

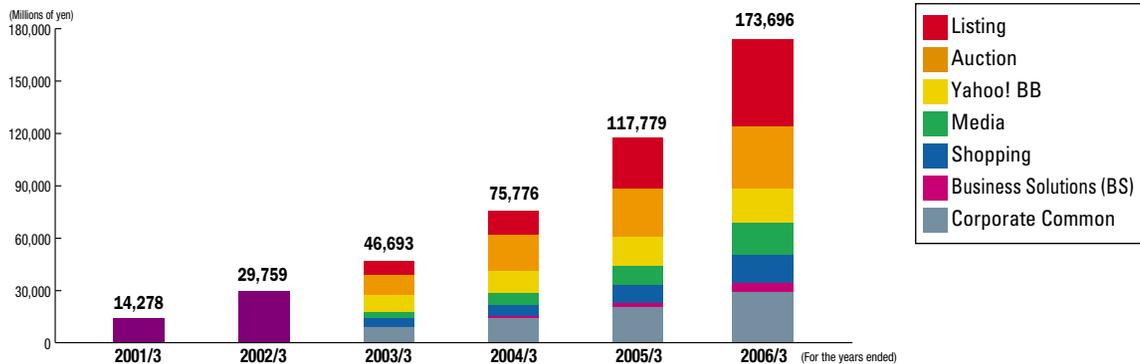
Business Review

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 on the Company's Web site. It provides search and directory 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.
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) and BB TECHNOLOGY Corp. (BBT), wholly owned subsidiaries of SOFTBANK. The business acquires subscribers over the Web and then receives incentives from BBT. It also provides an Internet services provider (ISP) service to individual subscribers that the Company has acquired through its Web site and that SBB and BBT have 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, and Yahoo! Sports; entertainment services, such as Yahoo! Games and Yahoo! Music; and community services, such as Yahoo! Message Boards and Yahoo! Avatar.
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 and overseas accommodation, airline tickets, and the like, and provides various travel information for travel arrangements and preparation. Seven and Y, an online book retailer and former consolidated subsidiary, has been accounted for by the equity method from the fourth quarter of the fiscal year ended March 31, 2006.
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
34,212	14,779	570	–	49,561	1,139	48,422	11,086	37,336	75.3%
2,707	5,062	28,218	–	35,987	40	35,947	14,479	21,468	59.7%
2,783	5,708	10,994	–	19,485	1,062	18,423	10,746	7,677	39.4%
15,893	770	1,704	–	18,367	538	17,829	10,249	7,580	41.3%
2,661	4,375	–	8,927	15,963	7,379	8,584	6,839	1,745	10.9%
187	4,888	35	–	5,110	2,089	3,021	3,503	(482)	(9.4%)
9,962	241	19,021	(1)	29,223	596	28,627	21,818	6,809	23.3%
68,405	35,823	60,542	8,926	173,696	12,843	160,853	78,720	82,133	47.3%

Business Review

Listing

Main Services

[Yahoo! Search](#) [Yahoo! Maps](#) [Yahoo! Category](#) [Yahoo! Rikunabi](#) [Yahoo! Autos](#)
[Yahoo! Knowledge](#) [Yahoo! Real Estate](#) [Yahoo! Gourmet](#) [Yahoo! Phone Book](#)
[Yahoo! Get Local](#) [Yahoo! Education](#) [Business Express](#)

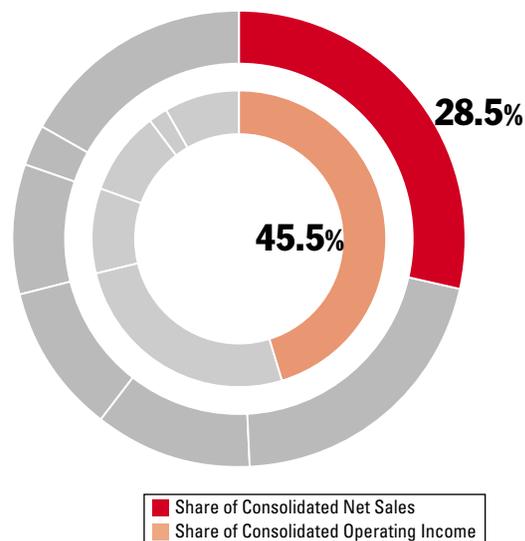
The Listing business provides search services, such as Yahoo! Search and Yahoo! Category; information listing services, such as Yahoo! Rikunabi, Yahoo! Real Estate, and Yahoo! Autos; and regional information services, such as Yahoo! Maps, Yahoo! Phone Book, and Yahoo! Gourmet. This business derives revenues primarily from advertising sales, including sales of our Sponsor Site paid search service, and from information listing fees paid by information providers.

Performance

Sponsor Site sales, the largest component of advertising sales for the Listing business in fiscal 2005, rose firmly in line with increases in the unit price for searches and in the number of page views. Sales of branding advertisements, particularly to National Clients, were also strong. As a result, advertising sales for fiscal 2005 leapt 70.3%, to ¥34,212 million. In business services other than advertising, higher revenues from information listing services, such as Yahoo! Rikunabi, pushed up sales 63.6%, to ¥14,779 million. Total net sales of the Listing business, therefore, surged 68.8%, to ¥49,561 million, or 28.5% of consolidated net sales for fiscal 2005. Operating income expanded 66.3%, to ¥37,336 million, resulting in an operating margin of 75.3%.

