



# **Yahoo Japan Corporation**

## **FY2006-3Q Results**

**(Oct. - Dec.2006)**

**January 24, 2007**



**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.**

**The Company 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, 2006.”**

**The Company reclassified its business segments from FY2006-1Q into the Advertising Business, Business Services Business, Personal Services Business, and elimination or corporate, in contrast to the classification of six business divisions and corporate common business - elimination or corporate used prior to FY2006-1Q. Yahoo Japan Corporation cautions readers that comparison to figures of the past is only for your reference.**



# FY2006-3Q Highlights (1)

(Oct. 2006 – Dec. 2006)

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- **The performance of Yahoo Japan Corporation and its consolidated subsidiaries and affiliates rose in the third quarter. Net sales advanced 6.5% from the previous quarter and 16.9% year on year, to ¥54.5 billion. Operating income amounted to ¥27.6 billion, increasing 10.8% from the previous quarter and 31.1% from a year earlier. Ordinary income totaled ¥26.6 billion, climbing 7.5% from the previous quarter and 29.5% from the same period last year. After subtraction of sales of a former subsidiary, Seven and Y Corp., net sales for the quarter under review increased 25.9% year on year.**
- **In the Advertising Business, there continued to be a bit of a slump in the overall advertising market in the third quarter, with major advertisers curtailing their advertising expenditures somewhat. Nevertheless, as a result of focusing on advertising products that met advertisers' needs, such as targeting advertising and of efforts to acquire customers handling small-lot products, such as stores on Yahoo! Shopping, the number of advertisers expanded substantially. Sponsor Site sales increased, not greatly affected by the customary decline in the year-end holidays. As a result, overall Advertising Business sales amounted to ¥21.7 billion in the third quarter, rising 2.0% from the previous quarter and 20.2% year on year.**
- **In the Business Services Business, sales of Yahoo! Rikunabi and Yahoo! Real Estate expanded. As a result of efforts to increase the number of merchant stores on Yahoo! Auctions and Yahoo! Shopping, the number of merchant stores registered on these sites totaled 25,061 at the end of the quarter, expanding by 2,757 stores, or 12.4% from the previous quarter, and up by 13,040 stores, or 108.5% year on year. Tenant fees and sales commissions rose significantly, assisted by sales promotions conducted during the year-end sales campaign. Consequently, Business Services sales in the third quarter rose 12.8% from the second quarter and 37.9% year on year, to ¥12.8 billion.**



# FY2006-3Q Highlights (2)

(Oct. 2006 – Dec. 2006)

- In the Personal Services Business, Yahoo! Auctions stepped up the measures implemented since the first quarter to expand the user base. As a result of the campaign started in October 2006 allowing users to bid for items with just a Yahoo! JAPAN ID, the number of new bidders on Yahoo! Auctions increased substantially. Thanks to robust transactions in winter fashion apparel, toys, and other items and assisted by the free item listing campaign and other sales promotions run during the quarter, daily transaction volume ballooned, rising sharply compared with the last quarter and year on year and breaking through the ¥2 billion mark for the first time. Overall, Personal Services sales climbed 7.8% from the previous quarter and 25.7% from a year earlier, to ¥19.9 billion.
- This October, Yahoo! NetBanking, our settlement and financial services, started a Yahoo! Auctions settlement service called Auctions Cashbook. The new service enables users to easily and quickly invoice and pay for auction transactions. In addition, the service provides a high degree of convenience and security with such features as not having to use bank account numbers to make transactions. The Group will aim to expand the transaction volume of Yahoo! NetBanking by focusing on promotion activities.
- Total commerce transaction volume for the 2006 calendar year (January to December) amounted to ¥874.8 billion, increasing 14.7% compared with the previous calendar year. Total commerce transaction volume includes the transaction volumes of Yahoo! Auctions, Yahoo! Shopping, Yahoo! Travel, Yahoo! Tickets, and others.

# **FY2006-3Q Financial Results**

## **(Consolidated)**

### **Major consolidated subsidiaries at the end of FY2006-3Q**

- |                      |                        |
|----------------------|------------------------|
| ◆ ALPS MAPPING K.K.  | ◆ Firstserver, Inc.    |
| ◆ Indival, Inc.      | ◆ INFO PLANT CO., LTD. |
| ◆ Netrust, Ltd.      | ◆ NewsWatch, Inc.      |
| ◆ Tricle Inc.        | ◆ Y's Agencies Inc.    |
| ◆ Y's Insurance Inc. | ◆ Y's Sports Inc.      |

### **Major affiliated companies (equity method) at the end of FY2006-3Q**

- |                           |                                       |
|---------------------------|---------------------------------------|
| ◆ All About, Inc.         | ◆ CREO. CO., LTD.                     |
| ◆ Fashion Walker, Inc.    | ◆ INTAGE Interactive Inc.             |
| ◆ JWord Inc.              | ◆ Seven and Y Corp.                   |
| ◆ Tavigator, Inc.         | ◆ TV Bank Corporation                 |
| ◆ ValueCommerce Co., Ltd. | ◆ YUME NO MACHI SOUZOUINKAI CO., LTD. |



# FY2006-3Q Statements of Income

	FY2006-3Q (Oct. - Dec. 2006)	FY2005-3Q (Oct. - Dec. 2005)	Changes
Net Sales (¥100M)	545	466	17 % (1)
Cost of Sales (¥100M)	20	42	-51 % (1)
Gross Profit (¥100M)	524	423	24 %
Operating Income (¥100M)	276	211	31 %
Ordinary Income (¥100M)	266	205	30 %
Quarterly Net Income (¥100M)	151	126	20 %
EPS (¥)	250	418	-40 %
Number of Shares Outstanding (Average of Period)	60,464,142	30,210,539	100 %
EPS After Retroactive Adjustments (¥)	250	209	20 % (2)
Fully Diluted EPS (¥)	250	417	-40 %
Number of Shares Assuming Full Dilution	60,565,627	30,292,054	100 %
Fully Diluted EPS After Retroactive Adjustments (¥)	250	208	20 % (2)

**Notes:**

\* (1) Seven and Y Corp. was removed from consolidation and became a company accounted for by the equity method in February 2006. Therefore, net sales and cost of sales in FY2006-3Q do not include those of Seven and Y Corp.

\* (2) The retroactive adjusted figures are adjusted for 1:2 share splits in April 2006.

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



# Quarterly Net Sales

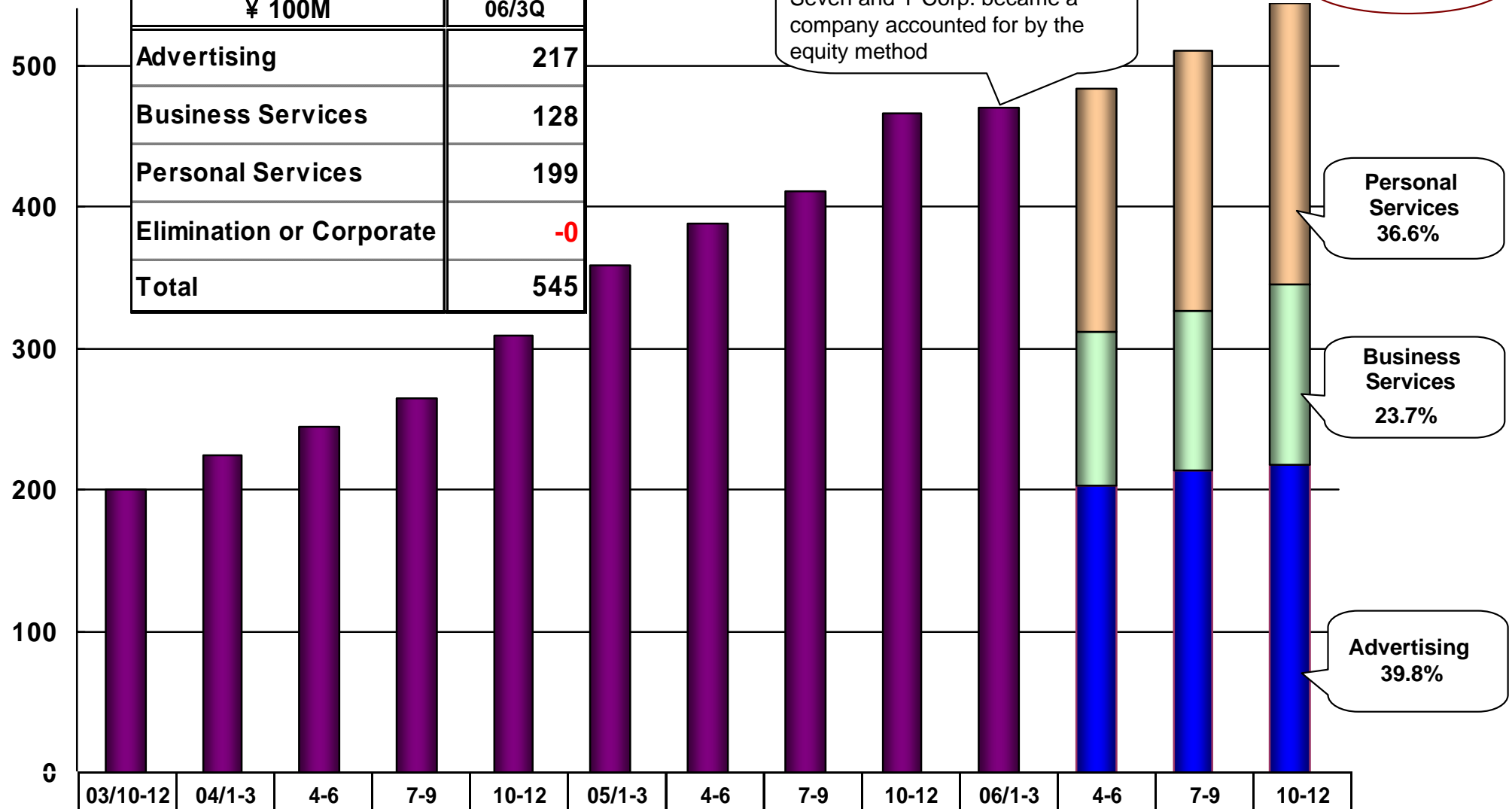
(¥ 100M)

