Financial Section

Key Financial Data

Yahoo Japan Corporation and Consolidated Subsidiaries
Years Ended March 31, 2007, 2006, 2005, 2004, 2003 and 2002

	Millions of yen						Thousands of U.S. dollars
Years ended March 31:	**2007**	2006	2005	2004	2003	2002	**2007**
Net sales	**¥212,553**	¥173,696	¥117,779	¥75,776	¥46,693	¥29,759	**$1,800,531**
Advertising	**89,202**	—	—	—	—	—	**755,631**
Business Services	**48,215**	—	—	—	—	—	**408,429**
Personal Services	**75,283**	—	—	—	—	—	**637,716**
Eliminations or Corporate	**(147)**	—	—	—	—	—	**(1,245)**
Cost of sales	**8,487**	12,843	8,932	5,292	3,599	7,228	**71,893**
Advertising	**533**	—	—	—	—	—	**4,514**
Business Services	**6,483**	—	—	—	—	—	**54,918**
Personal Services	**1,529**	—	—	—	—	—	**12,948**
Eliminations or Corporate	**(58)**	—	—	—	—	—	**(487)**
SG&A expenses	**97,833**	78,720	48,660	29,272	19,021	12,124	**828,740**
Advertising	**38,364**	—	—	—	—	—	**324,984**
Business Services	**22,429**	—	—	—	—	—	**189,997**
Personal Services	**25,780**	—	—	—	—	—	**218,377**
Eliminations or Corporate	**11,260**	—	—	—	—	—	**95,382**
Operating income	**106,233**	82,133	60,187	41,212	24,073	10,407	**899,898**
Advertising	**50,305**	—	—	—	—	—	**426,133**
Business Services	**19,303**	—	—	—	—	—	**163,514**
Personal Services	**47,974**	—	—	—	—	—	**406,391**
Eliminations or Corporate	**(11,349)**	—	—	—	—	—	**(96,140)**
Net income	**57,963**	47,091	36,521	24,827	12,096	5,868	**491,004**
Net income per share (Yen and U.S. dollars)	**959**	777	602	410	200	97	**8.12**
Dividends (Yen and U.S. dollars)	**96**	78	60.5	—	—	—	**0.81**
EBITDA	**115,743**	89,787	64,980	44,329	26,147	11,824	**980,460**
As of March 31:							
Total assets	**318,428**	190,975	130,244	82,410	47,774	29,218	**2,697,401**
Equity	**192,385**	142,455	96,060	59,807	30,483	20,227	**1,629,692**
Number of employees	**3,042**	2,534	1,713	990	669	431	
Cash flows	**(22,659)**	29,043	29,349	16,428	15,837	1,475	**(191,947)**
Operating activities	**72,710**	59,604	46,084	26,147	19,667	6,139	**615,927**
Investing activities	**(160,402)**	(27,533)	(17,119)	(10,913)	(3,779)	(4,675)	**(1,358,772)**
Financing activities	**65,033**	(3,028)	384	1,194	(51)	11	**550,898**
Ratios:							
Operating margin (%)	**50.0**	47.3	51.1	54.4	51.6	35.0	
Net income to net sales ratio (%)	**27.3**	27.1	31.0	32.8	25.9	19.7	
ROA (%)	**22.8**	29.3	34.3	38.1	31.4	20.5	
ROE (%)	**34.8**	39.5	46.9	55.0	47.7	30.2	
Equity / total assets ratio (%)	**59.9**	74.6	73.8	72.6	63.8	69.2	

Notes:

- Yen amounts for the year ended March 31, 2007 have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥118.05=U.S.$1, the effective rate of exchange at March 31, 2007.
- Net income per share and dividends for the years preceding the year ended March 31, 2007 have been retroactively adjusted to reflect stock splits.
- Beginning with the year ended March 31, 2004, the Company altered its method of booking sales. Figures in this annual report for the years preceding the year ended March 31, 2004 have been revised to reflect this change in accounting method.
- Effective April 1, 2006, the Group's former seven business segments were reorganized into the business segments of Advertising, Business Services, and Personal Services.
- Equity as of March 31, 2007 is presented in accordance with the new accounting standard for presentation of equity, while the previous accounting standard has been applied for prior years. The change of accounting standard for presentation of equity is discussed in Note 2.o of the Notes to Consolidated Financial Statements.

Management's Discussion and Analysis

Results of Operations

Net Sales

Consolidated net sales for the year ended March 31, 2007, posted a record high of ¥212,553 million, increasing ¥38,857 million, or 22.4%, over the previous year's result. Most of this growth was attributable to higher sales recorded in the Advertising and Personal Services segments.

Cost of Sales

Cost of sales decreased ¥4,356 million, to ¥8,487 million. The main factor behind this 33.9% year-on-year fall was the removal from consolidation of Seven and Y Corp. following the sale of a portion of the Company's equity stake in this former subsidiary.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses rose ¥19,113 million, or 24.3%, to ¥97,833 million. The major components of SG&A expenses were as follows:

Personnel expenses increased ¥4,050 million, or 27.5%, to ¥18,780 million. Compared with the figure one year earlier, the number of directors and employees, excluding overlapping positions, of the Group at the fiscal year-end was up 502, or 19.5%, to 3,078.

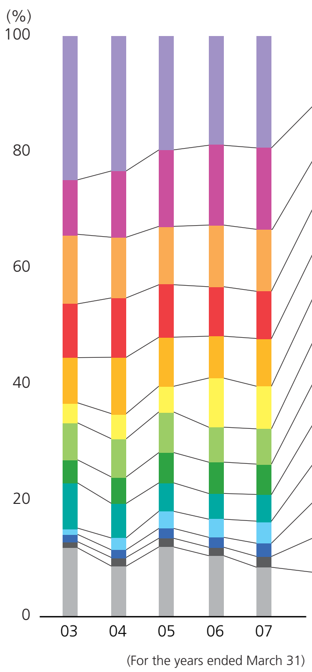
Business commissions surged ¥2,899 million, or 26.6%, to ¥13,804 million, mainly reflecting higher expenses for temporary and contract employees.

Sales commissions advanced ¥1,962 million, or 23.4%, to ¥10,339 million, owing chiefly to higher fees paid to advertising agencies in line with the growth in advertising sales.

Depreciation and amortization expenses rose ¥1,463 million, or 22.0%, to ¥8,126 million, mainly as a result of purchases of software and network equipment such as servers.

Communications charges amounted to ¥7,920 million, an increase of ¥2,245 million, or 39.6%, over the previous year. This increase primarily reflected the Group's expanded usage of

SG&A Expenses Breakdown



(Millions of yen)

For the years ended March 31	2003		2004		2005		2006		2007	
Personnel expenses	4,722	(24.8%)	6,782	(23.2%)	9,537	(19.6%)	14,730	(18.7%)	18,780	(19.2%)
Business commissions	1,813	(9.5%)	3,366	(11.5%)	6,482	(13.3%)	10,905	(13.9%)	13,804	(14.1%)
Sales commissions	2,236	(11.8%)	3,038	(10.4%)	4,778	(9.8%)	8,377	(10.6%)	10,339	(10.6%)
Depreciation and amortization	1,765	(9.3%)	3,003	(10.3%)	4,462	(9.2%)	6,663	(8.5%)	8,126	(8.3%)
Communications charges	1,496	(7.9%)	2,861	(9.8%)	4,138	(8.5%)	5,675	(7.2%)	7,920	(8.1%)
Sales promotion costs	653	(3.4%)	1,238	(4.2%)	2,135	(4.4%)	6,722	(8.5%)	7,120	(7.3%)
Royalty charge	1,207	(6.3%)	1,963	(6.7%)	3,379	(6.9%)	4,709	(6.0%)	6,024	(6.2%)
Lease and utility expenses	765	(4.0%)	1,285	(4.4%)	2,561	(5.3%)	4,252	(5.4%)	5,124	(5.2%)
Content provider fees	1,502	(7.9%)	1,725	(5.9%)	2,358	(4.8%)	3,346	(4.3%)	4,598	(4.7%)
Payment commissions	190	(1.0%)	606	(2.1%)	1,444	(3.0%)	2,537	(3.2%)	3,657	(3.7%)
Allowance for doubtful accounts	253	(1.3%)	421	(1.4%)	847	(1.7%)	1,394	(1.8%)	2,248	(2.3%)
Administrative and maintenance expenses	162	(0.9%)	404	(1.4%)	696	(1.4%)	1,089	(1.4%)	1,778	(1.8%)
Others	2,257	(11.9%)	2,580	(8.7%)	5,843	(12.1%)	8,321	(10.5%)	8,314	(8.5%)
Total	19,021	(100.0%)	29,272	(100.0%)	48,660	(100.0%)	78,720	(100.0%)	97,833	(100.0%)

Note:
Personnel expenses include health and welfare program costs, pension costs, and others.

data-center space to upgrade service capacity and to improve the access environment for users.

