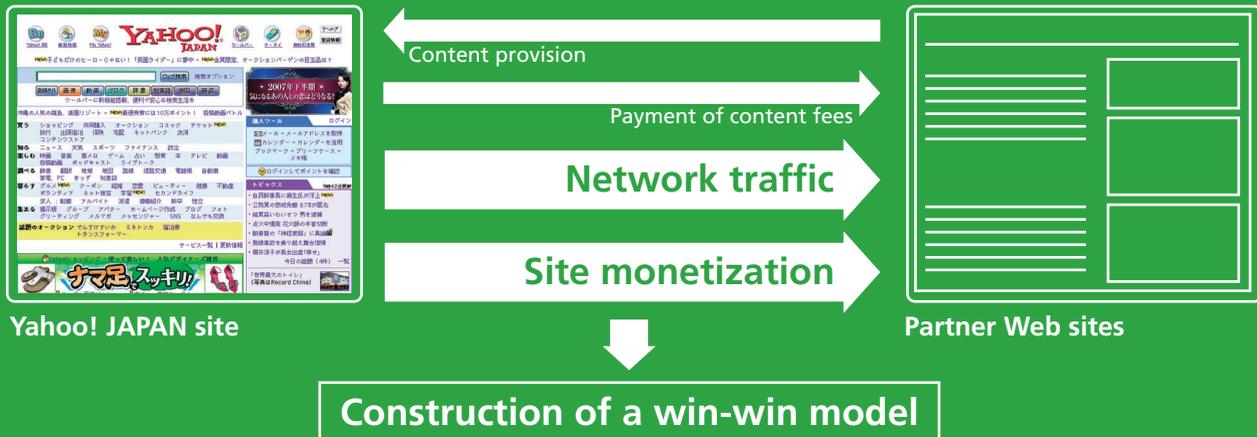


Enhanced network traffic and monetization of partner Web sites



Building a Yahoo! JAPAN Network

Toward greater network scale and improved site monetization

According to recent survey data published by NetRatings Japan, the Yahoo! JAPAN portal site achieved a reach of 87.3% in March 2007 with user numbers totaling 39.95 million, making it far and away the leading portal site in Japan. The same survey data also revealed that the average user spent 3 hours and 23 minutes per month on the Yahoo! JAPAN site. Although this figure was again the highest of all sites surveyed, it represents only about 16% of the average user's total monthly Internet usage time of 18 hours and 34 minutes. While many users access the Yahoo! JAPAN site frequently, they in addition access a certain number of other sites regularly and access a great many other sites occasionally. As a result, the average Internet user in Japan spends roughly 84% of total online time on sites other than those offering Group services.

Against this backdrop, we are currently engaged in proactively linking the Yahoo! JAPAN site to selected partner sites with the goal of building an extended Yahoo! JAPAN Network. As we expand the scale of the Network, we expect to achieve concomitant increases in total usage time, number of page views, and number of unique

browsers across the Network. As a result, the Network's advertising media value will also grow. By distributing advertising over the Network or offering partner sites access to such transaction settlement tools as Yahoo! Wallet, we intend to improve the monetization of traffic on partner sites. In building a Yahoo! JAPAN Network, therefore, we aim both to broaden our own business and to help our partner sites grow their businesses, as well.

We are developing the Yahoo! JAPAN Network as a bundle of several diverse networks. The Yahoo! Media Network, for example, mainly comprises traditional-media sites, such as newspapers' Web sites. The Yahoo! Publisher Network, on the other hand, comprises smaller sites, such as blogs. In addition to such types of networks, we are modeling other networks upon Group service formats, such as a network for e-commerce sites. By distributing advertising over each of these various networks or providing transaction settlement tools, the Group intends to create network environments in which partner sites can effectively establish and expand their services.

AD Network system: Exploiting the Network for improved site monetization

Many Group services are built around a wealth of diverse content supplied by a wide range of information providers. For example, Yahoo! News brings together various formats and genres of news sourced from approximately 70 information providers, including leading Japanese and overseas news agencies, regional newspapers and TV channels, entertainment and sports news broadcasters, and specialized technology magazines. Under the traditional business model, the Group pays fees to information providers for the content supplied to our site pages. Advertising sales revenue is then generated by selling space on those pages to advertisers.

Because our Yahoo! JAPAN Network will be built on an alliance with partner Web sites, including live links in the case of the aforementioned information providers, users who want more in-depth information about a specific news item on the Yahoo! JAPAN site will be just a single click away from the relevant partner site. This will not only boost user convenience and satisfaction but also generate increased traffic over the entire Network.

Once the Yahoo! JAPAN Network is in place, our AD Network system will effectively transform it into an extended network of advertising space. AD Network is our system for distributing banner and other types of advertisements from Yahoo! JAPAN to partner sites on the Network, thereby creating new opportunities for both the Group and partner sites to boost advertising sales revenues. Because of the limited user reach of independent sites, certain site pages are difficult to sell to advertisers. As a result of the AD Network system's ability to fully exploit the Network's vastly extended user reach, our partner sites will be able to more easily sell advertising space on such pages. This is the AD Network system's site monetization effect. The Group, meanwhile, benefits from the enhanced overall media value of the Network as it grows in scale owing to the additional page views and unique browsers on all partner sites. Increased network scale will be particularly critical in behavioral targeting advertising, an area of potential future expansion, especially considering that a larger network can reasonably be expected to yield a broader range of target groups based on user attributes and Internet-usage histories.

Overture: Contributing partner sites and paid-search advertising

In April 2007, a non-binding memorandum of understanding was exchanged with Yahoo! Inc. regarding the conversion of Overture into a subsidiary of the Company. Offering services in collaboration with the Group and other Overture partner sites, Overture is currently building its own advertising distribution network in Japan. By making Overture a Group subsidiary, we will be able to offer distribution both of paid search and of banners and other advertisements not only to Yahoo! JAPAN partner sites but also to Overture partner sites, as well. As a result, we anticipate enhanced profit-making opportunities across the Network, particularly with regard to the monetization of partner sites.