Financial Section

Key Financial Data

For the years ended March 31	Millions of yen 2008	2007	2006	2005	2004	2003	Thousands of U.S. dollars 2008
Net sales	**¥ 262,027**	¥ 212,553	¥ 173,696	¥ 117,779	¥ 75,776	¥ 46,693	**$ 2,615,304**
Advertising	**131,044**	89,202	–	–	–	–	**1,307,960**
Business services	**58,069**	48,215	–	–	–	–	**579,597**
Personal services	**73,054**	75,283	–	–	–	–	**729,146**
Eliminations/corporate	**(140)**	(147)	–	–	–	–	**(1,399)**
Cost of sales	**28,260**	8,487	12,843	8,932	5,292	3,599	**282,071**
Advertising	**19,547**	533	–	–	–	–	**195,104**
Business services	**7,752**	6,483	–	–	–	–	**77,378**
Personal services	**976**	1,529	–	–	–	–	**9,739**
Eliminations/corporate	**(15)**	(58)	–	–	–	–	**(150)**
SG&A expenses	**108,959**	97,833	78,720	48,660	29,272	19,021	**1,087,523**
Advertising	**46,747**	38,364	–	–	–	–	**466,584**
Business services	**26,754**	22,429	–	–	–	–	**267,033**
Personal services	**23,395**	25,780	–	–	–	–	**233,500**
Eliminations/corporate	**12,063**	11,260	–	–	–	–	**120,406**
Operating income	**124,808**	106,233	82,133	60,187	41,212	24,073	**1,245,710**
Advertising	**64,750**	50,305	–	–	–	–	**646,272**
Business services	**23,563**	19,303	–	–	–	–	**235,186**
Personal services	**48,683**	47,974	–	–	–	–	**485,907**
Eliminations/corporate	**(12,188)**	(11,349)	–	–	–	–	**(121,655)**
Net income	**62,618**	57,963	47,091	36,521	24,827	12,096	**624,992**
Net income per share (Yen and U.S. dollars)	**1,035.27**	958.66	776.62	602.29	409.51	199.75	**10.33**
EBITDA	**136,028**	115,743	89,787	64,980	44,329	26,147	**1,357,705**
At fiscal year-end:							
Total assets	**369,660**	318,428	190,975	130,244	82,410	47,774	**3,689,591**
Total equity	**250,672**	192,385	142,455	96,060	59,807	30,483	**2,501,970**
Number of employees	**3,739**	3,042	2,534	1,713	990	669	**–**
Dividends (Yen and U.S. dollars)	**104**	96	78	61	–	–	**1.04**
Cash flows	**38,320**	(22,659)	29,043	29,349	16,428	15,837	**382,472**
Cash flows from operating activities	**81,494**	72,710	59,604	46,084	26,147	19,667	**813,394**
Cash flows from investing activities	**(16,982)**	(160,402)	(27,533)	(17,119)	(10,913)	(3,779)	**(169,494)**
Cash flows from financing activities	**(26,192)**	65,033	(3,028)	384	1,194	(51)	**(261,428)**
Ratios:							
Operating margin (%)	**47.6**	50.0	47.3	51.1	54.4	51.6	
Net income to net sales ratio (%)	**23.9**	27.3	27.1	31.0	32.8	25.9	
ROA (%)	**18.2**	22.8	29.3	34.3	38.1	31.4	
ROE (%)	**28.5**	34.8	39.5	46.9	55.0	47.7	
Total equity / Total assets ratio (%)	**67.1**	59.9	74.6	73.8	72.6	63.8	

Notes:

- Yen amounts for the year ended March 31, 2008 have been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥100.19 = U.S.$1, the effective rate of exchange at March 31, 2008.
- 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 and thereafter 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.

Results of Operations

In fiscal 2007, the year ended March 31, 2008, 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. Against this increasingly challenging economic backdrop, Yahoo Japan Corporation and its consolidated subsidiaries and affiliates (the Group) recorded a strong performance.

Net Sales

Consolidated net sales amounted to ¥262,027 million, increasing ¥49,474 million, or 23.3%, from the previous year. By business segment, Advertising net sales climbed 46.9%, to ¥131,044 million; Business Services net sales rose 20.4%, to ¥58,069 million; Personal Services net sales declined 3.0%, to ¥73,054 million; and Eliminations/Corporate posted a deficit of ¥140 million.

Cost of Sales

Cost of sales increased ¥19,773 million, or 233.0%, to ¥28,260 million. The cost of sales ratio increased 6.8 percentage points, to 10.8%. The jump in cost of sales is attributable mainly to higher cost of sales recorded by the Advertising segment owing to the consolidation of Overture K.K.

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses expanded ¥11,126 million, or 11.4%, to ¥108,959 million. The major components of SG&A expenses were as follows:

Personnel expenses increased ¥3,851 million, or 20.5%, to ¥22,631 million. At March 31, 2008, the number of directors and employees, excluding overlapping positions, of the Group was 3,780, up 702, or 22.8%, from a year earlier.

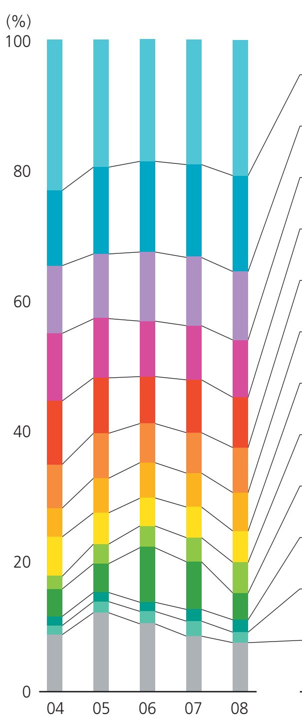
Business commissions advanced ¥2,199 million, or 15.9%, to ¥16,003 million, primarily as a result of higher expenses for temporary and contract employees and operations commission fees in the credit card business.

Sales commissions advanced ¥1,069 million, or 10.3%, to ¥11,408 million, mainly because of higher fees paid to advertising agencies in line with the growth in advertising sales.

Depreciation and amortization expenses increased ¥1,489 million, or 18.3%, to ¥9,615 million, chiefly owing to purchases of software and network equipment such as servers.

Communications charges edged up ¥467 million, or 5.9%, to ¥8,387 million, reflecting the Group's expanded usage of data-center space to upgrade service capacity and to improve the access environment for users.

