

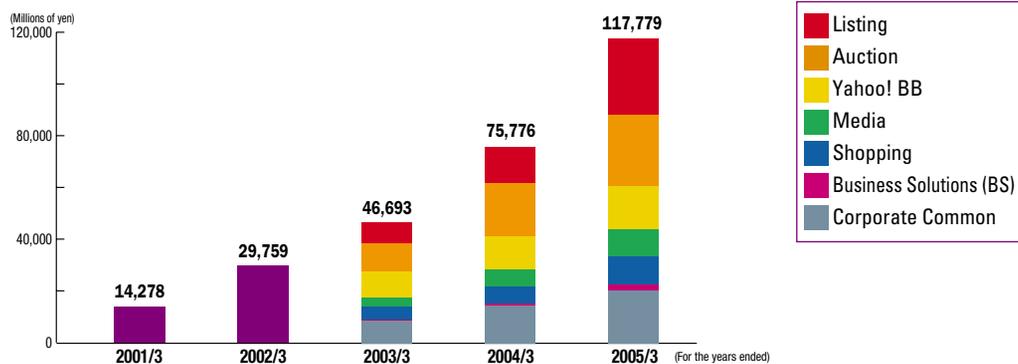
Business Review

Yahoo Japan Corporation (the “Company”) was incorporated in January 1996 in Japan.

Yahoo Japan Corporation and its consolidated subsidiaries and affiliates (the “Group”) comprise seven businesses, as described below.

Business	Main Services
Listing	The Listing business publishes various providers' information for users through the Company's Web site. It provides directory and search services, information listing services, and regional information services on the Web site. It also offers a paid search service, Sponsor Site, in cooperation with Overture K.K.
Auction	The Auction business provides a fee-based Internet platform on which a number of individuals can freely sell or buy through an auction process. It also provides fee-based support services to corporate shops called Auction Stores.
Yahoo! BB	The Yahoo! BB business revolves around the Company's comprehensive broadband services, branded Yahoo! BB, which the Company offers jointly with SOFTBANK BB Corp. (SBB), a wholly owned subsidiary of SOFTBANK CORP. The business acquires subscribers over the Web and then receives commissions from SBB. It also provides an Internet service provider (ISP) service to individual subscribers that the Company has acquired through its 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.
Media	The Media business provides various content and services, both paid and free, to users to stimulate the number of page views and to increase the volume of advertising sales. The business comprises the following services: information services, such as Yahoo! News, Yahoo! Finance, Yahoo! Sports, etc.; entertainment services, such as Yahoo! Games, Yahoo! Music, etc.; and community services, such as Yahoo! Message Boards and Yahoo! Avatar, etc.
Shopping	The Shopping business operates the Yahoo! Shopping site, a high-quality 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 Seven and Y Corp., an online book retailer and subsidiary of the Company.
Business Solutions (BS)	The BS business provides the Company's know-how and technologies related to business solutions to corporations and government bodies. It includes support services relating to Internet-based inquiry services known as Yahoo! Research, and domain and Web-hosting services, among other offerings.
Corporate Common	The Corporate Common business represents the sales of advertisements on 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.
	Total

