sep. 30, 2005).

**SG&A expenses:** Increase in sales commissions for advertising, personnel expenses, etc.

## Number of Premium Members



## Operating Review

Expanded regular services exclusive to Yahoo! Premium members, to enhance membership value

(offered popular PC software usable for free and added to the member exclusive fortune telling services).

Implemented various campaigns to acquire and retain Yahoo! Premium members

(started a friend referral scheme to acquire new members, aggressively utilized Sponsor Site and affiliate ad program, ran limited time campaigns such as broadcasting the TV animation program "Mobile Suit Z Gundam" for free).

	FY2005-2Q	FY2005-3Q
		(¥M)
Net sales	6,852	7,675
Advertising	2,164	2,764
Business service	57	47
Personal service	4,630	4,864
Other	-0	-
Cost of sales	123	172
Gross profit	6,728	7,502
SG&A expenses	5,190	5,736
Operating income	1,537	1,765
Operating margin	22.4%	23.0%





# Yahoo! Mobile Business Review

## “Yahoo! Mobile” Data

\*as of Dec. 2005

Monthly PVs : 1,190 million PVs \* (4.1% of the total PVs)

“Yahoo! Mobile Auctions” Monthly PVs : 700 million PVs \*

Total number of unique bidders of “Yahoo! Mobile Auctions” (Jan.-Dec. 2005) :  
1.27 million IDs

Quarterly mobile commerce transaction volume (Oct.-Dec. 2005):  
approx. ¥18.8 billion (8.8% of the total commerce transaction volume)

## Other new or additional services, etc.

Launched Kaikom!, a social shopping site with community-like features.

Launched “Yahoo! Content Store” , a “Content Portability” service in preparation for “Number Portability” system to be introduced in Nov. 2006.

Added new robot search (YST) function to the mobile version of “Yahoo! Search”.

Set up “Yahoo! Mobile Maps”.

Launched the mobile version of “Yahoo! ezPay”.

Implemented full-scale renewal of “Yahoo! Movies” and “Yahoo! Message Boards”.

Enhanced “Yahoo! Mail Appli” functions. The total number of application downloads topped 1 million.