FY 2006-3Q Sales Breakdown

¥ 100M	06/3Q
Advertising	217
Business Services	128
Personal Services	199
Elimination or Corporate	-0
Total	545

Former consolidated subsidiary  
Seven and Y Corp. became a  
company accounted for by the  
equity method

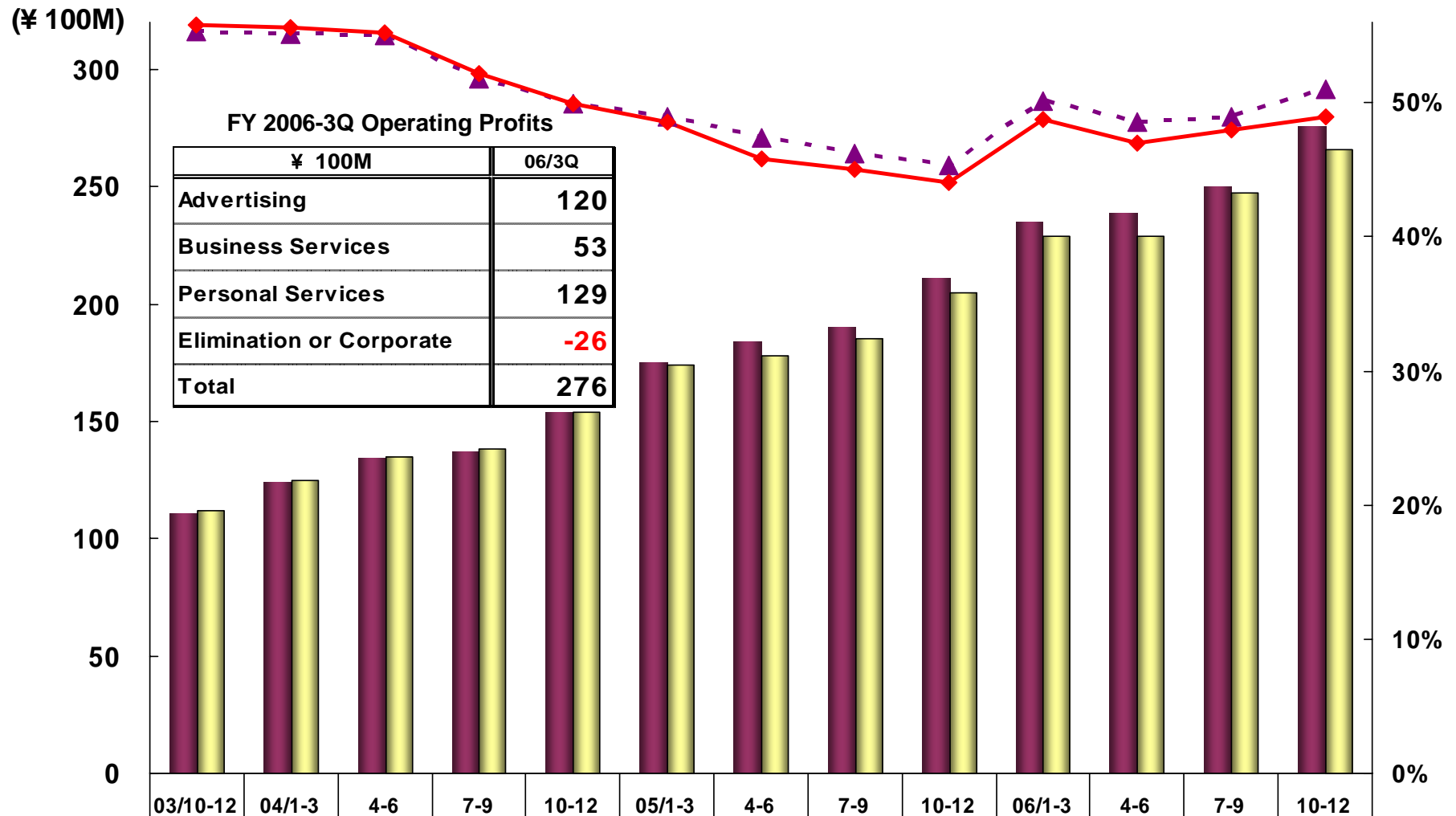
Sales %



	03/10-12	04/1-3	4-6	7-9	10-12	05/1-3	4-6	7-9	10-12	06/1-3	4-6	7-9	10-12
Net Sales	200	225	244	264	309	358	388	411	466	470	492	512	545



# Quarterly Profits



Operating Income	111	124	134	137	154	175	184	190	211	235	239	250	276
Ordinary Income	112	125	135	138	154	174	178	185	205	229	229	247	266
Operating Margin	55%	55%	55%	52%	50%	49%	47%	46%	45%	50%	49%	49%	51%
Ordinary Margin	56%	56%	55%	52%	50%	49%	46%	45%	44%	49%	47%	48%	49%





# Sales Breakdown by Business

(¥ 100M)

	Net Sales	Sales Breakdown by Business Division		Gross Profit	SG&A	Operating Income	Operating Margin
Advertising	217	Search Business Media Business Service Supervising Division Auction Business Social Net Business	47% 15% 12% 5% 5%	215	95	120	55.6%
Business Services	128	Regional Services Business New Business Office Auction Business Shopping Business Member Services Business	33% 23% 15% 13% 11%	112	59	53	41.5%
Personal Services	199	Auction Business Member Services Business New Business Office	47% 41% 7%	196	66	129	64.7%



# SG&A Breakdown

(¥ 100M)

Major factors for changes on quarterly base

	06/3Q	%	05/3Q	Annual changes	06/2Q	Quarterly changes	
Personnel expenses	48	19.7%	39	24.2%	46	4.0%	Increase in cost of employee bonus
Business commissions	34	13.8%	29	15.3%	34	-0.9%	
Sales commissions	24	10.1%	22	10.2%	24	3.4%	
Depreciation expenses	20	8.4%	17	19.0%	19	9.1%	Expansion of servers and other network equipment
Communication charges	20	8.2%	14	42.5%	19	4.4%	
Sales promotion costs	19	8.0%	19	3.8%	18	10.0%	Increase in incentive payment for acquisition of corporate client and cost for Yahoo! Points
Royalties	15	6.3%	12	25.6%	14	7.1%	
Lease and utility expenses	11	4.8%	11	2.4%	12	-4.4%	
Content provider fees	11	4.7%	9	24.5%	11	-0.3%	
Payment commissions	10	4.1%	7	41.5%	8	25.9%	Increase in bank commission for Yahoo! ezPay
Allowance for doubtful accounts	6	2.5%	3	68.1%	4	30.0%	
Administrative and maintenance expenses	4	1.9%	2	68.7%	4	3.3%	
Amortization of goodwill	3	1.4%	3	10.4%	3	-3.9%	
Compensation payment	2	1.1%	1	73.4%	1	64.3%	Increase in compensation payment in Yahoo! Auctions
Others	12	5.0%	18	-33.1%	17	-28.7%	
<b>SG&amp;A Total</b>	<b>247</b>	<b>100.0%</b>	<b>212</b>	<b>16.4%</b>	<b>240</b>	<b>2.8%</b>	