Net Sales, by Business

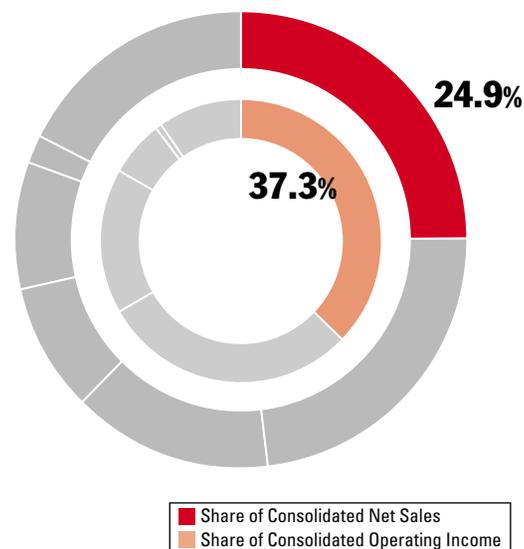


										(Millions of yen)
Advertising Sales	Business Services Sales	Personal Services Sales	Other Sales	Net Sales	Cost of Sales	Gross Profit	SG&A Expenses	Operating Income (Loss)	Operating Margin	
20,092	9,032	235	–	29,359	277	29,082	6,632	22,450	76.5%	
1,162	3,090	23,086	–	27,338	28	27,310	9,518	17,792	65.1%	
1,516	5,904	9,380	–	16,800	901	15,899	5,890	10,009	59.6%	
9,255	547	938	–	10,740	337	10,403	6,539	3,864	36.0%	
977	2,552	–	7,065	10,594	5,618	4,976	4,580	396	3.7%	
146	2,221	14	–	2,381	1,457	924	1,079	(155)	(6.5%)	
5,793	273	14,501	–	20,567	314	20,253	14,422	5,831	28.4%	
38,941	23,619	48,154	7,065	117,779	8,932	108,847	48,660	60,187	51.1%	

Business Review

Listing

The Listing business posted net sales of ¥29,359 million for fiscal 2004, representing 24.9% of consolidated net sales. The bulk of these sales were derived from advertising, Yahoo! Rikunabi and other information listing services, and Business Express. Operating income amounted to ¥22,450 million, resulting in an operating margin of 76.5%.



Operational Review

In fiscal 2004, we expanded our directory search services by introducing Yahoo! Inc.'s proprietary search engine, Yahoo! Search Technology, and our Q&A-based Yahoo! Knowledge Search, which facilitates real-time information-sharing among users.

In April 2004, we launched Yahoo! Rikunabi, an employment information site developed as a result of an agreement with RECRUIT CO., LTD., to jointly develop an Internet-based recruiting service business. Yahoo! Rikunabi contributed strongly to business services sales growth during the fiscal year. In another tie-up with RECRUIT, in August 2004 we launched Shotworks, a temporary-staff information site, our inaugural effort to develop this segment of the employment information market.

In an effort to expand and improve our regional information services, we launched Yahoo! Coupons, a service that lists free coupons redeemable for discounts or perquisites at restaurants, stores, and leisure facilities nationwide.

Among notable events during the period, in June 2004 we reduced the number of business tie-ups for our paid search service, Sponsor Site, to just one—that with Overture K.K.—in a move to focus and expand sales of this service.

Listing Income Statement

	(Millions of yen)
For the year ended	2005/3
Net sales:	
Advertising	20,092
Business services	9,032
Personal services	235
Other	-
Total	29,359
Cost of sales	277
Gross profit	29,082
SG&A expenses	6,632
Operating income	22,450
Operating margin	76.5%

Outlook

The Listing business remains committed both to launching new services and to improving existing services. In the years ahead, we intend to further raise the convenience of our directory search services by personalizing search results and by adding upgraded search functions to each of our search services, including Yahoo! Product Search and Yahoo! Knowledge Search. At the same time, we will seek to expand advertising revenues stemming from our Sponsor Site platform. Finally, taking Yahoo! Rikunabi as an example, we will modify our

information listing services business model with the goal of taking a deeper stake in each service that we offer.

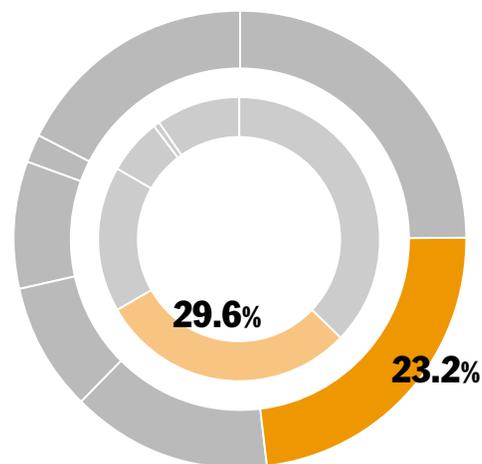
Among our regional information services, we plan to enhance the usefulness of our community information services by introducing a map database provided by ALPS MAPPING K.K., newly acquired in January 2005.