Market Position and Operational Review

In our search services, in October 2005 we reformatted the search results page of Yahoo! Search, which now prominently displays the results of a robot-driven search based on Yahoo! Search Technology, whereas previously the results of a



directory search developed in-house were displayed. As part of our ongoing efforts to meet diversifying user needs, we upgraded functions for picture, voice, and product searches, thereby improving overall search functions.

In our information listing services, we responded to user needs by adding career change, part-time work, temporary staffing, and other Yahoo! Rikunabi categories to Yahoo!

Listing Business Income Statement

(Millions of yen)		
For the year ended	2006/3	
Net sales:		
Advertising	34,212	● Advertising sales (including Sponsor Site)
Business services	14,779	● Information listings, Business Express, ALPS MAPPING
Personal services	570	
Other	-	
Total	49,561	
Cost of sales	1,139	
Gross profit	48,422	
SG&A expenses	11,086	● Personnel expenses, Content provider fees, Business commissions
Operating income	37,336	
Operating margin	75.3%	

JAPAN's top page. In addition, we finalized a business tie-up agreement with CLASSIFIED Corporation in a move to boost Yahoo! Real Estate's sales of listing services for newly built houses. Moreover, we revamped the Yahoo! Real Estate site, adding an expanded selection of photographs and large-sized floor plans for easier viewing.

Also in fiscal 2005, we made much progress in expanding and improving our regional information services. With regard to Yahoo! Maps, we added a scrolling function capable of handling aerial maps and introduced a mobile version that allows users registered on our PC site to download maps suited to the specifications of various mobile carriers from our PC site free of charge. Among services launched during the fiscal year was Yahoo! Area Search (beta version), which enables users to make area-specific searches for retail stores and other facilities throughout Japan. We also newly introduced Yahoo! My Town (beta version), an interactive service that facilitates the exchange of personal opinion and information among users living in close geographic proximity.

Strategy

As part of the Group's reorganization in April 2006, the former Listing business was divided into two new businesses: (1) the Search business, responsible for our search services; and (2) the Regional Services business, comprising information listing and regional information services.

The Search business will focus on upgrading the functions and comprehensiveness of our search services, including product, knowledge, blog, and video clip searches, in an effort both to attract a growing number of users and to boost the usage frequency of our search services. We are also responding to emerging user needs by enhancing the convenience of search functions for user-generated tail content. Meanwhile, in cooperation with Overture we are targeting expanded sales of our Sponsor Site service to advertisers while also working to improve service quality, chiefly by tightening the correlation between users' search parameters and Sponsor Site results. In addition, we are developing a mobile version of Sponsor Site with the goal of expanding advertising revenues from this service.

The Regional Services business will aim to more comprehensively address user needs by increasing information listing volume and by enhancing service convenience. As a result, we expect to increase the number of users and of page views. By strengthening and expanding interactive services that facilitate the exchange of personal opinion and information among users, and linking such services to other Yahoo! JAPAN services, the Regional Services business aims to improve the overall quality and functionality of its regional information services. At the same time, the business will focus more keenly on developing a mobile version of its services.

Main Consolidated Subsidiaries

ALPS MAPPING K.K.; BridalNet, Inc.; Indival, Inc.



Business Review

Auction

Main Services

Yahoo! Auctions Yahoo! ezPay Yahoo! Delivery

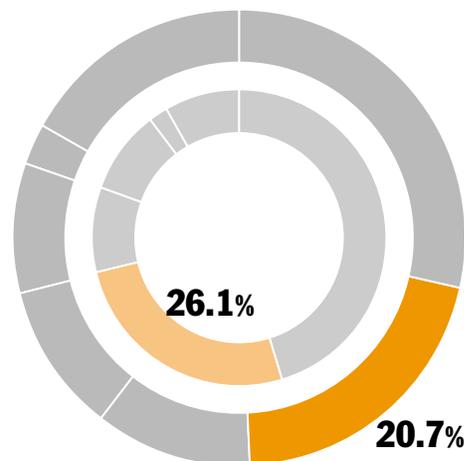
The Auction business provides an Internet platform that enables private individuals and merchants (Auction Stores) to buy and sell items via an auction process. To promote a steady increase in transaction volume, this business makes ongoing efforts to strengthen site security, attract a growing number of participants, and increase the number of Auction Stores listed on the site.

Performance

Net sales of the Auction business in fiscal 2005 rose 31.6%, to ¥35,987 million, accounting for 20.7% of consolidated net sales. Primary sources of sales were system-use fees paid by individuals, tenant fees and royalties paid by Auction Stores, and revenues from Yahoo! ezPay, operated by consolidated subsidiary Netrust, Ltd. Operating income increased 20.7%, to ¥21,468 million, resulting in an operating margin of 59.7%, down 5.4 percentage points from the previous year's figure. This decrease was the direct result of increased spending during the year on vigorous activities to strengthen site security and on other measures aimed at buttressing the Auction business' operational base.