SG&A Expenses Breakdown



(For the years ended March 31)

(Millions of yen)

For the years ended March 31	2004		2005		2006		2007		**2008**	
Personnel expenses	6,782	(23.2%)	9,537	(19.6%)	14,730	(18.7%)	18,780	(19.2%)	**22,631**	**(20.8%)**
Business commissions	3,366	(11.5%)	6,482	(13.3%)	10,905	(13.9%)	13,804	(14.1%)	**16,003**	**(14.7%)**
Sales commissions	3,038	(10.4%)	4,778	(9.8%)	8,377	(10.6%)	10,339	(10.6%)	**11,408**	**(10.5%)**
Depreciation and amortization expenses	3,003	(10.3%)	4,462	(9.2%)	6,663	(8.5%)	8,126	(8.3%)	**9,615**	**(8.8%)**
Communications charges	2,861	(9.8%)	4,138	(8.5%)	5,675	(7.2%)	7,920	(8.1%)	**8,387**	**(7.7%)**
Royalty charge	1,963	(6.7%)	3,379	(6.9%)	4,709	(6.0%)	6,024	(6.2%)	**7,511**	**(6.9%)**
Lease and utility expenses	1,285	(4.4%)	2,561	(5.3%)	4,252	(5.4%)	5,124	(5.2%)	**6,423**	**(5.9%)**
Content provider fees	1,725	(5.9%)	2,358	(4.8%)	3,346	(4.3%)	4,598	(4.7%)	**5,270**	**(4.8%)**
Payment commissions	606	(2.1%)	1,444	(3.0%)	2,537	(3.2%)	3,657	(3.7%)	**5,130**	**(4.7%)**
Sales promotion costs	1,238	(4.2%)	2,135	(4.4%)	6,722	(8.5%)	7,120	(7.3%)	**4,516**	**(4.1%)**
Administrative and maintenance expenses	404	(1.4%)	696	(1.4%)	1,089	(1.4%)	1,778	(1.8%)	**2,077**	**(1.9%)**
Allowance for doubtful accounts	421	(1.4%)	847	(1.7%)	1,394	(1.8%)	2,248	(2.3%)	**1,793**	**(1.6%)**
Others	2,580	(8.7%)	5,843	(12.1%)	8,321	(10.5%)	8,315	(8.5%)	**8,195**	**(7.6%)**
Total	29,272	(100.0%)	48,660	(100.0%)	78,720	(100.0%)	97,833	(100.0%)	**108,959**	**(100.0%)**

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

Royalty charge advanced ¥1,487 million, or 24.7%, to ¥7,511 million, rising in line with the growth in net sales.

Lease and utility expenses grew ¥1,299 million, or 25.3%, to ¥6,423 million. This increase is attributable primarily to a partial office relocation and floor-space expansion as well as to the conversion of Overture K.K. to a consolidated subsidiary.

Payment commissions surged ¥1,473 million, or 40.3%, to ¥5,130 million. This substantial rise was due chiefly to an increase in the transaction balance of Yahoo! ezPay and the conversion of Overture K.K. to a consolidated subsidiary.

Significant other expenses included (1) content provider fees, which rose ¥672 million, or 14.6%, to ¥5,270 million; (2) sales promotion costs, which decreased ¥2,604 million, or 36.6%, to ¥4,516 million; and (3) administrative and maintenance expenses, which increased ¥299 million, or 16.8%, to ¥2,077 million.

Operating Income

Fiscal 2007 consolidated operating income totaled ¥124,808 million, rising ¥18,575 million, or 17.5%. By business segment, Advertising operating income was up 28.7%, to ¥64,750 million; Business Services operating income rose 22.1%, to ¥23,563 million; Personal Services operating income edged up 1.5%, to ¥48,683 million; and Eliminations/Corporate registered an operating loss of ¥12,188 million.

Other Income and Expenses

The Group recorded a net expense of ¥10,818 million, compared with a net expense of ¥4,465 million in the previous year. The main components of the net expense were (1) equity in losses of associated companies of ¥6,750 million, up ¥3,227 million; and (2) lump-sum amortization of goodwill amounting to ¥1,827 million, compared with none in the previous year.

Income before Income Taxes and Minority Interests

As a result of the aforementioned increases in operating income and net expenses, income before income taxes and minority interests amounted to ¥113,990 million, rising ¥12,222 million, or 12.0%.

Income Taxes and Related Adjustments

Income taxes for fiscal 2007 totaled ¥50,691 million, representing an effective income tax rate of 44.5%, higher than the statutory income tax rate primarily because of the lump-sum amortization of goodwill and equity in losses of associated companies.

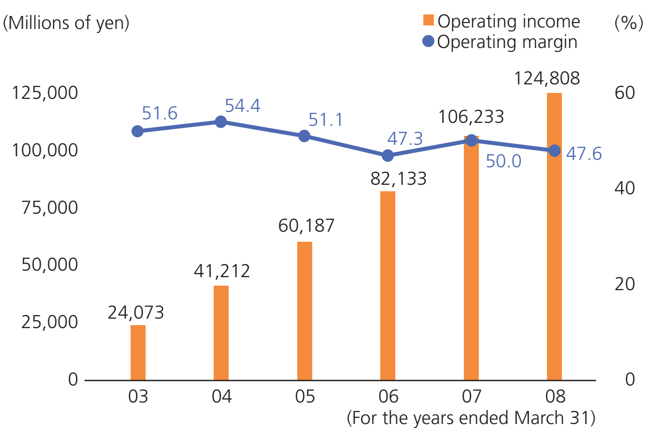
Minority Interests in Net Income

Minority interests in net income amounted to ¥681 million, increasing ¥291 million, or 74.6%.

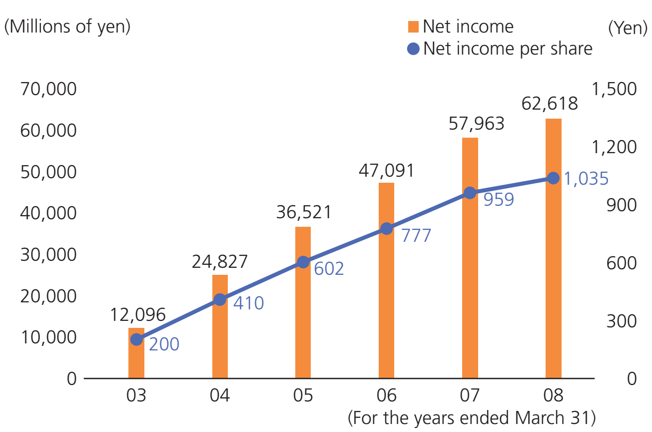
Net Income

Consolidated net income increased ¥4,655 million, or 8.0%, to ¥62,618 million. Basic net income per share was ¥1,035.27, while diluted net income per share was ¥1,033.79.

Operating Income / Operating Margin



Net Income / Net Income per Share



Financial Position

Assets

- On a consolidated basis, total assets stood at ¥369,660 million as of March 31, 2008, up ¥51,232 million, or 16.1%, from the previous fiscal year-end.
- Current assets amounted to ¥164,310 million, increasing ¥48,989 million, or 42.5%.
- Cash and cash equivalents stood at ¥113,027 million, rising ¥37,815 million, or 50.3%. This increase is attributable mainly to growth in sales revenues.
- Trade accounts receivable rose ¥6,586 million, or 21.8%, to ¥36,831 million. This increase resulted primarily from higher receivables in the Advertising segment related to the consolidation of Overture K.K.
- Other current assets rose ¥3,270 million, or 77.5%, to ¥7,490 million, primarily owing to an increase in receivables related to settlements of the Yahoo! JAPAN Card and Yahoo! ezPay.
- Net property and equipment totaled ¥16,624 million, edging up ¥73 million, or 0.4%.
- Total investments and other assets amounted to ¥188,726 million, rising ¥2,170 million, or 1.2%.
- Investment securities increased ¥2,051 million, or 1.4%, to ¥151,818 million. Although the Company booked an impairment loss on the stock of ValueCommerce Co., Ltd., during the fiscal year, this decrease was offset by new investment in the stock of TELEWAVE, INC., GMO Internet, Inc., and others.
- At March 31, 2008, goodwill totaled ¥2,526 million, down ¥1,536 million, or 37.8%. This decrease is attributable mainly to the lump-sum amortization of the goodwill of Yahoo Japan Value Insight Corporation.
- Other assets totaled ¥18,323 million, up ¥1,063 million, or 6.2%. This increase was due to higher investment in software and to an expansion in guarantee deposits related to the consolidation of Overture K.K.