Sales promotion costs totaled ¥7,120 million, rising ¥398 million, or 5.9%, over the previous year. This increase was mainly the result of the increase in subscriber acquisition costs for Yahoo! BB services.

Royalty charge paid to Yahoo! Inc. of the United States increased ¥1,315 million, or 27.9%, to ¥6,024 million, paralleling the growth in net sales.

Lease and utility expenses increased ¥872 million, or 20.5%, to ¥5,124 million, primarily owing to higher utility expenses associated with office relocation and expansion.

Significant other expenses included (1) content provider fees, which advanced ¥1,252 million, or 37.4%, to ¥4,598 million; (2) payment commissions, which increased ¥1,120 million, or 44.1%, to ¥3,657 million; and (3) allowance for doubtful accounts, which rose ¥854 million, or 61.3%, to ¥2,248 million.

Operating Income

Consolidated operating income totaled ¥106,233 million, up ¥24,100 million, or 29.3%.

Income Taxes and Related Adjustments

Income taxes increased ¥10,822 million, or 33.2%, to ¥43,415 million. On a consolidated basis, the income tax rate for the fiscal year ended March 31, 2007, was 42.7%.

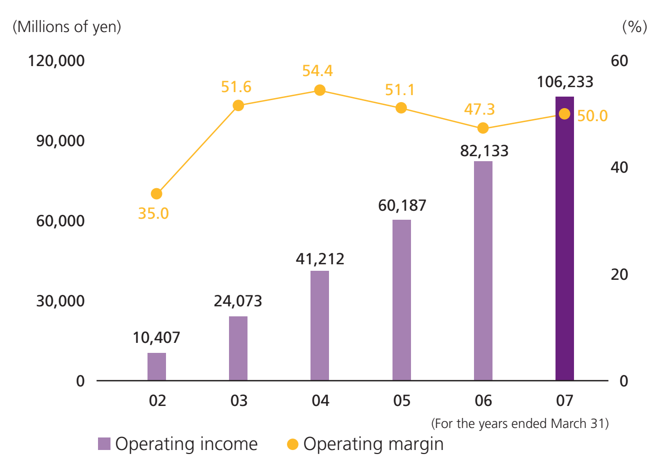
Minority Interests in Net Income

Minority interests in net income amounted to ¥390 million, increasing ¥110 million, or 39.3%, over the previous year. Minority interests in net income reflects the interest of shareholders other than the Company in the profits or losses of the Company's subsidiaries.

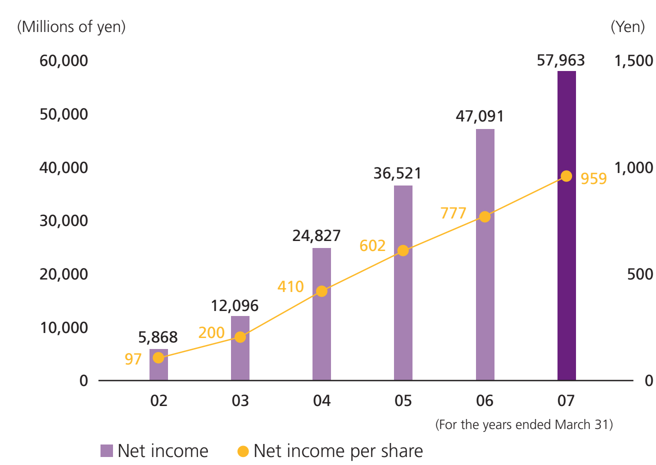
Net Income

Consolidated net income increased ¥10,872 million, or 23.1%, to ¥57,963 million. Net income per share amounted to ¥958.66, while fully diluted net income per share was ¥956.70.

Operating Income / Operating Margin



Net Income / Net Income per Share



Note:
Net income per share figures for the years preceding the year ended March 31, 2007 have been retroactively adjusted to reflect stock splits.

Financial Position

On a consolidated basis, total assets stood at ¥318,428 million as of March 31, 2007. This figure was ¥127,453 million, or 66.7%, higher than the total at the previous fiscal year-end. Total liabilities increased ¥78,890 million, or 167.3%, to ¥126,043 million. Total equity increased ¥49,930 million, or 35.0%, to ¥192,385 million.

Assets

- The decline in cash and cash equivalents compared with the previous year-end was mainly due to acquisitions of investment securities.
- Receivables increased compared with the previous year-end, mainly due to the growth in advertising sales.
- The rise in property and equipment was due principally to additional installations of servers and other network equipment.
- The surge in investment securities mainly reflected acquisitions of shares.
- The increase in other assets was principally due to security deposits required for office relocation and expansion.

Liabilities

- The year-on-year increases in both short-term and long-term debt were mainly due to borrowings related to an investment in BB Mobile Corp.
- The rise in income taxes payable primarily reflected growth in profits.

Equity

- The increase in common stock during the year under review resulted from the exercise of stock options.
- The growth in retained earnings was attributable to higher net income.
- The unrealized gain on available-for-sale securities declined from the previous year-end figure as a result of the mark-to-market valuation of investment securities for the fiscal year ended March 31, 2007.

Cash Flows

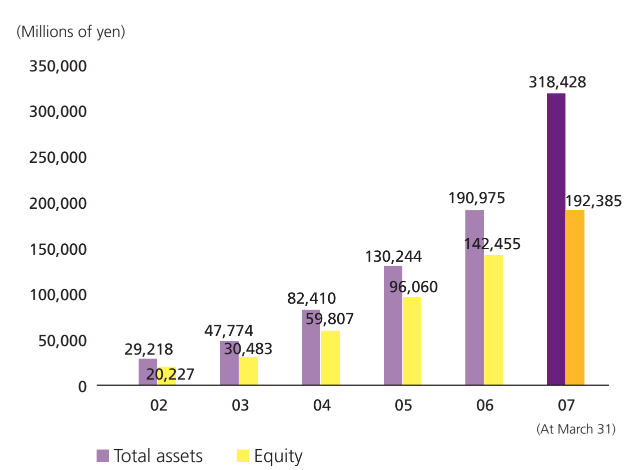
Net cash provided by operating activities totaled ¥72,710 million, increasing ¥13,106 million, or 22.0%, compared with the previous year. Operating cash inflows rose owing to higher sales and net income, which more than offset income tax payments.

Net cash used in investing activities totaled ¥160,402 million, representing an increase in investing cash outflows of ¥132,869 million compared with the previous year. Major factors behind this rise were acquisitions of investment securities and expenses related to office relocation and expansion. Collection on loans receivable increased compared with the previous year, slightly offsetting the rise in investing cash outflows.

Net cash provided by financing activities was ¥65,033 million. Compared with the net financing cash outflow of ¥3,028 million recorded in the previous year, this represented a year-on-year increase in financing cash inflow of ¥68,061 million. The major factor in this rise was an increase in proceeds from long-term debt.

The net change in cash and cash equivalents for the year was a decrease of ¥22,659 million. Compared with the net increase of ¥29,043 million for the previous year, this represented a deterioration in net cash flow of ¥51,702 million. The year-end balance of cash and cash equivalents stood at ¥75,212 million, down ¥22,823 million, or 23.3%, compared with the previous year-end figure.