# FY2006-3Q Balance Sheet

Major Items	12/31/2006	9/30/2006	Increase/ Decrease	Major Factors for Increase/Decrease	(¥ 100M)
<b>&lt; Assets &gt;</b>					
Current Assets	880	863	16		
Cash and Cash Equivalents	514	508	6		
Notes and Accounts Receivable -Trade	278	270	8	Increase in receivables from individuals	
Fixed Assets	1,995	1,995	-0		
Tangible Fixed Assets	145	144	0		
Intangible Fixed Assets	135	131	3		
Investment Securities	1,653	1,665	-12	Mark-to-market of investment securities	
<b>Total Assets</b>	<b>2,875</b>	<b>2,859</b>	<b>16</b>		
<b>&lt; Liabilities &gt;</b>					
Current Liabilities	599	631	-31		
Short-term borrowings	201	201	-0	Increase in costs of sales activities	
Accounts Payable-Other	116	112	4		
Accrued Income Taxes	148	210	-61	Decrease along with payment of corporate taxes and other taxes	
Long-term Liabilities	500	600	-100		
<b>Total Liabilities</b>	<b>1,100</b>	<b>1,232</b>	<b>-132</b>	Repayment of borrowings for investment in BB Mobile Corp.	
<b>&lt; Net Assets &gt;</b>					
Shareholders' Equity	1,732	1,579	153		
Common Stock	71	71	0		
Additional Paid-in Capital	22	21	0	Increase in net income	
Retained Earnings	1,639	1,487	151		
Evaluation and Exchange Adjustments	27	32	-5	Mark-to-market of investment securities	
Minority Interests in Consolidated Subsidiaries	15	14	1		
<b>Total Net Assets</b>	<b>1,775</b>	<b>1,626</b>	<b>148</b>		
<b>Total Liabilities and Net Assets</b>	<b>2,875</b>	<b>2,859</b>	<b>16</b>		



# FY2006-3Q Cash Flow Statements

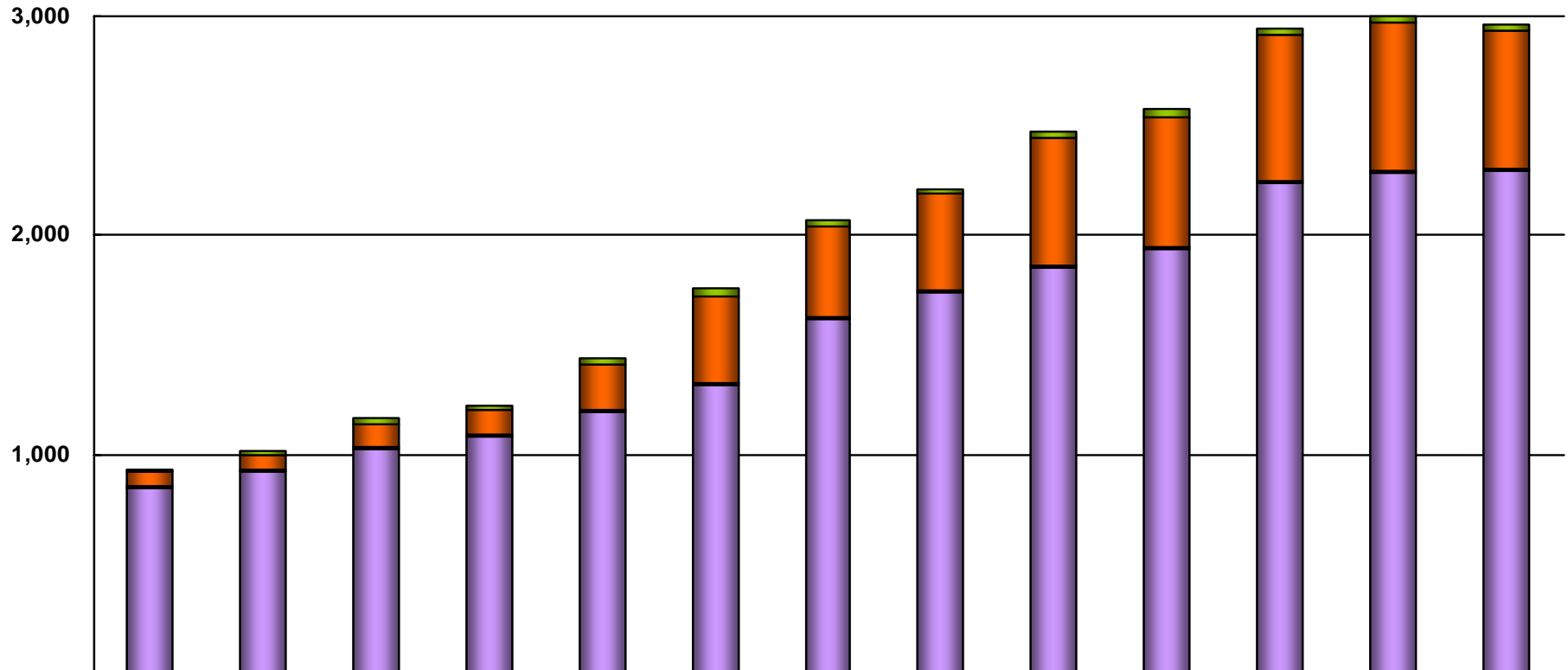
Major Items	FY2006-3Q (Oct. - Dec. 2006)	Major Factors for Changes	(¥ 100M)
<b><u>Operating Activities</u></b>	<b><u>134</u></b>		
Net Income before Income Taxes	265	Increase in quarterly net income before income taxes	
Depreciation/Amortization	21	Expansion of servers and other network equipment	
Losses/Gains under the Equity Method	9		
Increase in Accounts Receivable-Trade	-8		
Other Receivables/Payables	9		
Payment of Income Taxes and Other Taxes	-174		
<b><u>Investing Activities</u></b>	<b><u>-26</u></b>		
Purchases of Tangible Fixed Assets	-17	Purchase of servers and other equipment	
Purchases of Intangible Fixed Assets	-12	Commissioned system development	
Acquisition/Sales of Investment Securities	-8		
Proceeds from Recovery of Lending	11	Recovery of loans made based on a finance scheme for Yahoo! BB business	
<b><u>Financing Activities</u></b>	<b><u>-101</u></b>		
Redemption of Long-Term Loan	-100	Repayment of borrowings for investment in BB Mobile Corp.	
<b><u>Net Change in Cash Flows</u></b>	<b><u>6</u></b>		



# Number of Directors and Employees

(Number of People)

(at the End of Quarter)



	03/12	04/3	6	9	12	05/3	6	9	12	06/3	6	9	12
Directors and auditors of Subsidiaries	12	18	24	19	26	34	27	27	33	33	31	31	25
Employees of Subsidiaries	65	67	101	108	209	397	417	438	583	594	669	670	634
Directors and auditors of Yahoo! JAPAN	8	8	9	9	9	8	9	9	9	9	9	9	9
Employees of Yahoo! JAPAN	850	923	1,029	1,083	1,196	1,316	1,616	1,740	1,849	1,940	2,239	2,289	2,293
Total	935	1,016	1,163	1,219	1,440	1,755	2,069	2,214	2,474	2,576	2,948	2,999	2,961

■ The above figure does not include those who hold posts both at Yahoo! JAPAN and subsidiaries or have been dispatched from Yahoo! JAPAN.

■ The number of subsidiaries decreased because NETGENE is no longer a consolidated subsidiary.



# Review of FY2006-3Q Business Outlook

Net sales were nearly at the upper end of the range of our projection because revenues from Sponsor Site, auction system-use fees, and information listing services increased more than we estimated. In addition, ordinary income exceeded over the upper end of the range of our projection because the growth of expenses was controlled effectively.

(¥ 100M)

(Consolidated)	Actual	Projection (at Oct. 23 2006)
Net Sales	545	517~552
Ordinary Income	266	240~265
Quarterly Net Income	151	136.5~152



# FY2006-4Q and Fiscal Year Business Outlook (Consolidated)

Because of the office move to Tokyo Midtown, SG&A expenses in FY2006-4Q are estimated to increase by approx. ¥0.5 billion from the amount of FY2006-3Q. In addition, extraordinary losses of 1.2 billion are estimated to be incurred by the office move.

(¥ 100M)

As of Jan. 24 2007 (Consolidated)	FY2006-3Q (Actual)	FY2006-4Q (Projection)	FY2006-1Q to 3Q accumulation (Actual)	FY 2006 full year (Projection)
Net Sales	545	542 ~ 562	1,549	2,091.9 ~ 2,111.9
Ordinary Income	266	261 ~ 272.5	743	1,004.3 ~ 1,015.8
Net Income	151	142.5 ~ 150	419	562.2 ~ 569.7

- 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 2006 full year projection” is the aggregation of the FY 2006-1Q to 3Q actual accumulation with FY2006-4Q projection.