Liabilities

- Total liabilities amounted to ¥118,988 million, down ¥7,055 million, or 5.6%.
- Total current liabilities increased ¥12,945 million, or 17.0%, to ¥88,977 million, chiefly reflecting higher trade accounts and other payables related to the consolidation of Overture K.K.
- Total long-term liabilities were down ¥20,000 million, or 40.0%, to ¥30,011 million, the result of a partial repayment of a syndicated loan related to the Company's April 2006 investment in BB Mobile Corp.

Equity

- Total equity stood at ¥250,672 million at the year-end, up ¥58,287 million, or 30.3%, from the figure one year earlier. This increase is attributable mainly to a ¥56,709 million, or 31.5%, rise in retained earnings.

Cash Flows

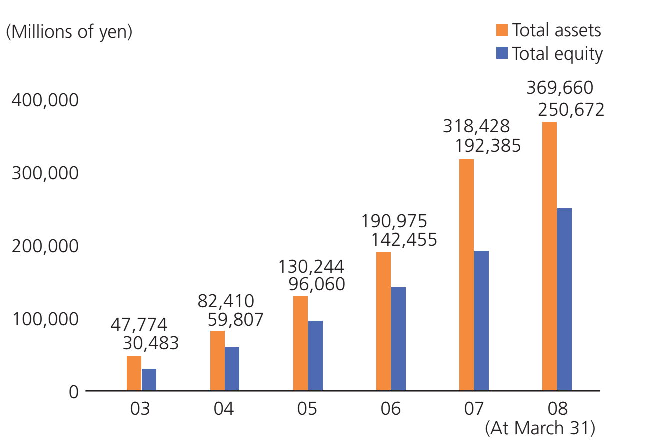
Net cash provided by operating activities in fiscal 2007 totaled ¥81,494 million, up ¥8,784 million compared with the ¥72,710 million in the previous year. Main factors affecting operating cash flows were a ¥12,222 million increase in income before income taxes and minority interests, to ¥113,990 million, due to an adjustment for depreciation expenses; and a ¥10,721 million increase, to ¥51,139 million, in income taxes paid for the year.

Net cash used in investing activities totaled ¥16,982 million, compared with net cash of ¥160,402 million used in investing activities the previous year. The major factor behind this substantial decrease in investment cash outflows was the ¥137,764 million reduction in purchase of investment securities, to ¥8,836 million. During the year, we purchased investment securities of TELEWAVE, INC., GMO Internet, Inc., and SCINEX CORPORATION with the goal of creating a network for marketing advertising products and sales promotional tools to small and medium-sized businesses. In addition, the Company spent ¥7,513 million on the purchase of property and equipment, such as servers and other equipment.

Net cash used in financing activities amounted to ¥26,192 million, compared with net cash provided by financing activities of ¥65,033 million in fiscal 2006. Major factors behind this change were an ¥80,070 million drop-off in proceeds from long-term debt, repayment of long-term debt of ¥20,000 million, and dividends paid of ¥5,805 million.

The net increase in cash and cash equivalents for the year was ¥38,320 million. Compared with the net decrease of ¥22,659 million for the previous year, this represents a ¥60,979 million improvement in net cash flow. As a result, cash and cash equivalents at the year-end stood at ¥113,027 million, up ¥37,815 million, or 50.3%, compared with the previous year-end figure.

Total Assets / Total Equity



Consolidated Balance Sheets

Yahoo Japan Corporation and Consolidated Subsidiaries
March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	¥113,027	¥ 75,212	$1,128,131
Receivables:			
Trade accounts	36,831	30,245	367,615
Other	4,511	3,426	45,027
Allowance for doubtful accounts	(2,095)	(2,300)	(20,913)
Inventories (Note 3)	240	173	2,397
Deferred tax assets (Note 8)	4,306	4,345	42,974
Other current assets	7,490	4,220	74,755
Total current assets	164,310	115,321	1,639,986
PROPERTY AND EQUIPMENT:			
Buildings and structures	4,514	4,265	45,053
Machinery and equipment	37,698	31,757	376,264
Construction in progress	54	63	536
Total	42,266	36,085	421,853
Accumulated depreciation and impairment loss	(25,642)	(19,534)	(255,929)
Net property and equipment	16,624	16,551	165,924
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Note 4)	151,818	149,767	1,515,301
Investments in unconsolidated subsidiaries and associated companies	12,179	12,501	121,558
Goodwill	2,526	4,062	25,210
Deferred tax assets (Note 8)	3,899	2,990	38,914
Other assets	18,323	17,260	182,885
Allowance for doubtful accounts	(19)	(24)	(187)
Total investments and other assets	188,726	186,556	1,883,681
TOTAL ASSETS	¥369,660	¥318,428	$3,689,591

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Short-term bank loans (Note 5)		¥ 120	
Current portion of long-term debt (Note 5)	¥ 20,000	20,000	$ 199,621
Payables:			
Trade accounts	6,621	1,022	66,084
Other	13,744	13,345	137,184
Income taxes payable (Note 8)	29,154	28,372	290,988
Provision for Yahoo! Points (Note 2.k)	2,293	2,065	22,883
Other current liabilities	17,165	11,108	171,322
Total current liabilities	88,977	76,032	888,082
LONG-TERM LIABILITIES:			
Long-term debt (Note 5)	30,000	50,000	299,431
Other	11	11	108
Total long-term liabilities	30,011	50,011	299,539
COMMITMENTS (Notes 9 and 10)			
EQUITY (Notes 6 and 13):			
Common stock—241,600,000 shares authorized; 60,502,022 shares issued in 2008 and 60,477,014 shares issued in 2007	7,366	7,187	73,521
Capital surplus	2,447	2,268	24,424
Stock acquisition rights	116	30	1,159
Retained earnings	236,606	179,897	2,361,568
Unrealized gain on available-for-sale securities	1,717	1,369	17,136
Treasury stock—at cost, 1,932 shares in 2008 and 1,926 shares in 2007	(29)	(28)	(283)
Total	248,223	190,723	2,477,525
Minority interests	2,449	1,662	24,445
Total equity	250,672	192,385	2,501,970
TOTAL LIABILITIES AND EQUITY	¥369,660	¥318,428	$3,689,591

