

# Segment Report by Business Division

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

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

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

(Millions of yen)

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

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

## Auction Business Division

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

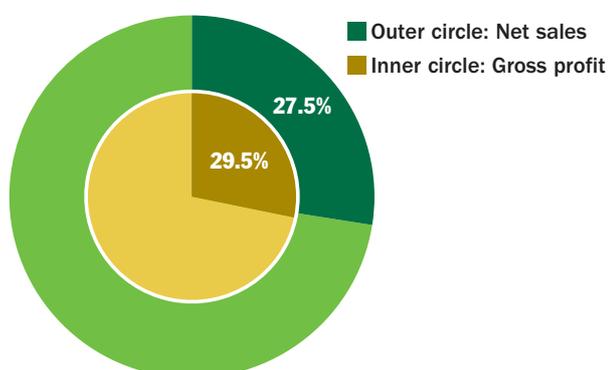
### Operational Review

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

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

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

### Net Sales and Gross Profit Composition



### Auction Income Statement

(Millions of yen)

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

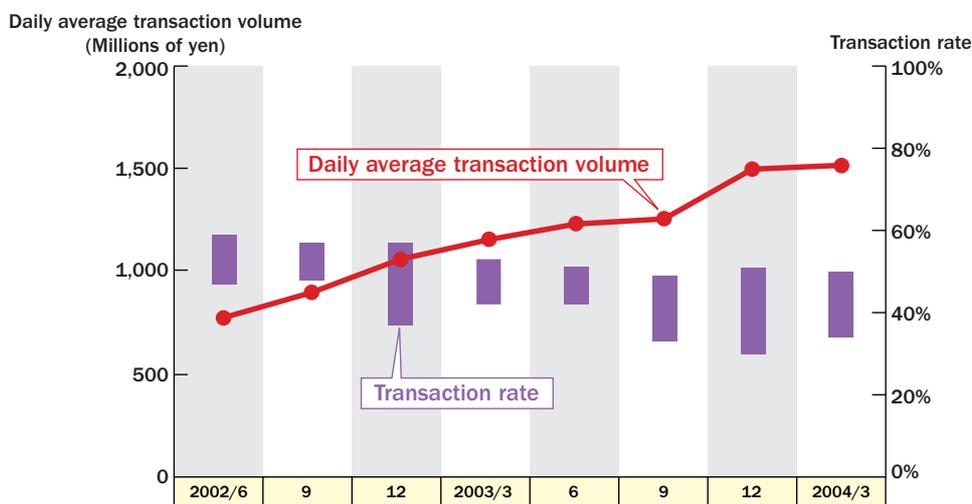
## Outlook

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

### Auction Data (March 2004)

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

### Yahoo! Auctions' Daily Average Transaction Volume and Transaction Rate



## Listing Business Division

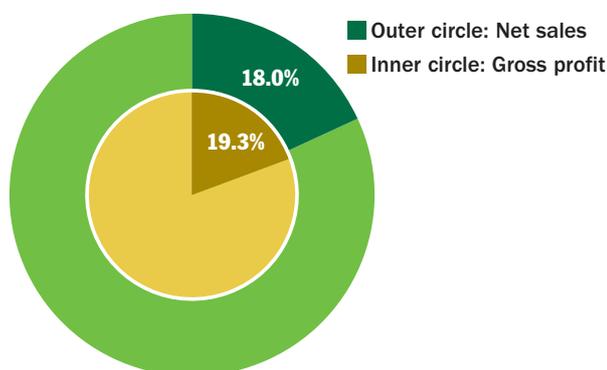
The Listing Business Division recorded net sales of ¥13,615 million for fiscal year 2003. This accounts for 18.0% of consolidated net sales. Advertising sales and the division's Business Express and information listing services contributed the bulk of the year's sales. Divisional operating income was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

## Operational Review

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

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

### Net Sales and Gross Profit Composition



### Listing Income Statement

(Millions of yen)

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

## Outlook

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

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

The screenshot shows the Yahoo! Rikunabi website. At the top, there's a navigation bar with the Yahoo! Rikunabi logo and links for 'Yahoo! JAPAN - ヘルプ' and 'リクナビ PRODUCED BY RECRUIT'. Below this is a large purple banner with the Yahoo! JAPAN logo and the URL 'http://www.yahoo.co.jp/'.