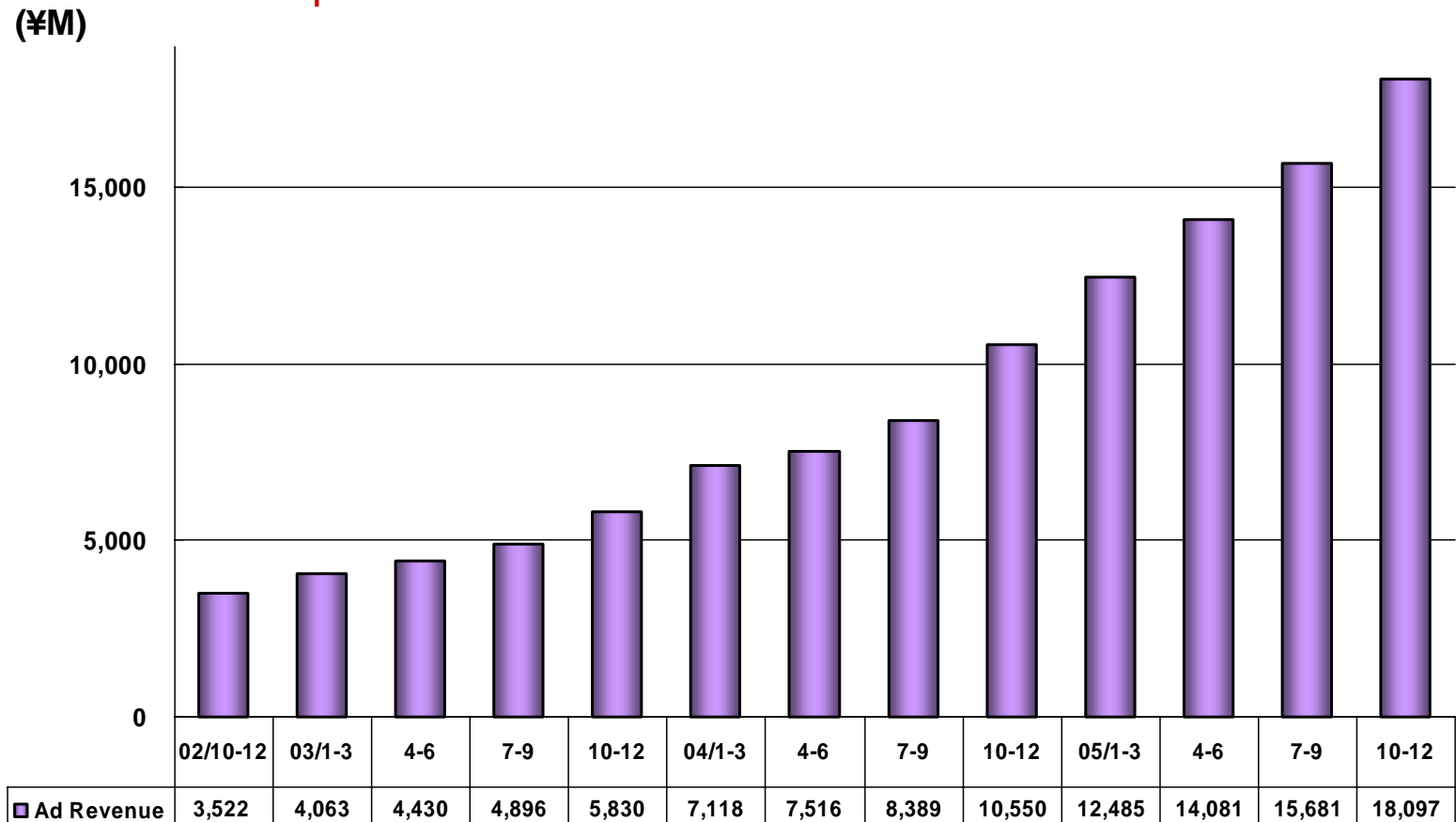


**Advertising Revenue**



# Advertising Revenue

Branding ad sales especially for National Clients recorded firm growth amid the market booming with year-end shopping demand, etc.  
Sponsor Site sales were favorable as well.



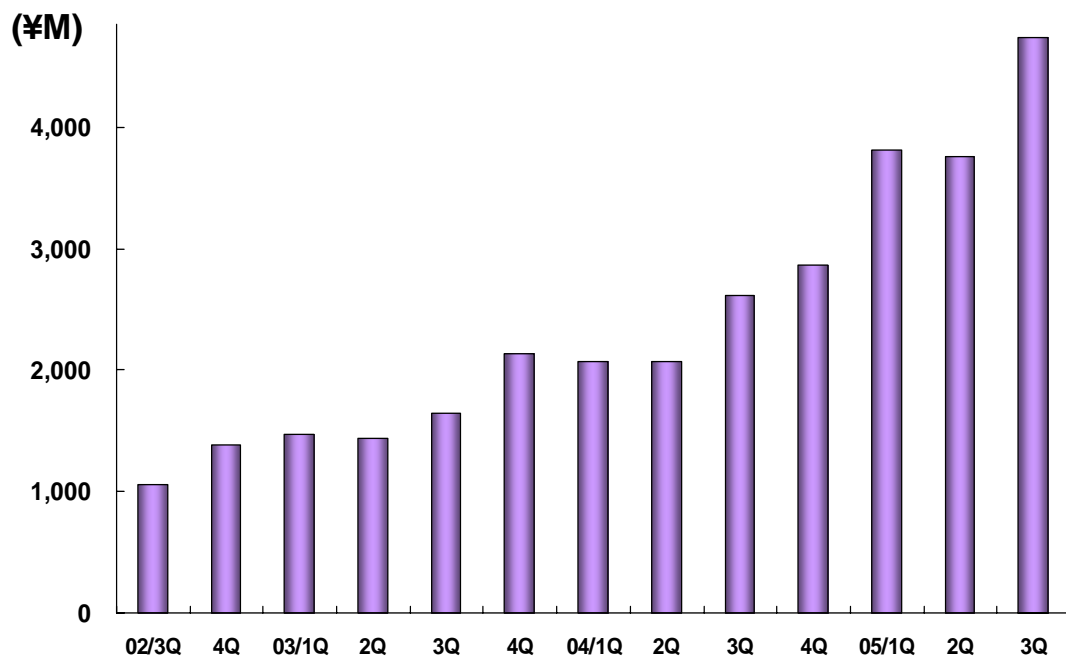
● The above figures include revenue from Sponsor Site



# National Client Trends

Sales per client increased substantially with large contracts from some National Clients.