Business Review

Auction

Net sales recorded by the Auction business for fiscal 2004 totaled ¥27,338 million, or 23.2% of consolidated net sales. Primary sources of sales were system-use fees, merchant shop basic fees, and commission fees. Operating income was ¥17,792 million, and the operating margin was 65.1%.



■ Share of Consolidated Net Sales
■ Share of Consolidated Operating Income

Operational Review

During the fiscal year under review, the Auction business implemented a variety of measures to enhance the safety and security of its services. In a move to discourage fraud, we initiated a residential address verification system for users listing items for the first time on our auction site. In addition, we monitored listings in order to detect fraudulent activity, and we strengthened our efforts to cancel listings of illegal and inappropriate items. Moreover, as part of our efforts to promote greater awareness of intellectual property rights and to protect the interests of owners of intellectual assets, we began posting intellectual property rights guidelines on our auction site.

In fiscal 2004, our sales promotion activities included a free item listing day campaign and various campaigns featuring a specific theme, such as winter sports and jewelry. To enhance the convenience of our services, we added an optional supersize picture service to auction listings. As well, we established new item categories, including pets and other animals. Furthermore, we held the first trial Internet auction in Japan of public property, in cooperation with the Tokyo Metropolitan Government Bureau of Taxation, and made efforts to cultivate this new business throughout the fiscal year.

Although transaction volume on Yahoo! Auctions showed restrained growth in the first half of the fiscal year owing to the implementation of initiatives aimed at improving site security,

it rose sharply in the second half thanks to surging year-end demand and various sales campaigns.

In August, we changed the name of the credit card based settlement service for Yahoo! Auctions users offered by consolidated subsidiary Netrust, Ltd., from Yahoo! Payment to Yahoo! ezPay. We also significantly lowered payment commissions in a bid to increase this service's transaction volume.

Auction Income Statement

	(Millions of yen)
For the year ended	2005/3
Net sales:	
Advertising	1,162
Business services	3,090
Personal services	23,086
Other	—
Total	27,338
Cost of sales	28
Gross profit	27,310
SG&A expenses	9,518
Operating income	17,792
Operating margin	65.1%

Outlook

During fiscal 2004, the Auction business completed its conversion to a new system capable of hosting a larger volume of listings while providing improved service stability to users. Looking forward, we will work to earn users' continued patronage by increasing the convenience and security of our services, maintaining the stability of our system, and offering a preferential system for high-volume users.

In addition to energetically working to attract new users, we are implementing measures to heighten users' confidence in

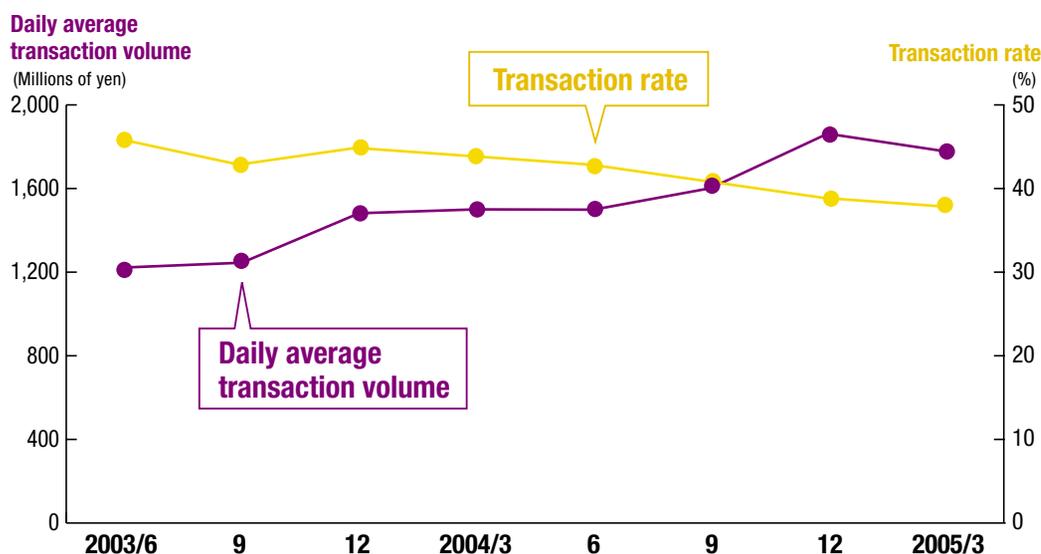
the safety of our auction system, such as anti-fraud mechanisms and the expansion of our compensation system.