The main content area is divided into several sections:

- メニュー (Menu):** A list of links including 'リクナビNEXT', 'フロム・エーナビ', 'リクナビ派遣', 'エイブリックNET', 'リクナビ2006', and 'アントレネット/独立開業'.
- PR (Public Relations):** A section titled '転職情報を探す' (Find Job Change Information) with a sub-section 'アルバイト情報を探す' (Find Part-time Job Information). It includes a search bar and a list of job openings with details like '1,800件以上の豊富な写真付き求人情報とスカウト登録'.
- Featured Content:** A central box with a photo of people and text: '転職活動準備のお役立ち情報満載! ~リクナビ2006~ NEW!' and 'リクナビ2006の会員登録するとこんなサービスが受けられます。'.
- Regional Links:** A sidebar on the right with a vertical URL 'http://www.yahoo.co.jp/' and a list of regional links for various Japanese prefectures: 北海道・東北版, 関東版, 甲信越・北陸版, 東海版, 中国・四国版, 九州・沖縄版, 関西版, リゾート版, 人気バイトランキング, 転職辞典, 面接必読講座.
- Footer:** A section titled 'お知らせ' (Notice) with a link '経験者に聞く... 『転職のホンネ』'.

## Yahoo! BB Business Division

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

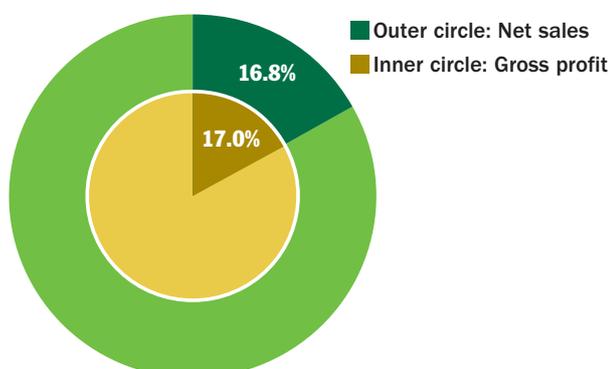
### Operational Review

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

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

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

### Net Sales and Gross Profit Composition



### Yahoo! BB Income Statement

(Millions of yen)