Total Assets / Equity



Consolidated Balance Sheets

Yahoo Japan Corporation and Consolidated Subsidiaries
March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	**2007**
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	**¥ 75,212**	¥ 98,035	**$ 637,123**
Receivables:			
Trade accounts	**30,245**	25,214	**256,205**
Other	**3,426**	852	**29,023**
Allowance for doubtful accounts	**(2,300)**	(1,806)	**(19,482)**
Inventories (Note 3)	**173**	166	**1,469**
Deferred tax assets (Note 9)	**4,345**	3,472	**36,803**
Other current assets	**4,220**	6,256	**35,738**
Total current assets	**115,321**	132,189	**976,879**
PROPERTY AND EQUIPMENT (Note 5):			
Buildings and structures	**4,265**	2,449	**36,130**
Machinery and equipment	**31,757**	25,574	**269,017**
Construction in progress	**63**	82	**534**
Total	**36,085**	28,105	**305,681**
Accumulated depreciation and impairment loss	**(19,534)**	(14,090)	**(165,473)**
Net property and equipment	**16,551**	14,015	**140,208**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	**149,767**	13,027	**1,268,673**
Investments in unconsolidated subsidiaries and associated companies	**12,501**	15,674	**105,895**
Goodwill	**4,062**	4,129	**34,408**
Deferred tax assets (Note 9)	**2,990**		**25,331**
Other assets	**17,260**	11,963	**146,208**
Allowance for doubtful accounts	**(24)**	(22)	**(201)**
Total investments and other assets	**186,556**	44,771	**1,580,314**
TOTAL ASSETS	**¥318,428**	¥190,975	**$2,697,401**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 6)	**¥ 120**	¥ 168	**$ 1,017**
Current portion of long-term bank loans (Note 6)	**20,000**	40	**169,420**
Payables:			
Trade accounts	**1,022**	890	**8,661**
Other	**13,345**	12,419	**113,050**
Income taxes payable (Note 9)	**28,372**	23,484	**240,338**
Provision for Yahoo! Points (Note 2.k)	**2,065**	1,337	**17,495**
Other current liabilities	**11,108**	7,151	**94,086**
Total current liabilities	**76,032**	45,489	**644,067**
LONG-TERM LIABILITIES:			
Long-term debt (Note 6)	**50,000**	30	**423,549**
Deferred tax liabilities (Note 9)		1,619	
Other	**11**	15	**93**
Total long-term liabilities	**50,011**	1,664	**423,642**
MINORITY INTERESTS		1,367	
COMMITMENTS (Notes 10 and 11)			
EQUITY (Notes 7 and 14):			
Common stock—241,600,000 shares authorized and 60,477,014 shares issued in 2007; 120,800,000 shares authorized and 30,226,069 shares issued in 2006	**7,187**	7,033	**60,882**
Capital surplus	**2,268**	2,114	**19,213**
Stock acquisition rights	**30**		**255**
Retained earnings	**179,897**	126,738	**1,523,908**
Unrealized gain on available-for-sale securities	**1,369**	6,597	**11,589**
Foreign currency translation adjustments		1	
Treasury stock—at cost, 1,926 shares in 2007 and 963 shares in 2006	**(28)**	(28)	**(238)**
Total	**190,723**	142,455	**1,615,609**
Minority interests	**1,662**		**14,083**
Total equity	**192,385**	142,455	**1,629,692**
TOTAL LIABILITIES AND EQUITY	**¥318,428**	¥190,975	**$2,697,401**

Consolidated Statements of Income

Yahoo Japan Corporation and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	**2007**
NET SALES	**¥212,553**	¥173,696	**$1,800,531**
COST OF SALES	**8,487**	12,843	**71,893**
Gross profit	**204,066**	160,853	**1,728,638**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**97,833**	78,720	**828,740**
Operating income	**106,233**	82,133	**899,898**
OTHER INCOME (EXPENSES):			
Interest and dividend income	**256**	654	**2,172**
Interest expense	**(480)**	(5)	**(4,067)**
Loss on exchange—net	**(7)**	(24)	**(61)**
Equity in losses of unconsolidated subsidiaries and associated companies	**(3,523)**	(2,690)	**(29,839)**
Gain on sale of investment securities—net	**202**	1,040	**1,712**
Loss on write-down of investment securities	**(773)**	(1,087)	**(6,551)**
Other—net	**(140)**	(57)	**(1,188)**
Other expenses—net	**(4,465)**	(2,169)	**(37,822)**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**101,768**	79,964	**862,076**
INCOME TAXES (Note 9):			
Current	**45,223**	35,711	**383,087**
Deferred	**(1,808)**	(3,118)	**(15,319)**
Total income taxes	**43,415**	32,593	**367,768**
MINORITY INTERESTS IN NET INCOME	**390**	280	**3,304**
NET INCOME	**¥ 57,963**	¥ 47,091	**$ 491,004**

	Yen		U.S. dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2.u and 13):			
Basic net income	**¥958.66**	¥776.62	**$8.12**
Diluted net income	**956.70**	774.57	**8.10**
Cash dividends applicable to the year	**96.00**	78.00	**0.81**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Yahoo Japan Corporation and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 101,768	¥ 79,964	$ 862,076
Adjustments for:			
Income taxes—paid	(40,418)	(28,893)	(342,380)
Depreciation and amortization	8,576	6,922	72,648
Amortization of goodwill	1,384	1,039	11,725
Gain on sale of investment securities—net	(202)	(1,040)	(1,712)
Loss on write-down of investment securities	773	1,087	6,551
Equity in losses of unconsolidated subsidiaries and associated companies	3,523	2,690	29,839
Changes in assets and liabilities:			
Increase in trade receivables	(4,730)	(6,354)	(40,070)
Increase in other receivables	(4,128)	(2,549)	(34,966)
Increase in trade payables	102	1,386	868
Increase in other payables	4,232	5,305	35,851
Other—net	1,830	47	15,497
Total adjustments	(29,058)	(20,360)	(246,149)
Net cash provided by operating activities	72,710	59,604	615,927
INVESTING ACTIVITIES:			
Purchase of property and equipment	(10,204)	(7,228)	(86,441)
Purchase of other assets	(7,855)	(5,149)	(66,539)
Purchase of investment securities	(146,600)	(15,210)	(1,241,847)
Proceeds from sale of investment securities	428	1,963	3,622
Payments for purchase of newly consolidated subsidiaries' stocks	(719)	(3,984)	(6,089)
Collection on loans receivable	3,658	2,264	30,983
Other—net	890	(189)	7,539
Net cash used in investing activities	(160,402)	(27,533)	(1,358,772)
FINANCING ACTIVITIES:			
Proceeds from long-term debt	80,070		678,272
Repayment of long-term debt	(10,048)		(85,116)
Dividends paid	(4,715)	(3,654)	(39,942)
Other—net	(274)	626	(2,316)
Net cash provided by (used in) financing activities	65,033	(3,028)	550,898
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(22,659)	29,043	(191,947)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	98,035	68,992	830,456
DECREASE IN CASH AND CASH EQUIVALENTS DUE TO DECONSOLIDATION OF SUBSIDIARIES	(164)		(1,386)
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 75,212	¥ 98,035	$ 637,123
ADDITIONAL CASH FLOW INFORMATION:			
Current assets	¥ (861)	¥ (1,340)	$ (7,298)
Non-current assets	(117)	(824)	(987)
Goodwill	(734)	(3,319)	(6,221)
Current liabilities	333	508	2,821
Non-current liabilities	12	14	105
Minority interests	65	631	549
Acquisition costs	(1,302)	(4,330)	(11,031)
Cash and cash equivalents acquired	583	745	4,942
Subtotal	(719)	(3,585)	(6,089)
Payment for acquisitions in prior year		(399)	
Payment for purchase of newly consolidated subsidiaries' stocks	¥ (719)	¥ (3,984)	$ (6,089)

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Yahoo Japan Corporation and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2006

	Thousands			
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights
BALANCE, APRIL 1, 2005	7,550	¥ 6,692	¥ 1,773	
Exercise of warrants	21	341	341	
Net income				
Cash dividends (¥60.5 per share)				
Bonuses to directors and corporate auditors				
Stock splits (Note 7)	22,655			
Net change in the year				
BALANCE, MARCH 31, 2006	30,226	7,033	2,114	
Reclassified balance as of March 31, 2006				
Exercise of warrants	**25**	**154**	**154**	
Net income				
Cash dividends (¥78 per share)				
Bonuses to directors and corporate auditors				
Deconsolidation of subsidiaries				
Stock splits (Note 7)	**30,226**			
Net change in the year				**¥30**
BALANCE, MARCH 31, 2007	**60,477**	**¥ 7,187**	**¥ 2,268**	**¥30**

	Common Stock	Capital Surplus	Stock Acquisition Rights
BALANCE, MARCH 31, 2006	$59,576	$17,907	
Reclassified balance as of March 31, 2006			
Exercise of warrants	**1,306**	**1,306**	
Net income			
Cash dividends ($0.66 per share)			
Bonuses to directors and corporate auditors			
Deconsolidation of subsidiaries			
Net change in the year			**$255**
BALANCE, MARCH 31, 2007	**$60,882**	**$19,213**	**$255**

See notes to consolidated financial statements.