Sales for National Clients:      ¥3,765M (05/2Q)      ¥4,736M (05/3Q)



## National Clients

- Nikkei Advertising Research Institute: Top 100 companies in advertising expenditure (2004)
- Video Research TV Ad Statistics: Top 100 (East) and Top 50 (West) companies in advertising (2004)
- MRS: Top 100 companies in advertising expenditure in newspapers and magazines (2004)

Yahoo! JAPAN defined the above companies, political parties and public offices as national clients. The figures of national clients for each period also include major target companies of the period.

•The above figures do not include revenue from Sponsor Site.



# Advertising Sales by Industry

## Industries with large increases in ad spending

Computers/ Office Equipment  
Finance/ Insurance/ Securities  
Recruitment Services

## Industries with high growth rate of ad spending (\*)

Information Processing/ Software  
Computers/ Office Equipment  
Mobile Communication Service

	04/3Q	4Q	05/1Q	2Q	3Q
Finance/ Insurance/ Securities	21.5%	20.5%	24.2%	21.5%	20.4%
Autos (Transport Equipment)	8.0%	8.9%	8.6%	11.6%	10.6%
Real Estate/ Construction	7.0%	8.4%	7.2%	9.1%	8.2%
Recruitment Services	8.8%	8.7%	7.1%	7.1%	7.9%
Computers/ Office Equipment	5.8%	4.5%	5.2%	4.1%	7.2%
Cosmetics/ Toiletry	5.0%	6.5%	6.3%	6.7%	6.2%
Transportation/ Leisure	6.0%	6.3%	4.5%	4.6%	4.4%
Beverage/ Amenities	2.7%	5.7%	7.5%	4.9%	3.5%
Entertainment related Software	2.4%	1.3%	2.5%	3.6%	3.1%
Foods	2.3%	1.9%	2.0%	2.5%	2.9%
Information Processing/ Software	2.5%	2.5%	3.1%	0.8%	2.6%
Mobile Communication Service	0.7%	1.0%	1.7%	1.6%	2.5%
Others	27.3%	23.8%	20.1%	21.9%	20.5%

- The above figures do not include revenue from Sponsor Site.
- (\*) In the order of increasing rate excluding the industries in "Others".