Market Position and Operational Review

Yahoo! Auctions is the undisputed leader among Internet auction sites in Japan. To maintain this position and to ensure the sound development of the overall Internet auction market, the Group remained keenly focused on improving site security during the fiscal year. To prevent fraudulent activity and the listing of illegal or inappropriate items as well as to promote greater awareness of intellectual property rights, we collaborated with other Internet auction operators to produce Internet Auction Services Guidelines. We also introduced an



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

Internet auction fraud-detection model that employs data-mining technologies developed for investigating criminal cases. Moreover, we strengthened and expanded our staff team charged with seeking out and removing auction listings in violation of Japanese law or Group policy. Through these and other actions, we worked to provide a more secure environment in which all participants can use our services with confidence and ease.

Also during fiscal 2005, we implemented various measures to stimulate transaction volume and increase participation in our

Auction Business Income Statement

(Millions of yen)		
For the year ended	2006/3	
Net sales:		
Advertising	2,707	● Advertising sales
Business services	5,062	● Revenue from Auction Stores
Personal services	28,218	● System-use fees for Yahoo! Auctions, Yahoo! ezPay commissions
Other	-	
Total	35,987	
Cost of sales	40	
Gross profit	35,947	
SG&A expenses	14,479	● Business commissions, Payment commissions, Communications charges
Operating income	21,468	
Operating margin	59.7%	

auctions. For example, we ran seasonal promotion campaigns, held bargain sales on Auction Stores, hosted auctions in conjunction with popular TV programs, and launched a site-based Yahoo! Auctions Trial Version that enables newcomers to familiarize themselves with the bidding process. In addition, we continued to cultivate expanded usage of Internet public-sale auctions. During the fiscal year, our auction site hosted Internet real estate auctions for 24 regional and municipal governments in Japan. We also hosted the Ministry of Finance's first Internet auction of modern gold coins minted in Japan.

In addition to promoting CtoC transactions, we made efforts to expand the number of Auction Stores listed on our auction site with an eye to stimulating BtoC transactions. The Business Sales Division provided enhanced support services to Auction Stores during the fiscal year under review, which helped to increase the number of Auction Stores by 3,322, or 93.4%, to 6,878 stores at March 31, 2006. As a result, BtoC transaction volume represented more than 10% of total Auction business transaction volume in fiscal 2005. Thanks to these measures, total transaction volume on Yahoo! Auctions in fiscal 2005 climbed 9.6%, to ¥662.2 billion.

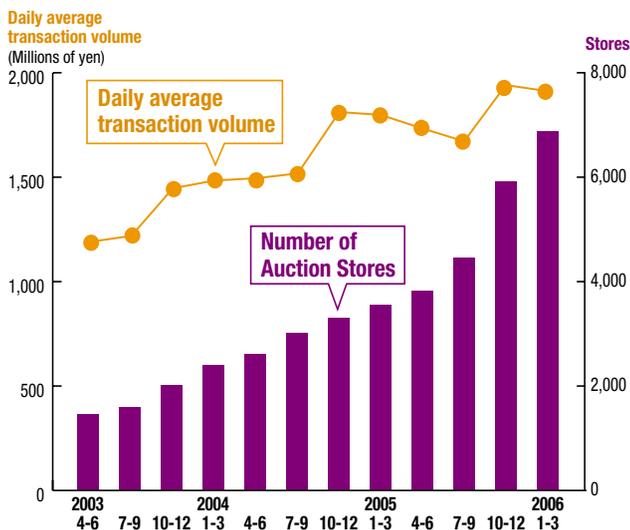
The number of transactions settled via Yahoo! ezPay also rose during the fiscal year owing to Netrust's successful efforts to enroll the participation of a greater number of

financial institutions and to the introduction of a mobile version of Yahoo! ezPay.

Strategy

The Auction business will continue to undertake various activities aimed at stimulating further growth. In addition to recent measures taken to increase the number of auction participants, including a reduction in the minimum age requirement and the relaxation of other requirements for auction participation, we will implement further plans to encourage steadily expanding participation looking forward. These include online promotional campaigns employing Overture's search-linked advertising, as well as advertising campaigns carried out via television and other traditional media. At the same time, we will continue to focus on strengthening the security and convenience of our auction system with the aim of boosting users' confidence in and enjoyment of our services. Planned security measures include introducing an advisory service, enhancing our security, strengthening our patrolling, utilizing a model to detect inappropriate use of our services, and upgrading our personal identification program. In May 2006, we increased system-use fees from 3% to 5% of auction closing prices. Additional revenues derived from this increase will be used to fund the implementation of the above measures, including the installation of servers and related equipment. Looking forward, we remain fully committed not only to developing Japan's Internet auction market but also to maintaining our pre-eminent position in this promising business area.

Yahoo! Auctions Daily Average Transaction Volume and Number of Auction Stores



Main Consolidated Subsidiary

Netrust, Ltd.