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

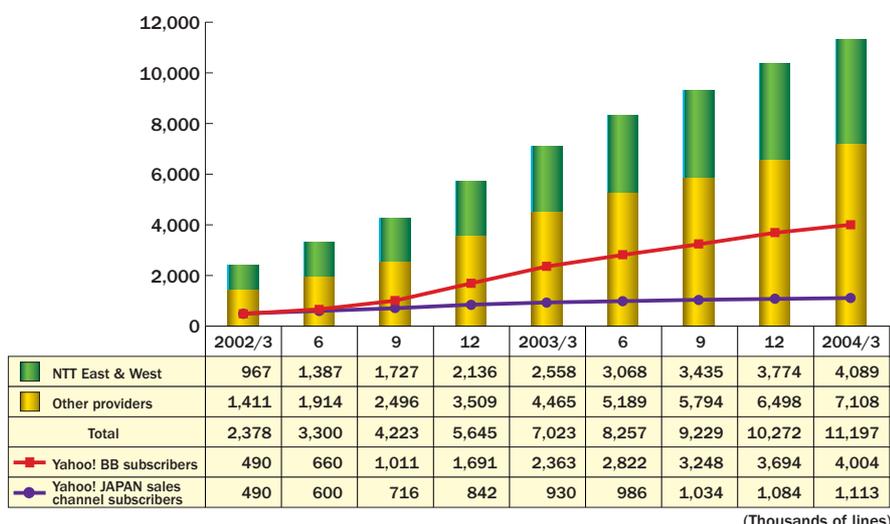
## Outlook

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

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

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

### DSL Subscribers in Japan



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

## Shopping Business Division

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

### Operational Review

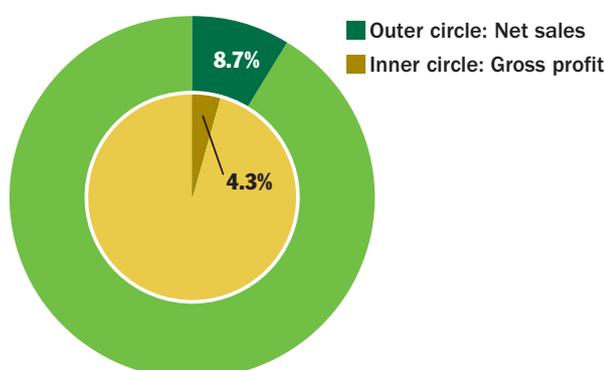
During the fiscal year, the Shopping Business Division switched its strategic emphasis from limiting itself to top-class stores with superior brand power and excellent service to providing its customers with a wider selection of goods. The change was made to expand the volume of goods handled and to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

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

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

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

### Net Sales and Gross Profit Composition



### Shopping Income Statement

(Millions of yen)

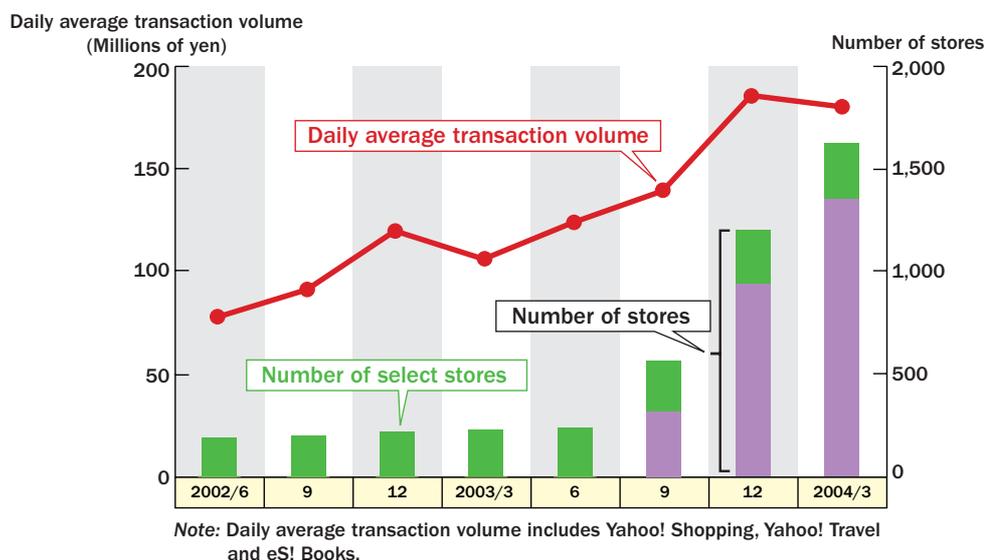
| For the year ended       | 2004/3       |
|--------------------------|--------------|
| <b>Net sales:</b>        |              |
| Advertising              | 451          |
| Business services        | 1,646        |
| Personal services        | —            |
| Other                    | 4,492  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

## Outlook

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

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

### Daily Average Transaction Volume and Number of Stores of Shopping Services



## Media Business Division

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

## Operational Review

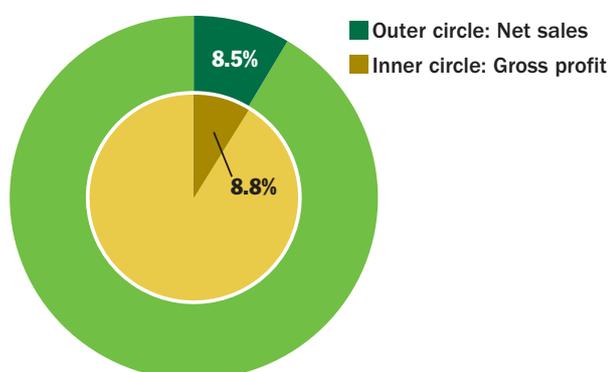
The Media Business Division devoted its efforts in fiscal 2003 to improving services for the rapidly rising number of broadband users who spend increasing amounts of time online. By launching Yahoo! Comics, the division granted users the enjoyment online of the works of famous comic book and comic strip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

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

## Outlook

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

### Net Sales and Gross Profit Composition



### Media Income Statement

(Millions of yen)

