

Results for the Fiscal Year and Three Months Ended March 31, 2006 (FY2005-4Q) (Consolidated Basis)

2006.4.20

Company name **Yahoo Japan Corporation** (code number: 4689 TSE 1st Section)
(URL: <http://www.yahoo.co.jp>)

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1. Significant Matters Concerning the Preparation of Quarterly Financial Information

- (1) Use of simplifications in accounting methods: No
(2) Change in accounting methods in the current fiscal year: No
(3) Change in scope of consolidation or application of equity method: Yes
- New consolidated subsidiary 2 Subsidiary removed from consolidation 2
Company newly accounted for by the equity method 1
Company no longer accounted for by the equity method 0

2. Results for FY2005-4Q (January 1, 2006-March 31, 2006)

(1) Consolidated Financial Results (Amounts less than one million yen are omitted)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen (%)		Millions of yen (%)		Millions of yen (%)		Millions of yen (%)	
FY2005-4Q	47,056	(31.3)	23,587	(34.5)	22,940	(31.2)	12,991	(25.9)
FY2004-4Q	35,841	(58.7)	17,539	(40.9)	17,485	(39.2)	10,316	(33.5)
(For reference)								
FY2005	173,695	(47.5)	82,133	(36.5)	79,867	(32.5)	47,090	(28.9)
FY2004	117,779	(55.4)	60,187	(46.0)	60,295	(46.0)	36,521	(47.1)

	Net income per share-primary	Net income per share-diluted
	Yen	Yen
FY2005-4Q	411.56	410.58
FY2004-4Q	1,308.35	1,304.64
(For reference)		
FY2005	1,536.40	1,532.38
FY2004	4,766.03	4,750.62

Notes: 1. Average outstanding shares during the periods (Consolidated basis)

FY2005-4Q:	31,566,031 shares	FY2004-4Q:	7,884,950 shares
FY2005:	30,541,230 shares	FY2004:	7,629,257 shares

2. Percentage change figures for net sales, operating income, ordinary income, and net income represent percentage changes from the corresponding periods in the previous fiscal year.

* For detailed information regarding consolidated management performance, please see Pages 4-5 and 11-13 of the Attached Materials.

(2) Consolidated Financial Position

	Total assets	Shareholders' equity	Ratio of shareholders' equity	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
FY2005-4Q	190,974	142,455	74.6	4,707.60
FY2004-4Q	130,244	96,059	73.8	12,702.14

Note: Number of shares issued and outstanding at the end of each period (Consolidated basis)

FY2005-4Q: 30,225,105 shares

FY2004-4Q: 7,549,833 shares

* For detailed information regarding changes in financial status, please see Pages 8~9 and 15~16 of the Attached Materials.

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the quarter
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2005-4Q	23,618	-3,755	150	98,035
FY2004-4Q	20,896	-6,668	197	68,992
(For reference)				
FY2005	59,604	-27,532	-3,028	98,035
FY2004	46,083	-17,119	384	68,992

3. Business Outlook for FY2006-1Q (April 1, 2006-June 30, 2006)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
FY2006-1Q	50,000~53,400	22,600~25,250	12,950~14,500

Estimated consolidated net income per share for the quarter: ¥424.02~ ¥474.77

(For reference) Non-Consolidated Business Outlook for FY2006-1Q (April 1, 2006-June 30, 2006)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
FY2006-1Q	46,300~49,500	23,350~26,000	13,950~15,500

Estimated non-consolidated net income per share for the quarter: ¥456.76~ ¥507.51

Forward-Looking Information Used in Performance Estimates

Performance estimates have been made based on the information available to Yahoo Japan Corporation (the "Company"), and the Company and its consolidated subsidiaries and affiliates (the "Group") at the current point in time. Consequently, changes in the underlying factors could cause actual results to differ significantly.

For details regarding the previously mentioned performance estimates, please see Pages 6 of the Attached Materials.

The Company carried out a stock split on April 1, 2006. However, the average number of outstanding shares (30,541,230 shares) used in the calculation of estimations above is the average for the fiscal year ended March 2006.

【For reference】 Non-Consolidated Results for FY2005-4Q (January 1, 2006-March 31, 2006)

(1) Non-consolidated Financial Results

(Amounts less than one million yen are omitted)

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen (%)			
FY2005-4Q	43,803 (38.1)	23,398 (32.0)	23,486 (30.2)	13,802 (28.9)
FY2004-4Q	31,730 (51.9)	17,730 (45.1)	18,040 (44.9)	10,708 (46.8)
(For reference)				
FY2005	154,460 (43.8)	81,588 (35.3)	82,111 (34.8)	49,725 (33.8)
FY2004	107,407 (52.8)	60,318 (47.3)	60,922 (48.2)	37,157 (52.8)

	Net income per share-primary	Net income per share-diluted
	Yen	Yen
FY2005-4Q	437.26	436.22
FY2004-4Q	1,358.07	1,354.21
(For reference)		
FY2005	1,622.67	1,618.42
FY2004	4,849.47	4,833.79

Notes: 1. Average outstanding shares during the periods

FY2005-4Q: 31,566,031 shares FY2004-4Q: 7,884,950 shares

FY2005: 30,541,230 shares FY2004: 7,629,257 shares

2. Percentage change figures for net sales, operating income, ordinary income, and net income are percentage changes compared with the corresponding periods in the previous fiscal year.

(2) Non-consolidated Financial Position

	Total assets	Shareholders' equity	Ratio of shareholders' equity	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
FY2005-4Q	187,268	145,853	77.9	4,820.02
FY2004-4Q	126,210	96,830	76.7	12,804.29

Note: Number of shares issued and outstanding at the end of each period

FY2005-4Q: 30,225,105 shares

FY2004-4Q: 7,549,883 shares

Attached Materials

Highlights for the Fiscal Year Ended March 31, 2006

- The Group recorded substantial growth during the fiscal year under review. Net sales climbed 47.5% year on year, to ¥173.6 billion while operating income rose 36.5%, to ¥82.1 billion, and ordinary income increased 32.5%, to ¥79.8 billion. Net income amounted to ¥47.0 billion, a 28.9% increase from the previous fiscal year.
- During calendar year 2005, Internet advertising continued to post high growth. According to DENTSU INC.'s report on "2005 Advertising Expenditures in Japan," Internet advertising surged 54.8% year on year, to ¥280.8 billion in 2005 amid declines in advertising revenues among the top four mass media categories. Amid this high growth, the Group aggressively marketed core products, such as Brand Panel for top pages, to National Clients. Sponsor Site sales were also favorable. Consequently, advertising sales for the fiscal year posted another record high, soaring 75.7% year on year, to ¥68.4 billion.
- In business services other than advertising, Yahoo! Rikunabi recorded favorable growth, boosted by a rise in recruiting needs along with the recovery in the economy. As a result of the efforts of the Auction and Shopping businesses to attract more stores to their sites, the number of merchant stores registered on their sites reached 16,323 at the end of March 2006, reflecting an increase of 8,172 stores, or 100.3%, within the space of one year. During the fiscal year, the Group took steps to increase its mobile capabilities, setting up a mobile version of Yahoo! Shopping among other activities. INFO PLANT CO., LTD. became a subsidiary of the Company, helping business service sales advance sharply to ¥35.8 billion, up 51.7%.
- In the Group's personal service business, although system-use revenues of Yahoo! Auctions suffered in the first half due to actions taken to improve site security, overall system-use revenues were favorable over the fiscal year due to growth in fashion and winter item transactions. The number of Yahoo! Premium member IDs rose to 6.15 million at the end of March 2006, up 21.2% year on year, also pushing up Yahoo! Premium sales substantially. Overall, personal service sales climbed 25.7%, to ¥60.5 billion.

Fourth Quarter Highlights for the Fiscal Year Ended March 2006

- The performance of the Group advanced during the fourth quarter despite the lack of sales from Seven and Y Corp ("Seven and Y"). Seven and Y was removed from the consolidation and became an affiliate accounted for by the equity method during period under review. Supported by good growth in the advertising and business service sales of the Listing Business and in the personal service sales of the Corporate Common Business, net sales for the fourth quarter climbed 0.9% from the previous quarter and 31.3% year on year, to

¥47,056 million. Operating income amounted to ¥23,587 million, rising 11.7% from the previous quarter and 34.5% from a year earlier. Ordinary income increased 11.6% from the previous quarter and 31.2% year on year, to ¥22,940 million. The operating margin was 50.1%, up 4.8 percentage points from the previous quarter, and 1.4 percentage points up if Seven and Y had been eliminated from the previous quarter results.

- Among advertising sales, Sponsor Site sales surged, particularly to the financial services, recruiting, and real estate industries. Although branding advertising demand was slow at the beginning of the year, by focusing on capturing fiscal year end demand, the Group achieved record high advertising sales of ¥20,544 million, up 13.5% from the previous quarter and 64.6% year on year.
- In business services other than advertising, Yahoo! Rikunabi performed well during the quarter supported partially by the full-scale start to the recruiting season. In addition, Yahoo! Real Estate posted strong growth, mainly from listings of new houses. Consequently, business service sales advanced 11.6% from the previous quarter and 38.6% year on year, to ¥10,562 million.
- In the Group's personal service business, Yahoo! Premium sales were strong, but the system-use revenues of Yahoo! Auctions declined slightly. As a result, personal service sales amounted to ¥15,949 million, edging up 1.4% from the previous quarter and 20.1% year on year. Although the transaction volume of the previous quarter was strong because of the year-end sales boost, daily transaction volume during the quarter showed 7.7% up from the previous quarter to ¥407 million for the Shopping Business, and down 1.5% from the previous quarter to ¥1,912 million for the Auction Business.
- In the fourth quarter, the Company recorded an extraordinary loss of approximately ¥600 million for the costs related to the dissolution in February of an Internet banking business contract with Aozora Bank, Ltd. In March 2006, the Company reached an agreement with the Sumitomo Mitsui Banking Corporation Group on a strategic alliance in the Internet financial services business. The partners are aiming to get services under way during 2006.
- On January 18, 2006, daily user access of Yahoo! JAPAN surpassed 1.2 billion page views for the first time.

Performance Outlook

The business climate surrounding the Company and its Group can fluctuate widely over a short interval. Consequently, it is extremely difficult to make performance estimates for the full fiscal year with a high degree of reliability.

The Company and its Group view the degree of service usage by its customers are an important factor in their business development. Specifically, we place great significance on the numbers of page views, which indicate overall access and access per service; unique browsers; and active user IDs, which signify the number of users with Yahoo! JAPAN IDs that log on monthly. In addition, the numbers of Yahoo! Premium IDs, indicating pay service users, and Yahoo! BB subscribers and the commerce transaction volumes of Yahoo! Auctions and Yahoo! Shopping are also considered to be important indicators.

Our estimations of income and expenses are based on the trends in these indicators, but in the rapidly changing environment of the Internet, it is difficult to establish a specific rate of growth or change in these indicators. Accordingly, we limit our performance estimates announced with each quarter report to estimates of performance for the next quarter.

However, changes in conditions could result in the possibility of actual performance varying significantly from announced estimates. In such cases, we are committed to quickly announcing revisions in our estimates.

Consolidated Performance Estimates for the First Quarter of the Fiscal Year Ending March 31, 2007 (FY2006-1Q):

Net sales	¥50,000 million ~ ¥53,400 million
Ordinary income	¥22,600 million ~ ¥25,250 million
Net income	¥12,950 million ~ ¥14,500 million

Non-consolidated Performance Estimates for the First Quarter of the Fiscal Year Ending March 31, 2007 (FY2006-1Q):

Net sales	¥46,300 million ~ ¥49,500 million
Ordinary income	¥23,350 million ~ ¥26,000 million
Net income	¥13,950 million ~ ¥15,500 million

1. Consolidated Balance Sheets

(Millions of yen)

	As of Mar. 31, 2006	As of Dec. 31, 2005	Comparison with the previous quarter		As of Mar. 31, 2005	Comparison with the previous fiscal year	
	Amount	Amount	Increase/ decrease	Change	Amount	Increase/ decrease	Change
Assets							
Current assets							
Cash and cash equivalents (*1)	98,038	78,025	20,013	25.7%	68,992	29,046	42.1%
Notes and accounts Receivable-trade (*2)	25,213	22,386	2,826	12.6%	18,293	6,920	37.8%
Inventory	165	118	46	39.2%	180	-15	-8.3%
Accounts receivable-other	852	1,356	-504	-37.2%	616	235	38.3%
Short-term loans (*3)	3,656	4,624	-968	-20.9%	2,263	1,392	61.5%
Deferred tax assets	3,472	2,598	874	33.6%	2,233	1,238	55.4%
Other current assets	2,595	2,231	364	16.3%	1,195	1,400	117.1%
Allowance for doubtful accounts	-1,805	-1,795	-10	0.6%	-1,364	-440	32.3%
Total current assets	132,188	109,546	22,642	20.7%	92,410	39,778	43.0%
Fixed assets							
Tangible fixed assets (*4)							
Buildings and structures	1,518	1,571	-53	-3.4%	1,597	-79	-5.0%
Machinery and equipment	12,414	11,631	783	6.7%	10,095	2,319	23.0%
Other tangible fixed assets	82	45	36	80.0%	182	-100	-54.8%
Total tangible fixed assets	14,015	13,248	766	5.8%	11,875	2,139	18.0%
Intangible fixed assets							
Goodwill (*5)	4,128	3,567	560	15.7%	1,807	2,320	128.4%
Other intangible fixed assets (*6)	7,573	6,440	1,133	17.6%	3,756	3,817	101.6%
Total intangible fixed assets	11,702	10,008	1,694	16.9%	5,563	6,138	110.3%
Investments and others							
Investment securities (*7)	28,700	29,278	-578	-2.0%	13,946	14,753	105.8%
Long-term loans (*3)	-	147	-147	-	3,656	-3,656	-
Others	4,389	4,023	365	9.1%	2,841	1,548	54.5%
Allowance for doubtful accounts	-21	-22	0	-2.7%	-50	28	-56.9%
Total investments and others	33,067	33,427	-359	-1.1%	20,393	12,674	62.1%
Total fixed assets	58,785	56,684	2,101	3.7%	37,833	20,952	55.4%
Total assets	190,974	166,230	24,743	14.9%	130,244	60,730	46.6%

(Millions of yen)

	As of Mar. 31, 2006	As of Dec. 31, 2005	Comparison with the previous quarter		As of Mar. 31, 2005	Comparison with the previous fiscal year	
	Amount	Amount	Increase/ decrease	Change	Amount	Increase/ decrease	Change
Liabilities							
Current liabilities							
Accounts payable-trade (*8)	889	2,652	-1,762	-66.5%	1,228	-338	-27.6%
Short-term loans	208	232	-24	-10.6%	319	-111	-34.9%
Accounts payable-other (*9)	12,418	11,236	1,181	10.5%	7,618	4,799	63.0%
Accrued income taxes (*10)	23,484	12,836	10,647	82.9%	16,676	6,808	40.8%
Reserve for point system	1,336	1,158	178	15.4%	477	859	179.9%
Other current liabilities (*11)	7,151	6,670	481	7.2%	5,243	1,907	36.4%
Total current liabilities	45,489	34,787	10,701	30.8%	31,564	13,924	44.1%
Long-term liabilities							
Long-term deferred taxes(*12)	1,618	2,049	-430	-21.0%	1,946	-327	-16.8%
Reserve for retirement allowances	-	14	-14	-	13	-13	-
Other long-term liabilities	44	200	-156	-77.9%	198	-153	-77.6%
Total long-term liabilities	1,663	2,264	-601	-26.5%	2,158	-495	-23.0%
Total liabilities	47,152	37,051	10,100	27.3%	33,723	13,429	39.8%
Minority interests in consolidated subsidiaries							
Minority interests in consolidated subsidiaries	1,367	1,198	168	14.1%	461	906	196.5%
Shareholders' equity							
Common stock (*13)	7,032	6,906	126	1.8%	6,692	340	5.1%
Additional paid-in capital	2,113	1,987	126	6.4%	1,773	340	19.2%
Retained earnings (*14)	126,737	113,746	12,991	11.4%	83,461	43,276	51.9%
Other securities evaluation adjustment (*15)	6,597	5,367	1,230	22.9%	4,161	2,436	58.5%
Account of exchange adjustment	1	0	0	30.6%	-	1	-
Treasury stock	-28	-27	-0	0.8%	-27	-0	0.8%
Total shareholders' equity	142,455	127,980	14,474	11.3%	96,059	46,395	48.3%
Total liabilities, minority interests in consolidated subsidiaries and shareholders' equity	190,974	166,230	24,743	14.9%	130,244	60,730	46.6%

Main Points Regarding Consolidated Balance Sheets for the Fourth Quarter

Assets

- *1 The increase in cash and cash equivalents compared with the previous quarter and year on year was principally due to earnings growth based on sales activities.
- *2 The increase in notes and accounts receivable-trade compared with the previous quarter and year on year is chiefly due to increase in sales from advertising and business services.
- *3 The decrease in short-term and long-term loans compared with the previous quarter is chiefly due to the recovery of loans made based on a finance scheme for Yahoo! BB's business. All such long-term loan amounts have now been transferred to short-term loans.