In our efforts to expand transaction volume by attracting more users to our site, we will employ a variety of methods, including our recently launched Yahoo! Points, the affiliate marketing system of ValueCommerce, and the QR code of Yahoo! Mobile. Furthermore, we are targeting earnings growth by adding new high-value-added options and introducing an expanded range of advertising methods.

Yahoo! Auctions Data (for the month of March 2005)

▶ Number of unique browsers	19.22 million
▶ Average number of listings at any given time	7.63 million
▶ New listings	19.88 million
▶ Average closing price	¥5,827
▶ Transaction rate	38%
▶ Number of merchant stores at month-end	3,556
▶ Transaction volume	¥55.4 billion

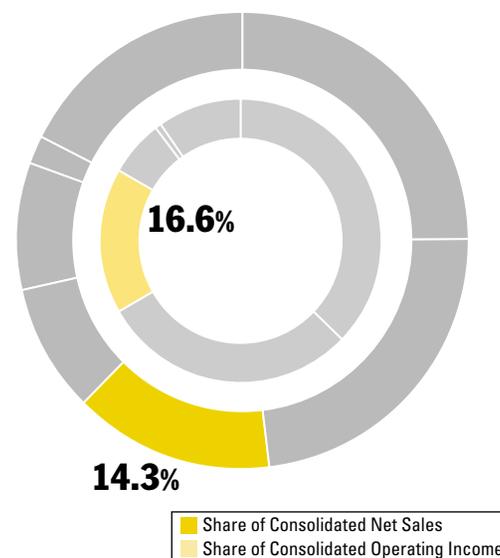
Yahoo! Auctions' Daily Average Transaction Volume and Transaction Rate



Business Review

Yahoo! BB

The Yahoo! BB business registered net sales of ¥16,800 million for fiscal 2004, representing 14.3% of consolidated net sales. Sales are derived from commissions for acquiring Yahoo! BB subscribers and from Internet service provider (ISP) fees. Operating income totaled ¥10,009 million, resulting in an operating margin of 59.6%.



Operational Review

In addition to running a variety of campaigns to attract new subscribers during the fiscal year, the Yahoo! BB business launched new services to meet the diversifying needs of users. Based on our business alliance with SOFTBANK BB Corp., we introduced Yahoo! BB Hikari, a comprehensive optical-fiber broadband service, and began accepting applications for Yahoo! BB 8M Otoku line type, an ADSL service using Japan Telecom's Otoku line service. We also expanded our services for Yahoo! BB subscribers, including the offer of free Yahoo! Premium memberships in an exclusive limited-duration campaign. In addition, among other new services we provided an advance-purchase ticket service for performances by popular artists.

