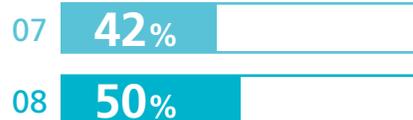


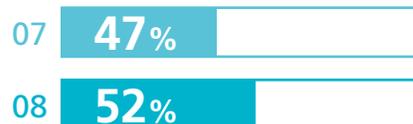
Advertising

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 paid search service, and advertisement planning and production services.

Share of Net Sales



Share of Operating Income



(For the years ended March 31)

Fiscal 2007 segment overview

Net sales of the Advertising segment in fiscal 2007 surged 46.9%, to ¥131.0 billion. Operating income expanded 28.7%, to ¥64.8 billion.

During the year under review, the near-term prospects for improved corporate performance and a more robust general economy in Japan were clouded by the U.S. economic slowdown, yen appreciation vis-a-vis the U.S. dollar, and skyrocketing commodities prices. In response, major corporations curtailed advertising and sales promotion expenses. As a result, growth in the total Japanese advertising market was held to just 1.1% in calendar 2007, with each of the four traditional media—television, newspapers, magazines, and radio—actually recording declines in advertising revenue. In bold contrast, the Internet advertising placement market remained strong and effectively drove the overall market forward, soaring 26.5% year on year, to ¥459.1 billion. Moreover, Internet advertising during the year surpassed magazine advertising, making the Internet the third-largest advertising media after television and newspapers.

Against this market backdrop, the Group focused on acquiring new business and on expanding placement opportunities for display advertisements, including banners, by strengthening collaborative relationships with advertising agencies. In response to advertisers' demands for high-impact branding products, we concentrated on developing innovative, high-appeal products aimed at boosting brand recognition among users. Major activities during the year included a revamping of Brand Panel, a Yahoo! JAPAN Top Page advertising

product, and the introduction of Prime Display, a new banner product appearing on the lower section of pages other than the Top Page.

Sales of behavioral targeting advertising expanded during the year, primarily to advertisers in the real estate, financial, and personnel recruitment services sectors. Selectively distributed according to user attributes and Internet-usage histories, behavioral targeting advertisements boost the efficiency of advertising and sales promotion activities and therefore enjoy high popularity among advertisers. In other targeting products, sales of both demographic targeting advertising, selectively distributed only to users with targeted demographic traits, and area targeting advertising, selectively distributed only to users in targeted regions, advanced favorably. In addition, sales of advertising products combining demographic or area targeting with behavioral targeting showed favorable growth.

Paid search advertising sales also expanded during the fiscal year, supported by higher numbers of search queries and advertisers as well as by the July 2007 launch of a search marketing system that ranks advertisements by quality and keyword bid price. In addition, the Company's September 2007 consolidation of Overture K.K., the Group's paid search advertising supplier, further boosted paid search advertising related sales.

In mobile-based advertising operations, the Group actively introduced paid search advertising and worked to enhance the convenience of mobile-phone-based search functions. As a result, mobile-based advertising sales increased.

Breakdown of the Group's Display Advertising Sales, by Industry Category

Industry category	2003	2004	2005	2006	2007
Finance/Insurance	22.7	21.4	21.6	20.4	17.5
Information/Communications	21.4	18.3	13.3	15.1	15.3
Automobiles/Related Products	5.5	7.1	10.1	9.0	10.9
Real Estate/Housing Facilities	5.3	7.0	8.4	9.5	10.1
Food Services/Other Services	19.8	17.0	11.8	9.6	8.3
Transportation/Leisure	4.8	4.9	4.9	7.3	8.2
Cosmetics/Toiletries	2.3	3.9	6.7	7.0	7.5
Beverages/Cigarettes	1.6	3.4	5.3	4.3	3.9
Foodstuffs	0.7	1.7	2.4	3.3	3.2
Hobbies/Sporting Goods	1.7	2.8	3.1	2.9	3.2
Education/Medical Services/Religion	0.6	1.3	1.4	2.2	2.9
Pharmaceuticals/Medical Supplies	0.8	1.5	1.1	1.5	1.2
Distribution/Retailing	0.6	0.6	1.3	0.9	0.9
Publications	2.2	1.4	1.3	1.0	0.7
Others	10.0	7.8	7.5	6.1	6.2

(Calendar years)

During the year under review, we introduced Prime Display, a new banner advertising product that appears on the lower section of pages other than the Top Page.



Business outlook and strategy

According to a recent report by Dentsu Communication Institute Inc., advertising expenditure in the Japanese Internet market is likely to exceed ¥750 billion in calendar 2011, up more than 60% compared with 2007 expenditure. Bearing in mind this favorable growth outlook for the Japanese Internet advertising market, the Group is strategically focused on further expansion of its advertising-related business.

To boost display advertising related sales, we are implementing more effective methods of collaboration with advertising agencies. To enhance the value and appeal of our Internet advertising products, we are leveraging online advertising's unique targeting capabilities and incorporating higher levels of creativity. By distributing advertising products as part of our open network initiative, we are monetizing partner-site traffic. In paid search advertising, we are maximizing the synergies in sales, partner networking, and technology made possible by our acquisition of Overture.