Consolidated Statements of Income

Yahoo Japan Corporation and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
NET SALES	¥262,027	¥212,553	$2,615,304
COST OF SALES	28,260	8,487	282,071
Gross profit	233,767	204,066	2,333,233
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	108,959	97,833	1,087,523
Operating income	124,808	106,233	1,245,710
OTHER INCOME (EXPENSES):			
Interest and dividend income	359	256	3,586
Interest expense	(625)	(480)	(6,233)
Gain (loss) on exchange—net	276	(7)	2,758
Equity in losses of associated companies	(6,750)	(3,523)	(67,369)
Lump-sum amortization of goodwill	(1,827)		(18,231)
Other—net	(2,251)	(711)	(22,485)
Other expenses—net	(10,818)	(4,465)	(107,974)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	113,990	101,768	1,137,736
INCOME TAXES (Note 8):			
Current	51,593	45,223	514,947
Deferred	(902)	(1,808)	(9,000)
Total income taxes	50,691	43,415	505,947
MINORITY INTERESTS IN NET INCOME	681	390	6,797
NET INCOME	¥ 62,618	¥ 57,963	$ 624,992

	Yen		U.S. dollars (Note 1)
PER SHARE OF COMMON STOCK (Notes 2.t and 12):			
Basic net income	¥1,035.27	¥958.66	$10.33
Diluted net income	1,033.79	956.70	10.32
Cash dividends applicable to the year	104.00	96.00	1.04

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Yahoo Japan Corporation and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥113,990	¥ 101,768	$1,137,736
Adjustments for:			
Income taxes—paid	(51,139)	(40,418)	(510,421)
Depreciation and amortization	10,180	8,576	101,605
Amortization of goodwill	3,432	1,384	34,257
Equity in losses of associated companies	6,750	3,523	67,369
Changes in assets and liabilities:			
Increase in trade receivables	(3,894)	(4,730)	(38,868)
Increase in other receivables	(4,193)	(4,128)	(41,847)
Increase in trade payables	5,584	102	55,731
(Decrease) increase in other payables	(2,447)	4,232	(24,422)
Increase in consumption tax payables	2,228	654	22,233
Other—net	1,003	1,747	10,021
Total adjustments	(32,496)	(29,058)	(324,342)
Net cash provided by operating activities	81,494	72,710	813,394
INVESTING ACTIVITIES:			
Payment into time deposits	(20,000)	(4)	(199,621)
Decrease in time deposits	20,000	4	199,621
Purchase of property and equipment	(7,513)	(10,204)	(74,987)
Purchase of other assets	(4,181)	(7,855)	(41,726)
Purchase of investment securities	(8,836)	(146,600)	(88,193)
Payment for purchase of newly consolidated subsidiaries' stocks	(356)	(719)	(3,555)
Proceeds from purchase of newly consolidated subsidiaries' stocks	2,355		23,509
Collection on loans receivable	1	3,658	6
Other—net	1,548	1,318	15,452
Net cash used in investing activities	(16,982)	(160,402)	(169,494)
FINANCING ACTIVITIES:			
Proceeds from long-term debt		80,070	
Repayment of long-term debt	(20,000)	(10,048)	(199,621)
Dividends paid	(5,805)	(4,715)	(57,946)
Other—net	(387)	(274)	(3,861)
Net cash (used in) provided by financing activities	(26,192)	65,033	(261,428)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	¥ 38,320	¥ (22,659)	$ 382,472
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	75,212	98,035	750,697
DECREASE IN CASH AND CASH EQUIVALENTS DUE TO DECONSOLIDATION OF SUBSIDIARIES	(505)	(164)	(5,038)
CASH AND CASH EQUIVALENTS, END OF YEAR	¥113,027	¥ 75,212	$1,128,131
ADDITIONAL CASH FLOW INFORMATION:			
Current assets	¥ (6,905)		$ (68,918)
Non-current assets	(1,173)		(11,703)
Goodwill	(1,448)		(14,453)
Current liabilities	7,293		72,789
Acquisition costs	(2,233)		(22,285)
Cash and cash equivalents acquired	4,588		45,794
Proceeds from purchase of newly consolidated subsidiaries' stocks	¥ 2,355		$ 23,509
Current assets	¥ (154)	¥ (861)	$ (1,532)
Non-current assets	(2)	(117)	(15)
Goodwill	(436)	(734)	(4,354)
Current liabilities	24	333	235
Non-current liabilities		12	
Minority interests	77	65	765
Acquisition costs	(491)	(1,302)	(4,901)
Cash and cash equivalents acquired	135	583	1,346
Payment for purchase of newly consolidated subsidiaries' stocks	¥ (356)	¥ (719)	$ (3,555)

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Yahoo Japan Corporation and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

	Thousands			
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights
BALANCE, MARCH 31, 2006	30,226	¥7,033	¥2,114	
Reclassified balance as of March 31, 2006				
Exercise of stock options	25	154	154	
Net income				
Cash dividends (¥78 per share)				
Bonuses to directors and corporate auditors				
Deconsolidation of subsidiaries				
Stock splits (Note 6)	30,226			
Net change in the year				¥ 30
BALANCE, MARCH 31, 2007	60,477	7,187	2,268	30
Exercise of stock options	**25**	**179**	**179**	
Net income				
Cash dividends (¥96 per share)				
Decrease in associated companies accounted for by the equity method				
Deconsolidation of subsidiaries				
Purchase of treasury stocks				
Net change in the year				**86**
BALANCE, MARCH 31, 2008	**60,502**	**¥7,366**	**¥2,447**	**¥116**

	Common Stock	Capital Surplus	Stock Acquisition Rights
BALANCE, MARCH 31, 2007	$71,734	$22,637	$ 300
Exercise of stock options	**1,787**	**1,787**	
Net income			
Cash dividends ($0.96 per share)			
Decrease in associated companies accounted for by the equity method			
Deconsolidation of subsidiaries			
Purchase of treasury stocks			
Net change in the year			**859**
BALANCE, MARCH 31, 2008	**$73,521**	**$24,424**	**$1,159**

See notes to consolidated financial statements.

Millions of Yen

	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
	¥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
					358		**358**
	62,618				**62,618**		**62,618**
	(5,805)				**(5,805)**		**(5,805)**
	(89)				**(89)**		**(89)**
	(15)				**(15)**		**(15)**
				(1)	**(1)**		**(1)**
		348			**434**	**787**	**1,221**
	¥236,606	**¥ 1,717**		**¥(29)**	**¥248,223**	**¥2,449**	**¥250,672**

Thousands of U.S. Dollars (Note 1)

	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Treasury Stock	Total	Minority Interests	Total Equity
	$1,795,562	$13,657	$(281)	$1,903,609	$16,594	$1,920,203
				3,574		**3,574**
	624,992			**624,992**		**624,992**
	(57,947)			**(57,947)**		**(57,947)**
	(889)			**(889)**		**(889)**
	(150)			**(150)**		**(150)**
			(2)	**(2)**		**(2)**
		3,479		**4,338**	**7,851**	**12,189**
	$2,361,568	**$17,136**	**$(283)**	**$2,477,525**	**$24,445**	**$2,501,970**

Yahoo Japan Corporation and Consolidated Subsidiaries
Years Ended March 31, 2008 and 2007

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

Yahoo Japan Corporation (the "Company") was incorporated in Japan in 1996. 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 14.