Outlook

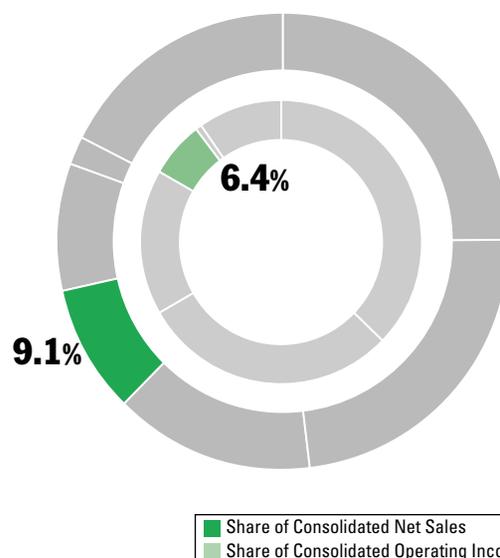
To attract new subscribers and retain existing ones, the Yahoo! BB business focuses on strategically differentiating itself from the competition. In line with this differentiation strategy, we are responding quickly to the shift to broadband Internet services by proactively introducing new technologies, such as high-speed ADSL and optical-fiber services. At the same time, we are enhancing the value of Yahoo! BB membership by expanding services offered exclusively to subscribers, such as special content and ticket services.

Yahoo! BB Income Statement

	(Millions of yen)
For the year ended	2005/3
Net sales:	
Advertising	1,516
Business services	5,904
Personal services	9,380
Other	-
Total	16,800
Cost of sales	901
Gross profit	15,899
SG&A expenses	5,890
Operating income	10,009
Operating margin	59.6%

Media

The Media business posted net sales of ¥10,740 million for the fiscal year under review, representing 9.1% of consolidated net sales. Sales mainly comprised advertising sales and paid content revenues. Operating income amounted to ¥3,864 million, for an operating margin of 36.0%.



Operational Review

In fiscal 2004, the Media business continued its efforts to develop paid and free content services that appeal to users as well as to expand and improve content. Our special features on the Athens Olympics and the Athens Paralympics captured the imaginations of users and elicited high praise from news media. In a tie-up with Group subsidiary Y's Insurance Inc., we launched Yahoo! Insurance and began to sell insurance products over the Internet. In our paid content services, Yahoo! Music launched Yahoo! Music Download. We also improved the content of such services as Yahoo! Finance VIP Club, Yahoo! Fortune Telling, Yahoo! Comics, and Yahoo! Streaming.

In recognition of the Group's growing social responsibility in line with the proliferation of Internet usage, during the fiscal year under review we inaugurated a disaster information service that utilizes page banners to provide flash reports in the case of earthquakes and other emergencies. In addition, we initiated lifeline information services on Yahoo! Message Boards and Yahoo! Topics.

Based on a wide range of these and other services, we have created branding advertising products with a broad reach. As a result of aggressively marketing these products to National Clients against the backdrop of the expanding Internet advertising market, the Media business posted large gains in advertising sales during the fiscal year.

Outlook

By continuing to provide valuable services and content, the Media business will gain strength in line with increases in access time, number of page views, and number of unique users. In cooperation with advertising headquarters, we plan to expand advertising sales by developing products that strongly appeal to advertisers. To boost personal services sales, we will expand our paid service content and create a content mall.

Media Income Statement

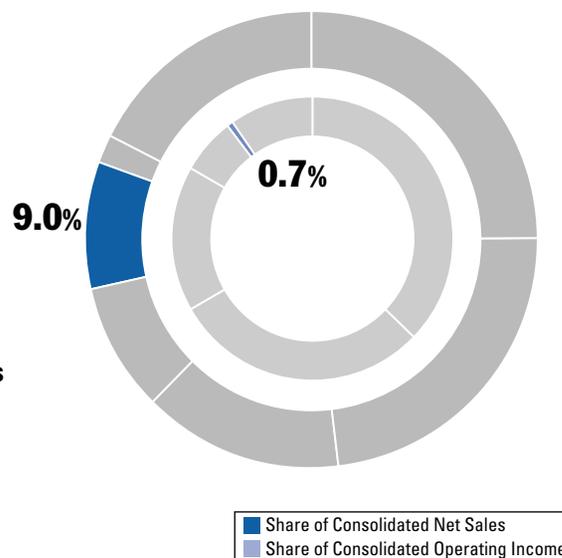
	(Millions of yen)
For the year ended	2005/3
Net sales:	
Advertising	9,255
Business services	547
Personal services	938
Other	-
Total	10,740
Cost of sales	337
Gross profit	10,403
SG&A expenses	6,539
Operating income	3,864
Operating margin	36.0%