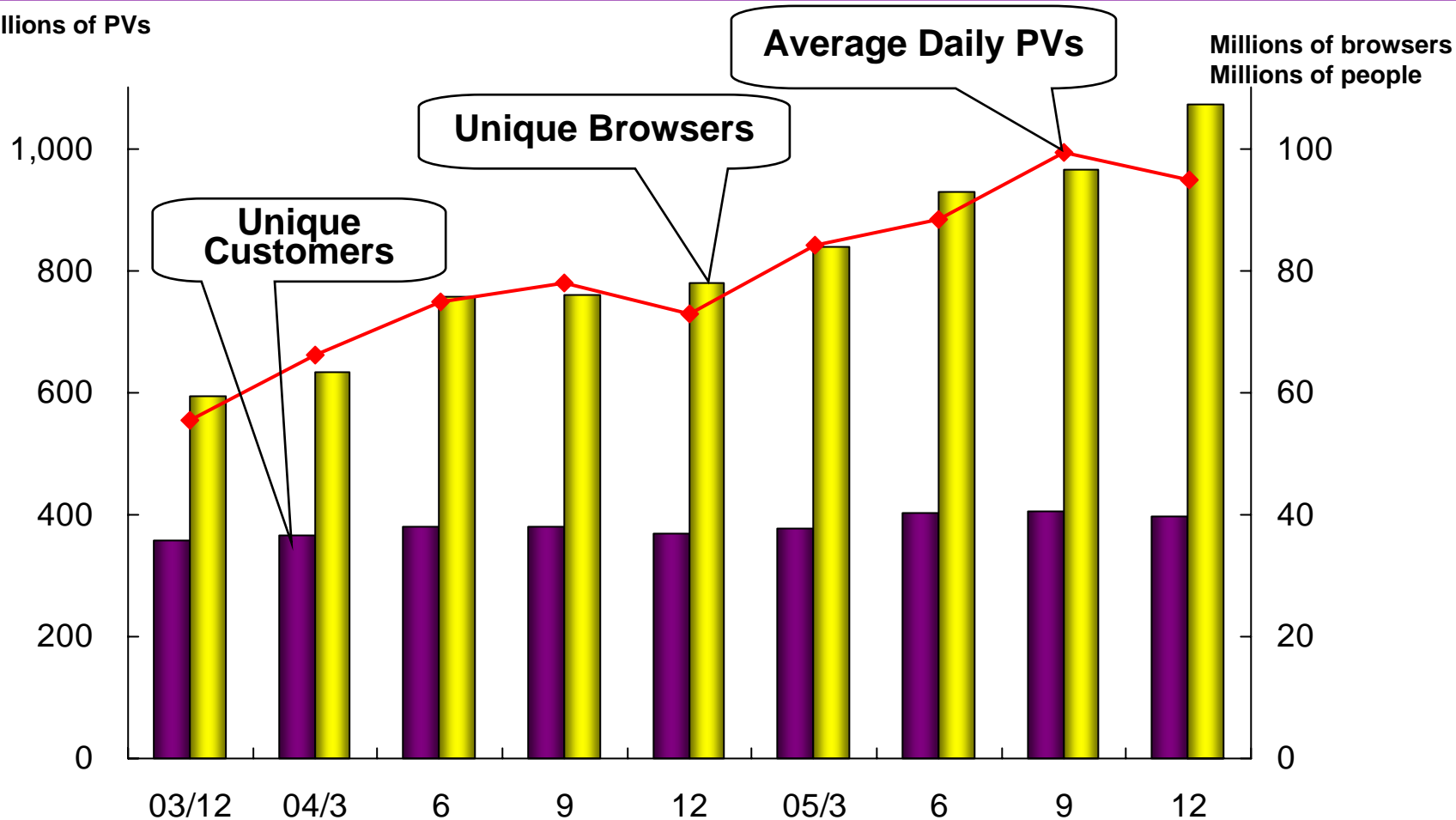
## Additional Business Data: 2005-3Q

• <b>Average Daily Transaction Volume</b>	<b><u>Oct. - Dec. 2005</u></b>	<b><u>Jul. - Sep. 2005</u></b>
<b>Commerce (¥B)</b>	<b>2.32</b>	<b>1.98</b>
<b>Auction (¥B)</b>	<b>1.94</b>	<b>1.67</b>
<b>Shopping (¥B)</b>	<b>0.37</b>	<b>0.31</b>
• <b>Subscriber Lines for Yahoo! BB Services</b>	<b><u>Dec. 31, 2005</u></b>	<b><u>Sep. 30, 2005</u></b>
<b>Total (thousand lines)</b>	<b>5,007</b>	<b>4,972</b>
<b>Number of lines marketed by Yahoo! JAPAN     (thousand lines)</b>	<b>1,164</b>	<b>1,176</b>
• <b>Other Data of Auction Business</b>	<b><u>Oct. - Dec. 2005</u></b>	<b><u>Jul. - Sep. 2005</u></b>
<b>Average Closing Price (¥)</b>	<b>5,780</b>	<b>5,602</b>
<b>Average Successful Auction Ratio (%)</b>	<b>35</b>	<b>34</b>



# Number of Page Views and Unique Users

Millions of PVs



(Source: NetRatings Japan Inc. /Yahoo Japan Corporation)