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

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 2007 consolidated financial statements to conform to the classifications used in 2008.

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 ¥100.19 to $1, the approximate rate of exchange at March 31, 2008. 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, 2008 include the accounts of the Company and its 12 (13 in 2007) significant subsidiaries. Under the control or influence concept, those companies in which the Company is able to directly or indirectly exercise control over operations are fully consolidated, and those companies over which the Company and consolidated subsidiaries (collectively, the "Group") have the ability to exercise significant influence are accounted for by the equity method.

Investments in 20 (17 in 2007) associated companies are accounted for by the equity method. Investments in the remaining eight (six in 2007) 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 for consolidation have been made.

In February 2007, the Company acquired a majority shareholding in Interscope Inc. ("Interscope"). After becoming a consolidated subsidiary of the Company, Interscope in July 2007 was merged into INFO PLANT CO, LTD. ("INFO PLANT"), a consolidated subsidiary of the Company. Immediately after the merger, INFO PLANT changed its name to Yahoo Japan Value Insight Corporation ("Value Insight").

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 up to the date of sale were included in the consolidation.

In September 2007, the Company acquired a majority shareholding in Overture K.K. and Brainer.jp. ("Brainer"). As a result, they became consolidated subsidiaries of the Company.

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, whereas 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*—**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.

As a result of reviewing the Group's long-lived assets for impairment, the Group recognized no impairment loss for the years ended March 31, 2008 and 2007.

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 as 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 and charged 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 acquiring a company over the fair value of said company's net assets and is amortized on a straight-line basis over an 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*—**The Yahoo! Points system was established as a sales promotion whereby shopping points are awarded to the users of Yahoo! JAPAN redeemable against purchases made via Yahoo! Shopping. The Company provides for future exercise of these points based on the number of unredeemed points held by users as of the balance sheet date.

l. ***Employees' Retirement Benefits*—**The Company and certain subsidiaries primarily participate in defined contribution pension plans, since 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 because the plan assets attributable to each participant cannot be reasonably determined. The participation ratio of the Company and relevant subsidiaries was 3.1% based on the number of employees.

At March 31, 2008, the fair value of the welfare pension plan's entire assets amounted to ¥146,083 million ($1,458,061 thousand), and the plan's actuarial pension liability stood at ¥112,700 million ($1,124,866 thousand). The major components of the difference between the entire assets and liabilities were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Other reserve	¥15,463	$154,340
Adjustment for valuation of assets	11,947	119,241
Retained earnings	9,652	96,339
Unamortized obligations	(3,679)	(36,725)
Total	¥33,383	$333,195

Prior service cost is amortized over 20 years by using the straight-line method under the welfare pension plan.

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, 2008 and 2007 were ¥627 million ($6,257 thousand) and ¥544 million, respectively.

m. ***Bonuses to Directors and Corporate Auditors***—Bonuses to directors and corporate auditors are accrued at the end of the year to which such bonuses are attributable.

n. ***Stock Options***—The Accounting Standards Board of Japan (the "ASBJ") Statement No. 8, "Accounting Standard for Stock Options," and related guidance are applicable to stock options 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 grant date 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. Included in the balance sheet as a separate component of equity, the stock option is presented as a stock acquisition right until exercised. The standard allows unlisted companies to measure options at their intrinsic value if fair value cannot be estimated reliably. The Company has applied this standard to stock options granted on or after May 1, 2006.

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 or assets, as the case may be, 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 applied to fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statements of changes in equity.

p. ***Leases***—Under the Japanese accounting standard for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, whereas 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. All other leases are accounted for as operating leases.

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 determined by applying currently enacted tax laws to the temporary differences.

r. ***Foreign Currency Translations***—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. Foreign exchange translation gains and losses are recognized in the consolidated statements of income 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 exchange risks. The Company does not hold or issue 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) if derivatives used for hedging purposes qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on such derivatives are deferred until maturity of the hedged transactions.

If foreign currency forward contracts and foreign currency option contracts qualify for hedge accounting and meet specific matching criteria, assets and liabilities denominated in foreign currencies are translated at the contract rates and no gains or losses on derivative transactions are recognized.

t. ***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.

u. *New Accounting Pronouncements*

***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. 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.

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 notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized recognizing lease assets and lease obligations in the balance sheet.

3. INVENTORIES

Inventories at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Finished goods	**¥ 30**	¥ 32	**$ 301**
Merchandise	**1**		**5**
Work in process	**28**	29	**286**
Supplies	**181**	112	**1,805**
Total	**¥240**	¥173	**$2,397**

4. INVESTMENT SECURITIES

Investment securities as of March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Non-current:			
Marketable equity securities	**¥ 5,218**	¥ 2,950	**$ 52,083**
Non-marketable equity securities	**146,566**	146,144	**1,462,881**
Investments in limited partnerships and similar investments	**34**	344	**337**
Other		329	
Total	**¥151,818**	¥149,767	**$1,515,301**

The carrying amounts and aggregate fair value of investment securities at March 31, 2008 and 2007 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2008				
Securities classified as available-for-sale—Equity securities	**¥2,296**	**¥2,932**	**¥10**	**¥5,218**
March 31, 2007				
Securities classified as available-for-sale—Equity securities	684	2,266		2,950

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2008				
Securities classified as available-for-sale—Equity securities	**$22,918**	**$29,262**	**$97**	**$52,083**

Available-for-sale securities whose fair value is not readily determinable as of March 31, 2008 and 2007 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Available-for-sale:			
Equity securities—preferred stocks	**¥120,000**	¥120,000	**$1,197,725**
Equity securities—common stocks	**26,566**	26,144	**265,156**
Investments in limited partnerships and others	**34**	344	**337**
Other		329	
Total	**¥146,600**	¥146,817	**$1,463,218**

Proceeds from sales of available-for-sale securities for the years ended March 31, 2008 and 2007 were ¥234 million ($2,338 thousand) and ¥428 million, respectively. Both of gross realized gains and losses on these sales, computed on the moving average cost basis, were less than ¥1 million ($10 thousand) for the year ended March 31, 2008, whereas those gains and losses for the year ended March 31, 2007 were ¥216 million and ¥14 million, respectively.

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

Short-term bank loans at March 31, 2007 consisted of notes to banks and bank overdrafts. The annual interest rate applicable to the short-term bank loans was the variable interest rate imputed at the short-term prime rate plus 1.00%. The average interest rate for the year ended March 31, 2007 was 1.62%.

Long-term debt at March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Unsecured syndicated loan from banks and other financial institutions, due serially to 2011 with variable interest rate	**¥ 50,000**	¥ 70,000	**$ 499,052**
Less current portion	**(20,000)**	(20,000)	**(199,621)**
Long-term debt, less current portion	**¥ 30,000**	¥ 50,000	**$ 299,431**

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, 2008 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2009	¥20,000	$199,621
2010	20,000	199,621
2011	10,000	99,810
Total	¥50,000	$499,052

6. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions 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 a Board of Directors, (2) having independent auditors, (3) having a 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 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 February 16, 2006, the Board of Directors of the Company resolved to revise the articles of incorporation to increase the shares of authorized common stock by 120,800,000 shares, to 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.