- *4 The increase in tangible fixed assets compared with the previous quarter and year on year was mainly due to additional installations, such as servers, etc.
- *5 Although there were amortization booked during the quarter, goodwill increased compared with the previous quarter due to the acquisition of NewsWatch, Inc.
- *6 The expansion in other intangible fixed assets compared with the previous quarter and year on year was primarily due to growth in software.
- *7 Although the market value of investment securities increased, the booked amount declined compared with the previous quarter due to the write off of an amount equivalent to the amortization of goodwill as to the companies accounted for by the equity method.

Liabilities

- *8 The decrease in accounts payable-trade from the previous quarter and year on year resulted mainly from the sales of a portion of Seven and Y shares and the elimination of Seven and Y as a consolidated subsidiary. As of the fourth quarter, Seven and Y became an affiliate accounted for by the equity method.
- *9 The growth in accounts payable-other compared with the previous quarter and year on year resulted primarily from the increase in operating expenses and the additional installations, such as servers.
- *10 The increase in accrued income taxes compared with the previous quarter and year on year can primarily be attributed to income growth.
- *11 The main components of other current liabilities were accrued consumption tax and deposits payable related to the business growth of Netrust, Ltd.
- *12 Deferred taxes mainly arose due to the mark-to-market of investment securities.

Shareholders' Equity

- *13 The increase in common stock compared with the previous quarter and year on year was due to the exercise of stock options.
- *14 The growth in retained earnings compared with the previous quarter and year on year can be attributed to the increase in net income.
- *15 The increase in the other securities evaluation adjustment compared with the previous quarter and year on year was mainly due to the mark-to-market of investment securities.

2. Consolidated Statements of Income (January1, 2006-March 31, 2006)

(Millions of yen)

	Three months ended Mar. 31, 2006		Three months ended Dec. 31, 2005	Comparison with the previous quarter		Three months ended Mar. 31, 2005
	Amount	% share	Amount	Increase/ decrease	Change	Amount
Net sales	47,056	100.0%	46,621	434	0.9%	35,841
Cost of sales	1,662	3.5%	4,251	-2,589	-60.9%	3,256
Gross profit	45,394	96.5%	42,370	3,024	7.1%	32,585
SG&A expenses	21,806	46.4%	21,246	560	2.6%	15,046
Personnel expenses (*1)	4,002	8.5%	3,920	82	2.1%	2,850
Business commissions (*2)	3,013	6.4%	2,958	54	1.9%	1,894
Sales commissions	2,430	5.2%	2,261	169	7.5%	1,500
Depreciation expenses (*3)	2,017	4.3%	1,748	269	15.4%	1,386
Sales promotion costs	1,895	4.0%	1,910	-15	-0.8%	606
Communication charges (*4)	1,541	3.3%	1,423	118	8.3%	1,166
Royalties	1,335	2.8%	1,241	94	7.6%	960
Lease and utility expenses	1,229	2.6%	1,158	70	6.1%	802
Content provider fees (*5)	1,015	2.2%	929	86	9.3%	615
Payment commissions	718	1.5%	715	3	0.5%	521
Advertising costs (*6)	442	0.9%	581	-138	-23.8%	361
Allowance for doubtful accounts	368	0.8%	360	7	2.1%	255
Administrative and maintenance expenses (*7)	310	0.7%	283	27	9.6%	208
Amortization of goodwill	301	0.6%	307	-6	-2.0%	173
Tax and public dues (*8)	232	0.5%	199	33	16.6%	178
Others (*9)	950	2.1%	1,246	-296	-23.8%	1,562
Operating income	23,587	50.1%	21,123	2,463	11.7%	17,539
Non-operating expenses (income)	-647	-1.3%	-561	-86	-	-53
Ordinary income	22,940	48.8%	20,562	2,377	11.6%	17,485
Extraordinary losses (gains)	-1,196	-2.6%	977	-2,173	-	20
Quarterly income before income taxes	21,744	46.2%	21,540	203	0.9%	17,505
Income taxes, inhabitants' taxes and enterprise taxes	10,661	22.7%	9,096	1,564	17.2%	8,195
Adjustment to income taxes	-1,990	-4.2%	-304	-1,686	-	-1,010
Minority interests in losses (gains) of consolidated subsidiaries	81	0.1%	101	-20	-19.9%	4
Quarterly net income	12,991	27.6%	12,646	345	2.7%	10,316

Consolidated Statements of Income (April 1, 2005-March 31, 2006)

(Millions of yen)

	Fiscal year ended Mar. 31, 2006		Fiscal year ended Mar. 31, 2005	Comparison with the previous fiscal year	
	Amount	% share	Amount	Increase/ decrease	Change
Net sales	173,695	100.0%	117,779	55,916	47.5%
Cost of sales	12,843	7.4%	8,931	3,911	43.8%
Gross profit	160,852	92.6%	108,847	52,004	47.8%
SG&A expenses	78,719	45.3%	48,660	30,059	61.8%
Personnel expenses (*1)	14,730	8.5%	9,536	5,193	54.5%
Business commissions (*2)	10,904	6.3%	6,481	4,423	68.2%
Sales commissions	8,377	4.8%	4,778	3,598	75.3%
Sales promotion costs	6,721	3.9%	2,134	4,586	214.8%
Depreciation expenses (*3)	6,662	3.8%	4,462	2,200	49.3%
Communication charges (*4)	5,674	3.3%	4,138	1,536	37.1%
Royalties	4,708	2.7%	3,379	1,329	39.3%
Lease and utility expenses	4,251	2.4%	2,561	1,690	66.0%
Content provider fees (*5)	3,346	1.9%	2,357	988	41.9%
Payment commissions	2,537	1.5%	1,444	1,093	75.7%
Advertising costs (*6)	1,765	1.0%	988	776	78.6%
Allowance for doubtful accounts	1,393	0.8%	847	546	64.5%
Administrative and maintenance expenses (*7)	1,088	0.6%	696	392	56.4%
Amortization of goodwill	991	0.6%	330	661	200.3%
Packing and transport expenses	844	0.5%	686	158	23.1%
Others	4,720	2.7%	3,837	883	23.0%
Operating income	82,133	47.3%	60,187	21,945	36.5%
Non-operating expenses (income)	-2,265	-1.3%	108	-2,374	-
Ordinary income	79,867	46.0%	60,295	19,571	32.5%
Extraordinary gains (losses)	96	0.0%	435	-338	-77.9%
Income before income taxes	79,963	46.0%	60,730	19,232	31.7%
Income taxes, inhabitants' taxes and enterprise taxes	35,710	20.6%	24,706	11,004	44.5%
Adjustment to income taxes	-3,118	-1.8%	-467	-2,650	-
Minority interests in losses (gains) of consolidated subsidiaries	279	0.1%	-28	308	-
Net income for the period	47,090	27.1%	36,521	10,569	28.9%

Main Points Regarding Statements of Income for the Fourth Quarter

Net Sales

The growth in net sales from the previous quarter can be mainly attributed to increased advertising and business services sales of the Listing business and the personal services sales of the corporate common business. Sales of consolidated subsidiaries, on a gross total basis, were ¥3,760 million for the fourth quarter.

Cost of Sales

Cost of sales decreased from the previous quarter and year on year, primarily because

Seven and Y was removed from the consolidation due to the partial sale of shares. Seven and Y has been accounted for by equity method from this quarter.

Selling, General and Administrative Expenses

***1 Personnel expenses**

At the end of the quarter, after eliminating overlap, the total number of directors and employees of the Group amounted to 2,576 up 821, or 46.8%, from the end of the same quarter in the previous fiscal year.

***2 Business commissions**

The main business commissions for the quarter were expenses for temporary and contracted employees, the settlement operations of personal services sales, and Yahoo! BB's call center.

***3 Depreciation expenses**

Depreciation expenses increased compared with the previous quarter and year on year primarily because of the addition of servers and other equipment. Starting with the current fiscal year, the number of years of useful life has been reduced on some assets.

***4 Communication charges**

Communication charges increased compared with the previous quarter and year on year primarily because of the addition of data center.

***5 Content provider fees**

Content provider fees increased compared with the third quarter and year on year because of an increased payments to the content providers due to an increase and improvements in Olympics related and search services provided.

***6 Advertising costs**

Advertising costs decreased compared with the third quarter because expenses for events and the publication of guidebooks were incurred in the third quarter.

***7 Administrative and maintenance expenses**

Administrative and maintenance expenses expanded compared with the previous quarter and year on year principally because of increased maintenance expenses for software and hardware.

***8 Tax and public dues**

Tax and public dues increased compared with the previous quarter and year on year mainly due to higher pro forma standard taxes caused by income growth.

*9 Others

The major points of others in the fourth quarter were increase in hiring expenses compared with the previous quarter and decrease in fixtures and fittings expenses and compensation payments. Packing and transport expenses declined because Seven and Y is no longer a consolidated subsidiary.

Non-Operating Income (Expenses)

The main component of non-operating income for the quarter was interest earned from loan based on finance scheme on Yahoo! BB business. The main components of non-operating expenses were loss of affiliate on equity method and loss on disposal of fixed assets.

Extraordinary Gains (Losses)

The major extraordinary gain recorded during the fourth quarter was a gain on sale of investment securities, while the major extraordinary losses were a loss on writing off goodwill and expenses on dissolution of business contract.

Income Taxes, etc.

The effective income tax rate for the quarter was 39.9%.

Minority Interests in Gains (Losses) of Consolidated Subsidiaries

Minority interest gains/losses reflects the interest of shareholders other than the Company in the profits and losses of subsidiaries.

Quarterly Net Income

Net income per share for the quarter amounted to ¥411.56.

3. Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended Mar. 31, 2006	Fiscal year ended Mar. 31, 2006
Cash flows from operating activities:		
Income before income taxes for the periods	21,744	79,963
Depreciation and amortization	2,102	6,922
Losses on impairment	60	195
Amortization of goodwill	349	1,039
Increase in allowance for doubtful accounts	11	411
Additions to reserve for point system	178	859
Decrease in reserve for retirement allowances	-28	-27
Losses on disposal of fixed assets	87	211
Losses on sale of fixed assets	0	28
Losses on evaluation of investment securities	1,087	1,087
Gains/losses on sale of investment securities	-500	-1,512
Cost for dissolution of business alliance	597	597
Exchange gains/losses	-	-0
Equity in losses/gains under the equity method	703	2,689
Losses/gains on change in affiliate holding ratio	25	-370
Proceeds from interest and dividends	-128	-653
Interest expenses	0	5
Increase/decrease in inventory	-43	36
Increase in notes and accounts receivable-trade (*1)	-2,649	-6,353
Increase in accounts payable-trade	162	1,386
Increase in accounts receivable-other	-625	-2,549
Increase in accounts payable-other (*2)	1,171	5,305
Increase in consumption tax payable	230	390
Payment of bonuses to directors	-	-160
Other cash flows	-159	-409
Payment for dissolution of business alliance	-597	-597
Payment of income taxes and other taxes	-159	-28,892
Cash flows from operating activities	23,618	59,604
Cash flows from investing activities:		
Expenditures on tangible fixed assets (*3)	-2,092	-7,228
Expenditures on intangible fixed assets (*4)	-1,413	-4,084
Expenditures on investment securities	-1	-15,209
Proceeds from sale of investment securities	906	1,962
Expenditures on increase in equity funds	-56	-230
Proceeds from decrease in equity	0	300
Expenditures from acquisition of stock of subsidiaries (*5)	-1,061	-3,983
Expenditures from sale of stock of subsidiaries	-865	-865
Proceeds from recovery of lending (*6)	1,115	2,263
Expenditures on increase in guarantee deposit assets	-430	-1,065
Proceeds from decrease in guarantee deposit assets	35	51
Proceeds from interest and dividends	104	557
Other cash flows	5	-0
Cash flows from investing activities	-3,755	-27,532

(Millions of yen)

	Three months ended Mar. 31, 2006	Fiscal year ended Mar. 31, 2006
Cash flows from financing activities:		
Proceeds from short-term loan	20	460
Redemption of short-term loan (*7)	-102	-602
Proceeds from issuance of shares (*8)	248	666
Proceeds from payments by minority interests	-	100
Expenditures on treasury stock	-0	-0
Expenditures on payments of dividends	-0	-3,654
Interest expenses	-0	-5
Other cash flows	-14	6
Cash flows from financing activities	150	-3,028
Effect of exchange rate changes on cash and cash equivalents	-	0
Net change in cash and cash equivalents	20,013	29,043
Cash and cash equivalents at the beginning of the periods	78,021	68,992
Cash and cash equivalents at the end of the periods	98,035	98,035

Main Points Regarding Statements of Cash Flows for the Fourth Quarter

Cash Flows from Operating Activities

*1 Notes and accounts receivable-trade

The increase was chiefly attributable to growth in advertising and business services sales.

*2 Accounts payable-other

The increase was primarily attributable to increase in accrued amount payable.

Cash Flows from Investing Activities

*3 Expenditures on tangible fixed assets

Expenditures were a result of purchase of servers and other equipment and expansion of office space.

*4 Expenditures on intangible fixed assets

Expenditures were chiefly for the increase of software.

*5 Expenditures from acquisition of stock of subsidiaries

Expenditures were from the acquisition of subsidiary.

*6 Proceeds from the recovery of loans

Proceeds were chiefly due to the recovery of loans made based on a finance scheme for Yahoo! BB.

Cash Flows from Financing Activities

- *7 Redemption of short-term loan
Redemption resulted from the redemption of short-term loans of subsidiaries.

- *8 Proceeds from issuance of shares
Proceeds were from the exercise of stock options.

4. Segment Information

FY2005-4Q (January 1, 2006-March 31, 2006)

(Millions of yen)

	Listing	Auction	Media	Yahoo! BB	Shopping	BS	Corporate Common Business	Total	Elimination or Corporate	Consolidated
Net sales (Contribution)	15,041 (32.0%)	9,801 (20.8%)	5,291 (11.2%)	5,117 (10.9%)	2,069 (4.4%)	1,826 (3.9%)	8,040 (17.1%)	47,188 -	-132 (-0.3%)	47,056 (100.0%)
Operating expenses	3,613	3,999	3,197	3,007	1,659	1,882	3,168	20,527	2,941	23,469
Operating income (Contribution)	11,427 (48.4%)	5,802 (24.6%)	2,094 (8.9%)	2,109 (8.9%)	410 (1.7%)	-55 (-0.2%)	4,872 (20.7%)	26,661 -	-3,073 (-13.0%)	23,587 (100.0%)

FY2005-3Q (October 1, 2005-December 31, 2005)

(Millions of yen)

	Listing	Auction	Media	Yahoo! BB	Shopping	BS	Corporate Common Business	Total	Elimination or Corporate	Consolidated
Net sales (Contribution)	12,513 (26.8%)	9,635 (20.7%)	5,014 (10.8%)	4,935 (10.6%)	5,286 (11.3%)	1,561 (3.3%)	7,754 (16.6%)	46,701 -	-79 (-0.1%)	46,621 (100.0%)
Operating expenses	3,210	3,849	2,894	3,105	4,813	1,715	2,971	22,560	2,937	25,498
Operating income (Contribution)	9,303 (44.0%)	5,786 (27.4%)	2,119 (10.0%)	1,829 (8.7%)	472 (2.2%)	-153 (-0.7%)	4,783 (22.6%)	24,141 -	-3,017 (-14.2%)	21,123 (100.0%)

FY2004-4Q (January 1, 2005-March 31, 2005)

(Millions of yen)

	Listing	Auction	Media	Yahoo! BB	Shopping	BS	Corporate Common Business	Total	Elimination or Corporate	Consolidated
Net sales (Contribution)	9,718 (27.1%)	7,656 (21.4%)	3,406 (9.5%)	4,536 (12.7%)	3,568 (10.0%)	1,110 (3.1%)	5,902 (16.5%)	35,899 -	-58 (-0.3%)	35,841 (100.0%)
Operating expenses	2,385	2,912	1,937	1,867	3,498	1,218	1,904	15,725	2,577	18,302
Operating income (Contribution)	7,333 (41.8%)	4,744 (27.0%)	1,469 (8.4%)	2,668 (15.2%)	69 (0.4%)	-107 (-0.6%)	3,997 (22.8%)	20,174 -	-2,635 (-15.0%)	17,539 (100.0%)

FY2005 (April 1, 2005-March 31, 2006)

(Millions of yen)

	Listing	Auction	Yahoo! BB	Media	Shopping	BS	Corporate Common Business	Total	Elimination or Corporate	Consolidated
Net sales (Contribution)	49,561 (28.5%)	35,986 (20.7%)	19,484 (11.2%)	18,366 (10.6%)	15,962 (9.2%)	5,109 (2.9%)	29,524 (17.0%)	173,997 -	-301 (-0.1%)	173,695 (100.0%)
Operating expenses	12,225	14,518	11,808	10,786	14,217	5,592	11,098	80,246	11,315	91,562
Operating income (Contribution)	37,336 (45.5%)	21,468 (26.1%)	7,676 (9.3%)	7,580 (9.2%)	1,745 (2.1%)	-482 (-0.6%)	18,426 (22.4%)	93,750 -	-11,617 (-14.0%)	82,133 (100.0%)

FY2004 (April 1, 2004-March 31, 2005)

(Millions of yen)

	Listing	Auction	Yahoo! BB	Media	Shopping	BS	Corporate Common Business	Total	Elimination or Corporate	Consolidated
Net sales (Contribution)	29,359 (24.9%)	27,338 (23.2%)	16,799 (14.3%)	10,740 (9.1%)	10,593 (9.0%)	2,381 (2.0%)	20,748 (17.6%)	117,960 -	-181 (-0.1%)	117,779 (100.0%)
Operating expenses	6,909	9,546	6,790	6,875	10,197	2,536	6,286	49,141	8,449	57,591
Operating income (Contribution)	22,449 (37.3%)	17,792 (29.6%)	10,009 (16.6%)	3,864 (6.4%)	365 (0.7%)	-155 (-0.3%)	14,462 (24.0%)	68,818 -	-8,631 (-14.3%)	60,187 (100.0%)

Outline of Businesses

Segment	Main Services and Associated Subsidiaries
Listing Business	<p>Provides search services, such as Yahoo! Search and Yahoo! Category; information listing services, such as Yahoo! Rikunabi and Yahoo! Autos; and regional information services, such as Yahoo! Maps and Yahoo! Phone Book.</p> <ul style="list-style-type: none"> • ALPS MAPPING K.K. • BridalNet, Inc. • Indival, Inc.
Auction Business	<p>Operates the auction site.</p> <ul style="list-style-type: none"> • Netrust, Ltd.
Media Business	<p>Supplies information providing services, such as Yahoo! News and Yahoo! Finance; entertainment services, such as Yahoo! Movies; and community services, such as Yahoo! Message Boards.</p> <ul style="list-style-type: none"> • Y's Sports Inc. • Y's Insurance Inc.
Yahoo! BB Business	<p>Offers comprehensive broadband-related services.</p>
Shopping Business	<p>Operates online shopping site.</p> <ul style="list-style-type: none"> • Tricle Inc., others
Business Solutions (BS) Business	<p>Provides Yahoo! Research Internet survey services and domain/hosting services.</p> <ul style="list-style-type: none"> • INFO PLANT CO., LTD. • Firstserver, Inc., others
Corporate Common Business	<p>Advertising sales for the top page of Yahoo! JAPAN and Yahoo! Premium revenues.</p> <ul style="list-style-type: none"> • NETGENE Co., Ltd., others

5. Operating Review by Business

The Group employs a business division organizational system. The reason for adopting this type of business organization was to clarify responsibility for profits and losses and cause individual business to do their own business planning and create their own budgets. Moreover, the system is intended to optimize the allocation of human, physical, and financial resources and speed up decisions, thus maximizing results. Business that is not related to any one of 6 businesses but common to all business is termed Corporate Common Business.