Yahoo! Auctions Data

• Number of unique browsers (for March 2006)	24.89 million
• Average number of listings at any given time (for March 2006)	9.42 million
• Daily average number of new listings (for fiscal 2005-4Q)	72.2 million
• Average closing price (for fiscal 2005-4Q)	¥5,809
• Average ratio of successful auctions (for fiscal 2005-4Q)	34%
• Number of Auction Stores at March 31, 2006	6,878
• Daily average transaction volume (for fiscal 2005-4Q)	¥1,912 million

Business Review

Yahoo! BB

Main Services

[Yahoo! BB](#)
[Yahoo! Mail](#)
[Yahoo! GeoCities](#)

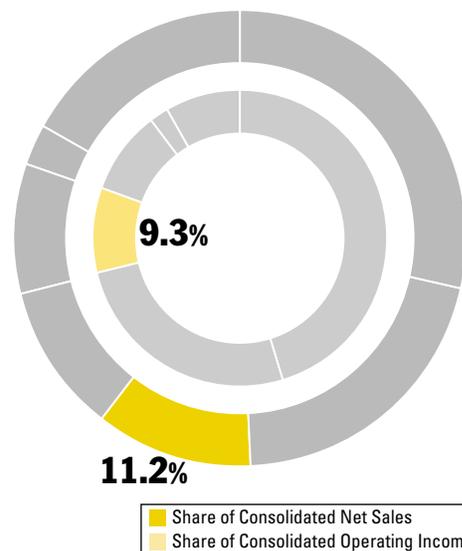
The Yahoo! BB business focuses on attracting new subscribers and retaining existing subscribers to its comprehensive Yahoo! BB broadband services mainly through Internet promotions. It also offers Yahoo! Mail and Yahoo! GeoCities, a home-page creation service, to individual subscribers.

Performance

Net sales of the Yahoo! BB business in fiscal 2005 advanced 16.0%, to ¥19,485 million, accounting for 11.2% of consolidated net sales. This business' revenue sources included Internet services provider (ISP) fees from subscribers and subscriber acquisition and continuation incentives from business partner BB TECHNOLOGY Corp. (BBT) Operating income fell 23.3%, to ¥7,677 million, resulting in an operating margin of 39.4%, down 20.2 percentage points from the previous year's figure. This decrease reflected an increase in SG&A expenses during the year resulting from the fact that we began paying a part of Yahoo! BB subscriber acquisition costs to BBT beginning from the fiscal year under review.

Market Position and Operational Review

In fiscal 2001, when the Group joined forces with BBT to begin offering broadband services in what was still largely a narrowband Japanese market, the rapid shift to broadband services began. Today, Japan boasts the fastest, most economical broadband services in the world, with 65.0% of Internet-enabled Japanese households enjoying the benefits of broadband connectivity.



In line with decelerating broadband proliferation in the Japanese market, the pace of new-subscriber growth for broadband services slackened in fiscal 2005. In this challenging environment, we carried out promotional activities including various campaigns to attract new subscribers for our Yahoo! BB and Yahoo! BB Hikari services. We also sought to enhance the value of our services through exclusive offers for members, including live concert broadcasts of popular musical artists, movie-release press conferences, online movie previews, and members-only bargain campaigns on Yahoo!

Yahoo! BB Business Income Statement

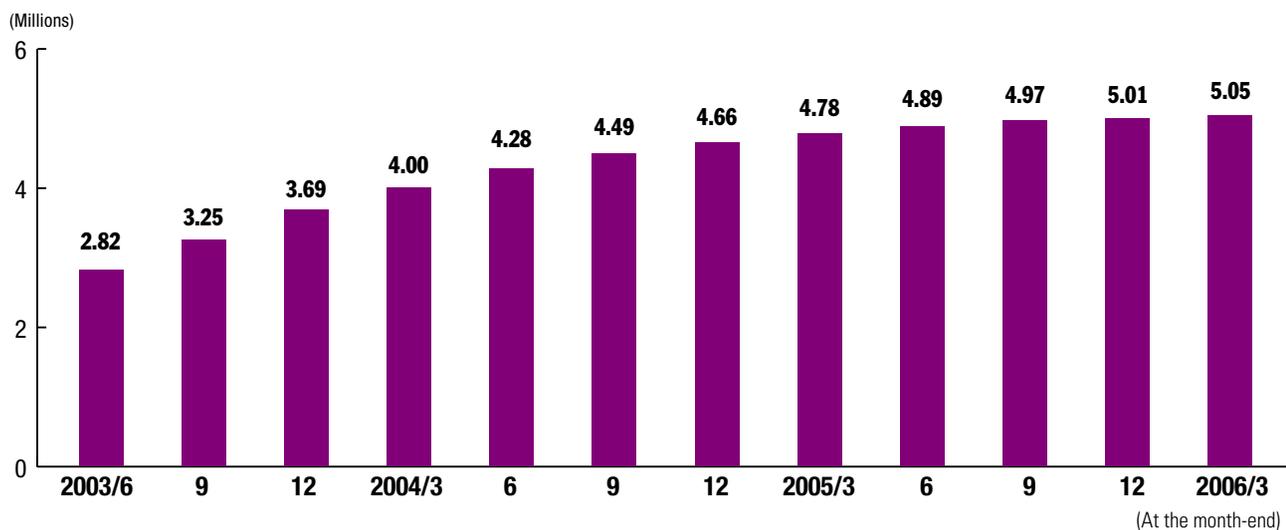
(Millions of yen)		
For the year ended	2006/3	
Net sales:		
Advertising	2,783	● Advertising sales
Business services	5,708	● Yahoo! BB subscriber acquisition and continuation incentives
Personal services	10,994	● ISP fees, Paid services
Other	-	
Total	19,485	
Cost of sales	1,062	
Gross profit	18,423	
SG&A expenses	10,746	● Sales promotion costs, Business commissions, Depreciation and amortization
Operating income	7,677	
Operating margin	39.4%	

Shopping and Yahoo! Auctions. In our Yahoo! Mail service, we bolstered security by implementing improved technologies for detecting viruses and blocking junk mail. We also expanded the functions available to Yahoo! Mail users accessing the service via mobile phones. As a result of these and other efforts, the number of Yahoo! BB subscribers as of March 31, 2006, stood at 5,049 thousand, 5.7% higher than the figure at the previous fiscal year-end.