7. STOCK OPTION

Stock options outstanding as of March 31, 2008 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 ($511.7)	From January 22, 2002 to January 21, 2010
2000 Stock Option (2)	7 employees	11,264 shares	2000.6.27	¥38,086 ($380.1)	From June 17, 2002 to June 16, 2010
2000 Stock Option (3)	3 directors 84 employees	148,992 shares	2000.12.18	¥19,416 ($193.8)	From December 9, 2002 to December 8, 2010
2001 Stock Option (1)	3 directors 72 employees	108,544 shares	2001.6.29	¥9,559 ($95.4)	From June 21, 2003 to June 20, 2011
2001 Stock Option (2)	3 directors 72 employees	112,640 shares	2001.12.18	¥8,497 ($84.8)	From December 8, 2003 to December 7, 2011
2002 Stock Option (1)	2 directors 65 employees	47,616 shares	2002.7.29	¥10,196 ($101.8)	From June 21, 2004 to June 20, 2012
2002 Stock Option (2)	19 employees	5,888 shares	2002.11.20	¥11,375 ($113.5)	From November 21, 2004 to June 20, 2012
2003 Stock Option (1)	5 directors 83 employees	19,840 shares	2003.7.25	¥33,438 ($333.7)	From June 21, 2005 to June 20, 2013
2003 Stock Option (2)	43 employees	2,464 shares	2003.11.4	¥51,478 ($513.8)	From November 5, 2005 to June 20, 2013
2003 Stock Option (3)	38 employees	2,400 shares	2004.1.29	¥47,813 ($477.2)	From January 30, 2006 to June 20, 2013
2003 Stock Option (4)	41 employees	1,168 shares	2004.5.13	¥78,512 ($783.6)	From May 14, 2006 to June 20, 2013

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2004 Stock Option (1)	5 directors 131 employees	9,856 shares	2004.7.29	¥65,290 ($651.7)	From June 18, 2006 to June 17, 2014
2004 Stock Option (2)	46 employees	712 shares	2004.11.1	¥62,488 ($623.7)	From November 2, 2006 to June 17, 2014
2004 Stock Option (3)	29 employees	344 shares	2005.1.28	¥65,375 ($652.5)	From January 29, 2007 to June 17, 2014
2004 Stock Option (4)	42 employees	276 shares	2005.5.12	¥60,563 ($604.5)	From May 13, 2007 to June 17, 2014
2005 Stock Option (1)	5 directors 180 employees	5,716 shares	2005.7.28	¥58,500 ($583.9)	From June 18, 2007 to June 17, 2015
2005 Stock Option (2)	31 employees	234 shares	2005.11.1	¥62,000 ($618.8)	From November 2, 2007 to June 17, 2015
2005 Stock Option (3)	65 employees	316 shares	2006.1.31	¥79,500 ($793.5)	From February 1, 2008 to June 17, 2015
2005 Stock Option (4)	49 employees	112 shares	2006.5.2	¥67,940 ($678.1)	From May 3, 2008 to June 17, 2015
2006 Stock Option (1)	5 directors 157 employees	8,569 shares	2006.9.6	¥47,198 ($471.1)	From August 24, 2008 to August 23, 2016
2006 Stock Option (2)	49 employees	313 shares	2006.11.6	¥44,774 ($446.9)	From October 24, 2008 to October 23, 2016
2006 Stock Option (3)	62 employees	360 shares	2007.2.7	¥47,495 ($474.0)	From January 25, 2009 to January 24, 2017
2007 Stock Option (1)	66 employees	651 shares	2007.5.8	¥45,500 ($454.1)	From April 25, 2009 to April 24, 2017
2007 Stock Option (2)	5 directors 225 employees	10,000 shares	2007.8.7	¥40,320 ($402.4)	From July 25, 2009 to July 24, 2017
2007 Stock Option (3)	119 employees	766 shares	2007.11.7	¥51,162 ($510.6)	From October 25, 2009 to October 24, 2017
2007 Stock Option (4)	124 employees	817 shares	2008.2.13	¥47,500 ($474.1)	From January 31, 2010 to January 31, 2018

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
Value Insight					
2000 Stock Option (1)	3 directors	300 shares	2000.3.30	¥50,000 ($499.1)	From April 1, 2002 to March 29, 2010
2000 Stock Option (2)	2 directors 18 employees	300 shares	2000.9.20	¥150,000 ($1,497.2)	From October 1, 2002 to September 14, 2010
2001 Stock Option	19 employees	190 shares	2001.4.2	¥400,000 ($3,992.4)	From April 1, 2003 to March 29, 2011
2002 Stock Option	32 employees	92 shares	2002.3.31	¥450,000 ($4,491.5)	From April 1, 2004 to March 21, 2012
2003 Stock Option	3 directors 30 employees	182 shares	2003.3.31	¥450,000 ($4,491.5)	From April 1, 2005 to March 27, 2013

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
NewsWatch					
2004 Stock Option	3 directors 33 employees	3,035 shares	2004.11.26	¥50,000 ($499.1)	From November 27, 2006 to November 26, 2014
2005 Stock Option	6 employees	200 shares	2005.11.18	¥50,000 ($499.1)	From November 27, 2006 to November 26, 2014
Brainer					
2006 Stock Option	3 directors 3 others	85,000 shares	2006.9.18	¥30 ($0.3)	From October 1, 2008 to October 1, 2016

Note: The stock options of NewsWatch, Inc. ("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, 2008 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, 2008					
Non-vested:					
March 31, 2007—outstanding					
Granted					
Canceled					
Vested					
March 31, 2008—outstanding					
Vested:					
March 31, 2007—outstanding	18,432	2,048	50,448	19,777	26,478
Vested					
Exercised			(9,704)	(2,942)	(4,746)
Canceled					
March 31, 2008—outstanding	18,432	2,048	40,744	16,835	21,732
Exercise price	¥51,270	¥38,086	¥19,416	¥9,559	¥8,497
	($511.7)	($380.1)	($193.8)	($95.4)	($84.8)
Average stock price at exercise			¥47,579	¥45,751	¥45,975
			($474.9)	($456.6)	($458.9)

	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, 2008					
Non-vested:					
March 31, 2007—outstanding			7,296	1,312	928
Granted					
Canceled				(192)	(160)
Vested			(7,296)	(1,120)	(768)
March 31, 2008—outstanding					
Vested:					
March 31, 2007—outstanding	25,600	2,304	9,920	416	512
Vested			7,296	1,120	768
Exercised	(5,632)	(1,024)	(960)		
Canceled				(96)	(64)
March 31, 2008—outstanding	19,968	1,280	16,256	1,440	1,216
Exercise price	¥10,196	¥11,375	¥33,438	¥51,478	¥47,813
	($101.8)	($113.5)	($333.7)	($513.8)	($477.2)
Average stock price at exercise	¥48,855	¥50,975	¥45,593		
	($487.6)	($508.8)	($455.1)		