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Shopping

Shopping business net sales for the fiscal year under review totaled ¥10,594 million, representing 9.0% of consolidated net sales. Sales principally came from Seven and Y Corp. (formerly e-Shopping! Books CORP.) transactions and from Yahoo! Shopping tenant fees and sales commissions. Operating income amounted to ¥396 million, for an operating margin of 3.7%.



Operational Review

In fiscal 2004, the Shopping business continued to focus on attracting new stores to its site in order to broaden the range of goods handled and boost customer satisfaction with services offered. Specifically, we abolished the two-tier store category system as well as reduced monthly tenant fees and sales commissions. We also refined our participating-store plan by introducing a wider range of fee-and-commission options suited to the sales of a wider range of stores. Based on these changes, and targeting companies offering products and services well-suited to e-commerce, we worked to expand the number of stores on our site. As a result, at March 31, 2005, a total of 3,298 stores were listed on Yahoo! Shopping, up 1,674, or 103.1%, from the number at the previous fiscal year-end.

Seasonal sales promotions conducted during the fiscal year included special features on Mother's Day, Father's Day, Ochugen (mid-year gift giving), and Oseibo (year-end gift giving). Moreover, we ran different types of campaigns utilizing our Yahoo! Points rebate system, introduced in September 2004. In these ways, we worked to raise purchase and repeat-purchase ratios.

Seven and Y Corp. expanded its merchandise lineup with the full-scale introduction of CD and DVD software, thereby strongly boosting sales.

Working to expand business volume during fiscal 2004,

Yahoo! Travel concentrated on enhancing user convenience by strengthening its directory search capabilities and by offering a series of special promotions.

Shopping Income Statement

	(Millions of yen)
For the year ended	2005/3
Net sales:	
Advertising	977
Business services	2,552
Personal services	-
Other	7,065
Total	10,594
Cost of sales	5,618
Gross profit	4,976
SG&A expenses	4,580
Operating income	396
Operating margin	3.7%