Strategy

As part of the Group's reorganization in April 2006, we established the Members Services business, charged with the task of providing Yahoo! BB and Yahoo! Premium members with royal treatment, thereby increasing the value of these memberships. In addition to conducting campaigns to attract new members, the Members Services business will offer new exclusive services to existing members in an effort to boost their satisfaction with and continuing patronage of our services, which in turn is likely to increase average revenue per user (ARPU).

Yahoo! BB Subscribers



Business Review

Media

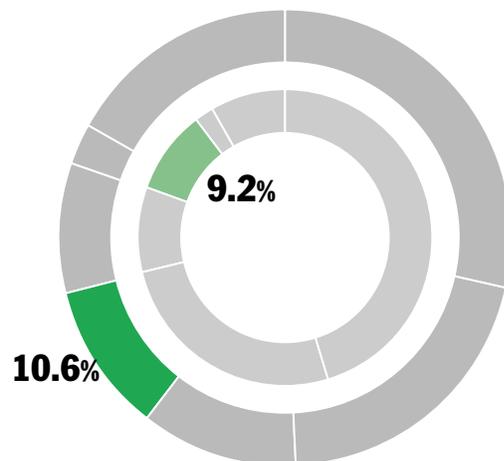
Main Services

- Yahoo! News
- Yahoo! Finance
- Yahoo! Message Boards
- Yahoo! Sports
- Yahoo! Weather
- Yahoo! Music
- Yahoo! Movies
- Yahoo! Avatar
- Yahoo! Streaming
- Yahoo! 360°
- Yahoo! Insurance

The Media business provides users with a variety of desirable content and services in an effort to stimulate page views and thus increase advertising sales. The business earns revenues also by providing fee-based content and services. Media business services include information-providing services, such as Yahoo! News and Yahoo! Finance; entertainment services, such as Yahoo! Movies, Yahoo! Music, and Yahoo! Streaming; and community services, such as Yahoo! Message Boards and Yahoo! Avatar.

Performance

A recent DENTSU report indicates that Japan's Internet advertising market expanded 54.8% in calendar year 2005, to ¥280.8 billion. Against this backdrop of market growth, increased page views in line with our expanded service offerings and the growing eagerness of advertisers to utilize Internet advertising resulted in a strong performance by the Media business in fiscal 2005. Advertising sales jumped 71.7%, to ¥15,893 million. Paid content also performed well, reflecting our efforts to further reinforce the content of Yahoo! Fortune Telling and Yahoo! Comics. Consequently, net sales of the Media business jumped 71.0%, to ¥18,367 million, accounting for 10.6% of consolidated net sales. Operating income soared 96.2%, to ¥7,580 million, resulting in an operating margin of 41.3%.



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

Market Position and Operational Review

As the unrivaled leader in Japan's Internet market, the Group provides a wide variety of paid and free content. During the fiscal year under review, the Media business maintained a sharp focus on developing content and providing services with

Media Business Income Statement

(Millions of yen)		
For the year ended	2006/3	
Net sales:		
Advertising	15,893	● Advertising sales
Business services	770	● Information listings
Personal services	1,704	● Paid content
Other	-	
Total	18,367	
Cost of sales	538	
Gross profit	17,829	
SG&A expenses	10,249	● Sales commissions,
Operating income	7,580	Personnel expenses,
Operating margin	41.3%	Content provider fees

broad user appeal.

In December 2005, the Group commenced operations of TV Bank, a joint venture with our parent company, SOFTBANK, with the goal of strengthening our streaming content business. In conjunction with this move, we renewed our Yahoo! Streaming site with an emphasis on creating a streaming content portal site in preparation for expanded service offerings. Also during the fiscal year, we stepped up our involvement in cooperative projects with prominent organizations in other media, setting up a special site for an NHK TV drama series and collaborating with Toho Co., Ltd., to create an official site for one of that film distributor's new movies. Elsewhere, we garnered much favorable market attention with our launch of Yahoo! Music Sound Station, Japan's first free on-demand music listening service for uncut songs. Finally, we sharpened our response to the growing phenomenon of user-generated tail content with our introduction of a beta version of Yahoo! 360*, a free social network service.

*The Yahoo! 360° service was renamed Yahoo! Days in July 2006.

Strategy

Until recently, Internet-based information consisted chiefly of head content supplied by media companies. Today, utilizing the interactive capabilities of the Internet, individual users can contribute tail content under the rubric of all head content information. This new interactive functionality is facilitating a significant expansion in the breadth and depth of information available on the Internet. In response, the Media business plans to incorporate huge volumes of tail content generated by the approximately 40 million users of the Group's services with an eye to broadening the variety of information we provide. At the same time, we will continue to develop cutting-edge information search and display functions to ensure that users can efficiently find what they are searching for in a massively expanding volume of information.

Main Consolidated Subsidiaries

Y's Insurance Inc., Y's Sports Inc.