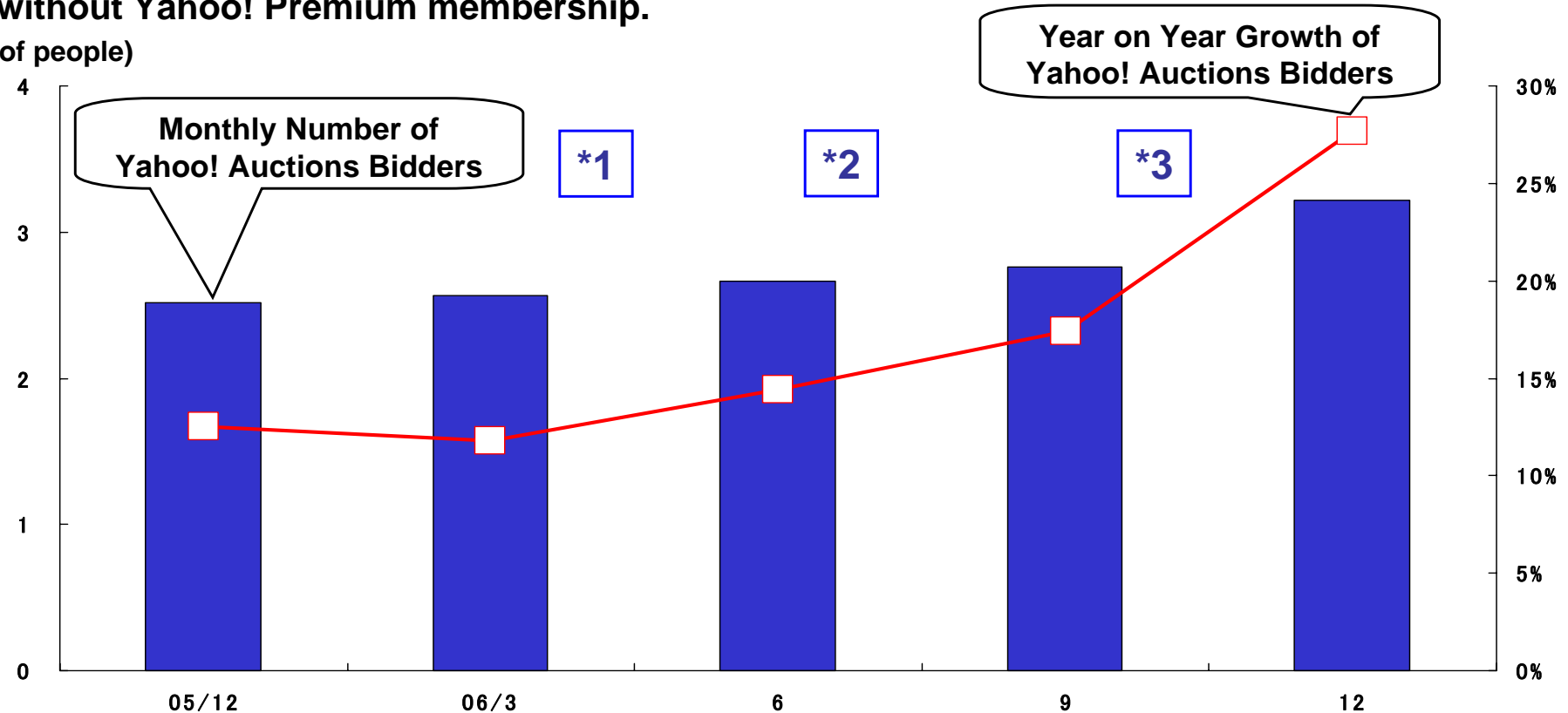


# Special Note (1)

## Yahoo! Auctions

Campaigns from April 2006 to expand the number of Yahoo! Auctions users achieved favorable results and increased number of Yahoo! Auction bidders. We have not decided yet as to whether the campaigns are continued and permanently opening Yahoo! Auctions to users without Yahoo! Premium membership.

(Millions of people)



### Major Campaigns:

- \*1. Yahoo! JAPAN ID holders allowed to bid in B2C auctions.
- \*2. Yahoo! BB members and Yahoo! JAPAN ID holders with membership period of 3 years or longer allowed to bid in C2C auctions, all Yahoo! BB members allowed to list items.
- \*3. Yahoo! JAPAN ID holders allowed to bid in all auctions.





## Special Note (2)

# Yahoo! NetBanking

Added new service to Yahoo! NetBanking, a settlement service linking Japan Net Bank accounts with Yahoo! JAPAN ID. Aiming at growth of the service with vigorous promotion activities.

\* Started offering Auctions Cashbook, a secure and convenient settlement service for Yahoo! Auctions. The new service enables users to easily and quickly invoice and pay for auction transactions. In addition, the service provides a high degree of convenience and security with such features as not letting others know the users' bank account numbers.

オークション出納帳

サービス・商品案内 | 口座お取引 | 支払い方(出品者向け) | 支払い方(落札者向け)

5ページ中1ページ目を表示(合計120件)

明細番号	商品ID	商品名	出品者	落札価格	請求額	支払
0122	1017890	タイムカプセル	durae monn...	10,000円		支払
0121	1017888	通関手	durae monn...	10,000円	10,540円	支払
0120	1017826	タイムカプセル	durae monn...	10,000円	10,650円	ワンタイム口座
0119	1017902	スモークアート	durae monn...	3,000円	3,450円	かんたん決済
0118	1017900	はんやコンニャク	durae monn...	6,000円		その他
0117	1017898	スモークアート	durae monn...	5,000円	5,500円	かんたん決済
0116	1017884	スモークアート	durae monn...	10,000円		ワンタイム口座

\* Click to payment step

オークション出納帳

サービス・商品案内 | 口座お取引 | 支払い方(出品者向け) | 支払い方(落札者向け)

5ページ中1ページ目を表示(合計121件)

明細番号	商品ID	商品名	出品者	落札価格	請求額	支払
0125	1017890	タイムカプセル	notinabit...	10,000円		支払
0124	1017888	通関手	notinabit...	10,000円	10,540円	ワンタイム口座
0123	1017826	タイムカプセル	notinabit...	10,000円	10,650円	ワンタイム口座
0122	1017884	スモークアート	notinabit...	10,000円		その他
0121	1017888	はんやコンニャク	notinabit...	10,000円	10,540円	かんたん決済
0120	1017894	スモークアート	notinabit...	10,000円	10,650円	ワンタイム口座
0119	1017898	スモークアート	notinabit...	10,000円	10,640円	ワンタイム口座

\* Click to invoice step

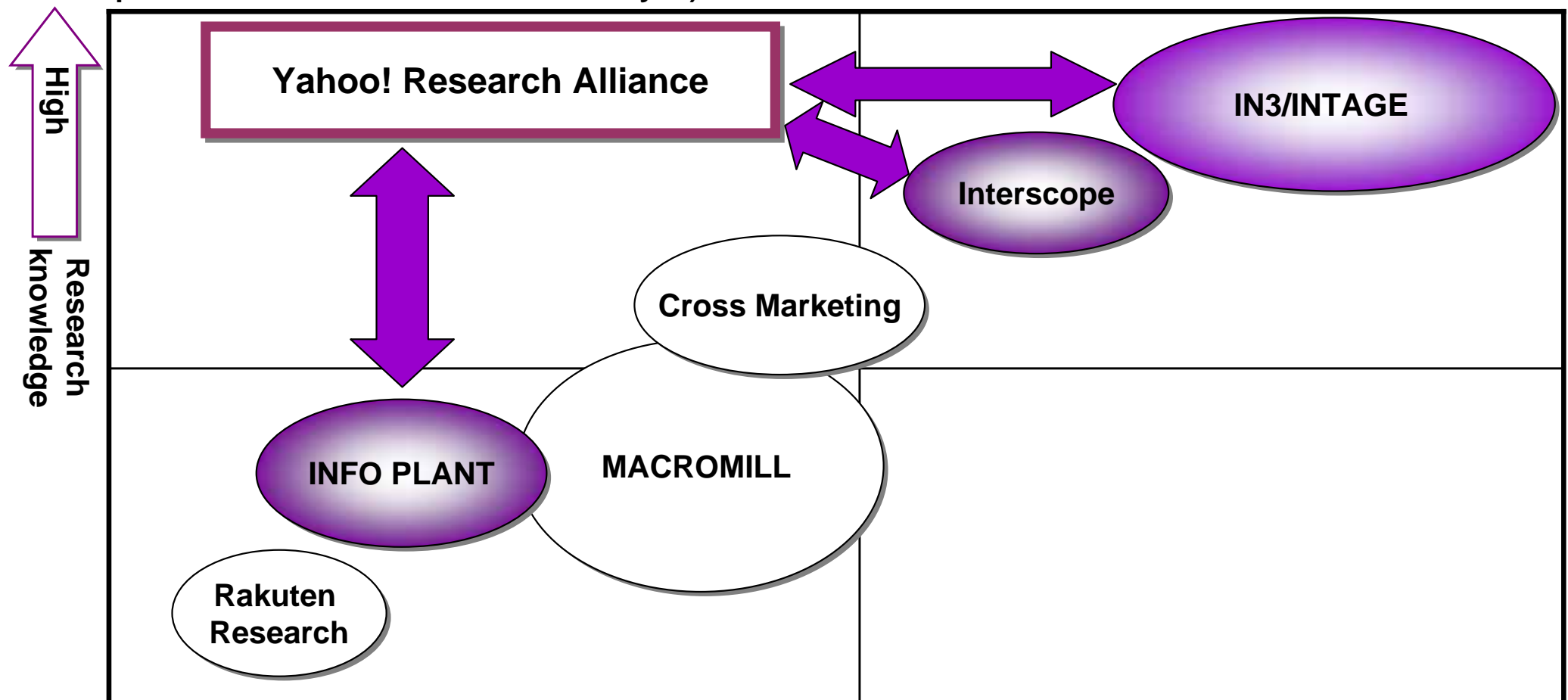
\* Started offering mobile version of Yahoo! NetBanking.