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

## Business Solutions (BS) Business Division

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

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

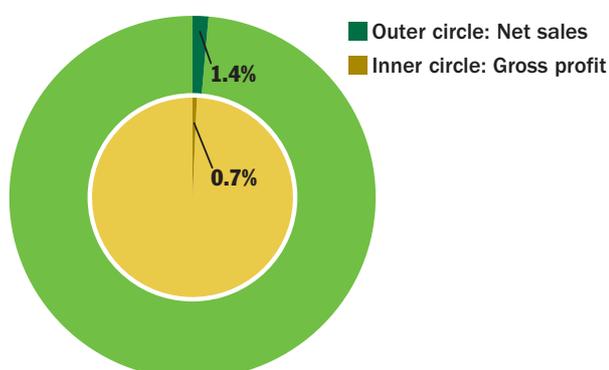
### Operational Review

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

### Outlook

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

Net Sales and Gross Profit Composition



BS Income Statement

(Millions of yen)

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

## Corporate Common Business—Elimination or Corporate

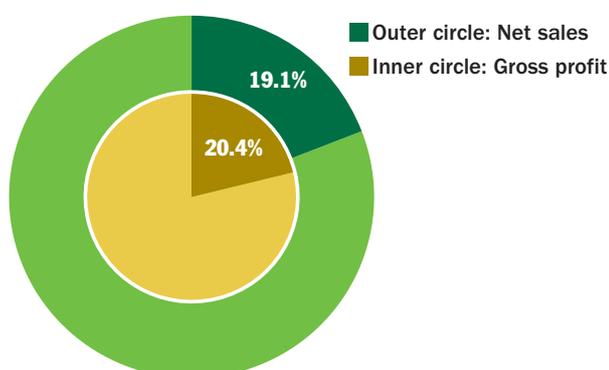
The Group does not recognize revenues and expenses related to banner advertisements on Yahoo! JAPAN's top pages as those of its business divisions. Likewise, it does not recognize Yahoo! Premium membership fees for the array of services offered on its site as the sales or expenses of its business divisions.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

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

## Operational Review

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

### Net Sales and Gross Profit Composition



### Corporate Common Business—Elimination or Corporate Income Statement

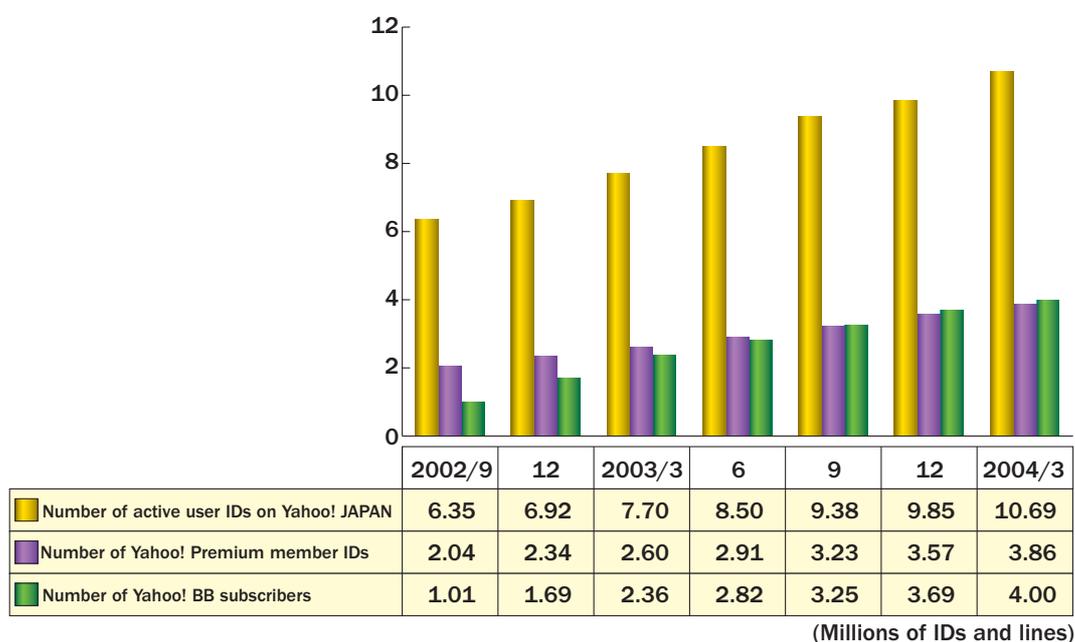
| (Millions of yen)        |               |
|--------------------------|---------------|
| For the year ended       | 2004/3        |
| <b>Net sales:</b>        |               |
| Advertising              | 3,604         |
| Business services        | 119           |
| Personal services        | 10,742        |
| Other                    | - 0           |
| <b>Total</b>             | <b>14,465</b> |
| <b>Cost of sales</b>     | <b>106</b>    |
| <b>Gross profit</b>      | <b>14,359</b> |
| <b>SG&amp;A expenses</b> | <b>9,095</b>  |
| <b>Operating income</b>  | <b>5,264</b>  |
| <b>Operating margin</b>  | <b>36.4%</b>  |