	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, 2008					
Non-vested:					
March 31, 2007—outstanding	496	5,280	352	200	232
Granted					
Canceled	(32)	(112)	(32)	(8)	(4)
Vested	(48)	(1,776)	(48)	(24)	(68)
March 31, 2008—outstanding	416	3,392	272	168	160
Vested:					
March 31, 2007—outstanding	176	3,968	184	64	
Vested	48	1,776	48	24	68
Exercised					
Canceled			(24)		
March 31, 2008—outstanding	224	5,744	208	88	68
Exercise price	¥78,512	¥65,290	¥62,488	¥65,375	¥60,563
	($783.6)	($651.7)	($623.7)	($652.5)	($604.5)
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, 2008					
Non-vested:					
March 31, 2007—outstanding	5,472	186	282	98	8,518
Granted					
Canceled	(96)	(28)	(20)	(13)	(250)
Vested	(2,704)	(72)	(114)		
March 31, 2008—outstanding	2,672	86	148	85	8,268
Vested:					
March 31, 2007—outstanding					
Vested	2,704	72	114		
Exercised					
Canceled	(68)	(2)			
March 31, 2008—outstanding	2,636	70	114		
Exercise price	¥58,500	¥62,000	¥79,500	¥67,940	¥47,198
	($583.9)	($618.8)	($793.5)	($678.1)	($471.1)
Average stock price at exercise					

	2006 Stock Option (2)	2006 Stock Option (3)	2007 Stock Option (1)	2007 Stock Option (2)	2007 Stock Option (3)
			(Shares)		
For the Year Ended March 31, 2008					
Non-vested:					
March 31, 2007—outstanding	302	360			
Granted			651	10,000	766
Canceled	(20)	(30)	(35)	(119)	(23)
Vested					
March 31, 2008—outstanding	282	330	616	9,881	743
Vested:					
March 31, 2007—outstanding					
Vested					
Exercised					
Canceled					
March 31, 2008—outstanding					
Exercise price	¥44,774	¥47,495	¥45,500	¥40,320	¥51,162
	($446.9)	($474.0)	($454.1)	($402.4)	($510.6)
Average stock price at exercise					

	2007 Stock Option (4)
	(Shares)
For the Year Ended March 31, 2008	
Non-vested:	
March 31, 2007—outstanding	
Granted	817
Canceled	(1)
Vested	
March 31, 2008—outstanding	816
Vested:	
March 31, 2007—outstanding	
Vested	
Exercised	
Canceled	
March 31, 2008—outstanding	
Exercise price	¥47,500
	($474.1)
Average stock price at exercise	

Fair value information of stock options granted on or after May 1, 2006, which is required under the 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
	($309.0)	($245.2)	($237.9)	($204.0)
b.	¥35,782	¥26,803	¥25,311	¥23,448
	($357.1)	($267.5)	($252.6)	($234.0)
c.	¥39,196	¥28,156	¥26,766	¥25,578
	($391.2)	($281.0)	($267.2)	($255.3)

	2007 Stock Option (1)	2007 Stock Option (2)	2007 Stock Option (3)	2007 Stock Option (4)
Fair value price at grant date:				
a.	¥22,586	¥17,061	¥20,900	¥20,289
	($225.4)	($170.3)	($208.6)	($202.5)
b.	¥25,697	¥18,121	¥23,651	¥23,128
	($256.5)	($180.9)	($236.1)	($230.8)
c.	¥27,206	¥20,659	¥26,853	¥24,691
	($271.5)	($206.2)	($268.0)	($246.4)

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 during the year ended March 31, 2008 are as follows:

Estimate method: Black-Scholes option pricing model

	2007 Stock Option (1)	2007 Stock Option (2)	2007 Stock Option (3)	2007 Stock Option (4)
Volatility of stock price:				
a.	53.4%	51.4%	48.1%	45.3%
b.	60.2%	52.7%	53.0%	50.7%
c.	62.4%	59.2%	59.3%	52.8%
Estimated remaining outstanding period:				
a.	5.96 years	5.96 years	5.96 years	5.96 years
b.	6.46 years	6.46 years	6.46 years	6.46 years
c.	6.96 years	6.96 years	6.96 years	6.96 years
Estimated dividend (dividend yield)	0.21%	0.26%	0.20%	0.23%
Interest rate with risk free:				
a.	1.32%	1.42%	1.17%	0.99%
b.	1.37%	1.46%	1.21%	1.03%
c.	1.41%	1.50%	1.25%	1.07%

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:

2007 Stock Option (1):	a. From May 14, 2001 to May 4, 2007
	b. From November 13, 2000 to May 4, 2007
	c. From May 15, 2000 to May 4, 2007
2007 Stock Option (2):	a. From August 13, 2001 to August 3, 2007
	b. From February 12, 2001 to August 3, 2007
	c. From August 14, 2000 to August 3, 2007
2007 Stock Option (3):	a. From November 12, 2001 to November 2, 2007
	b. From May 14, 2001 to November 2, 2007
	c. From November 13, 2000 to November 2, 2007
2007 Stock Option (4):	a. From February 18, 2002 to February 8, 2008
	b. From August 20, 2001 to February 8, 2008
	c. From February 19, 2001 to February 8, 2008

3. Estimated remaining outstanding period is determined based on the assumption that all the options are exercised by the middle date of the exercise period.
4. Estimated dividend is determined based on the actual dividend applicable to the year ended March 31, 2007.
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

Value Insight

	2000 Stock Option (1)	2000 Stock Option (2)	2001 Stock Option	2002 Stock Option	2003 Stock Option
			(Shares)		
For the Year Ended March 31, 2008					
Non-vested:					
March 31, 2007—outstanding	100	230	100	53	106
Granted					
Canceled		(50)	(20)	(30)	(49)
Vested					
March 31, 2008—outstanding	100	180	80	23	57
Vested:					
March 31, 2007—outstanding					
Vested					
Exercised					
Canceled					
March 31, 2008—outstanding					
Exercise price	¥50,000	¥150,000	¥400,000	¥450,000	¥450,000
	($499.1)	($1,497.2)	($3,992.4)	($4,491.5)	($4,491.5)
Average stock price at exercise					

NewsWatch

	2004 Stock Option	2005 Stock Option
	(Shares)	
For the Year Ended March 31, 2008		
Non-vested:		
March 31, 2007—outstanding	2,100	160
Granted		
Canceled	(140)	
Vested		
March 31, 2008—outstanding	1,960	160
Vested:		
March 31, 2007—outstanding		
Vested		
Exercised		
Canceled		
March 31, 2008—outstanding		
Exercise price	¥50,000	¥50,000
	($499.1)	($499.1)
Average stock price at exercise		

Brainer

	2006 Stock Option
	(Shares)
For the Year Ended March 31, 2008	
Non-vested:	
March 31, 2007—outstanding	
Granted	85,000
Canceled	
Vested	
March 31, 2008—outstanding	85,000
Vested:	
March 31, 2007—outstanding	
Vested	
Exercised	
Canceled	
March 31, 2008—outstanding	
Exercise price	¥30 ($0.3)
Average stock price at exercise	