The following is an outline of the activities of the six businesses and Corporate Common Business for the period. For the statement of income by business, the net sales have been classified into the following four types of services.

Type of Service	Sales Content
Advertising	Sales of banner, e-mail advertising, and other advertising listed on the sales sheet as well as related sales. <ul style="list-style-type: none"> • Regular banner, text, e-mail, and other advertising. • Results-based advertising, merchant margin, projected advertising production fees, and others. • Paid search services (Sponsor Site)
Business Services	Sales to corporations other than advertising. <ul style="list-style-type: none"> • Yahoo! BB customer acquisition incentive fees • Tenant fees and sales commissions for B to C auction and Yahoo! Shopping. • Yahoo! Research, Business Express, Yahoo! WebHosting, and other sales. • Information listing fees for Yahoo! Rikunabi, Yahoo! Real Estate, Yahoo! Autos, and others. • Magazine and book licensing fees, fees for permission to use the Yahoo! name.
Personal Services	Sales from services for individuals. <ul style="list-style-type: none"> • System-use fees for Yahoo! Auctions. • Yahoo! Premium revenues. • Yahoo! BB ISP fees, content fees and others.
Other	• Sales by Seven and Y Corp., and others.

Net Sales by Business (Fourth Quarter)

(Millions of yen)

	Advertising	Business Services	Personal Services	Other	Total
Listing	10,606	4,297	136	-	15,041
Auction	926	1,513	7,361	-	9,801
Media	4,559	247	484	-	5,291
Yahoo! BB	930	1,344	2,842	-	5,117
Shopping	752	1,317	-	-	2,069
BS	42	1,773	10	-	1,826
Corporate Common Business	2,726	200	5,114	-	8,040
Elimination or Corporate	-	-132	-	-	-132
Total	20,544	10,562	15,949	-	47,056

Net Sales by Business (Fiscal Year)

(Millions of yen)

	Advertising	Business service	Personal service	Other	Total
Listing	34,211	14,778	570	-	49,561
Auction	2,706	5,062	28,217	-	35,986
Yahoo! BB	2,782	5,708	10,993	-	19,484
Media	15,893	769	1,703	-	18,366
Shopping	2,660	4,375	-	8,926	15,962
Business Solutions (BS)	186	4,888	35	-	5,109
Corporate Common Business	9,962	541	19,020	-	29,524
Elimination or Corporate	-	-301	-	-0	-301
Total	68,404	35,823	60,541	8,926	173,695

(1) Listing Business

1) Major Business

This business provides search services, such as Yahoo! Search and Yahoo! Category; information listing services, such as Yahoo! Autos, Yahoo! Real Estate, and Yahoo! Rikunabi; and regional information services, such as Yahoo! Maps, Yahoo! Phone Book, and Yahoo! Gourmet. The business builds revenues by charging fees to the information providers and is developing a paid search business based on Sponsor Site.

Main Services: Yahoo! Search, Yahoo! Category, Yahoo! Product Search, Yahoo! Blog Search, Yahoo! Dictionary, Yahoo! Translation, Yahoo! Knowledge, Yahoo! Developer Network, Yahoo! Autos, Yahoo! Real Estate, Yahoo! Rikunabi, Yahoo! Education, Yahoo! Marriage, Yahoo! Wedding, Yahoo! Healthcare, Yahoo! Present, Yahoo! Maps, Yahoo! Transit, Yahoo! Traffic Information, Yahoo! Gourmet, Yahoo! Get Local, Yahoo! Area Search, Yahoo! My Town, Yahoo! Phone Book, Yahoo! Coupons, Business Express

2) Activities in the Fourth Quarter

In the fourth quarter we continued to build services, seeking further expansion in our user base. In our search services, in response to growing need for search services for blogs, which have grown sharply in popularity, we launched Yahoo! Blog Search (beta version). This service allows users to search the huge amount of information given in blogs to find and group blogs that suit their interests. In other areas, we expanded and improved our Yahoo! Product Search service, substantially increasing the number of items covered. In our information listing services, we targeted expansion in the number of users of Yahoo! Real Estate by running a campaign that gave users requesting newly-build house information a chance to win a luxury item by lottery. In our regional information services, we took steps to improve the functions of our services, including launching a mobile version of Yahoo! Area Search (beta version). This service enables mobile phone users to easily search for desired type stores and facilities by specified location as well as for information about the area in which users are currently located.

Major New Services and Service Upgrades

Date	New Services and Service Upgrades
March 13	<ul style="list-style-type: none"> Launched a beta version of Yahoo! Blog Search, which allows users to search the huge amount of blog information in Yahoo! Blog and elsewhere for blogs that suit their interests.
March 14	<ul style="list-style-type: none"> Started a mobile version of Yahoo! Area Search (beta version), which allows mobile phone users to simply search for information by their current location as well as surrounding areas.

Page Views (Figure in parentheses is change from previous quarter)

Monthly page views in March	4,747.67 million page views (+17.9%)	14.3% of total page views
Daily average page views in March	153.15 million page views (+17.9%)	

*The above figure includes page views of ALPS MAPPING K.K. and BridalNet, Inc.

Business Express Orders

January 2006	February 2006	March 2006
2,530 contracts	2,875 contracts	3,281 contracts

3) Income Statements for the Fourth Quarter

(Millions of yen)

	Fourth quarter	Comparison with the previous quarter		Fiscal year	Comments
		Increase/decrease	Change		
Net sales					<ul style="list-style-type: none"> Main components of business service sales are Business Express and information listing fees for Yahoo! Rikunabi, Yahoo! Real Estate. Yahoo! Autos. The main components of personal service sales are the sales of ALPS MAPPING K.K. and BridalNet, Inc. The main component of cost of sales was the expenses for producing the maps of ALPS MAPPING K.K. Main items in SG&A are personnel, content provider fees, business commissions, and royalty expenses.
Advertising	10,606	1,899	21.8%	34,211	
Business service	4,297	620	16.9%	14,778	
Personal service	136	7	5.7%	570	
Other	-	-	-	-	
Total	15,041	2,527	20.2%	49,561	
Cost of sales	300	25	9.2%	1,139	
Gross profit	14,740	2,502	20.4%	48,422	
SG&A expenses	3,313	377	12.9%	11,086	
Operating income	11,427	2,124	22.8%	37,336	
Operating margin	76.0%	-	-	75.3%	

(2) Auction Business

1) Major Business

Based on its Yahoo! Auctions services, this business provides a place where individuals can buy and sell items and companies can sell their goods by auction. In addition, it supports companies to have stores on Yahoo! Auctions.

Main Services: Yahoo! Auctions, Yahoo! Delivery, Yahoo! ezPay

2) Activities in the Fourth Quarter

During the fourth quarter, we initiated a variety of measures to expand service use. In addition to running seasonal sales promotions and holding bargain sales by auction merchant stores, we held a Yahoo! Points gift campaign for the mobile version of our Yahoo! ezPay service. We also took various steps to expand the use of Internet auctions by public bodies. During the quarter, a total of 24 regional and municipal governments submitted 73 items for Internet real estate auction. We continued to strengthen our security measures, commencing joint research with the Research Center for Information Security of the National Institute of Advanced Industrial Science and Technology. Together we are researching security technology to prevent phishing fraud and other abusive activities on Yahoo! Auctions.

Major New Services and Service Upgrades

Date	New Services and Service Upgrades
January 30	<ul style="list-style-type: none"> Commenced joint research on security technology with the Research Center for Information Security of the National Institute of Advanced Industrial Science and Technology
February 10~	<ul style="list-style-type: none"> 24 regional and municipal governments held public Internet auctions for real estate items.
March 2~ April 6	<ul style="list-style-type: none"> Held charity auction for 50 items featuring original goods by Mitsuru Adachi and 25 other popular Manga artists and exclusive items donated by the editing staff of the weekly magazine Young Sunday.

Page Views (Figure in parentheses is change from previous quarter)

Monthly page views in March	7,086.67 million page views (+6.1%)	21.4% of total page views
Daily average page views in March	228.60 million page views (+6.1%)	

Yahoo! Auctions Number of Total Listed Items, etc.

	January 2006	February 2006	March 2006
Number of auction unique browsers	23.36 million browsers	22.68 million browsers	24.89 million browsers
Number of total listed items (Monthly average)	8.71 million items	9.28 million items	9.42 million items
Number of stores (As of the end of each month)	6,148 stores	6,404 stores	6,878 stores

	October 2005-December 2005	January 2006-March 2006
Daily average number of new listings	708 thousand items	722 thousand items
Daily average transaction volume	¥1,941 million	¥1,912 million
Average closing price per item	¥ 5,780	¥ 5,809
The average ratio of successful auctions per day	35%	34%

Notes: 1. Daily average transaction volume does not include cancellations or adjustments.

2. The average ratio of successful auctions per day is calculated excluding the ratio for the final days of free listing campaign.

3) Income Statements for the Fourth Quarter

(Millions of yen)

	Fourth quarter	Comparison with the previous quarter		Fiscal year	Comments
		Increase/decrease	Change		
Net sales					<ul style="list-style-type: none"> Main components of business services sales are sales commissions, tenant fees, and registration fees of stores (merchant stores). Sales included in personal services are system-use fees of Yahoo! Auctions and others. Main items in SG&A are business commissions, payment commissions, communication, and personnel expenses.
Advertising	926	229	33.0%	2,706	
Business service	1,513	63	4.4%	5,062	
Personal service	7,361	-128	-1.7%	28,217	
Other	-	-	-	-	
Total	9,801	165	1.7%	35,986	
Cost of sales	10	0	6.4%	39	
Gross profit	9,790	165	1.7%	35,946	
SG&A expenses	3,988	149	3.9%	14,478	
Operating income	5,802	15	0.3%	21,468	
Operating margin	59.2%	-	-	59.7%	

(3) Media Business

1) Major Business

Our Media business provides users with a variety of desired content and services, thereby stimulating page views and increasing advertising sales. The business also provides fee-based

content and services. Services provided include information providing services, such as Yahoo! News and Yahoo! Finance; entertainment services, such as Yahoo! Movies, Yahoo! Music, and Yahoo! Streaming; and community services, such as Yahoo! Message Boards and Yahoo! Avatar.

Main Services: Yahoo! News, Yahoo! Finance, Yahoo! Insurance, Yahoo! Sports, Yahoo! Weather, Yahoo! Movies, Yahoo! Music, Yahoo! ChakuMelo, Yahoo! TV, Yahoo! Fortune Telling, Yahoo! Games, Yahoo! Comics, Yahoo! Streaming, Yahoo! Member Directory, Yahoo! Message Boards, Yahoo! Chat, Yahoo! Messenger, Yahoo! Avatar, Yahoo! Personals, Yahoo! Greetings, Yahoo! Groups, Yahoo! 360°, Yahoo! Delivers

2) Activities in the Fourth Quarter

During the quarter under review, we continued to develop appealing content for viewers and advertisers and to expand sales by planning special features. We launched a beta version of Yahoo! 360°, a social network service. Yahoo! 360° allow users to deepen their relationship by sharing diaries, comments, pictures, and messages over the Internet. On Yahoo! Sports, we launched a special feature site for the Torino Olympics and a special site to support Japan's Olympic athletes. In addition, we did a live broadcast of the Japanese Olympic Team Induction Ceremony and the following send-off party, our first trial endeavor with the Japanese Olympic Committee. The broadcasts drew a lot of attention from the public. In the fourth quarter, Yahoo! Music took steps to expand the number of users by completely revamping its site and making it possible to launch its free music distribution service Yahoo! Music Sound Station from Yahoo! Messenger. Yahoo! Finance focused on increasing users of the mobile version of its VIP Club. We also worked to expand pay content sales through promotions for Yahoo! Fortune Telling and Yahoo! Comics.

Major New Services and Service Upgrades

Service	Date	New services and service upgrades
Yahoo! Sports	January 17~ March 31	<ul style="list-style-type: none"> In addition to adding flash news on Olympics results and picture news, ran special feature "Yahoo! Sports/Sports navi Torino Olympics," which provided a rich volume of information on the Torino Olympics, including profiles of and interviews with Japanese Olympic team members.
	February 21~ March 31	<ul style="list-style-type: none"> Ran special feature "Yahoo! Sports/Sports navi Torino Paralympics, which provided a rich volume of information on the Torino Paralympics to increase understanding of and familiarity with sports by athletes with disabilities.
Yahoo! Movies	January 30~ March 27	<ul style="list-style-type: none"> Ran special feature on the movie "Little Fox Helen." In addition to providing a movie digest and introducing the official blog on the movie, offered gift ticket for movie preview.
	February 15~ March 16	<ul style="list-style-type: none"> Ran special feature on the 78th Academy Awards. In addition to announcing the nominees for each award, users could vote and choose their own winners on "Yahoo! Movie Chooses Academy Awards."
	February 28~ April 25	<ul style="list-style-type: none"> Ran special feature on the movie "Nice Forest," featuring Tadanobu Asano that included quotes, pictures of special scenes, and an interview with the director.

Yahoo! Streaming	February 1~ February 28	<ul style="list-style-type: none"> Held video clip contest with prize money of 1 million yen. The themes of the first contest were Pet Performance and Travel Report.
Yahoo! Music	February 20	<ul style="list-style-type: none"> Made it possible to launch Yahoo! Music Sound Station from Yahoo! Messenger.
Yahoo! Games	February 21	<ul style="list-style-type: none"> Launched mobile version of Yahoo! Game that allows users to enjoy games anytime and anywhere.
Yahoo! 360°	February 28	<ul style="list-style-type: none"> Launched beta version of a social networking service Yahoo! 360°.
Yahoo! Comics	March 23	<ul style="list-style-type: none"> Offered popular comic "Neon Genesis Evangelions."
Yahoo! TV	March 27	<ul style="list-style-type: none"> Launched a special feature on the NHK TV series "Junjo Kirari" containing story summaries, video clips about special points of interest, character interrelationships, and photo galleries, etc.

Page Views (Figure in parentheses is change from previous quarter)

Monthly page views in March	8,988.07 million page views (+10.5%)	27.1% of total page views
Daily average page views in March	289.93 million page views (+10.5%)	

Note: Includes the page views of Y's Insurance Inc.