Millions of Yen

Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stocks	Total	Minority Interests	Total Equity
¥ 83,461	¥ 4,162		¥ (28)	¥ 96,060		¥ 96,060
				682		682
47,091				47,091		47,091
(3,654)				(3,654)		(3,654)
(160)				(160)		(160)
	2,435	¥ 1		2,436		2,436
126,738	6,597	1	(28)	142,455		142,455
					¥ 1,367	**1,367**
				308		**308**
57,963				**57,963**		**57,963**
(4,715)				**(4,715)**		**(4,715)**
(168)				**(168)**		**(168)**
79				**79**		**79**
	(5,228)	**(1)**		**(5,199)**	**295**	**(4,904)**
¥ 179,897	**¥ 1,369**		**¥ (28)**	**¥ 190,723**	**¥ 1,662**	**¥ 192,385**

Thousands of U.S. Dollars (Note 1)

Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stocks	Total	Minority Interests	Total Equity
$1,073,596	$55,887	$ 10	$(238)	$1,206,738		$1,206,738
					$11,582	**11,582**
				2,612		**2,612**
491,004				**491,004**		**491,004**
(39,942)				**(39,942)**		**(39,942)**
(1,419)				**(1,419)**		**(1,419)**
669				**669**		**669**
	(44,298)	**(10)**		**(44,053)**	**2,501**	**(41,552)**
$1,523,908	**$11,589**		**$(238)**	**$1,615,609**	**$14,083**	**$1,629,692**

Notes to Consolidated Financial Statements

Yahoo Japan Corporation and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2006

1. NATURE OF OPERATIONS AND BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Yahoo Japan Corporation (the "Company") was incorporated in Japan in 1996. The Company is the overwhelming leader in the Internet market in Japan. The Company classifies its services into three segments: (1) advertising, (2) business services and (3) personal services as discussed in Note 15.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects from International Financial Reporting Standards as to application and disclosure requirements.

On December 27, 2005, the Accounting Standards Board of Japan (the "ASBJ") published a new accounting standard for the consolidated statement of changes in equity, which is effective for years ending on or after May 1, 2006. The statement of shareholders' equity, which was previously voluntarily prepared in line with international accounting practices, is now required under Japanese GAAP and has been renamed "the consolidated statement of changes in equity" in the current year.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the 2006 financial statements to conform to the classifications used in 2007.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers and have been made at the rate of ¥118.05 to $1, the approximate rate of exchange at March 31, 2007. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation***—The accompanying consolidated financial statements as of March 31, 2007 include the accounts of the Company and its 13 (22 in 2006) significant subsidiaries. Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Company and consolidated subsidiaries (collectively, the "Group") has the ability to exercise significant influence are accounted for by the equity method.

Investments in 17 (10 in 2006) associated companies are accounted for by the equity method. Investments in the remaining 6 (none in 2006) unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not have been material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

For consolidated subsidiaries or associated companies whose closing dates are different from that of the Company, certain adjustments necessary to consolidate have been made.

In 2006, the Company acquired majority shareholdings in INFO PLANT CO, LTD. ("INFO PLANT") and NewsWatch, Inc. ("NewsWatch"). As a result, they became consolidated subsidiaries of the Company.

In February 2006, the Company excluded Seven and Y Corp. ("Seven and Y"), a former subsidiary of the Company, from the scope of consolidation due to decrease in holding ratio. As a result, the Company changed the accounting treatment for Seven and Y to the equity method. The profit and loss items of Seven and Y for the nine months ended December 31, 2005 were taken into the consolidation.

In February 2007, the Company acquired majority shareholdings in Interscope Inc. ("Interscope"). As a result, Interscope became a consolidated subsidiary of the Company.

In 2007, the Company sold all of its common shares of BridalNet Inc. ("BridalNet") and NETGENE Co., Ltd. (NETGENE). As a result, they were excluded from the scope of consolidation. The profit and loss items of BridalNet and NETGENE incurred until the date of sale were taken into the consolidation.

b. ***Cash Equivalents***—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, all of which mature or become due within three months of the date of acquisition.

c. ***Inventories***—Merchandise, work in process and supplies are principally stated at cost determined by the specific identification method, while the first-in first-out method is applied to finished goods.

d. ***Property and Equipment***—Property and equipment are stated at cost. Depreciation is computed by using the declining-balance method.

e. ***Long-lived Assets***—In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the ASBJ issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for years ending on or after March 31, 2004. The Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

f. ***Marketable and Investment Securities***—Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) trading securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings, (2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

g. ***Investments in Unconsolidated Subsidiaries and Associated Companies***—Investments in equity securities of unconsolidated subsidiaries and associated companies are stated at cost determined by the moving-average method.

h. ***Investments in Limited Partnerships and Others***—Investments in limited partnerships and others consist primarily of the Company's contributed capital in investment partnerships. The investments in these partnerships are accounted for by the equity method on the Company's consolidated balance sheets and statements of income.

i. ***Goodwill***—Goodwill represents the excess of the costs of an acquisition over the fair value of the net assets of the subsidiary acquired and is amortized on a straight-line basis over the estimated period of no more than five years, whereas immaterial goodwill is immediately charged to income as incurred.

j. ***Allowance for Doubtful Accounts***—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

k. ***Provision for Yahoo! Points***—As a sales promotion, the Company established the Yahoo! Points system, under which certain points are rewarded to the users of Yahoo! JAPAN redeemable against purchases made via at Yahoo! Shopping. The Company provides for future exercise of these points based on the outstanding number of points granted to users as of the balance sheet date.

l. ***Employees' Retirement Benefits***—The Company and certain subsidiaries primarily participate in defined contribution pension plans, after the transfer of the previous defined benefit pension plans in July 2000, following the enactment of the Act for Defined Contribution Pension. In addition, the Company and its domestic consolidated subsidiaries participate in a multi-employer contributory defined benefit welfare pension plan (the welfare pension plan) covering substantially all of their employees.

Contributions made by the Company and its domestic consolidated subsidiaries to the welfare pension plan are expensed when paid since the plan assets attributable to each participant cannot be reasonably determined. The fair value of the entire plan assets of the welfare pension plan at March 31, 2007 amounted to ¥147,036 million ($1,245,540 thousand), and the participation ratio of the Company and the relevant subsidiaries was 3.1% based on the number of employees.

The total contributions to the defined contribution pension plans and the welfare pension plan recognized as net periodic benefit cost for the years ended March 31, 2007 and 2006 were ¥544 million ($4,605 thousand) and ¥447 million, respectively.

m. ***Bonuses to Directors and Corporate Auditors***—Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force ("PITF") No. 13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors," which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. Companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

The Company adopted the new accounting standard for bonuses to directors and corporate auditors in the year ended March 31, 2007. The effect of adopting this accounting standard was to decrease income before income taxes and minority interests for the year ended March 31, 2007 by ¥203 million ($1,715 thousand).

n. ***Stock Options***—On December 27, 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on or after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

The Company applied the new accounting standard for stock options to those granted on and after May 1, 2006. The effect of adopting this accounting standard for the year ended March 31, 2007 was to decrease income before income taxes and minority interests by ¥30 million ($255 thousand).

o. ***Presentation of Equity***—On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

p. ***Leases***—All leases are accounted for as operating leases. Under Japanese accounting standard for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

q. ***Income Taxes***—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

r. ***Foreign Currency Transactions***—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of incomes to the extent that they are not hedged by forward exchange contracts.

s. ***Derivative Financial Instruments***—The Company uses a variety of derivative financial instruments, including foreign currency forward contracts and foreign currency option contracts as a means of hedging exposure to foreign currency risks. The Company does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and (b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts and foreign currency option contracts that qualify for hedge accounting and meet specific matching criteria are remeasured at market value at the balance sheet date, and gains and losses are deferred to certain assets and liabilities denominated in foreign currencies.

t. ***Appropriations of Retained Earnings***—Appropriations of retained earnings are reflected in the consolidated financial statements for the year following approval at the shareholders meeting.

u. ***Per Share Information***—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year, retroactively adjusted for stock splits.

v. ***New Accounting Pronouncements***

Measurement of Inventories—Under Japanese GAAP, inventories are currently measured either by the cost method, or at the lower of cost or market. On July 5, 2006, the ASBJ issued ASBJ Statement No. 9, "Accounting Standard for Measurement of Inventories," which is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted. This standard requires that inventories held for sale in the ordinary course of business be measured at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and estimated direct selling expenses. The replacement cost may be used in place of the net selling value, if appropriate. The standard also requires that inventories held for trading purposes be measured at the market price.