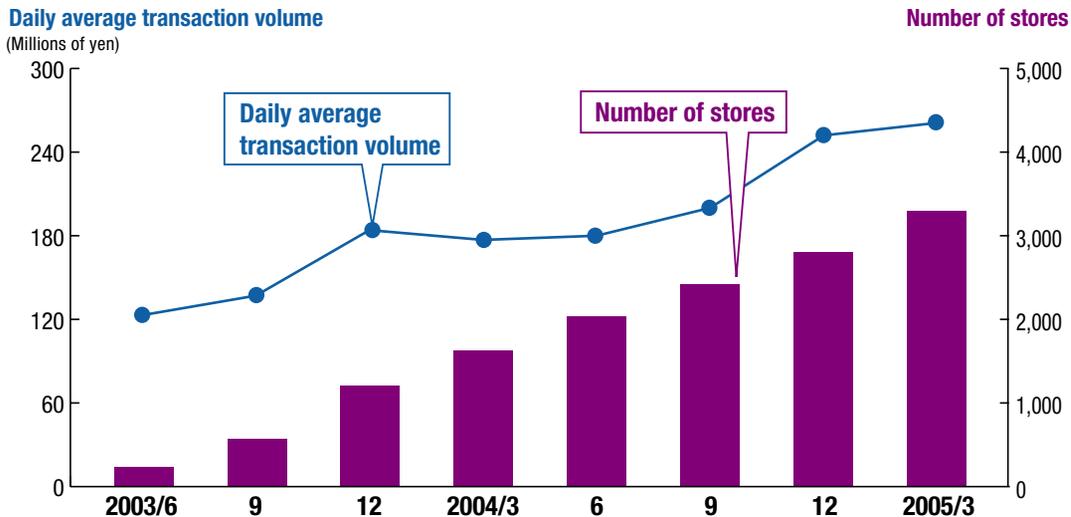
Outlook

The Shopping business plans to further diversify Yahoo! Shopping's merchandise lines by pursuing a strategy designed to attract a wider range of stores. As part of this strategy, we are strengthening our store support organization and introducing tools to promote growth in per-store sales. At the same time, we are taking steps to increase transaction volume by expanding and improving our services with an eye to enhancing their convenience to users. With book sales, similarly, we not only will work to expand content but also aim

to design marketing plans that will stimulate sales. Moreover, we plan to increase overall user convenience through site renewal.

Yahoo! Travel intends to achieve business volume expansion by positioning itself as a fully integrated travel site offering a comprehensive lineup of travel-related products and services. Meanwhile, Yahoo! Tickets will aim to boost sales by revamping its ticket delivery system and by carrying out marketing drives in cooperation with popular artists.

Daily Average Transaction Volume and Number of Yahoo! Shopping Stores



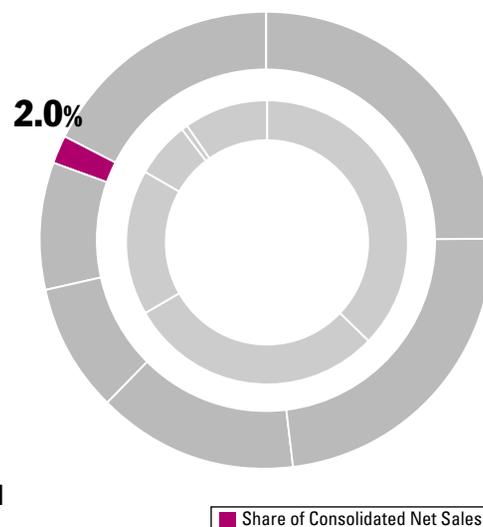
Note:

Daily average transaction volume includes the transactions of Yahoo! Shopping, Yahoo! Travel, Seven And Y (formerly eS! Books), and Yahoo! Tickets.

Business Review

Business Solutions (BS)

Net sales of the BS business for fiscal 2004 amounted to ¥2,381 million, or 2.0% of consolidated net sales. Sales were derived primarily from transactions by Yahoo! Research, Yahoo! WebHosting, and Yahoo! Portal Solutions. Because of the BS business's small scale and current emphasis on investing for future growth, an operating loss of ¥155 million was posted for the year.



Operational Review

In fiscal 2004, the BS business reinforced its sales capabilities and worked to attract new Yahoo! Research subscribers. To this end, we introduced Yahoo! Research Compact, a service that provides results in less than 48 hours; Yahoo! Research Mobile, a mobile phone based research service; and Yahoo! Research Self, a user-guided Internet search service.

In our domain and Web-hosting services, the Group acquired Firstserver, Inc., during the fiscal year with the aim of achieving further business scope expansion and greater earnings base stability. Moreover, in a bid to acquire new customers for our portal site construction and support services we aggressively pitched proposals for optimal navigation portal sites to private and public corporations. Also, we concluded an agreement with Hitachi, Ltd., to cooperatively develop and provide a backbone portal solution for corporations.

Outlook

The BS business is focusing on developing products and services that strongly appeal to companies and small office/home office (SOHO) proprietors, including Yahoo! Research and Yahoo! WebHosting. At the same time, we plan to expand corporate business sales by cultivating the customer base of Web-hosting specialist Firstserver, which became a Group subsidiary in November 2004.