3) Income Statements for the Fourth Quarter

(Millions of yen)

	Fourth quarter	Comparison with the previous quarter		Fiscal year	Comments
		Increase/decrease	Change		
Net sales					<ul style="list-style-type: none"> Main components of business services sales are car insurance package estimate request service sales and information listing fees for Yahoo! Finance and others. Main component of personal services sales is sales of fee-based content. Main items in SG&A are sales commissions, personnel, content provider fees, and business commissions expenses.
Advertising	4,559	196	4.5%	15,893	
Business service	247	34	16.4%	769	
Personal service	484	45	10.3%	1,703	
Other	-	-	-	-	
Total	5,291	276	5.5%	18,366	
Cost of sales	178	51	40.5%	538	
Gross profit	5,113	225	4.6%	17,828	
SG&A expenses	3,018	250	9.1%	10,248	
Operating income	2,094	-25	-1.2%	7,580	
Operating margin	39.6%	-	-	41.3%	

(4) Yahoo! BB Business

1) Major Business

Yahoo! BB's business activities revolve around its comprehensive broadband service Yahoo! BB. They mainly comprise the acquisition of subscribers over the Web and the provision of some ISP services, such as e-mail, homepage creation, and others.

Main Services: Yahoo! BB, Yahoo! Mail, Yahoo! GeoCities

2) Activities in the Fourth Quarter

During the quarter under review, we continued our efforts to increase the total number of Yahoo! BB subscribers and expand our services for all members. To acquire new members for Yahoo! BB, we ran various campaigns, including Yahoo! BB 8M ¥2,180 Forever Campaign. To enhance the value of being a Yahoo! BB subscriber, we did a special feature on the Korean movie "Running Wild," starring Kwon Sangwoo, offering special scene streaming, holding a lottery for a round trip tickets to Korea, and giving away movie goods not available for sale as gifts. In addition, we ran a Six Months of Free Yahoo! Premium Membership Campaign. Among other activities, we took steps to further improve the peace of mind and comfort of Yahoo! Mail users by making available a Security Pack that integrates such security services as a virus checker and anti-junk mail measures and offered such services free for the duration of a limited time security measure upgrade campaign.

Major New Services and Service Upgrades

Date	New Services and Service Upgrades
January 27~ February 20	<ul style="list-style-type: none"> Ran a special feature on the movie "Running Wild," starring Kwon Sangwoo. In addition to photo galleries and presents exclusively for Yahoo! BB subscribers, distributed scene of the premiere showing of the movie in Seoul, Korea.
February 1~	<ul style="list-style-type: none"> Conducted "Yahoo! BB 8M ¥2,180 Forever Campaign" offering Yahoo! BB 8M (no BB Phone) services for ¥2,180 monthly including tax.
March 1~ May 31	<ul style="list-style-type: none"> Conducted security measure upgrade campaign in which the Security Pack and Virus Check services were free for the duration of the campaign.
March 1~ March 24	<ul style="list-style-type: none"> Ran a special feature on the movie "Doraemon Nobita no Kyoryu 2006," distributing special scene pictures, posters from past movies, and IM themes. Also provided such gifts as original wallpaper and discount coupons for the movie exclusively to Yahoo! BB and Yahoo! Premium members.
March 1~ March 24	<ul style="list-style-type: none"> Conducted a "Six Months of Free Yahoo! Premium Membership Campaign" exclusive for Yahoo! BB subscribers.

Page Views (Figure in parentheses is change from previous quarter)

Monthly page views in March	4,183.09 million page views (+23.2%)	12.6% of total page views
Daily average page views in March	134.93 million page views (+23.2%)	

Total Subscriber Lines for Yahoo! BB Services

End of December 2005	End of March 2006
Approximately 5,007 thousand lines (including approximately 1,164 thousand lines marketed by Yahoo! JAPAN)	Approximately 5,049 thousand lines (including approximately 1,157 thousand lines marketed by Yahoo! JAPAN)

Note: Jumper installation completed, excluding service cancellations and “Yahoo! BB Hikari.”

3) Income Statements for the Fourth Quarter

(Millions of yen)

	Fourth quarter	Comparison with the previous quarter		Fiscal year	Comments
		Increase/decrease	Change		
Net sales					<ul style="list-style-type: none"> Main component of business services sales is the customer acquisition incentive fee of Yahoo! BB. Main component of personal services sales is the ISP fee for Yahoo! BB. Main items in SG&A expenses are sales promotion, business commissions, depreciation, and personnel expenses.
Advertising	930	159	20.7%	2,782	
Business service	1,344	-15	-1.1%	5,708	
Personal service	2,842	38	1.4%	10,993	
Other	-	-	-	-	
Total	5,117	182	3.7%	19,484	
Cost of sales	268	-0	-0.1%	1,062	
Gross profit	4,848	182	3.9%	18,422	
SG&A expenses	2,739	-97	-3.4%	10,745	
Operating income	2,109	280	15.3%	7,676	
Operating margin	41.2%	-	-	39.4%	

(5) Shopping Business

1) Major Business

This business operates online shopping site with variety of goods, consisted with stores with high brand names and boutiques with a wide assortment of highly individualistic and appealing goods. It also supplies items related to travel, such as domestic and overseas accommodation and airline tickets, information on travel preparation and online ticket service.

Main Services: Yahoo! Shopping, Yahoo! GroupBuy, Yahoo! Books, Yahoo! Computers, Yahoo! Tickets, Yahoo! Beauty, Yahoo! Travel, Yahoo! Business Travel

2) Activities in the Fourth Quarter

During the period under review, we initiated various measures to increase the degree of convenience for users and expand their use. We implemented a variety of seasonal sales promotions, such as special features on the New Spring Lucky Bag Sale and Valentine's Day. We continued our efforts to increase the number of registered stores, focusing on getting new stores on board through such measures as strengthening our cooperative relationship with sales agency stores. As a result, the total number of stores rose to 9,445 at the end of March 2006, an increase of 1,685 stores, or 21.7% from the end of December 2005. On Yahoo! Travel, in addition to our services offered jointly with JTB Corp., we started cooperative activities with RECRUIT CO., LTD., aimed at creating one of Japan's largest travel-related service. At a first step, we increased the convenience of our services by making it possible to search and make reservations at accommodations listed on Jalan.net. With this new service, the selection of accommodation facilities listed on Yahoo! Travel has expanded substantially, increasing approximately from 8,500 facilities to 15,000.

Major New Services and Service Upgrades

Date	New Services and Service Upgrades
January 26	<ul style="list-style-type: none"> Yahoo! Travel users become able to search and make reservations at accommodations listed on Jalan.net, RECRUIT's domestic accommodations reservation service.
January 31	<ul style="list-style-type: none"> Began offering Yahoo! GroupBuy, a new service where the greater the number of items purchased, the cheaper the unit price

Page Views (Figure in parentheses is change from previous quarter)

Monthly page views in March	592.12 million page views (+0.5%)	1.8% of total page views
Daily average page views in March	19.10 million page views (+0.5%)	

Daily Average Transaction Volume of Yahoo! Shopping Stores

October 2005-December 2005	January 2006-March 2006
¥ 378 million	¥ 407 million

Note: The figures represent the daily average transaction volume of Yahoo! Shopping, Yahoo! Travel, Yahoo! Tickets and SevenAndY. Due to the non-consolidation of Seven and Y Corp. in February 2006, turnover from the company's own site eliminated from the month.

3) Income Statements for the Fourth Quarter

(Millions of yen)

	Fourth quarter	Comparison with the previous quarter		Fiscal year	Comments
		Increase/decrease	Change		
Net sales					<ul style="list-style-type: none"> Main components of business service sales are tenant fees and sales commissions of
Advertising	752	-21	-2.8%	2,660	
Business service	1,317	127	10.7%	4,375	

Personal service	-	-	-	-	Yahoo! Shopping and sales commissions of Tavigator, Inc. • Main items in SG&A are personnel, business commissions, sales promotion, and sales commissions expenses.
Other	-	-3,322	-	8,926	
Total	2,069	-3,216	-60.8%	15,962	
Cost of sales	21	-2,716	-99.2%	7,378	
Gross profit	2,048	-499	-19.6%	8,584	
SG&A expenses	1,637	-436	-21.1%	6,839	
Operating income	410	-62	-13.3%	1,745	
Operating margin	19.8%	-	-	10.9%	

(6) Business Solutions (BS) Business

1) Major Business

This business utilizes the know-how and technology developed by the Group to offer business solutions to companies and government bodies, including sole proprietors. Specifically, it provides such services as the Internet survey service Yahoo! Research, domain and hosting services, licenses for Enterprise Information Portal (EIP) solutions, portal site development support for B-to-C (for end-users) businesses or B-to-B (for sales outlets) businesses, and Web design consulting, etc.

Main Services: Yahoo! Research, Yahoo! WebHosting, Yahoo! Domain, Yahoo! Portal Solutions

2) Activities in the Fourth Quarter

During the fourth quarter, we concentrated on building the sales of our Yahoo! Research services to take full advantage of market research demand arising from the improvement in the Japanese economy. We ran research monitor registration campaigns and other activities, and at the end of March, we had a total of about 1.07 million registered monitors, including research, mobile, and research lite monitors. In our web hosting service, we worked on developing services with increased value-added, expanding and improving our lineup with a view to market trends. In our portal site construction and support services, we continued our aggressive sales proposals.

Page Views (Figure in parentheses is change from previous quarter)

Monthly page views in March	22.02 million page views (+14.3%)	0.07% of total page views
Daily average page views in March	710 thousand page views (+14.3%)	

Note: Includes the page views of INFO PLANT CO., LTD. and Firstserver, Inc.

3) Income Statements for the Fourth Quarter

(Millions of yen)

	Fourth quarter	Comparison with the previous quarter		Fiscal year	Comments
		Increase/decrease	Change		
Net sales					
Advertising	42	21	100.5%	186	<ul style="list-style-type: none"> Main components of business services sales are sales of INFO PLANT CO., LTD. and Firstserver, Inc., Yahoo! Research, and Yahoo! WebHosting.
Business service	1,773	242	15.8%	4,888	
Personal service	10	0	9.0%	35	
Other	-	-	-	-	
Total	1,826	264	17.0%	5,109	
Cost of sales	729	69	10.5%	2,088	<ul style="list-style-type: none"> Main components of cost of sales are costs for INFO PLANT CO., LTD. and Firstserver, Inc.
Gross profit	1,097	195	21.7%	3,020	<ul style="list-style-type: none"> Main items in SG&A are personnel, amortization of goodwill, and business commissions expenses.
SG&A expenses	1,153	97	9.2%	3,503	
Operating income	-55	98	-	-482	
Operating margin	-3.1%	-	-	-9.4%	

(7) Corporate Common Business— Elimination or Corporate

Revenues and expenses related to advertisements on the top page of Yahoo! JAPAN and revenues and expenses on Yahoo! Premium membership relating to other services of the Company are not allocated to the results of the Group's six businesses, but considered sales and expenses of Corporate Common Business because these revenues and expenses are geared to developing our corporate brand. Sales and expenses from Headquarters are added up to Corporate Common Business.

Main Services: Yahoo! JAPAN Top Page, Yahoo! Kids, My Yahoo!, Yahoo! Calendar, Yahoo! Notepad, Yahoo! Address Book, Yahoo! Photo, Yahoo! Briefcase, Yahoo! Polls, Yahoo! Alert, Yahoo! Toolbar, Yahoo! Newsletter, Yahoo! Mobile, Yahoo! Volunteer, Yahoo! Bookmark, Yahoo! JAPAN Help Center, Yahoo! Internet Certification, Yahoo! Wallet, Yahoo! Premium, Yahoo! Points, Yahoo! Blogs, Yahoo! Trading, Yahoo! Disaster Information, Yahoo! Card, Yahoo! Live Talk, Yahoo! Content Store, Yahoo! Politics

Activities in the Fourth Quarter

In the fourth quarter, we continued to take measures to increase the number of Yahoo! Premium members and expand our services. We offered Yahoo! Premium members exclusive fortune telling services on Yahoo! Fortune Telling. We ran a campaign that awarded up to six-months of

free service on Yahoo! BB to 10,000 Yahoo! Premium members. We carried out a complete renewal of Yahoo! JAPAN's top page, making it easier to search by purpose and adding headline news and the latest entertainment world topics. Also during the quarter, we reached an agreement on a business alliance in the mobile communications field with SOFTBANK CORP., which recently announced its acquisition of Vodafone K.K. Moreover, we reached an agreement with the Sumitomo Mitsui Banking Corporation Group on a business alliance in the Internet financial services field.

Number of Premium Member IDs

January 2006	February 2006	March 2006
5.97 million IDs	6.05 million IDs	6.15 million IDs

Income Statements for the Fourth Quarter

(Millions of yen)

	Fourth quarter	Comparison with the previous quarter		Fiscal year	Comments
		Increase/decrease	Change		
Net sales					(Net Sales)
Advertising	2,726	-37	-1.4%	9,962	• Main components of sales of Corporate Common Business are advertising sales on top pages, etc. and Yahoo! Premium fees.
Business service	68	21	45.5%	240	
Personal service	5,114	250	5.1%	19,020	• Consolidation elimination figures are removed as sales of headquarters.
Other	-	-	-	-0	
Total	7,908	233	3.0%	29,223	(SG&A Expenses)
Cost of sales	153	-19	-11.1%	596	• Main components of SG&A of Corporate Common Business are personnel, sales commissions and business commissions expenses.
Gross profit	7,755	253	3.4%	28,626	
SG&A expenses	5,955	219	3.8%	21,817	• Main items in Headquarters SG&A are depreciation, personnel, and business commission expenses.
Operating income	1,799	33	1.9%	6,809	
Operating margin	22.8%	-	-	23.3%	

Advertising

(Advertising Related Sales)

The following is an outline of our advertising business in the quarter under review based on combining as advertising sales the banner, email, and other advertising sales of each business, and related advertising. Advertising sales also include the sales of Sponsor Site.

Activities in the Fourth Quarter

Although the advertising market got off to a slow start at the beginning of the year, it still achieved good overall growth in the fourth quarter, assisted by fiscal year-end demand. The Internet advertising market in particular drew even more attention from industry following DENTSU INC.'s report on "2005 Advertising Expenditures in Japan" that Internet advertising had grown 54.8% year on year while advertising in each of the four major mass medias had declined in 2005. This resulted in even greater growth than before in the number of opportunities to get clients to use Internet advertising. Especially with National Clients, the method of linking of TV and other mass advertising media with Internet advertising has permeated the market, and Internet advertising has become indispensable in advertising campaigns. Under these circumstances, the Group strengthened its sales cooperation with advertising agencies and worked to develop new demand and win larger scale advertising. In particular, aiming to further improve the impact of branding, the Group introduced mega banner advertising, which can distribute even greater volume than V banners. This action resulted in even greater than before demand for Brand Panels for top pages, Super Banners for Yahoo! News/Topics, and Billboard, exposure of which is determined based on reach. Centered on National Clients, the Group is now able to conduct large-scale advertising. Furthermore, Internet advertising has been used more for its own targeting function. During the quarter, advertisers began more frequently using regional targeting advertising that can distribute advertising according to where the viewer is located. Also, behavioral targeting advertising, which is distributed according to his/her past history of usage, was used more frequently than before. With SP advertising's greater penetration of the market, sales expanded for text advertising products, mainly Run Of Center Text and News Top Text, and for e-mail advertising service Yahoo! Delivers. Our Sponsor Site service also recorded high sales growth. Along with the formal introduction of a mobile Sponsor Site service, advertising on Yahoo! Mobile also expanded well during the quarter.

Based on our sales efforts, quarterly advertising business sales rose to ¥20.5 billion, registering another record high.

(Fourth Quarter)

(Millions of yen)

	Amount	Comparison with the previous quarter		Comparison with the same quarter in previous fiscal year	
		Increase/decrease	Change	Increase/decrease	Change
Advertising related sales	20,544	2,447	13.5%	8,059	64.6%

(Fiscal Year)

(Millions of yen)

	Amount	Comparison with the previous period	
		Increase/decrease	Change
Advertising related sales	68,404	29,463	75.7%

Advertising Products

During the fourth quarter, sales continued to be strong for high-impact products. In addition to sales of such large-sized products as Large Square, Monster, and Large East Module improving over the previous quarter, sales of Model Room on Yahoo! Real Estate expanded substantially. Advertising was also favorable on the seasonal and special theme features run during the quarter, such as “Coping with Hay Fever,” “New Lifestyles,” and “Cherry Blossom Journey.” Moreover, our product promotion campaign for Sony Corporation during the quarter on “Tokyo Excursion,” a special feature on Edo culture, attracted a great deal of attention.

For the quarter, rates for high-volume branding-type banner ads ranged from ¥0.16 to ¥0.60 per page view, rates for targeting-type banner ads varied from ¥0.32 to ¥4.20 per page view, and rates for the large-sized Super Banners varied from ¥0.32 to ¥4.20 per page view. Rates for the group-specific e-mail advertising Yahoo! Delivers were ¥4.00 to ¥12.00 per mailing. Rates for Billboard for National Clients varied from ¥8.10 million to ¥10.80 million, depending on the number of browsers targeted to be reached and the length of the advertising period.

(Reference)

Yahoo! JAPAN CSR Activities

As an Internet business, our Group carries out a variety of activities to contribute to the healthy development of the emerging Internet society. Our views and record regarding corporate social responsibility (CSR) activities are covered in the “Yahoo! JAPAN Sustainability Report 2005.”

The report introduces our various CSR activities from three points of view—our relationship with society, our relationship with the Internet community, and our stance on corporate governance and compliance.

* “Yahoo! JAPAN Sustainability Report 2005” can be viewed at <http://csr.yahoo.co.jp/> (Japanese language only).

Our Group’s major social contribution activities during the quarter were as follows.