Yahoo! Streaming

Business Review

Shopping

Main Services

[Yahoo! Shopping](#)
[Yahoo! Travel](#)
[Yahoo! Books](#)
[Yahoo! Tickets](#)
[Yahoo! GroupBuy](#)

The Shopping business operates Yahoo! Shopping, a site featuring a broad selection of high-quality items from established brand-name retailers and distinctive boutiques. This business also provides a range of travel-related products and services, including domestic and overseas airline tickets and accommodation, a variety of travel-related information, and an online ticket service.

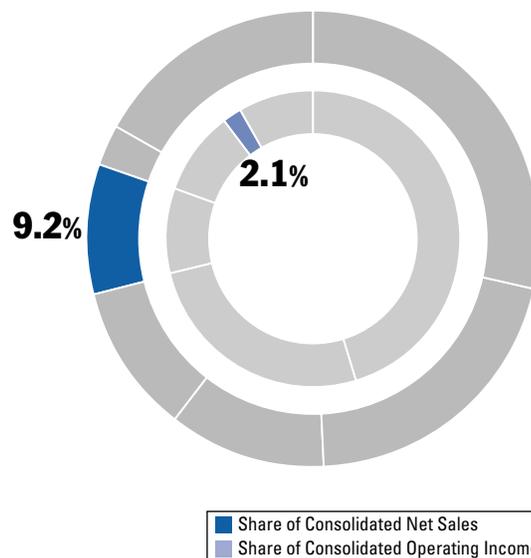
Performance

Net sales of the Shopping business in fiscal 2005 increased 50.7%, to ¥15,963 million, accounting for 9.2% of consolidated net sales. Sales principally came from Seven and Y transactions and Yahoo! Shopping tenant fees and sales commissions. Operating income jumped 341.1%, to ¥1,745 million, resulting in an operating margin of 10.9%. A particularly notable event during the year was the Company's sale of a portion of its stake in Seven and Y in February 2006. Accordingly, this former consolidated subsidiary became an affiliate accounted for by the equity method in the fourth quarter of fiscal 2005.

Market Position and Operational Review

When the Group commenced the shopping mall services of Yahoo! Shopping in September 1999, only large-scale, brand-name retailers were allowed to register on the site, a policy that effectively limited the number of stores to around 200. In August 2003, we changed our strategy and began soliciting site registration from small and medium-sized stores.

In fiscal 2005, the Shopping business continued to focus on recruiting new stores to its site in order to broaden the range of



goods and services offered and thereby boost customer satisfaction. We also continued to strengthen our cooperative relationship with sales agents to attract new stores and to offer existing stores various consulting services, including efficiency-enhancing proposals for store structures. As a result, a total of 9,445 stores were registered on the site at March 31, 2006, a gain of 186.4%, or 6,147 stores, from the figure at the previous fiscal year-end. As part of our ongoing

Shopping Business Income Statement

(Millions of yen)		
For the year ended	2006/3	
Net sales:		
Advertising	2,661	● Advertising sales
Business services	4,375	● Revenue from stores, Commissions from Tavigator, Inc.
Personal services	-	
Other	8,927	● Seven and Y
Total	15,963	
Cost of sales	7,379	● Seven and Y
Gross profit	8,584	
SG&A expenses	6,839	● Personnel expenses, Business commissions, Packing and transport expenses
Operating income	1,745	
Operating margin	10.9%	

efforts to expand site sales, we conducted several seasonal sales promotions during the year, including special offerings on Mother's Day, Father's Day, Ochugen (mid-year gift giving), and Oseibo (year-end gift giving). We also ran various campaigns focusing on our Yahoo! Points rebate system. Furthermore, in fiscal 2005 we introduced a mobile version of Yahoo! Shopping that allows users to purchase items from Internet-enabled mobile terminals.

During the fiscal year under review, Yahoo! Travel began to collaborate with RECRUIT CO., LTD., to jointly provide online travel services. In addition, as part of a comprehensive business alliance agreement with the JAL Group signed during the year, Yahoo! Travel started offering ticketing services for the JAL Group's domestic flights.

As a result of these and other activities, the Shopping business' transaction volume surged 61.6% in fiscal 2005, to ¥125.3 billion.