8. 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, 2008 and 2007.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Deferred tax assets:			
Enterprise tax payable	**¥2,175**	¥2,059	**$21,713**
Allowance for doubtful accounts	**736**	995	**7,349**
Depreciation and amortization	**3,777**	2,949	**37,702**
Provision for Yahoo! Points	**888**	828	**8,868**
Other	**2,082**	1,868	**20,770**
Less valuation allowance	**(289)**	(419)	**(2,888)**
Total	**9,369**	8,280	**93,514**
Deferred tax liabilities—Unrealized gain on available-for-sale securities	**1,164**	945	**11,626**
Net deferred tax assets	**¥8,205**	¥7,335	**$81,888**

Reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2008 is as follows:

	2008
Normal effective statutory tax rate	40.7%
Loss on write-down of investment securities	1.5
Amortization of goodwill	1.2
Equity earnings and losses under the equity method	1.1
Expenses not deductible for income tax purpose	0.2
Other—net	(0.2)
Actual effective tax rate	44.5%

Reconciliation for the year ended March 31, 2007 was not presented because the difference between the two tax rates was not material.

9. 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, 2008 and 2007 were ¥5,877 million ($58,657 thousand) and ¥4,624 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, 2008 and 2007 is as follows:

	Millions of Yen			
	2008			
	Buildings and Structures	Equipment	Software	Total
Acquisition cost	¥13	¥132	¥ 60	¥205
Accumulated depreciation	(4)	(48)	(32)	(84)
Net leased property	¥ 9	¥ 84	¥ 28	¥121

	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

	Thousands of U.S. Dollars			
	2008			
	Buildings and Structures	Equipment	Software	Total
Acquisition cost	$133	$1,312	$ 603	$2,048
Accumulated depreciation	(38)	(475)	(322)	(835)
Net leased property	$ 95	$ 837	$ 281	$1,213

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year	¥ 34	¥ 36	$ 345
Due after one year	91	89	906
Total	¥125	¥125	$1,251

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Depreciation expense	¥40	¥40	$396
Interest expense	5	4	48
Total	¥45	¥44	$444

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, 2008 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	**¥1,299**	**$12,968**
Due after one year	**2,573**	**25,676**
Total	**¥3,872**	**$38,644**

10. 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, 2008 and 2007, assets and liabilities denominated in foreign currencies are translated at the contract rates and no gains or losses on derivative transactions are recognized. Therefore, market value information of derivatives is not presented.

11. 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, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Royalty paid	**¥7,510**	¥ 6,025	**$74,957**
Sales of advertisement		40,100	
Sale of investment securities:			
Proceeds from sale		294	
Gain on sale		241	
Stock subscription		¥120,000	

The balances due to or from the related companies at March 31, 2008 and 2007 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	**2008**
Accounts receivable		¥ 4,191	
Investment securities		120,000	
Other payable	**¥2,719**	¥ 2,411	**$27,136**

Transactions of the Group with directors for the year ended March 31, 2008 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
Exercise of stock options	**¥57**	**$568**

12. 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, 2008 and 2007 is as follows:

	Millions of Yen	Thousands	Yen	U.S. Dollars
	Net Income	Weighted-average Shares	EPS	
Year Ended March 31, 2008				
Basic EPS—Net income available to common shareholders	**¥62,618**	**60,485**	**¥1,035.27**	**$10.33**
Effect of dilutive securities—Warrants		**86**		
Diluted EPS—Net income for computation	**¥62,618**	**60,571**	**¥1,033.79**	**$10.32**
Year Ended March 31, 2007				
Basic EPS—Net income available to common shareholders	¥57,963	60,462	¥958.66	
Effect of dilutive securities—Warrants		125		
Diluted EPS—Net income for computation	¥57,963	60,587	¥956.70	

13. SUBSEQUENT EVENTS

a. Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2008 was approved at the Company's general shareholders meeting held on June 24, 2008:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥104.00 ($1.04) per share	¥6,292	$62,803

b. Acquisition of Treasury Shares

At the Board of Directors meeting held on May 23, 2008, the Board approved a proposal authorizing the Company to acquire up to 1,210 thousand of its common shares, which is equivalent to 2.00% of the entire issued shares, at an aggregate acquisition price of up to ¥60,000 million ($598,862 thousand) as treasury stocks in order to gain financial efficiency and to return its profit to investors. The acquisition will be made via market by a trust from June 2, 2008 to September 24, 2008. The Company intends to dispose all of treasury stocks to be acquired.

14. SEGMENT INFORMATION

The Group classifies its services into three segments, namely, (1) advertising, (2) business services, and (3) personal services, as summarized below.

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.

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 services 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, 2008 and 2007 is as follows:

(1) Business Segments

a. Sales and Operating Income

	Millions of Yen				
	2008				
	Advertising	Business Services	Personal Services	Eliminations/ Corporate	Consolidated
Sales to customers	¥131,041	¥57,999	¥72,987		¥262,027
Intersegment sales	3	70	67	¥ (140)	
Total sales	131,044	58,069	73,054	(140)	262,027
Operating expenses	66,294	34,506	24,371	12,048	137,219
Operating income	¥ 64,750	¥23,563	¥48,683	¥(12,188)	¥124,808

b. Assets, Depreciation and Amortization, and Capital Expenditures

	Millions of Yen				
	2008				
	Advertising	Business Services	Personal Services	Eliminations/ Corporate	Consolidated
Assets	¥44,829	¥34,828	¥31,923	¥258,080	¥369,660
Depreciation and amortization	4,166	2,323	2,966	725	10,180
Capital expenditures	4,530	2,516	3,190	744	10,980

a. Sales and Operating Income

	Thousands of U.S. Dollars				
	2008				
	Advertising	Business Services	Personal Services	Eliminations/ Corporate	Consolidated
Sales to customers	$1,307,930	$578,893	$728,481		$2,615,304
Intersegment sales	30	704	665	$ (1,399)	
Total sales	1,307,960	579,597	729,146	(1,399)	2,615,304
Operating expenses	661,688	344,411	243,239	120,256	1,369,594
Operating income	$ 646,272	$235,186	$485,907	$(121,655)	$1,245,710

b. Assets, Depreciation and Amortization, and Capital Expenditures

	Thousands of U.S. Dollars				
	2008				
	Advertising	Business Services	Personal Services	Eliminations/ Corporate	Consolidated
Assets	$447,436	$347,616	$318,626	$2,575,913	$3,689,591
Depreciation and amortization	41,580	23,189	29,605	7,231	101,605
Capital expenditures	45,213	25,115	31,839	7,426	109,593

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 and 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

(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 sheets of Yahoo Japan Corporation (the "Company") and consolidated subsidiaries as of March 31, 2008 and 2007, and the related consolidated statements of income, changes in equity, and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 13 to the consolidated financial statements, the Board of Directors of the Company approved a proposal authorizing the Company to acquire its common shares.

Our audits 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 24, 2008