1. Volunteer Activities

- We launched a special feature on Olympic Volunteers explaining their activities, participation qualifications, and recruiting methods as well as featuring talks by experienced volunteers about the appeal of volunteer work (January 17 to March 31).
- We ran a Paralympic Volunteer special feature explaining their activities, participation qualifications, recruiting methods as well as featuring talks by experienced volunteers about the appeal of volunteer work (February 21 to March 31).
- We offered an “Earth Day Special Feature 2005” covering the history of Earth Day, this year’s events, video messages from celebrities, and information on simple ways to contribute to ecology (March 7 to April 24).
- During the quarter, we solicited contributions on our Internet Charity contributions site for the victims of the mud-slide disaster in the Philippines, the Abused Dog and Cat Assistance Fund of the Lifeboat Association, and the Paralympic Support Fund of the Japan Sports Association for the Disabled.

2. Charity Activities

As part of our social contribution efforts, we regularly host charity auctions through Yahoo! Auctions and donate all the funds raised. During the fourth quarter, we held many charity auctions featuring famous people. Among them, we auctioned clothes previously worn and personally signed by Korean movie star Kwon Sangwoo, a pin badge set signed by figure skater Shizuka Arakawa, and a huge reproduction of an original drawing signed by Manga artist Mitsuru Adachi. In total, we held 596 charity auctions during the quarter, raising a total of approximately ¥30.15 million. The funds raised for such charities are being donated to the following charities (not listed in any special order).

- The Japanese Olympic Committee (JOC), which sends athletes to the Olympic Games and equivalent international competitions and operates events and services for the promotion of the Olympic Movement.
- Japan Paralympics Support Council which supports sports events for disabled people.

- The Ashinaga Scholarship Foundation, which provides financial support and emotion care to orphans and seeks to nurture people rich in volunteer spirit with a warm hearted, broad vision, proactive, and cosmopolitanism who will contribute to human society.
- Make a Wish of Japan, a volunteer organization that makes the dreams of children with serious illnesses come true
- Green Cross Japan, the Japan chapter of the global environmental protection body Green Cross International.

3. Contributing to the Promotion and Development of Sports Culture

During the quarter, aiming to contribute to the development of sports culture by giving people an opportunity to realize the splendor of sports, we created special Web sites in support of the Olympics and Paralympics. “Lets Cheer on the Torino Winter Olympics Japanese Team” site was a support site for the Japanese team while “Yahoo! Sports x Sports Nabi Torino Olympics Special Feature” site provided comprehensive information and news about the Torino Olympics. Similarly, “Lets Cheer on the Torino Winter Paralympics Japanese Team” site was a support site for the Japanese team while “Yahoo! Sports x Sports Nabi Torino Paralympics Special Feature” site provided comprehensive information and news about the Torino Paralympics. To promote greater understanding and familiarity with sports for the disabled in Japan, we provided an abundance of information and interviews on sports for the disabled.

4. Others

- We launched Yahoo! Politics, a comprehensive political information Web site that provides highly verifiable political information over the Internet to promote greater interest in and understanding of politics (February 22).

Risk Factors

A number of factors could substantially impact future performance. Major factors contributing to business risk for Yahoo Japan Corporation and its consolidated subsidiaries and affiliates (the "Group") are discussed below. The Group proactively discloses those items it deems necessary that investors consider in their investment decisions, including external factors beyond the control of the Group and business risks with a low probability of materializing. Cognizant of the potential risks, the Group makes every effort to prevent those risks from materializing and will respond rapidly should problems arise. Management recommends that shareholders and other investors consider the issues below before assessing the position of the Group and its future performance. However, it should be noted that the risks listed below do not represent complete coverage of risks that should be considered before investing in the shares of Yahoo Japan Corporation (the "Company").

1. Influence of Internet Markets and Competition

1) Influence of Internet Markets and Infrastructure

a. Dependence on the Growth of Internet Usage

Internet usage in Japan has grown steadily since the emergence of the Internet as a recognizable force in 1995, and particularly with the recent spread of broadband communications. As the Group is dependent on the Internet both indirectly and directly, the most basic requirements for its operations are the continued expansion of communications and commercial activity through the Internet and a stable and secure infrastructure for Internet users.

However, a number of factors contribute to uncertainty in the outlook for Internet usage, including the availability of necessary infrastructure, such as reliable backbone and high-speed modem capabilities; the need for development and application of technological standards and new protocols for responding to growing Internet traffic and increasingly advanced applications; and the possibility of new regulations or charges related to Internet use.

b. Dependence on the Infrastructure for Internet Connections

As nearly the entire catalog of Group services is dependent on the Internet, business operations require a stable infrastructure for Internet connection, which includes operations of the Group's own servers and equipment as well as telecommunications equipment owned and operated by third parties.

If for any reason the connecting infrastructure should deteriorate and prevent users from easily using the Internet, usage could decline, reducing site traffic and

negatively impacting Group performance.

2) Internet Advertising Market

a. Potentials of the Internet Advertising Market

Since it began operations in 1996, the Group has been offering search engines and information-related services through its portal site, with advertising as its main source of income. It has grown to become a leading Internet service operator in Japan, with overwhelming user support.

In Japan the Internet-based advertising industry is generally thought to have begun with the Group's start of operations here. Since then the market has grown to the point that, according to the announcement of DENTSU INC., Internet advertising accounted for 4.7% of the total advertising market in 2005, surpassing radio advertising in the same period. But this market is still far smaller than those for advertising via leading media like television, newspaper and magazines. In the future, market growth could slow or fall short of our expectations, and the Group will then have less income than anticipated, which could affect its performance.

Along with market growth, the Internet is gaining value as an advertising medium and attracting firms in various industries to expand their advertising. However, its value as an advertising medium has not been adequately established among advertisers, consumers, and advertising agencies. Corporate use of the Internet for advertising has a relatively short history, and it is often done on a test basis with limited budgets. The Group regularly hosts seminars and other informational events to promote understanding and appreciation of Internet advertising in the advertising industry, including both advertisers and agencies. The Group is also enhancing its advertising sales system and ties with advertising companies to expand and stabilize the advertiser base. It is uncertain, however, whether the Internet will ultimately compete with leading media and become established as a profitable advertising medium. There is no guarantee that National Clients, the leading companies that conduct nationwide sales campaigns on relatively large budgets, will come to continually place advertising on the Internet in large volumes, as they do through leading media. That may make it hard for the Group to stabilize advertising income.

The Group projects that advertising through mobile terminals like cellular phones will grow more active than ever, and is working to make its services available through such terminals in addition to personal computers. However, if the weight of Internet access shifts from computers to cellular phones, the Group may see viewer rates fall. That would reduce Group market share, slowing the increase in advertising revenue and impacting earnings.

b. Characteristics of Internet Advertising

The advertising business is highly susceptible to trends in the overall economy. During downward cycles, advertising expenditures are among the first expenses that companies reduce. Moreover, Internet advertising has a short history, and changes in more developed markets, such as the United States, could affect the Japanese market.

Contract periods for Internet advertising are relatively short. In addition, Internet usage and demand among advertisers tend to be seasonal. These factors produce underlying short-term fluctuations in the Group's advertising revenue. Further, as the Group's cost structure includes a high proportion of fixed costs, such as personnel and leasing expenses, expenditures cannot easily be adjusted according to revenues, contributing to underlying volatility in the Group's earnings stream.

c. Greater Variation in Advertising Products

The Group develops and sells a variety of advertising products to help fulfill advertiser needs, including products that guarantee exposure periods and numbers of hits, and Sponsor Site services (paid search advertising) operates jointly with Overture K.K.

Products are appearing that employ unconventional advertising methods, such as affiliate ad program (results-based advertising), and the Group intends to keep current with this trend in cooperation with new partners like ValueCommerce Co., Ltd. If the Group fails to properly handle the new approaches required by the evolution of advertising, it could lose advertising income even as costs grow for developing new products and new partnerships with firms that deal with new types of advertising, impacting group performance as a result.

d. Trends among Competitors

Competitors for the Group's advertising business are companies working to earn advertising income by operating portal sites offering search engines and information-related services in Japanese or mainly for Japanese users.

Search engines and information-related services are currently offered through portal sites like Google (Google Inc.), MSN (Microsoft Corp.), infoseek (Rakuten Inc.), goo (NTT-Resonant Inc.), livedoor (livedoor Co., Ltd.) and excite (excite Japan Co., Ltd.). There are many other Websites offering highly specialized information. All compete with the Group's various services.

Operators of these sites include those affiliated with US companies that offer competitive Internet-based services and therefore compete with Yahoo! Inc., which is the primary shareholder of the Company. In this competitive environment, it is uncertain whether the Group can exercise superiority and maintain its dominant position in the industry. Competition could cause price-competition and lower unit

prices for the Group's advertising products. In addition to content provider fees and sales commissions paid to advertising agencies and information providers, the Group may have to increase advertising expenses to compete and attract advertisers. That could impact Group performance.

3) Personal Services

a. Market Shifts Due to Increasing Individual Internet Use

The Group's primary income from businesses targeting individual customers includes system-use fees for Yahoo! Auctions, sales of Yahoo! Premium, a package of various Yahoo! services including Yahoo! Auctions, Internet service provider fees for Yahoo! BB service, and sales of individually priced contents.

With the spread of broadband communications, the number of Internet users has increased drastically. In this trend, the market for business designed for individuals will likely expand and continue growing. Sooner or later broadband communications in Japan will reach a saturation point and user growth will plateau. To prepare for that time, the Group is taking various measures to build customer satisfaction and promote uses for its range of services. The growth of participation in Yahoo! Auctions, Yahoo! Premium and Yahoo! BB, however, may eventually lose early momentum, which will have significant negative influence on Group earnings.

The market for Yahoo! Auctions has been expanding as participation increases, but with that growth have come reports of incidents never considered in the genesis of the service, such as fraud and illegal listings. To create a safe auction site, the Group will continue instituting measures to comply with legal restrictions and meet societal needs. If these measures fail to have the intended effects and instead cause unanticipated harm, such as discouraging people from participating in Internet auctions, that could reduce Group income from system-use fees for Yahoo! Auctions and the number of Yahoo! Premium members, significantly influencing Group performance.

The spread of broadband communications has allowed the Group to deliver varieties of content to fulfill Internet users' needs, including high-volume services like video and music. The use of this class of content via the Internet will likely expand as Internet users increase. If the delivery of this class of content fails to become a regular part of the lives of users, or access to content using terminal devices other than personal computers becomes the norm, and the Group fails to break into that market, achieving expected earnings could be difficult.

b. Trends among Competitors

Competitors for the Group business designed for individuals are companies offering electronic commerce, like auctions, ISP services and content delivery in Japanese or

mainly for Japanese users.

They include previously mentioned portal site operators; auction sites such as Rakuten Ichiba (Rakuten, Inc.) and BIDDERS (DeNA Co., Ltd.); and ISP services such as @nifty (Nifty Corp.), So-net (Sony Communication Network Corp.), BIGLOBE (NEC Corp.) and OCN (NTT Communications Corp.). Many companies deliver content and compete with the Group.

In this competitive environment, it is not certain that the Group will be able to exercise superiority and maintain its dominant position in the industry. If participation in the Company's auction site decreases as a result of competition, and the same happens with Yahoo! Premium and Yahoo! BB subscribers as a consequence, the Group could make less from system-use fees and commissions. The probability of commission cuts or major changes in pricing structure due to price competition is not zero. The Group might have to increase advertising expenditures to compete for customers. All these factors could negatively impact Group performance.

4) Business Services

a. Trends in Corporate Internet Use and Market Change

In business services other than advertising, Group income comes mainly from listing services, such as Yahoo! Rikunabi, Yahoo! Autos and Yahoo! Real Estate, and commerce, such as corporate tenant fees and commissions from Yahoo! Auctions and Yahoo! Shopping.

The Group has been expanding the market for listing services, particularly Yahoo! Rikunabi, an employment listing site jointly operated with Recruit Co., Ltd., making the most of the convenience of its Websites and dominant brand power and strength to attract customers. With enhanced sales infrastructure, it is actively attracting retailers to Yahoo! Auctions and Yahoo! Shopping, and will continue to do so to expand commerce income. Despite these efforts, the market may not expand for various reasons. Commercial use of the Internet by corporations may not expand as anticipated, the shift of listing services to the Internet from conventional media, particularly paper media like newspapers, magazines and inserts, may not advance further, the number of users for Group auction and shopping sites and transaction volumes may not increase as anticipated, and there may be insufficient tenants. Group performance could be influenced by these factors.

b. Influence of Changes in the Broadband Market

Incentives from BB TECHNOLOGY Corp. (see note) for each new Yahoo! BB account represents important income for the Group's business services.

The entire Group promotes Yahoo! BB service, which is a comprehensive broadband service provided jointly by the Company and BB TECHNOLOGY Corp.

It is thought that the start of the Group's Yahoo! BB service was a major stride for broadband communications. According to the latest White Paper on Telecommunication (Ministry of Internal Affairs and Communications), Japan is No. 2 in the world in terms of number of broadband accounts, with the lowest costs and highest speed in the world. Within this market environment, the Group's Yahoo! BB service, mainly its ADSL service, holds the top customer share in the domestic market.

Nevertheless, due to rapid progress in telecoms technology, the market is shifting from ADSL service to fiber-to-the-home (FTTH) service, which allows much faster data transfer using optical fiber. So the Group has added a new comprehensive broadband service, Yahoo! BB Hikari, which employs FTTH technology. By putting effort into sales promotion, taking advantage of its strengths in brand dominance, price-competitiveness and various kinds of campaigns, the Group is working to attract new subscribers. It is possible, however, that the Group will attract fewer accounts than hoped, or see customers switch to competing services and fail to achieve its sales goals, or have to bear heavier costs than projected. Performance could be harmed as a result.

Note: SOFTBANK BB Corp. ("SBB") underwent a reorganization of its businesses to further strengthen its broadband operations. As part of this process, SBB spun off its modem rental business on November 1, 2005, establishing BB Modem Rental Yugen Kaisha as a modem rental specialist (the company has now been sold to Yugen Kaisha Gemini BB). In addition, on December 1, 2005 SBB also split up its broadband operations, transferring ADSL operations to BB TECHNOLOGY Corp. (surviving company), which will specialize in ADSL operations while SBB specializes in FTTH, Retail Business, and other non-ADSL operations.

c. Trends among Competitors

Competitors for Group business services are companies operating ADSL business, commerce services such as auction and shopping sites, or listing services via the Internet, etc. in Japanese or mainly for Japanese users.

Listing services are thought to be an important arena for competition among previously mentioned operators of portal sites and highly specialized information sites. In commerce, there are competitors such as Rakuten Ichiba (Rakuten, Inc.) and BIDDERS (DeNA Co., Ltd.). Competing ADSL services include FLET'S (NTT East and West Corps.), eAccess (eAccess Ltd.) and ACCA (ACCA Networks Co., Ltd.).

In this competitive environment, it is not certain that the Group will be able to exercise superiority and maintain its dominant position in the industry. Competition might result in a decline in listing business or a decrease in retailer participation in Group auction and shopping sites. On top of these factors, increased costs to attract

new customers may affect Group performance.

5) Revision of Business Forecasts

Change is rapid in the technology and markets of the Internet sector, with which the Group closely associated, and the advertising business is highly susceptible to overall economic trends.

The Group determines its forecasts for sales and costs based on the assumption of specific rates for use of each of its services, etc. However, the business environment surrounding the Group could change drastically, and actual business results may differ considerably from announced forecasts.

When it recognizes such differences, the Group will announce revisions of its forecasts in a timely manner.

2. Influence of Legal and Institutional Changes

1) Potential Legal Restrictions

a. Legal Restrictions Related to the Internet

The distribution of information via the Internet and electronic commerce are under review by the Japanese government. While there are currently no regulations governing the advertising operations of the Group, some other countries are considering regulating Internet use and publishing legal opinions on the subject.

Since May 2002 the Law Regarding Limitations on the Liability of Providers of Specified Electronics Communications Services and Regarding Privacy of User Information (Provider Responsibility Law) has been in force. However, this law only clarifies the scope of liability for illegal behavior previously provided by civil law, and does not increase the liability of businesses that act as intermediaries in distributing information via the Internet. Nevertheless, the passing of the new law may begin moving public opinion toward requiring greater responsibility of information distribution intermediates. It is possible that the introduction of new laws or the implementation of rules on self-regulation will restrict the Group's business.

Because it operates Yahoo! BB, the Group is required to observe the Telecommunication Business Law and related ordinances enforced by related government divisions. Changes in the law or ordinances could influence the Group's business.

b. Potential Legal Restrictions on Auction Business

There have been recent reports of illegal or fraudulent merchandise being bought and sold via Yahoo! Auctions services.

Since September 1, 2003, a revision of legislation concerning the sale of used

goods to prevent criminal abuse of Internet auctions is in force. In addition to imposing a registration system on Internet auction operators, the revised law requires operators to make effort to confirm the identities of participants and maintain records of auctions. The law also requires that when an investigative body orders an operator to remove an item from auction based on suspicion of fraud, the operator must do so. However, the scope of the revised law is limited to areas where the Group is already compliant. Further, since no regulations have been placed directly on auction participants, the Group does not expect that the revised law will have significant impact on its auction business.