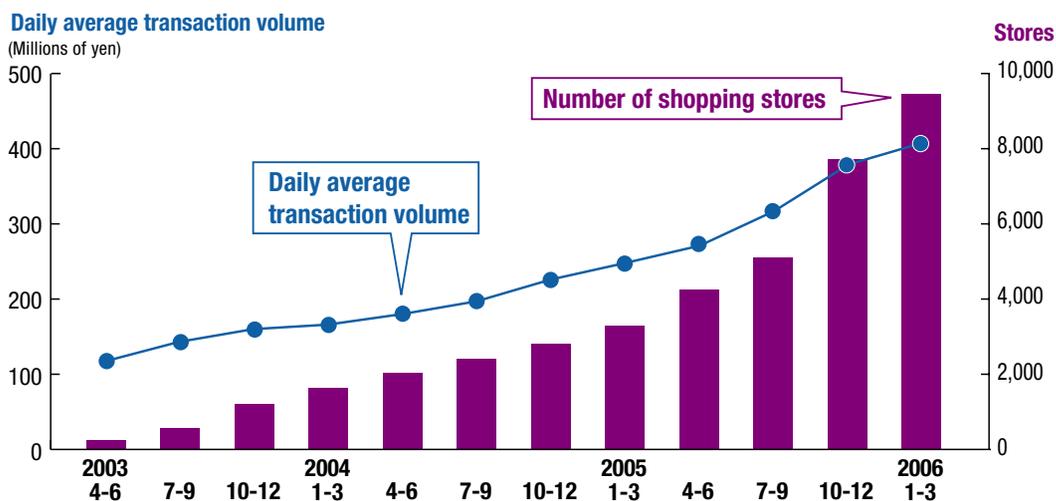
Strategy

The Shopping business will leverage the diversified service strengths of the Group with the aim of maximizing user satisfaction. For example, by adding and improving search functions we will make it easier for shoppers to find exactly what they want from among a constantly increasing number of items offered by a growing number of stores registered on our site. Moreover, we will promote interactive communications among Yahoo! JAPAN users relating to product information, thereby enabling shoppers to make more informed purchase decisions. Finally, to expand transaction volume we will upgrade our Yahoo! Shopping mobile services.

Main Consolidated Subsidiary

Tricle Inc.

Daily Average Transaction Volume and Number of Yahoo! Shopping Stores



Note: Beginning from the third quarter of fiscal 2005, new stores have been added to the total number of stores upon making the initial tenant fee payment. For prior periods, new stores were added to the total number of stores at the time of opening on the site.

Business Review

Business Solutions (BS)

Main Services

Yahoo! Research Yahoo! Domain Yahoo! WebHosting Yahoo! Portal Solutions

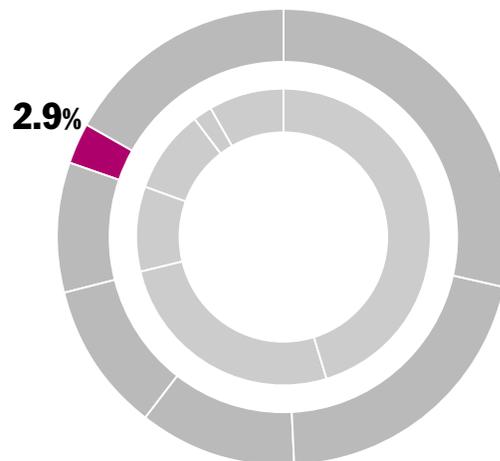
The BS business draws upon the Group's accumulated know-how and technologies to offer business solutions to a broad range of clients, including corporations, governmental entities, and small office/home office (SOHO) proprietors. Main services offered by this business are Yahoo! Research Internet surveys, domain and hosting services, licensing for enterprise information portal (EIP) solutions, and portal site development support for both BtoC (retail) and BtoB (wholesale) businesses.

Performance

The consolidation of INFO PLANT CO., LTD., from the third quarter of the fiscal year under review and the full-year consolidation of the sales of Web-hosting specialist Firstserver, Inc., consolidated in the third quarter of fiscal 2004, contributed to a big leap in business services sales, which accounted for a large part of this business' sales in fiscal 2005. As a result, net sales of the BS business rose 114.6%, to ¥5,110 million. The operating loss for the year was ¥482 million, compared with a ¥155 million loss the previous year, reflecting increased personnel expenses and higher goodwill amortization due to the consolidation of INFO PLANT and Firstserver.

Market Position and Operational Review

In anticipation of expanding Internet research business, we made Internet research company INFO PLANT a consolidated subsidiary during the year. With the goal of increasing sales of Yahoo! Research services, we concentrated on strengthening



■ Share of Consolidated Net Sales

our sales capabilities. To buttress our response capacity to higher demand for large-scale monitoring, we began accepting monitors for our new Research Monitor Lite service during the fiscal year. At March 31, 2006, we had a total of approximately 1.07 million registered monitors, comprising Research, Mobile,

BS Business Income Statement

(Millions of yen)		
For the year ended	2006/3	
Net sales:		
Advertising	187	● Advertising sales
Business services	4,888	● Firstserver, INFO PLANT, Yahoo! Research
Personal services	35	
Other	-	
Total	5,110	
Cost of sales	2,089	● Firstserver, INFO PLANT
Gross profit	3,021	
SG&A expenses	3,503	● Personnel expenses, Amortization of goodwill, Business commissions
Operating loss	(482)	
Operating margin	(9.4%)	

and Research Lite monitors, an increase of 650 thousand monitors, or 154.8%, from the 420 thousand monitors at the previous fiscal year-end. Targeting growth in our domain/hosting services, we leveraged the capabilities of consolidated subsidiary Firstserver.

Strategy

As part of the Group's April 2006 reorganization, we transferred the services of the BS business to the New Business Office, within which we newly established the Research Business and Business Preparation units. Under this new organization, we will aim to make our Internet research and Web-hosting businesses the top operations in their respective fields in Japan. In our Yahoo! Research services, we will fully leverage the synergies between INFO PLANT and affiliate INTAGE Interactive Inc. with an eye to expanding our lineup of research products and to achieving collaborative sales efficiency. In our Yahoo! Domain and Yahoo! WebHosting services, we are focusing on enhancing the convenience of our services, in addition to developing a new business model.