## Special Note (3)

# Investment in Interscope Inc.

Complementing INFO PLANT Co, LTD. which is strong in speedy and low-priced research work, Interscope Inc. is planned to be included in the Group this quarter. Interscope has a high degree of expertise in online research as well as being strong in developing new methods of research and analysis. The Company reinforced its online research business by making Interscope a subsidiary. (We are considering to acquire more than two- thirds of outstanding shares of Interscope. Actual number of shares acquired and the acquisition costs have not been decided yet.)



\* Diagram above shows conceptual scheme

Average unit price per order

High





## Special Note (4)

### Office Relocation to “Tokyo Midtown”

- A part of the Company moves to “Tokyo Midtown Tower” in January 2007.
- The estimated financial impacts on FY2006-4Q by the relocation are as follows
  - ◆ The estimated increase in SG&A by the relocation: Approx. ¥0.5 billion  
(Lease and utility expenses, Depreciation expenses, etc.)
  - ◆ Extraordinary Losses: Approx. ¥1.2 billion  
(Losses on disposal of fixed assets, Expenditures on fixtures and fittings, Renovation costs to restore the original state of Roppongi Hills, etc.)
  - ◆ Capital Expenditures: Approx. ¥ 3.0 billion  
(Construction in progress, etc.)
  - ◆ Security Deposit Paid: Approx. ¥1.5 billion  
(Net amount between the refund of security deposit on Roppongi Hills and the payment of security deposit on Tokyo Midtown)



# **Review of Operations**



# Businesses of Yahoo! JAPAN

## Advertising Business

### Internet advertising

- Branding advertising such as banners
- Sponsor Site, our paid search service, offered in alliance with Overture K. K. and others.

## Business Services Business

### Business services other than advertising

- Information listing fees for Yahoo! Rikunabi, Yahoo! Real Estate, Yahoo! Autos, and others
- Tenant fees and sales commissions from merchant stores of Yahoo! Auctions and Yahoo! Shopping
- Yahoo! BB customer acquisition incentive revenue and continuing incentive revenue
- INFO PLANT CO., LTD., Firstserver, Inc., etc.

## Personal Services Business

### Personal services

- System-use fees for Yahoo! Auctions
- Yahoo! Premium membership revenues
- Yahoo! BB ISP fees
- Netrust, Ltd.
- Paid content and others, etc.



# Advertising Business

## Branding (banner) advertising

- Major advertisers curtailed their advertising expenditures and overall advertising market in the third quarter was in a bit of a slump. The surge in the demand for advertising in the year-end active season was not large as usual.
- Focused on advertising products that met advertiser's needs, such as targeting advertising and made an effort to sell small-scale advertising products for such advertisers as Yahoo! Shopping stores.
- As a result, sales of branding advertising grew more than 10% from the same period of the previous quarter.
- Monthly average number of advertisers was 1,982, up 81.5% year on year. Unique number of advertisers in the third quarter was 2,929, up 81.7% year on year, and among these advertisers, the number of national client was 161, a 5.2% increase year on year. Further growth of the number of advertisers is expected.

## Sponsor Site (Search Business, etc.)

- Sponsor Site sales were not greatly affected by the customary decline in user activity at the year-end holiday season. As a result, Sponsor Site sales increased favorably.

## SG&A expenses

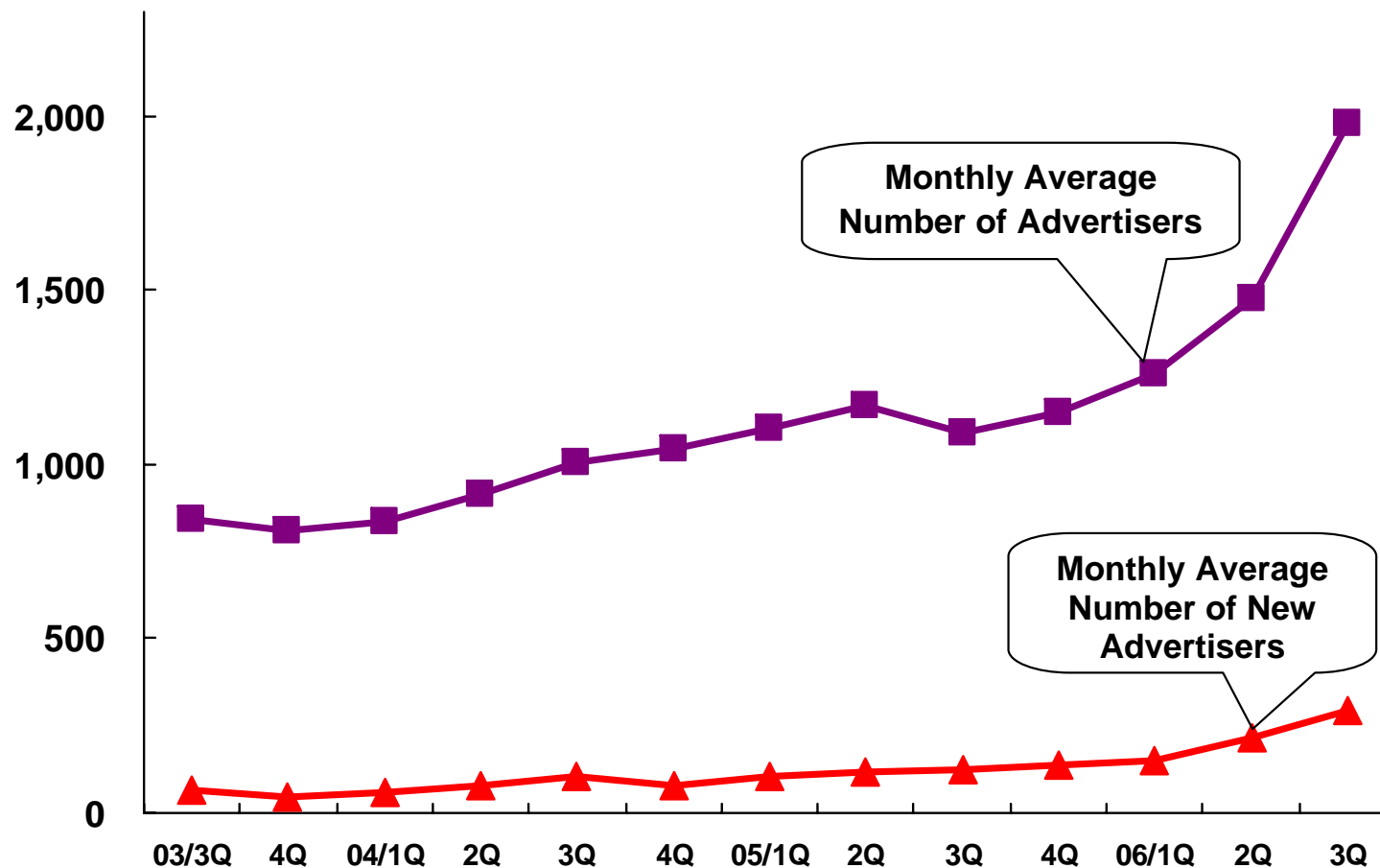
- Sales commissions, personnel expenses, content provider fees, etc.



# Branding Advertising Number of Advertisers

Carried out aggressive sales activities and won advertising orders from broad range of advertisers such as Yahoo! Shopping Stores. Advertiser base is rapidly expanding.

(Number of Advertisers)