## Outlook

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

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

### Number of Yahoo! JAPAN Users



## Advertising Business

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

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

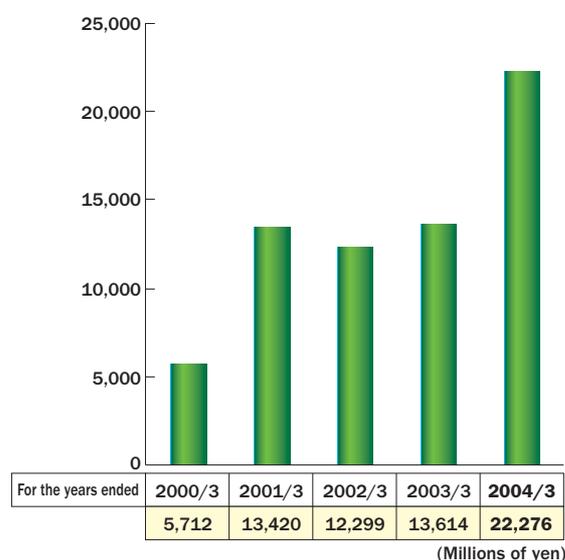
Total advertising net sales for the Group in fiscal 2003 rose 63.6% year on year, to ¥22,276 million. This was a record high for the Group.

## Operational Review

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

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

### Advertising Sales

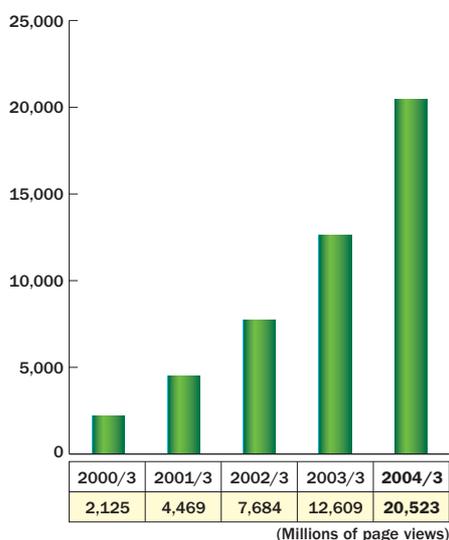


## Outlook

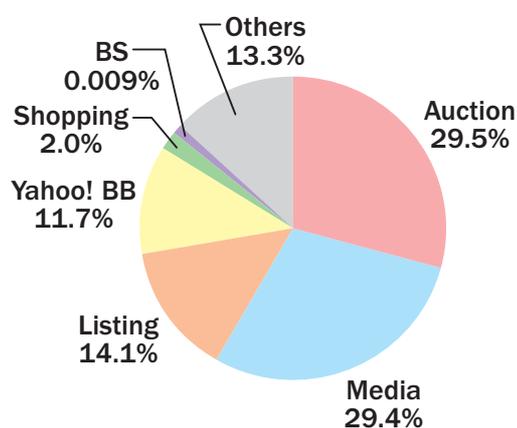
Over the medium to long term, the Group believes that the value of Internet advertising will grow along with the spread of broadband services and the increase in the number of Internet users. We expect, therefore, that Internet advertising, as a new media, will remain a growth market. As a result, the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

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

### Monthly Page Views



### Page Views by Business Division (March 2004)



## 1. Environmental Protection Activities

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

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

## 2. Charity Activities

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

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

## 3. Personal Privacy Protection Trustmark TRUSTe

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

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

## 4. Volunteer Activities

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