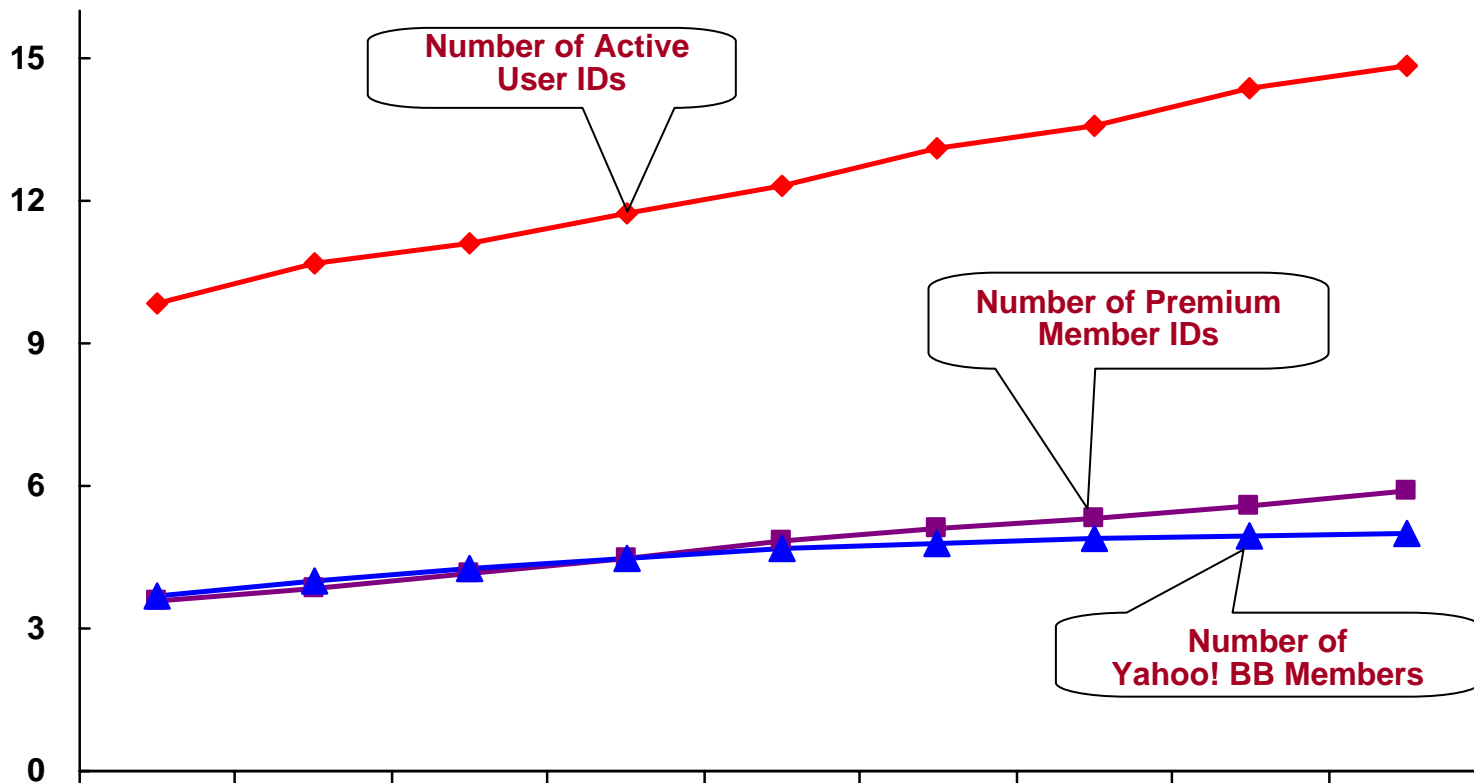
- The Number of Unique Browsers is the total number of unique browsers accessing our services.
- The Number of Unique Customers is compiled using the duplication rate of access by people from home and work from the Internet Survey of NetRatings Japan, Inc. based on the data of Nielsen/NetRatings (NetView AMS JP) regarding access by individuals from home and work.





# Number of Yahoo! JAPAN Users

(Millions of IDs and lines)