Lease Accounting—On March 30, 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized. However, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions be capitalized. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—Under Japanese GAAP, a company currently can use the financial statements of foreign subsidiaries which are prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ PITF No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The new task force prescribes that: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, and that (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process. (3) However, the following items, unless they are not material, should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP:

(1) Amortization of goodwill
(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for property, plant and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted.

3. INVENTORIES

Inventories at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Finished goods	**¥ 32**	¥ 40	**$ 267**
Merchandise		21	
Work in process	**29**	21	**244**
Raw material		1	
Supplies	**112**	83	**958**
Total	**¥173**	¥166	**$1,469**

4. INVESTMENT SECURITIES

Investment securities as of March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Non-current:			
Marketable equity securities	**¥ 2,950**	¥10,372	**$ 24,986**
Non-marketable equity securities	**146,144**	467	**1,237,984**
Investments in limited partnerships and similar investments	**344**	1,859	**2,916**
Other	**329**	329	**2,787**
Total	**¥149,767**	¥13,027	**$1,268,673**

The carrying amounts and aggregate fair value of investment securities at March 31, 2007 and 2006 were as follows:

	Millions of Yen		
	Cost	Unrealized Gains	Fair Value
March 31, 2007			
Securities classified as available-for-sale—equity securities	**¥684**	**¥2,266**	**¥2,950**
March 31, 2006			
Securities classified as available-for-sale—equity securities	674	9,698	10,372

	Thousands of U.S. Dollars		
	Cost	Unrealized Gains	Fair Value
March 31, 2007			
Securities classified as available-for-sale—equity securities	**$5,791**	**$19,195**	**$24,986**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2007 and 2006 were as follows:

	Carrying Amount		
	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Available-for-sale:			
Equity securities—preferred stocks	**¥141,285**		**$1,196,823**
Equity securities—common stocks	**4,859**	¥ 467	**41,161**
Investments in limited partnerships and others	**344**	1,859	**2,916**
Other	**329**	329	**2,787**
Total	**¥146,817**	¥2,655	**$1,243,687**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007 and 2006 were ¥428 million ($3,622 thousand) and ¥1,963 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥216 million ($1,827 thousand) and ¥14 million ($115 thousand), respectively, for the year ended March 31, 2007 and ¥1,040 million and zero, respectively, for the year ended March 31, 2006.

5. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of the year ended March 31, 2006 and, as a result, recognized an impairment loss of ¥195 million as other expense for certain fixed assets that were written down to the recoverable amount for the year ended March 31, 2006. No impairment loss was recognized in 2007.

6. SHORT-TERM BANK LOANS AND LONG-TERM DEBT

Short-term bank loans at March 31, 2007 and 2006 consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans was the variable interest rate imputed at the short-term prime rate + 1.00%. The average interest rates for the years ended March 31, 2007 and 2006 were 1.62% and 1.51%, respectively.

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Unsecured syndicated loan from banks and other financial institutions, due serially to 2010 with variable interest rate	**¥ 70,000**		**$ 592,969**
Unsecured loans from banks and other financial institutions, due 2007 with interest rates ranging from 1.50% to 3.02%		¥ 70	
Total	**70,000**	70	**592,969**
Less current portion	**(20,000)**	(40)	**(169,420)**
Long-term debt, less current portion	**¥ 50,000**	¥ 30	**$ 423,549**

The variable interest rate applicable to the syndicated loan above is imputed at the TIBOR (Tokyo Inter-Bank Offered Rate) plus 0.3% at the calculation date defined in the loan agreement.

Annual maturities of long-term debt at March 31, 2007 were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2008	¥20,000	$169,420
2009	20,000	169,420
2010	20,000	169,420
2011	10,000	84,709
Total	¥70,000	$592,969

7. EQUITY

From May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

a. *Dividends*

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria. The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. *Increases/Decreases and Transfer of Common Stock, Reserve and Surplus*

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. *Treasury Stock and Treasury Stock Acquisition Rights*

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

On May 20, 2005, the Company made a stock split by way of a free share distribution at the rate of two shares for each outstanding share. As a result, 7,550,124 shares of common stock were issued to shareholders of record on March 31, 2005.

On August 17, 2005, the Board of Directors of the Company resolved the revision of the articles of incorporation to increase the number of authorized common stock by 60,400,000 shares to a total number of 120,800,000 shares.

On November 18, 2005, the Company made a second stock split in the year by way of a free share distribution at the rate of two shares for each outstanding share. As a result, 15,104,854 shares of common stock were issued to shareholders of record on September 30, 2005.

On February 16, 2006, the Board of Directors of the Company resolved the revision of the articles of incorporation to increase the number of authorized common stock by 120,800,000 shares to a total number of 241,600,000 shares.

On April 1, 2006, the Company made a stock split by way of a free share distribution at the rate of two shares for each outstanding share. As a result, 30,226,068 shares of common stock were issued to shareholders of record on March 31, 2006.

8. STOCK OPTION

Stock options outstanding as of March 31, 2007 are as follows:

The Company

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2000 Stock Option (1)	20 employees	57,344 shares	2000.1.31	¥51,270 ($434.3)	From January 22, 2002 to January 21, 2010
2000 Stock Option (2)	7 employees	11,264 shares	2000.6.27	¥38,086 ($322.6)	From June 17, 2002 to June 16, 2010
2000 Stock Option (3)	3 directors 84 employees	148,992 shares	2000.12.18	¥19,416 ($164.5)	From December 9, 2002 to December 8, 2010
2001 Stock Option (1)	3 directors 72 employees	108,544 shares	2001.6.29	¥9,559 ($81.0)	From June 21, 2003 to June 20, 2011
2001 Stock Option (2)	3 directors 72 employees	112,640 shares	2001.12.18	¥8,497 ($72.0)	From December 8, 2003 to December 7, 2011
2002 Stock Option (1)	2 directors 65 employees	47,616 shares	2002.7.29	¥10,196 ($86.4)	From June 21, 2004 to June 20, 2012
2002 Stock Option (2)	19 employees	5,888 shares	2002.11.20	¥11,375 ($96.4)	From November 21, 2004 to June 20, 2012
2003 Stock Option (1)	5 directors 83 employees	19,840 shares	2003.7.25	¥33,438 ($283.3)	From June 21, 2005 to June 20, 2013
2003 Stock Option (2)	43 employees	2,464 shares	2003.11.4	¥51,478 ($436.1)	From November 5, 2005 to June 20, 2013
2003 Stock Option (3)	38 employees	2,400 shares	2004.1.29	¥47,813 ($405.0)	From January 30, 2006 to June 20, 2013
2003 Stock Option (4)	41 employees	1,168 shares	2004.5.13	¥78,512 ($665.1)	From May 14, 2006 to June 20, 2013
2004 Stock Option (1)	5 directors 131 employees	9,856 shares	2004.7.29	¥65,290 ($553.1)	From June 18, 2006 to June 17, 2014
2004 Stock Option (2)	46 employees	712 shares	2004.11.1	¥62,488 ($529.3)	From November 2, 2006 to June 17, 2014
2004 Stock Option (3)	29 employees	344 shares	2005.1.28	¥65,375 ($553.8)	From January 29, 2007 to June 17, 2014
2004 Stock Option (4)	42 employees	276 shares	2005.5.12	¥60,563 ($513.0)	From May 13, 2007 to June 17, 2014
2005 Stock Option (1)	5 directors 180 employees	5,716 shares	2005.7.28	¥58,500 ($495.6)	From June 18, 2007 to June 17, 2015
2005 Stock Option (2)	31 employees	234 shares	2005.11.1	¥62,000 ($525.2)	From November 2, 2007 to June 17, 2015
2005 Stock Option (3)	65 employees	316 shares	2006.1.31	¥79,500 ($673.4)	From February 1, 2008 to June 17, 2015
2005 Stock Option (4)	49 employees	112 shares	2006.5.2	¥67,940 ($575.5)	From May 3, 2008 to June 17, 2015
2006 Stock Option (1)	5 directors 157 employees	8,569 shares	2006.9.6	¥47,198 ($399.8)	From August 24, 2008 to August 23, 2016
2006 Stock Option (2)	49 employees	313 shares	2006.11.6	¥44,774 ($379.3)	From October 24, 2008 to October 23, 2016
2006 Stock Option (3)	62 employees	360 shares	2007.2.7	¥47,495 ($402.3)	From January 25, 2009 to January 24, 2017