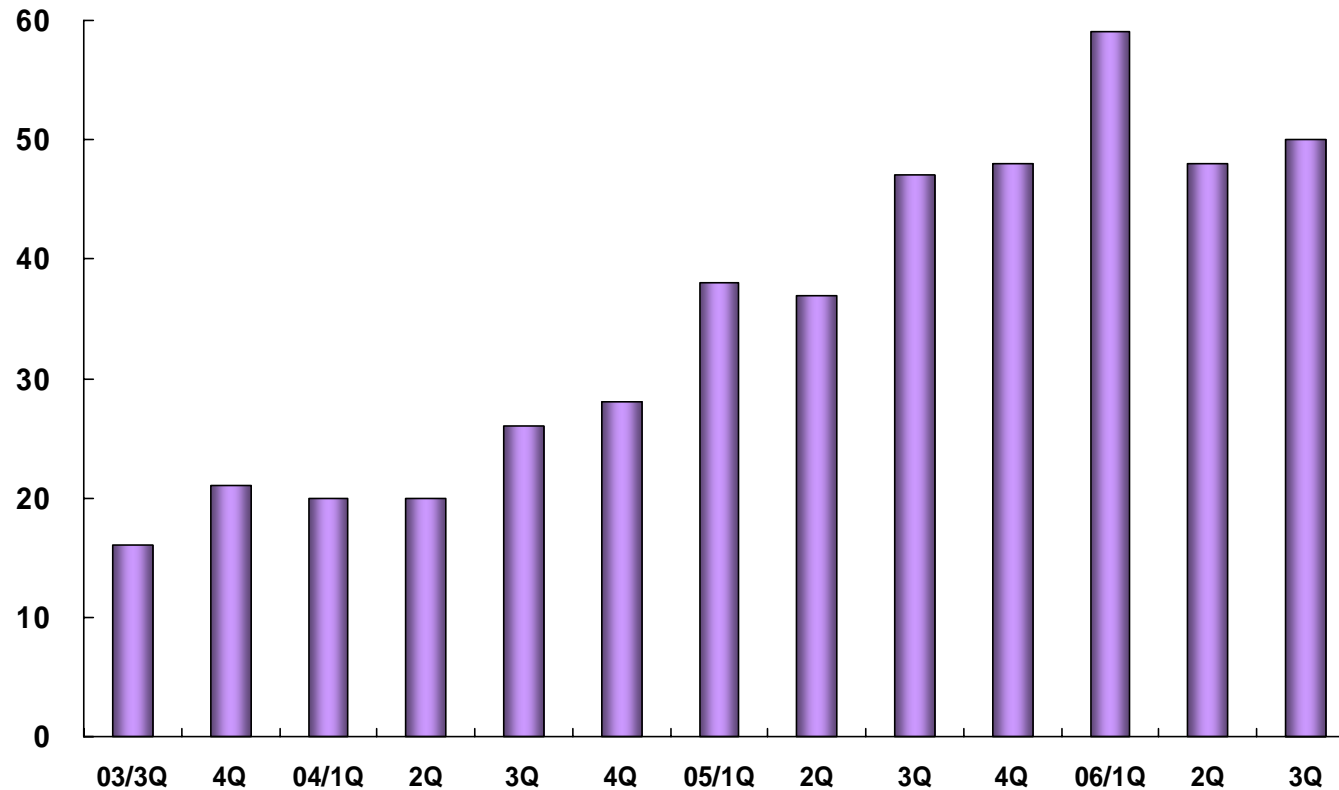
■ The above figures do not include Sponsor Site advertisers



# National Client Trends

**Sales to National Clients: ¥ 4.8 Billion (06/2Q) → ¥ 5.0 Billion (06/3Q)**

(¥ 100M)



※ **National Clients**

- Nikkei Advertising Research Institute: Top 100 companies in advertising expenditure (2005)
- Video Research TV Ad Statistics: Top 100 (East) and Top 50 (West) companies in advertising (2005)
- MRS: Top 100 companies in advertising expenditure in newspapers and magazines (2005)

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 increase from the previous quarter (\*)

- Transportation /Leisure
- Entertainment Related Software
- Fashion/Accessories

## Industries with high growth rate from the previous quarter (\*)

- Fashion/Accessories
- Entertainment Related Software
- Home Appliances/AV Equipment

	05/3Q	4Q	06/1Q	2Q	3Q
Finance/ Insurance/ Securities	20.4%	20.5%	21.5%	22.0%	17.3%
Autos (Transport Equipment)	10.6%	11.3%	7.2%	8.7%	8.9%
Real Estate/ Construction	8.2%	12.6%	7.4%	8.9%	8.7%
Cosmetics/Toiletries	6.2%	5.2%	7.2%	7.9%	7.5%
Transportation/Leisure	4.4%	6.7%	5.7%	5.1%	6.6%
Recruitment Services	7.9%	8.4%	6.9%	6.6%	6.2%
Mobile Communications Service	2.5%	3.1%	9.5%	6.6%	5.2%
Computers/ Office Equipment	7.2%	5.3%	4.6%	4.3%	4.5%
Entertainment Related Software	3.1%	2.2%	2.2%	2.3%	3.7%
Foodstuffs	2.9%	2.9%	3.2%	3.2%	3.7%
Fashion/Accessories	2.0%	1.6%	1.8%	1.9%	3.4%
Beverages/Cigarettes	3.5%	3.8%	6.3%	4.3%	2.7%
Home Appliances/AV Equipment	2.0%	1.3%	1.5%	1.4%	2.1%
Pharmaceuticals/Medical Supplies	1.4%	1.6%	0.9%	1.4%	2.0%
Others	17.7%	13.5%	14.1%	15.4%	17.5%

•The above figures do not include revenue from Sponsor Site.  
 (＊) In the order of increasing amount and rate excluding the industries in “Others.”



# CSC (Client Side Counting)

- Traffic of Yahoo! JAPAN will be disclosed using CSC from January 2007.
- The difference between PVs by previous counting method and Impressions by CSC is as follows.

	Number of PVs by previous counting method	Number of impressions by CSC	Difference
FY2006-3Q	100,088 million	113,493 million	13.4%

<Difference between PVs (previous counting method) and Impressions (CSC)>  
There are mainly two factors which make a difference between the two counting methods: PVs count traffic by Robot search, meanwhile Impressions do not. Impressions count cache meanwhile PVs do not. The impact of the above differs from services to services. Also, the impact is greatly affected by seasonality or usage trend of each service and the number of differences between PVs and Impressions will vary.



# Business Services Business (1)

## e-Commerce related sales

(Auction Business, Shopping Business, etc.)

- e-Commerce related transaction volume in the third quarter totaled ¥250 billion, increasing by ¥35 billion or 16.3% year on year supported by year-end shopping season.
- The number of Yahoo! Auctions Stores rose to 11,526 at the end of the third quarter, up 5,615 or 95.0% from a year earlier. The percentage of B2C auctions in total auction transaction volume remained 18%.
- Yahoo! Shopping stores increased to 13,535 at the end of the third quarter, up 7,425 or 121.5% from a year earlier.
- The total number of stores of Yahoo! Shopping and Yahoo! Auctions rose to 25,061 at the end of the third quarter, up 13,040 or 108.5% year on year. As a result, sales from commerce-related tenant fees and sales commissions greatly increased.



# Business Services Business (2)

## Information listing revenue (Regional Services Business, etc.)

- Recruiting activities of non-full-time employees were favorable at Yahoo! Rikunabi. Also, demand from recruiting companies for ShotWorks, short-term, one-off temporary employment service, expanded well.
- Sales of Yahoo! Real Estate information listing service were also favorable.

## Yahoo! BB related incentive revenues (Member Services Business)

- Implemented several promotions to acquire new Yahoo! BB members.

## SG&A expenses

- Personnel expenses, business commissions, sales promotion costs, etc.



# Personal Services Business

## Revenues from system-use fee for Yahoo! Auctions (Auction Business)

- Promotion measures to expand Yahoo! Auctions users achieved a favorable result and increased number of new bidders. For the year-end shopping season, Yahoo! Auctions transaction volume of the third quarter amounted to more than ¥200 billion, up 12.7% year on year
- Revenues from system-use fees for C2C auctions achieved high growth partly because of fee change for winning bids to 5% from 3% in May 2006

## Yahoo! Premium Revenues (Member Services Business)

- The campaign allowing users to participate in Yahoo! Auctions without Yahoo! Premium membership affected the number of Yahoo! Premium member and the new sign-up for Yahoo! Premium decreased. However, measures to increase the value of Yahoo! Premium membership limited the decrease in membership. The number of Yahoo! Premium members was 6.30 million IDs at the end of the third quarter, decreasing 130 thousand or 2.0% from the end of the previous quarter.

## SG&A expenses

- Business commissions, sales promotion costs, payment commissions, etc.



# **Review of Operations by Business Division**





### Member Services Business

- Implemented various promotions to acquire Yahoo! Premium and Yahoo! BB members. (Paid search advertising, affiliate marketing, a friend referral campaign, etc.)
- Implemented measures to increase value of Yahoo! Premium and Yahoo! BB memberships. (Campaign in Yahoo! Wireless LAN Spots and Flyer Information, campaign for free trial of anti-fraud software, special discounted services for Yahoo! Premium members, online movies previews, special streaming content of Koda Kume live concert, etc.)
- Special collaboration campaign for Yahoo! Premium and Yahoo! BB members with Yahoo! Card, Yahoo! Shopping and Yahoo! Wallet.
- Promoted Yahoo! Insurance and Yahoo! Trading, and implemented several measures to increase the value of membership (Enriched content and Yahoo! Points campaign, etc.)

### Shopping Business

- Implemented promotions such as seasonal bargain sale aimed at the expansion of transaction volume.
- Expanded access from kakaku.com to Yahoo! Shopping by affiliate program using JAN code.
- Improved search function in Yahoo! Shopping.
- The credit card registered at Yahoo! Wallet can be used as a payment method for Yahoo! Shopping.



### Regional Services Business

- Published API of Yahoo! Maps Web Services for users to make their own map service sites.
- Yahoo! Gourmet: Began offering “Blog-parts,” tools for improved blog function and design.

### Auction Business

- Started Auctions Cashbook on Yahoo! NetBanking for easy and secure Yahoo! Auctions settlement.
- Implemented several promotions such as free listing campaign for year-end shopping season.
- Hosted Internet public auctions for 141 governmental bodies up to now.
- Introduced a new personal verification system for secure auction transaction.