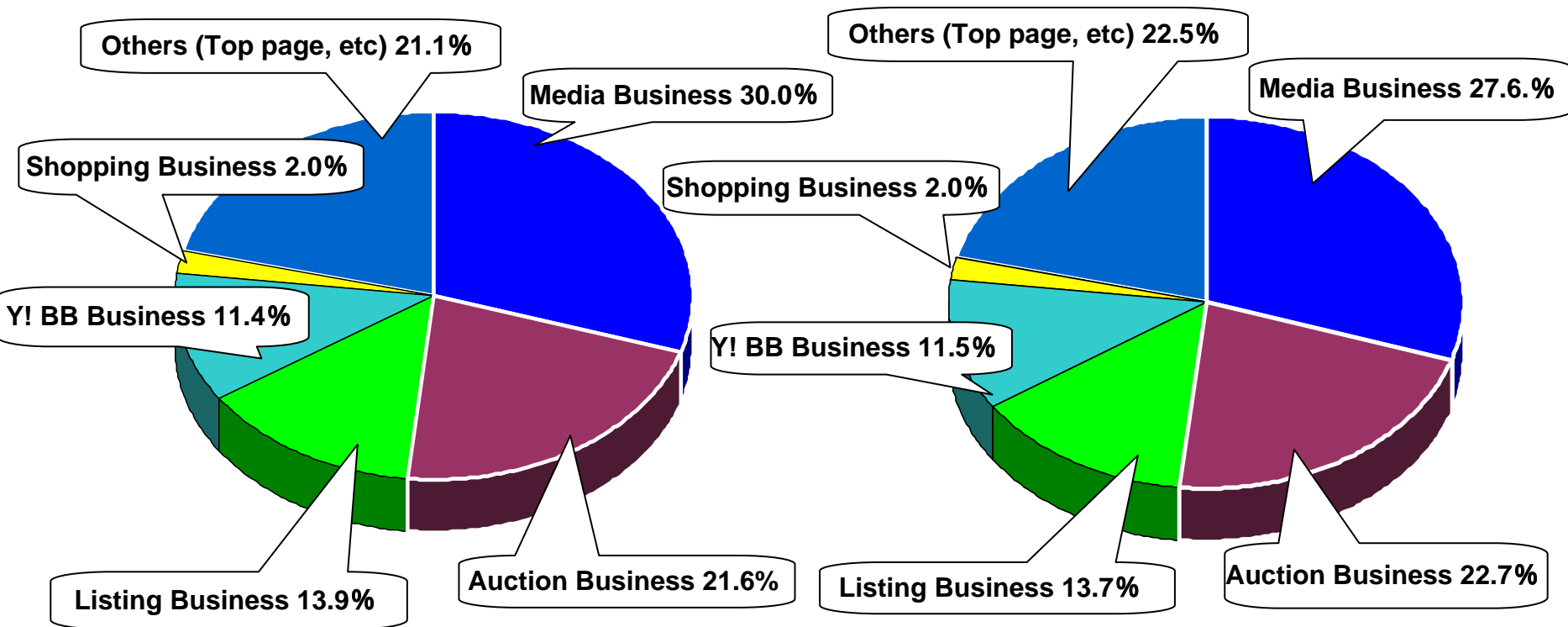


◆ Active User IDs	9.85	10.69	11.12	11.76	12.31	13.10	13.60	14.36	14.85
■ Premium Member IDs	3.57	3.86	4.18	4.47	4.82	5.08	5.33	5.58	5.88
▲ Yahoo! BB Members	3.69	4.00	4.28	4.49	4.66	4.78	4.89	4.97	5.01

\* Number of Active User IDs= Number of Yahoo! JAPAN IDs which logged in each month.