Notes: 1. Each stock option in the table above will be gradually vested in three phases with respective vesting conditions and vesting periods. For each stock option, the initiation date of the exercise period, defined as the day after the first vesting date, indicates the first day on which the first part of the option becomes exercisable.

2. The options will be forfeited upon termination of employment even if they were vested.

Consolidated Subsidiaries

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
INFO PLANT					
2000 Stock Option (1)	3 directors	300 shares	2000.3.30	¥50,000 ($423.5)	From April 1, 2002 to March 31, 2007
2000 Stock Option (2)	2 directors 18 employees	300 shares	2000.9.15	¥150,000 ($1,270.6)	From October 1, 2002 to September 30, 2007
2001 Stock Option	19 employees	190 shares	2001.3.30	¥400,000 ($3,388.4)	From April 1, 2003 to March 31, 2008
2002 Stock Option	32 employees	92 shares	2002.3.22	¥450,000 ($3,811.9)	From April 1, 2004 to March 31, 2009
2003 Stock Option	3 directors 30 employees	182 shares	2003.3.31	¥450,000 ($3,811.9)	From April 1, 2005 to March 31, 2010
NewsWatch					
2004 Stock Option	3 directors 33 employees	3,035 shares	2004.11.26	¥50,000 ($423.5)	From November 27, 2006 to November 26, 2014
2005 Stock Option	6 employees	200 shares	2005.11.18	¥50,000 ($423.5)	From November 27, 2006 to November 26, 2014

Note: The stock options of NewsWatch in the table above will be gradually vested in three phases with respective vesting conditions and vesting periods. For each stock option, the initiation date of the exercise period, defined as the day after the first vesting date, indicates the first day on which the first part of the option becomes exercisable.

The stock option activity for the year ended March 31, 2007 is as follows:

The Company

	2000 Stock Option (1)	2000 Stock Option (2)	2000 Stock Option (3)	2001 Stock Option (1)	2001 Stock Option (2)
			(Shares)		
For the Year Ended March 31, 2007					
Non-vested:					
March 31, 2006—outstanding					
Granted					
Canceled					
Vested					
March 31, 2007—outstanding					
Vested:					
March 31, 2006—outstanding	22,428	2,048	57,048	23,152	32,516
Vested					
Exercised			6,600	3,375	6,038
Canceled	3,996				
March 31, 2007—outstanding	18,432	2,048	50,448	19,777	26,478
Exercise price	¥51,270	¥38,086	¥19,416	¥9,559	¥8,497
	($434.3)	($322.6)	($164.5)	($81.0)	($72.0)
Average stock price at exercise			¥52,993	¥53,147	¥52,501
			($448.9)	($450.2)	($444.7)

	2002 Stock Option (1)	2002 Stock Option (2)	2003 Stock Option (1)	2003 Stock Option (2)	2003 Stock Option (3)
			(Shares)		
For the Year Ended March 31, 2007					
Non-vested:					
March 31, 2006—outstanding	19,200	4,096	10,560	1,568	1,216
Granted					
Canceled			(128)	(128)	(160)
Vested	(19,200)	(4,096)	(3,136)	(128)	(128)
March 31, 2007—outstanding			7,296	1,312	928
Vested:					
March 31, 2006—outstanding	13,312		6,912	384	448
Vested	19,200	4,096	3,136	128	128
Exercised	(6,912)	(1,792)	(128)		(32)
Canceled				(96)	(32)
March 31, 2007—outstanding	25,600	2,304	9,920	416	512
Exercise price	¥10,196	¥11,375	¥33,438	¥51,478	¥47,813
	($86.4)	($96.4)	($283.3)	($436.1)	($405.0)
Average stock price at exercise	¥50,465	¥44,871	¥50,650		¥46,200
	($427.5)	($380.1)	($429.1)		($391.4)

	2003 Stock Option (4)	2004 Stock Option (1)	2004 Stock Option (2)	2004 Stock Option (3)	2004 Stock Option (4)
			(Shares)		
For the Year Ended March 31, 2007					
Non-vested:					
March 31, 2006—outstanding	864	9,440	632	304	248
Granted					
Canceled	(128)	(144)	(96)	(40)	(16)
Vested	(240)	(4,016)	(184)	(64)	
March 31, 2007—outstanding	496	5,280	352	200	232
Vested:					
March 31, 2006—outstanding					
Vested	240	4,016	184	64	
Exercised					
Canceled	(64)	(48)			
March 31, 2007—outstanding	176	3,968	184	64	
Exercise price	¥78,512	¥65,290	¥62,488	¥65,375	¥60,563
	($665.1)	($553.1)	($529.3)	($553.8)	($513.0)
Average stock price at exercise					

	2005 Stock Option (1)	2005 Stock Option (2)	2005 Stock Option (3)	2005 Stock Option (4)	2006 Stock Option (1)
	(Shares)				
For the Year Ended March 31, 2007					
Non-vested:					
March 31, 2006—outstanding	5,632	234	314		
Granted				112	8,569
Canceled	(160)	(48)	(32)	(14)	(51)
Vested					
March 31, 2007—outstanding	5,472	186	282	98	8,518
Vested:					
March 31, 2006—outstanding					
Vested					
Exercised					
Canceled					
March 31, 2007—outstanding					
Exercise price	¥58,500	¥62,000	¥79,500	¥67,940	¥47,198
	($495.6)	($525.2)	($673.4)	($575.5)	($399.8)
Average stock price at exercise					

	2006 Stock Option (2)	2006 Stock Option (3)
	(Shares)	
For the Year Ended March 31, 2007		
Non-vested:		
March 31, 2006—outstanding		
Granted	313	360
Canceled	(11)	
Vested		
March 31, 2007—outstanding	302	360
Vested:		
March 31, 2006—outstanding		
Vested		
Exercised		
Canceled		
March 31, 2007—outstanding		
Exercise price	¥44,774	¥47,495
	($379.3)	($402.3)
Average stock price at exercise		

Fair value information of stock options granted on or after May 1, 2006, which is required under the new accounting standard for stock options, is as follows:

	2005 Stock Option (4)	2006 Stock Option (1)	2006 Stock Option (2)	2006 Stock Option (3)
Fair value price at grant date:				
a.	¥30,958	¥24,564	¥23,832	¥20,435
	($262.2)	($208.1)	($201.9)	($173.1)
b.	¥35,782	¥26,803	¥25,311	¥23,448
	($303.1)	($227.0)	($214.4)	($198.6)
c.	¥39,196	¥28,156	¥26,766	¥25,578
	($332.0)	($238.5)	($226.7)	($216.7)

Note: The stock options of the Company will be gradually vested in three phases with respective vesting conditions and vesting periods. Therefore, the information above is presented to show fair values of the stock options applicable to each of the three phases.