On June 10, 2005 the Japanese government introduced its "Plan 2005 to Promote Intellectual Property Right Strategy" to carry forward extensive measures to fight the infringement of intellectual property via the Internet. To help prevent damage to consumers and the owners of intellectual property, the plan includes such measures as compliance with the obligation to indicate the business operators subject to the Specified Commercial Transactions Law, instituting of voluntary rules requiring compliance by auction houses, and closer linkage among the concerned government divisions and auctioneers. When sellers subject to the law list branded products for auction, the Group instructs them to identify themselves that way and will delete their IDs if they do not comply. In partnership with Internet auction houses DeNA Co., Ltd. and Rakuten, Inc., the Group has begun discussion toward making and enforcing voluntary restrictions, and will gradually seek cooperation from related government divisions. To help educate users, it has published on the Web its "Intellectual Property Protection Guide," which defines and explains copyrights, image rights and trademarks, informing potential buyers as well as those who list products for sale.

If these measures do not bring about the expected results, and reports of illegal listings and fraud continue, new legislation could restrict commercial activities using the Internet. Such legislation, depending on the degree of restriction it entails, could have a significant impact on the Company's auction services.

c. Potential Legal Restriction on Other Business

The Group offers Yahoo! JAPAN Card service for financial settlements and Yahoo! Trading (securities brokerage service).

For its Yahoo! JAPAN Card program, the Group issues credit cards on its own and offers loans, including cash advances. This brings it under the Money-Lending Business Control and Regulation Law and Interest Rate Restriction Law. Under the former, the Company is registered as a moneylender with the Kanto Local Finance Bureau. Recently, there are more cases where debtors demand refunds of interest paid in excess of the legal limit, claiming the interest to be undue profit to creditors. In our service, the Company intends to set interest rates within the range specified in

Interest Rate Restriction Law. However, in the case that the interest rates of our service go beyond the legal limit for some reason, possible demands for refund of the excess amount could impact the Company's earnings.

In Yahoo! Trading (securities brokerage service), the Company is under the supervision of the Financial Services Agency and is subject to the Securities and Exchange Law and rules set by Japan Securities Dealers Association. Under the Securities and Exchange Law, the Group registers as a securities broker with the Prime Minister. Although the Group is committed to compliance with these rules and regulations, it could be subject to penalties, such as a loss of registration if, despite all our efforts, we should be found guilty of violating any of those laws and rules. Any enhancement or rebuilding of the compliance system to prepare for tightening those regulations may raise costs and so could negatively impact the Company's earnings.

2) Potential Litigation

a. Illegal Acts by Auction Participants

The Group has taken multiple measures to improve the security of its systems to build a stronger and safer auction environment. In September 2000 the Group opened a new escrow service (see note below) for online auctions. In May 2001 the Group introduced a fee-based personal identification system. In July 2004 the Group initiated a system that verifies by mail the postal addresses of users posting items on the auction site. In addition, the Group has set up a patrol team to eliminate illegal items from auctions and cooperate with law enforcement agencies and copyright-related groups. Despite these measures taken by the Group, it cannot say for certain that illegal actions will not occur in the future. Therefore, the Group cannot rule out the possibility of legal action being taken against the Group, whether or not it is responsible for such actions. In fact, groups of users filed suit for damage compensation against the Company. Depending on how the suit progresses, the image and/or performance of the Group could be harmed. Moreover, developing a system to prevent criminal activity and upgrading the Group's capabilities to allow proper management could lead to increased costs and subsequent negative impact on earnings.

The Group has instituted a system for compensating users that have suffered damage due to illegal activity. This could raise expenditures for the Group.

Note: The escrow service consists of a company acting as intermediary between the sell and buy sides of the transaction to ensure the smooth transfer of the item and payment. Because this service is provided by third parties and not the Company, it varies with the company used. In general, however, the escrow company receives payment from the purchaser and transfers it to the seller on confirming the delivery of the correct item in good condition. This service simplifies the transfer of the auctioned

item to the purchaser and eliminates the concern that the item will not be delivered or payment not made.

b. Solicitation of Securities Transactions

In providing its Yahoo! Trading service (securities brokerage service), the Company complies with its own solicitation policies and guidelines under the supervision of its affiliated securities houses (see note) in setting up trading accounts and handling transactions. Before soliciting customers into transactions, the Company consults with the securities house, but the solicitation could mislead customers into losses. In such cases Group could be subject to demands for damage compensation from the securities house, which temporarily pays damages to customers, depending on the situation.

Note: "Affiliated securities house" is a firm that has signed a consignment agreement with the Company for securities brokerage.

c. Information Distribution via the Internet

Moves are being made to regulate the flow of information via the Internet, both to halt the distribution of illegal or harmful content and to protect the privacy of individuals.

To avoid conflict with Japanese legal restrictions, the Group established a Banner Advertisement Presentation Standard that internally regulates advertising content and the content of Websites accessed through advertising links. As expressed in a written contract with the advertiser, the advertiser takes full responsibility for the content of the advertisement. The Group also maintains the right to list Websites and remove Websites listed on its Internet search services at any time. In addition, the Group fully discloses its legal obligations in written contracts with the creators of those Websites with clauses indicating the full responsibility of the creator for the content of a site. For services such as bulletin boards, blogs and auctions, where users can exchange information freely, the Group indicates clearly in its contracts with users that illegal or harmful content is prohibited and that full responsibility lies with the user. The Group maintains the right to remove content and will do so any time it discovers Web Content in violation of its contracts with users.

Through such internal regulations the Group prohibits illegal and slanderous content on its sites and protects the privacy of users. In addition, the Group publishes a disclaimer stating clearly that the user takes full responsibility for Web-browsing and information posting, and that the Group accepts no responsibility for damage caused to users through Web-browsing or information posting. To protect minors from harmful content, the Group is implementing such programs as Yahoo! Kids. However, no guarantee can be provided that these measures will be sufficient to prevent litigation. The Group could be subject to claims, reprimands or damage suits from users, related

parties or government agencies with regard to the content of advertisements, Websites accessed through links on its sites, contributions to community message boards and/or transactions related to its auction business. Resulting decline in user confidence could lead to a drop in hits or a suspension of services.

d. Third-Party Responsibility

To prevent customers from misunderstanding or being confused about the scope of services provided by third parties through agreements with the Group and those provided by the Group itself, the Group takes measures to help clarify their understanding and agreement through user rules and clauses posted on Group sites. Despite these efforts, there remains the possibility that these measures will fail and customers will demand compensation from the Group for damage that is actually the responsibility of a third party. This could result in additional costs to the Group or harm its brand image, impacting negatively on performance.

The Group assigns all responsibility to the user and accepts no responsibility for Yahoo! Auctions, making no guarantees as to the selection, display, or bidding of goods or services offered or the formation or honoring of contracts agreed to while using this service. Similar to the situation mentioned previously with Yahoo! Auctions, the Group publishes a disclaimer on its Yahoo! Shopping site stating that the Group assumes no responsibility for the activities, products, services or Website content of the many retailers employing these services. Nor does the Group guarantee that users of these services will purchase goods or services listed by these retailers. In addition, the Group does not accept responsibility for damage, loss or difficulty in the delivery of said goods. However, it remains possible that users of these services or other related parties may take legal action against the Group for claims or compensation related to the content of its services. Such legal action could have a negative impact on the Group as a result of monetary obligations or damage to the Group's brand image. Further, it is possible that the Group may be involved in legal disputes with users of these services outside Japan because of the treaty regarding the jurisdictions of international courts.

3) Patents, Copyrights, and Other Intellectual Assets of Third Parties

The Japanese Patent Office (JPO) recently began approving patents for Internet technologies and business plans. Many patent applications have been filed with the JPO claiming rights particularly to Internet technologies based on computer and telecommunications technologies that facilitate electronic commerce. Some recent patents and patent applications cover business models as well as technology. As such, it is possible that third parties in possession of these patents will make claims or file suit against the Group and that the Group will be forced to pay large royalties to

acquire said patents or have to cease providing certain services.

In addition, the extent to which patent rights can be applied remains unclear. As such, to avoid potential conflicts the Group may be forced to substantially increase expenditures related to patent management, which could impact its earnings. The geographical boundaries for application of patent rights also remain unclear. Consequently, the Group cannot rule out the possibility of patent issues arising overseas as well as in Japan.

The Group has implemented internal regulations and training programs to prevent infringement on the intellectual assets, such as copyrights or other rights, of third parties in the services the Group offers or the software used in its businesses. In the final analysis, however, it is impossible to say that such problems could not occur. In such cases, the Group may be sued for compensation, required to pay substantial royalty fees or have to cease providing certain services.

4) Changes in Accounting Standards

Within the recent trend to establish international accounting standards, the Group has taken action appropriately and quickly to change its accounting standards for severance and retirement benefits, financial instruments, and other categories. A significant change in accounting methods for the recognition of stock-option expenses or other income or expense recognition could have a material impact on the Group's profit or loss.

3. Information Security Management

1) Group Effort to Achieve Information Security

Due to the rapid growth of the Internet, a wide variety of information spreads easily through our society. While the development of this technology has broadened the horizons of Internet users and boosted convenience, the other side of the coin is that the security of personal and other information has become a major societal concern. As providers of a range of services over the Internet, the Group must address this issue extremely carefully.

Based on this understanding, the Group has taken proactive steps to ensure information security. Currently we are working to protect the personal information of our customers and other sensitive management information by quickly and effectively implementing necessary measures companywide. This process has been facilitated by the appointment of a Chief Security Officer (CSO) and the establishment of an Information Security Office and giving them wide-ranging authority to carry out their mission. The President of the Company himself announced our Information Security Declaration (see Note 1), setting out the Group's overall information-security efforts.

Based on the declaration, we established Information Security Basic Regulations and other in-house rules, clarifying our rules for handling personal information and other important information. At the same time, we set up an organization to manage information security management by establishing the Information Security Council, comprised of information security members from each of our divisions, to promote adherence to our in-house rules. As part of our information security measures, the addresses and other information of our customers are encrypted using SSL (Securities Sockets Layer) systems and access to stored data is tightly restricted. In April 2002, the Company obtained the right to use the TRUSTe mark (see Note 2) of the nonprofit privacy-protection licensing institution TRUSTe. In August 2004 the Group acquired Information Securities Management Systems (ISMS) certification, which was developed by the British Standards Institution. The Group has been certified under the BS 7799-2:2002 international standard and the Japanese domestic standard ISMS Certification Standards Version 2.0 (see Note 3). As of March 31, 2006 the Company and thirteen subsidiaries have acquired ISMS certifications. The Group has used these third-party certification systems to implement a third-party check on its operations using global standards to continue to strengthen its information-security regime and fulfill its social responsibility regarding this issue.

Nevertheless, these actions do not guarantee that the Group's information-security systems are perfect. If, under some circumstance, problems, such as an information leak, were to occur, it might not only impact negatively on performance, but could also result in a loss of public confidence in the Group.

Notes:

1. Information Security Declaration

The Company declares its commitment to the following policy regarding information-security management for society as whole:

"The customer and other information held by Yahoo Japan Corp. and its subsidiaries and affiliates, hereinafter referred to as the "Group," is our most important asset. Protecting this information is extremely important not only to us, but to our customers, vendors, and business partners as well.

For that reason we have positioned our information systems, such as the computers that hold the information and our networks, as information assets. We have established information-security rules to protect and manage these assets, and our protection and management measures for these information assets are carried out in the form of information-security regulations.

The people using or having access to these information assets, such as employees of the parent company and subsidiaries, are fully aware of the importance of information security to protect our assets, the confidence of our customers and vendors, and our brand image. Consequently, they comply with our information-security regulations and treat our information assets with great care."

2. TRUSTe Certification Institution and the TRUSTe mark

TRUSTe is an independent nonprofit institution established in 1997 in the United States. The institution issues the TRUSTe mark to Websites based on examinations of their personal information-protection systems, guaranteeing that the site is being monitored on this issue by a third party. As of April 2001 a TRUSTe Certification Institution was established as part of the Japan Engineers Federation, a nonprofit organization, in recognition of the spreading use the TRUSTe mark in Japan. The TRUSTe mark indicates that the Group conforms with the privacy-protection policies of TRUSTe and meets its license contract standards. The mark can only be used on sites that are being monitored and guided by TRUSTe and that agree to and follow the guidelines of TRUSTe for the processing of consumer complaints.

3. BS 7799-2:2002 and ISMS Certification Standards Ver. 2.0

Taking into consideration both technical security methods and overall organization management, this certification system focuses on establishing and maintaining an information security management system as well as continuously improving it. Following certification, continuous inspections are made regarding maintenance and upgrading of the system, and the site receives regularly scheduled checks from a third-party perspective. Specifically, the PDCA cycle -- Plan (establish detailed plans and goals for information-security measures), Do (initiate and carry out measures based on plans), Check (check and monitor results), and Act (management team revises, improves, and processes) -- is repeated continuously with the goal of improving information security.

2) Personal Information

a. Group Effort to Protect Personal Information

The Group holds personal information to identify each individual customer in providing various services and electronic commerce.

The Group exercises the utmost care in protecting the privacy and personal information of each user and takes extraordinary measures to ensure the security of each service. In addition, the Group has set up a Yahoo! Security Center within the Yahoo! JAPAN site that encourages users to be careful by posting information on incidents of fraudulent behavior regarding the abuse of personal information and by suggesting effective security measures to help users protect themselves. It also deals with information access rights within the Group with extreme care by assigning specific persons to control it.

Nevertheless, the Group cannot completely eliminate the possibility that this information will be leaked outside the Group, deliberately or through negligence, by persons related to the Group, companies with which business alliances have been concluded, or companies to which the Group outsources work, etc. Recently, there have been multiple cases of personal information stored on personal computers being unknowingly leaked onto networks by a virus-infected personal computers of users of file sharing software called Winny. There is also a possibility that a third party may use passwords, etc., to fraudulently access the system, impersonate an authorized person,

or use some other method such as Phishing (see note below), whereby they illicitly obtain personal user information resulting in damage to those users. Under such circumstances, the Group's services could be adversely affected, its brand image could be tarnished, and the Group could be involved in legal disputes.

Regardless of whether the Group is legally responsible, its policy is to take measures to strengthen the management and monitoring of the security systems of companies with which it has business alliances. Representatives of the Group are currently participating in the Phishing e-mail countermeasures committees of the Ministries of Economy, Internal Affairs and Communications, as well as one set up by the National Police Agency. Sharing information with related ministries and agencies and industry associations, the Group is seeking effective measures against this type of fraud.

Starting in April 2005, the Personal Information Protection Act and guidelines issued by the Ministry of Internal Affairs and Communications regarding the protection of personal information in the electronic communications industry came into force. However, the Group had already implemented systems to meet the regulations or requirements of the law and guidelines regarding handling of personal information. The Group, therefore, believes that the enforcement of the law and guidelines will have almost no impact on its operations.

Note: Phishing

This type of fraud involves acquiring personal information by sending email purporting to be from a financial institution or a company, and tricking people into accessing a fraudulent Website, where they are asked to input personal information such as credit card numbers, login IDs and passwords or other sensitive information. Damage from theft using this system is mounting in Europe and the United States, and recently such cases have become common in Japan as well. The National Police Agency has posted warnings about phishing fraud on its Website.

b. Risk of Fraudulent Use of Credit Cards

In providing services such as Yahoo! Wallet and Yahoo! ezPay, the Group has taken all practical precautions in protecting itself from such problems as the fraudulent use of credit cards as well as the leakage of personal information of individuals online as indicated above. However, there can be no guarantee that these measures will protect the Group from all fraudulent behavior. It is possible that a malicious user could perpetrate a fraudulent act that would result in a suit against the Group seeking compensation for losses, preventing the recovery of the funds reimbursed through Yahoo! ezPay and having a significant negative impact on the Group's business and performance. Furthermore, it cannot be denied that such problems could have an influence on other services of the Group.

The Group has projected certain risks of fraudulent use, including card copying and theft, of its own issuing credit cards (Yahoo! JAPAN Card) since the related services began. However, if such acts exceed those expectations, damages in excess of the anticipated level could be incurred. Further, to guard against such fraudulent action, it may be necessary to implement expensive security measures, such as biometric validation systems, that would result in greater than anticipated costs.

c. Personal Information Management of Business Alliance Partners and of Stores Registered on Yahoo! Shopping and Yahoo! Auctions

Personal information obtained through Group services is held within the Group in principle, and the Group is committed to taking all possible information protection measures as stated above. However, there are cases where the personal information management systems of business partners or stores registered on Yahoo! Shopping and Yahoo! Auctions site have a significant influence on the Group's efforts.

The Group intends to outsource the major portion of Yahoo! JAPAN Card services to take maximum advantage of available expertise in managing individual information, etc., and maximize cost flexibility. Although the Group has been extremely careful in choosing its business partner for this service, the Group may be sued for damages should its business partner leak personal information.

For Yahoo! Trading (securities brokerage services), personal information from application forms for opening accounts and accumulated information about transactions will be obtained and held by our securities-house partner. A portion of this information will be transferred to the Company in a way that complies with the Personal Information Protection Act. The Company has been extremely careful about transfers and management of this information. If personal information is leaked from the Company or the affiliated securities house, the Company could be liable for damage compensation.