# Monthly Page Views by Business (Consolidated)



Total 29.79B PVs

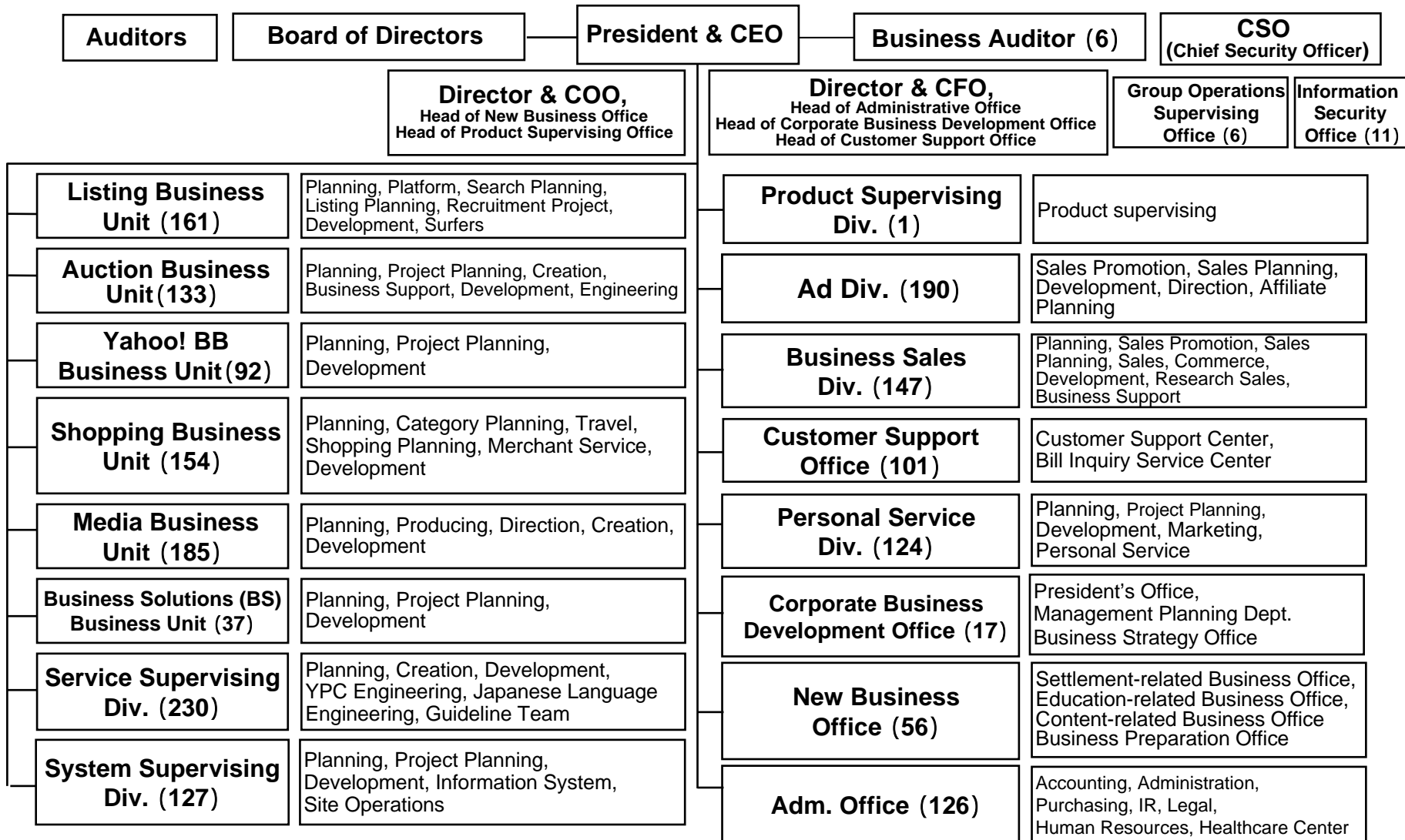
**Sep. 2005**

Total 29.42B PVs

**Dec. 2005**



# Organization Chart



**Total : 1,905 people (Jan. 1, 2006)**



# FY2005-3Q Major Advertisers

## ■ Finance/ Insurance/ Securities

AIFUL  
GE Consumer Finance  
ORIX Credit

## ■ Autos

Honda Motor  
Mitsubishi Motors  
Toyota Motor

## ■ Real Estate/ Construction

Daito Trust Construction  
RECRUIT

## ■ Recruitment Services

en-japan  
INTELLIGENCE

## ■ Computers/ Office Equipment

Hewlett-Packard Japan  
Sony Marketing (Japan)

## ■ Cosmetics/ Toiletry

DHC  
Shiseido

## ■ Transportation/ Leisure

Japan Air Lines International  
Japan Racing Association

## ■ Beverage/ Amenities

Asahi Breweries  
Kirin Brewery  
Suntory

## ■ Entertainment related Software

NEXSON Japan  
WARNER ENTERTAINMENT JAPAN

## ■ Foods

KenkouCorporation  
Meiji Dairies  
Nestle Japan Group

- The above are the major clients of Yahoo! JAPAN's advertising sales excluding Sponsor Site.
- The above are classified by contents of advertisement.
- Clients are listed in alphabetical order in each category.



Yahoo Japan Corporation IR information is available at :  
<http://ir.yahoo.co.jp/en/>