### Media Business

- Launched new social news service called Yahoo! Everybody's Topics (beta version).
- Yahoo! TV: Special content featuring U.S. popular drama program.
- Yahoo! Streaming: Pre-release of “FREEDOM 1”





### Social Net Business

- To expand the time spent by users on Yahoo! JAPAN, added evaluation functions that enable users to post their opinions on several services of Yahoo! JAPAN (Yahoo! Autos, Yahoo! JAPAN Literary Award, etc.)
- Yahoo! Days: Started accepting registration from Yahoo! Keitai users without friend referral.
- Yahoo! Mail: Introduced SPF (sender policy framework), technique validating the e-mail sender's domain to eliminate phishing fraud and junk mail.
- Implemented various special events throughout Yahoo! JAPAN services such as seasonal special event.
- Started offering Yahoo! mocha, application package of multiple communication services for mobile phone.

### Search Business

- Conducted overall improvement in mobile search services. Released search service for Yahoo! Keitai on October 1 and revamped search service for i-mode and EZweb on October 5.
- Yahoo! Mobile search service ranked as No.1 in “iMenu search service collection”.
- Yahoo! Answers: Added voting and life symbol functions and start disclosing the reason for removal of postings.
- Yahoo! Image Search: Added slide show function and renewed interface.



### Lifestyle Business

- **Yahoo! Second Life:** Started search service for senior care home.
- **Yahoo! Movies:** Started offering “My Movie,” offering user review and bookmarking of favorite movie titles.
- **Yahoo! Comics, Yahoo! Fortune Telling:** Special content celebrating the 25th anniversary of Kodansha’s popular magazine “Morning.”

### Mobile Business

- **Launched Yahoo! Keitai for SOFTBANK Mobile** on October 1. Mobile Internet usage by SOFTBANK Mobile users expanded rapidly.
- **Conducted various promotions** to stimulate the usage of Yahoo! Mobile along with the start of Mobile Number Portability.
- **Transaction volume of mobile versions of Yahoo! Auctions and Yahoo! Shopping** showed favorable growth. Mobile commerce transaction volume in FY2006-3Q totaled ¥24.0 billion, up 26.2% year on year.



### New Business Office

- **Yahoo! NetBanking:** Started mobile capable services linking JNB accounts with Yahoo! JAPAN IDs. Launched Auctions Cashbook, settlement service for Yahoo! Auctions.
- **Yahoo! ezPay:** Transaction volume expanded due to year-end shopping season and settlement fee change.
- **Yahoo! Card:** Started offering ETC card. Yahoo! JAPAN Card became IC Card for increased security.
- **Yahoo! Travel:** Formed alliance with Skygate Co., Ltd. for overseas airline ticket business and started accepting online real-time reservation and distribution of Skygate's inventory from Jan. 2007.
- **Yahoo! Research:** Expanded monitor base of Yahoo! Research (PC monitors: 1,330 thousand, Mobile monitors: 100 thousand, Total: 1,430 thousand )

### Service Supervising Division

- **Yahoo! Kids:** Revamped front page and launched “Yahoo! Kids Future Work”.
- Published special content and hold several events for “The 3rd Yahoo! JAPAN Sports Promotion Project.”

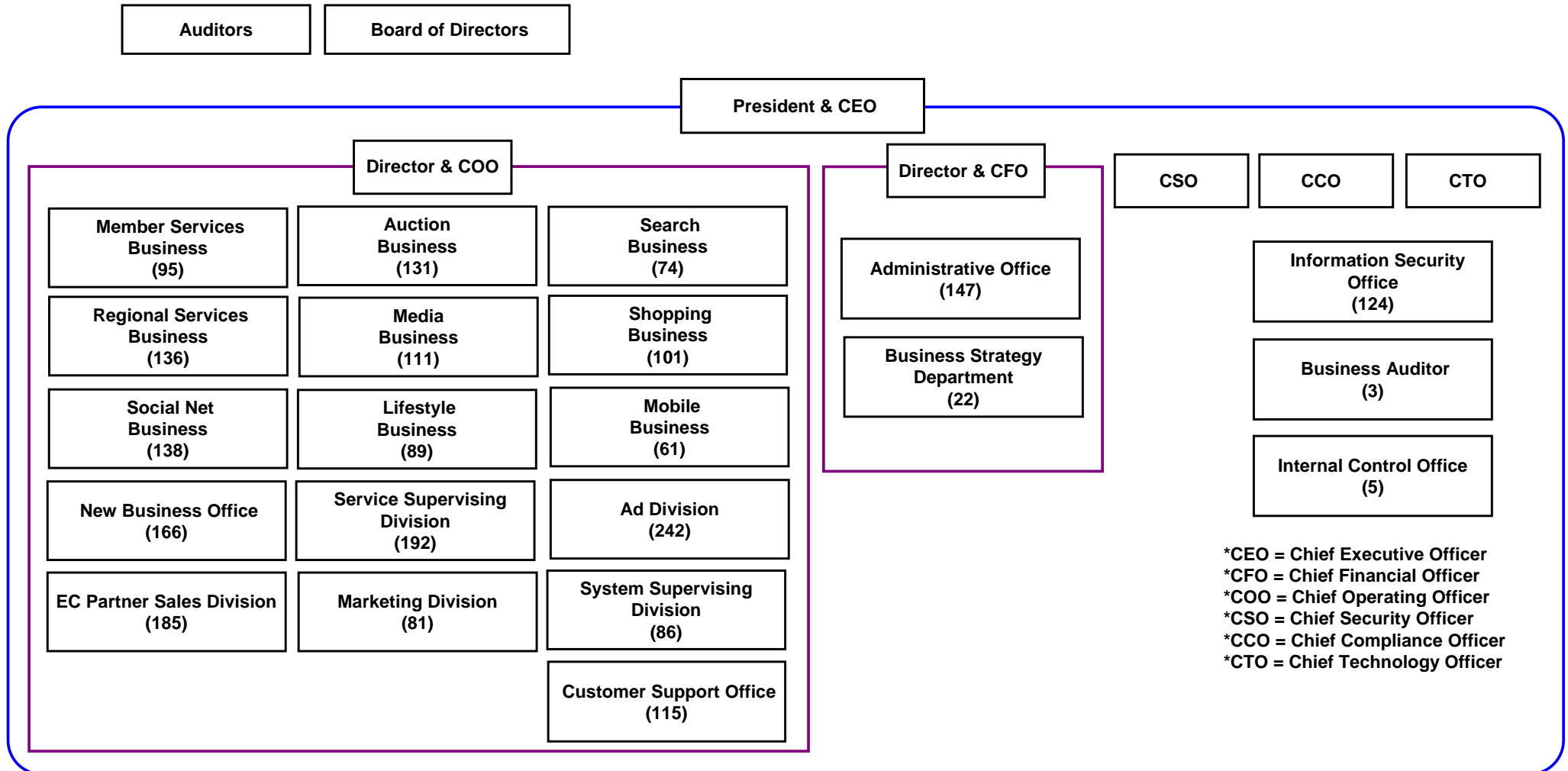


# Appendix





# Organization



Total : 2,305 people (as of Jan. 1, 2007)