Previously, it was possible for stores on the Yahoo! Shopping and Yahoo! Auctions sites that had an independent contract with a credit card company to access customers' credit card information related to credit card settlements on those sites. However, we now intend to avoid personal information leaks by these stores. This is being achieved by eliminating the necessity for stores to handle credit card numbers, offering services that omit the cumbersome process of stores independently validating cards with credit card companies, strengthening the log-in procedure of store management tools, restricting downloading of order information including customer information, and standardizing information security awareness. Nevertheless, it is possible that incidents regarding information leaks, etc. may occur despite the

implementation of these measures. Such cases may result in a loss of the credibility of the Group, regardless of whether it was responsible or not.

3) Network Security

Although the Group has established appropriate security systems to ensure the security of its external and internal computer networks, the possibility of damage by computer viruses or hackers cannot be completely ruled out, and the Group does not hold sufficient insurance to compensate for losses due to these events. In particular, there have been several cases recently of specific Websites or networks being targeted by sending huge volumes of data over short periods to paralyze the Website or network. Although the Group has introduced effective security programs and other measures and strengthened its monitoring system to deal with these attacks, there is no guarantee that all attacks can be avoided. Any of these obstructive actions could have a serious negative impact on the Group's business, operating results and financial condition.

4. Risk Due to Natural Disaster, Accident and the Like

In the event of the outbreak of international conflict, terrorist attack or large-scale natural disaster, such as earthquake or tidal wave, the Group expects that its businesses would also be substantially affected.

Specifically, the impact of such events could cause the Group's revenues to decline or the Group could incur extraordinary costs. These conditions might occur due to disruptions in scheduled advertising as a result of temporary restrictions on the operations of the Group's sites. Or, for their own reasons, advertisers might stop or reduce advertising, or request extension of advertising period. Further, the access infrastructure for Yahoo! BB might be interrupted or some other circumstance might arise where subscribers would no longer be able to use the Group's pay services. In addition, there is the risk that operations and earnings could be affected by damage to communications or transportation lines in the United States or other countries or regions that would impede the support structure that Yahoo! Inc. provides for the Group and its links to business alliances. In the worst-case scenario, Group offices could be physically disabled. If other companies closely related to Group business, such as Yahoo! Inc. and its related companies, SBB, BBT and other access service providers, were hit with the same conditions, it is possible that the Group could become unable to maintain operations.

In addition, Group operations are vulnerable to fire, power outage, damage to telephone networks and other phenomena. Its network infrastructure is concentrated in Tokyo, which is susceptible to earthquakes and other disasters. To cope with

accidents and surges in Internet access, the Group intends to continue improving the infrastructure by making systems redundant and duplicating and dispersing its data center.

The Group has taken steps to ensure that it can respond quickly and appropriately groupwide in the event that such incidents occur. However, it is possible for an incident to occur for reasons unforeseen or for some other reason after which it would be difficult to carry on normal operations or recover fully. Such an incident could impact negatively on the business, performance, and brand image of the Group.

5. Business with Involved Parties

1) Relationship with the SOFTBANK Group

a. Positioning within the SOFTBANK Group

As of March 31, 2006, SOFTBANK CORP. was the parent company of the Company, holding 41.3% of voting shares. As a holding company, SOFTBANK CORP. has a variety of companies operating under its umbrella that are active in a range of fields and areas, concentrated mainly on Internet business. Their businesses include broadband infrastructure, Internet culture, fixed telecoms, e-commerce, media and marketing, broadcasting media, technology services, and an overseas fund-investment service. The Group belongs to the Internet Culture segment and Broadband Infrastructure segment of the SOFTBANK Group.

b. Alliance Contracts and Other Arrangements with SOFTBANK BB Corp. and BB TECHNOLOGY Corp.

The Company has signed the following contracts concerning Yahoo! BB business with SOFTBANK BB Corp. (“SBB”) and BB TECHNOLOGY Corp. (“BBT”), both of which are subsidiaries of SOFTBANK CORP. Yahoo! BB business accounted for 11.2% of Group sales in fiscal year ended March 31, 2006. Therefore the following contracts are considered to be important to the Group.

Contract name: Business alliance contract
Contract date: March 8, 2006 (Original contract signed on June 20, 2001)
Contract term: March 8, 2006 ~ (Contract is valid until terminated)
Contracted party: SOFTBANK BB Corp., BB TECHNOLOGY Corp.
1) the Company, SBB, and BBT. will jointly provide Internet access services using FTTH and DSL technology.
2) The Company's main responsibilities
* To promote Yahoo! BB services
* To recruit subscribers of Yahoo! BB services

- * To operate the Yahoo! BB portal site
- * To provide mail and Website services
- * To provide a fee-collection platform

3) Main responsibilities of SBB and BBT

- * To provide ADSL and FTTH services between subscribers and phone offices, install network infrastructure between phone-office buildings, and provide connections to Internet networks
- * To handle subscriber inquiries and provide technical support
- * The Company will receive ¥200 per line from the total ISP charges for services rendered.

Contract name: Incentive agreement
Contract date: April 1, 2004 (original contract signed on April 1, 2002)
Contract term: One year from April 1, 2004 (Automatically renewed every one year)
Contracted party: BB TECHNOLOGY Corp.
Incentive
* Acquisition incentive (100% upon verification of operational subscriber lines) Approx. ¥5,000~¥15,000 per application
* Continuing incentive Approx. ¥30~¥280 per month per continuing subscriber

Notes:

1. Although the counterparty to the business alliance contract and the incentive agreement mentioned above was in both cases SBB, as indicated in a previous note, its operations were reorganized and split between SBB and BBT on December 1, 2005. Therefore, these contracts were changed to those shown above.
2. As of April 1, 2005, the Company pays ¥2,400 per line to SBB after the first subscription fee is charged, sharing the cost of Yahoo! BB subscriber acquisition.

c. Dependence on SOFTBANK BB Corp. and BB TECHNOLOGY Corp.

The portion of Yahoo! BB business handled by SBB and BBT could indirectly but significantly influence Group performance. If SBB and BBT fails to complete construction on time and services to subscribers are delayed, the Group would be unable to account for projected sales on time and could lose business opportunities due to cancellations. Failures in building infrastructure and problems with service quality could cause subscribers to cancel service quickly and impact Group earnings.

d. Joint Directorships

As of March 31, 2006, two of the five directors of the Company also held directorships on the board of the parent company, SOFTBANK CORP., as follow:

- * The Company’s president and CEO Masahiro Inoue (SOFTBANK CORP. part-time Director)
- * The Company’s chairman Masayoshi Son (SOFTBANK CORP. President and CEO)

The Company’s President and CEO Masahiro Inoue has been a part-time Director of SOFTBANK CORP. since June 2001. In addition, he sits on the board of another company in the SOFTBANK Group (excluding subsidiaries and affiliates of the Company) as a part-time director. Mr. Inoue has been engaged to sit on these boards to offer advice on the strategic direction of their businesses, not to be involved in the business activities of these companies. Consequently, the influence of his other directorships on the business activities of the Company is limited.

The Company’s chairman Masayoshi Son was the President and CEO of the Company at its founding and acts in the capacity of offering valuable overall advice from his perspective as a founder of the Company and as a representative of the parent company.

2) Business Relationship with Yahoo! Inc. Group

a. Licensing Agreements with Yahoo! Inc.

Group operations are based on a licensing agreement with Yahoo! Inc., the founder of the Company and owner of 33.5% of voting shares as of March 31, 2006. The Yahoo! trademark, software and tools (hereinafter referred to as "the trademark") used in the operation of the Group's Internet search services are the property of Yahoo! Inc. The Group conducts business operations under a license obtained for the use of the trademark. As such, the agreement with Yahoo! Inc. is critical to the Group's core operations.

License name: YAHOO! JAPAN LICENSE AGREEMENT
Contract date: April 1, 1996
Contract term: From April 1, 1996 (termination date unspecified)
Note: The license agreement may be terminated under the following conditions: mutual decision by the companies to terminate the agreement; cancellation of the agreement following bankruptcy or loan default by one of the companies; purchase of one-third or more of the Company's outstanding shares by a competitor of Yahoo! Inc.; merger or acquisition rendering Yahoo! Inc. and SOFTBANK CORP. incapable of maintaining over 50% of shareholder voting rights of the ongoing company (may be waived by agreement of Yahoo! Inc.).

Contracted party: Yahoo! Inc.

1) Licensing rights granted by Yahoo! Inc. to the Company:

* Non-exclusive rights granted to the Company for reproduction and use of Yahoo! Inc.'s Internet search and other services customized and localized for the Japanese market (hereinafter referred to as "the Japanese version of the Yahoo! search services")

* Non-exclusive rights granted to the Company for use in Japan of the Yahoo! trademark

* Exclusive rights granted to the Company for publishing of the Yahoo! trademark in Japan

* Exclusive rights granted to the Company worldwide for development, commercial use and promotion of the Japanese version of the Yahoo! search services

2) Non-exclusive licensing rights granted (gratis) to Yahoo! Inc. worldwide for use of Japanese content added by the Company

3) Royalties to be paid by the Company to Yahoo! Inc. (see Note)

Note:

Royalty calculation method

$\{(Consolidated\ net\ sales) - (Advertising\ sales\ commissions\ on\ a\ consolidated\ basis) - (Cost\ of\ sales\ of\ consolidated\ subsidiaries\ with\ a\ different\ gross\ margin\ structure\ and\ others)\} \times 3\%$

b. The Yahoo! Brand and Cooperation Overseas

The establishment and proliferation of the Yahoo! brand are considered extremely important to the Group, both for attracting users and advertisers and for expanding its business. The importance of brand recognition is increasing rapidly with the explosive increase in Internet sites and low barriers to entry in the Internet business. Especially given the intensifying competition among Internet companies, expenditures for establishing the Yahoo! brand and boosting brand recognition could increase substantially.

Although efforts are under way to promote the Yahoo! brand with cooperation from Yahoo! Group companies overseas, the Group is unable to provide assurances as to the outcome of these efforts. Failure on the part of Group companies overseas to effectively establish and proliferate the Yahoo! brand could impact the Group in the form of weaker brand presence. In addition, some agreements with overseas Group companies contain exclusionary provisions. The Group is not able to place certain advertisements while these agreements are valid. Although Yahoo! Inc. is making efforts around the world to protect trademarks that are core to its brand rights through applications, registrations and presence, there is the possibility that Yahoo! Inc. has not registered trademarks necessary to the Group's business in Japan.

It is also possible that third parties may have acquired domain names that the Group finds necessary to its business or may use domain names that resemble Yahoo! or the services offered by the Group to carry out unfair competition with or harass the Group. These actions could affect the Group's brand strategy and damage its brand image.

c. Business Tie-up with Overture K.K.

Based on the business tie-up with Overture K.K., which is a part of Yahoo! Inc. group, the Group's Sponsor Site sales have firmly expanded and become a larger proportion of overall advertising sales. The Group intends to further expand these advertising sales based on the continued good relationship with Overture K.K. However, should the business relationship change or some type of obstruction arise to the smooth operation of Overture K.K., it could have a significant negative impact on the performance of the Group and the viability of the related services being offered.

Recently, a form of fraud misusing the system of Sponsor Sites has become a problem. Some fraudster have taken advantage of the fact that the cost of Sponsor Site is based on the number of clicks, dishonestly increasing the number of clicks, and excessively charging advertisers. In the United States, there have been cases where advertisers that have fallen victim to this type of fraud have brought class action lawsuits against companies that offer this type of advertising product. In future, the Group cannot rule out the possibility that such a legal action will be taken against the Group and Overture K.K. Such an event would damage our brand image and could have a negative impact on performance.

d. Other Joint Directorships

The Company's part-time Director Jerry Yang is also a Director of Yahoo! Inc. He has been engaged because Yahoo! Inc. is one of the founding partners of the Company as well as a major business partner in the Group's core business, as stated previously. For these reasons, it has been necessary to have him on the board to support the Company's startup and expansion.

3) Share Distribution

The proportion of the Company's share distribution held by major shareholders is high. At March 31, 2006, the SOFTBANK CORP. and Yahoo! Inc. held a total of 74.6% of the Company's shares. Recently, there has been some progress in reducing the proportion of non-float shares due to SOFTBANK CORP.'s sale of a portion of their shareholdings, and the Company intends to continue to request the cooperation of major shareholders.

The Company has made and intends to continue efforts to increase the

liquidity of its stock and the number of shareholders. It has undertaken a number of stock splits in the past and is working to increase recognition of the Company among potential shareholders by conducting vigorous investor-relations programs.

6. Dependence on Specific Customers and Third Parties

1) Sales Dependence on Specific Customers

In each of its businesses, the Group has a degree of dependence on sales to specific customers or by specific agencies other than the involved parties described above.

In terms of advertising sales, Group revenue from sales agents, such as certain advertising companies and media reps, provides a high proportion of advertising sales. In the other businesses also, the Group has major business transactions with specific companies among its sales customers, and these transactions account for a growing percentage of the Group's sales.

If change occurs in the business relationships with or sales to or by these customers or agents, or if their business health deteriorates, or problems arise with their systems or other facilities, it could impact negatively on the performance of the Group or on the viability of its services.

2) Dependence on Third Parties

The Group is dependent on several Internet service providers for its server connections. If access were interrupted or broken or these providers were unable to continue handling large volumes of access, the Group's business and operating results could suffer substantial negative effects. In addition, the Group depends on hardware suppliers for rapid delivery, installation and servicing of servers and other equipment necessary for providing information services. Error or delay on the part of these companies could damage the Group's relationship with users, hurt its brand image or impair its operations.

Moreover, among the services offered by the Group there are several cases where system development and operations essential to the service are commissioned to specific third parties and where service operations are premised on linkage with a third-party system. These third parties are selected using standards based on suitable technical and operating capabilities, determined by past performance. In addition, the related sections of the Group maintain close contact with these third parties to ensure that problems affecting their services do not arise. Nevertheless, it is possible that a system development delay could occur due to a situation at a commissioned third party that the Group cannot manage, that some condition could arise that obstructs operations, or that some other event could cause the system of a third party to which

the Group's service is linked to stop. Such events could lead to the loss of sales opportunities and reduce the competitiveness of the Group system, negatively impacting Group performance or in the worst case resulting in termination of the service.

The Group not only relies on the previously mentioned Internet providers, but many of its services depend as well on third parties to which the Group has consigned operations or from which it receives information or support. It is possible that worsening business conditions for these third parties could hinder the operations of the Group, resulting in negative impact on performance.

7. Technological Innovation and Research and Development

1) Keeping Up with Technology

The computer industry is well known for technological innovation. The Internet industry is continuously developing new multimedia protocols and technologies. Group services are based on Internet technologies produced in an industry noted for rapid technological innovation, constant change in standards and customer needs, and continuous development of new technologies and services.

Responding to these conditions and maintaining a strong competitive position requires close cooperation with Yahoo! Inc., which operates almost identical services in the United States, the center of innovation in Internet technologies. With this, the Group is constantly making engineering efforts to apply new technology to its services. However, the failure of Yahoo! Inc. or the Group to keep up with technological advances could render their services outdated and erode their competitive positions. The Group may also bear an increasing load from original development, including rising expenditures for localizing work and preparation for the possibility that technological innovation in Japan will be ahead of that in the United State, and new technologies need to be developed in Japan, instead of in the United States.

2) Research and Development

To respond to the growth and diversification of Internet use and maintain competitive advantage, the Group intends to develop new strategies and businesses, helping provide content and services that fulfill customer needs. To that end, the Group is projecting substantial R&D expenses. However, these expenses could rise beyond those projections, and depending on the required development period, our competitiveness could be reduced despite our efforts.

The market is crowded with entrants and highly competitive; technological innovation is the norm; the pace of change is rapid; and service life cycles are short. For that reason, the Group intends to improve operating efficiency by hiring specialists

and technically skilled staff and undertaking business cooperation with other companies with proven records in the business. In order to respond quickly to the changing market needs, organizational enhancement for service planning and for system development is also our focus. However, there is the possibility of failure in making the intended sales and profit for reasons such as systems taking much longer to build or development costs rising much higher than intended. Focusing investment on the development of these services may negatively affect the development and operations of other services of the Group. In addition, technical and operating problems could result in subscriber demands for compensation.

In addition, the Group has introduced measures to respond to the increase in Internet access using mobile phones and other mobile terminals, which could result in larger expenditures for service development, compressing Group profits.

8. Group Business Operations

1) Maintenance and Control of Service Quality

a. Acquisition of Quality Information and Content

The Group offers and plans to offer internet users quality information that appeals to users, such as up-to-the-minute news, weather and stock quotes, as well as broadband content such as films and music. Failure to consistently provide high-quality information and content and/or to acquire content at a cost in the projected range could lower traffic and sales below the expected level, subsequently impacting advertising revenue negatively.

b. Advertising Guarantee

As already mentioned, advertising contract periods and page views on which an advertisement appears are guaranteed for many of our products, and advertising fees are based on them. However, failure to obtain the number of required page views during problems with the Internet connectivity environment and/or problems with the system could force the Group to extend advertising contract periods or devise some other type of compensation that could negatively impact Group advertising revenues.