With our April 2008 absorption of Brainer.jp., we have prepared the ground for developing the content-linked advertising market in Japan. Similar to paid search advertising, content-linked advertising employs a system of ad quality and keyword bid price to selectively distribute advertisements to Web pages containing relevant text content, with fees determined on a pay-per-click basis. Unlike paid search advertising, however, which distributes advertisements to search results pages, content-linked advertising distributes advertisements to Web pages containing user-generated tail content. Fusing Group

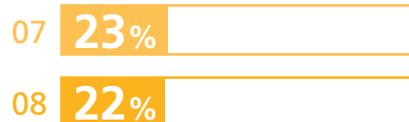
technologies with Brainer.jp.'s advanced technologies in content-linked advertising, we intend to introduce innovative content-linked advertising products geared to generating new earnings from Web pages that to date have been difficult to monetize. Accordingly, the Group maintains high expectations for this new product to become a major new source of revenues.

The Group has been working in cooperation with other Internet-related companies, advertisers, and advertising agencies to promote the development and adoption of criteria for quantitatively assessing the effectiveness of online advertising. In March 2008, for example, the Group collaborated with Video Research Interactive Inc., NTT Resonant Inc., and Microsoft Corporation in conducting a survey on Internet advertising's branding impact and publicly announced the results. Looking forward, we intend to make further efforts in this area with the ultimate goal of raising the advertising media value of the Japanese Internet.

Business Services

The Business Services segment mainly consists of nonadvertising-related services for corporations. This segment derives revenue from fees and commissions for various information listing services, tenant fees and sales commissions 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.

Share of Net Sales



Share of Operating Income



(For the years ended March 31)

Fiscal 2007 segment overview

Fiscal 2007 net sales of the Business Services segment rose 20.4%, to ¥58.1 billion, and operating income climbed 22.1%, to ¥23.6 billion.

Information listing revenues grew steadily during the year, with Yahoo! Real Estate showing sharply higher revenues in line with the ongoing shift of information listings from print media to the Internet. Employment information service Yahoo! Rikunabi, on the other hand, faced an environment of reduced corporate hiring due to the weakening economy, with the result that the pace of growth in employment information related sales slackened year on year.

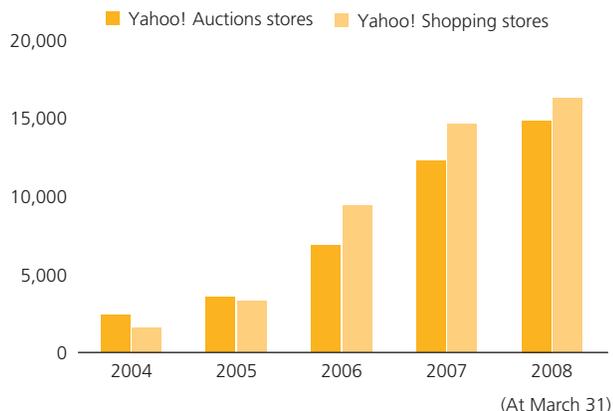
E-commerce was another area of strong growth during the year. Yahoo! Shopping and Yahoo! Auctions continued to focus on attracting new stores, with the combined number of merchant stores registered on the two sites at March 31, 2008, standing at 31,289, up 4,245 stores, or 15.7%, from the figure one year earlier. Boosted by various seasonal and other sales promotions, total e-commerce transaction volume of Yahoo! Auctions, Yahoo! Shopping, Yahoo!

Travel, and Yahoo! Tickets for fiscal 2007 amounted to ¥940.0 billion, up 4.5%. Of this total, the proportion of mobile-based e-commerce transaction volume expanded significantly compared with the previous year's results, with Yahoo! Shopping's mobile-based transaction volume notably strong.

In November 2007, we undertook a complete revision of both the PC and mobile versions of the Yahoo! Shopping site, focusing particularly on enhancing the performance of the search, compare, and filter functions. At the same time, we implemented changes with an eye to improving convenience for registered stores, thereby strengthening the foundation for future e-commerce-related growth.

In research-related services, consolidated subsidiaries Interscope Inc. and INFO PLANT CO., LTD., merged in July 2007, forming Yahoo Japan Value Insight Corporation. The combined efforts of the two merged companies to aggressively sell new products resulted in large gains in research-related sales.

Yahoo! Auctions and Yahoo! Shopping Stores



During the year, we revamped our popular Yahoo! Shopping site with an eye to enhancing convenience both for users and for stores registered on the site.

Business outlook and strategy

In line with our ongoing efforts to boost Internet usage times across all user groups, the Group aims to provide valuable personalized information catering to a wide range of user lifestyles. To this end, we are in the process of creating a region-specific Internet platform for local businesses and stores.