Main Consolidated Subsidiaries

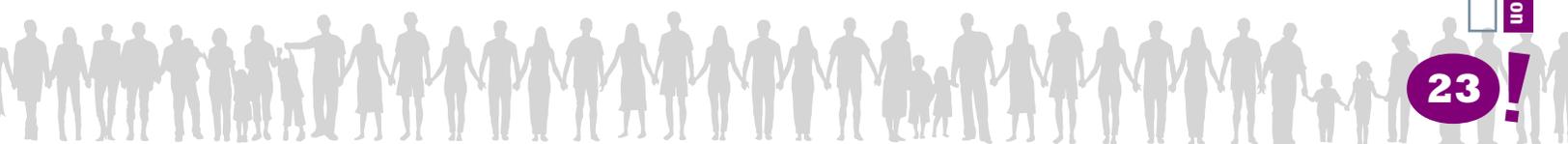
Firstserver, Inc.; INFO PLANT CO., LTD.; UniCept, Inc.



Yahoo! Research



Yahoo! Research



Business Review

Corporate Common – Elimination of Corporate

Main Services

[Yahoo! JAPAN Top Page](#)
[Yahoo! Mobile](#)
[Yahoo! Blogs](#)
[My Yahoo!](#)
[Yahoo! Kids](#)
[Yahoo! Live Talk](#)
[Yahoo! Premium](#)
[Yahoo! Points](#)
[Yahoo! Volunteer](#)
[Yahoo! Trading](#)
[Yahoo! Disaster Information](#)

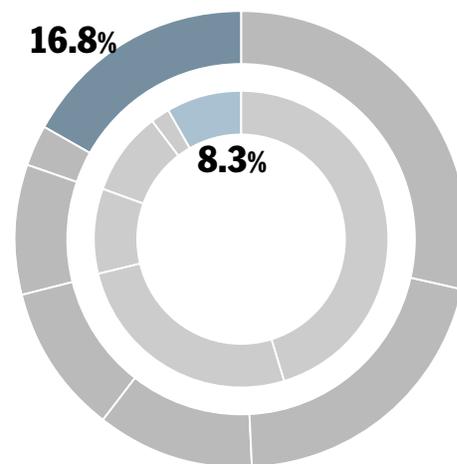
Revenues and expenses related to banner advertisements on Yahoo! JAPAN top pages and to Yahoo! Premium membership services, offered exclusively to members in exchange for monthly membership fees, are not reflected in the results of the Group's six businesses. Because these revenues and expenses are related to activities geared to developing the Group's corporate brand, they are accounted for as the results of the Corporate Common business. Revenues and expenses related to the Company's headquarters also are included in the results of the Corporate Common business.

Performance

In the fiscal year under review, net sales of the Corporate Common business advanced 42.1%, to ¥29,223 million, representing 16.8% of consolidated net sales. Sales of advertising, primarily on Yahoo! JAPAN top pages, surged 72.0%, to ¥9,962 million. Personal services sales, mainly consisting of Yahoo! Premium membership fees, rose 31.2%, to ¥19,021 million. Operating income advanced 16.8%, to ¥6,809 million, resulting in an operating margin of 23.3%.

Market Position and Operational Review

As the undisputed leader of the Internet market in Japan, the Group boasts an unrivaled number of users and page views. In fiscal 2005, we experimented with various measures to expand the number of Yahoo! Premium members and enhance membership value. For example, we ran an exclusive limited-duration campaign offering free Yahoo! Premium memberships



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

to Yahoo! BB subscribers. We also carried out an exclusive Yahoo! Points campaign targeted specifically at Yahoo! Premium members. In addition, we aggressively used affiliate marketing and Sponsor Site services to acquire new Yahoo!

Corporate Common Business Income Statement

(Millions of yen)	
For the year ended	2006/3
Net sales:	
Advertising	9,962
Business services	241
Personal services	19,021
Other	(1)
Total	29,223
Cost of sales	596
Gross profit	28,627
SG&A expenses	21,818
Operating income	6,809
Operating margin	23.3%

● Advertising sales
● Yahoo! Premium membership fees
● Personnel expenses, Depreciation and amortization, Business commissions

Premium members. Among our activities aimed at increasing the value of Yahoo! Premium membership in an effort to retain existing members, we offered exclusive services and content, free trials of popular PC software, and increased storage space on Yahoo! Photo and Yahoo! Briefcase. As a result, Yahoo! Premium member IDs numbered 6.15 million at March 31, 2006, an increase of 1.07 million IDs, or 21.2%, compared with the figure at March 31, 2005.

Other measures taken during the fiscal year to enhance our value as an advertising media included a complete renewal of Yahoo! JAPAN's top pages. We also actively marketed Brand Panels for top pages, especially to National Clients. Consequently, sales of top page advertising rose favorably, which supported a substantial increase in total advertising sales registered by the Corporate Common business in fiscal 2005.

Strategy

As part of the Group's reorganization in April 2006, we established the Members Services business, charged with the task of providing Yahoo! BB and Yahoo! Premium members with royal treatment, thereby increasing the value of these memberships. In addition to conducting campaigns to attract new members, the Members Services business will offer new exclusive services to existing members in an effort to boost their satisfaction with and continuing patronage of our services, which in turn is likely to increase ARPU. To expand its channels for acquiring new Yahoo! Premium members, the business will employ search engine marketing and affiliate marketing.

Main Consolidated Subsidiary

NETGENE Co., Ltd.

Yahoo! JAPAN Users

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