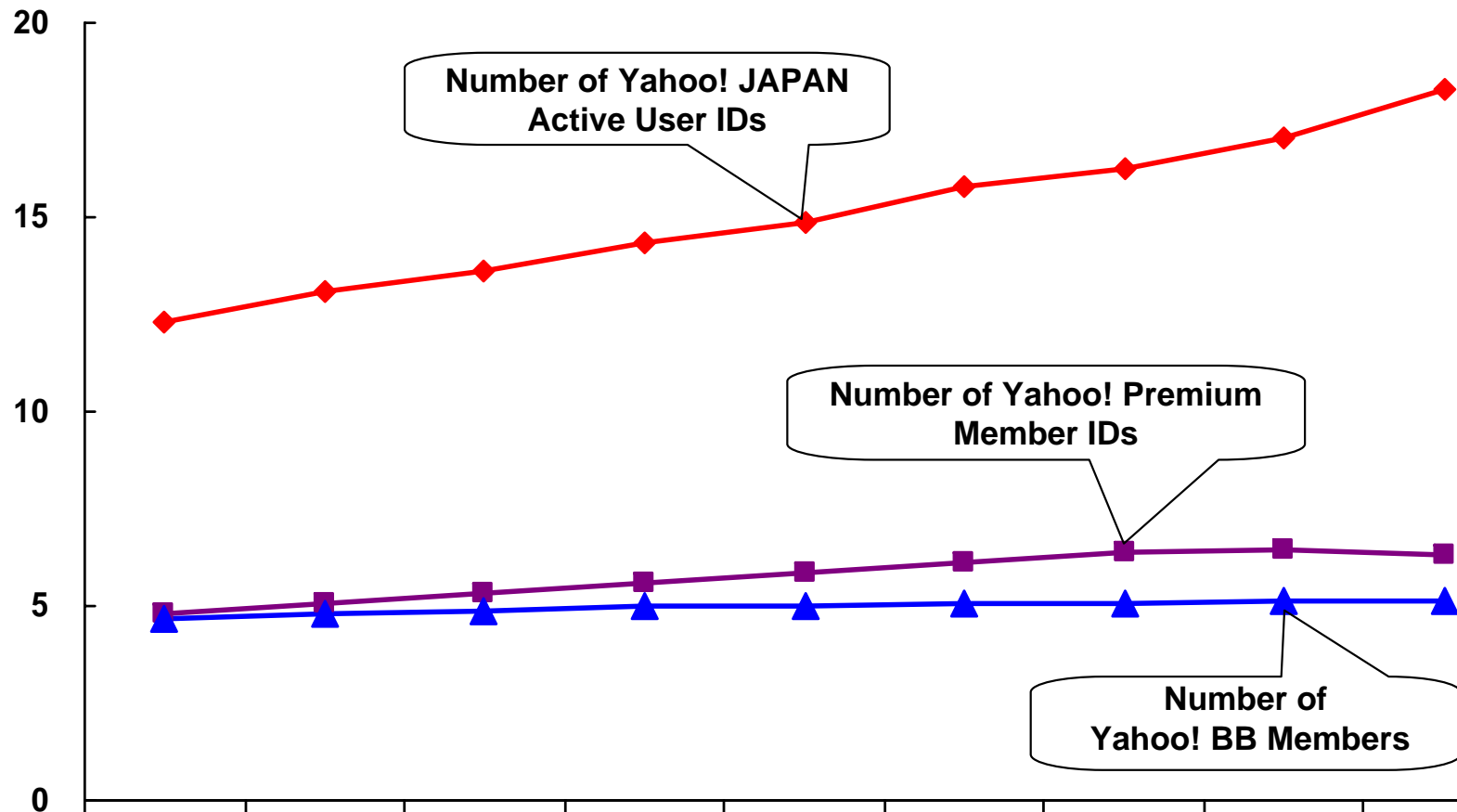
## Additional Business Data: 2006-3Q

• <b>Average Daily Transaction Volume</b>	<u>Jul. - Sep. 2006</u>	<u>Oct. - Dec. 2006</u>
Commerce (¥ 100M)	22.7	26.9
☆ Auction (¥ 100M)	18.1	21.8
☆ Shopping* (¥ 100M)	4.6	5.1
*Yahoo! Shopping, Yahoo! Tickets and Yahoo! Travel, excluding fraudulent orders for both periods		
Yahoo! Mobile e-commerce (¥ 100M)	1.9	2.5
• <b>Subscriber Lines for Yahoo! BB Services</b>	<u>End of Sep. 2006</u>	<u>End of Dec. 2006</u>
Total (thousand lines)	5,146	5,161
Number of lines marketed by Yahoo! JAPAN (thousand lines)	1,157	1,139
• <b>Other Data of Auction Business</b>	<u>Jul. - Sep. 2006</u>	<u>Oct. - Dec. 2006</u>
Average Closing Price (¥)	5,603	5,884
Average Successful Auction Ratio (%)	28	28
• <b>Number of Business Express Contracts (contract) (monthly average)</b>	<u>Jul. - Sep. 2006</u>	<u>Oct. - Dec. 2006</u>
	3,280	3,463



# Number of Yahoo! JAPAN IDs and Members

(Millions of IDs and lines)



	04/12	05/3	6	9	12	06/3	6	9	12
◆ Active User IDs	12.31	13.10	13.60	14.36	14.85	15.80	16.24	17.05	18.28
■ Premium Member IDs	4.82	5.08	5.33	5.58	5.88	6.15	6.35	6.43	6.30
▲ Yahoo! BB Members	4.66	4.78	4.89	4.97	5.01	5.05	5.09	5.15	5.16

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



# FY2006-3Q Major Advertisers

## ■ Finance/ Insurance/ Securities

Matsui Securities Co., Ltd.  
Mitsui Direct General Insurance Company  
Sumitomo Mitsui Banking Corporation

## ■ Autos (Transport Equipment)

Honda Motor Co., Ltd.  
Mazda Motor Corporation  
TOYOTA MOTOR CORPORATION

## ■ Real Estate/Construction

COSMOS INITIA Co., Ltd.  
Daito Trust Construction Co., Ltd.  
THE JAPAN GENERAL ESTATE CO.,LTD  
Urban Renaissance Agency

## ■ Cosmetics/Toiletries

DHC Corporation  
Emotent  
Shiseido Company

## ■ Transportation/Leisure

All Nippon Airways Co., Ltd.  
Japan Airlines Corporation  
Japan Racing Association

## ■ Recruitment Services

En-japan inc.  
SOFTBANK Human Capital CORP.

## ■ Mobile Communication Services

KDDI CORPORATION  
SOFTBANK MOBILE Corp.

## ■ Computers/ Office Equipment

Dell Inc.  
FUJITSU LIMITED  
Sony Corporation

## ■ Entertainment Related Software

DMM  
GameOn Co., Ltd.  
Napster Japan, Inc.

## ■ Foodstuffs

AJINOMOTO Co., Inc.  
Kenkou Corporation  
NISSIN FOOD PRODUCTS CO., LTD

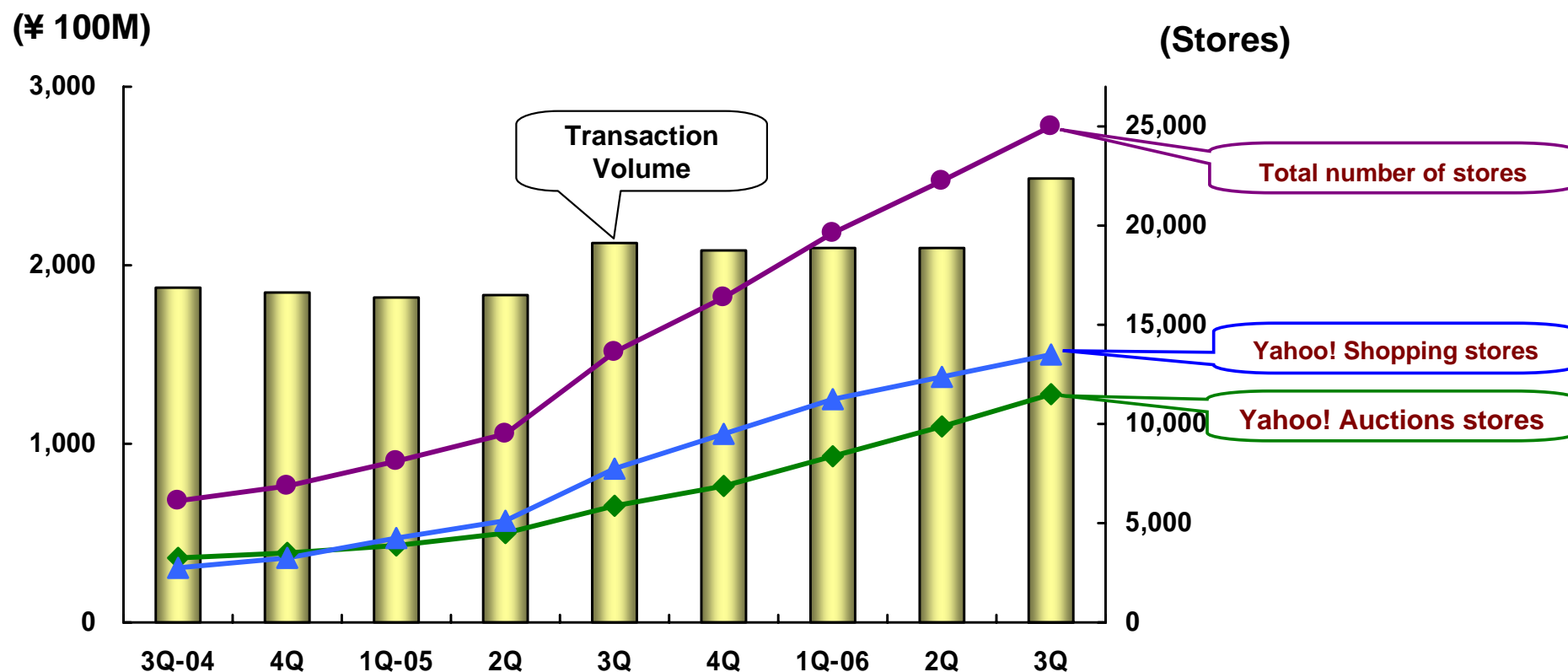
- The above are the major clients of Yahoo! JAPAN's advertising sales excluding Sponsor Site.
- The above are classified by contents of advertisement.
- Clients are listed in alphabetical order in each category.





# e-Commerce Transaction Volume and Number of Stores

e-Commerce transaction volume greatly increased during the year-end shopping season.



- Because former consolidated subsidiary Seven and Y Corp. became a company accounted for by the equity method in February 2006, turnover from Seven and Y's own site is eliminated from the month.
- Before 2005-2Q, stores are counted at the point of their opening.
- Transaction volume exclude the amount of fraudulent orders



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