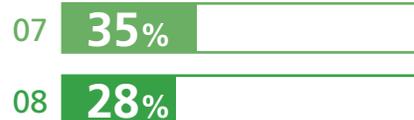
To create such a platform, we are encouraging local small and medium-sized businesses to open stores on Yahoo! JAPAN. At the same time, we are creating a network for marketing advertising products and sales promotional tools to these businesses. To this end, we formed capital and business alliances with TELEWAVE, INC., in June 2007; with SCINEX CORPORATION in November 2007; and with GMO Internet, Inc., in December 2007. Leveraging this sales agency network and the Yahoo! JAPAN brand, the Group expects to enhance its value as an information media for both users and small and medium-sized businesses in regions throughout Japan.

In April 2008, the Company absorbed ALPS MAPPING through a merger. Leveraging ALPS MAPPING's extensive map information database, we are planning and creating a host of map-based data and related information designed to enhance the usefulness of our regional information services.

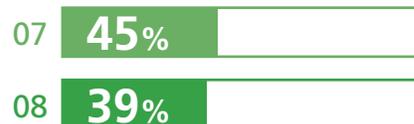
Personal Services

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

Share of Net Sales



Share of Operating Income



(For the years ended March 31)

Fiscal 2007 segment overview

Net sales of the Personal Services segment slipped 3.0%, to ¥73.1 billion. Operating income, meanwhile, edged forward 1.5%, to ¥48.7 billion. The lower sales result is attributable chiefly to a decrease in CtoC transaction volume on Yahoo! Auctions and to a substantial decline in ISP fees from Yahoo! BB subscribers.

Yahoo! Auctions system-use fees declined slightly owing to lower CtoC transaction volume. A higher number of merchant stores on Yahoo! Auctions boosted BtoC transactions, which are accounted for in the Business Services segment, with a resultant decline in CtoC transactions. In addition, a slump in such categories as automobiles and vehicle bodies, revisions to user participation requirements, and strengthened measures to prevent system abuse exerted downward pressure on total Yahoo! Auctions transaction volume.

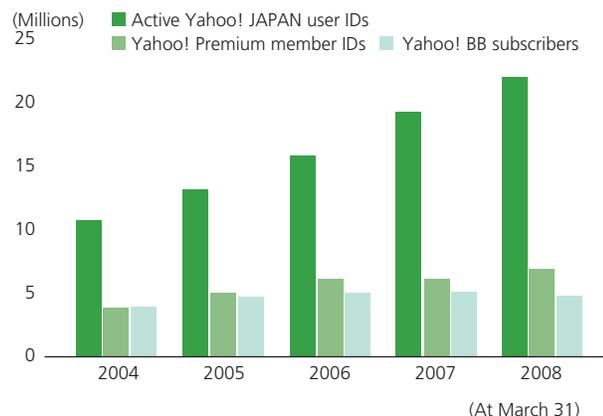
More positively, the Company began discussions in December 2007 with U.S.-based Internet auction site operator eBay Inc. related to providing mutual support for respective entrances in the Japanese and U.S. markets and boosting customer acquisition capabilities. In

accordance with Phase 1 of the agreement, we have already launched Sekaimon, a proxy buyer services site for eBay in Japan, entrusting the site's operation to Shop Airlines, a subsidiary of netprice.com Ltd.

Following a steady decline in Yahoo! Premium member IDs beginning in October 2006 resulting from Yahoo! Auctions campaigns waiving Yahoo! Premium membership as a requirement for auction participation, the number of Yahoo! Premium members turned up from June 2007 thanks to Yahoo! Premium new-member campaigns targeting the auction user base as well as to subsequent revisions to the user participation requirements for Yahoo! Auctions implemented in August 2007. As a result, the number of Yahoo! Premium member IDs rose 11.7% on the year, to 6.92 million at March 31, 2008. On the other hand, revenue from Yahoo! BB ISP fees declined substantially from the previous year's figure owing to the impact of revisions to the contract with SOFTBANK BB Corp.

Among paid content services, sales of Yahoo! Partner, Yahoo! Comics, and Yahoo! Marriage showed notable gains, while Yahoo! Mail and Yahoo! Fortune Telling also recorded favorable sales growth.

Yahoo! JAPAN Users



To familiarize a growing number of users with the enjoyment of online auctions, the Group undertakes various initiatives to attract a steady stream of new users to Yahoo! Auctions.

Business outlook and strategy

In an effort to boost CtoC transaction volume on Yahoo! Auctions, we will continue to conduct various promotional campaigns to attract new users and upgrade functions to encourage greater participation by existing users. Regarding discussions with eBay, in Phase 2 and Phase 3 of our agreement Yahoo! JAPAN and eBay's U.S. site plan to set up proxy buying services within their respective auction sites, thereby facilitating viewing of and bidding on items on both sites, no matter the location or language of the bidder. As a result, we anticipate increasing usage of our Yahoo! Auctions service.

To expand the Yahoo! Premium and Yahoo! BB membership bases, the Group will continue to carry out various new-member campaigns. In addition, by offering exclusive discounts on paid content and special prize services we intend to enhance the value-added content of memberships and, as a result, boost member satisfaction. Targeting growth in content-related sales, we will develop new paid content services with a keen eye to satisfying users' needs.