BS Income Statement

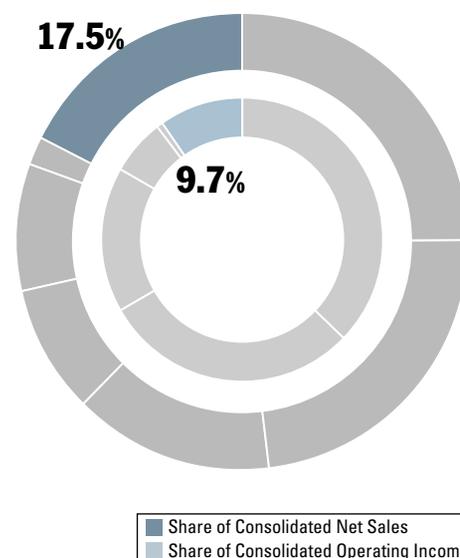
	(Millions of yen)
For the year ended	2005/3
Net sales:	
Advertising	146
Business services	2,221
Personal services	14
Other	-
Total	2,381
Cost of sales	1,457
Gross profit	924
SG&A expenses	1,079
Operating loss	(155)
Operating margin	(6.5%)

Corporate Common

-Elimination or Corporate

Revenues and expenses related to banner advertisements on Yahoo! JAPAN top pages are not reflected in the results of the Group's six businesses. In addition, revenues and expenses related to Yahoo! Premium memberships are not reflected in these businesses' results. Because these revenues and expenses are related to activities geared to developing the Group's corporate brand, they are accounted for as the results of the Corporate Common business.

Corporate Common business net sales totaled ¥20,567 million for the fiscal year under review, representing 17.5% of consolidated net sales. Sales were derived primarily from advertising on Yahoo! JAPAN top pages and from Yahoo! Premium membership fees. Operating income amounted to ¥5,831 million, resulting in an operating margin of 28.4%.



Operational Review

In fiscal 2004, personal services headquarters took a variety of steps to expand the number of Yahoo! Premium members. One of these measures was a cross-marketing campaign with Yahoo! BB that targeted growth in both membership bases. This limited-duration campaign offered free Yahoo! Premium memberships to Yahoo! BB subscribers. We also enhanced the value of Yahoo! Premium memberships by offering additional benefits, including invitations to premiere screenings of films, advance-purchase tickets for a Yumi Matsutoya concert, exclusive content for members, and member-exclusive packages for Yahoo! Comics and Yahoo! Fortune Telling. To stimulate demand for Yahoo! Premium memberships among Yahoo! JAPAN users, we conducted a variety of Yahoo! Points campaigns and offered special incentive gifts. At the end of March 2005, Yahoo! Premium member IDs numbered approximately 5.08 million, an increase of approximately

Corporate Common Income Statement

	(Millions of yen)
For the year ended	2005/3
Net sales:	
Advertising	5,793
Business services	273
Personal services	14,501
Other	-
Total	20,567
Cost of sales	314
Gross profit	20,253
SG&A expenses	14,422
Operating income	5,831
Operating margin	28.4%

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1.22 million IDs, or 31.4%, from the number at the previous fiscal year-end. As a result, the personal services sales component of Corporate Common business sales expanded significantly in fiscal 2004.

During calendar 2004, Japan's overall advertising market expanded for the first time in four years, with Internet advertising enjoying particularly strong growth. Led by

advertising headquarters, the Group aggressively marketed Brand Panels for top pages and other core advertising products to National Clients. As a result, sales of top pages showed firm growth, which helped advertising sales registered by the Corporate Common business to expand significantly in fiscal 2004.

Outlook

The Group aims to get all users who do not yet have a Yahoo! JAPAN ID to register and to become paying Yahoo! Premium members, as well. In addition to expanding member and subscriber numbers, we seek to increase the average revenue per user (ARPU) by encouraging subscribers

and members to broaden their use of the Group's services.

In the years ahead, we plan to upgrade our direct marketing systems and fee payment platform with the goal of increasing subscriber and member numbers, in addition to actively cross-selling and up-selling services with the goal of raising ARPU.

Yahoo! JAPAN Users

Active Yahoo! JAPAN user IDs Yahoo! Premium member IDs Yahoo! BB subscribers