The assumptions used to measure fair value of stock options granted on or after May 1, 2006 are as follows:

Estimate method: Black-Scholes option pricing model

	2005 Stock Option (4)	2006 Stock Option (1)	2006 Stock Option (2)	2006 Stock Option (3)
Volatility of stock price:				
a.	55.5%	62.2%	61.7%	54.2%
b.	62.8%	66.6%	63.9%	60.9%
c.	67.4%	68.4%	66.2%	65.2%
Estimated remaining outstanding period:				
a.	5.17 years	5.96 years	5.96 years	5.96 years
b.	5.67 years	6.46 years	6.46 years	6.46 years
c.	6.17 years	6.96 years	6.96 years	6.96 years
Estimated dividend (dividend yield)	0.24%	0.35%	0.36%	0.36%
Interest rate with risk free:				
a.	1.39%	1.32%	1.39%	1.38%
b.	1.48%	1.38%	1.44%	1.43%
c.	1.56%	1.44%	1.50%	1.48%

Notes: 1. The a, b and c denoted in the table above correspond to those in the fair value information.
2. Periods for computation using actual stock price:

2005 Stock Option (4):
a. From March 19, 2001 to May 1, 2006
b. From September 18, 2000 to May 1, 2006
c. From March 20, 2000 to May 1, 2006

2006 Stock Option (1):
a. From September 11, 2000 to August 28, 2006
b. From March 13, 2000 to August 28, 2006
c. From September 13, 1999 to August 28, 2006

2006 Stock Option (2):	a.	From November 13, 2000 to October 30, 2006
	b.	From May 15, 2000 to October 30, 2006
	c.	From November 15, 1999 to October 30, 2006
2006 Stock Option (3):	a.	From February 12, 2001 to January 29, 2007
	b.	From August 14, 2000 to January 29, 2007
	c.	From February 14, 2000 to January 29, 2007

3. Estimated remaining outstanding period is determined based on the assumption that all the options are exercised until the middle date of the exercise period.
4. Estimated dividend is determined based on the actual dividend applicable to the year ended March 31, 2006.
5. For the interest rate with risk free, the Company uses the yield of Japanese treasury bond applicable to the estimated remaining outstanding period of options.
6. Estimated number of options vested is determined based on the actual termination ratio of employees.

Consolidated Subsidiaries

INFO PLANT

	2000 Stock Option (1)	2000 Stock Option (2)	2001 Stock Option	2002 Stock Option	2003 Stock Option
			(Shares)		
For the Year Ended March 31, 2007					
Non-vested:					
March 31, 2006—outstanding	100	230	100	53	106
Granted					
Canceled					
Vested					
March 31, 2007—outstanding	100	230	100	53	106
Vested:					
March 31, 2006—outstanding					
Vested					
Exercised					
Canceled					
March 31, 2007—outstanding					
Exercise price	¥50,000	¥150,000	¥400,000	¥450,000	¥450,000
	($423.5)	($1,270.6)	($3,388.4)	($3,811.9)	($3,811.9)
Average stock price at exercise					

NewsWatch

	2004 Stock Option	2005 Stock Option
	(Shares)	
For the Year Ended March 31, 2007		
Non-vested:		
March 31, 2006—outstanding	2,605	200
Granted		
Canceled	(505)	(40)
Vested		
March 31, 2007—outstanding	2,100	160
Vested:		
March 31, 2006—outstanding		
Vested		
Exercised		
Canceled		
March 31, 2007—outstanding		
Exercise price	¥50,000	¥50,000
	($423.5)	($423.5)
Average stock price at exercise		

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for the years ended March 31, 2007 and 2006.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Deferred tax assets:			
Enterprise tax payable	**¥2,059**	¥1,833	**$17,445**
Allowance for doubtful accounts	**995**	689	**8,432**
Tax loss carryforwards	**287**	1,236	**2,435**
Depreciation and amortization	**2,949**	2,012	**24,984**
Provision for Yahoo! Points	**828**	539	**7,015**
Other	**1,581**	1,322	**13,384**
Less valuation allowance	**(419)**	(1,236)	**(3,551)**
Total	**8,280**	6,395	**70,144**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**945**	4,527	**8,010**
Other		15	
Total	**945**	4,542	**8,010**
Net deferred tax assets	**¥7,335**	¥1,853	**$62,134**

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2007 and 2006 was not presented because the differences between them were not material.

At March 31, 2007, certain consolidated subsidiaries have tax loss carryforwards aggregating approximately ¥706 million ($5,978 thousand) which are available to be offset against taxable income of the respective companies in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2008	¥410	$3,474
2011	38	319
2012	149	1,259
2013	109	926
Total	¥706	$5,978

10. LEASE

The Group leases certain computer equipment, office equipment and vehicles.

Total rental expenses including lease payments under finance leases for the years ended March 31, 2007 and 2006 were ¥4,624 million ($39,167 thousand) and ¥3,824 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized basis for the years ended March 31, 2007 and 2006 is as follows:

	Millions of Yen			
	2007			
	Buildings and Structures	Equipment	Software	Total
Acquisition cost	**¥13**	**¥131**	**¥ 60**	**¥ 204**
Accumulated depreciation	**(2)**	**(59)**	**(21)**	**(82)**
Net leased property	**¥11**	**¥ 72**	**¥ 39**	**¥ 122**

	Millions of Yen		
	2006		
	Equipment	Software	Total
Acquisition cost	¥114	¥50	¥164
Accumulated depreciation	(57)	(32)	(89)
Net leased property	¥ 57	¥18	¥ 75

	Thousands of U.S. Dollars			
	2007			
	Buildings and Structures	Equipment	Software	Total
Acquisition cost	**$112**	**$1,103**	**$512**	**$1,727**
Accumulated depreciation	**(20)**	**(494)**	**(180)**	**(694)**
Net leased property	**$ 92**	**$ 609**	**$332**	**$1,033**

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Due within one year	**¥ 36**	¥31	**$ 301**
Due after one year	**89**	46	**755**
Total	**¥125**	¥77	**$1,056**

Depreciation expense and interest expense under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Depreciation expense	**¥40**	¥36	**$336**
Interest expense	**4**	2	**31**
Total	**¥44**	¥38	**$367**

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method with no salvage value and the interest method, respectively.

The minimum rental commitments under noncancelable operating leases at March 31, 2007 were as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥1,299	$11,001
Due after one year	3,862	32,715
Total	¥5,161	$43,716

11. DERIVATIVES

The Company enters into foreign currency forward contracts and foreign currency option contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies.

It is the Group's policy to use derivatives only for the purpose of reducing market risks associated with such assets and liabilities. The Group does not hold or issue derivatives for trading or speculative purposes.

Because the counterparties to those derivatives are limited to major international financial institutions, the Group does not anticipate any losses caused by market risk arising from market fluctuation.

Derivative transactions entered into by the Group have been made in accordance with internal policies which regulate the authorization and credit limit amount. The basic policies for use of derivatives are approved by the directors and the execution and control of derivatives are controlled by the Management Department.

Since all of the Company's derivative transactions qualify for hedge accounting and meet specific matching criteria for the years ended March 31, 2007 and 2006, gains and losses related to the derivatives are deferred to certain assets and liabilities. Therefore, market value information of derivatives is not presented.

12. RELATED PARTY TRANSACTIONS

Transactions of the Group with the parent company, sister company, unconsolidated subsidiaries and associated companies (the "related companies") for the years ended March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Sales of advertisement	**¥ 40,100**	¥28,687	**$ 339,684**
Sale of investment securities:			
Proceeds from sale	**294**		**2,488**
Gain on sale	**241**		**2,041**
Interest income		629	
Royalty paid	**6,025**	4,709	**51,036**
Stock subscription	**120,000**		**1,016,518**

The balances due to or from the related companies at March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Accounts receivable	**¥ 4,191**	¥3,249	**$ 35,502**
Short-term loans receivable		3,656	
Investment securities	**120,000**		**1,016,518**
Other payable	**2,411**	1,328	**20,427**
Unearned revenue		35	

13. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") after the retroactive restatement of stock splits for the years ended March 31, 2007 and 2006 is as follows:

	Millions of Yen	Thousands	Yen	U.S. Dollars
	Net Income	Weighted-average Shares	EPS	
Year Ended March 31, 2007				
Basic EPS—Net income available to common shareholders	**¥57,963**	**60,462**	**¥958.66**	**$8.12**
Effect of dilutive securities—Warrants		**125**		
Diluted EPS—Net income for computation	**¥57,963**	**60,587**	**¥956.70**	**$8.10**
Year Ended March 31, 2006				
Basic EPS—Net income available to common shareholders	¥46,923	60,420	¥776.62	
Effect of dilutive securities—Warrants		160		
Diluted EPS—Net income for computation	¥46,923	60,580	¥774.57	

14. SUBSEQUENT EVENT

a. Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2007 was approved at the Company's general shareholders meeting held on June 21, 2007:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥96.00 ($0.81) per share	¥5,806	$49,181

b. Non-binding Memorandum to Acquire All Issued Shares of Overture K.K.