Moreover, the Group could fail to provide services that meet the needs of advertisers, which could result in loss of sales opportunities as well as reduced demand from advertisers, negatively impacting the Group's advertising sales.

c. Equipment Investment for Quality Service

To support expected business expansion and continue providing quality services to fulfill customer needs, the Group has a capital-investment program of comparatively large scale considering its current operations. To keep up with the further growth of

the Internet user base and the progressive spread of broadband and ubiquitous computing, the Group will have to add and improve network-related facilities one after another to adequately cope with higher peaks in access volume and larger volumes of data transmission and reception over short periods. Consequently, the Group anticipates a growing need for even larger capital investments than in the past in a timely manner to build systems and networks to smoothly control large volumes of communications traffic, strengthen security systems to protect settlement services and the personal information of customers, and expand systems to appropriately respond to the growth and diversification of user inquiries. Further, in response to growth in business scope, the Group assumes that it will have to continuously acquire more office space and invest in the expansion and upgrading of its facilities.

In making these capital investments, the Group will take care to ensure that unnecessary cash outflows do not occur by closely considering costs and benefits, focusing on keeping system-development and equipment expenses reasonable.

Although the Group believes business expansion will result in earnings growth sufficient to provide operating cash flows to cover these increased costs and cash outflows, insufficient and/or delayed effects of capital investments could substantially impact future earnings and cash flows. Moreover, since the Internet industry is characterized by constant technological innovation and rapidly changing customer needs, the useful life of the invested facilities may be shorter than planned. As a result, depreciation terms may be shorter and depreciation costs higher compared with previous terms because of changes in accounting methods. In addition, greater than normal losses may be recorded because of disposal of current facilities.

d. Diversification and New Business

The Group plans to further diversify and enter new businesses in order to strengthen its operating base and provide quality services. To realize this goal, it is possible that the Group will have to incur additional expenses to employ new staff, expand and upgrade facilities, and carry out research and development.

Moreover, it is anticipated that some time will be needed for these businesses to begin contributing stable revenues. Consequently, Group profitability may decline temporarily.

In addition, there is no guarantee that these businesses will develop exactly as the Group has planned. It is possible that the Group will not recover investment expenses and that this will significantly impact performance.

2) Internal Control System

a. Operations and Management

The Group has undertaken measures such as stricter controls and operational

standards for behavior so that problems related to improper conduct by employees or human operational errors are prevented or do not recur. Still, there remains the possibility that such problems can occur in the future in terms of business management and control.

b. Human Resource Management as Business Expands

In addition to the enhancement of personnel and organization for advertising sales activities and technological development work necessary for business expansion, the Group must increase staff to respond to business diversification: to support the large number of new Websites created by the recent surge in Internet use; to carry out the operation and management of its community and shopping services; and to control billing and offer customer support for fee-based services.

Failure on the part of the organization or staff to respond adequately to these expanded administrative duties could undermine competitiveness, create problems with users and tenants, and affect the efficiency of operations.

Although the Group will work to minimize the effects of increased staff on operating results, personnel expenses, lease expenses and other fixed costs will likely rise, resulting in lower profit margins.

c. Continued Support from Senior Management, etc.

The Group depends on continued support from senior management and key technical personnel. These include the president, directors and other representatives of various departments serving on the Management Committee who possess specialized knowledge and technological expertise concerning the Group and its business. Consequently, if key personnel were to leave and the Group fails to replace them, it would negatively influence the continuation and development of the business.

In addition, some senior managers participate in one of the Group's personnel incentive measures, the stock-option plan. Depending on the fortunes of the stock market, it is possible that these stock options may not motivate the participants in the plan and indeed may reduce their motivation and cause them to leave the Group.

d. Risk of Business Growth with a Large Pool of Unspecified Customers

Along with the expansion of its operations and the ramping-up of its e-commerce business etc. mainly through subsidiaries and affiliates, the proportion of Group business composed of direct income from a large pool of unspecified individual customers is steadily increasing. The Group has formed a special team to take responsibility for strengthening management of this pool of customers and to take steps such as introducing new systems to improve business efficiency. Despite these measures, it is possible that the Group will be exposed to increased risks related to

the settlement and collection of receivables due to rises in the amount of small receivables and uncollected receivables, credit-card settlement problems and the costs of receivables collection.

It is also possible that the nature and quantity of inquiries from customers may expand. Previously, most inquiries were related to usage of services, but they may now shift to inquiries about payments, the return or exchange of services and goods, and matters related to commissioned third parties, such as distribution or settlements. To properly respond to inquiries from these customers, the Group is in the process of increasing staff, strengthening and expanding its management organization and improving efficiency by standardizing business practices and computerizing them. It is possible that the costs of these measures and improvements could negatively affect Group profits. In addition, it does not eliminate the possibility that customers will not be sufficiently satisfied despite these measures. By hurting its brand image and other factors, such a result could negatively impact Group performance.

e. Risk of Client Creditworthiness

In sales of advertising and other products, the Group carefully examines the credit standing of clients, following a set of internal rules. It also undertakes sufficient precautions so the collection of receivables will not be delayed by taking measures such as making sales through advertising agencies or using credit-card settlements. Nevertheless, economic fluctuation and deterioration of client business could increase delays in collections and the incidence of defaults.

The Group plans to curtail unrecoverable debt by rigorously evaluating the creditworthiness of individual Yahoo! JAPAN Card holders and monitoring their card use. However, it is possible that the Group will be unable to collect payments from cardholders to recover advances to the holders due to unrecoverable debt arising from declines in cardholder creditworthiness.

3) Operating a Consolidated Group

The Group has subsidiaries and affiliates of all sizes, and the degree of in-house management varies by size. It is the Group's policy to acquire necessary additional staff and to strengthen its organization as businesses expand, but if these measures are not implemented with the appropriate timing it could negatively affect Group performance.

Tie-ups with the Company's services or network or personnel support are essential to the operation of any of the services of its subsidiaries and affiliates. The related sections of the Company work closely with the individual subsidiaries and affiliates to provide that support. However, it is possible that it will become difficult to adequately provide this cooperation or support due to the expansion of the operations

of the Company, its subsidiaries and affiliates. This could have a negative impact on Group performance.

Several subsidiaries and affiliates were established and are operating as joint ventures with third parties. Operations of these subsidiaries and affiliates depend substantially on the outside partners, especially in the areas of sales, supply, distribution and systems. At this time, relationships with the joint-venture partners are excellent, and the cooperative relationships with these partners contribute much to the performance of these Group companies. However, if for some reason a situation occurs that obstructs business cooperation or ties with the partners, it could damage the performance of each company and, depending on the company, it may become impossible to continue operations.

9. Risk Related to Funds Procurement and Changes in Interest Rates

1) Funds Procurement for Yahoo! ezPay Service

Yahoo! ezPay is a payment service provided by the Company's subsidiary Netrust, Ltd., whereby on the request of the seller and purchaser of an item sold on Yahoo! Auctions, Netrust, Ltd., mediates settlement of the auction transaction.

Since Netrust, Ltd. reimburses the seller of the item one to three business days after the purchaser has made settlement by credit card or Internet bank transfer, the subsidiary must carry the credit-card receivables for the period up to the fixed settlement date of the bank used by the credit-card company. The Group is exploring methods of reducing the volume of reimbursement funds by shortening settlement cycles with the credit-card companies' settlement banks as well as seeking methods of diversifying its sources of funds. However, if the pace of growth of this service should substantially exceed the anticipated rate, it is possible the Group will not be able to raise the required funds at reasonable cost. Moreover, the volume of reimbursement funds could increase to a level where, if interest rates rise higher, interest payments to banks or other financial institutions could have a significant negative impact on Group business and performance.

2) Funds Procurement for Yahoo! JAPAN Card Service

The Yahoo! JAPAN Card differs from the joint cards that the Group has offered in the past in that the Group is the credit-card issuer and will be providing credit to those who are issued the card. The Group will also be reimbursing payments made by cardholders to the merchants honoring the card. Since payments will be collected from cardholders monthly while reimbursements to merchants will be made about three times per month, it will be necessary to finance those reimbursements. The

Group is considering diversification of its funding sources as the business expands, but the possibility remains that the Group will not be able to obtain the necessary funding for reimbursements to merchants at a suitable cost.

10. Risk Related to Loans and Investments

1) Loans and Investments

As of March 31, 2006, the companies or organizations in which the Group has invested pursuant to business ties or forming business ties in the future are as shown below. The Group cannot guarantee that these investments will be recovered.

Further, although there are companies in which the Group has invested that have already publicly listed and produced unrealized gains, these unrealized gains could decline or turn to unrealized losses in the future.

The Group takes the utmost care to ensure that the performance of the companies it invests in is reflected appropriately in its own performance by operating according to in-house rules in accordance with general accounting standards and by applying asset-impairment accounting. Nevertheless, depending on the direction of the performance of those companies, they could have an even greater adverse effect on Group profit or loss in the future.

To pursue business synergies or expansion of Group business, it is anticipated that the Company will further invest or lend funds for capital participation in third-party companies, fund joint ventures, engage in new investments by establishing companies, etc., or provide new loans to meet adequately the capital needs of subsidiaries and affiliates. These investments or loans will be made based on careful investigations and thorough analysis of the risk of said investments or loans and in compliance with in-house procedures. However, if these new investments or loans do not achieve planned levels of profit or, in the worst case, become irrecoverable, they could adversely affect the Group's financial condition in the future.

2) Participation in the Finance Scheme for Yahoo! BB

In the July 17, 2003 meeting of the Board of Directors, based on the following finance scheme, the Group decided to provide a mezzanine loan to finance the Japan branch of a special-purpose company (SPC) being established to increase the liquidity of the assets of SOFTBANK BB Corp. ("SBB"). The SPC is BB Modem Rental Plc., and it is registered in the Cayman Islands. On July 31, 2003 the Group made a loan of ¥5,700 million that would mature in 42 months.

Finance Scheme Summary

- * The SPC raises a total of ¥19,140 million from several lenders as loans and as investments. This amount is structured as senior and mezzanine loans and a Tokumei Kumiai (TK), an anonymous partnership.
- * The SPC acquires modems and a modem-rental agreement from SBB, and pays SBB for them using the funds raised.
- * The SPC operates a modem-rental business and pays principal and interest to lenders and dividends to TK investors using cash flow generated from the underlying assets (rental fee revenues).
- * In cases where modem-rental fees are not paid using underlying assets, SBB will provide credit compensation under terms outlined in the guarantee agreement.

The scheme is based on the assumption that estimated rental fees would be paid from underlying assets and that SBB would provide credit compensation if the rental fees are not paid from underlying assets. If for some reason a situation arises where SBB cannot adequately perform on its pledge to provide credit compensation, it could prevent the recovery of the principal and interest on the Company's portion of the financing.

In principle, the Group's risk in the above finance scheme is limited to the principal and interest on its loan. The Group does not need to make any commitment to invest additional capital in the scheme.

If in the future SBB should decide to raise further funds based on identical or similar finance schemes, the Company will examine the conditions and nature of each scheme separately and determine whether to extend loans based on the merits of each case.

As of March 31, 2006, the outstanding balance of the mezzanine loans is approx. ¥3,656 million, and the SPC has been making its payments without delay.

Note: As a result of the previously mentioned reorganization of the operations of SBB, BB TECHNOLOGIES Corp. is now the company that will be making any necessary credit compensation. However, this change has no actual effect on the above-mentioned risks of the Group.

Main Companies Invested in by Yahoo Japan Corporation

(As of March 31, 2006)

	Investment targets	Listing	Date of acquisition (See Note 1)	Stake (%)	B/S accounting amount (¥ M) (See Note 2)	Line of business	Relationship with the Company	Directors on loan
Investment securities								
1	Internet Research Institute, Inc.	TSE Mothers	98/08/01	7.9	5,571	Internet technical-support service		
2	Vector Inc.	OSE Hercules	99/03/26	10.7	2,020	Sales of download licenses for personal computer software	Alliance for Yahoo! Computers	
3	SOFTBANK Internet Technology Fund No. 1	-	00/02/21	-	1,850			
4	e-Seikatsu Co., Ltd.	TSE Mothers	05/07/14	5.0	1,698	ASP Solution, network solution	Alliance for Yahoo! Real Estate	Yes
5	Oricon Inc.	OSE Hercules	00/03/30	1.5	451	Construction and supply of music-related databases	Alliance for Yahoo! Music/Music shopping	
6	Weathernews Inc.	TSE 1st Section	99/06/01	3.8	341	Weather observation, data collection and analysis, weather forecast, and related information services		
7	E-net Japan Corporation	OSE Hercules	00/12/16	4.8	274	Sales of personal computers, audiovisual and home equipment on the Internet	Yahoo! Shopping/Auctions tenant	
8	DigiOn, Inc.	-	05/08/23	7.5	200	Multimedia software for PCs, platform software, enterprise business solution		
9	CyberMap Japan Corp.	-	98/04/01	8.3	50	Internet-based map information service ("Mapion")	Alliance for Yahoo! Maps	Yes
10	NNA JAPAN Co., Ltd.	-	05/10/25	14.8	80	Compiling and publishing regional economic and business information magazines in overseas markets, and distributing articles as news over the Internet in Japan.		

Investment targets	Listing	Date of acquisition (See Note 1)	Stake (%)	B/S accounting amount (¥ M) (See Note 2)	Line of business	Relationship with the Company	Directors on loan	
Shares in affiliated companies								
1	ValueCommerce Co., Ltd.	-	05/04/11	49.6	9,031	Affiliate program, Internet advertising distribution and management, Internet marketing consulting, server rental, hosting, and domain purchasing services	Alliance for affiliate marketing	Yes
2	All About, Inc.	Jasdaq	04/09/08	35.7	2,077	General information site based on expert guides, Internet advertising	Comprehensive alliance to solicit customers for both sites	Yes
3	CREO. CO., LTD.	Jasdaq	05/01/26	36.9	1,589	System development; planning, development and sale of software packages; and others	Business alliance for system development	Yes
4	FashionWalker Inc.	-	05/08/25	33.6	1,138	Operation of a fashion goods shopping site	Alliance for shopping business etc.	Yes
5	TV Bank Corporation	-	05/12/19	40.0	1,056	Streaming content services	Alliance for Yahoo! Streaming	Yes
6	YUME NO MACHI SOUZOUINKAI CO., LTD.	-	04/10/20	25.5	339	Internet-based home delivery store information services centered on "Demae Kan" site and planning, development, and operation of e-commerce services	Alliance for Yahoo! Gourmet	Yes
7	Tavigator, Inc.	-	00/03/07	30.0	183	Internet travel agent and travel information services	Alliance for Yahoo! Travel and Yahoo! Shopping tenant	Yes
8	INTAGE Interactive Inc.	-	02/10/01	49.0	167	Internet-based research services	Alliance for Yahoo! Research	Yes
9	Seven and Y Corp.	-	99/09/10	31.3	70	Internet-based sale of publications, CDs, DVDs, etc. and related services	Alliance for Yahoo! Shopping	Yes
10	JWord Inc.	-	05/01/28	33.4	0	"JWord" (Japanese keyword search) service	Alliance for Yahoo! JAPAN search services	Yes

Investments							
1	Other investments	-	-	-	242		

Notes:

1. In principle, the date of acquisition is the day that the Company became a shareholder.
2. B/S accounting amounts are shown on a consolidated basis in units of millions of yen. As reference, the subsidiaries' non-consolidated B/S accounting amounts are shown in the following table.

(For Reference)

Company	B/S accounting amount (¥M)	Line of business
INFO PLANT CO., LTD.	3,012	Internet-based research services
Firstserver, Inc.	1,971	Information processing services (Server rental, domain registration, and other Internet-related services)
NewsWatch, Inc.	1,316	Information processing and information provision services, and others
ALPS MAPPING K.K.	810	Planning and creating regional maps, and providing regional map data and regional information services, and others
VACS Corporation	240	Development and sale of PC software
BridalNet, Inc.	229	Web-based marriage matchmaking service
Tricle Inc.	150	Mobile commerce services
Netrust, Ltd.	120	Online settlement-related services
Indival, Inc.	120	Web-based recruiting services
UniCept, Inc.	50	Consulting for Internet business and planning, development and operation of a range of services
Y's Insurance Inc.	30	Life/non-life insurance agency business
NETGENE Co., Ltd.	28	Development of applications for mobile devices
Surfmonkey Asia Inc.	26	Currently, not in actual operation
GeoCities Japan Corporation	10	Maintaining domain names (for maintaining services being offered by the Company)
broadcast.com japan k.k.	10	Maintaining domain names (for maintaining services being offered by the Company)
Y's Agencies Inc.	10	Planning and sale of ad products
CURIOCITY CORP.	0	Currently, not in actual operation
Y's Sports Inc.	0	Collecting sports information and producing articles and content
BridalConcierge Corp.	0	Maintaining domain names (for maintaining services being offered by the Company)
INFO PLANT CHINA CO., LTD.	-	Wholly owned subsidiary of INFO PLANT CO., LTD. Offers marketing and research services in China
INFO PLANT SHANGHAI CO., LTD.	-	Wholly owned subsidiary of INFO PLANT CO., LTD. Offers marketing and research services in China
NETGENE SOLUTIONS CO., LTD.	-	Wholly owned subsidiary of NETGENE Co., Ltd. Currently, not in actual operation