

Special Feature

Toward the Achievement of Integrated Mobile Internet Services

Yahoo! Mobile Strong in Japan's Mobile Internet Market

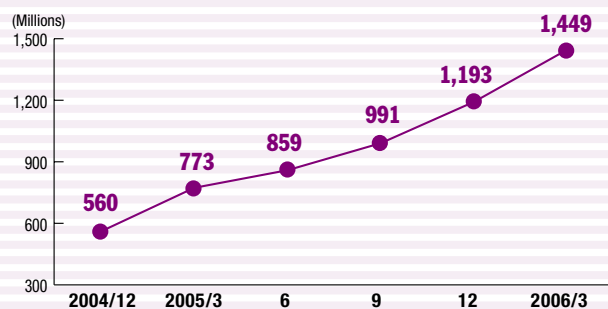


Yahoo! Mobile now offers some 60 services for Internet-enabled mobile phones. With monthly page views expanding at a clip of approximately 20% each quarter, Yahoo! Mobile registered 1.45 billion page views in March 2006, accounting for 4.4% of the Group's total page views during that month. According to Impress Holdings, Inc.'s "Report on Japan's Mobile Phone Market 2006," Yahoo! Mobile boasted the highest bookmark frequency of all portal sites in Japan's mobile Internet market in calendar year 2005, at 22%, while each of the other mobile portals had only a single-digit bookmark frequency. Clearly, Yahoo! Mobile is the overwhelmingly dominant market player in terms of brand recognition.

The mobile Internet environment is still very disintegrated,

however, resembling the PC Internet environment of 10 years ago. Consequently, page views are relatively low and income flows from text advertising, Sponsor Site advertising, and e-commerce transactions, rapidly expanding though they may be, remain limited.

Yahoo! Mobile Monthly Page Views



SOFTBANK Business Alliance Paving the Way



In March 2006, our parent company, SOFTBANK, announced its entry into the mobile communications business with the acquisition of Vodafone. At March 31, 2006, Vodafone ranked No. 3 among Japanese mobile carriers, with 15.2 million subscribers, or 16.6% of the total subscriber base. Succeeding to this well-established business platform, SOFTBANK has decided to change Vodafone's name to SOFTBANK MOBILE Corp. from October 1, 2006, re-brand the mobile phone services as SOFTBANK, and dedicate its full energies to expanding and strengthening the mobile communications business.

Following quickly in suit, the Company in April 2006 made a ¥120 billion investment in SOFTBANK's mobile communications business in the form of preferred shares purchased from BB Mobile Corp. At the same time, we agreed to provide a portal site for users of SOFTBANK's mobile terminals by the end of the fiscal year currently under way. Through this business alliance with SOFTBANK, the Group is responsible for providing PC and mobile phone users with a seamless Internet environment. We view this as an excellent opportunity to realize innovative mobile services.

Investment in Preferred Shares

- Issuer: BB Mobile (SOFTBANK's wholly owned subsidiary that acquired Vodafone's outstanding common shares)
- Number of preferred shares to be issued: 600,000
- Issue price: ¥200,000 per share (¥120 billion in total)
- Dividend: ¥0 through the fiscal year ending March 31, 2013, and a 12% annual dividend thereafter
- Redemption: redeemable at any time with issuer's advance notice

Share Acquisition Rights (SARs) (given under condition of obligation to invest in the preferred shares)

- Issuer: BB Mobile
- Number of SARs to be issued: 98, amounting to 98,000 shares in total (4% of outstanding common shares)
- Exercise price: ¥95,098 (equivalent to issuer's acquisition price of Vodafone's outstanding common shares)*
- *assuming an unchanged number of outstanding common shares
- Condition for exercise of rights: Issuer's accumulated EBITDA from April 1, 2006, to March 31, 2013, exceeds ¥3.35 trillion



Targeting Integrated Mobile Internet Services

According to a recent report by the Ministry of Internal Affairs and Communications, 71.9% of all persons living in Japan used mobile phones as of the end of December 2005. The correlate figure for PCs was 56.7%, making the mobile phone the most widely used communication device in Japan today.

Furthermore, the rate of Internet access via mobile phones is increasing rapidly. The same Ministry of Internal Affairs and Communications report states that of a total 85.29 million people accessing the Internet in Japan during calendar year 2005, 77.4%, or 66.01 million, used PCs, while 81.2%, or 69.23 million, used mobile phones. In addition, 57.0%, or 48.62 million, used both PCs and mobile phones to access Internet services.

Despite high Internet access statistics for mobile phones, we do not believe that the current mobile environment, which is extremely disintegrated and underdeveloped, can be accurately described as an Internet environment. A typical mobile phone subscriber today accesses the Internet primarily to use the e-mail services offered by his or her mobile carrier, as well as to view the content also provided by the carrier. Because the flat monthly service rate charged by a typical mobile carrier covers access only to that carrier's official Web site, a typical subscriber is required to pay extra for accessing Web sites other than his or her carrier's official site. Moreover, changing to a new mobile carrier necessitates a change in mobile e-mail address, in addition to registering again for content services. In brief, current mobile Internet services are inconvenient and provide only limited Internet access to mobile phone subscribers.

The current mobile Internet environment is similar to the PC Internet environment of 10 years ago, when a typical PC user's Internet access was limited to his or her carrier's official services. The PC Internet market was revolutionized by carriers that introduced reasonable flat rates plus the improved convenience of unlimited Internet access, thereby transforming the PC Internet into the integrated environment of today.

Working in partnership with SOFTBANK, the Group intends to carry out a similar revolution in the mobile Internet environment. To that end, we will begin by offering dedicated portal services to SOFTBANK mobile users, including a function enabling them to connect directly to the integrated Internet environment. In other words, we will offer SOFTBANK mobile users easy access to a greatly expanded Internet environment. At the same time, we intend to provide our integrated services to subscribers of other carriers, as well. Ultimately, we would like to see our integrated mobile Internet environment become the standard service in the market, provided not only by SOFTBANK MOBILE but also by competing carriers.

If the mobile Internet, which far outstrips the PC Internet in terms of user numbers, becomes an integrated environment, it could potentially grow to be at least as large a market as the PC Internet. An expansion in page views of Yahoo! Mobile resulting from a mobile Internet revolution could substantially increase Group profits deriving from advertising sales and e-commerce transactions. Our new business alliance with SOFTBANK is a first step in this direction.