According to the non-binding memorandum dated on April 24, 2007, the Company will acquire all issued shares of Overture K.K. from Yahoo! Inc. Group for operating synergy and enhancement in the paid search services. The specific conditions such as acquisition cost and date of acquisition are currently under discussion.

15. SEGMENT INFORMATION

Effective April 1, 2006, the Group's former seven business segments, namely, (1) listing, (2) auction, (3) Yahoo! BB, (4) media, (5) shopping, (6) business solutions (BS) and (7) corporate common, were reorganized into three business segments, namely, (1) advertising, (2) business services, and (3) personal services, summarized below. Because this new business segmentation more accurately reflects the Group's actual operations as it continuously enhances and tailors services to meet changing demands in the rapidly expanding Internet market, it will enable greater transparency and consistency in the presentation of business results. At the same time, the Group implemented a divisional restructuring in an effort to more efficiently provide services.

The Advertising segment comprises Internet-based advertising-related services. Main sources of revenue for this segment include sales of banner and text advertisements on the Yahoo! JAPAN Web site, the Sponsor Site paid search service, and advertisement planning and production services.

The Business Services segment includes non-advertising-related services for corporations. This segment derives revenue from fees and commissions for various information listing services, tenant fees and royalties from stores listed on the Yahoo! Auctions and Yahoo! Shopping sites, incentive fees for acquiring new subscribers to the Yahoo! BB broadband service, and fees for other information services.

The Personal Services segment consists of services to individual Internet users. Main revenue sources for this segment include Yahoo! Auctions system usage fees, Yahoo! Premium membership fees, Internet service provider (ISP) fees from Yahoo! BB subscribers, and sales of various kinds of content.

Information about business segments, geographical segments and sales to foreign customers of the Group as of and for the years ended March 31, 2007 and 2006 is as follows:

(1) Business Segments

a. Sales and Operating Income

	Millions of Yen				
	2007				
	Advertising	Business Services	Personal Services	Eliminations/ Corporate	Consolidated
Sales to customers	**¥89,197**	**¥48,098**	**¥75,258**		**¥212,553**
Intersegment sales	**5**	**117**	**25**	**¥ (147)**	
Total sales	**89,202**	**48,215**	**75,283**	**(147)**	**212,553**
Operating expenses	**38,897**	**28,912**	**27,309**	**11,202**	**106,320**
Operating income	**¥50,305**	**¥19,303**	**¥47,974**	**¥(11,349)**	**¥106,233**

b. Assets, Depreciation, Amortization and Capital Expenditures

	Millions of Yen				
	2007				
	Advertising	Business Services	Personal Services	Eliminations/ Corporate	Consolidated
Assets	**¥32,622**	**¥35,080**	**¥32,826**	**¥217,900**	**¥318,428**
Depreciation and amortization	**3,576**	**1,799**	**2,605**	**596**	**8,576**
Capital expenditures	**5,941**	**3,216**	**4,741**	**1,097**	**14,995**

a. Sales and Operating Income

	Thousands of U.S. Dollars				
	2007				
	Advertising	Business Services	Personal Services	Eliminations/ Corporate	Consolidated
Sales to customers	**$755,587**	**$407,436**	**$637,508**		**$1,800,531**
Intersegment sales	**44**	**993**	**208**	**$ (1,245)**	
Total sales	**755,631**	**408,429**	**637,716**	**(1,245)**	**1,800,531**
Operating expenses	**329,498**	**244,915**	**231,325**	**94,895**	**900,633**
Operating income	**$426,133**	**$163,514**	**$406,391**	**$(96,140)**	**$ 899,898**

b. Assets, Depreciation, Amortization and Capital Expenditures

	Thousands of U.S. Dollars				
	2007				
	Advertising	Business Services	Personal Services	Eliminations/ Corporate	Consolidated
Assets	**$276,342**	**$297,157**	**$278,070**	**$1,845,832**	**$2,697,401**
Depreciation and amortization	**30,295**	**15,242**	**22,065**	**5,046**	**72,648**
Capital expenditures	**50,330**	**27,242**	**40,156**	**9,291**	**127,019**

a. Sales and Operating Income

	Millions of Yen								
	2006								
	Listing	Auction	Yahoo! BB	Media	Shopping	BS	Corporate Common	Eliminations/ Corporate	Consolidated
Sales to customers	¥49,561	¥35,934	¥19,485	¥18,357	¥15,905	¥5,092	¥29,362		¥173,696
Intersegment sales		53		10	58	18	163	¥ (302)	
Total sales	49,561	35,987	19,485	18,367	15,963	5,110	29,525	(302)	173,696
Operating expenses	12,225	14,519	11,808	10,787	14,218	5,592	11,098	11,316	91,563
Operating income (loss)	¥37,336	¥21,468	¥ 7,677	¥ 7,580	¥ 1,745	¥ (482)	¥18,427	¥(11,618)	¥ 82,133

b. Assets, Depreciation, Amortization and Capital Expenditures

	Millions of Yen								
	2006								
	Listing	Auction	Yahoo! BB	Media	Shopping	BS	Corporate Common	Eliminations/ Corporate	Consolidated
Assets	¥55,205	¥47,142	¥25,510	¥11,627	¥5,858	¥7,499	¥35,093	¥3,041	¥190,975
Depreciation and amortization	426	1,059	1,003	414	283	336	565	2,836	6,922
Capital expenditures	1,161	1,911	852	976	684	816	1,249	5,209	12,858

If the industry segment information for the year ended March 31, 2006 were prepared using the new segmentation, such information would be as follows:

a. Sales and Operating Income

	Millions of Yen					
	2006					
	Advertising	Business Services	Personal Services	Other	Eliminations/ Corporate	Consolidated
Sales to customers	¥68,363	¥35,291	¥61,095	¥8,947		¥173,696
Intersegment sales	2	62	14		¥ (78)	
Total sales	68,365	35,353	61,109	8,947	(78)	173,696
Operating expenses	31,100	20,360	23,115	8,873	8,115	91,563
Operating income	¥37,265	¥14,993	¥37,994	¥ 74	¥(8,193)	¥ 82,133

b. Assets, Depreciation, Amortization and Capital Expenditures

	Millions of Yen					
	2006					
	Advertising	Business Services	Personal Services	Other	Eliminations/ Corporate	Consolidated
Assets	¥28,277	¥32,401	¥26,165	¥41	¥104,091	¥190,975
Depreciation and amortization	3,018	1,192	2,191	77	444	6,922
Capital expenditures	5,692	2,129	4,066	89	882	12,858

Note: "Other" in the table above primary consists of retail business operated by Seven and Y, a former consolidated subsidiary of the Company.

(2) Geographical Segments

Because the Company and its subsidiaries are located and conduct their operations primarily in Japan, geographical segment information is not presented.

(3) Sales to Foreign Customers

Because sales to foreign customers are not material, such information is not presented.

Independent Auditors' Report

To the Board of Directors and Shareholders of Yahoo Japan Corporation:

We have audited the accompanying consolidated balance sheet of Yahoo Japan Corporation (the "Company") and consolidated subsidiaries as of March 31, 2007, and the related consolidated statements of income, changes in equity, and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of Yahoo Japan Corporation and consolidated subsidiaries for the year ended March 31, 2006 were audited by other auditors whose report, dated June 22, 2006, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yahoo Japan Corporation and consolidated subsidiaries as of March 31, 2007, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 15 to the consolidated financial statements, effective April 1, 2006, the Company changed its business segmentation.

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 21, 2007